**NEW ISSUE—Issued in Book-Entry Only Form**

**Ratings: Moody's "Aaa"; S&P "AAA" (FSA Insured)**
See "MISCELLANEOUS—Bond Ratings" and "CREDIT ENHANCEMENT" herein.

*Subject to compliance by the Authority and the State with certain covenants, in the opinion of Bond Counsel, under present law, interest on the 1998C Bonds, is not includible in gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In the opinion of Bond Counsel, under existing laws of the State of Utah as presently enacted and construed, interest on the 1998C Bonds is exempt from taxes imposed by the Utah Individual Income Tax Act. See "LEGAL MATTERS—Tax Exemption" herein for more complete discussion.*

# State of Utah, State Building Ownership Authority

## $105,100,000 Lease Revenue Refunding Bonds (State Facilities MasterLease Program), Series 1998C

### payable from annually renewable lease payments to be made by the

# State of Utah

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

The 1998C Bonds are issued by the State of Utah, State Building Ownership Authority (the "Authority"), a body corporate and politic of the State of Utah (the "State"), are issuable only as fully registered bonds and, when initially issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 1998C Bonds. Principal of and interest on the 1998C Bonds (interest payable May 15 and November 15 of each year, commencing May 15, 1999) are payable by First Security Bank, N.A., Salt Lake City, Utah, as Paying Agent, to the registered owners thereof. See "THE 1998C BONDS—Book-Entry Only System" herein.

The 1998C Bonds are not subject to optional redemption, however, the 1998C Bonds are subject to mandatory sinking fund redemption, and extraordinary optional redemption (in the event of damage, destruction or condemnation to certain facilities) prior to maturity. See "THE FACILITIES" and "THE 1998C BONDS—Redemption Provisions For The 1998C Bonds" herein.

The 1998C Bonds are being issued for the purpose of advance refunding certain principal maturities from the 1994A Bonds, the 1995A Bonds and the 1996A Bonds (as more fully described herein), and paying the costs associated with the issuance of the 1998C Bonds and of such refunding. See "THE 1998C BONDS—Estimated Sources And Uses Of Funds" and "THE 1998C BONDS—Plan Of Refunding" herein. The 1998C Bonds and certain Prior Parity Bonds previously issued by the Authority will be equally and ratably secured under the Indenture and the Mortgages on certain of the Facilities.

***Under the Lease, the State has agreed to pay Base Rentals, as defined herein, which are sufficient to pay the principal of and interest on the 1998C Bonds and the Prior Parity Bonds (collectively, the "Bonds"), coming due in each year, but only if and to the extent that the Legislature of the State annually appropriates funds sufficient to pay the Base Rentals coming due plus such Additional Rentals as are necessary to operate and maintain the Facilities during each Renewal Term. The Lease specifically provides that nothing therein shall be construed to require the State to appropriate moneys to pay the Base Rentals or Additional Rentals (collectively, the "Rentals") under the Lease, and the State shall not be obligated to pay such Rentals except to the extent appropriated. The obligation of the State to pay any Rentals is subject to annual appropriations by the Legislature of the State as provided in the Lease. Neither the obligation of the State to pay such Rentals nor the obligation of the Authority to pay the 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 Bonds does not directly or contingently obligate the State to pay any Rentals beyond those appropriated for the State's then current fiscal year. The Authority has no taxing power.***

The purchase of the 1998C Bonds involves certain investment risks which are discussed throughout this OFFICIAL STATEMENT. See "INTRODUCTION—Bondowners' Risks" herein.

The scheduled payment of principal of and interest on the 1998C Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the 1998C Bonds by FINANCIAL SECURITY ASSURANCE INC.

**FSA**

**Dated:** August 15, 1998

**Due:** May 15, as shown below

## $74,105,000 Serial Bonds

| Due May 15 | CUSIP 917547 | Principal Amount | Interest Rate | Yield or Price | Due May 15 | CUSIP 917547 | Principal Amount | Interest Rate | Yield or Price |
|---|---|---|---|---|---|---|---|---|---|
| 2000 | LB 5 | $ 45,000 | 3.80% | 100.00% | 2008 | LK 5 | $ 7,715,000 | 5.50% | 4.43% |
| 2001 | LC 3 | 45,000 | 3.90 | 100.00 | 2009 | LL 3 | 8,130,000 | 5.50 | 4.50 |
| 2002 | LD 1 | 50,000 | 3.95 | 100.00 | 2010 | LM 1 | 8,575,000 | 5.50 | 4.58 |
| 2003 | LE 9 | 50,000 | 4.00 | 100.00 | 2011 | LN 9 | 9,065,000 | 5.50 | 4.65 |
| 2004 | LF 6 | 50,000 | 4.00 | 4.10 | 2012 | LP 4 | 8,995,000 | 5.50 | 4.72 |
| 2005 | LG 4 | 55,000 | 4.10 | 4.20 | 2013 | LQ 2 | 9,490,000 | 5.50 | 4.79 |
| 2006 | LH 2 | 1,120,000 | 4.20 | 4.30 | 2014 | LR 0 | 10,010,000 | 5.50 | 4.83 |
| 2007 | LJ 8 | 1,170,000 | 4.30 | 4.35 | 2015 | LT 6 | 9,540,000 | 5.50 | 4.87 |

**$30,995,000 5.50% Term Bond due May 15, 2019—Price 107.058% (CUSIP 917547 LS 8)**

**(Accrued interest from August 15, 1998 to be added, if any.)**

***This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire OFFICIAL STATEMENT to obtain information essential to the making of an informed investment decision.*** This OFFICIAL STATEMENT is dated August 26, 1998, and the information contained herein speaks only as of that date.

**Salomon Smith Barney**

**First Security Capital Markets, Inc.**

**George K. Baum & Company**

**Merrill Lynch & Co.**

**PaineWebber Incorporated**

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No dealer, broker, salesperson or any other person has been authorized to give any information or to make any representations, other than those contained in this OFFICIAL STATEMENT, in connection with the offering contained herein, and, if given or made, such additional information or representations must not be relied upon. This OFFICIAL STATEMENT does not constitute an offer to sell or the solicitation of an offer to buy the securities offered hereby where such offer or solicitation would be unlawful. The information set forth herein has been obtained from the State, the Authority, DTC and other sources that are believed to be reliable. The information contained in this OFFICIAL STATEMENT is subject to change without notice and neither delivery of this OFFICIAL STATEMENT nor any sale of the 1998C Bonds shall create any implication that there has been no change in the information contained herein subsequent to the date hereof.

***In connection with the offering of the 1998C Bonds, the Underwriters may engage in transactions that stabilize, maintain, or otherwise affect the price of the 1998C Bonds. Such transactions may include overallotments in connection with the underwriting, the purchase of 1998C Bonds to stabilize their market price, the purchase of 1998C Bonds to cover underwriter short positions, and the imposition of penalty bids. Such transactions, if commenced, may be discontinued at any time.***

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***These 1998C Bonds have not been approved or disapproved by the Securities and Exchange Commission or any state securities agency, nor has the Securities and Exchange Commission or any state securities agency passed upon the accuracy or adequacy of this OFFICIAL STATEMENT. Any representation to the contrary is a criminal offense.***

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

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# OFFICIAL STATEMENT RELATED TO

# State of Utah, State Building Ownership Authority

**$105,100,000 Lease Revenue Refunding Bonds (State Facilities Master Lease Program), Series 1998C**

**payable from annually renewable lease payments to be made by the**

# State of Utah

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

## INTRODUCTION

This OFFICIAL STATEMENT, including the cover page, introduction and Appendices, provides information in connection with the issuance and sale by the State of Utah, State Building Ownership Authority (the "Authority"), a body politic and corporate of the State of Utah (the "State") of its $105,100,000 Lease Revenue Refunding Bonds (State Facilities Master Lease Program), Series 1998C (the "1998C Bonds").

This introduction is only a brief description of the 1998C Bonds, as hereinafter defined, the security and source of payment for the 1998C Bonds, the facilities to be refinanced therewith and certain information regarding the State of Utah's economy, government, finances, indebtedness and management. The information contained herein is expressly qualified by reference to the entire OFFICIAL STATEMENT. Investors are urged to make a full review of the entire OFFICIAL STATEMENT as well as of the documents summarized or described herein.

See the following APPENDICES attached hereto and incorporated herein by reference: APPENDIX A—BASIC DOCUMENTATION; APPENDIX B—GENERAL PURPOSE FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 1997; APPENDIX C—DEMOGRAPHIC AND ECONOMIC DATA REGARDING THE STATE OF UTAH; APPENDIX D—FORM OF OPINION OF BOND COUNSEL; APPENDIX E—FORM OF CONTINUING DISCLOSURE UNDERTAKING; and APPENDIX F—SPECIMEN MUNICIPAL BOND INSURANCE POLICY.

Additional information is available at the:

State's web site at ........ http://www.state.ut.us
State Treasurer's web site at ........ http://www.treasurer.state.ut.us
Division of Finance's web site at ........ http://www.finance.state.ut.us
Governor's Office of Planning and Budget web site at ........ http://www.governor.state.ut.us/gopb
Governor's Office web site at ........ http://www.governor.state.ut.us

The information available at the web sites shown above is provided by the State in the course of its normal operations and has not necessarily been reviewed for accuracy or completeness.

Such information has not been provided in connection with the offering of the 1998C Bonds and is not a part of this OFFICIAL STATEMENT.

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

### The Issuer

The Authority was established and operates under the State Building Ownership Act (the "Building Ownership Act"), Title 63, Chapter 9a, Utah Code Annotated 1953, as amended (the "Utah Code"). The Authority was created in 1979 for the purpose of acquiring, constructing, improving or extending one or more projects on behalf of the State and certain state bodies pursuant to the Building Ownership Act. See "STATE BUILDING OWNERSHIP AUTHORITY" below.

### Authorization For And Purpose Of The 1998C Bonds; Prior Parity Bonds

The 1998C Bonds are being issued pursuant to (i) the Building Ownership Act and the Utah Refunding Bond Act, Chapter 27 of Title 11 (collectively, the "Act"); (ii) certain authorizing resolutions adopted by the Authority; and (iii) an Indenture of Trust, Assignment of State Facilities Master Lease Agreement and Security Agreement dated as of September 1, 1994, as amended and supplemented (collectively, the "Indenture") between the Authority and First Security Bank, N.A., Salt Lake City, Utah, as trustee (the "Trustee").

The 1998C Bonds are being issued for the purpose of advance refunding certain principal maturities from the Authority's currently outstanding 1994A Bonds, 1995A Bonds and 1996A Bonds, and paying the costs associated with the issuance of the 1998C Bonds and such refunding. See "THE 1998C BONDS—Estimated Sources And Uses Of Funds" below and "THE 1998C BONDS—Plan Of Refunding" below.

The Authority has previously issued seven Series of Bonds under the Indenture (collectively, the "Prior Parity Bonds") to finance the cost of various projects (the "Facilities") under the Building Ownership Act. As of September 15, 1998 (the scheduled closing of the 1998C Bonds), the outstanding aggregate principal amount of the Prior Parity Bonds is $126,716,478.

The 1998C Bonds will be issued on a parity basis, and will be equally and ratably secured under the Indenture with (i) the Prior Parity Bonds and (ii) any Additional Bonds, which may be issued from time to time under the Indenture. *The 1998C Bonds, the Prior Parity Bonds, and any Additional Bonds issued under the Indenture are sometimes collectively referred to herein as the "Bonds."*

The Authority has leased the Facilities to the State, acting through its Division of Facilities Construction and Management, a division of its Department of Administrative Services (the "Division"), pursuant to a State Facilities Master Lease Agreement dated as of September 1, 1994, as amended and supplemented (collectively, the "Lease"). Pursuant to certain mortgages, the Authority has granted to the Trustee mortgages and security interests in each of the Facilities (other than certain housing facilities financed for the University of Utah (the "U of U 1998B Project")) as security for the Bonds. (In connection with financing the U of U 1998B Project for the University of Utah, the Authority has granted a leasehold mortgage and security interest in a performing arts auditorium known as Kingsbury Hall located on the campus of the University of Utah. No mortgage or security interest in the U of U 1998B Facilities has been created to secure the Bonds). The Facilities which are subject to mortgages and security interests (excluding the U of U 1998B Facilities, but including the Kingsbury Hall, are herein referred to as the "Mortgaged Facilities"). See "THE 1998C BONDS—Security And Sources Of Payment For The 1998C Bonds" below.

## Security

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 the Mortgaged Facilities and its right to receive the Base Rentals (as defined below) as lessor under the Lease, as security for the payment of the principal of, premium, if any, and interest on the Bonds. In addition, the Authority has granted a mortgage on all of its interest in each of the Mortgaged Facilities and the real property (or leasehold interest therein) on which the Mortgaged Facilities are located pursuant to certain Mortgages, Security Agreements and Assignments of Rents (collectively, the "Mortgages"), as provided in the Indenture, for the equal and proportionate benefit of the Owners of the Bonds, subject to the release of any of the Mortgaged Facilities upon the terms and conditions described under "THE FACILITIES—Release Of Portions Of Mortgaged Facilities" below. 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.

The Bonds are limited obligations of the Authority, payable solely from the revenues and receipts received pursuant to the Lease and other funds or amounts held by the Trustee under the Indenture as security for the Bonds. Additional Bonds ranking on a parity with the 1998C Bonds and the Prior Parity Bonds may be issued under the terms specified in the Indenture. See "THE 1998C BONDS—Security And Sources Of Payment For The 1998C Bonds" "—Additional Bonds; Refunding Bonds" below and "APPENDIX A—BASIC DOCUMENTATION–THE INDENTURE–The Bonds–Additional Bonds" below.

Under the Lease, the State has agreed to make payments in stated amounts which are sufficient to pay interest on the Bonds and the principal amount thereof coming due in each year (collectively, the "Base Rentals"), but only if and to the extent that the Utah State Legislature (the "Legislature") annually appropriates funds sufficient to pay the Base Rentals coming due during each succeeding Renewal Term (as described herein) under the Lease plus such additional amounts (the "Additional Rentals") as are necessary to operate and maintain the Facilities during such period. The Lease specifically provides that nothing therein shall be construed to require the Legislature to appropriate any money to pay any Base Rentals or Additional Rentals (collectively, the "Rentals") thereunder and that neither the State nor any political subdivision thereof shall be obligated to pay such Rentals except to the extent of funds appropriated for that purpose. The obligation of the State to pay any Rentals is subject to annual appropriations by the Legislature as provided in the Lease. Neither the obligation of the State to pay Rentals nor the obligation of the Authority to pay the 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 Bonds does not directly or contingently obligate the State to pay any Rentals beyond those appropriated for the State's then current fiscal year. The Authority has no taxing power. See in this section "Bondowners' Risks" and "THE 1998C BONDS—Security And Sources Of Payment For The 1998C Bonds" below.

## Redemption Of The 1998C Bonds

The 1998C Bonds are not subject to optional redemption, however, the 1998C Bonds are subject to mandatory sinking fund redemption, and extraordinary optional redemption (in the event of damage, destruction or condemnation to certain facilities) prior to maturity. See "THE FACILITIES" and "THE 1998C BONDS—Redemption Provisions For The 1998C Bonds" herein.

See "THE 1998C BONDS—Redemption Provisions For The 1998C Bonds" below.

## Registration, Denominations, Manner Of Payment Of The 1998C Bonds

The 1998C 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"), which will act as securities depository of the 1998C Bonds. Purchases of 1998C Bonds will be made in book–entry only form, in the principal amount of $5,000 or any natural multiple thereof, through brokers and dealers who are, or who act through, DTC Participants. Beneficial Owners of the 1998C 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 1998C Bonds. "Participants" and "Beneficial Owners" are defined under "THE 1998C BONDS—Book–Entry Only System" below.

*So long as Cede & Co. is the registered Owner of the 1998C Bonds, as nominee of DTC, references herein and in the Indenture to the Bondowners or registered Owners of the 1998C Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the 1998C Bonds.*

Principal of and interest on the 1998C Bonds (interest payable May 15 and November 15 of each year, commencing May 15, 1999) are payable by First Security Bank, N.A., Salt Lake City, Utah, as Paying Agent, to the registered owners of the 1998C Bonds. So long as Cede & Co. is the registered owner, as nominee of DTC, it will in turn remit such principal and interest to its Participants, for subsequent disbursements to the Beneficial Owners of the 1998C Bonds, as described under the caption "THE 1998C BONDS—Book–Entry Only System" below.

*Neither the Authority, the State, the Underwriters nor the Trustee will have any responsibility or obligation to any Participants of DTC, or the Persons for whom they act as nominees, with respect to the payments to or the providing of notice for the Participants, Direct Participants, Indirect Participants or Beneficial Owners of the 1998C Bonds.*

### Transfer Or Exchange On The 1998C Bonds

No transfer or exchange of any 1998C Bonds shall be required to be made during a period beginning on the Regular Record Date immediately preceding any interest payment date and ending on such interest payment date. Regular Record Date shall mean the first day of the month in which such Bond Interest Payment Date occurs.

### Tax–Exempt Status For The 1998C Bonds

Subject to compliance by the Authority and the State with certain covenants, in the opinion of Chapman and Cutler, Bond Counsel, under present law, interest on the 1998C Bonds is not includible in gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In the opinion of Bond Counsel, under existing laws of the State of Utah as presently enacted and construed, interest on the 1998C Bonds is exempt from taxes imposed by the Utah Individual Income Tax Act.

See "LEGAL MATTERS—Tax Exemption" herein for more complete discussion.

### Professional Services

As of the date of this OFFICIAL STATEMENT, the following have served the Authority and the State in the capacity indicated in connection with the issuance of the 1998C Bonds:

*Independent Auditors*

Utah State Auditor
State Capitol Building, Rm 211
Salt Lake City, UT 84114
(801) 538–1025—Fax (801) 538–1383

*Bond Counsel*

Chapman and Cutler
50 S Main St, Ste 800
Salt Lake City, UT 84144
(801) 533–0066—Fax (801) 533–9595

*Escrow, Trustee, Paying Agent and Registrar*

First Security Bank, N.A.
Corporate Trust Department
79 S Main St
Salt Lake City, UT 84111
(801) 246–5630—Fax (801) 246–5777

*Escrow Verification Agent*

Ernst & Young LLP
1400 One Commerce Square
Memphis, TN 38103
(520) 577–6353—Fax (520) 577–6340

*Financial Advisor*

Zions Bank Public Finance
215 S State St, Ste 700
Salt Lake City, UT 84111–2336
(801) 524–2100—Fax (801) 524–2109

## Conditions Of Delivery, Anticipated Date, Manner And Place Of Delivery For The 1998C Bonds

The 1998C Bonds are offered, subject to prior sale, when, as and if issued and received by the Underwriters, subject to the approval of legality by Chapman and Cutler, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the State by its Attorney General. Certain matters will be passed on for the Underwriters by Ballard Spahr Andrews & Ingersoll, LLP. It is expected that the 1998C Bonds, in book–entry only form, will be available for delivery in New York, New York for deposit with DTC or a "fast agent" of DTC on Tuesday, September 15, 1998.

## Bondowners' Risks

The purchase of the 1998C Bonds involves certain investment risks which are discussed throughout this OFFICIAL STATEMENT. Accordingly, each prospective purchaser of the 1998C Bonds should make an independent evaluation of all of the information presented in this OFFICIAL STATEMENT in order to make an informed investment decision. Certain of these risks are described below.

### Limited Obligations

The 1998C Bonds are payable from amounts due under the Lease on a parity basis with all other Bonds that may be outstanding under the Indenture. The initial term of the Lease commenced as of September 1, 1994, and expired at 11:59 P.M. on June 30, 1995 (the "Initial Term"). The State has the option under the provisions of the Lease to extend the term of the Lease for 24 consecutive one–year renewal terms commencing on July 1 of the years 1995 through 2018 and a final Renewal Term commencing July 1, 2019, and ending May 16, 2020 (herein referred to as the "Renewal Terms"). The 1998C Bonds will be issued during the fourth Renewal Term of the Lease. The State's obligation under the Lease does not constitute a general obligation or other indebtedness of the State, the Authority or any agency or political subdivision of the State within the meaning of any constitutional or statutory debt limitation. The Authority has no taxing power.

There is no assurance that the State will, in its sole discretion, exercise its option to extend the term of the Lease for any future Renewal Term. Accordingly, the likelihood that the State will extend the term of the Lease for any Renewal Term and that there will be sufficient funds to pay the principal of, premium, if any, and interest on the Bonds as the same become due depends upon a number 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 Mortgaged Facilities if relet or sold in a foreclosure or other liquidation proceeding instituted by the Trustee in the event of the termination or expiration of the Lease if the Legislature does not appropriate sufficient funds to extend the term of the Lease as provided therein.

### No Reserve Fund for the Bonds

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

### Expiration or Termination of the Lease

In the event that the Legislature does not extend the term of the Lease in any year by failing to appropriate sufficient funds to pay Rentals due thereunder, 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.

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

### 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 Bonds will be payable from, among other sources, such moneys as may be available by way of recovery from the State of the Rentals which are due through the then–current Renewal Term. As set forth in the Building Ownership Act and the Lease, if the State fails to pay any rentals due to the Authority under the terms of the Lease, the State shall immediately quit and vacate the 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 recover and relet or sell the affected Mortgaged Facilities as provided in the Indenture.

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. No assurance can be given that the Trustee could relet or sell the Mortgaged Facilities for the amount necessary to pay the principal of and the interest due on the Bonds. The net proceeds of any reletting or sale of the Mortgaged Facilities, together with certain other moneys then held by the Trustee under the Indenture, if any, are required to be used to pay the Bonds to the extent of such moneys. No assurance can be made as to the amount of funds available from any such source for the payment of the aggregate principal amount of the 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 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. The Mortgaged Facilities constitute facilities to be used in connection with the operation of certain divisions of State government and institutions of higher education and may not be readily usable by other types of tenants. See "THE FACILITIES" below. Because of the unique uses to which the Mortgaged Facilities may be suited and the delays inherent in obtaining foreclosure upon real property and judicial remedies, no assurance can be given that these remedies could be accomplished rapidly. Any delays in or failure of the ability of the Trustee to obtain possession of or to foreclose the lien on the Mortgaged Facilities, of necessity, will result in delays in any payment of principal of or interest on the Bonds.

### Acquisition and Construction of the Facilities

The design, acquisition, construction, and equipping of certain Facilities have commenced and are expected to be completed within the next two years. See "THE FACILITIES—The Facilities" below.

The Authority and the State believe, but there can be no assurance, that the proceeds of sale of the Prior Parity Bonds, together with certain investment earnings thereon and other sources of construction funds described in "THE FACILITIES—The Facilities" below, will be sufficient to complete the acquisition, construction and equipping of certain 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 (as defined hereinbelow) issued pursuant to the Indenture or from moneys otherwise legally available for that purpose. The Indenture provides that Additional Bonds may be issued for the purpose of completing the Facilities or of making additions or improvements to the Facilities or of acquiring or constructing Additional Facilities (as that term is defined in the Lease), subject to satisfaction of certain conditions provided in the Indenture. There can be no assurance that such Additional Bonds will be permitted under applicable law or that the Legislature will agree to the issuance of Additional Bonds at that time. If issued, Additional Bonds will be secured under the Indenture on a parity with the Bonds previously issued, including the 1998C Bonds and the Prior Parity Bonds. See "THE 1998C BONDS—Security And Sources Of Payment For The 1998C Bonds—Additional Bonds; Refunding Bonds" below and "APPENDIX A—BASIC DOCUMENTATION–THE INDENTURE–The Bonds–Additional Bonds" below.

### 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 A—BASIC DOCUMENTATION–THE LEASE–Insurance" below. 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. 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. 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 A—BASIC DOCUMENTATION–THE LEASE–Damage Or Destruction; Condemnation" below.

**Depreciation and Lack of Residual Value**

Certain components of the Facilities that have relatively short useful lives may depreciate in value during the time that the 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 Mortgaged Facilities may be insufficient to pay all outstanding Bonds in full.

**Tax–Exempt Status; Continuing Compliance with Certain Covenants**

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

**Other Factors Regarding the Facilities**

The ownership or operation of the Facilities sites creates a potential for environmental liability on the part of both the owner or operator of the Facilities sites 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. In the event that the Trustee obtains title to the Authority's interest in the Mortgaged Facilities sites by foreclosure and actually participates in the management of the property prior to such foreclosure or fails to seek to sell, re–lease or otherwise divest itself of the property at the earliest practicable, commercially reasonable time after such foreclosure, a court could hold the Trustee liable for such costs and expenses, even if the Trustee had no knowledge of the existence of such hazardous substances. 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 is 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 obligation of the State to make payments under the Lease is subject to annual appropriation by the Legislature, which consists of the Utah Senate (the "Senate") and the Utah House of Representatives (the "House"), based upon a budget initially presented to the Legislature by the Governor, and which appropriation bill is signed by the Governor. The members of the Legislature and the Governor are elected officials. Members of the Senate and the Governor serve four–year terms while members of the House serve two–year terms. Members of the Senate and House, and the Governor may serve for 12 consecutive years. As of the date of this OFFICIAL STATEMENT, the Governor and his administration support the Facilities. However, the individuals elected to serve as Governor and as members of the Legislature will change during the period when the Bonds are outstanding. There can be no assurance that the membership of the Legislature or the person elected Governor will not change in a manner that will result in a future Legislature or Governor taking a position contrary to the continued appropriation of payments under the Lease for the Facilities.

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

### Continuing Disclosure Undertaking

The State will enter into a Continuing Disclosure Undertaking (the "Undertaking") for the benefit of the beneficial owners of the 1998C Bonds whereby the Authority shall cause the State to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of paragraph (b)(5) of Rule 15c2–12 (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and other terms of the Undertaking, including termination, amendment and remedies, are described in the proposed form of undertaking in "APPENDIX E—FORM OF CONTINUING DISCLOSURE UNDERTAKING" below.

*The State has represented that it is in compliance with each and every undertaking previously entered into by it pursuant to the Rule.* A failure by the State to comply with the Undertaking will not constitute a default under the Indenture and beneficial owners of the 1998C Bonds are limited to the remedies described in the Undertaking. See "APPENDIX E—FORM OF CONTINUING DISCLOSURE UNDERTAKING—Consequences Of Failure To Comply With This Agreement" below. A failure by the Authority or the State to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 1998C Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 1998C Bonds and their market price.

See "APPENDIX E—FORM OF CONTINUING DISCLOSURE UNDERTAKING," below, for a copy of the proposed form of Undertaking.

### Basic Documentation

The "basic documentation," which includes the Indenture, the Lease, the closing documents for the 1998C Bonds, and other documentation with respect to the Bonds and which establishes the rights and responsibilities of the State, the Authority, the Division, the Trustee and investors, may be obtained from the persons indicated below under the heading "Contact Persons." See "APPENDIX A—BASIC DOCUMENTATION" below.

### Contact Persons

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

Alyn C. Lunceford, Real Property and Debt Manager
Division of Facilities Construction and Management
4110 State Office Building
Salt Lake City, UT 84114
(801) 538–3799—Fax (801) 538–3267

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

Edward T. Alter, Utah State Treasurer
State Capitol Building, Rm 215
Salt Lake City, UT 84114
(801) 538–1042—Fax (801) 538–1465

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

D. Kent Michie, Vice President
Carl F. Empey, Vice President
Eric John Pehrson, Vice President
Zions Bank Public Finance
215 S State St, Ste 700
Salt Lake City, UT 84111–2336
(801) 524–2100—Fax (801) 524–2109

## CREDIT ENHANCEMENT

### Bond Insurance Policy

Concurrently with the issuance of the 1998C Bonds, Financial Security Assurance Inc. ("Financial Security" or "FSA") will issue its Municipal Bond Insurance Policy for the 1998C Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the 1998C Bonds when due as set forth in the form of the Policy included as APPENDIX F to this OFFICIAL STATEMENT.

***The Policy is not covered by the property/casualty insurance security fund specified in Article 76 of the New York Insurance Law.***

### Financial Security Assurance Inc.

Financial Security is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is a New York Stock Exchange listed company whose major shareholders include Fund American Enterprises Holdings, Inc., The Tokio Marine and Fire Insurance Co., Ltd. and MediaOne Capital Corporation. The shareholders of Holdings are not liable for the obligations of Financial Security.

At June 30, 1998, Financial Security's total policyholders' surplus and contingency reserves were approximately $831,493,000 and its total unearned premium reserve was approximately $537,866,000 in accordance with statutory accounting principles. At June 30, 1998, Financial Security's total shareholders' equity was approximately $949,625,000 and its total net unearned premium reserve was approximately $457,615,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this OFFICIAL STATEMENT until the termination of the offering of the 1998C Bonds.

Copies of such materials incorporated by reference will be provided upon request to Financial Security: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826–0100).

The Policy does not protect investors against changes in market value of the 1998C Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the 1998C Bonds or the advisability of investing in the 1998C Bonds. Financial Security makes no representation regarding the OFFICIAL STATEMENT, nor has it participated in the preparation thereof, except that Financial Security has provided to the Authority the information presented under this caption for inclusion in the OFFICIAL STATEMENT.

See "MISCELLANEOUS—Bond Ratings" and "APPENDIX F—FORM OF MUNICIPAL BOND INSURANCE POLICY" below.

## THE 1998C BONDS

### General

The 1998C Bonds will be dated August 15, 1998 and will mature on May 15 of the years and in the amounts as set forth on the cover page of this OFFICIAL STATEMENT.

The 1998C Bonds shall bear interest from their date at the rates set forth on the cover page of this OFFICIAL STATEMENT. Interest on the 1998C Bonds is payable semiannually on each May 15 and November 15 commencing May 15, 1999, and. Interest on the 1998C Bonds shall be computed on the basis of a 360–day year of twelve 30–day months. First Security Bank, N.A., Salt Lake City, Utah is the Registrar, Paying Agent and Trustee with respect to the 1998C Bonds (in such respective capacities, the "Registrar," "Paying Agent" and "Trustee").

The 1998C Bonds will be issued as fully registered bonds, initially in book–entry form, in the denomination of $5,000 or any natural multiple thereof, not exceeding the amount of each maturity.

### Estimated Sources And Uses Of Funds

The proceeds from the sale of the 1998C Bonds (exclusive of any accrued interest upon the delivery thereof) are estimated to be applied as set forth below:

| | |
|---|---|
| *Sources of Funds*: | |
| Par Amount of the 1998C Bonds | $105,100,000.00 |
| Original issue premium | 7,763,307.40 |
| State equity contribution | 1,983,000.00 |
| Total | $114,846,307.40 |
| *Uses of Funds*: | |
| Deposit in Escrow Fund | $113,905,652.00 |
| Costs of Issuance (1) | 928,522.15 |
| Original issue discount | 12,133.25 |
| Totals | $114,846,307.40 |

(1) Costs of issuance include underwriters' discount, rating fees, legal fees, municipal bond insurance premium, financial advisor fees, printing, other miscellaneous expenses and rounding amount.

## Security And Sources Of Payment For The 1998C Bonds

### The Lease and the Indenture

The Bonds are payable from amounts due under the Lease and certain other moneys as provided in the Indenture. The Initial Term of the Lease commenced as of September 1, 1994, and expired on June 30, 1995. The State has exercised its option to extend the term of the Lease and is currently in the fourth Renewal Term, which term will expire June 30, 1999, subject to the further exercise by the State, in its sole discretion, of its option to extend the term of the Lease for 18 consecutive additional one-year Renewal Terms commencing July 1 of the years 2000 through 2018, and a final Renewal Term commencing July 1, 2019, and ending May 16, 2020, unless terminated earlier. The 1998C Bonds are being issued during the fourth Renewal Term of the Lease. For circumstances under which the Lease may be terminated, see "APPENDIX A—BASIC DOCUMENTATION–THE LEASE–Term Of The Lease" below.

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

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

The continuation of the term of the Lease and the obligation of the State to pay Base Rentals after June 30, 1999, 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 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 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 Bonds. The Authority does not have any taxing power. See "INTRODUCTION—Bondowners' Risks" above.

So long as the Lease does not expire on June 30, 1999 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 Bonds.

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

The Governor's Office of Planning and Budget reports that the budget adopted by the Legislature at its 1998 general session included an appropriation of funds sufficient to pay Base Rentals and Additional Rentals due under the Lease during the fiscal year of the State commencing July 1, 1998, thereby extending the term of the Lease for the next Renewal Term.

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

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

**Proposed Amendments to the Indenture and the Lease**

In connection with the issuance of the 1998A Bonds, the Authority entered into a Fifth Supplemental Indenture of Trust and a Fifth Amendment to the Lease which contain certain prospective amendments to the Indenture and the Lease. The effectiveness of the amendments is conditioned upon the receipt of written consents executed by the owners of at least 66.67% in aggregate principal amount of the Bonds outstanding under the Indenture. The underwriters of the 1998A Bonds and 1998B Bonds consented to these amendments (as the initial owners of the bonds) and the Underwriters intend to consent to these amendments as the initial owners of the 1998C Bonds which will, when issued, together with the 1998A Bonds and 1998B Bonds, constitute approximately 66.40% of the aggregate principal amount of the Bonds outstanding under the Indenture. Subsequent owners of the 1998C Bonds will be bound by such consent and shall be deemed to have consented to these amendments by virtue of their purchase of the 1998C Bonds. The Authority expects to issue Additional Bonds at a later date in a principal amount which may be sufficient to provide the remaining approximately 0.27% consent necessary for the amendments to become effective. The purchasers of such Additional Bonds shall be deemed to have consented to the amendments by virtue of their purchase of such Additional Bonds. The proposed amendments can become effective only after such remaining consents are obtained.

The amendments are explained in more detail in "APPENDIX A—BASIC DOCUMENTATION–PROPOSED AMENDMENTS TO THE INDENTURE AND THE LEASE" below.

**Insurance on the Facilities**

The Facilities are required to be insured by the State to the extent described in "APPENDIX A—BASIC DOCUMENTATION–THE LEASE–Insurance Provisions" below. All Net Proceeds of performance bonds, proceeds (including any moneys derived from any self–insurance program) from policies of insurance required by the Lease or condemnation awards which are received by the Trustee will be deposited into a separate trust fund under the Indenture. Such Net Proceeds will be used either (a) to repair, restore, modify or improve the applicable Facilities or (b) to redeem or defease the related Bonds, as more fully described in "APPENDIX A—BASIC DOCUMENTATION–THE LEASE–Damage Or Destruction; Condemnation" below.

**No Reserve Fund for the Bonds**

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

**Additional Bonds; Refunding Bonds**

Additional Bonds may be issued pursuant to the Indenture on a parity with the 1998C 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 excludability 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 Facilities will not, in the opinion of Bond Counsel, adversely affect the excludability from gross income for federal income tax purposes of interest on the Bonds then outstanding and (B) the Lease is amended to include such Additional Facilities thereunder; (iv) to refund 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 Facilities and shall be included under the Lease to the same extent as if originally included thereunder. All Additional Bonds will be secured by the lien of the Indenture pursuant to which such bonds are issued and will rank *pari passu* with Prior Parity Bonds issued and all further Additional Bonds that may be issued under the Indenture, will be in such form, will bear such date or dates, bear such interest rate or rates, will have such maturity date or dates, redemption dates and redemption premiums, and will be issued at such prices as provided in the Supplemental Indenture authorizing the same and in accordance with the provisions of the Indenture.

## Plan Of Refunding

The Authority, under the State Facilities Master Lease Program, has previously issued

(i) $44,725,000 original aggregate principal amount of its Lease Revenue Bonds (State Facilities Master Lease Program), Series 1996A (the "1996A Bonds"), dated July 1, 1996, currently outstanding in the aggregate principal amount of $43,410,000;

(ii) $93,000,000 original aggregate principal amount of its Lease Revenue Bonds (State Facilities Master Lease Program), Series 1995A (the "1995A Bonds"), dated July 1, 1995, currently outstanding in the aggregate principal amount of $92,000,000;

(iii) $30,915,000 original aggregate principal amount of its Lease Revenue Bonds (State Facilities Master Lease Program), Series 1994A (the "1994A Bonds"), dated September 1, 1994, currently outstanding in the aggregate principal amount of $27,095,000.

The Authority used certain bond proceeds from the 1996A Bonds, 1995A Bonds and 1994 Bonds for construction of various State projects.

Proceeds from the 1998C Bonds in the aggregate amount of $111,922,652.00 shall be deposited with First Security Bank, N.A., Corporate Trust Department, Salt Lake City, Utah, as Escrow Agent (the "Escrow Agent"), pursuant to an Escrow Agreement dated as of August 15, 1998 (the "Escrow Agreement") to establish an irrevocable trust escrow fund (the "Escrow Fund"), consisting of cash and noncallable direct full faith and credit obligations of the United States of America. Funds in the Escrow Fund shall be used to refund in advance of their stated maturity certain maturities of the 1996A Bonds, 1995A Bonds and 1994A Bonds as follows:

(i) Amounts in the Escrow Fund shall be used to redeem on November 15, 2006 certain principal amounts of the callable portion of the 1996A Bonds maturing on and after May 15, 2008 (the callable 2007 maturity is not being called) (the "1996A Refunded Bonds"), at a redemption price of 100% of the principal amount thereof plus accrued interest thereon to the redemption date. The 1996A Refunded Bonds were originally scheduled to mature on the dates and in the amounts, and bear interest at the rates, as follows:

| Scheduled Maturity (May 15) | Redemption Date (November 15) | Principal Amount | Interest Rate | Redemption Price |
|---|---|---|---|---|
| 2008 | 2006 | $ 2,130,000 | 5.60% | 100% |
| 2009 | 2006 | 2,240,000 | 5.70 | 100 |
| 2010 | 2006 | 2,370,000 | 5.75 | 100 |
| 2011 | 2006 | 2,515,000 | 5.85 | 100 |
| 2012 | 2006 | 2,100,000 | 5.90 | 100 |
| 2013 | 2006 | 2,225,000 | 5.95 | 100 |
| 2014 | 2006 | 2,355,000 | 6.00 | 100 |
| 2016 | 2006 | 5,140,000 | 6.00 | 100 |
| 2019 | 2006 | 7,960,000 | 6.00 | 100 |
| Totals | | $29,035,000 | | |

The cash and investments held in the Escrow Fund will bear interest and mature in amounts sufficient to pay (a) the interest falling due on the 1996A Refunded Bonds through November 15, 2006 and (b) the redemption price of and interest on the 1996A Refunded Bonds, as such becomes due and payable on November 15, 2006.

(ii) Amounts in the Escrow Fund shall be used to redeem on November 15, 2005 certain principal amounts of the callable portion of the 1995A Bonds maturing on and after May 15, 2008 (the callable 2006 and 2007 maturities are not being called) (the "1995A Refunded Bonds"), at a redemption price of 100% of the principal amount thereof plus accrued interest thereon to the redemption date. The 1995A Refunded Bonds were originally scheduled to mature on the dates and in the amounts, and bear interest at the rates, as follows:

| Scheduled Maturity (May 15) | Redemption Date (November 15) | Principal Amount | Interest Rate | Redemption Price |
|---|---|---|---|---|
| 2008.......... | 2005 | $ 4,365,000 | 5.30 % | 100% |
| 2009.......... | 2005 | 4,595,000 | 5.40 | 100 |
| 2010.......... | 2005 | 4,840,000 | 5.50 | 100 |
| 2011.......... | 2005 | 5,110,000 | 5.50 | 100 |
| 2012.......... | 2005 | 5,390,000 | 5.625 | 100 |
| 2013.......... | 2005 | 5,695,000 | 5.625 | 100 |
| 2014.......... | 2005 | 6,015,000 | 5.70 | 100 |
| 2015.......... | 2005 | 6,360,000 | 5.70 | 100 |
| 2018.......... | 2005 | 18,555,000 | 5.75 | 100 |
| Totals .......................................... | | $60,925,000 | | |

The cash and investments held in the Escrow Fund will bear interest and mature in amounts sufficient to pay (a) the interest falling due on the 1995A Refunded Bonds through November 15, 2005 and (b) the redemption price of and interest on the 1995A Refunded Bonds, as such becomes due and payable on November 15, 2005.

(iii) Amounts in the Escrow Fund shall be used to redeem on November 15, 2004 certain principal amounts of the callable portion of the 1994A Bonds maturing on and after May 15, 2006 (the callable 2005 maturity is not being called) (the "1994A Refunded Bonds"), at a redemption price of 100% of the principal amount thereof plus accrued interest thereon to the redemption date. The 1994A Refunded Bonds were originally scheduled to mature on the dates and in the amounts, and bear interest at the rates, as follows:

| Scheduled Maturity (May 15) | Redemption Date (November 15) | Principal Amount | Interest Rate | Redemption Price |
|---|---|---|---|---|
| 2006.......... | 2004 | $ 1,065,000 | 5.70% | 100% |
| 2007.......... | 2004 | 1,130,000 | 5.80 | 100 |
| 2008.......... | 2004 | 1,195,000 | 5.90 | 100 |
| 2009.......... | 2004 | 1,265,000 | 6.00 | 100 |
| 2010.......... | 2004 | 1,340,000 | 6.05 | 100 |
| 2011.......... | 2004 | 1,425,000 | 6.10 | 100 |
| 2012.......... | 2004 | 1,510,000 | 6.15 | 100 |
| 2013.......... | 2004 | 1,600,000 | 6.20 | 100 |
| 2014.......... | 2004 | 1,700,000 | 6.25 | 100 |
| 2018.......... | 2004 | 3,425,000 | 6.25 | 100 |
| Totals .......................................... | | $15,655,000 | | |

The cash and investments held in the Escrow Fund will bear interest and mature in amounts sufficient to pay (a) the interest falling due on the 1994A Refunded Bonds through November 15, 2004 and (b) the redemption price of and interest on the 1994A Refunded Bonds, as such becomes due and payable on November 15, 2004.

The 1994A Refunded Bonds, the 1995A Refunded Bonds, and the 1996A Refunded Bonds are collectively referred to herein as the "Refunded Bonds."

Certain mathematical computations regarding the sufficiency of and the yield on the investments held in the Escrow Fund will be verified by Ernst & Young LLP, Memphis, Tennessee. See "MISCELLANEOUS—Escrow Verification" below.

## Redemption Provision For The 1998C Bonds

The 1998C Bonds are not subject to optional redemption, however, the 1998C Bonds are subject to mandatory sinking fund redemption, and extraordinary optional redemption (in the event of damage, destruction or condemnation to certain facilities) prior to maturity, as described below.

*Mandatory Sinking Fund Redemption.* The 1998C Bonds maturing on May 15, 2019, shall be subject to mandatory sinking fund redemption prior to their stated maturity, in part, by lot in such manner as the Trustee shall determine to be fair and equitable, on any May 15, 2019, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest thereon to the redemption date, but without premium, in the principal amounts as set forth below:

| Mandatory Sinking Fund Redemption Date | Sinking Fund Requirements |
|---|---|
| May 15, 2016 | $ 9,950,000 |
| May 15, 2017 | 9,835,000 |
| May 15, 2018 | 8,940,000 |
| May 15, 2019 (Stated Maturity) | 2,270,000 |
| Total | $30,995,000 |

*Extraordinary Optional Redemption in the Event of Damage, Destruction or Condemnation.* The 1998C Bonds shall be subject to redemption prior to maturity in whole or in part from time to time, from such maturities or portions thereof designated by the 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 financed with the 1996A Bonds, the 1995A Bonds and the 1994A Bonds is taken in a condemnation proceeding, or certain events occur with respect to the title to such Leased Property or construction defects in any of the Facilities financed with the 1996A Bonds, the 1995A Bonds and the 1994A Bonds as described in the Lease, (ii) the Net Proceeds of any insurance policy, performance bond or condemnation award, or the Net Proceeds received as a consequence of defaults under any Project Contract (excluding liquidated damages), plus all amounts required to be paid as deductibles thereunder, made available by reason of one or more such occurrences, and any other legally available moneys, shall be insufficient to pay in full the cost of rebuilding, replacing or repairing Leased Property financed with the 1996A Bonds, the 1995A Bonds and the 1994A Bonds and (iii) the State elects, pursuant to the Lease, to waive its obligation to rebuild, repair or replace the affected portion of such Leased Property by depositing such Net Proceeds into the Redemption Fund for application to the redemption of the then Outstanding 1998C Bonds in accordance with the Lease and provides written notice of such election to the Trustee and the Authority. If 1998C Bonds are called for redemption pursuant to this extraordinary optional redemption, the 1998C Bonds to be redeemed shall be redeemed on such date or dates as the Trustee may determine to be in the best interests of the Bondowners.

On such redemption date or dates determined as provided in the Indenture, the Trustee shall transfer all moneys into the Redemption Fund in accordance with the provisions of the Indenture to be used by the Trustee to redeem the 1998C 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 1998C Bonds or portions thereof to be redeemed, the redemption date and price, and that the interest on such Bonds will cease to accrue from and after the redemption date, shall be given by the Trustee, upon being satisfactorily indemnified as to expenses, by mailing a redemption notice at least 30 but not more than 60 days prior to the date fixed for redemption to the registered Owner of each 1998C 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 1998C Bond, shall not affect the validity of any proceedings for the redemption of any other 1998C Bonds. 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 1998C 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 1998C 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 1998C 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 1998C Bonds called for redemption, which moneys are or will be available for redemption of 1998C Bonds, such notice shall state that such redemption is subject to the deposit of the redemption moneys with the Trustee or the Paying Agent not later than the opening of business on the redemption date and that such notice shall be of no effect unless such moneys are so deposited.

*Redemption Payments.* All moneys to be used for redemption of 1998C 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 1998C Bonds in advance of their scheduled maturity date, except as may otherwise be required by any Tax Certificate (as defined in "APPENDIX A—BASIC DOCUMENTATION–DEFINITIONS OF CERTAIN TERMS" below), and shall be applied on or after the Bond Payment Date or other date designated for redemption to the payment of the principal of, and premium, if any, and interest on, the 1998C Bonds to be redeemed, upon presentation and surrender of such 1998C Bonds.

*Partial Redemption of 1998C Bonds.* In the case of a partial redemption of 1998C Bonds when 1998C 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 1998C 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 1998C 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 1998C Bond shall forthwith surrender such 1998C 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 1998C Bond or 1998C 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 1998C Bond to be so redeemed. If the Owner of any such 1998C Bond of a denomination greater than $5,000 shall fail to present such 1998C Bond to the Trustee for redemption and exchange as aforesaid, the principal amount of such 1998C 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 1998C 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 1998C 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 1998C Bonds be thereafter issued corresponding to said unit or units. 1998C Bonds shall be redeemed only in the principal amount of $5,000 each or any natural multiple thereof.

With respect to any partial redemption of 1998C Bonds of less than all of a particular maturity of 1998C Bonds, the particular 1998C Bonds to be redeemed shall be selected by the Trustee by lot in such manner as the Trustee shall determine to be fair and equitable.

**Debt Service On The 1998C Bonds**

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

The following table, showing the scheduled Base Rental Payment for the 1998C Bonds, was prepared by the State.

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**Base Rental Payment Schedule**

| Due Date (Base Rental Payment) | The 1998C Bonds Principal | Interest | Period Total | Fiscal Total |
|---|---|---|---|---|
| May 1, 1999 | $ 0.00 | $ 4,310,527.50 | $ 4,310,527.50 | $ 4,310,527.50 |
| November 1, 1999 | 0.00 | 2,873,685.00 | 2,873,685.00 | |
| May 1, 2000 | 45,000.00 | 2,873,685.00 | 2,918,685.00 | 5,792,370.00 |
| November 1, 2000 | 0.00 | 2,872,830.00 | 2,872,830.00 | |
| May 1, 2001 | 45,000.00 | 2,872,830.00 | 2,917,830.00 | 5,790,660.00 |
| November 1, 2001 | 0.00 | 2,871,952.50 | 2,871,952.50 | |
| May 1, 2002 | 50,000.00 | 2,871,952.50 | 2,921,952.50 | 5,793,905.00 |
| November 1, 2002 | 0.00 | 2,870,965.00 | 2,870,965.00 | |
| May 1, 2003 | 50,000.00 | 2,870,965.00 | 2,920,965.00 | 5,791,930.00 |
| November 1, 2003 | 0.00 | 2,869,965.00 | 2,869,965.00 | |
| May 1, 2004 | 50,000.00 | 2,869,965.00 | 2,919,965.00 | 5,789,930.00 |
| November 1, 2004 | 0.00 | 2,868,965.00 | 2,868,965.00 | |
| May 1, 2005 | 55,000.00 | 2,868,965.00 | 2,923,965.00 | 5,792,930.00 |
| November 1, 2005 | 0.00 | 2,867,837.50 | 2,867,837.50 | |
| May 1, 2006 | 1,120,000.00 | 2,867,837.50 | 3,987,837.50 | 6,855,675.00 |
| November 1, 2006 | 0.00 | 2,844,317.50 | 2,844,317.50 | |
| May 1, 2007 | 1,170,000.00 | 2,844,317.50 | 4,014,317.50 | 6,858,635.00 |
| November 1, 2007 | 0.00 | 2,819,162.50 | 2,819,162.50 | |
| May 1, 2008 | 7,715,000.00 | 2,819,162.50 | 10,534,162.50 | 13,353,325.00 |
| November 1, 2008 | 0.00 | 2,607,000.00 | 2,607,000.00 | |
| May 1, 2009 | 8,130,000.00 | 2,607,000.00 | 10,737,000.00 | 13,344,000.00 |
| November 1, 2009 | 0.00 | 2,383,425.00 | 2,383,425.00 | |
| May 1, 2010 | 8,575,000.00 | 2,383,425.00 | 10,958,425.00 | 13,341,850.00 |
| November 1, 2010 | 0.00 | 2,147,612.50 | 2,147,612.50 | |
| May 1, 2011 | 9,065,000.00 | 2,147,612.50 | 11,212,612.50 | 13,360,225.00 |
| November 1, 2011 | 0.00 | 1,898,325.00 | 1,898,325.00 | |
| May 1, 2012 | 8,995,000.00 | 1,898,325.00 | 10,893,325.00 | 12,791,650.00 |
| November 1, 2012 | 0.00 | 1,650,962.50 | 1,650,962.50 | |
| May 1, 2013 | 9,490,000.00 | 1,650,962.50 | 11,140,962.50 | 12,791,925.00 |
| November 1, 2013 | 0.00 | 1,389,987.50 | 1,389,987.50 | |
| May 1, 2014 | 10,010,000.00 | 1,389,987.50 | 11,399,987.50 | 12,789,975.00 |
| November 1, 2014 | 0.00 | 1,114,712.50 | 1,114,712.50 | |
| May 1, 2015 | 9,540,000.00 | 1,114,712.50 | 10,654,712.50 | 11,769,425.00 |
| November 1, 2015 | 0.00 | 852,362.50 | 852,362.50 | |
| May 1, 2016 | 9,950,000.00 (t) | 852,362.50 | 10,802,362.50 | 11,654,725.00 |
| November 1, 2016 | 0.00 | 578,737.50 | 578,737.50 | |
| May 1, 2017 | 9,835,000.00 (t) | 578,737.50 | 10,413,737.50 | 10,992,475.00 |
| November 1, 2017 | 0.00 | 308,275.00 | 308,275.00 | |
| May 1, 2018 | 8,940,000.00 (t) | 308,275.00 | 9,248,275.00 | 9,556,550.00 |
| November 1, 2018 | 0.00 | 62,425.00 | 62,425.00 | |
| May 1, 2019 | 2,270,000.00 (t) | 62,425.00 | 2,332,425.00 | 2,394,850.00 |
| Totals | $105,100,000.00 | $85,817,537.50 | $190,917,537.50 | |

(t) Mandatory sinking fund principal payments on a $30,995,000 5.50% term bond due May 15, 2019.

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

**Book–Entry Only System**

ETC will act as securities depository for the 1998C Bonds. The 1998C Bonds will be issued as fully–registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). Initially, one fully–registered 1998C Bond certificate will be issued in the aggregate principal amount of such maturity, and will be deposited with DTC or a "fast agent" of DTC.

DTC 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book–entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants ("Direct Participants") include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of ownership interests in 1998C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 1998C Bonds on DTC's records. The ownership interest of each actual purchaser of each interest in a 1998C Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 1998C Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 1998C Bonds, except in the event that use of the book–entry system for the 1998C Bonds is discontinued.

To facilitate subsequent transfers, all 1998C Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of 1998C Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 1998C Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 1998C Bonds are credited, which may or may not be the Beneficial Owners. The 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.

Redemption notices shall be sent to Cede & Co. If less than all of the 1998C 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. will consent or vote with respect to 1998C Bonds. 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 1998C Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

As long as the book–entry system is in effect, principal and interest payments on the 1998C Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Authority or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct Participants and Indirect Participants.

*So long as Cede & Co. is the registered Owner of the 1998C Bonds, as nominee of DTC, references herein and in the Indenture to the Bondowners or registered Owners of the 1998C Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the 1998C Bonds.*

*Neither the Authority, the State, the Underwriters nor the Trustee will have any responsibility or obligation to any Participants of DTC, or the Persons for whom they act as nominees, with respect to the payments to or the providing of notice for the Participants, Indirect Participants or Beneficial Owners of the 1998C Bonds.*

DTC may discontinue providing its services as securities depository with respect to the 1998C Bonds at any time by giving reasonable notice to the Authority or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, 1998C Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book–entry transfers through DTC (or a successor securities depository). In that event, 1998C Bond certificates will be printed and delivered.

In the event that the book–entry system is discontinued, the Person in whose name any 1998C Bond shall be registered in the Register shall be deemed and treated as the owner and holder thereof for all purposes of the Indenture, and neither the Issuer, the Trustee, the Paying Agent nor the Registrar shall be affected by any notice to the contrary. In such event, principal of and interest on the 1998C Bonds will be payable as described under the caption "Manner Of Payment, Registration, Transfer And Exchange" below.

Beneficial Owners of the 1998C Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 1998C Bonds, such as redemptions, tenders, defaults and proposed amendments to the bond documents. Beneficial Owners of 1998C Bonds may wish to ascertain that the nominee holding the 1998C Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the Registered and request that copies of notices be provided directly to them.

*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.*

### Manner Of Payment, Registration, Transfer And Exchange

The Trustee will keep or cause to be kept sufficient books for the registration, exchange and transfer of the 1998C Bonds (the "Register"). In all cases in which the privilege of exchanging or transferring the 1998C Bonds is exercised while the book–entry system is in effect, or in the event that the book–entry system is discontinued and 1998C Bonds are transferred or exchanged, the Authority shall execute, and the Trustee shall authenticate, register and deliver, 1998C Bonds in accordance with the provisions of the Indenture. In such cases, any 1998C Bonds may, in accordance with its terms, be transferred upon the Register by the Person in whose name it is registered, in person or by such Person's duly authorized attorney, upon surrender of such registered 1998C Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. Similarly, 1998C Bonds may be exchanged in such instances at the principal corporate trust office of the Trustee for a like principal amount of 1998C Bonds of other authorized denominations. The Trustee will require the Bondowner requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange, and the Trustee may in addition require the payment of a reasonable sum to cover expenses incurred by the Authority or the Trustee in connection with such transfer or exchange.

Neither the Authority nor the Trustee shall be required to issue, register the transfer of or exchange any 1998C Bond (i) during the period from the Regular Record Date or the Special Record Date, whichever the case may be, for a Bond Interest Payment Date or special interest payment date to such interest payment date, and (ii) during a period beginning at the opening of business 15 days before the date of the mailing of a notice of redemption of 1998C Bonds selected for redemption under the Indenture and ending at the close of business on the day of such mailing. Neither the Authority nor the Trustee shall be required to register the transfer or exchange of any 1998C Bond selected for redemption in whole or in part, except for the unredeemed portion of such 1998C Bond.

## STATE BUILDING OWNERSHIP AUTHORITY

### Establishment And Statutory Powers

The Authority was created in 1979 as a body politic and corporate of the State. The Building Ownership Act states that the Legislature has found and declared that the policy of the State is to provide office space and related facilities for state bodies in the most efficient and economical way possible, that many State bodies have inadequate office space and related facilities, that the State is renting space for state bodies from private owners with funds which could more efficiently and economically be put to use toward the acquisition of facilities by the State, and the Authority is established to finance, own, lease, operate or encumber such facilities to meet the needs 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 bodies at rentals which in the aggregate will be sufficient to pay the principal of and interest on the bonds as they become due and to maintain, operate and insure the facilities. The necessary prior approval of the Legislature for the issuance of bonds is given by specific acts, which acts are passed upon during a General Session of the Legislature.

The Authority is also empowered, among other things, to: a) contract with others for needed services; b) cause to be executed mortgages, trust deeds, indentures, pledge agreements, assignments, security agreements, and financing statements encumbering property acquired, or constructed by the Authority; and c) exercise the power of eminent domain.

### Organization

The Authority is comprised of seven members appointed by the Governor with the consent of the State Senate. The current members are as follows:

| Office | Person |
|---|---|
| Chairman | H.E. Scruggs |
| Vice Chairman | Keith Stepan |
| Member/Secretary | Kay Waxman |
| Member | David Adams |
| Member | Mary Flood |
| Member | R. Haze Hunter |
| Member | (vacant) |
| Member (non–voting) | Lynne N. Koga |

The Authority is located within the Department of Administrative Services for administrative purposes and receives staff support and all necessary information and resources from the department as required. The State's Attorney General and State Auditor provide legal and accounting and auditing services, respectively, required by the Authority, without reimbursement. The Building Ownership Act directs the State Building Board to construct and maintain any facilities acquired or constructed under the Building Ownership Act. In view of the services provided by the entities noted above, the Authority has no staff.

**Legal Borrowing Debt Capacity**

The Authority may not issue any bonds or other obligations under the Building Ownership Act in an amount which would exceed the difference between the total indebtedness of the State and 1.5% of the value of the taxable property in the State. As of September 15, 1998 (the closing date for the 1998C Bonds) and after giving effect to the issuance of the 1998C Bonds and the refunding described herein, the maximum remaining borrowing capacity of the Authority is expected to be approximately $1,036,079,585. See "DEBT STRUCTURE OF THE STATE OF UTAH—Legal Borrowing Authority" below.

**State Lease Rental Obligation Pledge**

The enabling legislation for the Authority provides that, except as otherwise provided therein, bonds issued by the Authority thereunder shall be payable solely out of rentals or lease payments received by the Authority for the facilities constructed or acquired thereunder, and that, if the rentals paid by a state body to the Authority are insufficient to pay the principal and interest on such bonds, the Governor may request the Legislature to appropriate additional funds to that body for the payment of increased rentals. The Legislature may, but is not required to, make such an appropriation. *Bonds issued pursuant to authorizing legislation of this type are sometimes referred to herein as "State Lease Rental Obligation Bonds."*

**Debt Issuance**

*Historical Financings.* The financing of the 1998C Bonds is the Authority's seventeenth financial transaction. In 1980, the Authority issued $25 million of revenue bonds for the Heber M. Wells Office Building project and $4 million of revenue bonds for a Department of Agriculture building project. In 1984, the State issued general obligation bonds and refunded all of the Authority's then–outstanding revenue bonds with proceeds from the general obligation bond issue. In 1984, the Authority participated in the issuance of $20.7 Variable Rate Demand Certificates of Participation for the Department of Health office building project and of $11.7 Variable Rate Demand Certificates of Participation for the Ogden Regional office building project. In 1986 the State issued general obligation bonds in order to pre–pay all of these variable rate demand certificates of participation. In 1988 the Authority issued $25 million of revenue bonds for the Department of Employment Security Project. In 1993, these Department of Employment Security bonds were refunded by the Authority's $26.2, Series 1992A Bonds. *Since 1993 the Authority has issued bonds as indicated in the following section.*

*Current Bonds Outstanding.* The 1998C Bonds of the Authority are the eighth series of bonds to be issued under the State Facilities Master Lease Program. Under the State Facilities Master Lease Program, no debt service reserve fund is created for any bonds issued under the Indenture and Lease. Under this program, all Bonds are issued on a parity basis and are cross–collateralized by the Facilities subject to the lien of the Indenture and the Mortgages. *The Bonds are not classified as State Moral Obligation Bonds as defined in "DEBT STRUCTURE OF THE STATE OF UTAH—Revenue Bonds and Notes–Covenant Regarding Legislative Appropriations" below. However, such bonds are considered to be State Lease Rental Obligation Bonds.*

The other series of bonds issued by the Authority, as listed below under the caption "Issued Under Separate Stand Alone Legal Documents," are not issued on a parity basis with the Bonds or each other. Separate debt service reserve funds have been established and funded for each of these other series of bonds. As of September 15, 1998 (the scheduled closing date of the 1998C Bonds), the Authority has outstanding the following bonds:

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*Issued Under The State Facilities Master Lease Program*

| Series | Purpose | Original Amount | Final Maturity Date | Outstanding as of Sept. 15, 1998 |
|---|---|---|---|---|
| 1998C (1) | Refunding | $105,100,000 | May 15, 2019 | $105,100,000 |
| 1998A (2) | Various purpose | 25,710,000 | May 15, 2020 | 25,710,000 |
| 1998B (2) | University of Utah | 23,091,478 | May 15, 2005 | 23,091,478 |
| 1997A (3) | DABC 1997A Facilities | 4,150,000 | May 15, 2018 | 4,150,000 |
| 1996B (4) | University of Utah | 16,875,000 | May 15, 2013 | 16,875,000 |
| 1996A (5) | Various purpose | 44,725,000 | May 15, 2007 (8) | 14,375,000 |
| 1995A (6) | Various purpose | 93,000,000 | May 15, 2007 (8) | 31,075,000 |
| 1994A (7) | Various purpose | 30,915,000 | May 15, 2005 (8) | 11,440,000 |
| Total State Facilities Master Lease Program | | | | $231,816,478 |

(1) For purposes of this OFFICIAL STATEMENT the 1998C Bonds will be considered issued and outstanding. The 1998C Bonds are rated "Aaa" (FSA Insured) by Moody's Investors Service ("Moody's"), and "AAA" (FSA Insured) by Standard & Poor's Ratings Group, a division of The McGraw–Hill Companies, Inc. ("S&P"), as of the date of this OFFICIAL STATEMENT. No rating was requested from Fitch IBCA ("Fitch"), or any other rating agency. These bonds are issued on a parity with the Prior Parity Bonds, under the State Facilities Master Lease Program.

(2) The 1998A Bonds and the 1998B Bonds are rated "Aaa" (FSA Insured) by Moody's and "AAA" (FSA Insured) by S&P, as of the date of this OFFICIAL STATEMENT. No rating was requested from Fitch, or any other rating agency. These bonds are issued on a parity with the 1998C Bonds and the other Prior Parity Bonds, under the State Facilities Master Lease Program.

(3) The 1997A Bonds are rated "Aaa" (AMBAC Insured) by Moody's and "AAA" (AMBAC Insured) by S&P, as of the date of this OFFICIAL STATEMENT. No rating was requested from Fitch or any other rating agency. The 1997A Bonds are issued on a parity with the 1998C Bonds and the other Prior Parity Bonds, under the State Facilities Master Lease Program.

(4) The 1996B Bonds are rated "Aaa" (MBIA Insured) by Moody's and "AAA" (MBIA Insured) by S&P, as of the date of this OFFICIAL STATEMENT. No rating was requested from Fitch or any other rating agency. The 1996B Bonds are issued on a parity with the 1998C Bonds and the other Prior Parity Bonds, under the State Facilities Master Lease Program.

(5) Portions of this bond have been refunded by the 1998C Bonds. The 1996A Bonds maturing on May 15, in the years 1999 through 2007, inclusive, are rated "Aa2" by Moody's and "AA" by S&P, as of the date of this OFFICIAL STATEMENT. No rating was requested from Fitch or any other rating agency. The 1996A Bonds are issued on a parity with the 1998C Bonds and the other Prior Parity Bonds, under the State Facilities Master Lease Program.

(6) Portions of this bond have been refunded by the 1998C Bonds. The 1995A Bonds maturing on May 15, in the years 1999 through 2000, inclusive, and 2002 through 2007, inclusive, are not insured but are rated "Aa2" by Moody's and "AA" by S&P, as of the date of this OFFICIAL STATEMENT. No rating was requested from Fitch or any other rating agency. The payment of the principal of and interest on the 1995A Bonds maturing on May 15, 2001, when due is insured by a municipal bond insurance policy issued by AMBAC Indemnity. These insured 1995A Bonds are rated "Aaa" (AMBAC Indemnity Insured) by Moody's, and "AAA" (AMBAC Indemnity Insured) by S&P, as of the date of this OFFICIAL STATEMENT. The 1995A Bonds are issued on a parity with the 1998C Bonds and the other Prior Parity Bonds, under the State Facilities Master Lease Program.

(7) Portions of this bond have been refunded by the 1998C Bonds. The 1994A Bonds are rated "Aa2" by Moody's, and "AA" by S&P, as of the date of this OFFICIAL STATEMENT. No rating was requested from Fitch or any other rating agency. The 1994A Bonds are issued on a parity with the 1998C Bonds and the other Prior Parity Bonds, under the State Facilities Master Lease Program.

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

*Issued Under Separate Stand Alone Legal Documents*

| Series | Purpose | Original Amount | Final Maturity Date | Outstanding as of Sept. 15, 1998 |
|---|---|---|---|---|
| 1993A (1) | Human Services Building | $ 6,230,000 | January 1, 2013 | $ 5,330,000 |
| 1993B (1) | State Board of Education | 8,160,000 | January 1, 2014 | 7,080,000 |
| 1992A (2) | Employment Secur. (ref.) | 26,200,000 | August 15, 2011 | 20,625,000 |
| 1992B (2) | Youth Corrections | 1,380,000 | August 15, 2011 | 1,120,000 |
| Total Authority's other bonds | | | | $34,155,000 |

*Summary*

| | |
|---|---|
| Total State Facilities Master Lease Program Bonds outstanding | $231,816,478 |
| Total Authority's other bonds outstanding | 34,155,000 |
| Total | $265,971,478 |

(1) These outstanding lease revenue bonds of the Authority are rated "Aa2" by Moody's, and "AA" by S&P, as of the date of this OFFICIAL STATEMENT. No rating was requested from Fitch or any other rating agency. *These bonds are each secured by separate legal documents and are not issued under the State Facilities Master Lease Program.*

(2) These outstanding lease revenue bonds of the Authority are rated "Aa2" by Moody's, and "AA" by S&P, as of the date of this OFFICIAL STATEMENT. No rating was requested from Fitch or any other rating agency. *These bonds are each secured by separate legal documents and are not issued under the State Facilities Master Lease Program.*

(Source: Financial Advisor.)

*Authorized and Unissued Lease Revenue Bonds.* After the issuance of the 1998C Bonds, the Authority will have approximately $20,981,194 of authorized unissued lease revenue bonds which consist of:

(i) up to approximately $19,268,600 of unissued lease revenue bonds authorized by a 1998 act (the proceeds of such bonds, when issued, will be used by the Authority for various building and highway acquisition construction projects), and

(ii) up to approximately $1,712,594 of unissued lease revenue bonds authorized by a 1997 act (the proceeds of such bonds, when issued, will be used by the Authority for various construction projects (approximately $350,000), and for alcoholic beverage building projects (approximately $1,362,594)).

*Future Bonds Issuance.* The Authority does not anticipate the issuance of additional lease revenue bonds within the next six month period.

**No Defaulted Bonds, Failure To Renew Lease, Or Request For Appropriation**

As of the date of this OFFICIAL STATEMENT, neither the Authority nor the State has ever failed to pay when due the principal of and interest on its bonded indebtedness and other payment obligations related thereto. As of the date of this OFFICIAL STATEMENT, neither the Authority nor the State has ever failed to renew an annually renewable lease, nor has the Authority or the Governor ever had cause to request the Legislature for an appropriation to pay rentals for which a previous appropriation was insufficient.

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

### *Issued under the State Facilities Master Lease Program (1)*

| Fiscal Year Ending June 30 | Series 1998C $105,100,000 Principal | Series 1998C Interest | Series 1998A $25,710,000 Principal | Series 1998A Interest | Series 1998B $23,091,478 Principal | Series 1998B Interest | Series 1997A $4,150,000 Principal | Series 1997A Interest |
|---|---|---|---|---|---|---|---|---|
| 1999 | $ 0 | $ 4,310,528 | $ 250,000 | $ 1,085,079 | $ 0 | $ 0 | $ 65,000 | $ 202,263 |
| 2000 | 45,000 | 5,747,370 | 2,085,000 | 1,234,665 | 0 | 0 | 135,000 | 199,273 |
| 2001 | 45,000 | 5,745,660 | 2,175,000 | 1,140,840 | 0 | 0 | 140,000 | 193,063 |
| 2002 | 50,000 | 5,743,905 | 2,265,000 | 1,042,965 | 0 | 0 | 145,000 | 186,623 |
| 2003 | 50,000 | 5,741,930 | 2,370,000 | 941,040 | 0 | 0 | 155,000 | 179,953 |
| 2004 | 50,000 | 5,739,930 | 2,485,000 | 822,540 | 0 | 0 | 160,000 | 172,823 |
| 2005 | 55,000 | 5,737,930 | 2,615,000 | 698,290 | 23,091,478 | 8,493,522 | 170,000 | 165,463 |
| 2006 | 1,120,000 | 5,735,675 | 705,000 | 567,540 | - | - | 180,000 | 157,643 |
| 2007 | 1,170,000 | 5,688,635 | 735,000 | 536,520 | - | - | 190,000 | 149,363 |
| 2008 | 7,715,000 | 5,638,325 | 775,000 | 503,445 | - | - | 195,000 | 140,623 |
| 2009 | 8,130,000 | 5,214,000 | 805,000 | 468,570 | - | - | 205,000 | 131,458 |
| 2010 | 8,575,000 | 4,766,850 | 840,000 | 431,540 | - | - | 215,000 | 121,618 |
| 2011 | 9,065,000 | 4,295,225 | 885,000 | 392,060 | - | - | 230,000 | 111,298 |
| 2012 | 8,995,000 | 3,796,650 | 920,000 | 349,580 | - | - | 240,000 | 100,028 |
| 2013 | 9,490,000 | 3,301,925 | 970,000 (t9) | 304,500 | - | - | 250,000 | 88,028 |
| 2014 | 10,010,000 | 2,779,975 | 1,025,000 (t9) | 253,575 | - | - | 265,000 | 75,528 |
| 2015 | 9,540,000 | 2,229,425 | 1,070,000 (t9) | 199,763 | - | - | 280,000 (t8) | 62,013 |
| 2016 | 9,950,000 (t10) | 1,704,725 | 1,130,000 (t9) | 143,588 | - | - | 295,000 (t8) | 47,663 |
| 2017 | 9,835,000 (t10) | 1,157,475 | 1,190,000 (t9) | 84,263 | - | - | 310,000 (t8) | 32,544 |
| 2018 | 8,940,000 (t10) | 616,550 | 135,000 (t9) | 21,788 | - | - | 325,000 (t8) | 16,656 |
| 2019 | 2,270,000 (t10) | 124,850 | 135,000 (t9) | 14,700 | - | - | - | - |
| 2020 | - | - | 145,000 (t9) | 7,613 | - | - | - | - |
| Totals | $ 105,100,000 | $ 85,817,538 | $ 25,710,000 | $ 11,244,464 | $ 23,091,478 | $ 8,493,522 | $ 4,150,000 | $ 2,533,924 |

(1) Issued under the State Facilities Master Lease Program. These bonds include the 1998C Bonds and the Prior Parity Bonds and are not issued on a parity basis with the Authority's other outstanding lease revenue obligations.

(t10) Mandatory sinking fund payments from a $30,995,000 5.50%, term bond due May 15, 2019.

(t9) Mandatory sinking fund payments from a $5,800,000, 5.25%, term bond due May 15, 2020.

(t8) Mandatory sinking fund payments from a $1,210,000, 5.125%, term bond due May 15, 2018.

## Debt Service Schedule of Outstanding Lease Revenue Bonds (State Building Ownership Authority) (Actual Fiscal Year)*—continued

### *Issued under the State Facilities Master Lease Program (1)—continued*

| Fiscal Year Ending June 30 | Series 1996B $16,875,000 Principal | Series 1996B Interest | Series 1996A $44,725,000 Principal | Series 1996A Interest | Series 1995A $93,000,000 Principal | Series 1995A Interest | Series 1994A $30,915,000 Principal | Series 1994A Interest |
|---|---|---|---|---|---|---|---|---|
| 1999 | $ 800,000 | $ 869,340 | $ 890,000 | $ 790,625 | $ 2,825,000 | $ 1,595,710 | $ 1,400,000 | $ 608,646 |
| 2000 | 820,000 | 829,340 | 1,390,000 | 741,675 | 2,965,000 | 1,450,928 | 1,470,000 | 538,646 |
| 2001 | 860,000 | 788,340 | 1,470,000 | 665,225 | 3,125,000 | 1,298,972 | 1,540,000 | 463,676 |
| 2002 | 900,000 | 745,340 | 1,540,000 | 584,375 | 3,275,000 | 1,138,816 | 1,620,000 | 383,596 |
| 2003 | 945,000 | 700,340 | 1,630,000 | 499,675 | 3,450,000 | 970,972 | 1,710,000 | 297,736 |
| 2004 | 995,000 | 653,090 | 1,720,000 | 410,025 | 3,575,000 | 794,160 | 1,805,000 | 205,396 |
| 2005 | 1,040,000 | 603,340 | 1,820,000 | 315,425 | 3,760,000 | 610,942 | 1,895,000 | 106,120 |
| 2006 | 1,095,000 | 551,340 | 1,905,000 | 215,325 | 3,945,000 | 418,242 | 0 | 0 (r) |
| 2007 | 1,150,000 | 496,590 | 2,010,000 | 110,550 | 4,155,000 | 216,060 | 0 | 0 (r) |
| 2008 | 1,205,000 | 439,090 | 0 | 0 (r) | 0 | 0 (r) | 0 | 0 (r) |
| 2009 | 1,270,000 | 377,635 | 0 | 0 (r) | 0 | 0 (r) | 0 | 0 (r) |
| 2010 | 1,335,000 | 311,595 | 0 | 0 (r) | 0 | 0 (r) | 0 | 0 (r) |
| 2011 | 1,410,000 (t7) | 240,840 | 0 | 0 (r) | 0 | 0 (r) | 0 | 0 (r) |
| 2012 | 1,485,000 (t7) | 164,700 | 0 | 0 (r) | 0 | 0 (r) | 0 | 0 (r) |
| 2013 | 1,565,000 (t7) | 84,510 | 0 | 0 (r) | 0 | 0 (r) | 0 | 0 (r) |
| 2014 | – | – | 0 | 0 (r) | 0 | 0 (r) | 0 | 0 (r) |
| 2015 | – | – | 0 | 0 (r) | 0 | 0 (r) | 0 | 0 (r) |
| 2016 | – | – | 0 | 0 (r5) | 0 | 0 (r) | 0 | 0 (r) |
| 2017 | – | – | 0 | 0 (r) | 0 | 0 (r) | 0 | 0 (r) |
| 2018 | – | – | 0 | 0 (r) | 0 | 0 (r4) | 0 | 0 (r3) |
| 2019 | – | – | 0 | 0 (r6) | – | – | – | – |
| 2020 | – | – | – | – | – | – | – | – |
| Totals | $ 16,875,000 | $ 7,855,430 | $ 14,375,000 | $ 4,332,900 | $ 31,075,000 | $ 8,494,802 | $ 11,440,000 | $ 2,603,816 |

* Preliminary; subject to change.

(1) Issued under the State Facilities Master Lease Program. These bonds include the 1998C Bonds and the Prior Parity Bonds and are not issued on a parity basis with the Authority's other outstanding lease revenue obligations.

(t7) Mandatory sinking fund payments from a $4,460,000, 5.40%, term bond due May 15, 2013.

(r) Principal and interest have been refunded by the 1998C Bonds.

(r6) Principal and interest have been refunded by the 1998C Bonds ($7,960,000, 6.00%, term bond which was due May 15, 2019).

(r5) Principal and interest have been refunded by the 1998C Bonds ($5,140,000, 6.00%, term bond which was due May 15, 2016).

(r4) Principal and interest have been refunded by the 1998C Bonds ($18,555,000, 5.75%, term bond which was due May 15, 2018).

(r3) Principal and interest have been refunded by the 1998C Bonds ($3,425,000, 6.25%, term bond which was due May 15, 2018).

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

### *Issued Under Stand Alone Legal Documents (1)*

| Fiscal Year Ending June 30 | Series 1993B; $8,160,000 Principal | Interest | Total Debt Service | Series 1993A; $6,230,000 Principal | Interest | Total Debt Service | Series 1992B; $1,380,000 Principal | Interest | Total Debt Service | Series 1992A; $26,200,000 Principal | Interest | Total Debt Service |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1999............ | $ 300,000 | $ 353,261 | $ 653,261 | $ 250,000 | $ 264,565 | $ 514,565 | $ 55,000 | $ 64,908 | $ 119,908 | $ 1,055,000 | $ 1,188,598 | $ 2,243,598 |
| 2000............ | 315,000 | 339,761 | 654,761 | 260,000 | 253,315 | 513,315 | 60,000 | 62,030 | 122,030 | 1,115,000 | 1,131,093 | 2,246,093 |
| 2001............ | 330,000 | 325,586 | 655,586 | 270,000 | 241,615 | 511,615 | 65,000 | 58,794 | 123,794 | 1,175,000 | 1,070,408 | 2,245,408 |
| 2002............ | 345,000 | 310,736 | 655,736 | 285,000 | 229,465 | 514,465 | 65,000 | 55,349 | 120,349 | 1,240,000 | 1,005,945 | 2,245,945 |
| 2003............ | 360,000 | 294,866 | 654,866 | 300,000 | 216,355 | 516,355 | 70,000 | 51,703 | 121,703 | 1,310,000 | 936,923 | 2,246,923 |
| 2004............ | 380,000 | 278,126 | 658,126 | 315,000 | 202,405 | 517,405 | 75,000 | 47,714 | 122,714 | 1,380,000 | 863,275 | 2,243,275 |
| 2005............ | 395,000 | 260,076 | 655,076 | 330,000 | 187,443 | 517,443 | 80,000 | 43,373 | 123,373 | 1,460,000 | 784,445 | 2,244,445 |
| 2006............ | 415,000 | 240,820 | 655,820 | 345,000 | 171,355 | 516,355 | 85,000 | 38,669 | 123,669 | 1,545,000 | 699,533 | 2,244,533 |
| 2007............ | 440,000 | 220,070 | 660,070 | 360,000 | 154,105 | 514,105 | 90,000 | 33,638 | 123,638 | 1,640,000 | 608,350 | 2,248,350 |
| 2008............ | 460,000 | 198,070 | 658,070 | 380,000 | 136,105 | 516,105 | 95,000 | 28,319 | 123,319 | 1,735,000 | 511,319 | 2,246,319 |
| 2009............ | 485,000 | 174,610 | 659,610 | 400,000 | 116,725 | 516,725 | 100,000 | 22,713 | 122,713 | 1,835,000 | 408,681 | 2,243,681 |
| 2010............ | 510,000 | 149,633 | 659,633 | 425,000 | 96,125 | 521,125 | 105,000 | 16,819 | 121,819 | 1,945,000 | 300,006 | 2,245,006 |
| 2011............ | 540,000 (t2) | 123,113 | 663,113 | 445,000 (t1) | 74,025 | 519,025 | 110,000 | 10,500 | 120,500 | 2,060,000 | 184,863 | 2,244,863 |
| 2012............ | 570,000 (t2) | 94,763 | 664,763 | 470,000 (t1) | 50,663 | 520,663 | 120,000 | 3,600 | 123,600 | 2,185,000 | 62,819 | 2,247,819 |
| 2013............ | 600,000 (t2) | 64,838 | 664,838 | 495,000 (t1) | 25,988 | 520,988 | – | – | – | – | – | – |
| 2014............ | 635,000 (t2) | 33,338 | 668,338 | – | – | – | – | – | – | – | – | – |
| 2015............ | – | – | – | – | – | – | – | – | – | – | – | – |
| 2016............ | – | – | – | – | – | – | – | – | – | – | – | – |
| 2017............ | – | – | – | – | – | – | – | – | – | – | – | – |
| 2018............ | – | – | – | – | – | – | – | – | – | – | – | – |
| 2019............ | – | – | – | – | – | – | – | – | – | – | – | – |
| 2020............ | – | – | – | – | – | – | – | – | – | – | – | – |
| Totals........... | $ 7,080,000 | $ 3,461,667 | $ 10,541,667 | $ 5,330,000 | $ 2,420,254 | $ 7,750,254 | $ 1,175,000 | $ 538,129 | $ 1,713,129 | $ 21,680,000 | $ 9,756,258 | $ 31,436,258 |

(1) These bonds are not issued on a parity basis with the 1998C Bonds or the Prior Parity Bonds issued under the State Facilities Master Lease Program, or each other and are secured by separate and distinct debt service reserve funds, indentures of trust and pledge, leases, and security documents.

(t2) Mandatory sinking fund payments from a $2,345,000, 5.25%, term bond due January 1, 2014.

(t1) Mandatory sinking fund payments from a $1,410,000, 5.25%, term bond due January 1, 2013.

## Debt Service Schedule of Outstanding Lease Revenue Bonds (State Building Ownership Authority) (Actual Fiscal Year)—continued

| Fiscal Year Ending June 30 | Total Bonds issued under State Facilities Master Lease Program (1) Total Principal | Total Interest | Total Debt Service | Total Bonds issued under Stand Alone Legal Documents (2) Total Principal | Total Interest | Total Debt Service | Total All Lease Obligations Total Principal | Total Interest | Total Debt Service |
|---|---|---|---|---|---|---|---|---|---|
| 1999............ | $ 6,230,000 | $ 9,462,191 | $ 15,692,191 | $ 1,660,000 | $ 1,871,332 | $ 3,531,332 | $ 7,890,000 | $ 11,333,523 | $ 19,223,523 |
| 2000............ | 8,910,000 | 10,741,897 | 19,651,897 | 1,750,000 | 1,786,199 | 3,536,199 | 10,660,000 | 12,528,096 | 23,188,096 |
| 2001............ | 9,355,000 | 10,295,776 | 19,650,776 | 1,840,000 | 1,696,403 | 3,536,403 | 11,195,000 | 11,992,179 | 23,187,179 |
| 2002............ | 9,795,000 | 9,825,620 | 19,620,620 | 1,935,000 | 1,601,495 | 3,536,495 | 11,730,000 | 11,427,115 | 23,157,115 |
| 2003............ | 10,310,000 | 9,331,646 | 19,641,646 | 2,040,000 | 1,499,847 | 3,539,847 | 12,350,000 | 10,831,493 | 23,181,493 |
| 2004............ | 10,790,000 | 8,797,964 | 19,587,964 | 2,150,000 | 1,391,520 | 3,541,520 | 12,940,000 | 10,189,484 | 23,129,484 |
| 2005............ | 34,446,478 | 16,731,032 | 51,177,510 | 2,265,000 | 1,275,337 | 3,540,337 | 36,711,478 | 18,006,369 | 54,717,847 |
| 2006............ | 8,950,000 | 7,645,765 | 16,595,765 | 2,390,000 | 1,150,377 | 3,540,377 | 11,340,000 | 8,796,142 | 20,136,142 |
| 2007............ | 9,410,000 | 7,197,718 | 16,607,718 | 2,530,000 | 1,016,163 | 3,546,163 | 11,940,000 | 8,213,881 | 20,153,881 |
| 2008............ | 9,890,000 | 6,721,483 | 16,611,483 | 2,670,000 | 873,813 | 3,543,813 | 12,560,000 | 7,595,296 | 20,155,296 |
| 2009............ | 10,410,000 | 6,191,663 | 16,601,663 | 2,820,000 | 722,729 | 3,542,729 | 13,230,000 | 6,914,392 | 20,144,392 |
| 2010............ | 10,965,000 | 5,631,603 | 16,596,603 | 2,985,000 | 562,583 | 3,547,583 | 13,950,000 | 6,194,186 | 20,144,186 |
| 2011............ | 11,590,000 | 5,039,423 | 16,629,423 | 3,155,000 | 392,501 | 3,547,501 | 14,745,000 | 5,431,924 | 20,176,924 |
| 2012............ | 11,640,000 | 4,410,958 | 16,050,958 | 3,345,000 | 211,845 | 3,556,845 | 14,985,000 | 4,622,803 | 19,607,803 |
| 2013............ | 12,275,000 | 3,778,963 | 16,053,963 | 1,095,000 | 90,826 | 1,185,826 | 13,370,000 | 3,869,789 | 17,239,789 |
| 2014............ | 11,300,000 | 3,109,078 | 14,409,078 | 635,000 | 33,338 | 668,338 | 11,935,000 | 3,142,416 | 15,077,416 |
| 2015............ | 10,890,000 | 2,491,201 | 13,381,201 | – | – | – | 10,890,000 | 2,491,201 | 13,381,201 |
| 2016............ | 11,375,000 | 1,895,976 | 13,270,976 | – | – | – | 11,375,000 | 1,895,976 | 13,270,976 |
| 2017............ | 11,335,000 | 1,274,282 | 12,609,282 | – | – | – | 11,335,000 | 1,274,282 | 12,609,282 |
| 2018............ | 9,400,000 | 654,994 | 10,054,994 | – | – | – | 9,400,000 | 654,994 | 10,054,994 |
| 2019............ | 2,405,000 | 139,550 | 2,544,550 | – | – | – | 2,405,000 | 139,550 | 2,544,550 |
| 2020............ | 145,000 | 7,613 | 152,613 | – | – | – | 145,000 | 7,613 | 152,613 |
| Totals.......... | $ 231,816,478 | $ 131,376,396 | $ 363,192,874 | $ 35,265,000 | $ 16,176,308 | $ 51,441,308 | $ 267,081,478 | $ 147,552,704 | $ 414,634,182 |

(1) Issued under the State Facilities Master Lease Program. These bonds include the 1998C Bonds and the Prior Parity Bonds and are not issued on a parity basis with the Authority's other outstanding lease revenue obligations.

(2) These bonds are not issued on a parity basis with the 1998C Bonds or the Prior Parity Bonds issued under the State Facilities Master Lease Program, or each other and are secured by separate and distinct debt service reserve funds, indentures of trust and pledge, leases, and security documents.

(Source: The Authority.)

## State Building Board

The State Building Board consists of seven voting members who are appointed by the Governor. The membership of the board is always the same as the membership of the Authority. 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 the Division. 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 the Division.

## Division Of Facilities Construction And Management

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

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

The Division 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 the Division 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.

# THE FACILITIES

## The Mortgaged Facilities As Security For The Bonds

The Bonds are equally and ratably secured by the lien of the Indenture and the Lease, subject to the terms, conditions, limitations and exceptions set forth therein. Upon the occurrence of an Event of Default under the Indenture or the occurrence of an Event of Nonappropriation under the Lease, the State shall be required to vacate the Mortgaged Facilities, the Trustee shall have all rights and remedies to take possession of the Mortgaged Facilities as trustee for the benefit of the Owners of the Bonds, and the Trustee may exercise various remedies against or with respect to the Mortgaged Facilities under the Indenture and the Lease for the proportionate benefit of the Owners of the 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 "SECURITY FOR THE 1998C BONDS—The Lease and the Indenture" above. Under the Lease, an Event of Nonappropriation will occur if the Legislature fails or refuses to specifically appropriate moneys sufficient to pay the Rentals with respect to a portion of the Facilities coming due in any fiscal year under the Lease.

Certain of the hereinafter described Facilities are part of larger projects, additional funding for which comes from sources other than Bonds issued under the Indenture ("Non–Bond Financed Projects"). Such Non–Bond Financed Projects are not part of the Facilities securing the Bonds under the Indenture and the Lease, 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

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

The Facilities consist of 27 separate facilities, located in various counties within the State, that are used by various departments of State government and state bodies including the Department of Alcoholic Beverage Control, the University of Utah, the College of Eastern Utah, various District and Juvenile Courts, the Department of Community and Economic Development, the Department of Human Services, the Department of Natural Resources and its Division of Parks and Recreation, the State Office of Education, the Department of Environmental Quality, the Department of Transportation and others. The most significant of these facilities include:

(i) The State Courts Complex, a five–story structure with approximately 417,000 square feet of space located in Salt Lake City;

(ii) The Huntsman Cancer Institute, a $48 million dollar cancer research center now under construction adjacent to the University of Utah's Health Sciences Center. This 214,000 square–foot, six–story facility was financed with $15 million of Bonds issued by the Authority and various public and private contributions;

(iii) The University of Utah new student housing facilities, a $120.1 million project now under construction on the University of Utah campus. These facilities are financed with approximately $23 million of Bonds issued by the Authority, $86 issued by the University of Utah, and the remaining from available moneys from the University and interest during construction. The student housing facilities described above do not constitute part of the Mortgaged Facilities and no mortgage lien or other security interest has been created with respect to such facilities for the security of the Bonds. However, the Authority has granted a leasehold mortgage on a performing arts auditorium at the University of Utah known as Kingsbury Hall, which is included in the Mortgaged Facilities;

(iv) Two office buildings located in Salt Lake City, totaling approximately 77,000 square feet of space, used by the Department of Environmental Quality ("DEQ");

(v) The acquisition of a Youth Corrections Facility in Salt Lake County to be used by the Department of Human Services;

(vi) An office building of approximately 95,000 square, used by the Department of Natural Resources ("DNR");

(vii) An office building of approximately 137,000 square feet now under construction in Salt Lake County to be used by the Department of Community and Economic Development ("DCED"); and

(viii) The Davis County Courts Complex, now under construction.

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The following table provides summary information regarding the Facilities:

| Facility | Construction Status | Scheduled Release Date (May 16) (1) |
|---|---|---|
| State Courts Complex......... | Completed–1998 | 2018 |
| DEQ Office..................... | Completed–1993–1995 | 2014 |
| Huntsman Cancer Institute ... | Scheduled–1999 | 2013 |
| Youth Corrections ............ | Completed–1998 | 2017 |
| DCED Office.................. | Scheduled–1999 | 2019 |
| DNR Office..................... | Completed–1997 | 2017 |
| Davis County Courts.......... | Scheduled–1999 | 2019 |
| All Other Facilities ........... | Completed/under construction | 2005–2020 |

(1) See "Scheduled Release of Facilities" below.

## Cross–Collateralization

Subject to the next succeeding paragraph, pursuant to the Indenture and the Lease, all of the 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 the Mortgaged Facilities. The occurrence of an Event of Default under the Indenture or an Event of Nonappropriation under the Lease will entitle the Trustee to take possession of the Mortgaged Facilities and to exercise its rights and remedies to the extent provided in the Indenture against the Mortgaged Facilities in such manner and order as the Trustee determines to be in the best interests of the Owners of the Bonds then outstanding. However, the security interest in the Mortgaged Facilities may be released prior to the payment of all of the Bonds as described below under "Release of Portions of Facilities–Release of Portions of Facilities Upon Discharge of Related Series of Bonds."

## Release Of Portions Of Facilities

Under the terms and conditions provided therefor 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:

### General Release of Portions of Facilities

So long as no Event of Default or Event of Nonappropriation has occurred under the Lease and is then continuing, the State and the Authority may make, from time to time, without the consent of the Trustee or the Owners of the Bonds, such modifications, alterations, amendments or additions to, or deletions from, the sites on which any of the Mortgaged Facilities are located (including portions or all of the State Facilities Expansion Site) 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 Mortgaged Facilities are located (including the State Facilities Expansion Site) 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 excludibility 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 Mortgaged Facilities Upon Exercise of Purchase Option

The Authority's interest in any portion of the Mortgaged 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 therefor in the Lease.

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

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

### Release of Portions of Facilities

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

### Scheduled Release of Facilities

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

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

## Maintenance Of The Facilities

The State has agreed 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 for all power, gas, telephone, light, heating and water and all other public utility services. See "APPENDIX A—BASIC DOCUMENTATION–THE LEASE–Maintenance and Operation" below.

# STATE OF UTAH GOVERNMENTAL ORGANIZATION

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

## Governmental Departments

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

### Legislative Department

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

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

### Executive Department

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

| Office | Person | Time in Office | Expiration of Term |
|---|---|---|---|
| Governor | Michael O. Leavitt | five years | January 2001 |
| Lieutenant Governor | Olene S. Walker | five years | January 2001 |
| State Auditor | Auston G. Johnson, III, CPA | two years | January 2001 |
| State Treasurer | Edward T. Alter, CPA | 17 years | January 2001 |
| Attorney General | Jan Graham, J.D. | five years | January 2001 |

### Judicial Department

The State Constitution provides that the "judicial power of the State shall be vested in a supreme court, in a trial court of general jurisdiction known as the district court, and in such other courts as the legislature by statute may establish." The State statutes list such other courts as the Court of Appeals, the circuit courts, the juvenile courts, justices' courts, and the small claim courts. The Supreme Court, the Court of Appeals, the district courts, the circuit courts, and the juvenile courts are all courts of record. In addition, most departments and agencies of the State have administrative proceedings which are conducted pursuant to the Utah Administrative Procedures Act by administrative law judges or hearing officers, whose determinations are subject to appeal through the judicial system.

## Certain Commissions And Agencies

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

### Utah State Tax Commission

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

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

assessment and equalization of "centrally–assessed properties" including mines, railroads, public utilities, pipelines and certain other properties;

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

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

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

administration of the State's motor vehicle registration laws.

### Department Of Administrative Services

The Department of Administrative Services (the "Department") coordinates the agencies that provide administrative support to State government. The Department also provides administrative support and staff services to the State of Utah, Utah State Building Ownership Authority and to the Utah State Building Board.

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

*Division of Finance*. The Director of Finance is appointed by the Executive Director of the Department with the Governor's approval and serves at the pleasure of the Executive Director.

The Director of Finance is the State's Chief Fiscal Officer and, ex–officio, the State's Accounting Officer. The statutes creating the Division of Finance give it authority and responsibility to:

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

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

supervise enforcement of travel rules and regulations;

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

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

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

#### Governor's Office Of Planning And Budget

A major function of the Governor's Office of Planning and Budget, in cooperation with the Governor and the Division of Finance, is the budgeting of State finances. The budgeting process is as follows:

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

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

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

## DEBT STRUCTURE OF THE STATE OF UTAH

### Legal Borrowing Authority

#### Constitutional and Statutory Limitations on State Indebtedness

*Constitutional.* Article XIV, Section 1 of the State Constitution limits the State to a total general obligation debt not to exceed in the aggregate at any one time an amount equal to 1.5% of the value of the taxable property of the State, as shown by the last assessment for State purposes, previous to the incurring of such debt. Using the 1997 value of $125,705,070,893, the debt limit of the State is approximately $1,885,576,063.

As of September 15, 1998 (the scheduled closing date of the 1998C Bonds) the State's total general obligation debt then outstanding will be $1,183,525,000, leaving available to the State approximately $702,051,063 of additional general obligation borrowing capacity authorized by the State Constitution. See in this section "Authorized and Unissued General Obligation Bonds" below.

*Statutory*. Title 63, Chapter 38c, Utah Code (the "State Appropriations and Tax Limitation Act"), among other things, limits the maximum general obligation borrowing authority of the State. Under the State Appropriations and Tax Limitation Act, the outstanding general obligation debt of the State may not exceed 20% of the maximum allowable appropriations limit provided in that act, which limits State government appropriations based upon a formula that reflects the average of changes in personal income and the combined changes in population and inflation.

In 1997, the Legislature passed legislation which exempts general obligation highway bonds from the limitation of the State Appropriations and Tax Limitation Act. The State's general obligation Series 1997E Bonds (in the current amount of $135 million) and Series 1997F Bonds (in the current amount of $205 million) and the State's General Obligation Highway Commercial Paper Notes, Series 1997A and B (in the current amount of $50 million) (the "1997 Commercial Paper Notes") were consequently not subject to the State Appropriations and Tax Limitation Act. However, the State's General Obligation Commercial Paper Notes, Series 1998A and B (in the current amount of $240 million) (the "1998 Commercial Paper Notes") were not exempted from the borrowing limits of the State Appropriations and Tax Limitation Act. See in this section "General Obligation Bond Anticipation Notes," and "General Obligation Bonds" below.

Under the State Appropriations and Tax Limitation Act, the State may have total outstanding general obligation debt of approximately $705,694,200 (20% of $3,528,471,000) for its fiscal year beginning July 1, 1998 and ending June 30, 1999 (the "Fiscal Year Ending June 30, 1999").

Considering the general obligation bonds that will be outstanding (less the "statutory" exempt highway bonds and notes) on September 15, 1998, the then *remaining* general obligation borrowing capacity of the State under the State Appropriations and Tax Limitation Act will be approximately $122,169,200 for the Fiscal Year Ending June 30, 1999. As additional general obligation bonds are issued and outstanding general obligation bonds are retired, the maximum general obligation borrowing authority of the State under the State Appropriations and Tax Limitation Act will fluctuate. The State Appropriations and Tax Limitation Act may be amended in the same manner as any other statute (by majority vote of both houses of the Legislature).

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The calculation of the historical constitutional debt limit, the general obligation debt, the additional general obligation debt incurring capacity, and the statutory debt limit for the State for each of the Fiscal Years Ended June 30, 1994 through 1998 is as follows:

| | Fiscal Year Ended June 30 (in thousands) (1) | | | | |
|---|---|---|---|---|---|
| | 1998 | 1997 | 1996 | 1995 | 1994 (3) |
| Taxable Value (2) (4)......... | $93,202,827 | $83,435,302 | $74,212,122 | $65,906,137 | $60,477,874 |
| Fair Market Value or Market Value (4)............ | $125,705,071 | $111,885,862 | $99,271,564 | $77,647,309 | $70,168,225 |
| **Constitutional:** | | | | | |
| Constitutional Debt Limit (Fair Market Value times 1.5%).................. | $1,885,576 | $1,678,288 | $1,489,074 | $1,164,710 | $1,052,523 |
| Outstanding General Obligation Debt (5)......... | (1,202,310) | (367,160) | (413,185) | (430,555) | (394,325) |
| Additional General Obligation Debt Incurring Capacity (*constitutional*).. | $ 683,266 | $1,311,128 | $1,075,889 | $ 734,155 | $ 658,198 |
| **Statutory:** | | | | | |
| Statutory Debt Limit.......... | $649,676 | $610,145 | $561,777 | $507,660 | $467,325 |
| Outstanding General Obligation Debt (5)......... | (602,310) | (367,160) | (413,185) | (430,555) | (394,325) |
| Additional General Obligation Debt Incurring Capacity (*statutory*)........ | $ 47,366 | $242,985 | $148,592 | $ 77,105 | $ 73,000 |

(1) Rounded to the nearest thousand.
(2) Taxable values were calculated by reducing the fair market value of primary residential property by 45% for the tax year 1997 (Fiscal Year Ended June 30, 1998), 1996 (Fiscal Year Ended June 30, 1997), and 1995 (Fiscal Year Ended June 30, 1996), 32% for the tax year 1994 (Fiscal Year Ended June 30, 1995), 29.5% for the tax year 1993 (Fiscal Year Ended June 30, 1994), representing a partial property tax exemption for such property.
(3) The estimated fair market values reported for tax year 1993 (Fiscal Year Ended June 30, 1994) reflect a 5% reduction for transaction costs with respect to certain property assessed by the county assessor. Such reductions were eliminated, effective for the tax year 1994 (Fiscal Year Ended June 30, 1995).
(4) These valuation figures include the value associated with the fees in lieu of ad valorem taxes for motor vehicles and other tangible personal property, as discussed in "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—State Tax System–Property Tax" below.
(5) Beginning in the Fiscal Year Ended June 30, 1998, certain general obligation highway bonds and general obligation highway bond anticipation notes are exempt from the State Appropriations and Tax Limitation Act.

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

### Bonds Not General Obligations

Neither the Bonds nor the Lease will constitute general obligations of the State or the Authority. See "INTRODUCTION—Security" and "—Bondowners' Risks–Limited Obligations" above.

### Authorized and Unissued General Obligation Bonds

The State Bonding Commission, which issues the State's general obligation bonds, has statutory authorization to authorize the issuance of up to approximately $23 million aggregate principal amount of additional general obligation bonds, the proceeds of which bonds, when issued, will be used by the Division (and other State agencies) for various construction purposes.

## General Obligation Bond Anticipation Notes

The State issued its 1997 Commercial Paper Notes on July 10, 1997. The 1997 Commercial Paper Notes constitute general obligations of the State, were issued in the original principal amount of $260 million and are scheduled to mature on July 10, 2000. *The 1997 Commercial Paper Notes (and any refunding of the notes with general obligation bonds) are exempt from the State Appropriations and Tax Limitation Act.* On September 30, 1998, $210 million of 1997 Commercial Paper Notes will be retired. The remaining $50 million of the 1997 Commercial Paper Notes will be made up of $25 million of Series 1997A Commercial Paper Notes and $25 million of Series 1997B Commercial Paper Notes. The maturity of the remaining 1997 Commercial Paper Notes is July 10, 2000; however, under State law the State may extend the maturity date of the remaining 1997 Commercial Paper Notes to July 10, 2002. The State currently intends to provide for the payment of the remaining 1997 Commercial Paper Notes through the anticipated receipts of federal highway moneys on or before July 10, 2000.

The State anticipates paying principal of and interest on the 1997 Commercial Paper Notes as follows (assuming the remaining 1997 Commercial Paper Notes remain outstanding to July 10, 2000):

| | 1997 Commercial Paper Notes | | | |
|---|---|---|---|---|
| Period Date | Principal | Interest | Period Total | Fiscal Total |
| July 10, 1997 | $ 0 | $ 0 | $ 0 | |
| January 1, 1998 (1) | 0 | 3,461,968 | 3,461,968 | $ 3,461,968 |
| July 1, 1998 (1) | 0 | 4,328,578 | 4,328,578 | |
| September 30, 1998 (2) | 210,000,000 | 3,668,500 | 213,668,500 | |
| January 1, 1999 (3) | 0 | 471,370 | 471,370 | 218,468,448 |
| July 1, 1999 (3) | 0 | 917,397 | 917,397 | |
| January 1, 2000 (3) | 0 | 932,603 | 932,603 | 1,850,000 |
| July 1, 2000 (3) | 0 | 917,397 | 917,397 | |
| July 10, 2000 (3) | 50,000,000 | 45,616 | 50,045,616 | 50,963,013 |
| Totals | $260,000,000 | $14,743,429 | $274,743,429 | |

(1) Actual interest paid.
(2) Estimated.
(3) Interest estimated at 3.70% per annum, with a final maturity date of July 10, 2000.

(Source: The Financial Advisor.)

Pursuant to legislation enacted at the 1998 General Session of the Legislature, the State issued $240 million of 1998 Commercial Paper Notes on May 7, 1998. *The 1998 Commercial Paper Notes are **not** exempt from the State Appropriations and Tax Limitation Act.* The 1998 Commercial Paper Notes constitute general obligations of the State and are scheduled to mature on May 7, 2001; however the State may extend the maturity date of the 1998 Commercial Paper Notes to May 7, 2003, under State law. The State currently intends to retire the 1998 Commercial Paper Notes through the issuance of general obligation bonds before May 7, 2003.

The State anticipates to pay principal and interest on the 1998 Commercial Paper Notes as follows (based on the State holding all of the 1998 Commercial Paper Notes to May 7, 2001):

| Period Date (1) | 1998 Commercial Paper Notes Principal | Interest | Period Total | Fiscal Total |
|---|---|---|---|---|
| May 7, 1998 | $ 0 | $ 0 | $ 0 | |
| July 1, 1998 (1) | 0 | 306,404 | 306,404 | |
| January 1, 1999 (2) | 0 | 4,476,493 | 4,476,493 | $ 4,782,897 |
| July 1, 1999 (2) | 0 | 4,403,507 | 4,403,507 | |
| January 1, 2000 (2) | 0 | 4,476,493 | 4,476,493 | 8,880,000 |
| July 1, 2000 (2) | 0 | 4,403,507 | 4,403,507 | |
| January 1, 2001 (2) | 0 | 4,476,493 | 4,476,493 | |
| May 7, 2001 (2) | 240,000,000 | 3,065,425 | 243,065,425 | 251,945,425 |
| Totals | $240,000,000 | $25,608,322 | $265,608,322 | |

(1) Actual interest paid.
(2) Interest estimated at 3.70% per annum, with a final maturity date of May 7, 2001.

(Source: The Financial Advisor.)

The 1997 Commercial Paper Notes and the 1998 Commercial Paper Notes are currently rated "F1+" by Fitch, "P1" by Moody's, and "A–1+" by S&P.

## General Obligation Indebtedness

The State has issued general obligation bonds for general building, higher education buildings, highway, water and wastewater facilities, flood control facilities, technology, recreation, and refunding purposes. The outstanding general obligation bonds of the State are currently rated "AAA" by Fitch; "Aaa" by Moody's; and "AAA" by S&P, as of the date of this OFFICIAL STATEMENT.

As of the dates indicated, the State expects to have the following principal amounts of general obligation debt outstanding:

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| Series | Purpose | Original Amount | Final Maturity Date | Outstanding as of June 30, 1998 | Outstanding as of Sept. 15, 1998 |
|---|---|---|---|---|---|
| **General Obligation Bonds** | | | | | |
| 1998A (1)... | Various purpose | $ 265,000,000 | July 1, 2012 | $ 0 | $ 265,000,000 |
| 1997F (2).... | Highway projects | 205,000,000 | July 1, 2012 | 205,000,000 | 205,000,000 |
| 1997A........ | Capital projects | 8,895,000 | July 1, 2002 | 8,895,000 | 8,895,000 |
| 1997B........ | Capital projects | 11,250,000 | July 1, 2002 | 11,250,000 | 11,250,000 |
| 1997C........ | Capital projects | 36,355,000 | July 1, 2003 | 36,355,000 | 36,355,000 |
| 1997D........ | Computer system | 8,500,000 | July 1, 2003 | 8,500,000 | 8,500,000 |
| 1997E (2).... | Highway projects | 135,000,000 | July 1, 2012 | 135,000,000 | 135,000,000 |
| 1996.......... | Capital projects | 20,000,000 | July 1, 2002 | 20,000,000 | 20,000,000 |
| 1995A........ | Capital projects | 40,000,000 | July 1, 2001 | 40,000,000 | 40,000,000 |
| 1995B........ | Capital projects | 5,000,000 | July 1, 2001 | 5,000,000 | 5,000,000 |
| 1994A........ | Capital projects | 50,000,000 | July 1, 2000 | 45,400,000 | 43,840,000 |
| 1994B........ | Capital projects | 20,000,000 | July 1, 2000 | 20,000,000 | 20,000,000 |
| 1994C........ | Capital projects | 9,500,000 | July 1, 2000 | 9,500,000 | 9,500,000 |
| 1994D........ | Highway projects | 12,300,000 | July 1, 2000 | 12,300,000 | 12,300,000 |
| 1994E........ | Highway projects | 2,000,000 | July 1, 2000 | 2,000,000 | 2,000,000 |
| 1994F........ | Refunding lease revenue | 945,000 | July 1, 2000 | 900,000 | 885,000 |
| 1993A........ | Capital projects | 60,000,000 | July 1, 1999 | 60,000,000 | 60,000,000 |
| 1993B........ | Highway projects | 10,000,000 | July 1, 1999 | 10,000,000 | 10,000,000 |
| 1992A........ | Capital projects | 75,500,000 | July 1, 1998 | 24,275,000 | 0 |
| 1991F........ | Capital projects | 9,235,000 | July 1, 1998 | 9,235,000 | 0 |
| 1991G........ | Capital projects | 38,700,000 | July 1, 1998 | 38,700,000 | 0 |
| Total General Obligation Debt... | | 1,023,180,000 | | 702,310,000 | 893,525,000 |
| **Bond Anticipation Notes** | | | | | |
| 1997A (2)... | Highway projects | 130,000,000 | July 10, 2000 (3) | 130,000,000 | 25,000,000 |
| 1997B (2)... | Highway projects | 130,000,000 | July 10, 2000 (3) | 130,000,000 | 25,000,000 |
| 1998A........ | Highway projects | 120,000,000 | May 7, 2001 (4) | 120,000,000 | 120,000,000 |
| 1998A........ | Highway projects | 120,000,000 | May 7, 2001 (4) | 120,000,000 | 120,000,000 |
| Total Bond Anticipation Notes... | | 500,000,000 | | 500,000,000 | 290,000,000 |
| Total All General Obligation Debt.................................... | | $1,523,180,000 | | $1,202,310,000 | $1,183,525,000 |

(1) A portion of this bond in the amount of $210 million (used for highway purposes) is exempt from "statutory" debt limit calculations.
(2) These bonds are exempt from "statutory" debt limit calculations.
(3) The maturity date for the 1997 Commercial Paper Notes may be extended to July 10, 2002.
(4) The maturity date for the 1998 Commercial Paper Notes may be extended to May 7, 2003.

(Source: Financial Advisor.)

*Current issuance of General Obligation Bonds.* Other than the $265 million Series 1998C Bonds as shown above issued on July 7, 1998, the State Bonding Commission does not anticipate the issuance of additional general obligation bonds during the Fiscal Year Ending June 30, 1999.

The following table reflects the State's general obligation debt, as measured by population, personal income, taxable value, fair market value and market value for the fiscal years shown.

| | Fiscal Year Ended June 30 | | | | |
|---|---|---|---|---|---|
| | 1997 | 1996 | 1995 | 1994 | 1993 |
| Outstanding General Obligation Debt (000's) | $367,160 | $413,185 | $430,555 | $394,325 | $378,290 |
| Debt Ratios: | | | | | |
| Per Capita | $179.21 | $206.35 | $219.78 | $205.81 | $202.73 |
| As % of Total Personal Income | 0.87% | 1.06% | 1.19% | 1.19% | 1.23% |
| As % of Taxable Value (1) | 0.40% | 0.51% | 0.58% | 0.60% | 0.63% |
| As % of Fair Market Value (1) | 0.29% | 0.37% | 0.43% | 0.51% | 0.54% |
| As % of Market Value (1) | 0.29% | 0.37% | 0.43% | 0.51% | 0.52% |
| Annual Debt Service as % of All Governmental Fund Expenditures | 2.00% | 2.05% | 2.07% | 1.97% | 1.85% |

(1) These valuation figures include the value associated with the fees in lieu of ad valorem taxes for motor vehicles and other tangible personal property, as discussed in "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—State Tax System–Property Tax" below.

(Sources: Division of Finance (as to "Annual Debt Service as % of All Governmental Fund Expenditures" only) and the Financial Advisor.)

The following table reflects the State's general obligation debt, as measured by population, personal income, taxable value, fair market value and market value estimated for this current period which is as of the Fiscal Year Ended June 30, 1998 and of September 15, 1998 (which is the proposed closing date of the 1998C Bonds).

| | Estimated | |
|---|---|---|
| | As of June 30, 1998 | As of Sept. 15, 1998 |
| Outstanding General Obligation Debt (000's) | $1,202,310 | $1,183,525 |
| Debt Ratios: | | |
| Per Capita (1997 population estimate—2,048,753 people) | $586.85 | $577.68 |
| As % of Total Personal Income (1997—$42,072,000,000) | 2.86% | 2.81% |
| As % of Taxable Value (1) (1997—$93,202,826,647) | 1.29% | 1.15% |
| As % of Fair Market Value and Market Value (1) (1997—$125,705,070,893) | 0.96% | 0.94% |
| Annual Debt Service as % of All Governmental Fund Expenditures | 2.24% | n/a (2) |

(1) These valuation figures include the value associated with the fees in lieu of ad valorem taxes for motor vehicles and other tangible personal property, as discussed in "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—State Tax System–Property Tax" below.

(2) Not applicable.

(Source: Financial Advisor.)

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

| Fiscal Year Ending June 30 | Series 1998A $265,000,000 Principal | Series 1998A Interest | Series 1997F $205,000,000 Principal | Series 1997F Interest | Series 1997A $8,895,000 Principal | Series 1997A Interest | Series 1997B $11,250,000 Principal | Series 1997B Interest | Series 1997C $36,355,000 Principal | Series 1997C Interest |
|---|---|---|---|---|---|---|---|---|---|---|
| 1999........... | $ 0 | $ 7,213,889 | $ 0 | $ 10,571,500 | $ 0 | $ 489,225 | $ 0 | $ 618,750 | $ 0 | $ 1,999,525 |
| 2000........... | 0 | 13,250,000 | 0 | 10,571,500 | 0 | 489,225 | 0 | 618,750 | 0 | 1,999,525 |
| 2001........... | 0 | 13,250,000 | 0 | 10,571,500 | 0 | 489,225 | 0 | 618,750 | 0 | 1,999,525 |
| 2002........... | 26,925,000 | 12,576,875 | 12,625,000 | 10,255,875 | 0 | 489,225 | 0 | 618,750 | 0 | 1,999,525 |
| 2003........... | 30,525,000 | 11,140,625 | 13,325,000 | 9,607,125 | 8,895,000 | 244,613 | 11,250,000 | 309,375 | 0 | 1,999,525 |
| 2004........... | 38,150,000 | 9,423,750 | 14,075,000 | 8,922,125 | – | – | – | – | 36,355,000 | 999,763 |
| 2005........... | 14,975,000 | 8,095,625 | 14,825,000 | 8,162,563 | – | – | – | – | – | – |
| 2006........... | 15,850,000 | 7,325,000 | 15,625,000 | 7,325,188 | – | – | – | – | – | – |
| 2007........... | 16,775,000 | 6,509,375 | 16,475,000 | 6,442,438 | – | – | – | – | – | – |
| 2008........... | 17,750,000 | 5,646,250 | 17,375,000 | 5,511,563 | – | – | – | – | – | – |
| 2009........... | 18,725,000 | 4,734,375 | 18,225,000 | 4,578,125 | – | – | – | – | – | – |
| 2010........... | 19,725,000 | 3,773,125 | 19,125,000 | 3,644,375 | – | – | – | – | – | – |
| 2011........... | 20,750,000 | 2,761,250 | 20,100,000 | 2,663,750 | – | – | – | – | – | – |
| 2012........... | 21,850,000 | 1,696,250 | 21,100,000 | 1,633,750 | – | – | – | – | – | – |
| 2013........... | 23,000,000 | 575,000 | 22,125,000 | 553,125 | – | – | – | – | – | – |
| Totals......... | $ 265,000,000 | $ 107,971,389 | $ 205,000,000 | $ 101,014,502 | $ 8,895,000 | $ 2,201,513 | $ 11,250,000 | $ 2,784,375 | $ 36,355,000 | $ 10,997,388 |

| Fiscal Year Ending June 30 | Series 1997D $8,500,000 Principal | Series 1997D Interest | Series 1997E $135,000,000 Principal | Series 1997E Interest | Series 1996 $20,000,000 Principal | Series 1996 Interest | Series 1995A $40,000,000 Principal | Series 1995A Interest | Series 1995B $5,000,000 Principal | Series 1995B Interest |
|---|---|---|---|---|---|---|---|---|---|---|
| 1999........... | $ 0 | $ 467,500 | $ 0 | $ 7,029,913 | $ 0 | $ 1,000,000 | $ 0 | $ 2,400,000 | $ 0 | $ 300,000 |
| 2000........... | 0 | 467,500 | 0 | 7,029,913 | 0 | 1,000,000 | 0 | 2,400,000 | 0 | 300,000 |
| 2001........... | 0 | 467,500 | 0 | 7,029,913 | 0 | 1,000,000 | 0 | 2,400,000 | 0 | 300,000 |
| 2002........... | 0 | 467,500 | 8,250,000 | 6,803,038 | 0 | 1,000,000 | 40,000,000 | 1,200,000 | 5,000,000 | 150,000 |
| 2003........... | 4,855,000 | 333,988 | 8,700,000 | 6,336,913 | 20,000,000 | 500,000 | – | – | – | – |
| 2004........... | 3,645,000 | 100,238 | 9,175,000 | 5,845,350 | – | – | – | – | – | – |
| 2005........... | – | – | 9,675,000 | 5,339,069 | – | – | – | – | – | – |
| 2006........... | – | – | 10,200,000 | 4,804,600 | | – | – | – | – | – |
| 2007........... | – | – | 10,775,000 | 4,227,788 | – | – | – | – | – | – |
| 2008........... | – | – | 11,350,000 | 3,619,350 | – | – | – | – | – | – |
| 2009........... | – | – | 11,950,000 | 3,020,425 | – | – | – | – | – | – |
| 2010........... | – | – | 12,625,000 | 2,424,313 | – | – | – | – | – | – |
| 2011........... | – | – | 13,325,000 | 1,781,875 | – | – | – | – | – | – |
| 2012........... | – | – | 14,075,000 | 1,096,875 | – | – | – | – | – | – |
| 2013........... | – | – | 14,900,000 | 372,500 | – | – | – | – | – | – |
| Totals......... | $ 8,500,000 | $ 2,304,226 | $ 135,000,000 | $ 66,761,835 | $ 20,000,000 | $ 4,500,000 | $ 40,000,000 | $ 8,400,000 | $ 5,000,000 | $ 1,050,000 |

| Fiscal Year Ending June 30 | Series 1994A $50,000,000 Principal | Series 1994A Interest | Series 1994B $20,000,000 Principal | Series 1994B Interest | Series 1994C $9,500,000 Principal | Series 1994C Interest | Series 1994D $12,300,000 Principal | Series 1994D Interest | Series 1994E $2,000,000 Principal | Series 1994E Interest |
|---|---|---|---|---|---|---|---|---|---|---|
| 1999........... | $ 1,560,000 | $ 2,089,230 | $ 0 | $ 940,000 | $ 0 | $ 446,500 | $ 0 | $ 578,100 | $ 0 | $ 94,000 |
| 2000........... | 7,130,000 | 1,889,360 | 0 | 940,000 | 0 | 446,500 | 0 | 578,100 | 0 | 94,000 |
| 2001........... | 36,710,000 | 862,685 | 20,000,000 | 470,000 | 9,500,000 | 223,250 | 12,300,000 | 289,050 | 2,000,000 | 47,000 |
| 2002........... | – | – | – | – | – | – | – | – | – | – |
| 2003........... | – | – | – | – | – | – | – | – | – | – |
| 2004........... | – | – | – | – | – | – | – | – | – | – |
| 2005........... | – | – | – | – | – | – | – | – | – | – |
| 2006........... | – | – | – | – | – | – | – | – | – | – |
| 2007........... | – | – | – | – | – | – | – | – | – | – |
| 2008........... | – | – | – | – | – | – | – | – | – | – |
| 2009........... | – | – | – | – | – | – | – | – | – | – |
| 2010........... | – | – | – | – | – | – | – | – | – | – |
| 2011........... | – | – | – | – | – | – | – | – | – | – |
| 2012........... | – | – | – | – | – | – | – | – | – | – |
| 2013........... | – | – | – | – | – | – | – | – | – | – |
| Totals......... | $ 45,400,000 | $ 4,841,275 | $ 20,000,000 | $ 2,350,000 | $ 9,500,000 | $ 1,116,250 | $ 12,300,000 | $ 1,445,250 | $ 2,000,000 | $ 235,000 |

| Fiscal Year Ending June 30 | Series 1994F $945,000 Principal | Series 1994F $945,000 Interest | Series 1993A $60,000,000 Principal | Series 1993A $60,000,000 Interest | Series 1993B $10,000,000 Principal | Series 1993B $10,000,000 Interest | Series 1992A $75,500,000 Principal | Series 1992A $75,500,000 Interest | Series 1991F $9,235,000 Principal | Series 1991F $9,235,000 Interest |
|---|---|---|---|---|---|---|---|---|---|---|
| 1999........... | $ 15,000 | $ 41,870 | $ 0 | $ 2,640,000 | $ 0 | $ 440,000 | $ 24,275,000 | $ 606,875 | $ 9,235,000 | $ 253,963 |
| 2000........... | 70,000 | 39,915 | 60,000,000 | 1,320,000 | 10,000,000 | 220,000 | – | – | – | – |
| 2001........... | 815,000 | 19,153 | – | – | – | – | – | – | – | – |
| 2002........... | – | – | – | – | – | – | – | – | – | – |
| 2003........... | – | – | – | – | – | – | – | – | – | – |
| 2004........... | – | – | – | – | – | – | – | – | – | – |
| 2005........... | – | – | – | – | – | – | – | – | – | – |
| 2006........... | – | – | – | – | – | – | – | – | – | – |
| 2007........... | – | – | – | – | – | – | – | – | – | – |
| 2008........... | – | – | – | – | – | – | – | – | – | – |
| 2009........... | – | – | – | – | – | – | – | – | – | – |
| 2010........... | – | – | – | – | – | – | – | – | – | – |
| 2011........... | – | – | – | – | – | – | – | – | – | – |
| 2012........... | – | – | – | – | – | – | – | – | – | – |
| 2013........... | – | – | – | – | – | – | – | – | – | – |
| Totals......... | $ 900,000 | $ 100,938 | $ 60,000,000 | $ 3,960,000 | $ 10,000,000 | $ 660,000 | $ 24,275,000 | $ 606,875 | $ 9,235,000 | $ 253,963 |

| Fiscal Year Ending June 30 | Series 1991G $38,700,000 Principal | Series 1991G $38,700,000 Interest | Totals (1) Total Principal | Totals (1) Total Interest | Totals (1) Total Debt Service |
|---|---|---|---|---|---|
| 1999........... | $ 38,700,000 | $ 1,064,250 | $ 73,785,000 | $ 41,285,090 | $ 115,070,090 |
| 2000........... | – | – | 77,200,000 | 43,654,288 | 120,854,288 |
| 2001........... | – | – | 81,325,000 | 40,037,551 | 121,362,551 |
| 2002........... | – | – | 92,800,000 | 35,560,788 | 128,360,788 |
| 2003........... | – | – | 97,550,000 | 30,472,164 | 128,022,164 |
| 2004........... | – | – | 101,400,000 | 25,291,226 | 126,691,226 |
| 2005........... | – | – | 39,475,000 | 21,597,257 | 61,072,257 |
| 2006........... | – | – | 41,675,000 | 19,454,788 | 61,129,788 |
| 2007........... | – | – | 44,025,000 | 17,179,601 | 61,204,601 |
| 2008........... | – | – | 46,475,000 | 14,777,163 | 61,252,163 |
| 2009........... | – | – | 48,900,000 | 12,332,925 | 61,232,925 |
| 2010........... | – | – | 51,475,000 | 9,841,813 | 61,316,813 |
| 2011........... | – | – | 54,175,000 | 7,206,875 | 61,381,875 |
| 2012........... | – | – | 57,025,000 | 4,426,875 | 61,451,875 |
| 2013........... | – | – | 60,025,000 | 1,500,625 | 61,525,625 |
| Totals......... | $ 38,700,000 | $ 1,064,250 | $ 967,310,000 | $ 324,619,029 | $ 1,291,929,029 |

(1) Based on actual debt payments falling due in that particular fiscal year. Does not include debt service on the 1997 Commercial Paper Notes or the 1998 Commercial Paper Notes which notes bear interest at a variable interest rate. See "DEBT STRUCTURE OF THE STATE OF UTAH —General Obligation Bond Anticipation Notes" above.

(Source: The Financial Advisor.)

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

| | Fiscal Year Ended June 30 (in thousands) | | | | |
|---|---|---|---|---|---|
| | Estimated 1998 (*) | 1997 | 1996 | 1995 | Restated 1994 |
| General Fund Expenditures (1) | $2,599,960 | $2,513,596 | $2,359,468 | $2,213,651 | $2,036,760 |
| Debt Service Expenditures | $127,279 | $100,651 | $94,426 | $86,572 | $77,304 |
| Ratio Debt Service to General Fund Expenditures | 4.90% | 4.00% | 4.00% | 3.91% | 3.78% |
| Total All Governmental Funds Expenditures | $5,683,512 | $5,043,618 | $4,611,243 | $4,211,434 | $3,913,505 |
| Ratio Debt Service Expenditures to All Governmental Fund Expenditures | 2.24% | 2.00% | 2.05% | 2.07% | 1.97% |

(*) 1998 estimates as of April 1998.

(1) Does not include Debt Service Expenditures made in the General Fund.

(Sources: Division of Finance and the 1997 Comprehensive Annual Financial Report.)

### Tax And Revenue Anticipation Note Financing

The State has not issued any tax and revenue anticipation notes since 1987. The State anticipates that it will not issue tax and revenue anticipation notes for Fiscal Year Ending June 30, 1999.

### Lease Obligations

The State leases office buildings, other real property, and office and computer equipment. Although the lease terms vary, most leases are subject to annual appropriations from the Legislature to continue the lease obligations. If a legislative appropriation is reasonably assured, long–term leases are considered noncancellable for financial reporting purposes and are reported in the General Long–Term Obligation Account Group or appropriate proprietary funds or component units.

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

The total operating lease expenditures for Fiscal Years Ended June 30, 1997 and June 30, 1996 were $25,737,000 and $25,106,000, respectively, for the primary government, and $12,764,000 and $10,295,000, respectively, for component units. For a detailed report and description of operating and capital leases see "APPENDIX B—GENERAL PURPOSE FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 1997—Notes to the Combined Financial Statements, Note 6. Lease Commitments."

### Revenue Bonds And Notes

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

The majority of the State's revenue bonds and notes are issued by the Utah Housing Finance Agency, the State Board of Regents (student loans and college and university capital projects), and the Authority. Current information regarding such revenue bonds and notes is provided below.

For a detailed report and description of the various revenue bonds and notes see "APPENDIX B—GENERAL PURPOSE FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 1997—Notes to the Combined Financial Statements, Note 7. Bonds and Notes Payable."

**Covenant Regarding Legislative Appropriations**

As noted above, the State agencies that issue most of the State's revenue bonds are the Utah Housing Finance Agency and the State Board of Regents. The statutes under which these agencies are organized provide that the chairman of each agency shall certify to the Governor on or before December 1 of each year the amount, if any, necessary to restore any capital reserve or debt service reserve fund established by the agency to its required amount. In the case of revenue bonds issued to finance a capital project for an institution of higher education, the chairman of the State Board of Regents may also certify to the Governor on or before December 1 of each year any projected shortfall in the revenues necessary to make debt service payments in the forthcoming calendar year. In addition, the State Treasurer has issued revenue bonds under the State Financing Consolidation Act, as discussed below, and has established debt service reserve funds to secure such bonds. The State Treasurer is authorized to certify to the Governor the amount necessary to restore such reserve funds in the same manner as described above. Upon receipt of such a certification, the Governor may then request from the State Legislature an appropriation of the amount so certified. The Governor is not required to request an appropriation from the Legislature and the Legislature is under no obligation to make any appropriation requested by the Governor.

Certain revenue bonds issued by the Utah Housing Finance Agency and the State Board of Regents, and all of the revenue bonds issued by the State Treasurer under the State Financing Consolidation Act, include covenants of the issuing entity to certify to the Governor the amount necessary to restore the debt service or capital reserve fund or to meet any projected debt service shortfall. These bonds are referred to herein as "*State Moral Obligation Bonds*." The revenue bonds issued by the Utah Housing Finance Agency and the State Board of Regents that are not State Moral Obligation Bonds could, under the applicable statutory provisions and the procedures described above, benefit from legislative appropriations to cover debt service reserve fund deficiencies or projected debt service shortfalls, notwithstanding the absence of the issuer covenants referred to in this paragraph.

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

*Utah Housing Finance Agency*. The Utah Housing Finance Agency had outstanding as of January 1, 1998 approximately $1,013 million of single family and multifamily housing revenue bonds, approximately $250 million of which were issued as State Moral Obligation Bonds.

*State Board of Regents*. As of June 30, 1998, the State Board of Regents had approximately $616 million of student loan revenue bonds outstanding, all of which were issued as State Moral Obligation Bonds. In addition, as of such date, the State Board of Regents had outstanding approximately $180 million of revenue bonds issued to finance capital projects at the State's institutions of higher education, approximately $66 million of which were issued as State Moral Obligation Bonds.

*State Financing Consolidation Act.* As of June 30, 1998, the State Treasurer had outstanding approximately $15 million of revenue bonds under the State Financing Consolidation Act, all of which were issued as State Moral Obligation Bonds. These revenue bonds were issued to provide funds to the State's Drinking Water Board and Board of Water Resources and are secured by and payable from bonds, notes and other obligations issued by certain political subdivisions of the State that are held by the Treasurer.

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

The State Superintendent of Public Instruction is charged by the Guaranty Act with the responsibility of monitoring the financial affairs, condition, and solvency of each local school board in the State and reporting, at least annually, its conclusions to the Governor, the State Legislature and the State Treasurer. The State Superintendent must report immediately to the Governor and the State Treasurer any circumstances suggesting that a local school board will be unable to pay when due its debt service obligations and recommend a course of remedial action.

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

As of the date of this OFFICIAL STATEMENT, the State has guaranteed approximately $543 million principal amount of Guaranteed Bonds. The State cannot predict how many bonds may be guaranteed in future years; no limitation is currently imposed by the Guaranty Act.

*No Request For Appropriation.* As of the date of this OFFICIAL STATEMENT, the State has never had cause to implement the provisions of the Guaranty Act.

## No Defaulted Bonds

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

# FINANCIAL INFORMATION REGARDING THE STATE OF UTAH

## State's Discussion And Analysis Of Financial Condition And Results Of Operations

### Current Economic Overview[1]

General Context

The State's economy continued to outperform that of the nation as it demonstrated a strong and broad–based growth through 1997. Although economic growth continues to be quite robust, it has begun to moderate from the near boom conditions of the past few years.

For the sixth consecutive year, the State ranked among the best performing states in terms of the growth of employment, personal income, and gross state product. The annual average unemployment rate of 3.1% in 1997 was the lowest rate for the State since 1957, significantly less than the 4.9% rate for the nation. For over a decade, the State's employment growth rate has been more than double that of the nation.

The State's population growth rate has been roughly double that of the nation for the 1990 through 1997 period. For the 1990's, natural increase has accounted for about 60% of the increase. In addition, there have been seven consecutive years of net in–migration, reaching a peak absolute level of an estimated 22,800 in 1994 and declining subsequently to an estimated 15,000 in 1997, as estimated by the Utah Population Estimates Committee.

The strength of the State's economy over the past several years has occurred within the context of a national economic expansion, an even more robust regional expansion, and a difficult restructuring in California. The State's economy has become more diversified, particularly since the early 1980s. The result of the diversification of State's economy in the midst of economic growth is that sectors in which the State's employment has been disproportionately concentrated in the past (such as the federal government and extractive industries) have lost in employment share, while sectors other than these (notably those affected by expansion of tourism, computer software, financial services, and biomedical technologies) have increased in share.

More recently, growth of the State's non–agricultural employment and total non–agricultural wages has decelerated since 1994. The growth rate in housing prices has begun to moderate as well. This moderation of growth rates has been coincident with the improvement of the California economy. Net in–migration, as noted above, has also moderated.

Specific Economic Performance Measures

All major sectors of the State except manufacturing are currently experiencing solid growth, defined as greater than a 3% rate of annual increase. In 1997, non–farm payroll employment expanded at a year over rate of 4.2%. The strongest employment growth occurred in the construction sector, with an annual growth rate of 6.8%; followed by services expanding at a rate of 5.5%. Mining and FIRE (finance, insurance, and real estate) grew at an annual rate of 4.7% and 4.1%, respectively. The other major industries TCPU (transportation, communication, and public utilities), trade, and government increased at year over rates of 3% or greater. Manufacturing at 2.8% was the only major industry to increase less than 3%. The unemployment rate for May

[1] This Overview is the product of the Demographic and Economic Analysis Section of the Governor's Office of Planning and Budget.

1998 was 3.1%, equal to the State's unemployment rate in May 1997 and well below the national rate.

Aggregate personal income for the State expanded at an estimated rate of 7.6% for 1997 as compared with a 5.7% rate of growth for the nation. Per capita personal income increased by 5.4% in 1997 in the State and by 4.8% in the nation as a whole.

The State's construction sector has expanded for the past nine years, although the rate of expansion appears to be slowing. The value of total permit–authorized construction increased at an annual rate of 8.1% in 1997. Residential construction activity (as measured by value) decreased by 7.7% and constituted just over half of the $3.7 billion value of total permit authorized construction in 1997. Non–residential construction value increased by 44% in 1997 to $1.4 billion. The construction boom is slowing, although the State's strong economy, the associated in–migration, and low vacancy rates continue to fuel rapid expansion in the construction sector. Vacancy rates for office and industrial space are beginning to rise modestly.

Gross state product was estimated by Regional Financial Associates to be $46.8 billion in 1997 (chain weighted dollars), representing an increase of 6.6% increase over last year's estimated $43.9 billion (chain weighted dollars).

Gross taxable sales for the State for the calendar year 1997 are estimated to have increased by 3.8%, as compared with 9.5% for 1996. These rates are down from the most recent peak growth rates of 1993 (11.7%) and 1994 (11.3%).

### Current Planning Context

The rapid economic growth in the State yields financial benefits as incomes and property values increase. Accommodating this growth in terms of infrastructure (most notably, transportation) and public services will continue to pose challenges. Further, as is true in all regional economies experiencing rapid growth, the potential exists for bottlenecks in factor markets, and this tends to exert upward pressure on prices. There are indications that labor markets and housing markets within the State are already experiencing bottlenecks of this sort. The cost of doing business, as measured by Regional Financial Associates, is at 103% of that of the nation as a whole for 1997, as compared to 97% in 1996.

Because the State's economy is becoming more diversified as it continues to grow, it should be better situated to accommodate and adapt to any adverse effects that could arise from volatile markets, such as computer software and hardware. The 2002 Winter Olympic Games, which will be held in the State (Salt Lake City and the surrounding areas), continue to provide a catalyst to growth and development.

Over the longer term, the State is well positioned to continue its diversification and growth. Among the factors that bode well for the State's future are its well–educated and youthful work force; healthy life styles, a pro–business regulatory environment; low business taxes; and a solid utility, communications, education and transportation infrastructure.

### State Highway Improvement Program

The State has initiated a 10–year plan for constructing and improving various highways throughout the State. The estimated cost of the planned facilities is approximately $3.6 billion.

The largest component of the plan is the reconstruction and widening of the main interstate highway (I–15) running through the Salt Lake City metropolitan area and the construction and improvement of related roads and facilities (the "I–15 Project"). Work on the I–15 Project began in the spring of 1997 and will be completed in 2001, just prior to the 2002 Olympic Winter Games which are to be held in the State.

The total cost for the I–15 Project is estimated to be $1.59 billion. On April 9, 1997, the State and Wasatch Constructors entered into a design/build contract in the amount of $1.325 billion for most of the work on the I–15 Project. The State estimates that additional elements of the I–15 Project not included in this contract will cost $265 million; these elements include wetlands remediation, right–of–way acquisition, utility relocation, Department of Transportation staffing and support, and other items.

In addition to the I–15 Project, major improvements will be made to streets adjacent to I–15 that are estimated to cost $117.5 million; these improvements will largely be completed in 1998. Other components of the 10–year plan include road construction and improvement projects throughout the State that are estimated to cost $1.9 billion.

To pay for the total of $3.6 billion in estimated costs, the State plans to use expected revenues of $1 billion from existing sources, including gas taxes, registration fees, and federal funds. The 1997 State Legislature approved a plan to provide additional funding sources for the remaining $2.6 billion. The principal components of this plan include the funding of $1.2 billion from the State's general fund; $450 million from federal funds; $814 million from increases in the motor fuel tax and registration fees and from enhanced revenue collections of the diesel fuel tax at the distributor level [2]; and $136 million from local matching funds and tolls. It is anticipated that these moneys will be received over the next 10 years.

Because the construction schedule for the highway improvement project, particularly the I–15 Project, will require the expenditure of moneys faster than funds will be collected from the sources described above, it will be necessary for the State to borrow money to provide sufficient cash flows to finance the project. Accordingly, the 1997 Legislature authorized the issuance of $600 million of general obligation bonds and the 1998 Legislature authorized the issuance of $240 million of general obligation bonds (see "DEBT STRUCTURE OF THE STATE OF UTAH—Legal Borrowing Authority–Authorized and Unissued General Obligation Bonds" above).

### Liquidity and Capital Resources

#### Surplus

The State had an unrestricted General Fund surplus totaling $14,092,000 at June 30, 1997 of which $11,664,000 was designated for Fiscal Year Ending June 30, 1998 appropriation and $2,428,000 was unrestricted undesignated surplus.

#### Budget Reserve Account

The State maintains a Budget Reserve Account (the "Rainy Day Fund") which can only be used to cover operating deficits or retroactive tax refunds.

The balance of the Rainy Day Fund at the end of Fiscal Year Ended June 30, 1997 was $78,941,000 (current balance is approximately $83,606,000). The ceiling, defined in State statute as 8% of the particular year's general fund appropriation total was $121,494,000 at June 30, 1998 and is approximately $125 million for the Fiscal Year Ending June 30, 1999.

### Tax Changes and Collections

The 1997 Legislature established a funding framework for the State's 10 year highway construction and renovation plan including the reconstruction of Interstate I–15.

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2 Local governments are also expected to receive $210 million over the next 10 years for their road needs from the increased motor fuel and enhanced diesel fuel tax collections.

The Legislature increased the diesel and gasoline tax by five cents a gallon and diverted a 1/2 cent tax for underground storage tank removal to generate $63.3 million. In addition, the vehicle registration fee was increased by $10 and trucking fees were increased by approximately 10% in an effort to enhance revenue.

The funding package includes a 1/8 cent reduction in sales tax which will reduce General Fund revenues by approximately $34.3 million. It also includes, beginning in 2000, the redirection of 1/64 cent sales tax currently dedicated for construction of Olympic facilities to the Centennial Highway Trust Fund.

The Legislature imposed a 2.5% tax on all short–term leases and rentals of motor vehicles not exceeding 30 days. Revenues from this tax, estimated at $3.1 million for Fiscal Year Ending June 30, 1998, will go into the Transportation Corridor Preservation Revolving Loan Fund and will be available to preserve transportation corridors and promote long–term statewide transportation planning.

The last piece in the funding plan for transportation is an approximate $10 million increase in revenue from changing the collection point for diesel fuels tax dealers to refineries and terminals. In total, tax changes increased revenue by about $93 million and the General Fund was reduced by about $34.3 million.

For a description of the State's general economic condition, which affects State revenues, see "APPENDIX C—DEMOGRAPHIC AND ECONOMIC DATA REGARDING THE STATE OF UTAH" below.

#### Revenues and Expenditures for Fiscal Years Ending June 30, 1998, 1997 and 1996

The following table summarizes the State's revenues and expenditures for Fiscal Years Ending June 30, 1998, 1997 and 1996:

Analysis of Operations

| | Estimated (*) Fiscal Year Ending June 30, 1998 | | Fiscal Year Ending June 30, 1997 | | Fiscal Year Ending June 30, 1996 | |
|---|---|---|---|---|---|---|
| | Amount (in thousands) | Increase Over Prior Year | Amount (in thousands) | Increase Over Prior Year | Amount (in thousands) | Increase Over Prior Year |
| Revenues (1) | | | | | | |
| Indiv. and corp. income taxes | $1,540,800 | 8% | $1,429,323 | 9% | $1,315,861 | 11% |
| Federal revenues | 1,340,260 | 2 | 1,315,279 | 4 | 1,266,632 | 6 |
| Sales tax | 1,267,563 | 1 | 1,259,961 | 8 | 1,170,120 | 10 |
| Other | 547,606 | 5 | 519,575 | 5 | 495,782 | (3) |
| Motor and special fuel taxes | 287,700 | 34 | 214,758 | 4 | 206,904 | 5 |
| Liquor profits | 25,700 | 6 | 24,312 | 10 | 22,155 | 10 |
| Restricted taxes (2) | 16,198 | 388 | 3,316 | (87) | 25,281 | (31) |
| Total | $5,025,827 | 5% | $4,766,524 | 6% | $4,502,735 | 7% |
| Expenditures (1) | $5,361,135 | 13% | $4,760,838 | 10% | $4,309,399 | 9% |

(*) 1998 estimates as of April 1998.

(1) Includes revenues and expenditures for the General Fund and Special Revenue Funds only. Excludes revenues and expenditures for the Debt Service Fund and Capital Projects Fund. For the Fiscal Year Ending June 30, 1998 bond proceeds for highway construction will pay for over $500 million of expenditures.

(2) Restricted taxes are the result of a change in accounting standards that require certain taxes to be recognized as revenue when they are measurable and available even if the cash is collected after the end of the fiscal year.

(Source: Division of Finance.)

### Other Considerations

The State continues to have the highest percentage in the nation of school age population compared to the working age population. The State is experiencing population in–migration including public school age children which, combined with significant movement of public school age children into higher education, will continue to produce significant pressure for both public and higher education expenditures. Along with other states, the State will also continue expansion of expenditures for socially–related issues, including health, human services, courts and corrections. Meeting these demands will require continued expansion of the State's revenues.

## Five–Year Financial Summaries

The following summaries were extracted from the State's general purpose financial statements for the Fiscal Years Ended June 30, 1993 through June 30, 1997. The summaries have not been audited. Five–year historical summaries have been prepared for the Combined Balance Sheet—All Fund Types and Account Groups; Statement of Revenues, Expenditures and Changes in Fund Balance—General Fund; and Statement of Revenues, Expenditures and Changes in Fund Balance—Special Revenue Funds. The five–year summary Statement of Revenues, Expenditures and Changes in Fund Balances—Special Revenue Funds has been included to show the State's sources of revenue for and expenditures on public education and transportation.

As a result of changes in accounting principles, beginning in the Fiscal Year Ended June 30, 1994 the State accrued revenues for certain taxes. In addition, the State also recognized the expenditure and liability for post–employment benefits in the governmental funds that incurred the liability. In prior years a liability for leave benefits and post–employment benefits was recorded in the general long–term obligation account group. Fiscal Year Ended June 30, 1993 was restated for these changes. The changes resulted in a one time net increase of $121 million and $128 million in the Governmental Funds equity at Fiscal Year Ended June 30, 1994 and June 30, 1993 respectively.

Fiscal Year Ended June 30, 1993 was restated to reflect the changes.

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# State of Utah

## Combined Balance Sheet—All Governmental Fund Types Only

(This summary is unaudited)

| | Fiscal Year Ended June 30 (in thousands) | | | | |
|---|---|---|---|---|---|
| | 1997 | 1996 | 1995 | 1994 | Restated 1993 |
| Assets: | | | | | |
| Cash and cash equivalents | $ 279,646 | $ 345,774 | $ 254,350 | $ 268,119 | $ 178,652 |
| Investments | 231,035 | 273,178 | 248,486 | 236,385 | 211,218 |
| Receivables: | | | | | |
| Accounts | 262,899 | 277,664 | 258,280 | 207,444 | 218,834 |
| Notes / mortgages | 152,834 | 149,356 | 126,568 | 96,829 | 84,220 |
| Accrued interest | 10,718 | 1,405 | 1,270 | 992 | 1,122 |
| Accrued taxes | 309,195 | 299,052 | 279,075 | 239,361 | 214,871 |
| Unbilled | 4,294 | 8,364 | 7,949 | 14,527 | 10,665 |
| Due from other funds | 75,277 | 74,451 | 65,194 | 36,227 | 40,206 |
| Advance to other funds | – | – | – | – | 8,611 |
| Inventories | 12,007 | 11,461 | 33,285 | 33,270 | 35,101 |
| Total assets | $ 1,337,905 | $ 1,440,705 | $ 1,274,457 | $ 1,133,154 | $ 1,003,500 |
| Liabilities, equity, and other credits: | | | | | |
| Liabilities: | | | | | |
| Vouchers payable | $ 247,160 | $ 237,556 | $ 201,428 | $ 187,092 | $ 170,642 |
| Contracts payable | 16,464 | 23,051 | 20,650 | 15,593 | 14,568 |
| Accrued liabilities | 53,258 | 50,095 | 50,008 | 128,771 | 104,251 |
| Due to other funds | 47,454 | 45,575 | 43,549 | 41,762 | 30,005 |
| Deferred revenue | 45,481 | 42,647 | 56,387 | 56,429 | 54,854 |
| Leave/Postemployment benefits | 180,468 | 149,528 | 132,316 | 98,331 | 87,082 |
| Total liabilities | 590,285 | 548,452 | 504,338 | 527,978 | 461,402 |
| Equity and other credits: | | | | | |
| Fund balances: | | | | | |
| Reserved | 543,893 | 500,850 | 512,090 | 366,368 | 335,044 |
| Unreserved designated | 218,797 | 395,435 | 254,143 | 196,014 | 168,706 |
| Unreserved undesignated | (15,070) (1) | (4,032) (1) | 3,886 | 42,794 | 38,348 |
| Total equity and other credits | 747,620 | 892,253 | 770,119 | 605,176 | 542,098 |
| Total liabilities, equity, and other credits | $ 1,337,905 | $ 1,440,705 | $ 1,274,457 | $ 1,133,154 | $ 1,003,500 |

(1) This deficit is a result of contractual obligations being greater than reserved fund balance in certain funds. The deficit was anticipated and is being funded from current and subsequent years revenues and appropriations.

(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 — General Fund

(This summary is unaudited)

| | Fiscal Year Ended June 30 (in thousands) | | | | |
|---|---|---|---|---|---|
| | | | | Restated | Restated |
| | 1997 | 1996 | 1995 | 1994 | 1993 |
| Revenues: | | | | | |
| Unrestricted: | | | | | |
| Sales tax | $ 1,251,735 | $ 1,162,514 | $ 1,054,767 | $ 977,916 | $ 881,601 |
| Licenses, permits, and fees | 13,792 | 12,811 | 13,189 | 13,028 | 11,789 |
| Interest on investments | 15,205 | 16,814 | 12,321 | 6,374 | 4,342 |
| Miscellaneous taxes and other | 129,719 | 119,770 | 134,158 | 113,354 | 100,478 |
| Total unrestricted | 1,410,451 | 1,311,909 | 1,214,435 | 1,110,672 | 998,210 |
| Restricted: | | | | | |
| Federal contracts and grants | 986,069 | 942,465 | 907,289 | 855,821 | 777,704 |
| Departmental collections | 138,370 | 136,281 | 136,360 | 135,368 | 122,328 |
| Federal mineral lease | 34,111 | 34,718 | 29,054 | 33,335 | 30,287 |
| Interest on investments | 11,811 | 9,741 | 8,595 | 2,620 | 4,507 |
| Restricted taxes | 13,023 | 10,375 | 9,017 | 12,681 | (3,444) |
| Miscellaneous | 44,911 | 38,564 | 30,163 | 36,026 | 28,237 |
| Total restricted | 1,228,295 | 1,172,144 | 1,120,478 | 1,075,851 | 959,619 |
| Total revenues | 2,638,746 | 2,484,053 | 2,334,913 | 2,186,523 | 1,957,829 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 248,918 | 234,179 | 224,622 | 210,831 | 210,320 |
| Human services | 518,119 | 500,633 | 491,581 | 471,443 | 452,851 |
| Corrections | 136,711 | 120,708 | 106,078 | 94,528 | 84,839 |
| Health and environmental quality | 825,786 | 773,423 | 698,530 | 639,825 | 567,535 |
| Higher education | 23,974 | 19,358 | 14,526 | 11,518 | 7,396 |
| Natural resources | 91,656 | 86,899 | 78,440 | 72,647 | 69,927 |
| Business, labor, and agriculture | 38,911 | 36,155 | 34,470 | 32,001 | 29,147 |
| Community and economic development | 81,380 | 81,342 | 71,101 | 67,376 | 63,444 |
| Public safety | 83,515 | 79,745 | 72,860 | 65,802 | 57,250 |
| Leave/Postemployment benefits | 24,398 | 13,568 | 26,886 | 5,912 | 6,771 |
| Debt service: | | | | | |
| Principal retirement | – | – | – | 810 | 600 |
| Interest and other charges | – | – | – | 827 | 1,671 |
| Total expenditures | 2,073,368 | 1,946,010 | 1,819,094 | 1,673,520 | 1,551,751 |
| Excess revenues over (under) expenditures | 565,378 | 538,043 | 515,819 | 513,003 | 406,078 |
| Other financing sources (uses): | | | | | |
| Proceeds of revenue bonds / contracts | – | 2,823 | – | 5,721 | – |
| Proceeds of general obligation bonds | – | – | – | – | 5,500 |
| Operating transfers in | 113,836 | 69,108 | 70,903 | 71,491 | 77,104 |
| Operating transfers out | (248,573) | (136,887) | (147,855) | (142,304) | (153,124) |
| Operating transfers to component units | (442,909) | (416,109) | (396,354) | (367,375) | (355,873) |
| Total other financing sources (uses) | (577,646) | (481,065) | (473,306) | (432,467) | (426,393) |
| Excess of revenues over (under) expenditures and other uses | (12,268) | 56,978 | 42,513 | 80,536 | (20,315) |
| Beginning fund balance | 439,158 | 386,513 | 345,361 | 228,118 | 252,131 |
| Adjustments to beginning fund balance | – | – | – | 60,844 | 71,059 |
| Beginning fund balance as adjusted | 439,158 | 386,513 | 345,361 | 288,962 | 323,190 |
| Residual equity transfers | (10,351) | (4,333) | (1,361) | (24,137) | (13,913) |
| Ending fund balances | $ 416,539 | $ 439,158 | $ 386,513 | $ 345,361 | $ 288,962 |

(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 — Special Revenue Funds

(This summary is unaudited)

| | Fiscal Year Ended June 30 (in thousands) | | | | |
|---|---|---|---|---|---|
| | 1997 | 1996 | 1995 | 1994 | Restated 1993 |
| Revenues: | | | | | |
| Unrestricted: | | | | | |
| Sales tax | $ 8,226 | $ 7,606 | $ 7,103 | $ 6,371 | $ 5,729 |
| Individual income tax | 1,237,332 | 1,139,080 | 1,026,803 | 925,004 | 841,977 |
| Corporate tax | 191,991 | 176,781 | 157,901 | 125,191 | 83,928 |
| Motor and special fuel tax | 214,758 | 206,904 | 196,422 | 187,377 | 176,918 |
| Licenses, permits, and fees | 50,694 | 54,701 | 52,340 | 49,533 | 46,971 |
| Interest on investments | 5,606 | 3,509 | 5,454 | 4,639 | 7,057 |
| Miscellaneous taxes and other | 28 | 26 | 3,959 | 6,918 | 5,500 |
| Total unrestricted | 1,708,635 | 1,588,607 | 1,449,982 | 1,305,033 | 1,168,080 |
| Restricted: | | | | | |
| Federal contracts and grants | 329,210 | 324,167 | 285,851 | 285,890 | 295,982 |
| Departmental collections | 25,393 | 13,587 | 22,094 | 17,196 | 16,516 |
| Miscellaneous | 25,021 | 20,131 | 13,628 | 13,784 | 13,546 |
| Interest on investments | 24 | 7 | 499 | 2,072 | – |
| Aeronautics | 24,890 | 35,122 | 49,701 | 37,034 | 25,001 |
| Restricted taxes | (9,707) | 14,906 | 27,474 | 6,866 | 8,285 |
| Total restricted | 394,831 | 407,920 | 399,247 | 362,842 | 359,330 |
| Total revenues | 2,103,466 | 1,996,527 | 1,849,229 | 1,667,875 | 1,527,410 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Business, labor, and agriculture | 196 | 152 | 80 | 174 | 45 |
| Community and economic development | 3,004 | 1,243 | 782 | 687 | 415 |
| Public education | 1,651,282 | 1,476,565 | 1,299,052 | 1,217,741 | 1,134,245 |
| Transportation | 585,499 | 466,905 | 424,208 | 413,750 | 402,016 |
| Leave/Postemployment benefits | 7,261 | 4,994 | 8,347 | 1,446 | 1,974 |
| Federal Retiree's Settlement | – | 72 | 805 | 18,391 | 50,000 |
| Total expenditures | 2,247,242 | 1,949,931 | 1,733,274 | 1,652,189 | 1,588,695 |
| Excess revenues over (under) expenditures | (143,776) | 46,596 | 115,955 | 15,686 | (61,285) |
| Other financing sources (uses): | | | | | |
| Proceeds of general obligation bonds | – | – | 14,300 | 10,000 | 9,513 |
| Operating transfers in | 128,908 | 54,900 | 43,737 | 39,893 | 93,777 |
| Operating transfers out | (97,722) | (52,303) | (54,348) | (45,303) | (44,972) |
| Total other financing sources (uses) | 31,186 | 2,597 | 3,689 | 4,590 | 58,318 |
| Excess of revenues over (under) expenditures and other uses | (112,590) | 49,193 | 119,644 | 20,276 | (2,967) |
| Beginning fund balance | 322,616 | 273,886 | 154,242 | 68,468 | 77,715 |
| Adjustments to beginning fund balance | – | – | – | 65,615 | 59,335 |
| Beginning fund balance (as adjusted) | 322,616 | 273,886 | 154,242 | 134,083 | 137,050 |
| Residual equity transfers | – | (463) | – | (117) | – |
| Ending fund balances | $ 210,026 | $ 322,616 | $ 273,886 | $ 154,242 | $ 134,083 |

(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.)

## Ad Valorem Property Tax System

*The following information with respect to certain property tax matters is included in this OFFICIAL STATEMENT to provide background information.* As described herein, the 1998C Bonds are not secured by any pledge of property tax revenues and do not constitute a debt or indebtedness of the State or the Issuer. See "BONDOWNERS' RISKS—Limited Obligations" above.

### Ad Valorem Tax Levy and Collection for State Purposes

The State does not presently levy ad valorem property taxes. However, if the State does not have sufficient moneys available to pay principal of and interest on its general obligation bonds from sources other than ad valorem taxes imposed on all taxable property of the State, the State Tax Commission would be required to collect ad valorem property taxes.

By May 1 of each year the State Tax Commission assesses all property required by law to be assessed by the State Tax Commission, at 100% of fair market value, as valued on the next preceding January 1. If the owner of any property assessed by the State Tax Commission or any county with a showing of reasonable cause objects to the assessment, either party may, on or before June 1, apply to the State Tax Commission for a hearing. The State Tax Commission must set a time for hearing the objection and render a written decision. At the hearing the State Tax Commission may increase, lower or sustain the assessment for the reasons provided by law. Appeals from decisions of the State Tax Commission are filed in District Court, the Utah Court of Appeals or the Utah Supreme Court.

Before May 25, the State Tax Commission is required to apportion the total assessment of all property assessed by it to the several counties, cities, towns, school districts, and other taxing districts in the manner provided by law. Before June 1, the State Tax Commission is required to transmit to the county auditor of each county to which an apportionment has been made a statement showing the property assessed and the value of the same, as fixed and apportioned to the county, and to the cities, towns, school districts and other taxing districts within the county.

Before June 22 of each year the State Tax Commission determines the rate of State tax to be levied and collected upon the taxable value of all property in the State sufficient to raise the amount of revenue specified by the Legislature for general State purposes. The State Tax Commission must transmit to the County Auditor of each county and to the State Auditor a statement of that rate.

The County Auditor is required to deliver the assessment rolls, with the taxes extended, all orders of the county board of equalization and State Tax Commission posted and all relief granted, prior to the time of mailing the original tax notice, to the County Treasurer who is then required to mail a tax notice to all property owners that sets out the aggregate amount of taxes to be paid for State, county, city, town, school and other purposes.

### Property Tax Act

The State Constitution and the Property Tax Act, Chapter 2, Title 59, Utah Code (the "Property Tax Act"), provides that all tangible property within the State is required to be assessed and taxed at a uniform and equal rate on the basis of 100% of its "fair market value" as of January 1 of each year, unless otherwise provided by law. "Fair market value" is defined in the Property Tax Act as "the amount at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the relevant facts." Determinations of "fair market value" shall take into account the current zoning laws applicable to the property in question. Section 2 of Article XIII of the State Constitution provides that the Legislature may by law exempt from taxation up to 45% of the fair market value of residential property as defined by law. Pursuant to this provision, the Legislature has provided that the "fair market value" of primary residential property shall be reduced by 29.75% for tax year 1991, by 29.5% for tax years 1992 and 1993, by 32% for tax year 1994, and by 45% for tax year 1995 and thereafter. No more than one acre of land per residential unit may qualify for the residential exemption.

The Property Tax Act provides that the State Tax Commission shall assess certain types of property ("centrally–assessed property"), including (i) properties that operate as a unit across county lines that must be apportioned among more than one county or state, (ii) public utility (including railroad) properties, (iii) airline operating properties, (iv) geothermal properties and (v) mines, mining claims and appurtenant machinery, furnishings and improvements, including oil and gas properties. All other taxable property ("locally–assessed property") is required to be assessed by the county assessor of the county in which such locally–assessed property is located. Each county assessor must update property values annually based upon a systematic review of current market data. Each county assessor must also complete a detailed review of property characteristics for each parcel of property at least once every five years. The Property Tax Act requires that the State Tax Commission conduct an annual investigation in each county to determine whether all property subject to taxation is on the assessment rolls and whether the property is being assessed at its "fair market value."

The State Tax Commission and the county assessors utilize various valuation methods, as determined by statute, administrative regulation or accepted practice, to determine the "fair market value" of taxable property.

Many areas within the State have agricultural farmland devoted to the raising of useful plants and animals. For general property tax purposes, agricultural land is assessed based on statutory requirements and the value which the land has for agricultural use or on its agricultural value.

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

The State Tax Commission then determines for each school district the amount to be raised by the minimum basic tax levy as its contribution toward the cost of the Basic State–Supported School Program (the "Basic Program"), as required by the Minimum School Program. If the levy raises an amount in excess of the total Basic Program for a school district, the excess amount shall be remitted by the school district to the State Board of Education to be credited to the Uniform School Fund for allocation to school districts to support the Basic Program. If the levy does not raise an amount in excess of the total Basic Program for a school district, then the difference between the amount which the local levy will raise within the school district, and the total cost of the Basic Program within the school district shall be computed and the difference, if any, shall be apportioned from the Uniform School Fund to each school district as the contribution of the State to the Basic Program for the school district.

In order to qualify for receipt of the State contribution toward the Basic Program and as its contribution towards its costs of the Basic Program, each school district is required to impose a minimum basic tax rate (which rate is established and authorized each year by the Legislature). Beginning July 1, 1996, the Legislature authorized a levy not to exceed the "certified revenue levy," for school districts contribution toward the costs of the Basic Program. "Certified revenue levy" means a property tax levy that provides the same amount of ad valorem property tax revenue as was collected for the prior year, plus new growth, but exclusive of revenue from collections from redemptions, interest, and penalties.

*Uniform Fees.* Commencing January 1, 1992, an annual statewide uniform fee has been levied on tangible personal property in lieu of the ad valorem tax, which uniform fee is based on the value of motor vehicles, watercraft, recreational vehicles, and all other tangible personal property required to be registered with the State (the "Uniform Fee" or "Uniform Fees"). The current Uniform Fee is established at 1.5% of the fair market value of such property. Beginning in 1999, the Uniform Fee will be based on the model year of the vehicle with a set fee structure. The revenues collected in each county from the Uniform Fee are distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem property tax is distributed, and each taxing entity shall distribute the revenues in the same proportion in which revenue collected from ad valorem property tax is distributed.

*Property Tax Valuation Agency Fund.* Commencing January 1, 1994, the State created the Property Tax Valuation Agency Fund (the "PTVAF"), to be funded by a statewide levy not to exceed .000300 per dollar of taxable value of taxable property. The levy is the responsibility of each county and is separately stated on the tax notice as a "state assessing and collection" levy. The purpose of the statewide levy is to promote the accurate valuation of property, the establishment and maintenance of uniform assessment levels within and among counties, and the efficient administration of the property tax system, including the costs of assessment, collection and distribution of property taxes. Distribution of funds in PTVAF to each county, is based on statutory qualification and requirements. Additionally, each county may levy an additional property tax up to .000200 per dollar of taxable value as a "county assessing and collection" levy. If necessary, a county may levy an additional levy to fund state mandated reappraisal programs.

Beginning in the fiscal year ending June 30, 1997, and subject to statutory adjustments thereafter, the State Legislature is required to authorize a levy not to exceed (unless it provides public notice thereof) the "certified revenue levy" to fund PTVAF.

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**Taxable, Fair Market, and Market Value of All Property in the State**

*Excluding Fee–In–Lieu Valuation*

| Year | Taxable Value (1) | % Change Over Prior Year | Fair Market Value (2) | Market Value (3) | % Change Over Prior Year |
|---|---|---|---|---|---|
| 1997 ........ | $84,453,664,295 | 11.4% | $116,955,908,541 | $116,955,908,541 | 12.2% |
| 1996 ........ | 75,815,759,120 | 12.3 | 104,266,318,689 | 104,266,318,689 | 12.6 |
| 1995 ........ | 67,528,832,981 | 13.9 | 92,588,274,949 | 92,588,274,949 | 30.4 |
| 1994 ........ | 59,275,160,883 | 7.7 | 71,016,332,668 | 71,016,332,668 | 5.7 |
| 1993 ........ | 55,046,671,348 | 5.3 | 64,737,023,706 | 67,212,032,881 | 5.7 |

*Including Fee–In–Lieu Valuation*

| Year | Taxable Value (1) | % Change Over Prior Year | Fair Market Value (2) | Market Value (3) | % Change Over Prior Year |
|---|---|---|---|---|---|
| 1997 ........ | $93,202,826,647 | 11.7% | $125,705,070,893 | $125,705,070,893 | 12.4% |
| 1996 ........ | 83,435,302,159 | 12.4 | 111,885,861,728 | 111,885,861,728 | 12.7 |
| 1995 ........ | 74,212,121,560 | 12.6 | 99,271,563,528 | 99,271,563,528 | 27.8 |
| 1994 ........ | 65,906,136,839 | 9.0 | 77,647,308,624 | 77,647,308,624 | 6.9 |
| 1993 ........ | 60,477,873,423 | 6.0 | 70,168,225,781 | 72,643,234,956 | 6.2 |

(1) Taxable values were calculated by reducing the fair market value of primary residential property by 45% for the tax years 1997, 1996 and 1995, 32% for the tax year 1994, and 29.5% for the tax year 1993, representing a partial property tax exemption for such property.

(2) The estimated fair market values reported here reflect a 5% reduction for tax year 1993 for transaction costs with respect to certain property assessed by the county assessor. Such reductions were eliminated, effective for the tax year 1994.

(3) The estimated market value represents the market value of the property without the reductions described in footnote (2) above.

Source as to Taxable Value: Property Tax Division, Utah State Tax Commission

(Source: Financial Advisor.)

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## Historical Summaries Of Taxable Values Of Property

| *Set by State Tax Commission—Centrally Assessed* | 1997 Taxable Value | 1997 % of T.V. | 1996 Taxable Value | 1995 Taxable Value | 1994 Taxable Value | 1993 Taxable Value |
|---|---|---|---|---|---|---|
| Power companies | $ 5,114,896,800 | 5.5 % | $ 5,357,852,350 | $ 5,380,284,630 | $ 5,648,502,270 | $ 5,577,892,950 |
| Telephone and telegraph companies | 2,148,610,160 | 2.3 | 1,844,607,450 | 1,578,999,420 | 1,661,040,840 | 1,442,414,210 |
| Metalliferous mining companies | 1,662,780,276 | 1.8 | 1,677,556,640 | 1,541,615,810 | 1,143,456,395 | 1,318,507,975 |
| Oil and gas companies | 1,229,252,447 | 1.3 | 957,020,118 | 970,810,640 | 1,316,296,278 | 1,705,440,332 |
| Pipe line companies | 673,598,350 | 0.7 | 801,335,670 | 782,503,570 | 910,845,020 | 836,430,800 |
| Air line companies | 653,817,450 | 0.7 | 651,935,960 | 601,507,630 | 526,079,370 | 475,008,650 |
| Railroad and terminal companies | 630,568,370 | 0.7 | 559,750,400 | 553,123,740 | 574,022,720 | 510,290,720 |
| Gas companies | 455,247,170 | 0.5 | 360,096,300 | 326,707,110 | 359,149,530 | 354,122,790 |
| Coal and mining companies | 348,784,460 | 0.4 | 302,661,070 | 295,366,730 | 324,476,570 | 369,155,290 |
| Other non-metalliferous mining companies | 343,769,070 | 0.4 | 274,737,420 | 276,654,990 | 267,733,020 | 236,107,960 |
| Sand and gravel companies | 127,848,585 | 0.1 | 97,599,960 | 94,597,530 | 89,438,435 | 88,480,145 |
| Car rolling stock | 77,226,940 | 0.1 | 75,602,936 | 70,165,748 | 62,223,052 | 63,718,275 |
| Bus line companies | 18,805,458 | 0.0 | 2,139,541 | 40,066,604 | 39,579,130 | 33,093,580 |
| Bus rolling stock | 225,823 | 0.0 | 94,346,894 | 79,142,153 | 49,798,102 | 40,647,329 |
| Total centrally assessed | 13,485,431,359 | 14.5 | 13,057,242,709 | 12,591,546,305 | 12,972,640,732 | 13,051,311,006 |
| *Set by County Assessor—Locally Assessed* | | | | | | |
| Residential real estate—primary use | 9,747,521,428 | 10.5 | 8,307,171,186 | 6,850,548,412 | 5,417,708,613 | 5,376,570,651 |
| Commercial and industrial real estate | 4,935,086,167 | 5.3 | 4,400,089,861 | 3,917,561,589 | 4,011,804,763 | 2,949,519,195 |
| Unimproved real estate—not FAA | 2,990,199,305 | 3.2 | 2,268,841,234 | 1,975,261,819 | 1,411,279,345 | 1,487,100,253 |
| Residential real estate—not primary use | 2,012,043,734 | 2.2 | 1,690,357,938 | 1,389,294,149 | 1,005,947,003 | 807,535,188 |
| Real estate—under FAA—agricultural | 540,857,029 | 0.6 | 916,002,817 | 784,452,729 | 432,570,154 | 433,663,898 |
| Agricultural real estate—improved—not FAA | 320,363 | 0.0 | 54,472 | 64,330,589 | 335,839,454 | 93,567,938 |
| Total real estate | 20,226,028,026 | 21.7 | 17,582,517,508 | 14,981,449,287 | 12,615,149,332 | 11,147,957,123 |
| Residential buildings—primary use | 29,772,582,663 | 31.9 | 26,309,665,891 | 23,651,804,609 | 19,394,769,736 | 17,653,189,226 |
| Commercial and industrial buildings | 11,901,221,351 | 12.8 | 10,642,826,410 | 8,976,127,678 | 7,760,289,649 | 7,291,226,706 |
| Residential buildings—not primary use | 2,138,106,190 | 2.3 | 1,922,836,169 | 1,549,329,327 | 1,178,137,744 | 1,077,218,078 |
| Agricultural buildings | 263,422,798 | 0.3 | 251,148,154 | 240,358,485 | 240,098,653 | 219,017,005 |
| Total buildings | 44,075,333,002 | 47.3 | 39,126,476,624 | 34,417,620,099 | 28,573,295,782 | 26,240,651,015 |
| Total real property | 64,301,361,028 | 69.0 | 56,708,994,132 | 49,399,069,386 | 41,188,445,114 | 37,388,608,138 |
| Fee in lieu property (1) | 8,749,162,352 | 9.4 | 7,619,543,039 | 6,683,288,579 | 6,630,975,956 | 5,431,202,075 |
| Other personal property | 6,443,245,341 | 6.9 | 5,879,311,484 | 4,184,999,118 | 1,475,494,680 | 1,414,029,645 |
| Mobile homes—primary residential use | 204,861,098 | 0.2 | 156,069,063 | 125,853,829 | 137,511,695 | 128,539,825 |
| Mobile homes—other use | 18,765,469 | 0.0 | 14,141,732 | 11,950,644 | 7,317,425 | 8,359,795 |
| Commercial and industrial property | – | – | – | 781,916,797 | 2,132,149,130 | 1,829,624,891 |
| Trade fixtures | – | – | – | 427,713,522 | 1,350,653,094 | 1,225,283,958 |
| Agricultural machinery | – | – | – | 5,783,380 | 10,949,013 | 914,090 |
| Total personal property | 15,416,034,260 | 16.5 | 13,669,065,318 | 12,221,505,869 | 11,745,050,993 | 10,037,954,279 |
| Total locally assessed | 79,717,395,288 | 85.5 | 70,378,059,450 | 61,620,575,255 | 52,933,496,107 | 47,426,562,417 |
| Total taxable value | $ 93,202,826,647 | 100.0 % | $ 83,435,302,159 | $ 74,212,121,560 | $ 65,906,136,839 | $ 60,477,873,423 |
| Total taxable value (less fee in lieu) | $ 84,453,664,295 | | $ 75,815,759,120 | $ 67,528,832,981 | $ 59,275,160,883 | $ 55,046,671,348 |

(1) See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Ad Valorem Tax System" above.

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

## Budgetary Procedures

### Budgetary Procedures Act

The Budgetary Procedures Act, Title 63, Chapter 38, Utah Code (the "Budget Act") establishes the process through which the State budget is prepared by the Governor and prescribes all information to be included in the Governor's budget. Portions of the Budget Act are summarized below.

The Governor is required to submit a budget to the Legislature for each fiscal year. The budget is required to show, among other things, (i) a complete plan of proposed expenditures and estimated revenues for the ensuing fiscal year, (ii) the revenues and expenditures for the last fiscal year, and (iii) current assets, liabilities and reserves, any surplus or deficit and the debts and funds of the State. The budget is required to include an itemized estimate of appropriations for payment and discharge of the principal and interest of the indebtedness of the State, among other things. Deficits or anticipated deficits must be included in the budget.

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

The Budget Act applies to all moneys appropriated by the Legislature. Unless specifically exempted by the appropriations act, all departments, agencies and institutions of the State that accept moneys appropriated do so subject to the terms and provisions of the Budget Act. No appropriation or any surplus of any appropriation may be diverted from the department, agency, institution or division for which they were appropriated. Appropriated moneys may be subject to any restrictions set forth in the appropriation or any schedules or other restrictions provided by the Legislature. Transfers of moneys from one purpose or function to another within an item of appropriation are permissible at the discretion of the Governor as provided in the Budget Act. Appropriated moneys may not be transferred from one item of appropriation to any other item of appropriation without legislative approval.

### Unexpended Balances

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

### Budgetary Controls

The Director of Finance is required to exercise accounting control over all State departments, institutions and agencies other than the Legislature and legislative committees. The Director of Finance must require the head of each department to submit not later than May 15 of each year a work program (budget) for the ensuing fiscal year. Such program must include all funds from any source whatsoever made available to each department for its operation. The Director of Finance and the State Budget Officer are required to review the work program of each department. The Director of Finance must, if the Governor deems necessary, revise, alter, decrease or change such work programs before or after approving the same. The aggregate of such work programs must not exceed the total appropriations or other funds from any source whatsoever made available to each department for the fiscal year in question. The Director of Finance must permit all expenditures to be made on the basis of such work programs. The Director of Finance is required to examine and approve or disapprove all requisitions and requests for expenditures of any department, except the judicial department and salaries or compensation of officers fixed by law.

## State Funds And Accounting

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

Four major fund groups are accounted for as governmental fund types. These include the General Fund, the Special Revenue Fund (comprised of the Uniform School Fund, Transportation Fund, Sports Authority Fund and several other minor funds), the Capital Projects Fund and the Debt Service Fund. An additional five major fund groups are accounted for as proprietary or fiduciary fund types or account groups. These include the Enterprise Funds, the Internal Service Funds, the Trust and Agency Funds, the General Fixed Assets Account Group and the General Long Term Debt Account Group. Component units (which include Colleges and Universities and other proprietary–type entities) are maintained in separate accounts.

In 1980, many of the State's separate funds were reorganized and restructured to bring the fund structure into compliance with generally accepted accounting principles ("GAAP") as required by law. A description of the four governmental fund groups follows.

### General Fund

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

### Special Revenue Funds

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

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

*Transportation Fund.* The Transportation Fund receives all motor and special fuel taxes and car and truck registration taxes, though its largest source of funding has typically been from Federal grants and contracts.

*Sports Authority Fund.* The Utah Sports Authority Fund was established in 1990 to receive and expend $^{1}/32\%$ sales tax received from January 1, 1990 through December 31, 1999 for the construction of winter sports facilities.

*Centennial Highway Fund.* The Centennial Highway Fund was established in 1997 to account for all Centennial Highway projects, the largest of which is the I–15 reconstruction project. Sources of revenue include federal grants, restricted vehicle registration fees, bond proceeds, investment earnings, and appropriations from the General and Transportation Funds.

### Capital Projects Fund

The Capital Projects Fund accounts for transactions related to resources obtained and used for the acquisition, construction or improvement of certain capital facilities. Such resources are principally derived from operating transfers from the General Fund and from bond proceeds.

### Debt Service Fund

All State general obligation bond and certain revenue bond principal and interest payments are made from individual sinking funds within the Debt Service Fund. Investment earnings on moneys held in the sinking funds (except as may be required by the proceedings authorizing the issuance of particular series of bonds), transfers from the General Fund or Special Revenue Funds and certain pledged revenues are the only sources of funding for this fund.

## State Tax System

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

The State also receives revenues from unemployment compensation taxes (which tax is regulated by a quasi–state agency) and workers' compensation taxes (which tax is regulated by the Federal government and set by a state setup corporation).

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

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

### Property Tax

Property taxes are based on property valuation. Assessment levels are uniform throughout the State, but tax rates vary from entity to entity. See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Ad Valorem Property Tax System" above.

### Individual Income and Corporate Franchise (Income) Tax

*Individual Income Tax.* The State is one of 43 states that impose an individual income tax. Following a general trend, in 1973 the State adopted Federal definitions of, and amounts for, personal exemptions, standard deductions and itemized deductions. Subsequent legislatures, however, did not adopt new, indexed personal exemption amounts and standard deductions until 1987. The 1987 reform updated to the current Federal definitions, but reduced the amount of the personal exemption to 75% of the amount of the Federal personal exemption, and eliminated the deduction for Federal income taxes paid. The definitions of the personal exemption (of 75% of the amount of the Federal exemption) and standard deduction now track with Federal definitions and are indexed for inflation. In addition, subsequent legislatures restored 50% of the Federal income tax deduction. The individual income tax rates are graduated from 2.3% to 7%, with the top rate applying to taxable incomes over $7,500 for those filing jointly or qualified heads of households, and taxable incomes over $3,750 for single individuals.

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

Through the Fiscal Year Ending June 30, 1996 all net revenues from the corporate franchise tax and individual income tax were distributed to local school districts under the State–Supported Minimum School Program. Beginning in the Fiscal Year Ending June 30, 1997, a portion of revenues from taxes on income were used to fund the higher education system. For the Fiscal Years Ended June 30, 1997 and June 30, 1998, $38.6 million and $74.8 million, respectively, will have been used to fund higher education.

**Sales and Use Tax**

In 1933, a general sales tax was imposed to relieve the burden on the property tax and to bolster State revenues. The original tax rate imposed in 1933 was 0.75%. Currently, the state sales and use tax rate is 4.75% of the purchase price of tangible personal property and certain services.

Sales tax is applicable to retail sales of tangible personal property and taxable services performed from a place of business in the State. Use tax applies to (a) goods shipped to the State for use, storage, or other consumption, (b) goods purchased outside of the State for use, storage, or other consumption in Utah, and (c) services subject to tax but performed outside the State for use, storage, or other consumption in State.

In general, State sales and use 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.

The State requires its largest sales taxpayers (with annual liabilities more than $50,000) to pay on a monthly basis. Those vendors with a prior–year sales tax liability of more than $96,000 are required to pay via electronic transfer. Monthly sales taxpayers receive a 1.5% discount on state taxes and a 1% discount on local sales taxes. Because approximately 75% of the sales tax is now remitted monthly, the State's cash flow has less variations.

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

**Local Taxes**

*Local Sales and Use Tax.* In addition to the State's sales and use taxes, a uniform local sales and use tax applies in counties, cities and towns which have adopted the local tax ordinance. Beginning January 1, 1990, counties, cities and towns which agree to distribute the local sales tax on other than point of sale or use were authorized to increase the local tax rate to 1%, and as of July 1, 1992, all counties, cities, and towns have so agreed, and thus impose the local sales tax at 1%. As of July 1, 1993, 50% of such local sales tax revenue was allocated on the basis of direct point of sale and 50% is allocated on the basis of population. As of July 1, 1997, the local sales and use tax plus the 4.75% state sales and use tax amounts to a 5.75% sales tax throughout the State. There is a hold–harmless provision which assumes that no entity receives funding or a distribution less than 0.75% of 1% of point of sale local sales tax (which was the rate in effect before the population/point of sale formula became effective).

*Public Transit Tax*. Counties, cities and towns within an organized transit district (which includes most cities in Utah County, Salt Lake County, Davis County, and Weber County and some cities in Tooele County, Cache County, Box Elder County and Summit County) may impose, in addition to other sales and use taxes, a sales and use tax levy of 0.25% on the same items to which other authorized sales and use taxes apply to fund a public transportation system, if approved by the voters in a separate election.

*Other Local Taxes*. In addition to the forgoing taxes certain counties, cities or towns may impose a number of other miscellaneous taxes including: a transient room tax not to exceed 3% of rent; a resort communities sales tax of up to 1%; a tourism, recreation, and convention facilities tax not to exceed 0.50% of rent for room occupancy, 1% of sales of prepared foods and beverages sold by restaurants, and 7% of short–term vehicle leases and rentals; a rural county hospital and long–term care center sales and use tax of up to 1%; and a recreational facilities and botanical, cultural, and zoological organization sales and use tax of 0.10%; and a municipal energy sales and use tax of up to 6%.

In addition, the 1997 Legislature authorized additional local taxes to assist localities in diversifying revenue structures and paying for tourist costs: (i) a county option sales tax of 0.25% which is offset by property tax reduction of the same amount in the first year of implementation (if counties imposing such tax comprise 75% of the State's population, a 50% population/50% point of sale distribution formula is activated), (ii) transient room tax for municipalities of up to 1%, (iii) an additional transient room tax of up to 0.50% under certain debt conditions, (iv) after voter approval, an additional municipal highway tax of 0.25%. The transient room tax options in (i) and (ii) will be offset by a one–time property tax reduction of the municipality's certified tax rate. Provisions were also enacted which modified a municipality's ability to collect business license fees.

### Unemployment Compensation Tax

Employers of one or more persons in the State are subject to the State's unemployment tax, the proceeds of which are used to finance benefit payments to unemployed workers. The tax is based on employee earnings, with the rate depending on several factors including annual and quarterly payroll stability and the age of the firm. As of June 30, 1997, the unemployment compensation trust fund had a fund balance of $544,071,000.

### Workers' Compensation Tax

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

*Employers' Reinsurance Fund*. The Employers' Reinsurance Fund ("ERF"), covers employers for liability arising from industrial accidents or occupational diseases occurring on or before June 30, 1994. For claims resulting from an accident or disease arising out of and in the course of the employee's employment on or after July 1, 1994, the employer or its insurance carrier is liable for permanent total disability compensation. By statute, each year the State Industrial Commission must establish a premium tax within a 7.25% maximum based upon the recommendation of an actuary for payment by insurers and self–insured employers. This assessment is designed to enable ERF to provide for the payment of benefits and expenses for the coming year and to ensure that the ERF's assets are greater than its liabilities by no later than June 30, 2025, and leave an indexed cash reserve of approximately $5 million at the end of each fiscal year. While the revenues collected each year are sufficient to cover ERF's current expenses, ERF would have to maintain a reserve balance of approximately $275 million if it were to be deemed actuarially sound in the same manner as an insurance company. In 1994 the Legislature passed legislation limiting the State's liability to the cash or assets in the ERF only. By statute the State is not liable for the debts and obligations of the ERF. See "APPENDIX B—GENERAL PURPOSE FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 1997—Notes to the Combined Financial Statements—Note 9. Deficit Fund Balances/Retained Earnings" herein.

*Uninsured Employers' Fund.* To assist in paying workers' compensation benefits to employees whose employers are insolvent, or are otherwise unable to pay the benefits owed to their employees, the State established an Uninsured Employers' Fund ("UEF"), in 1984. UEF is funded by a premium tax in the same manner as ERF except that self-insured employers may be assessed an amount necessary to pay benefits due an employee of an insolvent self-insured and a subrogation right exists against any employer failing to make compensation payments. As with ERF, the State Industrial Commission must, based on the recommendation of an actuary, establish a premium tax rate annually to provide payments of benefits and expenses from UEF and to maintain it at a funded condition with assets equal to or greater than its liabilities, along with sufficient reserves to provide an indexed cash reserve at the beginning of each fiscal year of $2 million. The maximum premium tax rate is 0.50%. The liability of the State with respect to the payment of any compensation benefits, expenses, fees or disbursements properly chargeable against the UEF, is limited to the assets of the fund. By statute, the State is not otherwise liable for the making of any UEF payment. See "APPENDIX B—GENERAL PURPOSE FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 1997—Notes to the Combined Financial Statements—Note 9. Deficit Fund Balances/Retained Earnings" herein.

### Severance Taxes

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

*Oil and Gas.* The severance tax on oil is 3% of the value, at the well, up to and including, the first $13 per barrel, and 5% of the value at the well from $13.01 and above per barrel, and for gas, the severance tax is 3% of the value at the well, up to and including, $1.50 per million cubic feet ("mcf"), and 5% of the value from $1.51 and above per mcf. The rate on natural gas liquids is 4%. No severance tax is imposed on the first $50,000 annually in gross value of each oil or gas wells, or on any production from low-producing wells, or on any production of new wells during the first six or 12 months (depending on whether the well was drilled in a developed area). A 50% reduction in the tax rate is imposed upon the incremental production achieved from an enhanced recovery project. A tax credit equal to 20% of the amount paid for a recompletion or workover of a well is also allowed, with the credit limited to $50,000 per well during each calendar year through December 31, 1994, and beginning January 1, 1995, $30,000 per well through December 31, 2004, after which the authorization for this credit will expire.

*Mining.* The severance tax on mines is 2.6% of the taxable value of all metals or metalliferous minerals sold or otherwise disposed of in the State or shipped out of State. The taxable value for all metals is 30% (except beryllium which is 20%) of the gross proceeds, but if the metal is shipped out of State as "ore," the taxable value is 80% of the gross proceeds. Metals or metalliferous minerals stockpiled are not subject to the tax until they are sold or shipped out of the State, unless they are stockpiled longer than two years. An annual exemption from the tax of $50,000 in gross value of the metalliferous mineral is allowed for each mine.

### Highway Users' Taxes

Highway users' taxes can be divided into four major categories: motor and special fuel taxes; motor vehicle registration and title fees; fees charged for the issuance of driver licenses; and additional fees charged to intrastate and interstate truck fleets. Motor and special fuel taxes is $0.245 per gallon on distributions of gasoline and diesel fuel. Revenues from these two sources constitute the bulk (almost 80%) of highway user taxes. Funds are used almost entirely for: State highway construction and maintenance; distribution to cities and counties for use on local roads and streets; policing the highways; and administrative and regulatory purposes in connection with the use of roads.

#### Miscellaneous Taxes and Fees

The State collects a number of miscellaneous taxes and fees. Most important of these are the insurance premium tax, cigarette and tobacco tax, wine and liquor tax, inheritance tax, environmental surcharge, waste tire fee, and fish and game license fees. Other significant State revenue sources include license taxes and fees collected by colleges, institutions and State departments.

#### Freeport Exemption

In 1963, the so–called "Freeport Amendment" to the State Constitution was approved, exempting from the property tax "tangible personal property present in the State on January 1 . . . which is held for sale or processing and which is shipped to final destination outside this state within twelve months." The purpose of the amendment was to give the State preferred status as a distribution center for goods (manufactured within or without the State) to be shipped to markets in the surrounding areas, including the Pacific Coast.

#### Inventory Exemption

A law enacted in 1969 eliminated the State's inventory tax. Since January 1, 1973, the State has imposed no ad valorem taxes on inventory of any kind in any place in the State.

### State Revenues

The State receives revenues from three principal sources: (a) taxes and licenses; (b) Federal grants–in–aid; and (c) miscellaneous charges and receipts, including fees, the State's share of mineral royalties, and bonuses on Federal land.

| | Fiscal Year Ended June 30 (in thousands) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Estimated 1998 (*) | % (1) | 1997 | % (1) | 1996 | % (1) | 1995 | % (1) | 1994 | % (1) |
| Taxes and licenses (2)........ | $3,343,904 | 66% | $3,119,086 | 65% | $2,900,516 | 63% | $2,664,417 | 63% | $2,415,705 | 62% |
| Federal contracts and grants......... | 1,340,260 | 26 | 1,315,279 | 27 | 1,266,632 | 28 | 1,193,140 | 28 | 1,141,711 | 29 |
| All other misc. revenues (3)...... | 410,059 | 8 | 387,847 | 8 | 401,332 | 9 | 384,638 | 9 | 356,557 | 9 |
| Total all funds.... | $5,094,223 | 100% | $4,822,212 | 100% | $4,568,480 | 100% | $4,242,195 | 100% | $3,913,973 | 100% |

(*) 1998 estimates as of April 1998.

(1) Percentage of Total Governmental Fund Revenue.

(2) Includes unrestricted sales, income, corporate and fuel taxes; licenses, fees and permits; interest on investments; and other unrestricted miscellaneous taxes.

(3) Includes departmental collections; dedicated credits; aeronautics; Federal mineral lease revenues; intergovernmental revenues; interest on investments; liquor control profits; and other restricted miscellaneous revenues.

(Source: Division of Finance.)

For the Fiscal Year Ended June 30, 1997, General Fund revenues from all sources totaled $2,663,058,000. Of this amount, 47% came from sales taxes, 37% came from Federal contracts and grants, 10% came from fees, Federal mineral lease revenues and other miscellaneous restricted revenues, and 6% came from miscellaneous taxes, interest on investments, license fees and other unrestricted revenues. The General Fund revenue includes credit for profits of the Liquor Enterprise Fund which amounted to $24,312,000 for such fiscal year.

In the Uniform School Fund for Fiscal Year Ended June 30, 1997, revenues from all sources totaled $1,632,637,000. Of this amount, 76% came from individual income taxes, 12% came from corporate franchise taxes, 11% came from Federal contracts and grants, 1% came from other miscellaneous restricted and unrestricted revenues.

In the Transportation Fund for Fiscal Year Ended June 30, 1997, revenues from all sources totaled $462,249,000. Of this amount, 46% came from Motor and Special Fuel Taxes, 31% came from Federal contracts and grants, 12% came from other miscellaneous unrestricted taxes and fees, and 11% came from miscellaneous fees and other restricted revenue.

In the Capital Projects Fund for Fiscal Year Ended June 30, 1997, revenues from all sources totaled $45,241,000. Of this amount, 86% came from intergovernmental sources, 8% came from interest earnings, and 6% came from miscellaneous revenue.

In the Debt Service Fund for Fiscal Year Ended June 30, 1997, revenues totaled $10,447,000 of which 28% was from interest earnings and the remaining 72% from miscellaneous sources.

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**Revenues by Source**

All Governmental Fund Types (1)

| | Fiscal Year Ended June 30 (in thousands) | | | | |
|---|---|---|---|---|---|
| | Estimated 1998 (*) | 1997 | 1996 | 1995 | 1994 |
| Unrestricted: | | | | | |
| Individual income tax | $1,345,440 | $1,237,332 | $1,139,080 | $1,026,803 | $ 925,004 |
| Sales tax | 1,258,202 | 1,259,961 | 1,170,120 | 1,061,870 | 984,287 |
| Motor and special fuel tax | 287,700 | 214,758 | 206,904 | 196,422 | 187,377 |
| Corporate franchise tax | 195,360 | 191,991 | 176,781 | 157,901 | 125,191 |
| Misc. tax and other | 142,173 | 129,747 | 119,796 | 138,117 | 120,272 |
| Licenses, permits and fees | 74,161 | 64,486 | 67,512 | 65,529 | 62,561 |
| Liquor control profits | 25,700 | 24,312 | 22,155 | 20,080 | 17,893 |
| Interest on investments | 15,168 | 20,811 | 20,323 | 17,775 | 11,013 |
| Total unrestricted | 3,343,904 | 3,143,398 | 2,922,671 | 2,684,497 | 2,433,598 |
| Restricted: | | | | | |
| Fed. contracts and grants | 1,340,260 | 1,315,279 | 1,266,632 | 1,193,140 | 1,141,711 |
| Department collections | 168,607 | 163,763 | 149,868 | 158,454 | 152,564 |
| Miscellaneous | 81,341 | 80,131 | 67,983 | 52,987 | 54,613 |
| Interest on investments | 39,809 | 18,593 | 19,603 | 17,131 | 10,007 |
| Intergovernmental | 39,728 | 38,731 | 46,602 | 20,740 | 31,564 |
| Federal mineral leases | 32,600 | 34,111 | 34,718 | 29,054 | 33,335 |
| Aeronautics | 22,416 | 24,890 | 35,122 | 49,701 | 37,034 |
| Restricted taxes (2) | 16,198 | 3,316 | 25,281 | 36,491 | 19,547 |
| Restricted sales tax | 9,361 | – | – | – | – |
| Total restricted | 1,750,320 | 1,678,814 | 1,645,809 | 1,557,698 | 1,480,375 |
| Total revenues | $5,094,224 | $4,822,212 | $4,568,480 | $4,242,195 | $3,913,973 |

(*) 1998 estimates as of April 1998.

(1) This summary includes revenues of the State Governmental–Type Funds which include the General Fund, Special Revenue Funds (Uniform School Fund, Transportation Fund, Sports Authority Fund, Consumer Education Funds, and Federal Retirees Settlement Fund), Capital Projects Fund and Debt Service Fund.

(2) Restricted taxes are the result of a change in accounting standards that requires certain taxes to be recognized as revenue when they are measurable and available even if the cash is collected after the end of the fiscal year.

(Sources: Division of Finance and the 1997 Comprehensive Annual Financial Report.)

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**Expenditures by Function**

All Governmental Fund Types (1)

| Function | Fiscal Year Ended June 30 (in thousands) Estimated 1998 (*) | 1997 | 1996 | 1995 | Restated 1994 |
|---|---|---|---|---|---|
| Public education | $1,702,048 | $1,651,282 | $1,476,565 | $1,299,052 | $1,217,741 |
| Human services/health/corrections/ environmental quality | 1,539,201 | 1,480,616 | 1,394,764 | 1,296,189 | 1,205,796 |
| Transportation and public safety | 1,134,388 | 669,014 | 546,650 | 497,068 | 479,552 |
| Higher education | 477,407 | 464,202 | 432,816 | 409,083 | 374,758 |
| General government | 235,312 | 248,918 | 234,179 | 224,622 | 210,831 |
| Capital outlay | 195,099 | 182,129 | 207,418 | 177,937 | 148,889 |
| Debt service | 127,279 | 100,651 | 94,426 | 86,572 | 77,304 |
| Natural resources | 102,108 | 91,656 | 86,899 | 78,440 | 72,647 |
| Community and economic development | 93,912 | 84,384 | 82,585 | 71,883 | 68,063 |
| Business, labor and agriculture | 45,099 | 39,107 | 36,307 | 34,550 | 32,175 |
| Leave/Post employ. benefits (2) | 31,659 | 31,659 | 18,562 | 35,233 | 7,358 |
| Federal retirees | – | – | 72 | 805 | 18,391 |
| Total expenditures All Governmental Fund Types | $5,683,512 | $5,043,618 | $4,611,243 | $4,211,434 | $3,913,505 |

(*) 1998 estimates as of April 1998.

(1) This summary includes expenditures of the State Government–Type Funds which include the General Fund, Special Revenue Funds (Uniform School Fund, Transportation Fund, Sports Authority Fund, Consumer Education Funds, and Federal Retirees Settlement Fund), Capital Projects Fund and Debt Service Fund.

(2) As the result of a change in accounting principles, beginning in the Fiscal Year Ended June 30, 1994 the State recognized the expenditure and liability for post employment benefits in the governmental fund incurring the expenditure. In prior years a liability for leave benefits and health insurance benefits for current retirees was recorded in the general long–term obligations account group.

(Sources: Division of Finance and the 1997 Comprehensive Annual Financial Report.)

**Changes in All Governmental Fund Types (1)**

| | Fiscal Year Ended June 30 (dollars in millions) Estimated 1998 (*) | 1997 | 1996 | 1995 | Restated 1994 |
|---|---|---|---|---|---|
| Revenues | $5,094 | $4,822 | $4,568 | $4,242 | $3,913 |
| % change over previous year | 5.6% | 5.6% | 7.7% | 8.4% | 10.5% |
| Net other financing sources (2) | $954 | $74 | $156 | $122 | $65 |
| Expenditures (3) | $5,684 | $5,044 | $4,611 | $4,211 | $3,914 |
| % change over previous year | 12.7% | 9.4% | 9.5% | 7.6% | 6.6% |

(*) 1998 estimates as of April 1998.

(1) Includes the General Fund, Special Revenue Funds (Uniform School Fund, Transportation Fund, Sports Authority Fund, Securities Investor Education and Training Fund, and Federal Retirees Settlement Fund), Capital Projects Fund and Debt Service Fund.

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

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

(Sources: Division of Finance and the 1997 Comprehensive Annual Financial Report.)

## Fund Balances (1)

***The 1998 estimates for fund balances are not available.***

Fund Balances—All Governmental Fund Types

| | Fiscal Year Ended June 30 (in thousands) | | | | |
|---|---|---|---|---|---|
| | (2) 1997 | (2) 1996 | (2) 1995 | (2) 1994 | Restated (2) 1993 |
| General Fund | $416,539 | $439,158 | $386,513 | $345,361 | $288,962 |
| Special Revenue Funds | | | | | |
| Uniform School Fund | 183,212 | 266,130 | 213,123 | 111,471 | 87,693 |
| Transportation Fund | 18,648 | 62,382 | 63,632 | 39,273 | 45,388 |
| Centennial Highway Fund | 14,107 | – | – | – | – |
| Consumer Education Fund | 298 | 298 | 171 | 71 | 100 |
| Sports Authority Fund | (6,239) | (6,194) | (3,040) | 3,427 | 902 |
| Capital Projects Fund | 107,164 | 116,986 | 100,839 | 98,675 | 114,095 |
| Debt Service Fund | 13,891 | 13,493 | 8,881 | 6,898 | 4,958 |
| Total | $747,620 | $892,253 | $770,119 | $605,176 | $542,098 |

(1) Includes restricted and unrestricted fund equity.
(2) As a result of changes in accounting principles, beginning in the Fiscal Year Ended June 30, 1994 the State accrued revenues for certain taxes. In addition, the State also recognized the expenditure and liability for post–employment benefits in the governmental funds that incurred the liability. In prior years a liability for leave benefits and post–employment benefits was recorded in the general long–term obligation account group. Fiscal Year Ended June 30, 1993 was restated for these changes. The changes resulted in a one time net increase of $121 million and $128 million in the Governmental Funds equity at Fiscal Year Ended June 30, 1994 and June 30, 1993 respectively.

(Source: Division of Finance.)

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**General Fund**

Revenues, Expenditures and Fund Balances

| | Fiscal Year Ended June 30 (in thousands) | | | | |
|---|---|---|---|---|---|
| | Estimated 1998 (*) | 1997 | 1996 | 1995 | Restated 1994 |
| Revenues: | | | | | |
| Sales tax | $1,257,886 | $1,251,735 | $1,162,514 | $1,054,767 | $ 977,916 |
| Federal contracts and grants | 996,935 | 986,069 | 942,465 | 907,289 | 855,821 |
| Miscellaneous tax & other | 142,173 | 129,719 | 119,770 | 134,158 | 113,354 |
| Department collection | 137,722 | 138,370 | 136,281 | 136,360 | 135,368 |
| Miscellaneous | 46,336 | 44,911 | 38,564 | 30,163 | 36,026 |
| Federal mineral leases | 32,600 | 34,111 | 34,718 | 29,054 | 33,335 |
| Liquor control (1) | 25,700 | 24,312 | 22,155 | 20,080 | 17,893 |
| Interest | 22,844 | 27,016 | 26,555 | 20,916 | 8,994 |
| Licenses, fees | 19,161 | 13,792 | 12,811 | 13,189 | 13,028 |
| Restricted tax (2) | 5,825 | 13,023 | 10,375 | 9,017 | 12,681 |
| Total revenues | $2,687,182 | $2,663,058 | $2,506,208 | $2,354,993 | $2,204,416 |
| % change over previous year | 0.9% | 6.3% | 6.4% | 6.8% | 11.6% |
| Expenditures (3) | $2,599,960 | $2,513,596 | $2,359,468 | $2,213,651 | $2,036,760 |
| % change over previous year | 3.4% | 6.5% | 6.6% | 8.7% | 7.0% |
| Fund Balance: (2) (3) | | | | | |
| Unreserved, designated | na | $107,341 | $167,045 | $122,761 | $122,124 |
| Unreserved, undesignated | na | 2,428 | 483 | 15,246 | 12,240 |
| Reserved | na | 306,770 | 271,630 | 248,506 | 210,997 |
| Total fund balance | na | $416,539 | $439,158 | $386,513 | $345,361 |

(*) 1998 estimates as of April 1998.

(1) Liquor Control profits are reported as transfers into the General Fund.

(2) As a result of changes in accounting principles, beginning in Fiscal Year Ended June 30, 1994 the State accrued revenues for certain taxes. In addition, the State also recognized the expenditure and liability for post–employment benefits in the governmental funds that incurred the liability. In prior years a liability for leave benefits and post–employment benefits was recorded in the general long–term obligation account group. Fiscal Year Ended June 30, 1993 was restated for these changes. The changes resulted in a one time net increase of $49 million and $61 million in the General Fund equity at Fiscal Year Ended June 30, 1994 and June 30, 1993, respectively.

(3) The Fund Balance is derived from revenues, expenditures, transfers and other financing sources which are not presented in this table and the beginning fund balance from the prior fiscal year.

(Sources: Division of Finance and the 1997 Comprehensive Annual Financial Report.)

## Capital Expenditure Authorizations

The following table presents historical data on capital expenditures in the year authorized from the Fiscal Years Ended June 30, 1994 through 1998. Included in these figures are capital outlay expenses and authorizations for the construction of new buildings and the improvement of existing buildings as shown in previous tables. These figures also contain previous bond expenditures, 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 those local projects in energy–impacted areas funded with community impact moneys. These figures exclude debt service.

**Capital Expenditure Authorizations (in millions)**

| Fiscal Year Ended June 30 | | | | |
|---|---|---|---|---|
| 1998 | 1997 | 1996 | 1995 | 1994 |
| $1,329.0 | $673.2 | $529.5 | $507.9 | $453.5 |

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

## Investment Of Funds

*Investment of Operating Funds; The Utah Money Management Act.* The Utah Money Management Act, Title 51, Chapter 7, Utah Code (the "MM Act") governs the investment of all public funds held by public treasurers in the state. It establishes criteria for investment of public funds with an emphasis on safety, liquidity, yield, matching strategy to fund objectives, and matching the term of investments to the availability of funds. The MM Act provides a limited list of approved investments, including qualified in–state and permitted out–of–state financial institutions, approved government agency securities and investments in corporate securities carrying "top credit ratings." The MM Act also provides for pre–qualification of broker dealers requiring that broker dealers must agree in writing to comply with the MM Act and certify that they have read and understand the MM Act. The MM Act establishes the Money Management Council (the "MM Council") to exercise oversight of public deposits and investments. The law requires all securities to be delivered versus payment to the State Treasurer's or to the public treasurer's safekeeping bank. It requires diversification of investments, especially in securities of corporate issuers. Not more than 5% of the portfolio may be invested with any one issuer. Investments in mortgage pools and mortgage derivatives or any security making unscheduled periodic principal payments are prohibited. The MM Act also defines the State's prudent investor rules. The MM Council is comprised of five members appointed by the Governor of the State for terms of four years, after consultation with the State Treasurer and with the advice and consent of the State Senate.

Information regarding the MM Act may be found on the world wide web ("www") at http://www.treasurer.state.ut.us. Such information shall not be considered to be a part of this OFFICIAL STATEMENT and is not provided in connection with the offering of the 1998C Bonds.

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

*The Utah Public Treasurers' Investment Fund.* The PTIF is a public treasurers' 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 on short–term investments. All moneys transferred to the PTIF are promptly invested in securities authorized by the MM Act. Safekeeping and audit controls for all investments owned by the PTIF must comply with the MM Act.

All investments in the PTIF must comply with the MM Act and rules of the MM Council. The PTIF invests primarily in money market securities including time certificates of deposit, top rated commercial paper, treasuries and certain agencies of the U.S. Government. The maximum weighted average adjusted life of the portfolio, by policy, is not to exceed 90 days. The current weighted average adjusted life is 86 days, with approximately 52% of the securities maturing or repricing within 30 days, and 91% of the securities maturing or repricing within 90 days. The maximum final maturity of any security purchased by the PTIF is limited to three years, except that a maximum maturity of five years is allowed for treasury or agency securities whose rate adjusts at least annually.

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

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

Investment activity of the State Treasurer in the management of the PTIF is reviewed monthly by the MM Council and is audited by the State Auditor.

See "APPENDIX B—GENERAL PURPOSE FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 1997–Notes To The Financial Statements–Note 3. Deposits and Investments" below.

Information regarding PTIF may be found on the www at http://www.treasurer.state.ut.us. Such information shall not be considered to be a part of this OFFICIAL STATEMENT and is not provided in connection with the offering of the 1998C Bonds.

*PTIF Year 2000 Compliance.* The State Treasurer's office uses a third party software program to do the investment and fund accounting for PTIF. The vendor has certified to the State Treasurer that its software is Year 2000 compliant. The national and local banks, which provide safekeeping, automated clearing house, fed wire and other services that benefit PTIF, have reported to the State Treasurer that they intend to be Year 2000 compliant by December 31, 1998.

**Retirement Systems**

All full–time employees of the State are members of the Utah State Retirement System. For a discussion concerning the Utah State Retirement System see "APPENDIX B—GENERAL PURPOSE FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 1997—Notes to the Financial Statements—Note 14. Pension Plans" "–Note 15. Deferred Compensation Plan" and "–Note 16. Postemployment Benefits" below.

**Risk Management**

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

The property self–insurance limits for the Fiscal Year Ending June 30, 1997 are $1 million per claim with an annual aggregate of $2.5 million. Generally, claims in excess of the self–insured limits are covered by insurance policies with private insurance companies. This coverage has limits of $350 million at any single building, with overall limits in excess of $10,749,998,300. The State has aggregate coverage of $100 million for earthquake and flood losses. Earthquake and flood losses above this limit are self–insured.

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

As of June 30, 1997, the Administrative Services Risk Management Fund was estimated to have approximately \$36.3 million in reserve available to pay for claims incurred. In the opinion of the State's Risk Manager, the available balance will be adequate to cover claims through June 30, 1998. The Legislature has chosen to fund the Risk Management Fund at this level, and it has been advised that any extremely large claims would need to be covered by an appropriation. See "APPENDIX B—GENERAL PURPOSE FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 1997—Notes to the Financial Statements—Note 17. Risk Management And Insurance" below.

## LEGAL MATTERS

### Absence Of Litigation Concerning The 1998C Bonds

There is no litigation pending or threatened against the 1998C Bonds questioning or in any matter relating to or affecting the validity of the 1998C Bonds.

On the date of the execution and delivery of the 1998C Bonds, certificates will be delivered by the State to the effect that to the knowledge of the State, there is no action, suit, proceeding or litigation pending or threatened against the State, which in any way materially questions or affects the validity or enforceability of the 1998C Bonds or any proceedings or transactions relating to their authorization, execution, authentication, marketing, sale or delivery or which materially adversely affects the existence or powers of the State.

A non–litigation opinion issued by the State's Attorney General, dated the date of closing, will be provided stating, among other things, that there is not now pending, or to her 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 the Division, or the titles of their respective officers to their respective offices, or the ability of the State, the Authority or the Division or their respective officers to authenticate, execute or deliver the 1998C Bonds or such other documents as may be required in connection with the issuance and sale of the 1998C Bonds, or to comply with or perform their respective obligations thereunder, or seeking to restrain or enjoin the issuance, sale or delivery of the 1998C Bonds, or directly or indirectly contesting or affecting the proceedings or the authority by which the 1998C Bonds are issued, the legality of the purpose for which the 1998C Bonds are issued, or the validity of the 1998C Bonds or the issuance and sale thereof.

### Miscellaneous Legal Matters

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

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

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

## Tax Exemption

### Federal Income Taxation

Federal tax law contains a number of requirements and restrictions that apply to the 1998C Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of 1998C Bond proceeds and the facilities financed therewith, and certain other matters. The Authority and the State have covenanted to comply with all requirements that must be satisfied in order for the interest on the 1998C Bonds to be excludible from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the 1998C Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the 1998C Bonds.

Subject to compliance by the Authority and the State with the above–referenced covenants, under present law, in the opinion of Chapman and Cutler, Bond Counsel, interest on the 1998C Bonds is not includible in the gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. Interest on the 1998C Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the Authority and the State with respect to certain material facts solely within their respective knowledge relating to the application of the proceeds of the 1998C Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing AMTI of a corporation (excluding S corporations, Regulated Investment Companies, Real Estate Investment Trusts, REMICs and FASITs) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include all tax–exempt interest, including interest on the 1998C Bonds.

Under the provisions of Section 884 of the Code, a branch profits tax is levied on the "effectively connected earnings and profits" of certain foreign corporations, which include tax–exempt interest such as interest on the 1998C Bonds.

Ownership of the 1998C Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax–exempt obligations. Prospective purchasers of the 1998C Bonds should consult their tax advisors as to applicability of any such collateral consequences.

If a 1998C Bond is purchased at any time for a price that is less than the 1998C Bond's stated redemption price at maturity, or, in the case of a 1998C Bond issued with original issue discount, its Revised Issue Price (as discussed below) the purchaser will be treated as having purchased a 1998C Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a 1998C Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such

1998C Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the 1998C Bonds.

From time to time, there are legislative proposals in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the 1998C Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issue prior to enactment. Prospective purchasers of the 1998C Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

**Utah Income Taxation**

In the opinion of Chapman and Cutler, Bond Counsel, under the existing laws of the State as presently enacted and construed, interest on the 1998C Bonds is exempt from taxes imposed by the Utah Individual Income Tax Act. Bond Counsel expresses no opinion with respect to any other taxes imposed by the State or any political subdivision thereof. Ownership of the 1998C Bonds may result in other State and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the 1998C Bonds. Prospective purchasers of the 1998C Bonds should consult their tax advisors regarding the applicability of any such State and local taxes.

## Original Issue Discount

The initial public offering price of the 1998C Bonds maturing on May 15 of the years 2004 through 2007, inclusive, (the "OID Bonds") is less than the principal amount payable at maturity. The difference between the Issue Price (defined below) of the OID Bonds and the amount payable at maturity is original issue discount. The issue price (the "Issue Price") for each maturity of the OID Bonds is the price at which a substantial amount of the OID Bonds is first sold to the public. The Issue Price of the OID Bonds is expected to be the amount set forth on the cover page hereof, but is subject to change based on actual sales.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price and who holds such OID Bond to its stated maturity, subject to the condition that the Authority and the State comply with the covenants discussed under "TAX EXEMPTION—Federal Income Taxation" above: (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is not includible in the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing an adjustment used in determining the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year.

If an OID Bond is purchased at any time for a price that is less than the OID Bond's Issue Price plus accreted original issue discount (the "Revised Issue Price"), the purchaser will be treated as having purchased such OID Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Such treatment would apply to any purchaser who purchases such OID Bond for a price that is less than its Revised Issue Price.

Owners of OID Bonds who dispose of OID Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase OID Bonds in the initial public offering, but at a price different from the Issue Price or purchase OID Bonds subsequent to the initial public offering should consult their own tax advisors. Owners of OID Bonds issued with original issue discount should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

### General

The approving opinion of Chapman and Cutler, Bond Counsel, concerning the validity of the 1998C Bonds, in substantially the form set out in APPENDIX D to this OFFICIAL STATEMENT, will be provided at the time of delivery of the 1998C Bonds to the Underwriters. Copies of the opinion of Bond Counsel, in substantially the form set forth in APPENDIX D to this OFFICIAL STATEMENT, will be available upon request from the chief contact person for the State indicated under the heading "INTRODUCTION—Contact Persons" above.

Bond Counsel has reviewed those portions of this OFFICIAL STATEMENT captioned: "THE 1998C BONDS (except the portions under the captions "—Estimated Sources And Uses Of Funds," "—Book–Entry Only System" and "—Debt Service On The 1998C Bonds"), and "LEGAL MATTERS—Tax Exemption" and "—Original Issue Discount." Bond Counsel also prepared and has reviewed APPENDIX D to this OFFICIAL STATEMENT, which sets forth the anticipated form of Bond Counsel's opinion on the 1998C Bonds. Bond Counsel has not assumed responsibility for the remaining material in the OFFICIAL STATEMENT and cannot verify 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 1998C Bonds for sale.

Certain legal matters will be passed upon for the Authority and the State by the Office of the Attorney General of the State. Certain matters will be passed upon for the Underwriters by Ballard Spahr Andrews & Ingersoll, LLP.

## MISCELLANEOUS

### Bond Ratings

The payment of the principal of and interest on the 1998C Bonds when due will be insured by a financial guaranty insurance policy to be issued by Financial Security simultaneously with the delivery of the 1998C Bonds. The 1998C Bonds are rated "Aaa" (FSA Insured) by Moody's and "AAA" (FSA Insured) by S&P. See "CREDIT ENHANCEMENT" above.

Such ratings do not constitute a recommendation by the rating agency to buy, sell or hold the 1998C Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's, 99 Church Street, New York, New York 10007 and S&P, 25 Broadway, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

See "STATE BUILDING OWNERSHIP AUTHORITY—Debt Issuance" and "DEBT STRUCTURE OF THE STATE OF UTAH—General Obligation Indebtedness" above.

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 1998C 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 1998C Bonds.

## Year 2000 Compliance

The State has established Year 2000 Compliance as its number one information technology priority. The State has developed an inventory of all its computer software programs and applications. A plan is in place to review each application, modify (if necessary), and test all mission–critical applications. Systems renovation has been funded by the Legislature and agencies are dedicating a major portion of existing resources towards this process. Approximately 46% of all systems have been reported to be Year 2000 compliant. Other systems are in the process of being updated and tested. The central financial and accounting system for the State has already been replaced and upgraded to a compliant system. State projects are addressing the issues of embedded systems, telecommunications, and infrastructure. A major effort has been funded and is well under way to replace the State's tax collection systems. The State is also working with its software vendors to ensure that their applications will be compliant. Contingency plans will be developed in the event of specific failures. The State continues to take the necessary steps to achieve a smooth transition into the next century and minimize the negative impacts that could potentially arise from this event.

## Escrow Verification

Ernst & Young LLP, Memphis, Tennessee, 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 Escrow Fund to pay when due pursuant to prior redemption the redemption price of, and interest on the Refunded Bonds and the mathematical computations of the yield on the 1998C Bonds and the yield on the government obligations purchased with a portion of the proceeds of the sale of the 1998C Bonds. Such verifications shall be based in part upon information supplied by the Underwriters.

## Underwriters

Salomon Smith Barney, New York, New York; First Security Capital Markets, Inc., Salt Lake City, Utah; George K. Baum & Company, Salt Lake City, Utah; Merrill Lynch & Co., New York, New York; and PaineWebber Incorporated, New York, New York (collectively, the "Underwriters") have agreed, subject to certain conditions, to purchase all of the 1998C Bonds from the Authority at an aggregate price of $112,471,763.15 (which consists of a principal amount of $105,100,000.00 plus an original issue premium of $7,763,307.40, less an original issue discount of $12,133.25 and an underwriter's discount of $379,411.00), plus accrued interest, and to make a public offering of the 1998C Bonds. The Underwriters have advised the Authority that the 1998C Bonds may be offered and sold to certain dealers (including dealers depositing the 1998C Bonds into investment trusts) at prices lower than the initial public offering prices set forth on the cover page of the OFFICIAL STATEMENT and that such public offering prices may be changed from time to time.

## Financial Advisor

The State has entered into an agreement with Zions Bank Public Finance, Salt Lake City, Utah (the "Financial Advisor") whereunder the Financial Advisor provides financial recommendations and guidance to the State with respect to preparation for sale of the 1998C Bonds, timing of sale, tax–exempt bond market conditions, costs of issuance and other factors relating to the sale of the 1998C Bonds. The Financial Advisor has read and participated in the drafting of certain provisions of this OFFICIAL STATEMENT. The Financial Advisor has not audited, authenticated or otherwise 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 1998C Bonds.

### Independent Auditors

The financial statements as of June 30, 1997 and for the year then ended, included in this OFFICIAL STATEMENT, have been audited by the Utah State Auditor, as stated in its report in APPENDIX B to this OFFICIAL STATEMENT.

### Additional Information

The foregoing description of the 1998C Bonds and the summaries of the basic documents hereto do not purport to be complete and are 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 1998C Bonds, and subsequently, at the principal corporate trust office of the Trustee in Salt Lake City, Utah.

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

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

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

**State of Utah, State Building Ownership Authority**

/s/ H.E. Scruggs

H.E. Scruggs, Chairman

**APPENDIX A**

**BASIC DOCUMENTATION**

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The following are definitions of certain terms from the Indenture and the Lease and summaries or extracts of certain provisions of the Indenture, the Lease and the State Facilities Master Agency Agreement. Reference is made to the Indenture, the Lease and the State Facilities Master Agency Agreement for complete recital of their terms. During the period of the offering of the 1998C 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 1998C Bonds copies of the Indenture, the Lease and the State Facilities Master Agency Agreement may be obtained from the Trustee.

## DEFINITIONS OF CERTAIN TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

"*Bond*" or "*Bonds*" shall mean one or more of the Bonds and any Additional Bonds authenticated and delivered from time to time under the Indenture.

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

"*Bond Fund*" shall mean the fund by that name created by the Indenture to be used to pay the principal of and interest on the 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.

"*Bondowner*" or "*Owner of Bonds*", or any similar term, shall mean the Person in whose name a Bond is registered in the Register.

"*Business Day*" shall mean a day of the year on which banks located in the city in which the principal corporate trust office of the Trustee is located are not required or authorized to remain closed.

"*Capitalized Interest Accounts*" shall mean, collectively, each Capitalized Interest Account created under the Indenture with respect to the financing of Facilities through the issuance of a Series of Bonds.

"*Capitalized Interest Fund*" shall mean the fund by that name created by the Indenture to be used to pay interest on the Bonds during the period of Acquisition and Construction of a Project as provided in the Indenture.

"*Cede*" shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to any Series of Bonds pursuant to the Indenture.

"*Code*" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and any applicable regulations thereunder.

"*Completion Certificate*" shall mean the certificate (including attachments thereto) delivered with respect to each Project by or at the direction of an Authorized Lessee Representative pursuant to the Lease and the Indenture, evidencing completion of such Project, the establishment of the Completion Date therefor, acceptance of the portion of the Leased Property represented by such Project by the Lessee and certain other matters.

"*Completion Date*" shall mean, with respect to each Project, the date of completion of such Project and of final acceptance of the portion of the Leased Property represented by such Project by the Lessee, all as evidenced by the delivery of the Completion Certificate relating thereto.

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

"*Contractor*" shall mean such reputable contractor or contractors designated as general contractor for any or all of the Facilities.

"*Continuing Disclosure Agreement*" shall mean that certain Continuing Disclosure Undertaking Agreement among the Issuer, the Lessee and the Trustee, dated the date of original issuance of the Series 1998C Bonds, as originally executed and as it may be amended from time to time in accordance with its terms.

"*Costs of Issuance*" shall mean all items of expense directly or indirectly payable by or reimbursable to the Issuer or the Lessee relating to the financing of the Projects under the Indenture, including, but not limited to, all costs paid or incurred by the Lessee or the Issuer at any time prior to or after delivery of the Bonds of each Series with respect to the issuance, sale and delivery of the Bonds of such Series, including, but not limited to, initial or acceptance fees and expenses of the Trustee, the Paying Agent and the Registrar, advance annual Trustee fee for a period not exceeding one year, costs of legal and other professional services, including, but not limited to, financial advisor fees and expenses, costs of underwriting the Bonds of each Series (including underwriting fees or bond discount), costs of preparing the Operative Agreements relating to the Project financed by each Series of Bonds and any supplements to any thereof and any other documents in connection with the authorization, issuance and sale of the Bonds of each Series, rating agency fees and expenses, recording and filing fees, costs of title insurance, printing and engraving and other fees and costs in connection therewith.

"*Event of Default*" shall mean one or more of the events of default described in the Lease and the Indenture.

"*Event of Nonappropriation*" shall mean a nonrenewal of the term of the Lease by the Lessee, determined by the failure (for whatever reason) of the State to enact into law a State budget that appropriates and allocates to or for the benefit of the Lessee for purposes of the Lease moneys sufficient to pay the Base Rentals and reasonably estimated Additional Rentals for the next succeeding Renewal Term as provided in the Lease or determined by the unavailability of such moneys for such purpose for any other reason. To the extent any non–lapsing appropriations are used as the basis for determining that sufficient moneys have been appropriated for a Fiscal Year, such appropriations shall be deemed to have been appropriated and to be legally available for the purpose of paying Rentals during such Fiscal Year. The existence or nonexistence of an Event of Nonappropriation shall be determined as of (a) the date on which the Legislature fails or refuses to adopt a final budget in accordance with applicable law which appropriates sufficient moneys to pay such Base Rentals and reasonably estimated Additional Rentals for the next succeeding Renewal Term as contemplated by the Lease or (b) the date on which the Governor of the State vetoes the appropriation to pay such Rentals contained in a final budget adopted by the Legislature, which veto is not thereafter overridden as provided by law; *provided, however,* that the Trustee may waive any Event of Nonappropriation that is cured by the Lessee within a reasonable time if, in the Trustee's judgment, such waiver is in the best interests of the Owners of the Bonds, except as otherwise provided in the Lease; and *provided, further, however,* that in no event shall an Event of Nonappropriation occur or be deemed to occur prior to June 1 of the Fiscal Year next preceding each Renewal Term, notwithstanding anything in the Lease to the contrary. If the State changes its Fiscal Year to a different twelve–month period than the Fiscal Year in effect on the date of execution of the Lease, the foregoing reference to June 1 shall be deemed to refer to the date that is 30 days prior to the end of such new Fiscal Year.

"*Excepted Property*" shall mean the following described property of the Issuer that is expressly excepted and excluded from the lien and operation of the Indenture, whether such property is now owned on hereafter acquired:

(a) The last day of the term of the leasehold estate created under the Lease and the last day of the term of each Site Lease; *provided, however,* that the Issuer covenants and agrees that it will hold each such last day in trust for the use and benefit of the Bondowners and that it will dispose of each such last day from time to time in accordance with such written order as the Trustee in its discretion may give;

(b) Certain property installed by the Lessee or by any sublessee or licensee of the Lessee as provided in the Lease; and

(c) Amounts to be transferred pursuant to the Indenture to, or held by the Trustee in, the Rebate Fund established under any Tax Certificate.

"*Facilities*" shall mean each of the facilities acquired or constructed pursuant to the Act as provided in the Lease.

"*Fiscal Year*" shall mean the twelve–month period used from time to time by the Lessee for its financial accounting purposes, such period currently extending from July 1 to the next succeeding June 30.

"*Funds*" shall mean, collectively, all of the funds and accounts created under the Indenture and held by the Trustee, including, but not limited to, the Project Fund, the Project Accounts, the Bond Fund, the 1994A Costs of Issuance Fund, the Capitalized Interest Fund, the Capitalized Interest Accounts, the Redemption Fund, the Insurance Fund and any costs of issuance fund created under the Indenture in connection with the issuance of a Series of Bonds.

"*Government Obligations*" shall mean direct general obligations of, or obligations the timely payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America, the guarantee of which constitutes the full faith and credit obligation of the United States of America (including any such obligations issued or held in book–entry form on the books of the Department of the Treasury of the United States of America).

"*Indenture*" shall mean the Original Indenture as supplemented and amended from time to time in accordance with its terms.

"*Insurance Fund*" shall mean the fund by that name created by the Indenture for the deposit of all Net Proceeds of performance or payment bonds, proceeds (including moneys derived from the Risk Management Fund and any self–insurance program) from policies of insurance required by the Lease or condemnation awards, or any proceeds resulting from a default under a Project Contract (except certain liquidated damages received as a consequence of default by a Contractor to complete a Project in a timely fashion, which shall be deposited into the Bond Fund as required by the Lease) or any other contract relating to the Leased Property that are received by the Trustee, to be applied to the prompt repair, replacement, restoration, modification or improvement of the damaged or destroyed portion of the Leased Property, or to the redemption, in whole or in part, of the principal of the Bonds, under the terms and conditions specified in the Indenture.

"*Interests Secured by the Indenture*" shall mean the principal of and interest and premium, if any, on the 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, Chapter 7, Title 51 of the Utah Code, and such other investments as may be identified from time to time in a Supplemental Indenture as "Investment Securities."

"*Issuer*" shall mean the Utah State Building Ownership Authority, a body politic and corporate of the State of Utah, and any public body or corporation that succeeds to its powers, duties or functions.

"*Lease*" shall mean the Original Lease as amended and supplemented in accordance with its terms and the terms of the Indenture.

"*Leased Property*" shall mean the Facilities leased and to be leased to the Lessee pursuant to the Lease.

"*Lessee*" shall mean the State of Utah, acting through its Department of Administrative Services, Division of Facilities Construction and Management, and any department, division, commission or agency of the State succeeding to such Division's powers, duties or functions.

"*Lessee's Counsel*" shall mean the duly elected and qualified Attorney General of the State of Utah or his or her designee, who regularly or by special appointment represents the Lessee in legal matters.

"*Lessor*" shall mean the Utah State Building Ownership Authority, a body politic and corporate of the State of Utah, or any successor to the powers, duties or functions of the Lessor.

"*Lien*" shall mean any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on common law, statute or contract, and including, but not limited to, the security interest or lien arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes.

"*Moody's*" shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating organization, Moody's shall be deemed to refer to any other nationally recognized securities rating organization designated by the Lessee, by notice to the Trustee.

"*Mortgage*" shall mean each Mortgage, Security Agreement and Assignment of Rents, substantially in the form attached to the Indenture, to be executed, delivered and recorded as provided in the Indenture and in the Lease and any other "mortgage" (as such term is defined in Section 63–9a–3(5) of the Act as such Section may be amended from time to time), relating to a mortgage lien to be imposed on the respective Facilities on or before the disbursement of moneys from each Project Account as provided in the Indenture, for the purpose of providing security, in addition to that provided by the Indenture, for the payment of the principal of, and premium, if any, and interest on, the Bonds and the other Interests Secured by the Indenture.

"*Net Proceeds*" when used with respect to any performance or payment bond proceeds, or proceeds (including, but not limited to, any moneys derived from the Risk Management Fund or any self–insurance program) from policies of insurance required by the Lease, or any condemnation award, or any proceeds resulting from default under a Project Contract (including, but not limited to, any such proceeds realized as liquidated damages) with respect to the Leased Property, or with respect to proceeds from any foreclosure on the Leased Property or liquidation, reletting or sale of the Leased Property (subject to the Site Leases), shall mean the amount remaining after deducting all expenses (including attorneys' fees) incurred in the collection of such proceeds or award from the gross proceeds thereof.

"*Notice by Mail*" or "*notice*" of any action or condition "*by Mail*" shall mean a written notice meeting the requirements of the Indenture mailed by first–class mail, postage prepaid, to the Owners of specified Bonds, at the addresses shown in the Register.

"*Officer's Certificate*" when used with respect to the Lessee shall mean a certificate signed by an Authorized Lessee Representative, or when used with respect to the Issuer or the Lessor, an Authorized Lessor Representative, and delivered to the Trustee.

"*Option Price*" shall mean the price as specified in the Option Price Schedule at which (together with certain other amounts payable pursuant to the Lease) the Lessee may elect to purchase from the Lessor the Leased Property (other than State–Owned Sites) in its entirety on the applicable Optional Payment Date or any portion thereof consisting of separate Facilities identified on Subschedules to the Option Price Schedule and designated by the Lessee pursuant to the Lease prior to the scheduled payment of all sums to be paid for the Leased Property or any such portion, all as more particularly shown in the Option Price Schedule (or the applicable Subschedule thereto) and as such Option Price Schedule (including the Attachments thereto) may be revised hereafter in accordance with the Indenture.

"*Option Price Schedule*" shall mean the Option Price Schedule attached to the Lease, as such Schedule may be revised hereafter from time to time in accordance with the Indenture.

"*Optional Payment Date*" shall mean any Business Day on or after November 15, 2004 (except as otherwise provided in the Lease) during the term of the Lease upon which the Lessee may elect pursuant to the Lease to purchase the Leased Property (other than State–Owned Sites) or any portion thereof consisting of separate Facilities identified on Subschedules to the Option Price Schedule for the then applicable Option Price or portion thereof with respect to such separately identified Facilities.

"*Optional Redemption Date*" shall mean the Optional Payment Date or other redemption date on which the Issuer redeems Bonds in whole or in part as provided in the Indenture.

"*Original Indenture*" shall mean the Indenture of Trust, Assignment of State Facilities Master Lease Agreement and Security Agreement, dated as of September 1, 1994, between the Issuer and the Trustee.

"*Original Lease*" shall mean the State Facilities Master Lease Agreement, dated as of September 1, 1994, between the Lessee and the Issuer.

"*Outstanding*" when used with respect to Bonds shall mean, as of the date of determination, all Bonds that have theretofore been duly authenticated and delivered by the Trustee under the Indenture, except:

(a) Bonds theretofore canceled and delivered to the Registrar or delivered to the Registrar for cancellation;

(b) Bonds that have been defeased pursuant to the Indenture; and

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Indenture.

"*Permitted Encumbrances*" shall mean, as of any particular time, (a) liens for taxes, assessments and other governmental charges not then delinquent; (b) the Lease, the Indenture, any Mortgage, any sublease permitted by the Lease and any financing statements naming the Issuer or the Lessee as debtor and naming the Issuer or the Trustee as secured party now or hereafter filed to perfect the mortgage lien and security interests granted or to be granted by the Indenture, any Mortgage and the Lease; (c) the Site Leases; (d) utility, access and other easements and rights–of–way, mineral rights, restrictions and exceptions that an Authorized Lessee Representative certifies to the Trustee will not materially interfere with or impair the operations being conducted in or on the Leased Property (or, if no operations are being conducted therein or thereon, the operations for which the Leased Property was designed or last modified); (e) any mechanic's, laborer's, materialmen's, supplier's or vendor's lien or right in respect thereof if payment is not yet due and payable under the contract in question; (f) such minor defects, irregularities, encumbrances, easements, rights–of–way and clouds on title as normally exist with respect to properties similar in character to the Leased Property and (i) as do not, in the opinion of the Authorized Lessee Representative, certified in writing to the Trustee, materially impair the property affected thereby for the purpose for which it was or is to be Acquired or is or will be held by the Issuer or the Lessee or (ii) are adequately insured against by a title insurance policy reasonably satisfactory to the Trustee and the Lessee; (g) any liens or encumbrances being contested as provided in the Lease; (h) any encumbrance represented by financing statements recorded or filed to perfect purchase money security interests in any or all of the Facilities; and (i) any easements, liens, security interests and other encumbrances as are included in the definition of "Permitted Encumbrances" as provided in a Supplemental Lease.

"*Person*" shall mean one or more individuals, estates, joint ventures, joint–stock companies, partnerships, associations, corporations, trusts or unincorporated organizations, and one or more governments or agencies or political subdivisions thereof.

"*Plans and Specifications*" shall mean plans and specifications prepared for and showing each of the Facilities, as and when they are approved by the Lessee, the same being duly certified by an Authorized Lessee Representative, which plans and specifications are or will be on file at the office of the Lessee described in the first paragraph of the Lease and shall be available for reasonable inspection by the Lessor, the Trustee and their duly authorized representatives.

"*Project Accounts*" shall mean, collectively, each Project Account created under the Indenture with respect to the financing of Facilities through the issuance of a Series of Bonds.

"*Project Contracts*" shall mean, collectively, each contract entered into by the Lessee (acting in its capacity as the Lessor's agent pursuant to the Agency Agreement), any other agent acting on behalf of the Lessor pursuant to an Agency Agreement or the Lessor regarding any Project.

"*Project Costs*" with respect to each Project shall mean those items that the Lessee, in its own capacity or in its capacity as agent to the Issuer pursuant to the Agency Agreement, any other agent or the Issuer has paid or shall be required to pay under the terms of any contract or contracts for such Project and the financing thereof and all expenses preliminary and incidental thereto incurred by the Issuer, the Lessee (as such agent) or such other agent in connection therewith and in the issuance of the Bonds, including, but not limited to, the following:

(a) obligations of the Lessee or the Issuer incurred for labor, materials and equipment (including permitted reimbursements from proceeds of Bonds payable to the Lessee for expenditures made with respect to the Facilities) in connection with such Project;

(b) the cost of performance or other bonds and any and all types of insurance (including, but not limited to, title insurance) that may be necessary or appropriate in connection with each Project and the Leased Property;

(c) all costs of planning and designing each of the Facilities, including architectural, planning, engineering, legal and fiscal advisors' fees and the costs incurred by the Lessee or the Issuer for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising Construction, as well as for the performance of all other duties required by or consequent to the proper and timely completion of each Project;

(d) all Costs of Issuance related to the Series of Bonds issued with respect to such Project;

(e) payment of expenses incurred in seeking to enforce any remedy against any Contractor or subcontractor in respect of any default under a Project Contract;

(f) the cost of equipment and furnishings for each of the Facilities and all other authorized costs that are considered to be a part of the costs of each of the Facilities in accordance with generally accepted accounting principles and that will not adversely affect the excludability from gross income for Federal income tax purposes of interest on the 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 dispossessed from its facilities for a period of time pending completion of the Facilities in which such State Body will be located upon completion thereof;

(h) any other costs and expenses identified in a Supplemental Indenture as "Project Costs" so long as such costs and expenses are authorized under the Act;

(i) land acquisition costs related to a Project to the extent permitted by the Act;

(j) any sums required to reimburse the Issuer or the Lessee for advances made by either of them for any of the above items or for any other costs incurred and for work done by either of them that are properly chargeable to a capital account in respect of a Project, including sums required to reimburse the Issuer or the Lessee for advances for costs incurred pursuant to clause (k) below; and

(k) all other amounts that shall be required to be paid under the terms of any Project Contract so long as such amounts are authorized under the Act.

"*Project Documents*" shall mean (a) the Plans and Specifications, including change orders (if any) as permitted by the Lease; (b) a survey of each site on which any of the Facilities are located, prepared by a registered land surveyor in accordance with standard requirements for land title surveys, showing the location of all improvements, easements, encroachments and other encumbrances on each such site; (c) any necessary permits for any of the Projects, including any building permits and certificates of occupancy; (d) the Project Contracts; (e) policies of title, casualty, public liability and workers' compensation insurance, or certificates thereof, as required by the Lease with respect to the Leased Property; (f) performance and payment bonds with respect to any Construction of any of the Facilities; (g) the executed contract with an architect hired by the Lessee in connection with the preparation of Plans and Specifications and (h) any and all other documents executed by or furnished to the Lessee or a Contractor in connection with any Project.

"*Project Fund*" shall mean the fund by that name created by the Indenture to be expended to pay or reimburse (to the extent authorized) the Project Costs relating to each of the Projects, in accordance with the provisions of the Lease and the Indenture.

"*Projects*" shall mean, collectively, all projects undertaken by the Issuer pursuant to the Lease.

"*Property*" shall mean any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"*Redemption Fund*" shall mean the fund by that name created by the Indenture to be used for the redemption of Bonds (other than mandatory sinking fund redemptions).

"*Register*" shall mean the register kept at the principal corporate trust office of the Trustee, as Registrar, for the registration, exchange and transfer of Bonds.

"*Registrar*" shall mean the agent appointed by the Trustee, at the direction of the Issuer, as agent of the Trustee to keep the books for the registration of the Bonds and for the registration of transfer and exchange of the Bonds, and any successor appointed by the Trustee, at the direction of the Issuer, or in the event that at any time no such agent shall be appointed, the Trustee.

"*Regular Record Date*" shall mean, with respect to any Bond Interest Payment Date for Bonds that are not Variable Rate Bonds, the first day of the month in which such Bond Interest Payment Date occurs. For Variable Rate Bonds, "Regular Record Date" shall have the meaning given thereto in the Supplemental Indenture authorizing such Variable Rate Bonds.

"*Renewal Term*" shall mean each of the additional and consecutive one year renewal terms, commencing July 1, 1995, and a final renewal term commencing July 1, 2018, and ending May 16, 2019, 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 Bondowners, including, but not limited to, any amounts to be paid into the Bond Fund pursuant to the Lease from rentals or other payments by permitted sublessees, assignees and transferees.

"*Risk Management Fund*" shall mean the Risk Management Fund of the State of Utah, established pursuant to Section 63A–4–201 of the Utah Code.

"*S&P*" shall mean Standard & Poor's Ratings Group, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating organization, S&P shall be deemed to refer to any other nationally recognized securities rating organization designated by the Lessee, by notice to the Trustee.

"*Series*" shall mean all of the Bonds designated as being of the same Series authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Indenture.

"*Site Leases*" shall mean any lease pursuant to which the State leases a State–Owned Site to the Issuer for the purpose of a Project.

"*Special Record Date*" shall mean a special date fixed to determine the names and addresses of Owners of Bonds for purposes of paying interest on a special interest payment date for the payment of defaulted interest, all as provided in the Indenture.

"*State*" shall mean the State of Utah.

"*State/SLOC Sublease*" shall mean that certain Sublease Agreement, dated as of July 1, 1998, between the State and SLOC, pursuant to which the State subleases to SLOC the U of U 1998B Facilities for the Olympic Winter Games Period.

"*State Bodies*" shall mean DABC, DEQ, DHS, DNR, DPR, SOE, UDOC and any other "state bodies" as such term is defined in the Act, including Section 63–9a–3(3) thereof, as amended from time to time.

"*State–Owned Land*" shall mean any parcel of land on which Facilities are to be Acquired or Constructed that is owned by the State, was not acquired by the State with the proceeds of any Bonds issued pursuant to the Indenture and is leased to the Issuer for the purpose of a Project.

"*State–Owned Site*" shall mean "State–Owned Land."

"*Supplemental Indenture*" shall mean any supplement or amendment to the Indenture that has been duly entered into between the Issuer and the Trustee, but only if and to the extent that such Supplemental Indenture is entered into in accordance with the provisions of the Indenture.

"*Supplemental Lease*" shall mean any supplement or amendment to the Lease that has been duly entered into by the Lessor and the Lessee, but only if and to the extent that such Supplemental Lease is entered into in accordance with the provisions of the Lease and the Indenture.

"*Tax Certificate*" shall mean, with respect to each Series of Bonds, any agreement or certificate of the Issuer and the Lessee that the Issuer and the Lessee may execute in order to establish and assure the excludability from gross income for Federal income tax purposes of interest on the 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 First Security Bank, N.A., of Salt Lake City, Utah, and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at the time serving as successor trustee under the Indenture.

"*Utah Code*" shall mean the Utah Code Annotated 1953, as amended.

"*Variable Rate Bonds*" shall mean, as of any date of calculation, any Bonds the terms of which on such date of calculation are such that interest thereon for any future period of time is expressed to be calculated for a period or at a rate that is not susceptible of precise determination for any future period of time; *provided, however,* that the term "Variable Rate Bonds" shall not apply to any period after the method for calculating interest on the Bonds has been converted to a fixed rate to maturity as provided in the applicable Supplemental Indenture.

"*Variable Rate Rentals*" shall mean the interest component of Base Rentals that is to be calculated for a period of time or at a rate that, as of any date of calculation, is not susceptible of precise determination for any future period of time; *provided, however,* that the term "Variable Rate Rentals" shall not apply to any period after the method for calculating the interest component of Base Rentals has been converted to a fixed rate to maturity as provided in the applicable Supplemental Lease.

## THE INDENTURE

### The Bonds

#### Limited Obligations

*Under the Indenture the Bonds are secured by the Trust Estate, which is specifically mortgaged, pledged, hypothecated, assigned and otherwise secured by the Indenture, subject to Permitted Encumbrances, for the equal and ratable payment of the Bonds and shall be used for no other purpose than to pay the principal of, and premium, if any, and interest on, the Bonds, except as may be otherwise expressly authorized in the Indenture. Neither the full faith and credit nor the taxing powers of the State or any political subdivision of the State is pledged to the payment of the principal of, or premium, if any, or interest on, the Bonds or other costs appertaining thereto. The Bonds and the interest and premium, if any, thereon shall not now nor shall ever constitute an indebtedness of the Issuer, the State (as Lessee or otherwise) or any political subdivision of the State within the meaning of any constitutional provision or limitation nor constitute or give rise to or be a general obligation or liability of, or a charge against the general credit or taxing powers of, the State or any political subdivision of the State.*

*The obligation of the Lessee to pay Base Rentals and other amounts under the Lease is annually renewable as provided therein. Neither the issuance of the Bonds nor the execution and delivery of the Lease directly or contingently obligate the State (as Lessee or otherwise) or any political subdivision thereof to appropriate any money to pay Rentals under the Lease or to pay any Rentals beyond those appropriated for the then current Fiscal Year of the State. Neither the Lessee's officers and agents, nor officers, trustees or agents of the Issuer, nor any persons executing the Bonds or the Lease shall be liable personally on the Bonds or the Lease or subject to any personal liability or accountability by reason of the issuance of the Bonds or the execution of the Lease.*

The Lease provides that if the Lessee fails to pay Rentals, it must immediately quit and vacate the Leased Property and its obligation to pay any Rentals (except for Rentals theretofore appropriated and then available for such purpose) shall thereupon terminate. No judgment for money damages may be entered against the State (as Lessee or otherwise) nor against any political subdivision thereof for failure to pay such Rentals or any other amounts, except for Rentals theretofore appropriated and then available for such purpose, other moneys and property subject to the lien of the Indenture or the Mortgages or as otherwise expressly provided in the Lease. No deficiency judgment may be entered against the Issuer, the State (as Lessee or otherwise) or any political subdivision of the State on foreclosure of any lien created by the Indenture or the Mortgages or on sale of the Leased Property (subject to the Site Leases) pursuant to a foreclosure or liquidation pursuant to the Indenture or the Mortgages or reletting or sale of the Leased Property thereafter pursuant to the Lease, except as otherwise expressly provided in the Lease. Neither the State (as Lessee or otherwise) nor any political subdivision thereof, other than to the extent provided in the Lease, is obligated to pay the principal of, or premium, if any, or interest on, any Bond, the Option Price, any portion of the Option Price related to the purchase of separate Facilities or other amounts that may come due in connection with or related to any Variable Rate Bond.

Nothing in the Lease or in the Indenture creates any obligation of the Lessee to purchase the Leased Property or any separate Facilities constituting a portion thereof or creates any obligation of the Lessee in respect to any creditors, shareholders or security holders of the Issuer (including, but not limited to, the Owners from time to time of the Bonds).

## Additional Bonds

At any time while there is no Event of Default under the Indenture or the Lease and so long as no Event of Nonappropriation has occurred and is then continuing, Additional Bonds may be issued pursuant to a Supplemental Indenture for the purposes specified in the Indenture. All Additional Bonds shall be secured by the lien of the Indenture and the Mortgages and rank *pari passu* with the Bonds then Outstanding.

Prior to the delivery on original issuance by the Trustee of each Series of such Additional Bonds, there shall be or have been delivered to the Trustee, among other items required by the Indenture, the following:

(i) a written opinion of Bond Counsel to the effect that the issuance of such Series of Additional Bonds will not adversely affect the excludability from gross income for Federal income tax purposes of interest on any Bonds then Outstanding;

(ii) a date–down endorsement to each ALTA mortgagee title insurance policy and, if required by the Lessee, to the ALTA leasehold title insurance policy issued as provided in the Indenture or a new ALTA mortgagee title insurance policy with comprehensive endorsement, which endorsement or new policy shall, among other things, insure to the date of issuance of such Series of Additional Bonds and the recording of the Mortgage 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 plus the principal amount of Bonds (other than such Series of Additional Bonds) outstanding as of the date of issuance of such endorsement; and

(iii) written evidence from each of the Appropriate Rating Agencies to the effect that the issuance of the Series of Additional Bonds will not by itself result in a reduction of withdrawal of the rating or ratings then in effect with respect to the Outstanding Bonds.

## General Covenants

### Rental Rates

The Issuer covenants to charge Base Rentals and Additional Rentals under the Lease sufficient in amount for such purposes and to pay any other obligations under the Lease that are to be paid from Base Rentals or Additional Rentals.

### Payment of Bonds

The Issuer covenants in the Indenture to pay promptly the principal of (whether at maturity, by operation of mandatory sinking fund redemptions, by acceleration, call for redemption or otherwise), and premium, if any, and interest on, the 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 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 which includes a Capitalized Interest Account;

(b) the Project Fund which includes separate accounts for each Project;

(c) the Redemption Fund;

(d) the Insurance Fund; and

(e) the Cost of Issuance Fund which includes a separate account for each Series of Bonds.

**Payments into and Use of Moneys in Bond Fund and Capitalized Interest Fund**

There shall be deposited into the Bond Fund, as and when received, the following:

(a) any amount in a Capitalized Interest Account to be paid into the Bond Fund in accordance with the Indenture;

(b) any amount in the Project Fund (including any Project Account therein) to be paid into the Bond Fund in accordance with the Indenture;

(c) all Base Rentals;

(d) any other amount to be deposited therein pursuant to any other provisions of the Indenture, or any provisions of a Supplemental Indenture; and

(e) all other moneys received by the Trustee under and pursuant to any of the provisions of the Lease or otherwise that are required or that are accompanied by directions that such moneys are to be paid into the Bond Fund.

Moneys in the Bond Fund are to be used for the payment of the principal of and interest on the Bonds, including mandatory sinking fund redemption payments.

Pursuant to the Indenture, there shall be deposited into each Capitalized Interest Account (i) the amount specified in the Indenture as capitalized interest on a Series of Bonds, (ii) earnings on investments of moneys in such Capitalized Interest Account, and (iii) all other that are required or directed to be paid into the Capitalized Interest Account. Under the Indenture, the Trustee transfers automatically on each Bond Interest Payment Date to the Bond Fund from each Capitalized Interest Account any moneys necessary to pay interest then coming due on the related Series of Bonds.

**Payments into and Disbursements from Project Fund**

The proceeds of a Series of Bonds deposited into a Project Account within the Project Fund are to be used to pay the Project Costs being financed by such Series of Bonds. So long as the Lessee's right (as agent of the Issuer under the Agency Agreement) to control the Projects has not otherwise been terminated pursuant to the Lease or the Agency Agreement, the Trustee is authorized and directed under the Indenture to make payments as requested by the Lessee from each Project Account to pay or reimburse (to the extent authorized) the Project Costs relating to each of the Projects, upon receipt of certain documents, certificates and opinions specified in the Indenture.

In the event that a Project is not completed timely, or an Event of Nonappropriation or Event of Default shall have occurred and be continuing, the Trustee shall take such actions with respect to moneys then remaining in the Project Account that relates to such incomplete Project and may either complete such Project or otherwise disburse such moneys pursuant to the provisions of the Lease and the Indenture as the Trustee may deem appropriate in the best interests of the Owners of the Bonds.

**Completion of the Projects; Delivery of Completion Certificate**

The completion of each Project under the Lease, the payment or provision made for payment of all Project Costs under the Lease related to each such Project and the acceptance of the portion of the Leased Property represented by such Project by the Lessee shall be evidenced by the filing with the Trustee of the Completion Certificate of an Authorized Lessee Representative stating that, to the best of the Lessee's knowledge based upon the representations of the engineers, vendors, suppliers, contractors, architects and other consultants for such Project and except for any amounts estimated by such Authorized Lessee Representative to be necessary for payment of any Project Costs not then due and payable, such Project has been completed and the portion of the Leased Property represented by such Project has been accepted by the Lessee. Immediately after the date of delivery of the Completion Certificate for a Project and unless otherwise provided in a Supplemental Indenture with respect to a Series of Additional Bonds, any moneys remaining in the related Project Account (except any amount that the Lessee shall have directed the Trustee to retain for any Project Costs not then due and payable and except as otherwise may be required by any Tax Certificate) shall without further authorization be transferred by the Trustee for deposit into the Bond Fund and applied by the Trustee for the purposes for which such Fund has been established under the Indenture.

The Indenture specifies a date by which each Project is to be completed as described above. If a Project is not completed on or prior to such date, the Trustee is authorized by the Indenture to use the moneys in the Project Account that relates to such Project as described above under the heading "Payments into and Disbursements from Project Fund" above.

#### Deposit Into and Use of Moneys in Redemption Fund

All moneys to be used for redemption of Bonds (other than mandatory sinking fund redemptions) shall be deposited into the Redemption Fund.

#### Use of Moneys in Insurance Fund

All Net Proceeds of performance or payment bonds, proceeds (including any moneys derived from the Risk Management Fund and any self–insurance program) from policies of insurance required by the Lease or condemnation awards, or any proceeds resulting from a default under a Project contract (except liquidated damages) or any other contract relating to the Leased Property that are received by the Trustee shall be deposited into the Insurance Fund. An Authorized Lessee Representative shall file an Officer's Certificate with Trustee, within 90 days after the occurrence of the event giving rise to such Net Proceeds, directing the application and disbursement of such funds, subject to any applicable provisions of any Tax Certificate, as follows:

(a) to the prompt repair, replacement, restoration, modification or improvement of the damaged or destroyed portion of the Leased Property if such Officer's Certificate states that such Net Proceeds, together with any other funds lawfully available to the Lessee for such purpose, are sufficient to pay in full the costs of such repair, replacement, restoration, modification or improvement; or

(b) to the redemption, in whole or in part, of the principal of the bonds in accordance with the Lease.

Liquidated damages resulting from a default by a Contractor to complete a Project in a timely fashion under the Construction Contract are to be deposited into the Bond Fund.

### Moneys To Be Held In Trust

All moneys required to be deposited with or paid to the Trustee for account to any Fund referred to in any provision of the Indenture shall be held by the Trustee in trust in accordance with the terms of the Indenture.

### Permitted Investments

Subject to compliance with the terms and provisions of any Tax Certificate, any moneys held as part of the Project Fund, the Insurance Fund or any accounts therein shall be invested and reinvested by the Trustee to the extent permitted by law, at the written direction of the Utah State Treasurer for and on behalf of the Lessee, but only so long as no Event of Default has occurred and is continuing (or by the Trustee after the occurrence and during the continuance of any such Event of Default), in any Investment Securities maturing not later than such times as shall be necessary to provide moneys when needed for payments to be made from each such Fund or other fund or account.

Moneys held as part of the Bond Fund, the Redemption Fund and the Capitalized Interest Fund, shall be invested and reinvested by the Trustee to the extent permitted by law, at the written direction of the Utah State Treasurer for and on behalf of the Lessee, but only so long as no Event of Default has occurred and is continuing (or by the Trustee after the occurrence and during the continuance of any such Event of Default), only in Government Obligations maturing at such times and in such amounts as shall be necessary to pay principal of and interest on the Bonds as such become due and payable or, with respect to moneys held as part of the Bond Fund, invested in (i) a money market mutual fund that invests only in Government Obligations or (ii) the Utah State Treasurer's Investment Pool established pursuant to Chapter 7 of Title 51 of the Utah Code.

All such investments shall at all times be a part of the Fund from whence the moneys used to acquire such investments shall have come. In computing the amount in any fund or account hereunder, investments shall be valued at the market price thereof at least annually by the Trustee prior to May 1 of each year. All income and profits on such investments shall be credited to, and all losses thereon shall be charged against, such funds and accounts equal to each fund's or account's respective proportionate contribution thereto. Any such investments shall be made by the Trustee in such manner as to assure the availability of moneys to make disbursements from each Project Account on the anticipated dates of disbursement for the Project to which such Project Account relates and to make payments of the principal of, and premium, if any, and interest on, the 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 Bondowners 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 (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with or for the benefit of the Trustee, in trust and irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment or (2) Government Obligations (provided that such deposit does not, in the opinion of Bond Counsel, adversely affect the excludability from gross income for Federal income tax purposes of interest on any of the 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 Lease or an Event of Nonappropriation has occurred and is then continuing, the Lease shall remain in full force and effect notwithstanding such subordination and the Lessee shall not be disturbed by the Issuer or the Trustee in its possession, use and enjoyment of the Leased Property during the term of the Lease or in the enjoyment of its rights under the Lease.

### Release of Sites

The Issuer and the Lessee have reserved the right in the Lease to withdraw certain portions of the sites on which any of the Facilities are located (including portions or all of the State Facilities Expansion Site) from the terms of the Lease and the lien of the Indenture. The Trustee shall release from the lien of the Indenture any such portions of the sites upon compliance with the provisions of the Lease. See "THE PROJECT—Release Of Portions Of Facilities" in the text of the OFFICIAL STATEMENT to which this APPENDIX A is attached.

### Granting or Release of Easements

In accordance with the Lease, the Lessee may grant or release easements and take other action upon compliance with the terms and conditions of the Lease. The Trustee shall execute or confirm the grants or releases of easements, licenses, rights-of-way and other rights and privileges permitted by the Lease.

## Events Of Default And Remedies

### Events of Default Defined

The occurrence of any of the following events shall constitute an "Event of Default" under the Indenture:

(a) Default in the payment of the principal of or premium, if any, on any Bond when the same shall become due and payable, whether at the stated maturity date thereof, by acceleration or call for redemption or otherwise; or

(b) Default in the payment of any interest on any Bond when the same shall become due and payable; or

(c) The occurrence of any Event of Nonappropriation or Event of Default as each such term is defined in the Lease or the occurrence of an event of default under any Mortgage; or

(d) Subject to the provisions of the Indenture, default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer in the Indenture or in the 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 Bondowners 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 Bondowners of not less than 25% in aggregate principal amount of Bonds then Outstanding the Trustee shall, give notice to the Lessee to vacate the Leased Property immediately as provided in the Lease, with or without terminating the term of the Lease thereunder except as to the Lessee's possessory interests in the Leased Property under the Lease. The Trustee may, and at the written request of Bondowners of not less than 25% in aggregate principal amount of Bonds then Outstanding shall, commence an action to foreclose the lien of the Indenture as a mortgage in the manner herein provided and as permitted by law against the Trust Estate, commence an action or actions to foreclose any Mortgage or Mortgages in the manner therein provided and as permitted by law against the Issuer's right, title and interest in the Leased Property in such manner and order as the Trustee may determine, and take one or any combination of the following additional remedial steps:

(a) The Trustee may terminate the Lease or the Lessee's possessory rights thereunder (without otherwise terminating the Lease), re–enter the Leased Property and eject all parties in possession thereof therefrom and relet the Leased Property (subject to the Site Leases), all as provided in the Lease;

(b) The Trustee may, subject to compliance with the applicable provisions of the "one action rule" set forth in Chapter 37 of Title 78 of the Utah Code, recover from the Lessee:

(i) the portion of Base Rentals and Additional Rentals that are or would otherwise have been payable under the Lease during any period in which the Lessee continues to use, occupy and operate the Leased Property or any portion thereof; and

(ii) Base Rentals and Additional Rentals that are or would otherwise have been payable by the Lessee under the Lease during the remainder, after the Lessee vacates the Leased Property, of the Renewal Term in which such Event of Default occurs for which Term the Lessee had lawfully appropriated moneys for purposes of paying such Base Rentals and Additional Rentals; *provided, however,* that if the Trustee does not proceed to sell the Leased Property reasonably promptly after such Event of Default, the Trustee shall be obligated to the Lessee to use the Trustee's best efforts to lease or sublease the Leased Property for the remainder of such Renewal Term, and the Net Proceeds of such leasing and subleasing shall be offset against the amount recoverable from the Lessee as described under this subparagraph (ii);

(c) Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court and without regard to the adequacy of its security, enter upon and take possession of the Leased Property, or any part thereof, in its own name or in the name of the Issuer, and do any acts that the Trustee deems necessary or desirable to preserve the value, marketability or rentability of the Leased Property, or part thereof or interest or space therein, increase the income therefrom or protect the security thereof and, with or without taking possession of the Leased Property, sue for or otherwise collect the rents, issues and profits thereof, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including attorneys' fees, upon any obligations secured by the Indenture, all in such order as the Trustee may determine;

(d) In conformity with the Indenture, exercise all rights of the Issuer in its capacity as lessor under the Lease, including the right to lease all or any part of the Leased Property (subject to the Site Leases) in the name and for the account of the Issuer, to collect, receive and sequester the rents, revenues, issues, earnings, income, products and profits therefrom, and out of the same and any moneys received from any receiver of any part thereof pay, and/or set up proper reserves for the payment of, all proper costs and expenses of so taking, holding and managing the same, any taxes and assessments and other charges prior to the lien of the Indenture that the Trustee may deem it wise to pay and all expenses and costs of repairs and improvements to the Leased Property and apply the remainder of the moneys so received in accordance with the Indenture;

(e) Exercise any or all of the remedies available to a secured party under the Utah Uniform Commercial Code, as then in effect, with respect to property subject to the Indenture or any Mortgage that is covered by such Code; and

(f) Exercise the option provided to the Trustee (as assignee of the Issuer, in its capacity as ground lessee under the Site Leases, pursuant to the Indenture) with respect to any Site Lease to purchase the Site that is the subject of such Site Lease.

A judgment requiring a payment of money may be entered against the Lessee by reason of an Event of Default hereunder only as to the liabilities described in paragraph (b) above. Notwithstanding anything set forth in the Lease, the Mortgages or the Indenture to the contrary, any Event of Default consisting of a failure by the Lessee to vacate the Leased Property by the expiration of the Initial Term or the Renewal Term during which an Event of Nonappropriation occurs shall not result in any liability for Base Rentals or Additional Rentals allocable to any period other than the period in which the Lessee continues to use, occupy and operate the Leased Property or any portion thereof and to that extent only.

**Other Remedies**

Upon the occurrence of an Event of Default, the Trustee may, as an alternative, either after entry or without entry, pursue any available remedy by suit at law or equity to enforce the payment of the principal of, and premium, if any, and interest on, the Bonds then Outstanding, including, without limitation, foreclosure and mandamus and an action for specific performance of any agreement contained in the Indenture.

Upon the occurrence of an Event of Default, if requested to do so by the Owners of at least 25% in aggregate principal amount of Bonds then Outstanding and if indemnified as provided herein, the Trustee shall exercise such one or more of the rights and powers conferred by the Indenture as the Trustee, upon being advised by counsel, shall deem most expedient in the interests of the Bondowners; 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, by any other agreement or by law provided or permitted, but each such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute. Every power or remedy given by the Indenture, any Mortgage, the Lease or any Site Lease, or to which the Trustee may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Trustee, and the Trustee may pursue inconsistent remedies.

**Limitation on Remedies**

Notwithstanding anything to the contrary, no deficiency judgment upon foreclosure or exercise of other remedies may be entered against the Issuer or the State (as Lessee or otherwise) or any of its political subdivisions, provided that the Lessee shall remain liable to pay Rentals for any period that it uses, occupies and operates the Leased Property, and the Trustee shall be entitled to recover such Rentals from the Lessee as provided in the Indenture.

No breach of any covenant or agreement in the Indenture or the Lease shall impose any general obligation or liability upon, nor a charge against the general credit or taxing power of, the State (in its capacity as Lessee or otherwise) or any of its political subdivisions.

**Waivers of Events of Default**

The Trustee may in its discretion waive any Event of Default under the Indenture and its consequences and rescind any declaration of maturity of principal of and interest on the Bonds, and shall do so upon the written request of the Owners of more than 50% in aggregate principal amount of all Bonds then Outstanding, subject to the provisions of the Indenture.

**Rights and Remedies of Bondowners**

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 Bondowners 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 Bondowners or the Trustee to exercise all rights and remedies provided under the Indenture, the Mortgages, the Lease or any Site Lease or otherwise realize upon the Trust Estate and the Trustee may join the Issuer and the Lessee and their officers, trustees, agents and employees, in their capacities as officers, trustees, agents and employees of the Issuer or the Lessee, as defendants in any legal action it undertakes to enforce its rights and remedies under the Indenture.

### Limitations of Liability of Lessee

Nothing in the Indenture shall be construed to require the Lessee to appropriate any money for the performance of any obligation under the Indenture or under the Lease. No provision of the Indenture shall be construed or interpreted as creating a general obligation or other indebtedness of the State (in its capacity as Lessee or otherwise) or any political subdivision of the State within the meaning of any constitutional or statutory debt limitation. Neither the execution, delivery and performance of the Lease nor the issuance of the Bonds directly or indirectly obligates the Lessee to make any payments under the Indenture or under the Lease beyond those appropriated for the Lessee's then current Fiscal Year or to pay the Option Price or any portion thereof.

## Supplemental Indentures; Waivers

### Supplemental Indentures Without Bondowner Consent

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 Bondowners 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 Bondowner;

(e) to comply with any additional requirements necessary to maintain the excludability from gross income for Federal income tax purposes of interest on the Bonds; or

(f) to authorize the issuance of Additional Bonds and provide the terms therefor, including such provisions as are necessary in connection with the terms required to issue Variable Rate Bonds.

#### Waivers and Consents by Bondowners; Supplemental Indentures with Bondowners' 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 (i) impair or affect the right of any Owner to receive payments or prepayments of the principal of, and premium, if any, and interest on, such Owner's Bond, as provided therein and in the Indenture, without the consent of such Owner, (ii) permit the creation of any Lien with respect to any of the Trust Estate, without the consent of the Owners of all the Bonds at the time Outstanding, (iii) effect the deprivation of the Owner of any Bond of the benefit of the liens of the Indenture or any Mortgage upon all or any part of the Trust Estate without the consent of such Owner, (iv) reduce the aforesaid percentage of the aggregate principal amount of Bonds, the Owners of which are required to consent to any such waiver or supplemental indenture pursuant to the Indenture, without the consent of the Owners of all of the Bonds at the time Outstanding or (v) modify the rights, duties or immunities of the Trustee without the consent of the Trustee and the Owners of all of the Bonds at the time Outstanding.

### Amendment Of Lease And Site Leases

#### Amendments to Lease or Site Leases Not Requiring Consent of Bondowners

The Issuer and the Lessee may, with the prior written consent of the Trustee, but without the consent of or notice to the Bondowners, 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 Bondowner; (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 Bondowners

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 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 commenced as of September 1, 1994, and expired on June 30, 1995 (the "Initial Term"), subject to the Lessee's option to extend the term of the Lease for 23 additional and consecutive one–year renewal terms commencing July 1, 1995, and a final renewal term commencing July 1, 2018, and ending May 16, 2019. The Lessee has exercised its option to extend the term of the Lease and is currently in the third Renewal Term which expires on June 30, 1998. The terms and conditions of the Lease during any Renewal Term shall be the same as the terms and conditions during the Initial Term, except that the Base Rentals will be as specified in Schedules attached to the Lease, as such Schedules may be revised as provided in the Indenture.

Each option shall be exercised automatically by the enactment into law of a State budget that appropriates and allocates to or for the benefit of the Lessee for purposes of the Lease moneys sufficient (after taking into account any moneys legally available for such purpose, including, but not limited to, such moneys as may be legally available from non–lapsing appropriations in the Fiscal Year prior to such Renewal Term) to pay the Base Rentals (using for purposes of computing any Variable Rate Rentals, a projected interest cost based upon the formula contained in the Supplemental Lease providing for such Variable Rate Rentals) and reasonably estimated Additional Rentals (calculated as provided in the Lease) for the next succeeding Renewal Term as provided in the Lease. The enactment into law of such State budget, after compliance with the procedures required by applicable law, shall automatically extend the term of the Lease for the succeeding Renewal Term without any further action required by any official, officer or employee of the Lessee or any other Person.

The option to renew may not be exercised at any time during which an Event of Default or an Event of Nonappropriation (except as otherwise provided in the Lease as described under the heading "Rentals Payable—Nonappropriation" below) has occurred and is then continuing under any of the terms of the Lease; *provided, however,* that if the Event of Default complained of (money payments excepted) is of such nature that the same is curable but not within the period allowed for curing such Event of Default, then the right of the Lessee to exercise the option to renew shall not be suspended if the Lessee shall have promptly commenced within such period to comply with the provisions of the Lease that shall have been breached by it and if and so long as the Lessee shall, with diligence and continuity, proceed to cure such Event of Default.

#### Expiration or Termination of the Term of the Lease

The term of the Lease will expire or terminate, as appropriate, as to the Lessee's right of possession of the Leased Property as described in the next paragraph upon the first to occur of any of the following events: (a) the expiration of any Renewal Term during which there occurs an Event of Nonappropriation (which is not thereafter waived by the Trustee); (b) on the Optional Payment Date on which the deposit is made of the purchase price by the Lessee for Leased Property to be purchased pursuant to the Lease; (c) an Event of Default and a termination of the term of the Lease as to the possessory interest of the Lessee as provided in the Lease; (d) discharge of the Indenture as therein provided; or (e) May 16, 2019, which date constitutes the day following the last Bond Payment Date of the final Renewal Term of the Lease, or such later date as all Rentals required under the Lease and the Bonds shall be paid.

The expiration or termination of the term of the Lease as to the Lessee's right of possession and use of the Leased Property as described in the preceding paragraph shall terminate all obligations of the Lessee thereunder (except to the extent that the Lessee incurred any obligation to pay Rentals from moneys theretofore appropriated and available for such purpose) and shall terminate the Lessee's rights of use, occupancy and operation of the Leased Property (except to the extent of any conveyance of the Leased Property to the Lessee purchased by the Lessee as provided in the Lease. All other terms of the Lease and the Indenture, including all obligations of the Trustee with respect to the Owners of the Bonds and the receipt and disbursement of funds, shall be continuing until the lien of the Indenture is discharged or foreclosed, as provided in the Indenture. The termination or expiration of the term of the Lease as to Lessee's right of possession and use shall not in itself discharge the lien of the Indenture.

## Rentals Payable

### Rentals Payable–General

The Lessee shall pay the Base Rentals and the Additional Rentals (but shall not be entitled to prepay or cause to be prepaid any such Base Rentals or Additional Rentals, except as otherwise expressly provided in the Lease) in the amounts, at the times and in the manner set forth in the Lease, said amounts constituting in the aggregate the total of the annual Rentals payable under the Lease, as follows:

(a) *Base Rentals*. The Lessee agrees, subject to the availability of appropriations of funds to it therefor and other moneys legally available for the purpose, to pay to the Trustee for the account of the Lessee in arrears during each Renewal Term (i) the principal component of the Base Rentals payable in annual installments on May 1 of each year as set forth in the Lease and (ii) interest component of the Base Rentals payable in installments on May 1 and November 1 of each year as set forth in the Lease. The Base Rentals shall be paid for the right to the use, occupancy and operation of the Leased Property during the term of the Lease. The Lessee agrees to pay the Base Rentals in accordance with the Base Rental Payment Schedule set forth in the Lease as it may be revised from time to time by such amounts as are necessary to reflect the redemption of the principal of Bonds (other than mandatory sinking fund redemptions) or to pay the principal of and interest on Additional Bonds.

(b) *Additional Rentals*. In addition to the Base Rentals, and as part of the total Rentals during the term of the Lease, the Lessee shall pay on a timely basis, but only from legally available funds appropriated for such purposes or otherwise legally available therefor, to the parties entitled thereto an amount or amounts (the "Additional Rentals") for each Renewal Term, equivalent to the sum of the following:

(i) the annual fee of the Trustee for the ordinary services of the Trustee rendered and its ordinary expenses incurred under the Indenture, any Mortgage and any Tax Certificate;

(ii) the reasonable fees and charges of the Trustee, any paying agent and any registrar appointed under the Indenture with respect to the Bonds for acting as trustee, paying agent and registrar as provided in the Indenture;

(iii) the reasonable fees and charges of the Trustee for extraordinary services rendered and extraordinary expenses incurred by it as Trustee under the Indenture;

(iv) the reasonable fees and out–of–pocket expenses of the Lessor relating to the Leased Property not otherwise required to be paid by the Lessee under the terms of the Lease;

(v) the costs of maintenance, operation and repair with respect to the Leased Property and utility charges as required under to the Lease and any costs to repair, rebuild or replace the Leased Property as provided in to 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 to the Lease;

(vii) the costs of taxes and governmental charges and assessments as required under to the Lease;

(viii) an amount equal to any franchise, succession, capital levy or transfer tax, or any income, excess profits or revenue tax, or any other tax, assessment, charge or levy (however denominated), if any shall ever become due, levied, assessed or imposed by the State or any political subdivision thereof upon the Base Rentals payable under the Lease or the Option Price (if paid) or upon the Leased Property, any portion thereof or any of the Revenues;

(ix) any amount of interest required to be paid on any of the foregoing items as a result of the Lessee's failure to pay any such items when due or any amount of interest required to be paid pursuant to the Lease; and

(x) any additional payment required to be made pursuant to any Tax Certificate to maintain the excludability from gross income for Federal income tax purposes of interest on any Bonds, together with an amount equal to all costs and expenses incurred by the Issuer to calculate or cause to be calculated the amount of any required payment, or otherwise to comply with the provisions of any Tax Certificate.

(c) *Prepayment of Base Rentals and Partial Redemption of Bonds.* The Lease expressly reserves to the Lessee the right, and the Lessee is authorized by the Lease, to prepay Base Rentals in addition to the Base Rentals otherwise payable under the Lease solely for the purpose of redeeming a Series of Bonds in part pursuant to the Indenture. Such additional Base Rentals shall be deposited into the Redemption Fund and applied to the redemption of the Series of Bonds in part in the manner and to the extent provided in the Indenture. See "THE 1998C BONDS—Redemption Provisions For The 1998C Bonds" in the body of the OFFICIAL STATEMENT to which this APPENDIX A 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 (i) to the Amortization Payments for the Facilities or (ii) pro rata among the Amortization Payments for all Facilities financed by such Series of Bonds.

(e) *Reductions to Option Price.* The allocation of payments and prepayments of Base Rentals to Amortization Payments for a Facility as provided in the Lease shall reduce correspondingly the Option Price for that Facility.

### Covenant to Request Appropriations

During the term of the Lease, the Lessee covenants and agrees (i) to include in its annual appropriation request, or to cause to be included in the annual appropriation request of those State Bodies to which all or any portion of the Leased Property is subleased as permitted by the Lease, to the Governor of the State for inclusion in the Governor's budget submitted to the Legislature, a request or requests for the amount necessary (after taking into account any moneys then legally available for such purpose) to pay the Base Rentals and reasonably estimated Additional Rentals for the Leased Property during the next succeeding Renewal Term, (ii) to submit a copy of such request or requests for appropriation to the Utah Legislative Fiscal Analyst and (iii) to take such further action (or cause the same to be taken) as may be necessary or desirable to assure that the final budget submitted to the Legislature for its consideration seeks an appropriation of moneys sufficient to pay such Base Rentals and Additional Rentals for each such Renewal Term.

To effect the covenants described in the preceding paragraph, the Lessee has in the Lease directed the Director to include in each such request submitted to the Governor and to cause to be included in the annual appropriation request of those State Bodies to which all or any portion of the Leased Property is subleased, items for all payments required for the ensuing Renewal Term under the Lease. The Lessee expresses its intention in the Lease that the decision to renew or not to renew the term of the Lease is to be made solely by the Legislature at the time the Utah Legislature considers for adoption the final budget for each of the Fiscal Years of the State and corresponding Renewal Terms under the Lease, and not by any official or officials of the Lessee or any State Body, acting in his, her or their respective capacity as such. The Lessee covenants and agrees that it shall not amend, modify or otherwise change the appropriations made in any finally adopted budget for the payment of any Rentals without the express prior approval of the Legislature.

In the event that any Rentals to be paid by the Lessee to the Trustee are insufficient to pay any Base Rentals payable under the Lease or principal of or interest on the Bonds when due, the Lessee shall request that the Governor submit a request to the Legislature to appropriate additional funds to the Lessee or to any State Body that is subleasing a portion of the Leased Property for the payment of increased Rentals as authorized by Section 63–9a–8 of the Act.

### Limitations on Liability

Nothing in the Lease shall be construed to require the Legislature to appropriate any money to pay any Rentals or the Option Price or any portion thereof. If the Lessee fails to pay any portion of the Rentals that are due under the Lease or an Event of Default under the Lease or an Event of Nonappropriation occurs, the Lessee shall immediately (but in no event earlier than the expiration of the Initial Term or the then current Renewal Term for which the Lessee has paid or appropriated moneys sufficient to pay all Rentals due for such Renewal Term, in the case of an Event of Nonappropriation) quit and vacate the Leased Property in accordance with the schedule therefor provided by the Lessee to the Trustee in accordance with the Lease, and its obligation to pay any Rentals (except for Rentals theretofore appropriated and then available for such purpose) shall thereupon cease. Neither the State (in its capacity as Lessee or otherwise) nor any political subdivision thereof is obligated to pay any Rentals due to the Lessor or the Option Price or any portion thereof.

Should the Lessee fail to pay any portion of the required Rentals and then fail immediately to quit and vacate the Leased Property, the Trustee in accordance with the Indenture or any Mortgage may immediately bring legal action to evict the Lessee from the Leased Property (but not for money damages except as provided in the Lease and in the Indenture) and commence proceedings to foreclose the lien of the Indenture and any Mortgage pursuant to their respective provisions. The Lessee agrees, to the extent permitted by law, to pay as damages for its failure immediately to quit and vacate the Leased Property upon termination of the Initial Term or the then current Renewal Term, as the case may be, of the Lease in violation of the terms thereof and Section 63–9a–8 of the Act an amount equal to the Base Rentals otherwise payable during such period prorated on a daily basis and any reasonable Additional Rentals attributable to such period on the basis of the services provided.

Nothing in the Lease shall be construed to provide the Trustee or any Bondowners with any recourse against any Facilities or any portion thereof released from the security interests and lien under the Lease and under the Indenture and any Mortgage pursuant to the Lease. No judgment may be entered against the State (in its capacity as Lessee or otherwise) or any political subdivision of the State for failure to pay any Rentals or the Option Price or any portion thereof, except to the extent that the Lessee has theretofore incurred liability to pay any such Rentals through its actual use, occupancy and operation of the Leased Property, or through its exercise of an option that renews the Lease for an additional Renewal Term for which moneys have been appropriated, or is otherwise obligated to pay such Rentals pursuant to the Lease.

The Rentals constitute current expenses of the Lessee, and the Lessee's obligations hereunder are from year–to–year only and do not constitute a mandatory payment obligation of the Lessee in any ensuing Fiscal Year beyond the then current Fiscal Year. No provision of the Lease shall be construed or interpreted as creating a general obligation or other indebtedness of the State or any political subdivision of the State within the meaning of any constitutional or statutory debt limitation. Neither the 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**

In the event that sufficient funds (i) are not appropriated in the duly enacted State budget by the June 1 next preceding the beginning of any Renewal Term for the payment of the Base Rentals on the Base Rental Payment Dates and reasonably estimated Additional Rentals payable during such Renewal Term, or (ii) are otherwise not legally available for such purpose, then an Event of Nonappropriation shall be deemed to have occurred under the Lease. The Trustee shall declare an Event of Nonappropriation on any earlier date on which the Trustee receives an Officer's Certificate from an Authorized Lessee Representative to the effect that the Legislature has determined by official action not to renew the term of the Lease for the next succeeding Renewal Term and, absent receipt of such Officer's Certificate and if an Event of Nonappropriation has otherwise occurred under the Lease, the Trustee shall give written notice to the Lessee of any Event of Nonappropriation on or before July 1 next succeeding the expiration of the term of the Lease or such later date as the Trustee determines to be in the best interest of the Bondowners. 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 vacating the Leased Property and shall vacate the Leased Property immediately following such occurrence. Within 10 days after the occurrence of an Event of Nonappropriation or an Event of Default, the Lessee shall provide the Trustee with a timetable for vacating the Leased Property, which timetable shall provide that the Lessee shall completely vacate the Leased Property no later than June 30 of the then current Renewal Term.

**Acquisition, Construction And Financing Of The Projects**

The Lessor shall complete or cause the completion of the Projects, all in accordance with the applicable Project Documents. For this purpose, the Lessor has entered into the Agency Agreement with the Lessee, as the Lessor's agent, and may enter into amendments to such Agency Agreement or enter into other Agency Agreements relating to Additional Facilities. The Lessor or its agent for this purpose shall require the Contractor or Contractors who are or have been awarded the Project Contract or Contracts to provide a faithful performance bond and a labor and material payment bond satisfactory to the Lessor or such agent conditioned upon substantial completion of the respective Projects as expeditiously as reasonably possible from the date of execution of the Lease and also conditioned upon delivery of possession of the Leased Property to the Lessee free and clear of all liens and encumbrances, except Permitted Encumbrances, easements and restrictions in the record title accepted by the Lessee.

In the event that a Project is not completed as described above under the caption "THE INDENTURE—Revenues And Funds–Completion of the Projects; Delivery of Completion Certificate," as evidenced by delivery of a Completion Certificate with respect to such Project, the Trustee shall, upon 30 days' written notice to the Lessee, be authorized, but not required, to complete the Project from any moneys then remaining in the Project Account related to such Project.

If an Event of Nonappropriation or an Event of Default shall occur prior to the delivery of the Completion Certificate for a Project, the moneys remaining in the Project Account relating to such Project may be utilized by the Trustee to complete such Project or, upon termination of the term of the Lease as to the possessory interest of the Lessee, may be disbursed as provided in the Indenture.

The Lessee covenants in the Lease, to the extent permitted by applicable law, to use other legally available funds and to seek additional legally available funds to the extent necessary to complete the Projects as required in the Lease, or to make certain design changes in the Projects (so long as such changes do not cause the Leased Property to be used for purposes other than lawful governmental purposes of the Lessee) to the extent necessary to complete the Projects with moneys then available for such purposes in the respective Project Accounts.

## Maintenance And Operation

The Lessee shall, at its own expense, maintain, manage and operate the Leased Property and all improvements thereon in good order, condition and repair, and suffer no waste or injury to any of the Leased Property, ordinary wear and tear excepted. The Lessee shall provide or cause to be provided all security service, custodial service, janitor service, power, gas, telephone, light, heating and water, and all other public utility services. The Lessor, the Trustee and the Bondowners shall have no obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Leased Property during the term of the Lease. The Lessee shall keep the Leased Property and any and all improvements thereto free and clear of all liens, charges and encumbrances, except those caused or consented to by the Trustee and Permitted Encumbrances. The Lessee shall pay for all damage to the Leased Property, its fixtures and appurtenances due to any act or omission or cause whatsoever.

## Insurance Provisions

The Lessee shall at all times maintain or cause to be maintained with responsible insurers all such insurance on the Leased Property that is customarily maintained with respect to properties of like character against accident to, loss of or damage to such properties. Notwithstanding the generality of the foregoing, the Lessee shall not be required to maintain or cause to be maintained any insurance that is not available from reputable insurers on the open market, except as required by the Lease, or more insurance than is specifically referred to below.

The Lessee shall during any period of completing each Project and thereafter so long as the Lessee has possession of the Leased Property:

(i) Keep or cause to be kept a policy or policies of insurance against loss or damage to the Leased Property resulting from fire, lightning, vandalism, malicious mischief, riot and civil commotion, and such perils ordinarily defined as "extended coverage" and other perils as the Trustee and the Lessee may agree should be insured against on forms and in amounts satisfactory to each. Such insurance may be carried in conjunction with any other fire and extended coverage insurance carried or required to be carried by the Lessee. Such extended coverage insurance shall, as nearly as practicable, also cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be maintained in an amount not less than the principal amount of the then Outstanding Bonds or the full insurable value of the Leased Property (such value to include amounts spent for completing the Projects and architectural, engineering, legal and administrative fees, inspection and supervision but excluding value attributable to the sites on which the Facilities are located), whichever amount is greater, subject to deductible conditions for any loss not to exceed the lesser of $500,000 or the amount available at any time for such deductible in the Risk Management Fund for any one loss;

(ii) Maintain or cause to be maintained public liability insurance against claims for bodily injury or death, or damage to property occurring upon, in or about the Leased Property, such insurance to afford protection to a limit of not less than $1 million combined single limit; *provided, however,* that nothing in the Lease shall be construed to require the Lessee to maintain or cause to be maintained any such public liability insurance for amounts greater than the limitations on such liability provided under the Utah Governmental Immunity Act, Chapter 30 of Title 63 of the Utah Code. Such insurance may be maintained under an Owners, Landlords and Tenants policy and may be maintained in the form of a minimum $1 million single limit policy covering all such risks. Such insurance may be carried in conjunction with any other liability insurance coverage carried or required to be carried by the Lessee; and

(iii) Maintain or cause to be maintained workers' compensation coverage to the extent required by law.

All insurance provided for in the Lease shall be effected under policies issued by insurers of recognized responsibility, licensed or permitted to do business in the State, except as otherwise provided in the Lease. The Lessee may, in its discretion, insure the Leased Property under blanket insurance policies that insure not only the Leased Property but other properties as well, so long as such blanket insurance policies otherwise comply with the terms of the Lease.

The Net Proceeds of fire and extended coverage insurance shall be deposited into the Insurance Fund under the Indenture to be applied to rebuild, replace and repair the affected portion of the Leased Property or redeem Outstanding Bonds as provided in the Lease. The Net Proceeds of public liability and property damage insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the Net Proceeds of such insurance shall have been paid.

Notwithstanding anything to the contrary in the Lease, any policies of insurance or any deductible under any policies of insurance that the Lessee is required to keep or cause to be kept pursuant to the Lease may be provided through the Risk Management Fund or other self–insurance program of the State.

### Taxes

The Lessor and the Lessee understand and agree in the Lease that the Leased Property constitutes public property free and exempt from all taxation in accordance with applicable law; *provided, however*, that the Lessor agrees to cooperate with the Lessee, upon written request by the Lessee, to contest any proposed tax or assessment, or to take steps necessary to recover any tax or assessment paid. In the event that the Leased Property or any portion thereof or any portion of the Rentals shall, for any reason, be deemed subject to taxation, assessments or charges lawfully made by any governmental body that may be secured by a lien against the Leased Property or any portion of the Rentals, an Additional Rental shall be paid by the Lessee equal to the amount of all such taxes, assessments and governmental charges then due.

### Alterations, Additions And Improvements

The Lessee shall have the right during the term of the Lease to make any alterations, additions, replacements, renovations, rehabilitations or improvements of any kind, structural or otherwise, as it shall deem necessary or desirable, on or to the Leased Property, to attach fixtures, structures or signs, and to affix any personal property to the improvements on the Leased Property; *provided, however,* that no such alteration, addition, replacement, renovation, rehabilitation or improvement shall reduce or otherwise adversely affect the value of the Leased Property or the fair rental value thereof or materially alter or change the character or use of the Leased Property or impair the excludability of interest on the 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 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 Bondowners. The Lessee covenants and agrees that in the event of any such damage, destruction or condemnation, the Lessee shall either repair, rebuild or replace the affected portion of the Leased Property to essentially its same condition before any such damage, destruction or condemnation or provide funds, either through payment of the applicable Option Price, or otherwise, but in any event only from legally available moneys for such purpose, necessary to redeem Bonds at the earliest practicable date in accordance with the Indenture.

If, during the term of the Lease, (i) the Leased Property or any portion thereof shall be destroyed, in whole or in part, or damaged by fire or other casualty or event; or (ii) title to, or the temporary or permanent use of, the Leased Property or any portion thereof or the estate of the Lessee, the Lessor or the Trustee in the Leased Property or any portion thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority; or (iii) a material defect in Construction of any of the Facilities shall become apparent; or (iv) title to or the use of all or any portion of the Leased Property shall be lost by reason of a defect in title; then, subject to the provisions of the Lease, the Lessee shall continue to pay Base Rentals and Additional Rentals and to take such action as it shall deem necessary or appropriate to repair, rebuild and replace the affected portion of the Leased Property, regardless of whether the Projects, or any of them, have been completed and accepted by the Lessee.

In accordance with the Indenture, the Trustee shall cause the Net Proceeds of any insurance policies (including any moneys derived from the Risk Management Fund or other self–insurance program), performance bonds or condemnation awards with respect to the Leased Property, or Net Proceeds received as a consequence of defaults under Project Contracts (excluding liquidated damages) for the Projects, to be deposited into the Insurance Fund to be applied as provided in the Lease and in the Indenture. Net Proceeds so deposited shall be applied to the prompt repair, restoration, modification, improvement or replacement of the damaged or destroyed portion of the Leased Property by the Lessee. The balance of any Net Proceeds remaining after the repair, restoration, modification, improvement or replacement has been completed are to be deposited into the appropriate Project Account in the Project Fund, if received prior to the applicable Completion Date and, if received thereafter, are to be deposited into the Redemption Fund, except to the extent otherwise required by a Tax Certificate. The Trustee shall cause the Net Proceeds of any liquidated damages received as a consequence of a default by a Contractor to complete a Project in a timely fashion under the Construction Contract to be deposited into the Bond Fund.

If such Net Proceeds shall be insufficient to pay in full the cost of any such repair, restoration, modification, improvement or replacement, the Lessee shall, within 90 days after the occurrence of the event giving rise to such Net Proceeds, either:

(i) commence and thereafter complete the work and pay any cost in excess of the Net Proceeds, but only from Additional Rentals, in which case the Lessee agrees that it will not be entitled to any reimbursement therefor from the Trustee or the Owners of the Bonds, nor shall it be entitled to any diminution of the Base Rentals or Additional Rentals; or

(ii) if the failure to repair, rebuild or replace shall not materially detract from the value of the Leased Property, then the Lessee may discharge its obligation to repair, rebuild or replace the affected portion of the Leased Property by causing such Net Proceeds to be deposited into the Redemption Fund for the purpose of causing the extraordinary optional redemption of all or part of the Bonds, as appropriate, in accordance with the Indenture; or

(iii) apply or provide for the application of such Net Proceeds to the payment of the Option Price applicable to the affected Facilities as of the next occurring Optional Payment Date, in which case, if the Net Proceeds are insufficient to pay such Option Price, the Lessee shall pay or provide for the payment of such amounts as are necessary to equal the full Option Price applicable to such affected Facilities.

The Lessee agrees in the Lease that any repair, restoration, modification, improvement or replacement paid for in whole or in part out of such Net Proceeds shall be the property of the Lessor subject to the Indenture, any relevant Mortgage and the Lease, and will be included as part of the Leased Property subject to the Lease and the Indenture.

**Assignments**

Neither the Lease nor any interest of the Lessee therein or in the Leased Property shall, at any time after the date of the Lease, without the prior written consent of the Trustee, be mortgaged, pledged, assigned or transferred by the Lessee by voluntary act or by operation of law, or otherwise, except as specifically provided in the Lease. The Lessee shall at all times remain liable for the performance of the covenants and conditions on its part to be performed, notwithstanding any assigning, transferring or subletting that may be made.

The Lessee shall have the right, without notice to or consent of the Lessor, the Trustee or any Owner of Bonds, to further sublease or permit the use of any specified portion of the Leased Property (i) to or for the benefit of any State Bodies with respect to any of the Facilities, (ii) to or for the benefit of any political subdivision or other governmental entity of the State and (iii) to any private operator, manager or service provider on such basis, for such use and for such period as will not impair the excludibility from gross income for federal income tax purposes of interest on the 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 Utah 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 forty–five (45) days prior to each Optional Payment Date indicating the Lessee's intention so to purchase the Leased Property or a portion thereof representing such Facilities.

The purchase price for the Leased Property in its entirety to be paid by the Lessee to exercise the option granted in the Lease shall be an amount equal to (i) the Option Price applicable on such Optional Payment Date as indicated on the Option Price Schedule, plus interest on the 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, (ii) all costs of transferring title to the Leased Property to the Lessee and (iii) all other reasonable costs and expenses incidental thereto.

The purchase price for a portion of the Leased Property representing separate Facilities shall be an amount equal to (i) the portion of the Option Price applicable to such Facilities on such Optional Payment Date as indicated in the Option Price Schedule attached to the Lease, plus the portion of interest on the 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, (ii) all costs of releasing the lien of the Indenture and the applicable Mortgage with respect to, and transferring title to, the Facilities to be purchased to the Lessee and (iii) all other reasonable costs and expenses incidental thereto. Nothing in the Lease shall be construed to create any obligation of the Lessee to purchase the Leased Property or any such separate Facilities.

### Events Of Default; Remedies

#### Events of Default Defined

Any of the following shall be an "Event of Default" under the Lease:

(a) Failure by the Lessee to pay any Base Rentals required to be paid under the Lease with respect to the Bonds at the times specified therein as the respective due dates therefor; or

(b) Failure by the Lessee to pay any Additional Rentals during the term of the Lease for a period of 30 days after written notice specifying such failure and requesting that it be remedied shall be received by the Lessee from the Trustee; or

(c) Failure by the Lessee to vacate the Leased Property by the expiration of the Initial Term or any Renewal Term during which an Event of Nonappropriation occurs; or

(d) Failure by the Lessee to observe and perform any covenant, condition or agreement in the Lease on its part to be observed or performed, other than as referred to in the Lease, for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Lessee by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; *provided, however,* that if the failure stated in the notice cannot be corrected within the applicable period, the Trustee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Lessee within the applicable period and diligently pursued until the default is corrected; or

(e) Any representation or warranty (i) made by the Lessee or by the Lessor pursuant to the Lease or (ii) contained in any certificate delivered in connection with the Lease, shall prove to have been false or misleading in any material respect when made; or

(f) The entry of an order or decree in any court of competent jurisdiction enjoining or restraining any of the Projects or enjoining, restraining or prohibiting the Lessee from consummating the transactions contemplated by the Lease, which order or decree is not vacated and which proceedings are not discontinued within 60 days after the granting of such order or decree.

The foregoing provisions of the Lease are subject to the following limitations: (i) the obligations of the Lessee to make payments of the Base Rentals and the Additional Rentals shall be subject to the provisions of the Lease with respect to an Event of Nonappropriation; and (ii) if, by reason of Force Majeure (defined below), the Lessee shall be unable in whole or in part to carry out any agreement on its part contained in the Lease (other than the obligations of the Lessee to pay Base Rentals and Additional Rentals), the Lessee shall not be deemed in default during the continuance of such inability. The Lessee agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Lessee from carrying out its agreement; *provided, however,* that the settlement of strikes, lockouts and other disturbances shall be entirely within the discretion of the Lessee.

The term "Force Majeure" means the following: acts of God; strikes, lockouts or other disturbances; acts of public enemies; orders of any kind of the government of the United States of America or the State or any of their respective departments, agencies or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fire; storms; floods; washouts; droughts; arrests; restraints of government and people; civil disturbances; explosions; partial or entire failure or unavailability of utilities; or any other cause or event not reasonably within the control of the Lessee.

**Remedies on Default**

Upon the occurrence and continuance of any Event of Default under the Lease or an Event of Nonappropriation, the Trustee shall give notice to the Lessee to vacate the Leased Property immediately (but in no event earlier than the expiration of the then current Renewal Term for which the Lessee has paid or appropriated moneys sufficient to pay all Rentals due for such Renewal Term, in the case of an Event of Nonappropriation) and shall, without any further demand or notice, (i) terminate the Lease or the Lessee's possessory rights under the Lease (without otherwise terminating the Lease), re–enter the Leased Property and eject all parties therefrom, and relet the Leased Property or commence proceedings to foreclose on and liquidate, relet or sell the Leased Property; (ii) exercise any of the remedies provided to the Trustee upon the occurrence of an Event of Default under the Indenture or any applicable Mortgage as the Trustee shall determine to be in the best interests of the Bondowners; or (iii) take any action at law or in equity deemed necessary or desirable to enforce its and the Bondowners' rights with respect to the Leased Property and the Lessee.

Upon the termination of the term of the Lease or the Lessee's possessory interests in the Lease by reason of an Event of Nonappropriation or an Event of Default, all moneys then held in any fund or account under the Indenture and any Net Proceeds received on any foreclosure, liquidation, reletting or sale shall be held by the Trustee for the benefit of the Owners of the Bonds (and applied from time to time as provided in the Indenture). Notwithstanding anything in the Lease to the contrary, the Trustee shall be entitled to relet the Leased Property for such period (not exceeding the term of any applicable Site Lease) as is necessary for the Trustee to obtain sufficient moneys to pay in full the principal of, and premium (if any) and interest on, the Bonds, and the obligations of the Trustee with respect to the Owners of the Bonds and the receipt and disbursement of funds shall be continuing until the liens of the Indenture and the Mortgages are discharged as provided in the Indenture and the Mortgages except as a result of foreclosure.

The Trustee shall give preference in liquidating, reletting or selling the Leased Property (subject to the Site Leases) provided therein to those lessees or buyers of the Leased Property whose use or ownership of the Leased Property would preserve the excludability from gross income for Federal income tax purposes of interest on the Bonds.

#### Limitations on Remedies

With the sole exception of the obligation of the Lessee to pay Base Rentals and Additional Rentals attributable to any period during which the Lessee shall actually use, occupy and operate the Leased Property, or for which the Legislature has appropriated funds for such purpose, no judgment requiring the payment of money not subject to the lien of the Indenture may be entered against the Lessee by reason of any Event of Default or an Event of Nonappropriation under the Lease. In the event the term of the Lease is terminated as a result of an Event of Default or an Event of Nonappropriation, no deficiency judgment may be entered against the Lessee, except as otherwise expressly herein provided with respect to the Lessee's actual use, occupancy and operation of the Leased Property. The Lessee shall not be under any obligation in respect to any creditors, shareholders or security holders of the Lessor (including the Owners of the Bonds), and no remedy or other provision herein or in the Indenture or in any Mortgage provided shall be construed to provide any such remedy or to create or impose any such obligation.

## STATE FACILITIES MASTER AGENCY AGREEMENT

The following is a summary of certain provisions of the State Facilities Master Agency Agreement. Reference is hereby made to the actual State Facilities Master Agency Agreement for a complete recital of its terms. Copies of the State Facilities Master Agency Agreement may be obtained from the Trustee.

The Lessor under the State Facilities Master Agency Agreement appoints the Agent as its exclusive agent for the purpose of acquiring and constructing or causing the acquisition and construction of the Facilities pursuant to the Project Documents and in accordance with the terms of the Lease. The Agent, as agent for the Lessor for such purpose, assumes all rights, liabilities, duties, and responsibilities of the Lessor regarding supervision of the acquisition and construction of such Facilities as are granted to or imposed upon the Lessor pursuant to the Lease. The Agent agrees to supervise acquisition and construction of such Facilities in a manner to assure that, upon final completion thereof, the Facilities shall be free and clear of all liens and encumbrances that may arise in connection with the work performed on the Facilities and will be acceptable to the Agent in its capacity as Lessee under the Lease for its use and occupancy during the term of the Lease. The Agent is authorized by the State Facilities Master Agency Agreement to execute and deliver the Project Documents, including without limitation collateral assignments thereof in favor of the Trustee.

## PROPOSED AMENDMENTS TO THE INDENTURE AND THE LEASE

### Proposed Amendments To The Indenture

The Fifth Supplemental Indenture of Trust entered into by the Authority in conjunction with the issuance of the 1998A Bonds contains proposed amendments to the Indenture that, among other things, permit the creation of a security interest for the benefit of the Trustee in Additional Facilities consisting of a variety of personal property (including, without limitation, vehicles and equipment) that may be financed under the Indenture, and makes conforming changes to the condemnation, remedy and termination provisions of the Indenture to reflect the personal property nature of such Additional Facilities. In order to finance Additional Facilities consisting of personal property, the amendments further provide that the Authority may issue Additional Bonds without regard to the requirement to provide title insurance, if the Authority submits to the Trustee a certificate stating that such Additional Facilities or portions thereof to be financed or refinanced are of such a nature that obtaining title insurance thereon is impractical or impossible.

The proposed amendments also provide that the Authority may issue Additional Bonds to finance or refinance Additional Facilities or portions thereof pursuant to the Indenture without subjecting such Additional Facilities or portions thereof to any additional Mortgages or supplements to existing Mortgages and without providing title insurance thereon, if the Authority submits to the Trustee a certificate stating and demonstrating that (a) the Additional Facilities or portions thereof to be financed or refinanced are of such a nature that would make an additional Mortgage or a supplement to an existing Mortgage impractical and (b) the value to the Lessee of the Facilities and Additional Facilities or portions thereof that are subject to Mortgages is sufficient to secure all Outstanding Bonds and the Additional Bonds to be issued.

The proposed amendments broaden the definition of "Excepted Property" to include Additional Facilities in which the Trustee has not been given a lien or security interest as provided in the relevant Supplemental Indenture.

**Proposed Amendments to the Lease**

The Fifth Amendment to the Lease entered into by the Authority in conjunction with the issuance of the 1998A Bonds contains proposed amendments to the Lease that, among other things, make conforming changes to the condemnation, remedy and termination provisions of the Indenture applicable to Additional Facilities that consist of personal property. The proposed amendments also provide that, notwithstanding any other provisions of the Lease to the contrary, in the event that a lien on or a security interest in, any Facility constituting a portion of the Leased Property has not been granted to the Trustee under a Mortgage, the Lessee shall not be required to surrender, quit or vacate such Facility under any circumstance except as otherwise required by the Act.

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# APPENDIX B

## GENERAL PURPOSE FINANCIAL STATEMENTS OF THE STATE OF UTAH FOR THE FISCAL YEAR ENDED JUNE 30, 1997

The General Purpose Financial Statements of the State for the Fiscal Year Ended June 30, 1997 are contained herein. Copies of current and prior financial reports are available upon request from the Director of Finance.

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 Comprehensive Annual Financial Report for the *thirteenth* consecutive year, beginning with Fiscal Year Ended June 30, 1985 through Fiscal Year Ended June 30, 1997.

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 Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 1998 must be completed under State law by December 31, 1998.*

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STATE OF UTAH
**Office of the State Auditor**
211 STATE CAPITOL
SALT LAKE CITY, UTAH 84114
(801) 538-1025
FAX (801) 538-1383

**Auston G. Johnson, CPA**
UTAH STATE AUDITOR

**AUDIT DIRECTORS:**

Joe Christensen, CPA
H. Dean Eborn, CPA
Stan Godfrey, CPA
Jana R. Obray, CPA
John C. Reidhead, CPA

## INDEPENDENT STATE AUDITOR'S REPORT

To the Members of the Legislature
of the State of Utah and
The Honorable Michael O. Leavitt
Governor, State of Utah

We have audited the accompanying general-purpose financial statements of the State of Utah as of and for the year ended June 30, 1997. These general-purpose financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of Utah Public Employees Group Insurance, which represents 28 percent of the assets and 55 percent of the operating revenues of the internal service funds; the Utah State Retirement Office, which represents 79 percent of the assets of the trust and agency funds; the Utah Housing Finance Agency and the Workers' Compensation Fund of Utah, which combined represent 99 percent of the assets and 98 percent of the operating revenues of the proprietary component unit funds; and the College of Eastern Utah, Dixie College, Salt Lake Community College, Snow College, Southern Utah University, Utah Valley State College, Weber State University, Utah State University's research foundation, and the University of Utah's hospital, foundations, and institutes, which combined represent 33 percent of the assets and 45 percent of the revenues and other additions of the college and university component unit funds. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those agencies, funds, and component units, is based on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Utah as of June 30, 1997, and the results of its operations, the cash flows of its proprietary fund types and nonexpendable trust fund, the changes in plan net assets of its pension trust funds, and the changes in fund balances and current funds revenues, expenditures, and other changes of the college and university funds for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 2 to the general-purpose financial statements, the State changed its method of accounting for securities lending transactions.

Auston G. Johnson

UTAH STATE AUDITOR
November 7, 1997

# STATE OF UTAH

## COMBINED BALANCE SHEET
## ALL FUND TYPES, ACCOUNT GROUPS, AND
## DISCRETELY PRESENTED COMPONENT UNITS

June 30, 1997 (Expressed in Thousands)

| | Governmental Fund Types | | | | Proprietary Fund Types | |
|---|---|---|---|---|---|---|
| | General | Special Revenue | Capital Projects | Debt Service | Enterprise | Internal Service |
| **Assets** | | | | | | |
| Cash and Cash Equivalents (Note 3) | $ 61,628 | $ 160,692 | $ 43,585 | $ 13,741 | $ 61,728 | $ 97,692 |
| Investments (Notes 1, 3, 14) | 141,995 | 3,327 | 73,177 | 12,536 | 112,188 | 172,528 |
| Receivables: (Note 1) | | | | | | |
| Accounts (Note 14) | 181,771 | 79,751 | 1,377 | — | 10,027 | 7,892 |
| Notes/Mortgages | 151,292 | 1,542 | — | — | 589,637 | 297,730 |
| Accrued Interest | 1,480 | 9,137 | — | 101 | 11,796 | 9,879 |
| Accrued Taxes | 170,231 | 138,964 | — | — | — | — |
| Unbilled | — | 4,294 | — | — | — | — |
| Due From Other Funds (Note 4) | 55,221 | 8,002 | 3,159 | 54 | 2,768 | 9,732 |
| Due From Component Units (Note 4) | — | — | 8,841 | — | — | — |
| Due From Primary Government (Note 4) | — | — | — | — | — | — |
| Advance to Other Funds | — | — | — | — | 180 | — |
| Inventories | 2,028 | 9,979 | — | — | 10,812 | 2,642 |
| Prepaid Items | — | — | — | — | 403 | 789 |
| Deferred Charges | — | — | — | — | 3,649 | — |
| Deferred Compensation Plan Assets (Note 15) | — | — | — | — | — | — |
| Fixed Assets — net, where applicable, of accumulated depreciation (Note 1, 5) | — | — | — | — | 19,114 | 56,816 |
| Amount Available in Debt Service Fund | — | — | — | — | — | — |
| Resources to be Provided in Future Years For: | | | | | | |
| Retirement of General Obligation Bonds | — | — | — | — | — | — |
| Other General Long-Term Obligations | — | — | — | — | — | — |
| Total Assets | $ 765,646 | $ 415,688 | $ 130,139 | $ 26,432 | $ 822,302 | $ 655,700 |
| **Liabilities, Equity, and Other Credits** | | | | | | |
| Liabilities: | | | | | | |
| Vouchers Payable | $ 145,806 | $ 101,354 | $ — | $ — | $ 10,470 | $ 11,220 |
| Contracts Payable | — | — | 16,464 | — | 702 | — |
| Accrued Liabilities | 30,665 | 10,087 | 3 | 12,503 | 11,219 | 3,422 |
| Securities Lending Liability (Note 3) | — | — | — | — | — | 46,581 |
| Deposits | — | — | — | — | — | — |
| Due to Other Funds (Note 4) | 12,033 | 33,193 | 2,179 | 38 | 5,875 | 43,277 |
| Due to Component Units (Note 4) | 11 | — | — | — | — | 189 |
| Due to Primary Government (Note 4) | — | — | — | — | — | — |
| Due to Other Individuals or Groups | — | — | — | — | — | — |
| Due to Other Taxing Units | — | — | — | — | — | — |
| Deferred Revenue | 25,601 | 15,551 | 4,329 | — | 5,902 | 1,104 |
| Advance From Other Funds | — | — | — | — | — | 180 |
| Policy Claim Liabilities | — | — | — | — | — | 86,243 |
| Policyholder Dividends Payable | — | — | — | — | — | — |
| Notes Payable (Note 7) | — | — | — | — | — | — |
| General Obligation Bonds Payable (Note 7) | — | — | — | — | — | — |
| Revenue Bonds Payable (Note 7) | — | — | — | — | 604,253 | 9,890 |
| Leave/Postemployment Benefits (Notes 1, 7) | 134,991 | 45,477 | — | — | — | — |
| Deferred Compensation Plan Liability (Note 15) | — | — | — | — | — | — |
| Total Liabilities | 349,107 | 205,662 | 22,975 | 12,541 | 638,421 | 202,106 |
| Equity and Other Credits: | | | | | | |
| Contributed Working Capital | — | — | — | — | 43,466 | 288,055 |
| Investment in Fixed Assets | — | — | — | — | — | — |
| Net Unrealized Gains on Investments | — | — | — | — | — | — |
| Retained Earnings | — | — | — | — | 140,415 | 165,539 |
| Fund Balances: | | | | | | |
| Reserved (Note 8) | 306,770 | 66,620 | 157,049 | 13,454 | — | — |
| Unreserved Designated (Note 8) | 107,341 | 111,019 | — | 437 | — | — |
| Unreserved Undesignated | 2,428 | 32,387 | (49,885) | — | — | — |
| Total Equity and Other Credits | 416,539 | 210,026 | 107,164 | 13,891 | 183,881 | 453,594 |
| Total Liabilities, Equity, and Other Credits | $ 765,646 | $ 415,688 | $ 130,139 | $ 26,432 | $ 822,302 | $ 655,700 |

The accompanying notes are an integral part of the financial statements.

| Fiduciary Fund Types | Account Groups | | Total (Memorandum Only) | | Component Units | | Total (Memorandum Only) | |
|---|---|---|---|---|---|---|---|---|
| | | | Primary Government | | | | Reporting Entity | |
| Trust and Agency | General Fixed Assets | General Long-Term Obligation | June 30, 1997 | June 30, 1996 | College and University | Proprietary Funds | June 30, 1997 | June 30, 1996 |
| $ 2,197,851 | $ — | $ — | $ 2,636,917 | $ 1,414,370 | $ 54,263 | $ 29,251 | $ 2,720,431 | $ 1,505,163 |
| 11,113,436 | — | — | 11,629,187 | 11,229,763 | 720,374 | 977,990 | 13,327,551 | 12,948,533 |
| 70,536 | — | — | 351,354 | 364,898 | 230,030 | 14,541 | 595,925 | 572,792 |
| — | — | — | 1,040,201 | 977,614 | 68,561 | 817,858 | 1,926,620 | 1,814,021 |
| 32,266 | — | — | 64,659 | 50,968 | 7,292 | 19,686 | 91,637 | 77,093 |
| 4,188 | — | — | 313,383 | 303,826 | — | — | 313,383 | 303,826 |
| — | — | — | 4,294 | 8,364 | — | — | 4,294 | 8,364 |
| 20,367 | — | — | 99,303 | 93,599 | 12,796 | — | 112,099 | 111,362 |
| — | — | — | 8,841 | 10,301 | — | — | 8,841 | 10,301 |
| — | — | — | 0 | 0 | 200 | — | 200 | 111 |
| — | — | — | 180 | 0 | — | — | 180 | 0 |
| — | — | — | 25,461 | 24,028 | 23,520 | 5 | 48,986 | 46,492 |
| — | — | — | 1,192 | 672 | 12,060 | 1,206 | 14,458 | 14,755 |
| — | — | — | 3,649 | 3,525 | — | 21,841 | 25,490 | 21,836 |
| 171,248 | — | — | 171,248 | 157,807 | 17,631 | — | 188,879 | 173,812 |
| 8,578 | 1,236,414 | — | 1,320,922 | 1,222,993 | 2,180,844 | 15,664 | 3,517,430 | 3,295,997 |
| — | — | 13,891 | 13,891 | 13,493 | — | — | 13,891 | 13,493 |
| — | — | 366,723 | 366,723 | 413,145 | — | — | 366,723 | 413,145 |
| — | — | 248,370 | 248,370 | 200,067 | — | — | 248,370 | 200,067 |
| $ 13,618,470 | $ 1,236,414 | $ 628,984 | $ 18,299,775 | $ 16,489,433 | $ 3,327,571 | $ 1,898,042 | $ 23,525,388 | $ 21,531,163 |
| $ 17,515 | $ — | $ — | $ 286,365 | $ 273,401 | $ 73,938 | $ 7,801 | $ 368,104 | $ 350,488 |
| — | — | 30,720 | 47,886 | 62,912 | 36,130 | — | 84,016 | 78,234 |
| — | — | — | 67,899 | 58,404 | 30,162 | 33,859 | 131,920 | 121,964 |
| 1,255,149 | — | — | 1,301,730 | 1,107,779 | — | — | 1,301,730 | 1,107,779 |
| 60 | — | — | 60 | 47 | 18,441 | 24,964 | 43,465 | 45,178 |
| 2,708 | — | — | 99,303 | 93,599 | 12,796 | — | 112,099 | 111,362 |
| — | — | — | 200 | 111 | — | — | 200 | 111 |
| — | — | — | 0 | 0 | 8,841 | — | 8,841 | 10,301 |
| 23,849 | — | — | 23,849 | 12,787 | 4,549 | — | 28,398 | 16,860 |
| 2,003,173 | — | — | 2,003,173 | 1,881,411 | — | — | 2,003,173 | 1,881,411 |
| 502 | — | — | 52,989 | 50,860 | 21,056 | 6,322 | 80,367 | 73,806 |
| — | — | — | 180 | 0 | — | — | 180 | 0 |
| 310,539 | — | — | 396,782 | 471,009 | — | 446,169 | 842,951 | 882,605 |
| — | — | — | 0 | 0 | — | 17,646 | 17,646 | 31,374 |
| — | — | — | 0 | 0 | 8,681 | 1,970 | 10,651 | 9,001 |
| — | — | 367,160 | 367,160 | 413,185 | — | — | 367,160 | 413,185 |
| — | — | 220,480 | 834,623 | 726,822 | 132,939 | 1,048,242 | 2,015,804 | 2,024,233 |
| — | — | 10,624 | 191,092 | 159,162 | 38,262 | — | 229,354 | 196,656 |
| 171,248 | — | — | 171,248 | 157,807 | 17,631 | — | 188,879 | 173,812 |
| 3,784,743 | 0 | 628,984 | 5,844,539 | 5,469,296 | 403,426 | 1,586,973 | 7,834,938 | 7,528,360 |
| — | — | — | 331,521 | 320,360 | — | 3,949 | 335,470 | 324,309 |
| — | 1,236,414 | — | 1,236,414 | 1,140,727 | 1,972,574 | — | 3,208,988 | 3,023,859 |
| — | — | — | 0 | 0 | — | 28,708 | 28,708 | 34,154 |
| — | — | — | 305,954 | 292,074 | — | 278,412 | 584,366 | 521,300 |
| 10,108,598 | — | — | 10,652,491 | 9,224,729 | 539,855 | — | 11,192,346 | 9,683,439 |
| — | — | — | 218,797 | 395,435 | 384,431 | — | 603,228 | 742,760 |
| (274,871) | — | — | (289,941) | (353,188) | 27,285 | — | (262,656) | (327,018) |
| 9,833,727 | 1,236,414 | 0 | 12,455,236 | 11,020,137 | 2,924,145 | 311,069 | 15,690,450 | 14,002,803 |
| $ 13,618,470 | $ 1,236,414 | $ 628,984 | $ 18,299,775 | $ 16,489,433 | $ 3,327,571 | $ 1,898,042 | $ 23,525,388 | $ 21,531,163 |

# STATE OF UTAH

## COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
## ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

For the Fiscal Year Ended June 30, 1997 (Expressed in Thousands)

| | Governmental Fund Types | | | |
|---|---|---|---|---|
| | General | Special Revenue | Capital Projects | Debt Service |
| **Revenues:** | | | | |
| Unrestricted: | | | | |
| Sales Tax | $ 1,251,735 | $ 8,226 | $ — | $ — |
| Individual Income Tax | — | 1,237,332 | — | — |
| Corporate Tax | — | 191,991 | — | — |
| Motor and Special Fuel Tax | — | 214,758 | — | — |
| Licenses, Permits, and Fees | 13,792 | 50,694 | — | — |
| Interest on Investments | 15,205 | 5,606 | — | — |
| Miscellaneous Taxes and Other | 129,719 | 28 | — | — |
| Total Unrestricted | 1,410,451 | 1,708,635 | 0 | 0 |
| Restricted: | | | | |
| Federal Contracts and Grants | 986,069 | 329,210 | — | — |
| Departmental Collections | 138,370 | 25,393 | — | — |
| Aeronautics | — | 24,890 | — | — |
| Federal Mineral Lease | 34,111 | — | — | — |
| Intergovernmental Revenues | — | — | 38,731 | — |
| Interest on Investments | 11,811 | 24 | 3,877 | 2,881 |
| Premiums/Other Collections | — | — | — | — |
| Restricted Taxes (Note 1) | 13,023 | (9,707) | — | — |
| Miscellaneous | 44,911 | 25,021 | 2,633 | 7,566 |
| Total Restricted | 1,228,295 | 394,831 | 45,241 | 10,447 |
| Total Revenues | 2,638,746 | 2,103,466 | 45,241 | 10,447 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General Government | 248,918 | — | — | — |
| Human Services | 518,119 | — | — | — |
| Corrections | 136,711 | — | — | — |
| Health and Environmental Quality | 825,786 | — | — | — |
| Higher Education | 23,974 | — | — | — |
| Natural Resources | 91,656 | — | — | — |
| Business, Labor, and Agriculture | 38,911 | 196 | — | — |
| Community and Economic Development | 81,380 | 3,004 | — | — |
| Unemployment | — | — | — | — |
| Public Education | — | 1,651,282 | — | — |
| Transportation and Public Safety | 83,515 | 585,499 | — | — |
| Leave/Postemployment Benefits | 24,398 | 7,261 | — | — |
| Capital Outlay | — | — | 182,129 | — |
| Debt Service: | | | | |
| Principal Retirement | — | — | — | 70,190 |
| Interest and Other Charges | — | — | — | 30,461 |
| Total Expenditures | 2,073,368 | 2,247,242 | 182,129 | 100,651 |
| Excess Revenues Over (Under) Expenditures | 565,378 | (143,776) | (136,888) | (90,204) |
| **Other Financing Sources (Uses):** | | | | |
| Proceeds of Revenue Bonds/Contracts | — | — | 48,177 | 6,138 |
| Proceeds of General Obligation Bonds | — | — | 20,103 | — |
| Proceeds of Refunding Bonds | — | — | — | 5,472 |
| Payment to Refunded Bond Escrow Agent | — | — | — | (5,468) |
| Operating Transfers In (Note 11) | 113,836 | 128,908 | 59,073 | 84,460 |
| Operating Transfers Out (Note 11) | (248,573) | (97,722) | (287) | — |
| Operating Transfers to Component Units (Note 11) | (442,909) | — | — | — |
| Total Other Financing Sources (Uses) | (577,646) | 31,186 | 127,066 | 90,602 |
| Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses | (12,268) | (112,590) | (9,822) | 398 |
| Beginning Fund Balances | 439,158 | 322,616 | 116,986 | 13,493 |
| Residual Equity Transfers (Note 11) | (10,351) | — | — | — |
| Ending Fund Balances | $ 416,539 | $ 210,026 | $ 107,164 | $ 13,891 |

The accompanying notes are an integral part of the financial statements.

| Fiduciary Fund Types | Total (Memorandum Only) | |
|---|---|---|
| Expendable Trust | June 30, 1997 | June 30, 1996 |
| $ — | $ 1,259,961 | $ 1,170,120 |
| — | 1,237,332 | 1,139,080 |
| — | 191,991 | 176,781 |
| — | 214,758 | 206,904 |
| — | 64,486 | 67,512 |
| — | 20,811 | 20,323 |
| — | 129,747 | 119,796 |
| 0 | 3,119,086 | 2,900,516 |
| 7,296 | 1,322,575 | 1,273,446 |
| — | 163,763 | 149,868 |
| — | 24,890 | 35,122 |
| — | 34,111 | 34,718 |
| — | 38,731 | 46,602 |
| 43,253 | 61,846 | 57,418 |
| 109,736 | 109,736 | 114,716 |
| — | 3,316 | 25,281 |
| 108,366 | 188,497 | 160,184 |
| 268,651 | 1,947,465 | 1,897,355 |
| 268,651 | 5,066,551 | 4,797,871 |
| 10,516 | 259,434 | 242,153 |
| 7,595 | 525,714 | 502,544 |
| — | 136,711 | 120,708 |
| 8,000 | 833,786 | 776,421 |
| 62 | 24,036 | 19,358 |
| 2,944 | 94,600 | 86,902 |
| 4,462 | 43,569 | 40,219 |
| 3,470 | 87,854 | 87,202 |
| 82,038 | 82,038 | 77,063 |
| 292 | 1,651,574 | 1,477,234 |
| — | 669,014 | 546,650 |
| — | 31,659 | 18,562 |
| — | 182,129 | 207,418 |
| — | 70,190 | 65,245 |
| — | 30,461 | 29,181 |
| 119,379 | 4,722,769 | 4,296,860 |
| 149,272 | 343,782 | 501,011 |
| — | 54,315 | 107,613 |
| — | 20,103 | 48,507 |
| — | 5,472 | 8,430 |
| — | (5,468) | (8,332) |
| 1,505 | 387,782 | 229,838 |
| (14,541) | (361,123) | (205,308) |
| — | (442,909) | (416,109) |
| (13,036) | (341,828) | (235,361) |
| 136,236 | 1,954 | 265,650 |
| 234,808 | 1,127,061 | 866,207 |
| (2,000) | (12,351) | (4,796) |
| $ 369,044 | $ 1,116,664 | $ 1,127,061 |

# STATE OF UTAH

## COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — BUDGET AND ACTUAL (BUDGETARY BASIS) GENERAL FUND, SPECIAL REVENUE FUNDS, AND DEBT SERVICE FUND

For the Fiscal Year Ended June 30, 1997 (Expressed in Thousands)

| | General Fund | | |
|---|---|---|---|
| | Budget | Actual | Variance Favorable (Unfavorable) |
| **Revenues:** | | | |
| Unrestricted: | | | |
| Sales Tax | $ 1,240,896 | $ 1,252,131 | $ 11,235 |
| Individual Income Tax | — | — | 0 |
| Corporate Tax | — | — | 0 |
| Motor and Special Fuel Tax | — | — | 0 |
| Licenses, Permits, and Fees | 17,526 | 13,911 | (3,615) |
| Interest on Investments | 12,308 | 16,337 | 4,029 |
| Miscellaneous Taxes and Other | 134,453 | 129,719 | (4,734) |
| Total Unrestricted | 1,405,183 | 1,412,098 | 6,915 |
| Restricted: | | | |
| Federal Contracts and Grants | 995,044 | 995,044 | 0 |
| Departmental Collections | 140,433 | 151,257 | 10,824 |
| Higher Education Dedicated Credits | 149,228 | 149,228 | 0 |
| Aeronautics | — | — | 0 |
| Federal Mineral Lease | 32,000 | 34,111 | 2,111 |
| Interest on Investments | 11,001 | 11,822 | 821 |
| Restricted Taxes | 13,023 | 13,023 | 0 |
| Miscellaneous | 188,550 | 186,999 | (1,551) |
| Total Restricted | 1,529,279 | 1,541,484 | 12,205 |
| Total Revenues | 2,934,462 | 2,953,582 | 19,120 |
| Intrafund Eliminations | | (314,836) | |
| Total Revenues GAAP Basis | | 2,638,746 | |
| **Expenditures:** | | | |
| Current: | | | |
| General Government | 267,201 | 252,379 | 14,822 |
| Human Services | 643,175 | 638,470 | 4,705 |
| Corrections | 139,649 | 137,036 | 2,613 |
| Health and Environmental Quality | 872,469 | 854,442 | 18,027 |
| Higher Education | 622,117 | 621,487 | 630 |
| Natural Resources | 110,224 | 93,950 | 16,274 |
| Business, Labor, and Agriculture | 45,951 | 39,210 | 6,741 |
| Community and Economic Development | 101,624 | 82,686 | 18,938 |
| Public Education | — | — | 0 |
| Transportation and Public Safety | 85,182 | 84,374 | 808 |
| Leave/Postemployment Benefits | 24,398 | 24,398 | 0 |
| Debt Service: | | | |
| Principal Retirement | — | — | 0 |
| Interest and Other Charges | — | — | 0 |
| Total Expenditures | 2,911,990 | 2,828,432 | 83,558 |
| Higher Education and Trust Appropriated Expenditures Included as Transfers | 440,228 | (440,228) | |
| Intrafund Eliminations | | (314,836) | |
| Total Expenditures GAAP Basis | | 2,073,368 | |
| Excess Revenues Over (Under) Expenditures | 462,700 | 565,378 | 102,678 |
| **Other Financing Sources (Uses):** | | | |
| Proceeds of Revenue Bonds/Contracts | — | — | 0 |
| Proceeds of Refunding Bonds | — | — | 0 |
| Payment to Refunded Bond Escrow Agent | — | — | 0 |
| Operating Transfers In (Note 11) | 113,836 | 113,836 | 0 |
| Operating Transfers Out (Note 11) | (248,573) | (248,573) | 0 |
| Operating Transfers to Component Units (Note 11) | (442,909) | (442,909) | 0 |
| Total Other Financing Sources (Uses) | (577,646) | (577,646) | 0 |
| Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses | (114,946) | (12,268) | 102,678 |
| Beginning Fund Balances | 439,158 | 439,158 | 0 |
| Residual Equity Transfers (Note 11) | (10,351) | (10,351) | 0 |
| Ending Fund Balances | $ 313,861 | $ 416,539 | $ 102,678 |

The accompanying notes are an integral part of the financial statements.

| Special Revenue Funds | | | Debt Service Fund | | |
|---|---|---|---|---|---|
| Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| $ 8,111 | $ 8,226 | $ 115 | $ — | $ — | $ 0 |
| 1,191,217 | 1,237,332 | 46,115 | — | — | 0 |
| 188,023 | 191,991 | 3,968 | — | — | 0 |
| 215,500 | 214,758 | (742) | — | — | 0 |
| 47,679 | 50,694 | 3,015 | — | — | 0 |
| 5,324 | 5,606 | 282 | — | — | 0 |
| — | 28 | 28 | — | — | 0 |
| 1,655,854 | 1,708,635 | 52,781 | 0 | 0 | 0 |
| 329,210 | 329,210 | 0 | — | — | 0 |
| 46,264 | 46,423 | 159 | — | — | 0 |
| — | — | 0 | — | — | 0 |
| 24,890 | 24,890 | 0 | — | — | 0 |
| — | — | 0 | — | — | 0 |
| 24 | 24 | 0 | 2,881 | 2,881 | 0 |
| (9,707) | (9,707) | 0 | — | — | 0 |
| 28,714 | 28,716 | 2 | 7,566 | 7,566 | 0 |
| 419,395 | 419,556 | 161 | 10,447 | 10,447 | 0 |
| 2,075,249 | 2,128,191 | 52,942 | 10,447 | 10,447 | 0 |
| | (24,725) | | | — | |
| | 2,103,466 | | | 10,447 | |
| — | — | 0 | — | — | 0 |
| — | — | 0 | — | — | 0 |
| — | — | 0 | — | — | 0 |
| — | — | 0 | — | — | 0 |
| — | — | 0 | — | — | 0 |
| — | — | 0 | — | — | 0 |
| 196 | 196 | 0 | — | — | 0 |
| 3,172 | 3,004 | 168 | — | — | 0 |
| 1,684,241 | 1,658,712 | 25,529 | — | — | 0 |
| 631,157 | 602,794 | 28,363 | — | — | 0 |
| 7,261 | 7,261 | 0 | — | — | 0 |
| — | — | 0 | 70,190 | 70,190 | 0 |
| — | — | 0 | 30,461 | 30,461 | 0 |
| 2,326,027 | 2,271,967 | 54,060 | 100,651 | 100,651 | 0 |
| | (24,725) | | | — | |
| | 2,247,242 | | | 100,651 | |
| (250,778) | (143,776) | 107,002 | (90,204) | (90,204) | 0 |
| — | — | 0 | 6,138 | 6,138 | 0 |
| — | — | 0 | 5,472 | 5,472 | 0 |
| — | — | 0 | (5,468) | (5,468) | 0 |
| 128,908 | 128,908 | 0 | 84,460 | 84,460 | 0 |
| (97,782) | (97,722) | 60 | — | — | 0 |
| — | — | 0 | — | — | 0 |
| 31,126 | 31,186 | 60 | 90,602 | 90,602 | 0 |
| (219,652) | (112,590) | 107,062 | 398 | 398 | 0 |
| 322,616 | 322,616 | 0 | 13,493 | 13,493 | 0 |
| — | — | 0 | — | — | 0 |
| $ 102,964 | $ 210,026 | $ 107,062 | $ 13,891 | $ 13,891 | $ 0 |

# STATE OF UTAH

## COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS/FUND BALANCES — ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUND, AND DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 1997 (Expressed in Thousands)

| | Proprietary Fund Types | | Fiduciary Fund Types |
|---|---|---|---|
| | Enterprise | Internal Service | Non-expendable Trust |
| **Operating Revenues:** | | | |
| Interest/Earnings on Investments | $ 7,748 | $ 12,471 | $ 10,411 |
| Liquor: | | | |
| Sales | 95,937 | — | — |
| Licenses, Permits, and Fees | 768 | — | — |
| Charges for Services/Premiums/Royalties | 17,443 | 272,351 | 13,625 |
| Interest on Notes/Mortgages | 43,253 | 6,678 | — |
| Federal Reinsurance and Allowances | 26,194 | — | — |
| Miscellaneous | 463 | — | — |
| Total Operating Revenues | 191,806 | 291,500 | 24,036 |
| Cost of Goods Sold | 68,976 | — | — |
| Gross Profit | 122,830 | 291,500 | 24,036 |
| **Operating Expenses:** | | | |
| Administration | 33,321 | 27,931 | — |
| Materials and Services for Resale | — | 40,818 | — |
| Grants | 218 | — | — |
| Payments on Loan Guarantees | 19,577 | — | — |
| Rentals and Leases | 712 | 2,959 | — |
| Maintenance | 450 | 10,067 | — |
| Interest | 28,955 | 650 | — |
| Depreciation | 1,732 | 16,090 | — |
| Benefit Claims | — | 160,641 | — |
| Policyholder Dividends | — | 1,704 | — |
| Supplies and Other Miscellaneous | 785 | 31,413 | — |
| Total Operating Expenses | 85,750 | 292,273 | 0 |
| Total Operating Income (Loss) | 37,080 | (773) | 24,036 |
| **Non-Operating Income (Expenses):** | | | |
| Interest on Investments | 1,357 | — | — |
| Federal Grants | 169 | 228 | — |
| Gain (Loss) on Sale of Fixed Assets | (5) | 483 | 287 |
| Oil and Gas Severance Tax | 1,402 | — | — |
| Other (Expenses) | — | — | — |
| Total Non-Operating Income (Expenses) | 2,923 | 711 | 287 |
| Income (Loss) Before Operating Transfers | 40,003 | (62) | 24,323 |
| Operating Transfers In (Note 11) | — | 622 | — |
| Operating Transfers From Primary Government (Note 11) | — | — | — |
| Operating Transfers Out (Note 11) | (25,196) | (2,085) | — |
| Income (Loss) Before Cumulative Effect of a Change in Accounting Principle | 14,807 | (1,525) | 24,323 |
| Cumulative Effect on Prior Years (to June 30, 1995) of Changing to a Different Depreciation Method | — | — | — |
| Net Income (Loss) | 14,807 | (1,525) | 24,323 |
| Beginning Retained Earnings/Fund Balances | 125,509 | 166,565 | 108,510 |
| Residual Equity Transfers (Note 11) | 99 | 499 | — |
| Ending Retained Earnings/Fund Balances | $ 140,415 | $ 165,539 | $ 132,833 |

The accompanying notes are an integral part of the financial statements.

| Total (Memorandum Only) | | Proprietary Fund Types | Total (Memorandum Only) | |
|---|---|---|---|---|
| Primary Government | | Component | Reporting Entity | |
| June 30, 1997 | June 30, 1996 | Units | June 30, 1997 | June 30, 1996 |
| $ 30,630 | $ 18,755 | $ 69,562 | $ 100,192 | $ 81,188 |
| 95,937 | 87,763 | — | 95,937 | 87,763 |
| 768 | 785 | — | 768 | 785 |
| 303,419 | 286,576 | 132,553 | 435,972 | 436,317 |
| 49,931 | 44,830 | 60,938 | 110,869 | 104,691 |
| 26,194 | 20,845 | — | 26,194 | 20,845 |
| 463 | 431 | 2,409 | 2,872 | 1,692 |
| 507,342 | 459,985 | 265,462 | 772,804 | 733,281 |
| 68,976 | 58,791 | — | 68,976 | 58,791 |
| 438,366 | 401,194 | 265,462 | 703,828 | 674,490 |
| 61,252 | 53,481 | 24,193 | 85,445 | 79,906 |
| 40,818 | 36,752 | — | 40,818 | 36,752 |
| 218 | 201 | — | 218 | 201 |
| 19,577 | 14,610 | — | 19,577 | 14,610 |
| 3,671 | 4,175 | — | 3,671 | 4,175 |
| 10,517 | 9,638 | 542 | 11,059 | 10,097 |
| 29,605 | 27,909 | 64,155 | 93,760 | 94,766 |
| 17,822 | 16,069 | 3,593 | 21,415 | 18,176 |
| 160,641 | 142,242 | 109,116 | 269,757 | 257,967 |
| 1,704 | 850 | 17,212 | 18,916 | 32,150 |
| 32,198 | 30,152 | 799 | 32,997 | 31,063 |
| 378,023 | 336,079 | 219,610 | 597,633 | 579,863 |
| 60,343 | 65,115 | 45,852 | 106,195 | 94,627 |
| 1,357 | 1,211 | 564 | 1,921 | 1,880 |
| 397 | 175 | 738 | 1,135 | 1,394 |
| 765 | 3,743 | — | 765 | 3,743 |
| 1,402 | 0 | — | 1,402 | 0 |
| 0 | (192) | (694) | (694) | (656) |
| 3,921 | 4,937 | 608 | 4,529 | 6,361 |
| 64,264 | 70,052 | 46,460 | 110,724 | 100,988 |
| 622 | 1,155 | — | 622 | 1,155 |
| 0 | 0 | 2,726 | 2,726 | 2,651 |
| (27,281) | (25,685) | — | (27,281) | (25,685) |
| 37,605 | 45,522 | 49,186 | 86,791 | 79,109 |
| 0 | 790 | — | 0 | 790 |
| 37,605 | 46,312 | 49,186 | 86,791 | 79,899 |
| 400,584 | 354,272 | 229,226 | 629,810 | 549,911 |
| 598 | 0 | — | 598 | 0 |
| $ 438,787 | $ 400,584 | $ 278,412 | $ 717,199 | $ 629,810 |

# STATE OF UTAH

## COMBINED STATEMENT OF CASH FLOWS
## ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUND, AND DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 1997 (Expressed in Thousands)

| | Proprietary Fund Types | | Fiduciary Fund Types |
|---|---|---|---|
| | Enterprise | Internal Service | Non-expendable Trust |
| **Increase (Decrease) in Cash and Cash Equivalents:** | | | |
| **Cash Flows from Operating Activities:** | | | |
| Receipts from Customers/Loan Interest/Fees/Premiums/Royalties | $ 165,776 | $ 171,302 | $ 14,553 |
| Receipts from Loan Maturities | 102,514 | 13,814 | — |
| Receipts of Federal Reinsurance and Allowances | 26,155 | — | — |
| Receipts from State Customers | 6,980 | 110,456 | — |
| Student Loan Disbursements Received from Lenders | 156,389 | — | — |
| Student Loan Disbursements Sent to Schools | (156,329) | — | — |
| Payments to Suppliers/Claims/Grants | (85,233) | (229,944) | — |
| Disbursements for Loans Receivable | (156,493) | (12,589) | — |
| Payments on Loan Guarantees | (18,631) | — | — |
| Payments for Employee Services and Benefits | (16,501) | (27,788) | — |
| Payments to State Suppliers | (699) | (19,630) | — |
| Payments of Sales, School Lunch, and Premium Taxes | (16,700) | — | — |
| Payments of Policyholder Dividends | — | — | — |
| Net Cash Provided (Used) by Operating Activities | 7,228 | 5,621 | 14,553 |
| **Cash Flows from Noncapital Financing Activities:** | | | |
| Borrowings Under Revolving Loans | 3,878 | 36,713 | — |
| Repayments Under Revolving Loans | (3,902) | (29,600) | — |
| Receipts from Bonds, Notes, Advances, and Deposits | 72,595 | 200 | — |
| Payments of Bonds, Notes, Advances, Deposits, and Retained Earnings | (21,425) | (1,120) | — |
| Interest Paid on Bonds, Notes, and Financing Costs | (30,292) | (665) | — |
| Other Noncapital Financing Revenues | 1,783 | 228 | — |
| Contributed Capital from Non-State Sources | — | — | — |
| Operating Transfers In from Other Funds | — | 622 | — |
| Operating Transfers In from Primary Government | — | — | — |
| Operating Transfers Out to Other Funds | (25,196) | (2,085) | — |
| Equity Transfers In from Other Funds | 3,589 | 9,867 | — |
| Equity Transfers Out to Other Funds | (827) | (1,030) | — |
| Net Cash Provided (Used) by Noncapital Financing Activities | 203 | 13,130 | 0 |
| **Cash Flows from Capital and Related Financing Activities:** | | | |
| Proceeds from Bond and Note Debt Issuance/Grants | 988 | — | — |
| Proceeds from Disposition of Capital Assets | 34 | 7,906 | 409 |
| Principal Paid on Debt and Contract Maturities | (283) | — | — |
| Acquisition and Construction of Capital Assets | (1,771) | (25,725) | — |
| Interest Paid on Bonds, Notes, and Capital Leases | (280) | — | — |
| Contributed Capital Transfers In from Other Funds | 753 | — | — |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (559) | (17,819) | 409 |
| **Cash Flows from Investing Activities:** | | | |
| Proceeds from the Sale and Maturity of Investments | 261,171 | 46,619 | 18,000 |
| Receipts of Interest and Dividends from Investments | 8,884 | 12,347 | 10,411 |
| Payments to Purchase Investments | (264,564) | (45,552) | (5,044) |
| Net Cash Provided (Used) by Investing Activities | 5,491 | 13,414 | 23,367 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 12,363 | 14,346 | 38,329 |
| Beginning Cash and Cash Equivalents | 49,365 | 83,346 | 33,679 |
| Ending Cash and Cash Equivalents | $ 61,728 | $ 97,692 | $ 72,008 |

The accompanying notes are an integral part of the financial statements.

| Total (Memorandum Only) | | Proprietary Fund Types | Total (Memorandum Only) | |
|---|---|---|---|---|
| Primary Government | | Component | Reporting Entity | |
| June 30, 1997 | June 30, 1996 | Units | June 30, 1997 | June 30, 1996 |
| $ 351,631 | $ 320,683 | $ 191,662 | $ 543,293 | $ 531,043 |
| 116,328 | 106,741 | 121,712 | 238,040 | 239,860 |
| 26,155 | 16,470 | — | 26,155 | 16,470 |
| 117,436 | 110,905 | 4,683 | 122,119 | 115,524 |
| 156,389 | 139,046 | — | 156,389 | 139,046 |
| (156,329) | (138,945) | — | (156,329) | (138,945) |
| (315,177) | (283,720) | (74,923) | (390,100) | (358,030) |
| (169,082) | (188,516) | (169,763) | (338,845) | (365,633) |
| (18,631) | (14,824) | — | (18,631) | (14,824) |
| (44,289) | (39,621) | (19,222) | (63,511) | (55,533) |
| (20,329) | (12,312) | — | (20,329) | (12,312) |
| (16,700) | (16,475) | (7,459) | (24,159) | (25,406) |
| 0 | 0 | (29,789) | (29,789) | (7,343) |
| 27,402 | (568) | 16,901 | 44,303 | 63,917 |
| 40,591 | 33,502 | 435 | 41,026 | 33,502 |
| (33,502) | (17,469) | (78) | (33,580) | (17,504) |
| 72,795 | 151,725 | 247,045 | 319,840 | 518,720 |
| (22,545) | (36,875) | (347,319) | (369,864) | (237,697) |
| (30,957) | (29,557) | (78,901) | (109,858) | (97,869) |
| 2,011 | 175 | 922 | 2,933 | 1,130 |
| 0 | 40 | — | 0 | 40 |
| 622 | 1,155 | — | 622 | 1,155 |
| 0 | 0 | 2,725 | 2,725 | 2,651 |
| (27,281) | (25,685) | — | (27,281) | (25,685) |
| 13,456 | 7,742 | — | 13,456 | 8,401 |
| (1,857) | (4,936) | — | (1,857) | (4,936) |
| 13,333 | 79,817 | (175,171) | (161,838) | 181,908 |
| 988 | 740 | — | 988 | 776 |
| 8,349 | 6,740 | 134 | 8,483 | 6,765 |
| (283) | (313) | (226) | (509) | (444) |
| (27,496) | (32,246) | (3,697) | (31,193) | (35,351) |
| (280) | (305) | (19) | (299) | (336) |
| 753 | 1,331 | — | 753 | 1,331 |
| (17,969) | (24,053) | (3,808) | (21,777) | (27,259) |
| 325,790 | 328,728 | 587,561 | 913,351 | 522,161 |
| 31,642 | 19,767 | 56,373 | 88,015 | 71,840 |
| (315,160) | (372,818) | (494,252) | (809,412) | (774,919) |
| 42,272 | (24,323) | 149,682 | 191,954 | (180,918) |
| 65,038 | 30,873 | (12,396) | 52,642 | 37,648 |
| 166,390 | 135,517 | 41,647 | 208,037 | 170,389 |
| $ 231,428 | $ 166,390 | $ 29,251 | $ 260,679 | $ 208,037 |

Continues

# STATE OF UTAH

## COMBINED STATEMENT OF CASH FLOWS
## ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUND, AND DISCRETELY PRESENTED COMPONENT UNITS

**Continued**

For the Fiscal Year Ended June 30, 1997

(Expressed in Thousands)

| | Proprietary Fund Types | | Fiduciary Fund Types |
|---|---|---|---|
| | Enterprise | Internal Service | Non-expendable Trust |
| **Reconciliation of Total Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:** | | | |
| Total Operating Income (Loss) | $ 37,080 | $ (773) | $ 24,036 |
| Adjustments to Reconcile Total Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | |
| Depreciation and Amortization Not Requiring Cash | 1,898 | 16,090 | — |
| Provision for Uncollectible Accounts | — | — | — |
| Interest Expense for Noncapital and Capital Financing | 28,943 | 650 | — |
| Revenue from Non-Operating Investment Activities | (2,161) | (12,428) | (10,411) |
| Policyholder Dividends/Retained Earnings Distributed | — | — | — |
| Miscellaneous Gains, Losses, and Other Items Not Requiring Cash | 1,615 | 5 | — |
| Changes in Assets and Liabilities: | | | |
| (Increase) Decrease in Accounts Receivable/Due From Other Funds | (1,748) | 1,443 | 864 |
| (Increase) Decrease in Accrued Interest/Notes Receivable | (59,346) | 1,367 | 68 |
| (Increase) Decrease in Inventories | (685) | (337) | — |
| (Increase) Decrease in Prepaid Items | (98) | (405) | — |
| (Decrease) Increase in Vouchers Payable/Accrued Liabilities/ Due to Other Funds/Dividends Payable | 1,642 | (1,319) | (4) |
| (Decrease) Increase in Deferred Revenue/Deposits | 88 | (242) | — |
| (Decrease) Increase in Policy Claim Liabilities | — | 1,570 | — |
| Net Cash Provided (Used) by Operating Activities | $ 7,228 | $ 5,621 | $ 14,553 |
| **Noncash Investing, Capital, and Financing Activities:** | | | |
| Contributed Capital Transfer for Deficit Retained Earnings | $ — | $ 598 | $ — |
| Contributed Capital/Operating Assets Transferred In (Out) | — | (593) | — |
| Total Noncash Investing, Capital, and Financing Activities | $ 0 | $ 5 | $ 0 |

| **Reconciliation of Cash and Cash Equivalents to the Combined Balance Sheet:** | Trust and Agency | Component Units |
|---|---|---|
| Nonexpendable Trust | $ 72,008 | $ — |
| Proprietary Component Units | — | 29,251 |
| Other Trust and Agency | 2,125,843 | — |
| Other Component Units | — | 54,263 |
| Total Cash and Cash Equivalents per Combined Balance Sheet | $ 2,197,851 | $ 83,514 |

The accompanying notes are an integral part of the financial statements.

| Total (Memorandum Only) | | Proprietary Fund Types | Total (Memorandum Only) | |
|---|---|---|---|---|
| Primary Government | | Component | Reporting Entity | |
| June 30, 1997 | June 30, 1996 | Units | June 30, 1997 | June 30, 1996 |
| $ 60,343 | $ 65,115 | $ 45,852 | $ 106,195 | $ 94,627 |
| 17,988 | 16,069 | 5,983 | 23,971 | 19,717 |
| 0 | 0 | 936 | 936 | 1,352 |
| 29,593 | 27,903 | 60,918 | 90,511 | 91,971 |
| (25,000) | (18,226) | (69,054) | (94,054) | (78,484) |
| 0 | (192) | — | 0 | (192) |
| 1,620 | 1,300 | (675) | 945 | 945 |
| 559 | (6,192) | 6,097 | 6,656 | (1,311) |
| (57,911) | (91,151) | (49,881) | (107,792) | (137,929) |
| (1,022) | (848) | 3 | (1,019) | (842) |
| (503) | 358 | (521) | (1,024) | 378 |
| 319 | 7,401 | (13,679) | (13,360) | 31,755 |
| (154) | 1,037 | (3,651) | (3,805) | 1,995 |
| 1,570 | (3,142) | 34,573 | 36,143 | 39,935 |
| $ 27,402 | $ (568) | $ 16,901 | $ 44,303 | $ 63,917 |
| $ 598 | $ 0 | $ — | $ 598 | $ 0 |
| (593) | 0 | — | (593) | 98 |
| $ 5 | $ 0 | $ 0 | $ 5 | $ 98 |

# STATE OF UTAH

## STATEMENT OF CHANGES IN PLAN NET ASSETS, DEFINED BENEFIT PENSION PLANS, AND OTHER PENSION TRUST FUNDS

For the Fiscal Year Ended June 30, 1997 (Expressed in Thousands)

| | Contributory System | Noncontributory System | Public Safety System | Firefighters System |
|---|---|---|---|---|
| **Additions:** | | | | |
| Contributions: | | | | |
| Member | $ 8,765 | $ 6,679 | $ 4,151 | $ 7,461 |
| Employer | 10,224 | 246,979 | 29,271 | 2,002 |
| Court Fees | — | — | — | — |
| Tax Liability Offset | 1,748 | 10,112 | 794 | 345 |
| Fire Insurance Premiums | — | — | — | 4,333 |
| Total Contributions | 20,737 | 263,770 | 34,216 | 14,141 |
| Investment Income | | | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | — | — | — | — |
| Allocation of Appreciation (Depreciation) in Fair Value of Investments | 92,205 | 624,176 | 80,280 | 34,959 |
| Short-Term Interest | — | — | — | — |
| Bond Interest | — | — | — | — |
| Equity Dividends | — | — | — | — |
| Real Estate | — | — | — | — |
| Mortgage Loans | — | — | — | — |
| Security Loans | — | — | — | — |
| Investment Contracts | — | — | — | — |
| Allocation of Investment Earnings | 30,801 | 208,297 | 26,790 | 11,667 |
| Total Investment Income | 123,006 | 832,473 | 107,070 | 46,626 |
| Less Investment Advisor Fees | — | — | — | — |
| Less Investment Administrative Expenses | — | — | — | — |
| Net Investment Income | 123,006 | 832,473 | 107,070 | 46,626 |
| Total Additions | 143,743 | 1,096,243 | 141,286 | 60,767 |
| **Deductions:** | | | | |
| Retirement Benefits | 38,326 | 133,584 | 22,702 | 9,291 |
| Cost of Living Benefits | 19,445 | 22,663 | 3,817 | 2,224 |
| Death Benefits | 6 | 106 | 3 | 2 |
| Additional Retirement Benefits | 4,469 | — | 907 | 1,026 |
| Supplemental Benefits | 500 | — | — | — |
| Tax Liability Offset | 1,748 | 4,683 | 794 | 345 |
| Refunds — Member | 4,818 | 4,511 | 818 | 83 |
| Refunds — Employer | 15 | 263 | 77 | 1 |
| Earnings Distribution | — | — | — | — |
| Administrative Expenses | 985 | 5,721 | 766 | 331 |
| Total Deductions | 70,312 | 171,531 | 29,884 | 13,303 |
| Increase (Decrease) From Operations Before Transfers | 73,431 | 924,712 | 111,402 | 47,464 |
| Transfers | (157,599) | 156,946 | 434 | 28 |
| Net Increase (Decrease) From Operations | (84,168) | 1,081,658 | 111,836 | 47,492 |
| Fund Balances/Plan Net Assets Held in Trust for Pension Benefits — Beginning of Year | 996,558 | 5,428,812 | 719,426 | 315,063 |
| Fund Balances/Plan Net Assets Held in Trust for Pension Benefits — End of Year | $ 912,390 | $ 6,510,470 | $ 831,262 | $ 362,555 |

The accompanying notes are an integral part of the financial statements.

| Judges System | Governors and Legislative Pension Plan | Deferred Compensation 401(k) Plan | Retirement Investment Fund | Total | |
|---|---|---|---|---|---|
| | | | | June 30, 1997 | June 30, 1996 |
| $ 734 | $ — | $ 86,199 | $ — | $ 113,989 | $ 106,496 |
| 833 | — | — | — | 289,309 | 254,085 |
| 1,898 | — | — | — | 1,898 | 1,670 |
| 72 | 15 | — | — | 13,086 | 11,690 |
| — | — | — | — | 4,333 | 4,862 |
| 3,537 | 15 | 86,199 | 0 | 422,615 | 378,803 |
| — | — | 31,235 | 848,531 | 879,766 | 1,129,217 |
| 5,334 | 952 | — | (837,906) | 0 | 0 |
| — | — | 148 | 17,771 | 17,919 | 20,785 |
| — | — | — | 144,584 | 144,584 | 138,974 |
| — | — | 19,995 | 70,224 | 90,219 | 70,505 |
| — | — | — | 61,379 | 61,379 | 44,013 |
| — | — | — | 678 | 678 | 659 |
| — | — | — | 2,084 | 2,084 | 1,436 |
| — | — | 15,332 | — | 15,332 | 13,858 |
| 1,780 | 318 | — | (279,653) | 0 | 0 |
| 7,114 | 1,270 | 66,710 | 27,692 | 1,211,961 | 1,419,447 |
| — | — | — | 12,153 | 12,153 | 11,526 |
| — | — | 1,311 | 2,106 | 3,417 | 3,078 |
| 7,114 | 1,270 | 65,399 | 13,433 | 1,196,391 | 1,404,843 |
| 10,651 | 1,285 | 151,598 | 13,433 | 1,619,006 | 1,783,646 |
| 1,973 | 368 | — | — | 206,244 | 185,001 |
| 427 | 121 | — | — | 48,697 | 43,520 |
| — | — | — | — | 117 | 16,021 |
| — | — | — | — | 6,402 | 6,958 |
| — | — | — | — | 500 | 572 |
| 72 | 15 | — | — | 7,657 | 6,875 |
| — | 1 | 21,546 | — | 31,777 | 23,102 |
| — | — | — | — | 356 | 342 |
| — | — | — | 8,946 | 8,946 | 9,374 |
| 55 | 7 | — | — | 7,865 | 7,446 |
| 2,527 | 512 | 21,546 | 8,946 | 318,561 | 299,211 |
| 8,124 | 773 | 130,052 | 4,487 | 1,300,445 | 1,484,435 |
| 102 | — | 89 | — | 0 | 0 |
| 8,226 | 773 | 130,141 | 4,487 | 1,300,445 | 1,484,435 |
| 47,531 | 8,788 | 485,202 | 30,025 | 8,031,405 | 6,546,970 |
| $ 55,757 | $ 9,561 | $ 615,343 | $ 34,512 | $ 9,331,850 | $ 8,031,405 |

# STATE OF UTAH

## COMBINED STATEMENT OF CHANGES IN FUND BALANCES
## COMPONENT UNITS — COLLEGE AND UNIVERSITY FUNDS

For the Fiscal Year Ended June 30, 1997 (Expressed in Thousands)

| | Current Funds | | | |
|---|---|---|---|---|
| | Unrestricted | Restricted | Loan Funds | Endowment and Similar Funds |
| **Revenues and Other Additions:** | | | | |
| Educational and General Revenues | $ 448,121 | $ — | $ — | $ — |
| Auxiliary Enterprises Revenues | 119,714 | — | — | — |
| Hospital Sales and Services | 279,913 | — | — | — |
| Foundations and Institutes | — | — | — | — |
| Tuition and Fees — Restricted | — | 14,324 | 1 | — |
| Private Gifts, Grants, and Contracts | — | 91,032 | 92 | 13,343 |
| Governmental Grants and Contracts | — | 272,781 | 1,350 | 50 |
| Federal Appropriations | — | 3,740 | 126 | — |
| Investment and Endowment Income | — | 15,222 | 282 | 4,400 |
| Interest on Loans Receivable | — | — | 1,206 | — |
| Expended for Plant Facilities (including $62,875 from current funds) | — | — | — | — |
| Bond Proceeds | — | — | — | — |
| Retirement of Indebtedness (including $308 from current funds) | — | — | — | — |
| Other | — | 9,394 | 156 | 30 |
| Total Revenues and Other Additions | 847,748 | 406,493 | 3,213 | 17,823 |
| **Expenditures and Other Deductions:** | | | | |
| Educational and General Expenditures | 790,848 | 389,208 | 170 | — |
| Auxiliary Enterprises Expenditures | 119,651 | 1,169 | — | — |
| Hospital Expenditures | 254,322 | 216 | — | — |
| Foundations and Institutes | — | — | — | — |
| Indirect Costs Recovered | — | 45,458 | 61 | — |
| Refunded to Grantors | — | 12 | 1 | — |
| Loan Cancellations and Write-Offs | — | — | 829 | — |
| Administrative and Collection Costs | — | — | 150 | 43 |
| Expended for Plant Facilities (including noncapitalized expenditures of $10,544) | — | — | — | — |
| Retirement of Indebtedness | — | — | — | — |
| Interest on Indebtedness | — | — | — | — |
| Increase in Debt | — | — | — | — |
| Disposal of Plant Facilities | — | — | — | — |
| Other | 710 | 154 | 20 | 27 |
| Total Expenditures and Other Deductions | 1,165,531 | 436,217 | 1,231 | 70 |
| **Transfers Among Funds — Additions (Deductions):** | | | | |
| Mandatory Transfers, net | (24,048) | 2,703 | (2) | 37 |
| Nonmandatory Transfers, net | (18,606) | (12,384) | (15) | 18,118 |
| Operating Transfers from Primary Government (Note 11) | 386,504 | 53,679 | — | — |
| Total Transfers Among Funds | 343,850 | 43,998 | (17) | 18,155 |
| Net Increase (Decrease) in Fund Balances | 26,067 | 14,274 | 1,965 | 35,908 |
| Beginning Fund Balances | 299,387 | 112,267 | 57,193 | 195,444 |
| Ending Fund Balances | $ 325,454 | $ 126,541 | $ 59,158 | $ 231,352 |

The accompanying notes are an integral part of the financial statements.

| Plant Funds | | | | | Total (Memorandum Only) | |
|---|---|---|---|---|---|---|
| Unexpended | Renewal and Replacement | Retirement of Indebtedness | Investment in Plant | Foundations and Institutes | June 30, 1997 | June 30, 1996 |
| $ — | $ — | $ — | $ — | $ — | $ 448,121 | $ 412,732 |
| — | — | — | — | — | 119,714 | 114,894 |
| — | — | — | — | — | 279,913 | 262,617 |
| — | — | — | — | 86,762 | 86,762 | 91,490 |
| 5,456 | 2,859 | 1,690 | — | — | 24,330 | 23,755 |
| 19,537 | 415 | 763 | 4,697 | — | 129,879 | 58,093 |
| 67,898 | — | 35 | — | — | 342,114 | 349,050 |
| — | — | — | — | — | 3,866 | 3,759 |
| 5,776 | 567 | 1,139 | — | 248 | 27,634 | 22,136 |
| 4 | — | — | — | — | 1,210 | 1,222 |
| — | — | — | 176,956 | — | 176,956 | 186,856 |
| 247 | — | — | — | — | 247 | 0 |
| 180 | — | — | 14,153 | — | 14,333 | 15,689 |
| 1,328 | 178 | 74 | 3 | — | 11,163 | 14,605 |
| 100,426 | 4,019 | 3,701 | 195,809 | 87,010 | 1,666,242 | 1,556,898 |
| — | — | — | — | — | 1,180,226 | 1,106,776 |
| — | — | — | — | — | 120,820 | 116,477 |
| — | — | — | — | — | 254,538 | 237,846 |
| — | — | — | — | 74,238 | 74,238 | 64,727 |
| — | — | — | — | — | 45,519 | 42,848 |
| — | — | — | — | — | 13 | 4 |
| — | — | — | — | — | 829 | 389 |
| — | — | 47 | 155 | — | 395 | 470 |
| 110,515 | 14,103 | 7 | — | — | 124,625 | 124,890 |
| — | — | 14,025 | — | — | 14,025 | 15,385 |
| 38 | — | 9,417 | — | — | 9,455 | 8,549 |
| — | — | — | 1,456 | — | 1,456 | 261 |
| — | — | — | 70,406 | — | 70,406 | 40,730 |
| — | 5 | 28 | 128 | — | 1,072 | 1,038 |
| 110,553 | 14,108 | 23,524 | 72,145 | 74,238 | 1,897,617 | 1,760,390 |
| 2,821 | 10,316 | 12,911 | (4,738) | — | 0 | 0 |
| 45,928 | 2,278 | 7,437 | (29,484) | (13,272) | 0 | 0 |
| — | — | — | — | — | 440,183 | 413,458 |
| 48,749 | 12,594 | 20,348 | (34,222) | (13,272) | 440,183 | 413,458 |
| 38,622 | 2,505 | 525 | 89,442 | (500) | 208,808 | 209,966 |
| 90,758 | 16,233 | 15,261 | 1,883,132 | 45,662 | 2,715,337 | 2,505,371 |
| $ 129,380 | $ 18,738 | $ 15,786 | $ 1,972,574 | $ 45,162 | $ 2,924,145 | $ 2,715,337 |

# STATE OF UTAH

## COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES COMPONENT UNITS — COLLEGE AND UNIVERSITY FUNDS

For the Fiscal Year Ended June 30, 1997 (Expressed in Thousands)

| | Total Unrestricted | Total Restricted | Total Current Funds June 30, 1997 | Total Current Funds June 30, 1996 |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Educational and General: | | | | |
| Tuition and Fees | $ 188,263 | $ 14,468 | $ 202,731 | $ 196,827 |
| Federal Appropriations | — | 3,765 | 3,765 | 3,788 |
| Governmental Grants and Contracts | 44,716 | 218,610 | 263,326 | 255,425 |
| Private Gifts, Grants, and Contracts | 3,236 | 78,391 | 81,627 | 76,378 |
| Investment and Endowment Income | 19,347 | 13,417 | 32,764 | 28,906 |
| Sales and Services of Educational Departments | 184,005 | 1,218 | 185,223 | 163,905 |
| Other | 8,554 | 7,045 | 15,599 | 12,406 |
| Total Educational and General Revenues | 448,121 | 336,914 | 785,035 | 737,635 |
| Hospital Sales and Services | 279,913 | — | 279,913 | 262,617 |
| Auxiliary Enterprises Revenues | 119,714 | — | 119,714 | 114,894 |
| Total Revenues | 847,748 | 336,914 | 1,184,662 | 1,115,146 |
| **Expenditures and Mandatory Transfers:** | | | | |
| Educational and General: | | | | |
| Instruction | 311,210 | 58,400 | 369,610 | 351,055 |
| Research | 28,164 | 163,139 | 191,303 | 175,795 |
| Public Service | 141,118 | 75,129 | 216,247 | 191,164 |
| Academic Support | 76,464 | 16,222 | 92,686 | 86,452 |
| Student Services | 50,193 | 10,653 | 60,846 | 58,637 |
| Institution Support | 93,930 | 8,530 | 102,460 | 98,320 |
| Operation and Maintenance of Plant | 69,084 | 3,759 | 72,843 | 71,508 |
| Student Aid | 20,685 | 53,376 | 74,061 | 73,665 |
| Total Educational and General Expenditures | 790,848 | 389,208 | 1,180,056 | 1,106,596 |
| Hospital Expenditures | 254,322 | 216 | 254,538 | 237,846 |
| Auxiliary Enterprises Expenditures | 119,651 | 1,169 | 120,820 | 116,477 |
| Mandatory Transfers, net Out (In) | 24,048 | (2,703) | 21,345 | 18,660 |
| Total Expenditures and Mandatory Transfers | 1,188,869 | 387,890 | 1,576,759 | 1,479,579 |
| **Other Transfers and Additions (Deductions):** | | | | |
| Excess of Restricted Receipts Over (Under) Transfers to Revenues | — | 24,121 | 24,121 | 19,185 |
| Refunded to Grantors | — | (12) | (12) | (2) |
| Nonmandatory Transfers, net | (18,606) | (12,384) | (30,990) | (24,615) |
| Operating Transfers from Primary Government (Note 11) | 386,504 | 53,679 | 440,183 | 413,458 |
| Other | (710) | (154) | (864) | (791) |
| Total Other Transfers and Additions | 367,188 | 65,250 | 432,438 | 407,235 |
| Net Increase (Decrease) in Fund Balances | $ 26,067 | $ 14,274 | $ 40,341 | $ 42,802 |

The accompanying notes are an integral part of the financial statements.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Utah have been prepared in conformity 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.

The accompanying financial statements present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the cash flows of the proprietary and nonexpendable trust funds. The financial statements are presented as of June 30, 1997, for the year then ended. The financial statements include the various departments, agencies, and other organizational units governed by the Utah State Legislature and/or Constitutional Officers of the State of Utah.

### A. Reporting Entity

For financial reporting purposes, the State of Utah has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The State has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board 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 (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.

As required by generally accepted accounting principles, these financial statements present the State of Utah (Primary Government) and its component units. Complete financial statements of the individual component units, which issued separate financial statements as noted below, can be obtained from its respective administrative offices or from the Utah State Auditor's Office, 211 State Capital, Salt Lake City, UT 84114.

The following state agencies and funds had separately issued financial statements and were audited by the Utah State Auditor's Office, or by other independent auditors:

- Applied Technology Centers (Special Revenue Fund) — There are five applied technology centers in the State which offer vocational education in various subjects. They are: Bridgerland, Davis, Ogden-Weber, Sevier Valley, and Uintah Basin. The Centers receive annual state appropriations for their operations and are included as an integral part of the Uniform School Fund. The individual Centers were audited by other independent auditors, and individual reports, dated from August 12, 1997, to September 12, 1997, have been previously issued under separate cover.

- Student Assistance Programs (Enterprise Fund) — This fund presents combined information from two student assistance programs: the Higher Education Assistance Authority, which guarantees repayment of eligible student loans; and the State Board of Regents Student Loan Purchase Program, which makes loans to and purchases loans of eligible students. The programs are funded from bond proceeds, loan fees, interest, and federal allowances. Both programs are administered by the State Board of Regents. The Regents are appointed by the Governor, subject to Senate approval. The Board of Regent's operations and administrative expenses are subject to legislative and executive control. Their reports, dated August 29, 1997, have been previously issued under separate cover.

- Utah Dairy Commission (Enterprise Fund) — The Commission is an independent state agency which promotes and advertises dairy products. It also conducts research and nutritional education about dairy products. The Commission's voting membership is comprised of representatives from the dairy industry, and its funding is from an assessment imposed on all milk and cream produced and sold through commercial channels in the State. The Commission was audited by other independent auditors for the period ended December 31, 1996, and their report, dated August 13, 1997, has been previously issued under separate cover.

- Utah Public Employees Group Insurance (Internal Service Fund) — This fund provides health and life insurance and is financed by employee and employer contributions from the State and other participating political subdivisions. The Fund is administered by the State Retirement Office, which is subject to legislative and executive control. The Fund was audited by other independent auditors and their report, dated August 29, 1997, has been previously issued under separate cover.

- Deferred Compensation Plan (Agency Fund) — The majority of the Deferred Compensation Plan is administered by the Utah State Retirement Board and is a voluntary deferred compensation program available to eligible State of Utah public employees whose employing unit participates in the Utah Retirement Systems. The Office of Education also participates in a plan, administered by a third party, whose assets are contained in the Agency Fund. Under these programs, compensation is deferred for income tax purposes under Section 457 of the Internal Revenue Code, and is placed into an investment option at the election of the individual employee. Assets within the Plan are reported at market value in the Agency Fund. As defined by Section 457 of the Internal Revenue Code, these funds are available to the creditors of employers until they become payable to the participant. The State believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future. Section 457 of the Internal Revenue Code was recently amended to provide that 457 funds are held in trust solely for the benefit of plan participants. As of June 30, 1997 this plan had not yet been amended to reflect the trust nature of this plan but this amendment is pending. The Plan was audited by other independent auditors for the period ended December 31, 1996, and their report, dated March 6, 1997, has been previously issued under separate cover.

**Blended Component Units**

These component units are entities which are legally separate from the State but which are so intertwined with the State that they are, in substance, the same as the State. They are reported as part of the State and blended into the appropriate funds.

- Utah State Building Ownership Authority (various fund types and account groups) — The Utah State Building Ownership Authority was created by the Legislature as a body politic and corporate for the purpose of financing, owning, leasing, operating, or encumbering facilities to meet the needs of state government. It is comprised of seven members which are appointed by the Governor.
- Utah State Retirement Office (Pension Trust Fund) — The State Retirement Office administers pension funds for various public employee retirement systems of the State and its political subdivisions. The Office is subject to state legislative and executive controls. The Governor, with Senate approval, appoints the Administrative Board. The administrative expenses are subject to legislative budget controls. The funds were audited by other independent auditors for the period ended December 31, 1996, and their report, dated March 6, 1997, has been previously issued under separate cover.

**Discrete Component Units**

These component units are entities which are legally separate from the State but which are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The component units columns of the combined financial statements include the financial data of these entities.

- Utah Housing Finance Agency (Proprietary Fund Type) — This agency is a body politic and corporate, composed of nine members. Three of the members are state officials and six members are citizens appointed by the Governor. The Agency 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. The Agency was audited by other independent auditors, and their report, dated August 22, 1997, has been previously issued under separate cover.
- Workers' Compensation Fund of Utah (Proprietary Fund Type) — The Workers' Compensation Fund is a nonprofit quasi-governmental corporation. It provides workers' compensation insurance to private and public employers and is financed through member (employer) premiums. The Fund is governed by a board of directors appointed by the Governor. Administrative operations and budgets are reviewed by the Governor and Legislature. The Fund is reported for the period ended December 31, 1996, and was audited by other independent auditors. Their report, dated February 14, 1997, has been previously issued under separate cover.
- Utah Technology Finance Corporation (Proprietary Fund Type) — This is a nonprofit organization which encourages and assists in the development, promotion, and growth of technological and small businesses throughout the State. The Corporation receives state appropriations for working capital. The board of trustees is appointed by the Governor and approved by the Senate. Their report, dated August 22, 1997, has been previously issued under separate cover.
- Comprehensive Health Insurance Pool (Proprietary Fund Type) — 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 denied adequate health insurance and are considered uninsurable. The Pool is governed by a board which is appointed by the Governor with the advice and consent of the Senate. The Pool is reported for the period ended December 31, 1996, and their report, dated April 18, 1997, has been previously issued under separate cover.
- Heber Valley Historic Railroad Authority (Proprietary Fund Type) — The Authority is an independent state agency which maintains and operates a scenic and historic railroad in and around the Heber Valley. The Authority consists of three members appointed by the Governor and approved by the Senate; the executive director of the Department of Transportation; and three local government officials from the Heber Valley. Their compilation report, dated September 30, 1997, has been previously issued under separate cover.
- Utah Science Center Authority (Proprietary Fund Type) — The Authority is an independent state agency created to provide a means to foster the development of science, arts, tourism, and cultural and educational facilities in order to further the welfare of the citizens of the State and its economic growth. The Authority consists of six members appointed by the Governor with consent of the Senate; and one member each from the State Board of Regents, the State Board of Education, Salt Lake City

Corporation, Salt Lake County Legislative body, State Department of Community and Economic Development, the Board of Travel Development, and three members from the Hansen Planetarium Board. The Authority's activity through June 30, 1997, is included in this report.

- Utah State Fair Corporation (Proprietary Fund Type) — This is a nonprofit public corporation created by the Legislature on July 1, 1995; the functions were previously accounted for in the Department of Community and Economic Development. The Corporation operates the State Fair Park and conducts the Utah State Fair and other various expositions and entertainment events. It is governed by a board of directors appointed by the Governor and approved by the Senate. It receives state appropriations for operations and working capital. Their report, dated August 15, 1997, has been previously issued under separate cover.

- Colleges and Universities (College and University Funds) — The University of Utah, Utah State University, Weber State University, Southern Utah University, Dixie College, College of Eastern Utah, Snow College, Salt Lake Community College, and Utah Valley State College are included in the College and University funds. Each college and university is governed by a board of trustees. Each board of trustees is comprised of individuals appointed by the Governor and approved by the Senate; the president of the institution's alumni association; and the president of the institution's associated students. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants. The colleges and universities were audited by the State Auditor or other independent auditors, and individual reports, dated from September 24, 1997, to October 10, 1997, have been previously issued under separate cover. Because the colleges and universities are similar in nature and function, they have been combined and presented as a single component unit.

Entities such as the local school districts and local authorities of various kinds which may meet only one of the criteria for inclusion in this report, have not been included. (The State's support of the public education system is reported in the Uniform School Fund, a Special Revenue Fund.)

### B. Fund Accounting

Financial activities are recorded in individual funds classified by type, each of which is deemed to be a separate accounting entity. The financial position and operations of each fund are accounted for in separate self-balancing accounts which represent the fund's assets, liabilities, fund balances, equities, revenues, expenses, and expenditures.

The State uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The financial activities of the State of Utah are classified in three fund categories, two account groups, and component units, as described below. The fund categories include governmental funds, proprietary funds, and fiduciary funds. Account groups are composed of general fixed assets and general long-term obligations.

1. The State's governmental funds are used to account for the State's general activities and include:

   **The General Fund** is the principal operating fund of the State. It is used to account for all financial resources which are not accounted for in other funds. The services accounted for in the General Fund include, among others: general government, public safety, judicial, public health and welfare, business licensing and regulation, and higher education. Resources obtained from federal grants and used for services provided by General Fund entities, consistent with applicable legal requirements, are recorded in the General Fund.

   **The Special Revenue Funds** (Uniform School Fund, Transportation Fund, Centennial Highway Fund, Sports Authority Fund, Consumer Education Fund, and Federal Retirees Settlement Fund) are used to account for specific revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue Funds include transactions related to the Offices of Education and Rehabilitation, the Department of Transportation, the Utah Sports Authority, the Department of Commerce Securities Division and Consumer Protection Division, and the settlement of a class action lawsuit filed by the federal retirees against the State.

   **The Capital Projects Fund** accounts for resources obtained and used for the acquisition, construction, or improvement of certain capital facilities (except those financed by proprietary funds). Such resources are derived principally from proceeds of general obligation bond issues, revenue bonds, and operating transfers from the State's General Fund. The State enters into long-term contracts for the construction of major capital projects and records the commitments as encumbrances. (See Note 5.)

   **The Debt Service Fund** accounts for resources obtained and used for the payment of interest and principal on general long-term debt obligations and on general revenue bonds which are funded from general governmental fund operations.

2. The proprietary funds include:

   **The Enterprise Funds** account for operations similar to a private business enterprise. They are also used to account for operations where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The intent of the State is that the cost of providing the goods or services to the general public on a continuing basis should be financed primarily through user charges.

   **The Internal Service Funds** are a variety of independent operations that provide goods and/or services to other state departments or other political subdivisions on a cost reimbursement basis. The largest funds are the Water Resources and Permanent Community Impact Loan Funds. The Water Resources Loan Fund provides loans to local governments, water districts, and other entities for upgrading water storage facilities and related structures. The Community Impact Loan Fund provides loans to local governments to alleviate social, economic, and public financial impacts resulting from the development of the State's natural resources. Grants authorized by the Permanent Community Impact Fund Board amounting to $8.990 million were transferred to and expended in the General Fund during the year. The Risk Management Fund provides a broad range of property and liability insurance coverage to most state agencies and to several voluntarily participating school districts.

3. The fiduciary funds account for assets held by the State in a trustee capacity or as an agent for other individuals, other governmental units, or other funds. Fiduciary funds are comprised of:

   **The Pension Trust Funds** account for the transactions, assets, liabilities, and fund equity of the State Retirement Systems.

   **The Nonexpendable Trust Fund** accounts for the transactions, assets, liabilities, and fund equity of the State School and Institutional Trust Lands. The Trust Land Fund was created from the federal *Enabling Act* land grants and the sale of such lands. The Fund's principal is nonexpendable, whereas the earnings on the principal are used to increase the fund's principal and to support education in the State.

   **The Expendable Trust Funds** account for assets received and expended by the State as trustee, and include the following funds: Unemployment Compensation Trust, Employers' Reinsurance Trust, Utah Navajo Trust, and miscellaneous small deposits and trusts held in a trustee capacity that are consolidated into the Restricted Trust Fund.

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

4. Account groups consist of the following:

   **The General Fixed Assets Account Group** is used to account for land, buildings, and equipment of the governmental fund types. Fixed assets of the Pension Trust Funds, proprietary fund types, and colleges and universities are accounted for separately in their respective funds.

   **The General Long-Term Obligation Account Group** accounts for the State's unmatured long-term obligations related to general obligation bonds, revenue bonds, and capital lease obligations. It also accounts for the Department of Employment Security's leave/postemployment benefit obligations. Long-term obligations of the proprietary funds, trust funds, and the college and university funds are accounted for in their respective funds.

5. The component units include College and University Funds and other proprietary type organizations which are legally separate from the State but are considered part of the reporting entity. The College and University Funds are as follows:

   **The Current Funds** account for unrestricted funds, over which the governing boards retain full control in achieving the institutions' purposes; and for restricted funds, which may be used only in accordance with externally restricted purposes.

   **The Loan, Endowment, and Agency Funds** account for assets in which the institutions act in a fiduciary capacity.

   **The Plant Funds** account for institutional property acquisition, renewal, replacement, and debt service.

   **Foundations and Institutes** account for related component units of the colleges and universities. These entities are controlled by the colleges and universities either by appointing the board of directors or by holding a majority of seats on the board.

C. **Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using the flow of current financial resources measurement focus. Operating statements of these funds present increases in spendable resources as revenues and other financing sources, and decreases in spendable financial resources as expenditures and other financing uses.

The nonexpendable trust fund, pension trust funds, and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund equity (i.e., net assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

All governmental funds, expendable trust funds, and agency funds are maintained and reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and related current assets are recognized when measurable and when available to finance operations during the year or to liquidate liabilities existing at the end of the year. Principal revenue sources susceptible to accrual under the modified accrual basis of accounting include: sales taxes, income taxes, other taxpayer-assessed taxes, federal revenues, departmental collections, and interest on investments. Expenditures are recorded when the fund liabilities are incurred. Modifications to the accrual basis of accounting include:

- Inventories of materials and supplies in the General Fund and Special Revenue Funds are recorded as expenditures when purchased, except for the following which are recorded as expenditures when consumed: food stamp inventories in the General Fund, inventories of applied technology centers in the Uniform School Fund (Special Revenue Funds), and inventories in the Transportation Fund (Special Revenue Funds).

- Prepaid expenses are not recorded.

- Principal and interest on general long-term debt are recorded as fund liabilities 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.

The accounts of the Enterprise, Internal Service, Nonexpendable Trust, Pension Trust, and Proprietary Type Component Unit Funds are reported using the accrual basis of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

The following proprietary funds apply all GASB pronouncements and all applicable FASB pronouncements issued on or before November 30, 1989, in the accounting and reporting of their operations: Enterprise Funds — Alcoholic Beverage Control, Utah Correctional Industries, Agriculture Loan Fund, Utah Dairy Commission, Clean Fuels Vehicle Loan Fund, Petroleum Storage Tank Loan Fund, Waste Tire Recycling Loan Fund, and Revitalization Programs; Internal Service Funds — Water Resources Loan Fund, Information Technology Fund, Community Impact Loan Fund, General Services Fund, Human Services/Internal Service Fund, Office of Education/Internal Service Fund, Natural Resources/Internal Service Fund, Risk Management Fund, and Property Management Fund; Component Units — Housing Finance Agency, Comprehensive Health Insurance Pool, Utah Science Center Authority, and Utah State Fair Corporation.

The following proprietary funds apply all GASB pronouncements and all applicable FASB pronouncements in the accounting and reporting of their operations: Enterprise Funds — Student Assistance Programs; Internal Service Funds — Employees Group Insurance Fund; Component Units — Workers' Compensation Fund, Technology Finance Corporation, and Heber Valley Historic Railroad Authority.

The Component Unit College and University Funds are an aggregate of the institutions' separate financial statements and are accounted for on the accrual basis of accounting, with the following exceptions:

- Depreciation expense related to plant fund assets is not recorded.

- Revenues and expenditures of an academic term encompassing more than one fiscal year are reported solely in the fiscal year in which the program is predominantly conducted.

The presentation of component units is not meant to be a consolidation since transactions within the state entity have not been eliminated, nor have fixed assets or long-term debt been reported in the applicable state account groups. However, appropriations to the component units are recorded as operating transfers out of the General Fund and as operating transfers into the component unit organization.

### D. Budgeting and Budgetary Control

The State budgets are adopted on the modified accrual basis of accounting except for certain intrafund revenues and expenditures that are recognized for budgetary purposes. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, includes this variation from GAAP and is, therefore, prepared on a budgetary basis. The total variance from GAAP consists of the elimination of the intrafund activity and appropriations to colleges and universities which are identified in the combined statement mentioned above.

The Legislature enacts annual budgets for the General Fund, Special Revenue Funds, and the Debt Service Fund through passage of the *Appropriations Act.* Capital Projects Fund appropriations are for projects that may extend over several fiscal years.

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

### Legal Compliance — Budgets

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 and February, the proposed budget is presented to the Legislature. The Legislature reviews the budget, makes changes, and prepares the annual *Appropriations Act*. The Legislature passes the *Appropriations Act* by a simple majority vote. The *Appropriations Act* becomes the State's authorized operating budget upon the Governor's signature. The appropriations may not exceed the available funding for the fiscal year.

Budgetary control is maintained at the functional or organizational level, as identified by numbered line items in the *Appropriations Act*. Budgets may be modified if federal funding or revenue specifically dedicated for a line item exceeds original estimates in the *Appropriations Act*. If funding sources are not sufficient to cover the appropriation, the Governor is required to reduce the budget by the amount of the deficiency. Any other changes to the budget must be approved by the Legislature in a supplemental appropriation. During the fiscal year, supplemental appropriations of $43.69 million were provided to enhance various programs. The supplemental appropriations were possible because of increases in unrestricted revenue and unreserved fund balances from prior years.

The departments which spend more than the authorized amount must submit a report explaining the overspending to the State Board of Examiners. The Board will recommend corrective action, which may include a request to the Legislature for a supplemental appropriation to cover the deficit. If a supplemental appropriation is not approved by the Legislature, the department must cover the overspending with the subsequent year's budget. There was a $296 thousand expenditure for abortion litigation attorney fees that had no appropriation. It will be funded from an appropriation in fiscal year 1998. The Legislature had an overexpenditure of $3 thousand that will be covered by fiscal year 1998 appropriations. The State Courts Administrator's budget for juror and witness fees was overexpended by $62 thousand and will be funded with future appropriations. The Transportation Department was overexpended in the following line items: Engineering Services by $324 thousand, and District Management by $172 thousand. Engineering Services and District Management resulted from the federal and state funding mix differing from estimates. An appropriation in the current year will be requested to correct the overspending. All other appropriated budgets of the State were within their authorized spending levels.

#### Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is used in the Capital Projects Fund as detailed in Note 5. Generally, state law prohibits the use of current fiscal year appropriations to cover outstanding encumbrances at fiscal yearend in the General Fund or Special Revenue Funds. However, the one exception to this rule is if a purchase order for equipment is issued prior to May 1 and delivery is expected, but unfulfilled, by June 30. If these conditions are met, the outstanding encumbrance can be carried as a nonlapsing appropriation.

These nonlapsing appropriations for qualified outstanding encumbrances at fiscal yearend are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during subsequent years.

All other encumbrances outstanding at fiscal yearend may be canceled or may be re-encumbered and honored with subsequent year appropriations.

### E. Cash and Cash Equivalents and Investments

Cash and investment management in the State is administered by the State Treasurer in accordance with the Money Management Act, Chapter 51–7, *Utah Code Annotated, 1953*, as amended. The Act specifies the investments that may be made, which are only high-grade securities and, therefore, there is very little credit risk except in the most unusual and unforseen circumstances. The investments include variable rate corporate notes and obligations of U.S. government agencies which base their rates on standard quoted money market indexes that have a direct correlation to the federal funds rate and, therefore, there is very little market risk because the investments follow the normal swings of interest rates. The Pension Trust Fund, Workers' Compensation Fund, Utah Housing Finance Agency, and Utah Public Employee's Group Insurance are exempt from the Act; however, they are governed statutorily by the prudent man rule. The Pension Trust Fund is invested in domestic and international equities and fixed income, corporate and government bonds, short-term securities, real estate and real estate mortgages, joint ventures, and venture capital.

- Cash and Cash Equivalents — Cash equivalents are carried at cost or amortized cost which approximates market value. 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.

  Cash and Cash Equivalents, as reported on the balance sheet, are under the control of the State Treasurer or other administrative bodies as determined by law. 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.

Cash equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date. The Student Loan Purchase Program (Enterprise Fund) uses a trustee for their long-term investing needs, and they consider any cash and cash equivalents held by their trustee as investments. Utah Housing Finance Agency (Component Units – Proprietary Funds) considers only cash deposits, including certificates of deposits with maturities generally less than 90 days, to be cash equivalents.

- Investments, as reported on the balance sheet, include investments which are not considered cash equivalents. These investments may be restricted by law or other legal instruments. Investments are under the control of the State Treasurer or other administrative bodies as determined by law. These investments are carried at amortized cost. Equity securities (stocks) are generally stated at cost, which is lower than market value at the balance sheet date. Pension Trust Fund investments are presented at fair value.

  The Unclaimed Property Expendable Trust Fund holds escheat investments of $4.053 million of equity securities which are stated at market value. Workers' Compensation Fund (Component Unit) equity securities and investments available for sale are carried at market value. The investments for College and University Funds (Component Unit) include $7.605 million of revenue bonds issued by the Utah Housing Finance Agency (Component Unit) and $505 thousand of revenue bonds issued by other colleges and universities. The investments for the Workers' Compensation Fund include $1.83 million of revenue bonds issued by the Colleges and Universities and $539 thousand of revenue bonds issued by the Utah Housing Finance Agency. The investments for component units include $213.804 million in the primary government Trust and Agency Funds investment pools.

- Deferred compensation plan assets are presented separately on the balance sheet and are carried at market value.

- Colleges and Universities — Certain funds are held in trust by external fiscal agents, selected by the donors. The agents distribute net income earned by such funds to the college or university named as beneficiary, where it is recorded as revenue when received. These funds are not recorded on the financial records of the college or university. The market value of funds held in trust at June 30, 1997, was $43.409 million.

## F. Receivables

- Accounts Receivable in the governmental fund types consist mainly of amounts due from the federal government where collection is reasonably assured. Accordingly, no allowance for uncollectible accounts has been established. Amounts included in the Unemployment Compensation Expendable Trust Fund consist largely of delinquent employer contributions and benefit overpayments, and are shown net of an allowance for doubtful accounts of $7.031 million. Pension Trust Fund receivables consist of amounts due on investment contracts and on employee and employer contributions. Collection of these receivables is reasonably assured; therefore, no allowance for uncollectible accounts has been established.

- Accounts Receivable and Notes Receivable reported in the College and University Funds (Component Units) are shown net of an allowance for doubtful accounts of $33.501 million and $991 thousand, respectively. Gifts and pledges are recognized when collected. It is not practical to estimate the net realizable value of these amounts prior to collection. Uncollected pledges at June 30, 1997, were $116.889 million, of which $19.163 million is due within one year and $97.726 million is due thereafter. Accounts Receivable in the Workers' Compensation Fund (Component Units) consist of premiums in the course of being collected, and are shown net of an allowance for doubtful accounts of $2.813 million.

- Notes/Mortgages Receivable 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 noninterest bearing. Student loans in the Student Assistance Programs of the Enterprise Funds are fixed and variable rate federally insured loans. Student loans are insured at 98 percent of their principle balance and, accordingly, an allowance of $1.683 million has been made for potential loan losses. Loans receivable in Utah Technology Finance Corporation are reported net of a provision for loan losses of $1.928 million. Mortgages receivable of the Utah Housing Finance Agency are insured against loss or are guaranteed by private mortgage companies or governmental agencies. Because of these guarantees, no provisions for possible loan losses have been provided.

- Accrued Taxes are receivables for taxpayer-assessed taxes for the reporting period ending June 30 which are due to the State by July 31 and paid shortly thereafter. At June 30, 1997 the receivable decreased $11.345 million in the Uniform School Fund (Special Revenue Fund) causing a negative revenue on the operating statements.

- Receivables Unbilled represent an amount equal to costs incurred by the Department of Transportation on highway construction projects which are eligible for reimbursement from the federal government upon modification of the related project contracts. When federal funds are available for recovery of the costs, the receivables will be billed.

### G. Advances to Other Funds

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

### H. Inter/Intrafund Transactions

Interfund Transactions — The composition of the State's interfund receivables and payables at June 30, 1997, is presented in Note 4. The State has three types of interfund transactions, as follows:

- Services rendered and employee benefit contributions — These transactions are accounted for as revenues, expenditures, or expenses in the funds involved.
- Operating appropriations/subsidies — These are accounted for as operating transfers in the funds involved.
- Equity and working capital contributions — These are accounted for as residual equity transfers (additions to or deductions from beginning governmental fund balances or proprietary fund retained earnings or contributed capital).

Intrafund Transactions — Intrafund transactions, as a result of contracts between departments and/or agencies within the same fund, are considered expenditures by the contractor and revenues by the contractee for budgetary purposes. However, in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances, intrafund revenues and expenditures have been eliminated. The amount of the eliminations by fund is reflected in the Combined Statement of Revenues, Expenditure's, and Changes in Fund Balances – Budget and Actual.

### I. Inventories

Inventories of materials and supplies are determined both by physical counts and through perpetual inventory systems. Proprietary funds and College and University Funds inventories are valued at the lower of cost or market. Methods include first-in-first-out (FIFO), last-in-first-out (LIFO), average cost, weighted average, weighted moving average, and retail inventory method.

Governmental fund inventories are recorded as expenditures when purchased, except for the Transportation Fund and the applied technology centers in the Uniform School Fund (Special Revenue Fund) inventories; and food stamps inventories in the General Fund, which are recorded as expenditures when consumed. Transportation Fund inventories are valued using a weighted average cost. Applied technology center inventories are valued at cost, average cost, or lower of cost or market, using FIFO and retail methods. Food stamps are valued at coupon value and any unexpended balances at fiscal yearend are also reported as deferred revenues.

### J. Fixed Assets

Fixed assets used in governmental-type operations (general fixed assets) are recorded as expenditures in the governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Interest expense for fixed asset construction in the Enterprise Funds and in some colleges and universities is capitalized. All other interest expense incurred during construction of capital facilities is considered immaterial and is not capitalized. Public domain ("infrastructure") general fixed assets are normally immovable and of value only to the State. Infrastructure, which includes roads, bridges, dikes, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, is not capitalized by the primary government or its proprietary fund type component units. Colleges and universities capitalize infrastructures as buildings and improvements.

- Land is stated at cost or estimated cost at the time of acquisition. Donated land is valued at its estimated fair market value at the donation date. The majority of land in the Nonexpendable Trust Fund was acquired under the federal *Enabling Act of 1894*. At June 30, 1997, the total land held by the trust fund is 3.723 million acres, and the majority of this land is included for reporting purposes at the assigned value of approximately one dollar per acre. The University of Utah (College and University Funds) has valued all land acquired through federal grants at three thousand dollars per acre.
- Buildings and other fixed assets are recorded at historical 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.
- Assets in the General Fixed Assets Account Group and in the College and University Funds – Plant Funds are not depreciated. Foundations and Institutes' assets, which are included in the College and University Funds, are stated net of accumulated depreciation of $9.337 million. Buildings and equipment in the foundations and institutes, and proprietary and fiduciary fund types are depreciated on a straight-line basis over their estimated useful lives, which extends to 40 years on buildings and 3 to 12 years on equipment. Automotive equipment in the Internal Service Funds is depreciated using a straight-line basis over an estimated life of 5 years.

### K. Deferred Charges

The amounts reported as deferred charges represent issuance costs on bonds amortized over the life of the issue using the bonds-outstanding method or straight-line method, which approximates the interest method.

### L. 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. It also includes an estimate of the State's liability in a lawsuit with the federal retirees. Interest accrued on general long-term debt due shortly after fiscal yearend is also reported in the Debt Service Fund as accrued liabilities.

The *Tax Reform Act of 1986* requires governmental entities issuing tax-exempt bonds to refund to the U.S. Treasury interest earnings on bond proceeds in excess of the yield on those bonds. Governmental entities must comply with arbitrage rebate requirements in order for their bonds to maintain tax-exempt status. Entities are required to remit arbitrage rebate payments to the federal government at least once every five years over the life of the bonds. Some State of Utah bonds may be exempt from the rebate requirements if they meet certain statutory exceptions per the regulations. In the Debt Service Fund and the Housing Finance Agency Fund (Component Unit), the arbitrage liability is treated as a reduction of interest revenues. At June 30, 1997, the State's total estimated arbitrage rebate liabilities in these funds were $2.339 million and $2.296 million, respectively. In the Student Assistance Programs Fund (Enterprise Fund), the arbitrage liability is treated as a current expense. At June 30, 1997, the total estimated arbitrage rebate liability in this fund was $5.764 million, of which $4.5 million represents yield reduction payments.

### M. Deferred Revenue

Deferred revenue is principally federal funds received in advance of the authorized expenditure. Special Revenue Funds' deferred revenues include amounts expended by the Transportation Fund on federally participating construction projects which are eligible for reimbursement but for which the funds are not available until a modified project agreement is submitted. These amounts will be billed to the federal government and recorded as revenue in future periods as funds become available. College and University Funds' deferred revenue consist primarily of summer school tuition and fees which will be recognized during the next fiscal year. Deferred revenue for the Student Assistance Programs (Enterprise Fund) is primarily guarantee fees which are recognized as income over a period of ten years using the sum-of-the-years-digits method.

### N. Contractor Retention

Construction contracts awarded by the Department of Transportation (Special Revenue Fund) and those in the Capital Projects Fund usually include provisions to withhold a percentage of the payments until the project reaches a certain stage of completion. Utah law allows the departments to deposit these funds in an escrow account at the contractor's trustee bank at the time the expenditure is recognized. The State controls only the release of these funds; the assets in the accounts are considered the property of the contractor. Therefore, no assets and liabilities for these escrow accounts have been included in the financial statements in either the Transportation Fund or the Capital Projects Fund. At June 30, 1997, $10.284 million from the Department of Transportation and $7.843 million from the Capital Projects Fund were being held in contractor escrow accounts.

### O. Policy Claim Liabilities

The liabilities are for insurance claims incurred prior to the reporting date and are based on actuarial estimates.

### P. 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 in governmental and college and university funds are recorded as revenues when the related expenditures are incurred.

Federal grants include nonmonetary transactions for food and other commodities; and food stamps. Unexpended balances of food stamps at fiscal yearend are reported in the General Fund as inventory and deferred revenue. Commodities revenue and expenditures are valued at their federally reported value. Commodity inventories at yearend are immaterial. For the fiscal year ended June 30, 1997, the State reported revenue and expenditures of $64.542 million for food stamps and $3.270 million for commodities in the General Fund, and $7.158 million for commodities in the Uniform School Fund (Special Revenue Fund).

### Q. Bond Discounts/Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method or straight-line method, which approximates the effective interest method. Bond discounts in the College and University Funds are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method.

### R. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants, contributions from the public, or working capital transfers from other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

### S. Retirement and Employee Benefit Costs

Most state employees participate in the State Retirement System. Contributions collected for the State Retirement System and the retirement benefits paid are both accounted for in the Pension Trust Funds. All costs for pension, health, and federal social security benefits in governmental fund types are reported as personnel service expenditures in the appropriate fund. Benefit costs applicable to proprietary fund types are reflected as expenses in the proprietary funds.

### T. Compensated Absences

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 six hours every two weeks after ten years of employment. There is no requirement to use vacation leave, but a maximum of 40 days may be carried forward at the beginning of each calendar year. Vacation leave is expended when earned.

Employees earn sick leave at a rate of four hours for each two week period, with no limit to the amount that can be accumulated. The State does not reimburse employees for unused sick leave upon termination except employees eligible for retirement. Sick leave is expended when used. At retirement, the State will pay an employee up to 25 percent of the employee's accumulated sick leave and will pay for premiums to maintain health and life insurance coverage for up to five years or until the employee turns age 65, whichever comes first. An estimate of the liability for this retirement benefit has been recorded in the operating funds of the State.

In fiscal year 1994, the State implemented compensated absences and postemployment benefit pools within the General Fund and Special Revenue Funds. The pools hold assets to fully fund the liability for vacation leave and postemployment benefits. The pools' liabilities were funded with a one-time increase in fund equity from the accrual of taxpayer-assessed taxes. The ongoing payments from the pools are provided by charges to agency budgets as benefits are earned. Vacation leave taken as time off is paid from current budgets when used. Payment of leave balances at termination and payment of postemployment benefits are made from the compensated absences and postemployment benefit pools.

The General Fund and Special Revenue Funds account for their liability for compensated absences and postemployment benefits within their own funds. Certain proprietary funds and expendable trust funds of the primary government have transferred their liability for vacation leave and postemployment benefits, along with related assets to fund the liability, to the General Fund Compensated Absences and Postemployment Benefit Pool. The liability for the Department of Employment Security, a General Fund agency, is not included in the General Fund Pool because the liability is not funded. The liability is recorded in the General Long-Term Obligation Account Group.

The total liability for vacation leave and postemployment benefits at June 30, 1997, was $191.092 million, of which $134.991 million was reported in the General Fund, $17.019 million was reported in the Uniform School Fund, $28.458 million was reported in the Transportation Fund, and $10.624 million was reported in the General Long-Term Obligation Account Group.

Compensatory time for overtime worked may be earned up to a maximum of 80 hours. Any overtime exceeding 80 hours is paid when earned. Compensatory time is expended when earned.

College and universities' vacation and sick leave earnings policies vary slightly among institutions and from the above. Vacation leave is expended when earned and sick leave is expended when used. At June 30, 1997, the total liability for unused vacation leave in the College and University Funds was $31.866 million.

### U. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligation Account Group. Long-term liabilities expected to be financed from proprietary funds, trust funds, and college and university funds operations are accounted for in those funds. The amounts reported in the Combined Balance Sheet for the General Long-Term Obligation Account Group include: $367.160 million general obligation bonds, which will be paid from the General Fund and Special Revenue Fund appropriations as the bonds mature; $213.345 million building lease revenue bonds, which will be repaid from rent payments from state agencies; $7.135 million revolving loan revenue bonds, which are secured by notes receivable in the General Fund's Water Security Enhancement Revolving Loan Programs and will be paid from the collection of loans receivable; and $30.720 million of obligations under capital lease commitments. (See Notes 6 and 7.) Also included is $10.624 million of leave/postemployment benefits for the Department of Employment Security which will be funded in the future by the federal government.

### V. Totals (Memorandum Only)

Total columns (Memorandum Only) have been added to certain statements for the primary government and the reporting entity. The total columns include interfund activity and are not comparable to consolidated financial statements, but are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. The primary government includes all funds, organizations, account groups, agencies, boards, commissions, and authorities that are not legally separate from the State. The reporting entity includes the primary government and all of its component units.

## NOTE 2. BEGINNING FUND BALANCE/EQUITY ADJUSTMENTS AND OTHER CHANGES

### Beginning Fund Balance/Equity Adjustments

Effective July 1, 1996, the Legislature consolidated the Clean Fuels Conversion Public Internal Service Fund with the Clean Fuels Conversion Private Enterprise Fund and the name was changed to the Clean Fuels Vehicle Loan Fund. This resulted in a contributed capital transfer of $880 thousand and a residual equity transfer of retained earnings of $99 thousand from the Internal Service Funds to the Enterprise Funds.

Also effective July 1, 1996, some components of the Information Technology Internal Service Fund were terminated. The contributed capital of $1.242 million was disposed of by transferring fixed assets with a book value of $593 thousand to the General Fixed Assets Account Group, transferring $598 thousand for deficit Internal Service Fund retained earnings, and transferring $51 thousand cash to the General Fund.

### Correction of Lease Classification

Certain leases previously recorded as operating leases were determined to be capital leases. Beginning balances in the General Fixed Asset Account Group for buildings were increased by $9.485 million to correct the error. Beginning balances for capital leases payable and for the resources to be provided in future years were increased by $9.3 million in the General Long-Term Obligation Account Group.

### Changes in Accounting Principle

The Utah Retirement System (Trust and Agency Funds) and Utah Public Employees Group Insurance Program (Internal Service Fund) adopted Statement No. 28 of the Governmental Accounting Standards Board (GASB No.28) *Accounting and Financial Reporting for Securities Lending Transactions* for their years ended December 31, 1996, and June 30, 1997, respectively. This resulted in the presentations of securities lending reporting as explained in Note 3. C. of the notes to the Financial Statements. The 1996 financial memorandum only columns were restated to reflect an increase in investments for the two entities of $1,058.586 million and $49.193 million respectively and an increase in securities lending liability of the same amount. Since the securities lending collateral is in a pool maintained by the custodian bank, it was not necessary to report the total income and expenses of securities lending. Rather, the net income from securities lending, which was already appropriately reported in the prior year's financial statements, remained unchanged.

### Unusual Reduction in Actuarial Estimates (Trust and Agency Funds)

The Employers' Reinsurance Fund (Expendable Trust Fund) is liable for claims incurred prior to July 1, 1994. The estimated actuarial liability has changed as better information is available from claims being reported and paid. This resulted in a gain of $56.816 million, which is reported as miscellaneous revenue in the Trust and Agency Funds.

## NOTE 3. DEPOSITS AND INVESTMENTS

Listed below is a summary of the deposit and investment portfolio that represents the Cash and Cash Equivalents, Investments, and Deferred Compensation Plan Assets on the June 30, 1997, balance sheet. Investing is governed by the prudent man rule, in accordance with the Money Management Act, Chapter 51–7, *Utah Code Annotated, 1953*, as amended. Except certain repurchase agreements, all securities purchased or held and all evidence of deposits and investments must be in the custody of the State, or may be held by an agent in the State's name. Investment transactions may be conducted only through qualified depositories, or certified dealers, or directly with issuers of investment securities.

### A. Deposits

At June 30, 1997, the carrying amount of the State's deposits for the primary government was $12.898 million and $17.667 million for the component units. At June 30, 1997, the bank balance was $89.077 million and $42.218 million for the primary government and component units, respectively. Of the bank balance for the primary government, $4.531 million was covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held by the State's agent in the name of the State. Of the bank balance for the component units, $3.634 million was covered by the FDIC or by collateral held by the State's agent in the name of the State. The remaining deposits for the primary government and component units were uninsured and uncollateralized and were held by various financial institutions. The State of Utah does not require collateral on deposits. However, the State Commissioner of Financial Institutions monitors financial institutions monthly and establishes limits for deposit of public money at individual financial institutions.

### B. Investments

Statutes authorize the State to invest in negotiable and nonnegotiable certificates of deposit; repurchase and reverse repurchase agreements; commercial paper; bankers' acceptances; obligations of the U.S. Treasury and certain agencies of the U.S. Government; corporate obligations; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; shares or certificates in open-end managed money market mutual funds; and various other investments.

Authorized investments are subject to certain restrictions. Certain state agencies and component units are also allowed by statute to invest in investment contracts, equity securities, real estate, and other investments. In addition to investments authorized by statute, bond proceeds are invested in other investments in accordance with the applicable bond resolutions. Investment types for Pension Trust Funds are not restricted by state statute and are presented at fair value.

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

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

| | Category | | | | |
|---|---|---|---|---|---|
| | 1 | 2 | 3 | Carrying Amount | Market Value |
| Repurchase Agreements | $ — | $ 1,113 | $ 162,924 | $ 164,037 | $ 164,037 |
| U.S. Government Securities | 811,489 | 6,659 | — | 818,148 | 814,887 |
| Negotiable Certificates of Deposit | 138,994 | — | — | 138,994 | 139,114 |
| Commercial Paper | 61,732 | — | — | 61,732 | 61,739 |
| Corporate Bonds and Notes | 3,322,920 | — | — | 3,322,920 | 3,325,585 |
| Equity Securities | 2,605,343 | — | — | 2,605,343 | 2,605,343 |
| Municipal and Public Utility Bonds | — | — | — | — | — |
| Total | $ 6,940,478 | $ 7,772 | $ 162,924 | 7,111,174 | 7,110,705 |
| Mutual and Escrow Funds | | | | 3,237,962 | 3,259,380 |
| Investment Contracts | | | | 372,026 | 372,026 |
| Investment in U.S. Treasury Investment Pool | | | | 545,110 | 545,110 |
| Component Units Investment in Primary Government's Investment Pool | | | | (213,804) | (213,804) |
| Real Estate | | | | 104,297 | 104,297 |
| Real Estate Mortgages | | | | 357,441 | 357,441 |
| Real Estate Joint Ventures | | | | 349,602 | 349,602 |
| Investments Held by Broker-Dealers Under Securities Lending Program: | | | | | |
| U.S. Government Securities | | | | 630,807 | 632,122 |
| Equity Securities | | | | 574,334 | 574,334 |
| Corporate Bonds and Notes | | | | 53,184 | 53,184 |
| Securities Lending Short-Term Collateral Investment Pool | | | | 1,301,730 | 1,301,730 |
| Total Investment | | | | $ 14,423,863 | $ 14,446,127 |

The Pension Trust Fund owns approximately 56.7 percent of the investments that are in Category 1.

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

| | Category 1 | Category 2 | Category 3 | Carrying Amount | Market Value |
|---|---|---|---|---|---|
| Repurchase Agreements | $ — | $ — | $ 28,892 | $ 28,892 | $ 28,892 |
| U. S. Government Securities | 741,283 | 6,279 | 51,999 | 799,561 | 813,225 |
| Negotiable Certificates of Deposit | 3,661 | — | — | 3,661 | 3,661 |
| Corporate Bonds and Notes | 94,170 | 575 | 5,811 | 100,556 | 102,775 |
| Equity Securities | 104,500 | 372 | 10,735 | 115,607 | 128,487 |
| Municipal and Public Utility Bonds | 34,603 | 1,340 | 2,068 | 38,011 | 38,202 |
| Total | $ 978,217 | $ 8,566 | $ 99,505 | 1,086,288 | 1,115,242 |
| Mutual and Escrow Funds | | | | 205,418 | 244,081 |
| Investment Contracts | | | | 271,522 | 271,522 |
| Investment in Primary Government's Investment Pool | | | | 213,804 | 213,804 |
| Real Estate | | | | 4,810 | 4,787 |
| Total Investments | | | | $ 1,781,842 | $ 1,849,436 |

C. **Securities Lending**

The Utah Retirement System (Trust and Agency Funds) and the Utah Public Employees Group Insurance Program (Internal Service Funds) participate in a security lending program as authorized by their Boards. Under this program, securities are transferred to an independent broker or dealer in exchange for collateral in the form of cash, government securities, and irrevocable bank letters of credit equal to 102 percent of the market value of the domestic securities on loan and 105 percent of the market value of the international securities on loan. There is a simultaneous agreement to return the collateral for the same securities in the future. For both state entities the custodial agent is the agent for its securities lending program. Securities under loan are maintained in both state entities' financial records and are presented as unclassified in the preceding summary of custodial risk. Corresponding assets and liabilities are recorded for the market value of the collateral received.

At yearend neither state entity had any credit risk exposure to borrowers because the collateral exceeded the amount borrowed. The securities on loan at yearend for the entities were $1.213 billion and $45.104 million, respectively, and the collateral received for those securities on loan was $1.255 billion and $46.581 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 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. This cannot be determined by the state entities.

### NOTE 4. DUE FROM/TO OTHER FUNDS

**At June 30, 1997**
*(Expressed in Thousands)*

| | Interfund Receivables | Interfund Payables |
|---|---|---|
| General Fund | $ 55,221 | $ 12,044 |
| Special Revenue Funds: | | |
| Uniform School | 1,770 | 2,127 |
| Transportation | 5,354 | 21,281 |
| Centennial Highway | — | 2,485 |
| Sports Authority | 2 | 7,300 |
| Federal Retirees Settlement | 876 | — |
| Capital Projects Fund | 12,000 | 2,179 |
| Debt Service Fund | 54 | 38 |
| Enterprise Funds: | | |
| Alcoholic Beverage Control | 1,015 | 5,804 |
| Utah Correctional Industries | 1,731 | 68 |
| Agriculture Loan Fund | 2 | 3 |
| Clean Fuel/Private | 20 | — |
| Internal Service Funds: | | |
| Water Resources Loan Fund | 37 | 97 |
| Information Technology | 4,318 | 16,325 |
| Group Insurance | — | 189 |
| Community Impact Loan Fund | 43 | 1,391 |
| General Services | 3,512 | 13,740 |
| Human Services/Internal Service | 440 | 263 |
| Office of Education/Internal Service | 192 | 16 |
| Natural Resources/Internal Service | 440 | 7,267 |
| Administrative Services/Risk Management | 45 | 4,047 |
| Property Management | 705 | 131 |
| Trust and Agency Funds: | | |
| Expendable Trust: | | |
| Unemployment Compensation Trust | — | 944 |
| Employers' Reinsurance Trust | — | 3 |
| Utah Navajo Trust | 22 | 200 |
| Restricted Trust | 30 | 1,561 |
| Agency: | | |
| State Treasurer Investment Pools | 1,492 | — |
| County and Local Collections | 18,808 | — |
| Deposits, Suspense, and Miscellaneous | 15 | — |
| Component Units: | | |
| College and University Funds: | | |
| Unrestricted Current | 3,627 | 8,732 |
| Restricted Current | 749 | 75 |
| Loan Funds | 279 | — |
| Endowment and Similar | 1,900 | 10 |
| Agency Funds | 124 | — |
| Plant Funds | 2,356 | 12,820 |
| Foundations and Institutes | 3,961 | — |
| Total | $ 121,140 | $ 121,140 |

## NOTE 5. FIXED ASSETS

**Changes in the General Fixed Assets Account Group**
*(Expressed in Thousands)*

| | Balance July 1, 1996 | Additions | Retirements | Balance June 30, 1997 |
|---|---|---|---|---|
| **General Fixed Assets:** | | | | |
| Land | $ 103,258 | $ 14,924 | $ 723 | $ 117,459 |
| Buildings and Improvements | 600,383 | 67,876 | 5,571 | 662,688 |
| Machinery and Equipment | 236,670 | 30,434 | 29,948 | 237,156 |
| Construction-In-Progress | 200,416 | 100,907 | 82,212 | 219,111 |
| Total General Fixed Assets | $ 1,140,727 | $ 214,141 | $ 118,454 | $ 1,236,414 |

The beginning balance for Buildings and Improvements was increased by $9.485 million for reclassification of operating leases to capital leases.

At June 30, 1997, fixed assets for Enterprise Funds, Internal Service Funds, Trust Funds, and Component Units consist of the following amounts (expressed in thousands):

| | Primary Government | | | Component Units | |
|---|---|---|---|---|---|
| | Enterprise Funds | Internal Service Funds | Trust Funds | Colleges and Universities | Proprietary Funds |
| Land | $ 3,373 | $ — | $ 4,780 | $ 43,247 | $ 2,733 |
| Buildings and Improvements | 14,923 | 6,400 | 3,692 | 1,274,841 | 8,209 |
| Machinery and Equipment | 7,452 | 125,689 | 3,506 | 734,962 | 12,680 |
| Accumulated Depreciation | (7,315) | (75,649) | (3,400) | (9,337) | (7,958) |
| Construction-In-Progress | 681 | 376 | — | 137,131 | — |
| Total Fixed Assets | $ 19,114 | $ 56,816 | $ 8,578 | $ 2,180,844 | $ 15,664 |

**Investment in General Fixed Assets by Source**
*(Expressed in Thousands)*

| | 1996 | 1997 |
|---|---|---|
| General Fund | $ 652,450 | $ 733,912 |
| Special Revenue Funds: | | |
| Uniform School Fund | 90,373 | 88,117 |
| Transportation Fund | 167,981 | 170,684 |
| Sports Authority Fund | 18,928 | 23,381 |
| Capital Projects Fund | 200,416 | 219,111 |
| Utah Navajo Trust Fund | 1,094 | 1,209 |
| Total Investment in General Fixed Assets | $ 1,131,242 | $ 1,236,414 |

Construction-In-Progress retirements are transferred as additions to land and buildings. These additions represent land of $13.815 million and buildings of $68.397 million. If Construction-In-Progress expenditures are in excess of current authorization, deficits will be funded from additional appropriations for phased funded projects, from additional funding from a participating agency, or from the capital projects contingency funds. Construction-In-Progress, in the Capital Projects Fund, at June 30, 1997, consisted of the following:

**Capital Projects Fund**
**Construction-In-Progress**
*(Expressed in Thousands)*

| Project | Description | Amount Authorized | Amount Expended | Balance Authorized |
|---|---|---|---|---|
| 94011 | Salt Lake Courts Complex | $ 75,055 | $ 63,290 | $ 11,765 |
| 94050 | Winter Sports Park Bobsled – Luge Track | 27,162 | 27,066 | 96 |
| 94178 | U of U Huntsman Cancer Institute | 16,875 | 6,147 | 10,728 |
| 92032 | Ogden Courts Building | 14,784 | 14,531 | 253 |
| 96014 | State Library Visually Handicapped Bldg | 13,910 | 601 | 13,309 |
| 96006 | Gunnison Prison Phase I 192 Bed | 13,498 | 5,478 | 8,020 |
| 94222 | Youth Corrections Salt Lake County | 13,268 | 12,889 | 379 |
| 96011 | Davis Co Regional Courts Expansion | 11,110 | 971 | 10,139 |
| 95011 | Uinta IVa Secure Fac/Draper Prison | 10,950 | 10,131 | 819 |
| 95159 | Human Svcs. SLC. and Kearns Field Offices | 9,780 | 8,785 | 995 |
| 95158 | Human Svcs Purchase of North Temple Bldg | 7,639 | 7,030 | 609 |
| — | All Others | 82,077 | 62,192 | 19,885 |
| | Total | $ 296,108 | $ 219,111 | $ 76,997 |

The State had long-term construction project commitments totaling $130.354 million at June 30, 1997. The following construction projects have remaining commitments and represent reservations of fund balance in the Capital Projects Fund:

**Capital Projects Fund**
**Construction Project Commitments**
*(Expressed in Thousands)*

| Project | Description | Remaining Construction Commitment |
|---|---|---|
| 95018 | University of Utah Rice Stadium Renovation & Expansion | $ 41,817 |
| 95013 | Weber State University Browning Center Remodel | 17,229 |
| 94029 | University of Utah Gardner Hall Renovation & Concert Hall | 14,518 |
| 94011 | Salt Lake Courts Complex | 10,775 |
| 94034 | University of Utah Biology Research Building | 10,105 |
| 95022 | CEU New Student Center | 4,986 |
| 95021 | Snow College Noyes Building Renovation | 4,922 |
| 95035 | UVSC New Mountainland ATC Facility | 3,032 |
| 95026 | Veterans Nursing Home | 2,898 |
| 96006 | Gunnison Prison Phase 1 192 Bed Housing Unit | 2,851 |
| 92028 | University of Utah Marriott Library Expansion | 1,642 |
| 94062 | DOT District #2 New Complex | 1,168 |
| 96009 | South Valley DOT Maintenance Station | 1,053 |
| 96041 | State Capitol Building Remodeling | 906 |
| 97033 | Kamas Fish Hatchery | 805 |
| — | All Others | 11,647 |
| | Total Commitments | $ 130,354 |

### NOTE 6. 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 a legislative appropriation is reasonably assured, leases are considered noncancellable for financial reporting purposes and are reported in the General Long-Term Obligation Account Group or in the appropriate proprietary or college and university fund types described below.

Assets acquired through capital leasing are valued at the inception of the lease at either the lower of fair market value or the present value of the future minimum lease payments. Capital lease obligations for the proprietary fund types are reported in those funds as long-term obligations. The related assets and depreciation of these assets are included in the proprietary funds. Capital leases for the College and University Funds are reported in those funds along with the related assets. Capital lease obligations for the governmental type funds are reported in the General Long-Term Obligation Account Group, and the related assets are reported in the General Fixed Assets Account Group. General government capital lease payments of $521 thousand in principal and $1.855 million in interest for the fiscal year ended June 30, 1997, are reported as an expenditure by governmental function.

Operating leases (leases on assets not recorded in the balance sheet) contain various renewal options, as well as some purchase options. However, due to the nature of the leases, the related assets were not classified as capital assets. 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 of the related funds when paid or incurred.

The total operating lease expenditures for fiscal year 1997 were $25.737 million for the primary government, and $12.764 million for component units. For fiscal year 1996, the total operating lease expenditures were $25.106 million for the primary government, and $10.295 million for component units. Future minimum lease commitments for noncancellable operating leases and capital leases as of June 30, 1997, were as follows:

**Future Minimum Lease Commitments**
*(Expressed in Thousands)*

| | Operating Leases | | | Capital Leases | | | |
|---|---|---|---|---|---|---|---|
| | | | | Primary Government | | Component Units | |
| Fiscal Year | Primary Government | Component Units | Total | Long-Term Obligation Account Group | Enterprise Funds | College and University Funds | Total |
| 1998 . . . . . . . . | $ 14,030 | $ 14,253 | $ 28,283 | $ 2,996 | $ 214 | $ 7,470 | $ 10,680 |
| 1999 . . . . . . . . | 10,849 | 12,560 | 23,409 | 3,056 | 179 | 5,925 | 9,160 |
| 2000 . . . . . . . . | 9,260 | 10,283 | 19,543 | 3,059 | 178 | 5,163 | 8,400 |
| 2001 . . . . . . . . | 7,882 | 8,883 | 16,765 | 3,059 | 109 | 3,859 | 7,027 |
| 2002 . . . . . . . . | 5,692 | 7,360 | 13,052 | 3,065 | 83 | 2,378 | 5,526 |
| 2003–2007 . . . | 11,721 | 32,881 | 44,602 | 15,299 | 103 | 7,716 | 23,118 |
| 2008–2012 . . . | 253 | 2,295 | 2,548 | 11,565 | — | 7,983 | 19,548 |
| 2013–2017 . . . | 253 | 2,212 | 2,465 | 7,732 | — | 8,378 | 16,110 |
| 2018–2022 . . . | 253 | 2,222 | 2,475 | 2,097 | — | 5,501 | 7,598 |
| 2023–2027 . . . | 160 | 2,181 | 2,341 | 611 | — | — | 611 |
| 2028–2032 . . . | — | 2,111 | 2,111 | — | — | — | — |
| 2033–2037 . . . | — | 2,111 | 2,111 | — | — | — | — |
| Total Future Minimum Lease Payments . . . | $ 60,353 | $ 99,352 | $ 159,705 | 52,539 | 866 | 54,373 | 107,778 |
| Less Amounts Representing Interest . . . . . . . . . . . . . . . . . . . . . . . . . . | | | | 21,819 | 164 | 19,370 | 41,353 |
| Present Value of Future Minimum Lease Payments . . . . . . . . . . . . . . | | | | $ 30,720 | $ 702 | $ 35,003 | $ 66,425 |

**Changes in Capital Lease Long-Term Obligations**
*(Expressed in Thousands)*

| | Primary Government | | Component Units | |
|---|---|---|---|---|
| | Long-Term Obligation Account Group | Alcoholic Beverage Control Proprietary Fund | College and University Funds | Total |
| Balance at July 1, 1996 | $ 39,011 | $ 850 | $ 14,270 | $ 54,131 |
| Increase in Lease Obligations | — | — | 25,508 | 25,508 |
| Decrease in Lease Obligations | (8,291) | (148) | (4,775) | (13,214) |
| Balance at June 30, 1997 | $ 30,720 | $ 702 | $ 35,003 | $ 66,425 |

The beginning balance for the Long-Term Obligation Account Group was increased by $9.3 million for reclassification of operating leases to capital leases.

## NOTE 7. BONDS AND NOTES PAYABLE

### A. General Obligation Bonds

The State issues general obligation bonds to provide funds for acquisition, construction, and renovation of major capital facilities; highways; and water management for governmental activities. 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, 1997, the State had $92.9 million of authorized but unissued general obligation building bonds and $600 million of authorized but unissued general obligation highway bonds. In July and August 1997, the State issued $65 million of building bonds, $340 million of highway bonds, and $260 million of general obligation commercial paper notes. The remaining $27.9 million of unissued building bonds are scheduled to be issued in July 1998.

General Obligation Bonds Payable presented in the General Long-Term Obligation Account Group consists of the following:

**General Obligation Bonds Payable**
*(Expressed in Thousands)*

| Bond Issue | Date Issued | Maturity Date | Interest Rate | Original Issue | Balance June 30,1997 |
|---|---|---|---|---|---|
| 1991 ABC Capital Facility Issue | 07/01/91 | 1993–1997 | 5.75% to 5.90% | $ 57,500 | $ 18,500 |
| 1991 Water Bond Issue | 08/01/91 | 1997 | 5.90% | $ 14,500 | 14,500 |
| 1991 DE Refunding Issue | 12/15/91 | 1993–1997 | 4.75% to 5.40% | $ 36,665 | 15,600 |
| 1991 FG Capital Facility Issue | 12/15/91 | 1998 | 5.50% | $ 47,935 | 47,935 |
| 1992 AB Capital Facility Issue | 07/01/92 | 1993–1998 | 4.50% to 5.00% | $ 85,000 | 43,950 |
| 1993 AB Capital Facility Issue | 07/01/93 | 1999 | 4.40% | $ 70,000 | 70,000 |
| 1994 ABCDEF Capital Facility Issue | 07/01/94 | 1995–2000 | 4.60% to 4.70% | $ 94,745 | 91,675 |
| 1995 AB Capital Facility Issue | 07/01/95 | 2001 | 6.00% | $ 45,000 | 45,000 |
| 1996 Capital Facility Issue | 07/01/96 | 2002 | 5.00% | $ 20,000 | 20,000 |
| Total General Obligation Bonds Payable | | | | | $ 367,160 |

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

| | Principal | | | | |
|---|---|---|---|---|---|
| Fiscal Year | 1991 ABC Capital Facility | 1991 Water Bond | 1991 DE Refunding | 1991 FG Capital Facility | 1992 AB Capital Facility |
| 1998 | $ 18,500 | $ 14,500 | $ 15,600 | $ — | $ 19,675 |
| 1999 | — | — | — | 47,935 | 24,275 |
| 2000 | — | — | — | — | — |
| 2001 | — | — | — | — | — |
| 2002 | — | — | — | — | — |
| 2003 | — | — | — | — | — |
| Total | $ 18,500 | $ 14,500 | $ 15,600 | $ 47,935 | $ 43,950 |

Continues Below

| | Principal | | | | | | |
|---|---|---|---|---|---|---|---|
| Fiscal Year | 1993 AB Capital Facility | 1994 A–F Capital Facility | 1995 AB Capital Facility | 1996 Capital Facility | Total Principal Amount Required | Interest Amount Required | Total Amount Required |
| 1998 | $ — | $ 1,575 | $ — | $ — | $ 69,850 | $ 14,856 | $ 84,706 |
| 1999 | — | 1,575 | — | — | 73,785 | 10,934 | 84,719 |
| 2000 | 70,000 | 7,200 | — | — | 77,200 | 7,522 | 84,722 |
| 2001 | — | 81,325 | — | — | 81,325 | 3,700 | 85,025 |
| 2002 | — | — | 45,000 | — | 45,000 | 1,000 | 46,000 |
| 2003 | — | — | — | 20,000 | 20,000 | — | 20,000 |
| Total | $ 70,000 | $ 91,675 | $ 45,000 | $ 20,000 | $ 367,160 | $ 38,012 | $ 405,172 |

**Changes in General Obligation Bonds**
*(Expressed in Thousands)*

| | |
|---|---|
| Balance at July 1, 1996 | $ 413,185 |
| New Bonds Issued: | |
| 1996 Capital Facilities | 20,000 |
| Bonds Retired | (66,025) |
| Balance at June 30, 1997 | $ 367,160 |

B. **Revenue Bonds**

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

The Utah Housing Finance Agency bonds were issued to provide sources of capital for housing persons of low or moderate income. The bonds are secured by mortgages, and repayments are made from the mortgage proceeds. Outstanding bonds payable are reported in the component units. Of the total reported bonds payable, $2.945 million represents deferred interest on revenue bonds outstanding.

The Utah State Board of Regents Student Loan Purchase Program bonds were issued to provide funds for student loans and are secured by all assets of the Board of Regents Revenue Bond Fund and by the revenues and receipts derived from such assets. Outstanding bonds payable are reported in the Enterprise Funds. An unused irrevocable direct-pay letter of credit expiring November 15, 1999, in the amount of $37.428 million issued by the Student Loan Marketing Association supports the Series 1993 A bonds.

The Utah State Building Ownership Authority has issued a refunding bond for bonds previously issued to construct facilities leased to the Department of Employment Security. The bond is secured by the facilities, and repayment is made from the lease income. The outstanding bond payable is reported in the General Long-Term Obligation Account Group.

The Utah State Building Ownership Authority has issued bonds for the purchase and construction of facilities to be leased to state agencies. The bonds are secured by the facilities, and repayment is made from the lease income. The outstanding bond payable is reported in the General Long-Term Obligation Account Group, except for $5.655 million which is reported in Alcoholic Beverage Control (Enterprise Fund).

The State has issued revolving loan recapitalization program bonds to provide capital for the State's revolving loan programs, and subsequently has refunded one of the bonds. The bonds are secured by and repayment is made from the collection of the revolving loan programs' notes receivables. Of the outstanding bonds payable, $7.135 million are reported in the General Long-Term Obligation Account Group and $9.89 million in the Internal Service Funds.

The colleges and universities issue bonds for various purposes, including: student housing, special events centers, and student unions. The bonds are secured by the related assets, student building fees, and other income of certain college activities. Outstanding bonds payable are reported in the College and University Funds.

Revenue Bonds Payable presented on the Combined Balance Sheet consists of the following:

**Revenue Bonds Payable — Primary Government**
*(Expressed in Thousands)*

| Bond Issue | Date Issued | Maturity Date | Interest Rate | Original Issue | Balance June 30, 1997 |
|---|---|---|---|---|---|
| 1988 and 1993 Board of Regents Student Loan Indentures | 1988–1997 | 1992–2031 | 4.45% to 7.6% and variable | $ 708,160 | $ 598,410 |
| 1992 A Revolving Loan Recapitalization Program | 04/15/92 | 1993–2004 | 4.0% to 6.6% | $ 5,065 | 3,360 |
| 1992 B Revolving Loan Recapitalization Program | 06/01/92 | 1993–2004 | 3.4% to 6.3% | $ 9,935 | 6,530 |
| 1992 A Utah State Building Ownership Authority Refunding | 07/15/92 | 1993–2011 | 5.30% to 5.75% | $ 26,200 | 22,685 |
| 1992 B Utah State Building Ownership Authority | 07/15/92 | 1994–2011 | 4.3% to 6.0% | $ 1,380 | 1,230 |
| 1993 A Utah State Building Ownership Authority | 12/01/93 | 1995–2013 | 4.5% to 5.2% | $ 6,230 | 5,570 |
| 1993 B Utah State Building Ownership Authority | 12/01/93 | 1995–2014 | 4.5% to 5.2% | $ 8,160 | 7,370 |
| 1994 A Utah State Building Ownership Authority | 09/01/94 | 1995–2018 | 5.0% to 6.25% | $ 30,915 | 28,420 |
| 1995 A Utah State Building Ownership Authority | 07/01/95 | 1996–2018 | 5.0% to 5.75% | $ 93,000 | 92,675 |
| 1995 Water Refunding | 10/04/95 | 1996–2005 | 5.125% | $ 8,430 | 7,135 |
| 1996 A Utah State Building Ownership Authority | 07/01/96 | 1997–2019 | 5.5% to 6.0% | $ 44,725 | 44,175 |
| 1996 B Utah State Building Ownership Authority | 11/01/96 | 1999–2013 | 5.0% to 5.4% | $ 16,875 | 16,875 |
| Total Revenue Bonds Outstanding | | | | | 834,435 |
| Student Loan Purchase Program Plus Unamortized Premiums | | | | | 188 |
| Total Revenue Bonds Payable | | | | | $ 834,623 |

**Revenue Bonds Payable — Component Units**
*(Expressed in Thousands)*

| Bond Issue | Date Issued | Maturity Date | Interest Rate | Original Issue | Balance June 30, 1997 |
|---|---|---|---|---|---|
| 1977–1997 Utah Housing Finance Agency Issues | 1977–1997 | 1979–2036 | 3.0% to 10.75% | $ 2,202,872 | $ 1,045,297 |
| Colleges and Universities Revenue Bonds | 1987–1997 | 1988–2022 | 2.75% to 8.49% | $ 175,719 | 133,656 |
| Total Revenue Bonds Outstanding | | | | | 1,178,953 |
| Utah Housing Finance Agency Deferred Interest Payable | | | | | 2,945 |
| Colleges and Universities Less Unamortized Discounts | | | | | (717) |
| Total Revenue Bonds Payable | | | | | $ 1,181,181 |

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

| Fiscal Year | Principal: Student Loan Programs | 1992 A Revolving Loan Recap Program | 1992 B Revolving Loan Recap Program | 1992 A Utah State Building Ownership Authority | 1992 B Utah State Building Ownership Authority | 1993 A Utah State Building Ownership Authority | 1993 B Utah State Building Ownership Authority |
|---|---|---|---|---|---|---|---|
| 1998 | $ 73,470 | $ 395 | $ 780 | $ 1,005 | $ 55 | $ 240 | $ 290 |
| 1999 | 20,375 | 420 | 825 | 1,055 | 55 | 250 | 300 |
| 2000 | 28,975 | 450 | 875 | 1,115 | 60 | 260 | 315 |
| 2001 | 57,685 | 475 | 925 | 1,175 | 65 | 270 | 330 |
| 2002 | 12,540 | 505 | 980 | 1,240 | 65 | 285 | 345 |
| 2003-2007 | 86,115 | 1,115 | 2,145 | 7,335 | 400 | 1,650 | 1,990 |
| 2008-2012 | 35,250 | — | — | 9,760 | 530 | 2,120 | 2,565 |
| 2013-2017 | 44,345 | — | — | — | — | 495 | 1,235 |
| 2018-2022 | 3,600 | — | — | — | — | — | — |
| 2023-2027 | 135,000 | — | — | — | — | — | — |
| 2028-2032 | 101,055 | — | — | — | — | — | — |
| Total | $ 598,410 | $ 3,360 | $ 6,530 | $ 22,685 | $ 1,230 | $ 5,570 | $ 7,370 |

Continues Below

| Fiscal Year | Principal: 1994 A Utah State Building Ownership Authority | 1995 A Utah State Building Ownership Authority | 1995 Water Refunding | 1996 A Utah State Building Ownership Authority | 1996 B Utah State Building Ownership Authority | Total Principal Required | Total Interest | Total Amount Required |
|---|---|---|---|---|---|---|---|---|
| 1998 | $ 1,325 | $ 675 | $ 740 | $ 765 | $ — | $ 79,740 | $ 41,508 | $ 121,248 |
| 1999 | 1,400 | 2,825 | 780 | 890 | 800 | 29,975 | 37,675 | 67,650 |
| 2000 | 1,470 | 2,965 | 820 | 1,390 | 820 | 39,515 | 35,529 | 75,044 |
| 2001 | 1,540 | 3,125 | 865 | 1,470 | 860 | 68,785 | 32,600 | 101,385 |
| 2002 | 1,620 | 3,275 | 910 | 1,540 | 900 | 24,205 | 30,594 | 54,799 |
| 2003-2007 | 7,605 | 18,885 | 3,020 | 9,085 | 5,225 | 144,570 | 127,783 | 272,353 |
| 2008-2012 | 6,735 | 24,300 | — | 11,355 | 6,705 | 99,320 | 89,483 | 188,803 |
| 2013-2017 | 5,790 | 31,015 | — | 12,520 | 1,565 | 96,965 | 63,716 | 160,681 |
| 2018-2022 | 935 | 5,610 | — | 5,160 | — | 15,305 | 47,111 | 62,416 |
| 2023-2027 | — | — | — | — | — | 135,000 | 33,556 | 168,556 |
| 2028-2032 | — | — | — | — | — | 101,055 | 16,794 | 117,849 |
| Total | $ 28,420 | $ 92,675 | $ 7,135 | $ 44,175 | $ 16,875 | $ 834,435 | $ 556,349 | $ 1,390,784 |

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

*Fiscal Year Ended June 30, 1997*

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

| Fiscal Year | Principal: Housing Finance Agency | Principal: Colleges and Universities | Total Principal Required | Total Interest | Total Amount Required |
|---|---|---|---|---|---|
| 1998 | $ 104,571 | $ 8,616 | $ 113,187 | $ 65,455 | $ 178,642 |
| 1999 | 78,197 | 9,186 | 87,383 | 63,202 | 150,585 |
| 2000 | 22,649 | 8,312 | 30,961 | 61,630 | 92,591 |
| 2001 | 23,898 | 8,127 | 32,025 | 59,843 | 91,868 |
| 2002 | 24,782 | 8,628 | 33,410 | 57,958 | 91,368 |
| 2003–2007 | 136,065 | 48,602 | 184,667 | 257,160 | 441,827 |
| 2008–2012 | 154,910 | 34,300 | 189,210 | 198,401 | 387,611 |
| 2013–2017 | 160,277 | 7,485 | 167,762 | 141,499 | 309,261 |
| 2018–2022 | 167,305 | 400 | 167,705 | 86,001 | 253,706 |
| 2023–2027 | 148,288 | — | 148,288 | 31,997 | 180,285 |
| 2028–2032 | 23,028 | — | 23,028 | 2,082 | 25,110 |
| 2033–2037 | 1,327 | — | 1,327 | 122 | 1,449 |
| Total | $ 1,045,297 | $ 133,656 | $ 1,178,953 | $ 1,025,350 | $ 2,204,303 |

**Changes in Revenue Bonds Outstanding**
*(Expressed in Thousands)*

| | Primary Government: Proprietary Funds | Primary Government: General Long-Term Obligation | Primary Government: Total Primary Government | Component Units | Total Revenue Bonds Outstanding |
|---|---|---|---|---|---|
| Balance at July 1, 1996 | $ 562,025 | $ 164,875 | $ 726,900 | $ 1,285,186 | $ 2,012,086 |
| New Bonds Issued: | | | | | |
| Student Loan Programs | 72,580 | — | 72,580 | — | 72,580 |
| Utah State Building Ownership Authority | 1,830 | 59,770 | 61,600 | — | 61,600 |
| Utah Housing Finance Agency | — | — | — | 246,970 | 246,970 |
| Colleges and Universities | — | — | — | 3,083 | 3,083 |
| Bonds Retired | (22,480) | (4,165) | (26,645) | (356,286) | (382,931) |
| Balance at June 30, 1997 | $ 613,955 | $ 220,480 | $ 834,435 | $ 1,178,953 | $ 2,013,388 |

### C. Conduit Debt Obligations

In 1985, the State Board of Regents authorized the University of Utah to issue Variable Rate Demand Industrial Development Bonds for the University Park Hotel, a limited partnership separate from the University. The bonds are payable solely from revenues of the University Park Hotel. The bonds do not constitute a debt or pledge of the faith and credit of the University of Utah or the State and, accordingly, have not been reported in the accompanying financial statements. At June 30, 1997, \$8.655 million of Variable Rate Demand Industrial Development Bonds are outstanding.

### D. Defeased Bonds

On July 1, 1996, the State issued \$5.54 million Lease Revenue Bonds, Series 1996A, with interest rates from 5.50 percent to 5.85 percent, to prepay a \$5.205 million outstanding Utah County Courts Building capital lease with interest rates from 6.3 percent to 7 percent. As a result, the Utah County Courts Building capital lease is considered extinguished, and the liability for the capital lease has been removed from the General Long-Term Obligation Account Group.

The State prepaid the Utah County Courts Building capital lease to reduce its total debt service payments over the next 15 years by \$217 thousand. This resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$135 thousand.

In prior years, Utah Housing Finance Agency (Component Unit) defeased certain revenue bonds by placing a portion of the proceeds of new bonds 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 Utah Housing Finance Agency's balance sheet. At June 30, 1997, \$4.957 million of bonds outstanding are considered defeased.

In prior years, the State defeased certain revenue bonds by placing the proceeds of new bonds and other monies available for debt service in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the General Long-Term Obligation Account Group. At June 30, 1997, \$28.245 million of revenue bonds outstanding are considered defeased.

In prior years, colleges and universities (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 colleges and universities balance sheet. At June 30, 1997, \$33.257 million of college and university bonds outstanding are considered defeased.

### E. Notes Payable

The balance of notes payable of \$10.651 million is comprised of \$1.875 million in notes issued by Technology Finance Corporation (Component Units – Proprietary Fund), \$95 thousand in notes issued by the Heber Valley Historic Railroad Authority (Component Units – Proprietary Fund), and \$8.681 million in notes issued by the College and University Funds (Component Units) for the purchase of buildings and equipment. The notes bear various interest rates and will be repaid over the next 30 years. They are secured by the related assets.

**Changes in Notes Payable**
**Component Units**
*(Expressed in Thousands)*

| | Colleges and Universities | Proprietary Funds |
|---|---|---|
| Balance at July 1, 1996 | \$ 7,036 | \$ 1,965 |
| Additions | 3,472 | 510 |
| Deletions | (1,827) | (505) |
| Balance at June 30, 1997 | \$ 8,681 | \$ 1,970 |

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

| Fiscal Year | Colleges and Universities Principal Required | Proprietary Funds Principal Required | Total Principal Required | Interest | Total Amount Required |
|---|---|---|---|---|---|
| 1998 | $ 2,630 | $ 325 | $ 2,955 | $ 493 | $ 3,448 |
| 1999 | 1,240 | 191 | 1,431 | 295 | 1,726 |
| 2000 | 1,086 | 174 | 1,260 | 232 | 1,492 |
| 2001 | 739 | 179 | 918 | 175 | 1,093 |
| 2002 | 450 | 184 | 634 | 145 | 779 |
| 2003–2007 | 1,197 | 507 | 1,704 | 477 | 2,181 |
| 2008–2012 | 568 | 399 | 967 | 256 | 1,223 |
| 2013–2017 | 245 | 11 | 256 | 169 | 425 |
| 2018–2022 | 316 | — | 316 | 97 | 413 |
| 2023–2027 | 210 | — | 210 | 18 | 228 |
| Total | $ 8,681 | $ 1,970 | $ 10,651 | $ 2,357 | $ 13,008 |

F. **Contracts Payable**

Contracts Payable in the General Long-Term Obligation Account Group are for capital leases. Lease obligations are detailed in Note 6. Component Unit Contracts Payable include $1.127 million in life annuity contracts.

G. **Leave/Postemployment Benefits Obligations**

**Changes in Leave/Postemployment Benefits Obligations**
*(Expressed in Thousands)*

| | General Fund | Special Revenue Funds: Uniform School | Special Revenue Funds: Transportation | General Long-Term Obligation Account Group | Total |
|---|---|---|---|---|---|
| Balance at July 1, 1996 | $ 111,229 | $ 13,329 | $ 24,970 | $ 9,634 | $ 159,162 |
| Increase in Accrued Leave Benefits | 4,504 | 234 | 878 | 81 | 5,697 |
| Increase in Postemployment Benefits | 19,258 | 3,456 | 2,610 | 909 | 26,233 |
| Balance at June 30, 1997 | $ 134,991 | $ 17,019 | $ 28,458 | $ 10,624 | $ 191,092 |

## NOTE 8. FUND BALANCES — RESERVED AND DESIGNATED

The State's reserved fund balances represent: 1) those portions of fund balance that are not available for appropriation or expenditure, which include loans receivable; or 2) fund balances that are legally segregated for a specific future use, which include reserves for encumbrances in the Capital Projects Fund, limited encumbrances in the General and Special Revenue Funds as explained in Note 1, continuing appropriation or nonlapsing funds, assets legally restricted for other purposes, and assets restricted by bond agreements. A summary of the nature and purpose of these reserves by fund type at June 30, 1997, follows (expressed in thousands):

A. **General Fund — Reserved**

| | |
|---|---|
| Nonlapsing Appropriations for: | |
| Community and Economic Development | $ 10,268 |
| Natural Resources – Parks and Recreation | 6,705 |
| Environmental Quality | 3,424 |
| Department of Human Services | 2,318 |
| Administrative Services | 2,840 |
| Natural Resources – Except Parks | 3,672 |
| Business, Labor, and Agriculture | 4,668 |
| Tax Commission | 5,494 |
| Department of Health | 2,842 |
| Department of Corrections | 2,603 |
| Legislature | 1,990 |
| Governors Office | 1,572 |
| Judicial Council | 1,255 |
| Miscellaneous Other | 2,114 |
| Total Nonlapsing | 51,765 |
| Restricted by Law for: | |
| Water Pollution Loans | 126,613 |
| Safe Drinking Water Loans | 36,099 |
| Housing Development Loans | 22,575 |
| Mineral Lease | 1,870 |
| Tax Commission | 1,493 |
| Oil Overcharge Funds | 12,032 |
| Industrial Assistance | 5,055 |
| Medicaid Restricted | 12,817 |
| Employment Security | 3,100 |
| Wildlife Resources Lifetime Trust and Other | 2,160 |
| Wildlife Resources Restricted | 10,261 |
| Natural Resources – Except Wildlife | 3,955 |
| Environmental Quality | 3,791 |
| Nursing Facilities | 2,657 |
| Fire Academy | 2,356 |
| Youth Victim Restitution | 1,680 |
| Financial Institutions | 1,321 |
| Miscellaneous Other | 5,170 |
| Total Restricted | 255,005 |
| Total General Fund Reserved | $ 306,770 |

**General Fund — Unreserved/Designated**

| | |
|---|---|
| Budget/Revenue Deficit (Rainy Day Reserve Account) | $ 78,941 |
| Net Accrued Taxes | 16,736 |
| Designated for Fiscal Year 1998 Appropriation | 11,664 |
| Total General Fund Designated | $ 107,341 |

B. **Special Revenue Funds — Reserved**

| | |
|---|---|
| Uniform School Fund Nonlapsing Appropriations for: | |
| Minimum School Program | $ 18,453 |
| State Office of Education | 3,749 |
| Deaf and Blind School | 1,639 |
| Miscellaneous Programs | 1,069 |
| Total Nonlapsing | 24,910 |
| Uniform School Fund Restricted by Law for: | |
| Applied Technology Centers | 2,536 |
| School Building Loans Programs | 10,000 |
| Miscellaneous Programs | 503 |
| Total Restricted | 13,039 |
| Total Uniform School Fund Reserved | $ 37,949 |
| Transportation Fund Nonlapsing Appropriations for: | |
| Construction Management | $ 6,413 |
| Sidewalk Construction | 1,231 |
| Miscellaneous Programs | 1,789 |
| Total Nonlapsing | 9,433 |
| Transportation Fund Restricted by Law for: | |
| Uninsured Motorist | 1,430 |
| Aeronautical Programs | 2,938 |
| Miscellaneous Programs | 556 |
| Total Restricted | 4,924 |
| Total Transportation Fund Reserved | $ 14,357 |
| Centennial Highway Fund: | |
| Restricted by Law for Construction | $ 14,107 |
| Sports Authority Fund Restricted for: | |
| Contracted Agreements | $ 207 |
| Total Special Revenue Funds Reserved | $ 66,620 |

**Special Revenue Funds — Unreserved/Designated**

| | |
|---|---|
| Uniform School Fund Net Accrued Taxes | $ 87,111 |
| Uniform School Fund Designated for Fiscal Year 1998 Appropriations | 23,908 |
| Total Special Revenue Funds Designated | $ 111,019 |

### C. Capital Projects Fund

Of the $157.049 million reserved fund balance, $130.354 million is for outstanding encumbrances on various capital projects, $26.467 million is for lease revenue bond restrictions on proceeds that are currently not committed under contract, and $228 thousand is reserved by statute for planning of construction projects. Appropriations and bond proceeds available in the next fiscal year will fund the deficit unreserved undesignated balance of $49.885 million.

### D. Debt Service Fund

The $13.454 million reserved for the Debt Service Fund represents reserve funds and pledged funds required by bond agreements.

### E. Trust and Agency Funds

The $10.109 billion reserved for the Trust and Agency Funds represents:

| | |
|---|---|
| Pension Benefits: | |
| 401(k) and other reserves | $ 649,855 |
| Fund Balance Reserved for Employees' Pension Benefits | 8,681,995 |
| Total Pension Benefits Reserved | 9,331,850 |
| Nonexpendable Trust: | |
| Trust Lands | 132,833 |
| Expendable Trust: | |
| Unemployment Compensation Benefits | 544,071 |
| Utah Navajo Trust | 10,269 |
| Restricted Various | 89,575 |
| Total Expendable Trust | 643,915 |
| Total Trust and Agency Funds Reserved | $10,108,598 |

### F. Internal Service Funds

The $165.539 million in retained earnings includes $81.409 million of claims contingency reserves for Employees Group Insurance Fund and $1.791 million of bond reserves for Water Resources Loan Fund.

### G. Enterprise Funds

| | |
|---|---|
| Reserved Retained Earnings: | |
| Student Assistance Programs for Financing and Bond Agreements | $ 65,002 |
| Unreserved Retained Earnings: | |
| Student Assistance Programs | $ 64,954 |
| Utah Correctional Industries | 1,131 |
| Agriculture Loan Fund | 6,572 |
| Utah Dairy Commission | 988 |
| Clean Fuels Vehicle Loan Fund | 136 |
| Petroleum Storage Tank Loan Fund | 138 |
| Waste Tire Recycling Loan Fund | 98 |
| Revitalization Programs | 1,396 |
| Total Enterprise Funds Unreserved | 75,413 |
| Total Enterprise Funds Retained Earnings | $ 140,415 |

### H. Component Units — Proprietary Type Funds

| | |
|---|---|
| Reserved Retained Earnings: | |
| Housing Finance Agency for Bond Agreements | $ 89,213 |
| Technology Finance Corporation – Federal | 6,701 |
| Total Reserved | 95,914 |
| Unreserved Retained Earnings: | |
| Housing Finance Agency | 34,691 |
| Workers' Compensation | 139,932 |
| Technology Finance Corporation | 3,514 |
| Comprehensive Health Insurance | 2,488 |
| Heber Valley Historic Railroad Authority | 1,069 |
| Utah Science Center Authority | 162 |
| Utah State Fair Corporation | 642 |
| Total Unreserved | 182,498 |
| Total Component Units Proprietary Type Funds Retained Earnings | $ 278,412 |

### I. Component Units — Colleges and Universities

| | |
|---|---|
| Reserved for: | |
| Restricted Fund Balances | $ 392,274 |
| Endowment and Similar Funds | 147,581 |
| Total Reserved | $ 539,855 |
| Unreserved Designated for: | |
| Internally Designated | $ 354,327 |
| Quasi Endowment | 27,451 |
| Working Capital | 2,653 |
| Total Unreserved Designated | $ 384,431 |

## NOTE 9. DEFICIT FUND BALANCES/RETAINED EARNINGS

Funds reporting a deficit fund balance or retained earnings position at June 30, 1997, are (expressed in thousands):

| | | |
|---|---|---|
| Special Revenue Funds: | | |
| Sports Authority | $ | 6,239 |
| Internal Service Funds: | | |
| Human Services | $ | 98 |
| Natural Resources | $ | 1,011 |
| Expendable Trust Funds: | | |
| Employers' Reinsurance Trust | $ | 274,871 |

The Sports Authority Fund's negative fund balance was anticipated during the early years of the Fund. Sales tax revenues are collected over a ten year period, but the construction of facilities is being completed in the early years. By law, the total expenditures cannot exceed anticipated revenues over the ten years. The negative equity will be eliminated over time as sales tax revenues are received.

The Human Services/Internal Service Fund and the Natural Resources/Internal Service Fund plan to increase their rates to cover the deficits.

The deficit in the Employers' Reinsurance Fund represents the unfunded portion of the actuarial estimate of claims incurred. The Employers' Reinsurance Fund claims are funded from taxes on workers' compensation insurance. The Legislature has set tax rates and modified benefits 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 Fund only. State law also limits the Fund'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.

### NOTE 10. CHANGES IN CONTRIBUTED CAPITAL ACCOUNTS AND FUND EQUITY UNREALIZED INVESTMENT GAINS

**For the Fiscal Year Ended June 30, 1997**
*(Expressed in Thousands)*

| | Beginning Balance July 1, 1996 | Additions Contributed Capital Transfers In | Deletions Contributed Capital Transfers Out | Ending Balance June 30, 1997 |
|---|---|---|---|---|
| Enterprise Funds: | | | | |
| Alcoholic Beverage Control | $ 12,350 | $ 753 | $ 827 | $ 12,276 |
| Utah Correctional Industries | 3,103 | — | — | 3,103 |
| Agriculture Loan Fund | 19,907 | 130 | — | 20,037 |
| Clean Fuels Vehicle Loan Fund | 290 | 1,360 | — | 1,650 |
| Petroleum Storage Tank Loan Fund | 3,000 | 2000 | — | 5000 |
| Waste Tire Recycling Loan Fund | 1,000 | — | — | 1,000 |
| Revitalization Programs | 400 | — | — | 400 |
| Total Enterprise Funds | $ 40,050 | $ 4,243 | $ 827 | $ 43,466 |
| Internal Service Funds: | | | | |
| Water Resources Loan Fund | $ 155,862 | $ 5,456 | $ — | $ 161,318 |
| Information Technology | 9,505 | — | 1,242 | 8,263 |
| Community Impact Loan Fund | 96,608 | 4,411 | — | 101,019 |
| General Services | 12,846 | — | — | 12,846 |
| Human Services | 581 | — | — | 581 |
| Office of Education | 143 | — | — | 143 |
| Natural Resources | 2,919 | — | — | 2,919 |
| Risk Management | 766 | — | — | 766 |
| Property Management | 200 | — | — | 200 |
| Clean Fuels Vehicle Loan Fund – Public | 880 | — | 880 | 0 |
| Total Internal Service Funds | $ 280,310 | $ 9,867 | $ 2,122 | $ 288,055 |
| Component Units – Proprietary Type Funds: | | | | |
| Technology Finance Corporation | $ 3,192 | $ — | $ — | $ 3,192 |
| Utah State Fair Corporation | 757 | — | — | 757 |
| Total Component Units – Proprietary Type Funds | $ 3,949 | $ 0 | $ 0 | $ 3,949 |

Workers' Compensation (Component Units – Proprietary Type Fund) net unrealized gains on investments began with a balance of $34.154 million and had $31.581 million increases and $37.027 million decreases during the year, ending with a balance of $28.708 million.

### NOTE 11. OPERATING AND RESIDUAL EQUITY TRANSFERS

Operating transfers among funds occur when one fund collects revenue and transfers the assets to another fund for expenditure. The transfers occur only after being legally authorized by the Legislature through statute or an *Appropriation Act*. For the fiscal year ended June 30, 1997, the operating transfers by fund are as follows:

**Operating Transfers**
*(Expressed in Thousands)*

| | General Fund | Special Revenue Funds: Uniform School Fund | Special Revenue Funds: Trans-portation Fund | Special Revenue Funds: Centennial Highway Fund | Capital Projects Fund | Debt Service Fund | Internal Service Fund | Expendable Trust Funds | Total Transfers Out |
|---|---|---|---|---|---|---|---|---|---|
| **Transfers Out:** | | | | | | | | | |
| General Fund | $ — | $ 1,086 | $ 12,283 | $ 110,000 | $ 49,391 | $ 74,246 | $ 622 | $ 945 | $ 248,573 |
| Special Revenue Funds: | | | | | | | | | |
| Uniform School Fund | 54,334 | — | — | — | 1,986 | 10,213 | — | — | 66,533 |
| Transportation Fund | 22,767 | — | — | 720 | 2,277 | — | — | — | 25,764 |
| Sports Authority Fund | — | — | — | — | 5,419 | — | — | — | 5,419 |
| Consumer Education Fund | 6 | — | — | — | — | — | — | — | 6 |
| Capital Projects Fund | 286 | — | — | — | — | 1 | — | — | 287 |
| Enterprise Funds | 24,636 | — | — | — | — | — | — | 560 | 25,196 |
| Internal Service Funds | 2,085 | — | — | — | — | — | — | — | 2,085 |
| Expendable Trust Funds | 9,722 | 4,819 | — | — | — | — | — | — | 14,541 |
| **Total Transfers In** | $ 113,836 | $ 5,905 | $ 12,283 | $ 110,720 | $ 59,073 | $ 84,460 | $ 622 | $ 1,505 | $ 388,404 |

In addition, the General Fund transferred $2.726 million and $440.183 million to the component units' Proprietary Funds and Colleges and Universities, respectively.

Residual equity transfers occur when nonroutine transfers are made from one fund to another. These transfers are usually made to provide funds for working capital. However, effective July 1, 1996, the Clean Fuels Conversion Public Internal Service Fund was combined with the Clean Fuels Conversion Private Enterprise Fund. This resulted in a residual equity transfer of $99 thousand from the Internal Service Funds retained earnings to the Enterprise Funds. Also effective July 1, 1996, some components of the Information Technology Internal Service Fund were transferred back to the General Fund. This resulted in a cash transfer of $51 thousand from the Internal Service Funds to the General Fund and the transfer of fixed assets with an original cost of $2.507 million and accumulated depreciation of $1.914 million from the Internal Service Funds to the General Fixed Assets Account Group. The remaining contributed capital for the components of $598 thousand was transferred within the Internal Service Funds to offset their related deficit retained earnings.

For the fiscal year ended June 30, 1997, the residual equity transfers by fund are as follows:

**Residual Equity Transfers**
*(Expressed in Thousands)*

| | General Fund | Enterprise Fund | Internal Service Fund | Total Transfers |
|---|---|---|---|---|
| **Transfers Out:** | | | | |
| General Fund | $ — | $ 1,362 | $ 9,867 | $ 11,229 |
| Enterprise Funds | 827 | — | — | 827 |
| Internal Service Funds | 51 | 979 | — | 1,030 |
| Expendable Trust Funds | — | 2,000 | — | 2,000 |
| **Total Transfers In** | $ 878 | $ 4,341 | $ 9,867 | $ 15,086 |

### NOTE 12. SEGMENT INFORMATION FOR ENTERPRISE FUNDS AND COMPONENT UNITS

A. The State of Utah has nine enterprise funds and seven proprietary-type component units which are described below:

Enterprise funds:

- Alcoholic Beverage Control — The Alcoholic Beverage Control Commission administers the *Alcoholic Beverage Control Act* with financing from operations which include the sale of liquor products.

- Student Assistance Programs — This is made up of two separate student assistance programs administered by the Utah State Board of Regents. The two programs are the Utah Higher Education Assistance Authority, which guarantees repayment of eligible student loans; and the Student Loan Purchase Program, which makes loans to and purchases loans of eligible students. The programs are funded from bond proceeds, loan fees, interest, and federal allowances.

- Utah Correctional Industries — The Correctional Industries provides employment for prisoners at the Utah State Prison. It is funded by charges for services and the sale of goods produced.

- Agriculture Loan Fund — The Fund issues farm loans for soil and water conservation projects and for the rehabilitation of rural areas within the State.

- Utah Dairy Commission — The Dairy Commission promotes dairy products through advertising, research, and nutritional education. It is funded by collections from milk producers.

- Clean Fuels Vehicle Loan Fund — The Fund provides loans to government and private fleets for the conversion of their vehicles to clean fuel.

- Petroleum Storage Tank Loan Fund — The Fund provides loans to private business to repair, replace, upgrade, or close petroleum storage tanks to prevent leakage.

- Waste Tire Recycling Loan Fund — The Fund provides loans to private business to promote waste tire recycling in the State.

- Revitalization Programs — This is made up of two Revitalization Programs, the Uintah Basin Revitalization Fund and the San Juan Navajo Revitalization Fund. The Fund makes grants and loans to county agencies, the Ute Indian Tribe, and the Navajo Nation to benefit the citizens of the Uintah Basin and San Juan County for the social and economic impacts of mineral resource development. Funding is from appropriations, oil and gas severance taxes, and interest earnings.

Proprietary type component units:

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

- Workers' Compensation Fund of Utah — The Fund provides workers' compensation insurance to private and public employers and is financed through employer premiums.

- Utah Technology Finance Corporation — The Corporation is a corporate body created to encourage and assist small and emerging businesses involved in innovation and high technology in the State. The Corporation is operated from grants, earnings, and state appropriations.

- Comprehensive Health Insurance Pool — The Pool provides access to health insurance coverage for residents of the State who are denied adequate health insurance and are considered uninsurable.

- Heber Valley Historic Railroad Authority — The Authority operates and maintains a scenic and historic railway in Wasatch County.

- Utah Science Center Authority — The Authority provides a means to foster the development of science, arts, tourism, and cultural and educational facilities within the State.

- Utah State Fair Corporation — The nonprofit Corporation operates the State Fair Park and conducts the Utah State Fair and other various expositions and entertainment events.

Colleges and Universities component units:

- College and University Funds account for the operations of institutions of higher education.

B. Various bond resolutions place restrictions on the use of certain assets. As of June 30, 1997, restrictions have been placed on \$52.222 million of Housing Finance Agency assets and \$657.683 million of Student Loan Purchase Program assets.

C. Segment information for the fiscal year ended June 30, 1997, is as follows:

**Enterprise Funds**
**Segment Information**
*(Expressed in Thousands)*

| | Alcoholic Beverage Control | Student Assistance Program | Utah Correctional Industries | Agriculture Loan Fund | Utah Dairy Commission | Clean Fuels Vehicle Loan Fund | Petroleum Storage Tank Loan Fund | Waste Tire Recycling Loan Fund | Revitalization Programs | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating Revenue | $ 96,724 | $ 80,650 | $ 10,913 | $ 1,072 | $ 2,125 | $ 86 | $ 160 | $ 53 | $ 23 | $ 191,806 |
| Operating Expenses: | | | | | | | | | | |
| Depreciation | 822 | 798 | 101 | 1 | 10 | — | — | — | — | 1,732 |
| Other | 71,585 | 68,275 | 10,552 | 266 | 2,051 | 47 | — | — | 218 | 152,994 |
| Operating Income (Loss) | 24,317 | 11,577 | 260 | 805 | 64 | 39 | 160 | 53 | (195) | 37,080 |
| Operating Transfers In (Out) | (24,312) | (560) | — | (228) | — | — | (96) | — | — | (25,196) |
| Tax Revenues | — | — | — | — | — | — | — | — | 1,402 | 1,402 |
| Non-Operating Income (Loss) | (5) | 1,332 | — | — | 194 | — | — | — | — | 1,521 |
| Net Income (Loss) | $ 0 | $ 12,349 | $ 260 | $ 577 | $ 258 | $ 39 | $ 64 | $ 53 | $ 1,207 | $ 14,807 |
| Current Assets | $ 11,319 | $ 280,983 | $ 4,271 | $ 10,746 | $ 1,039 | $ 1,410 | $ 5,138 | $ 898 | $ 1,796 | $ 317,600 |
| Current Liabilities | 10,468 | 80,090 | 1,088 | 34 | 158 | 2 | — | — | — | 91,840 |
| Net Working Capital | $ 851 | $ 200,893 | $ 3,183 | $ 10,712 | $ 881 | $ 1,408 | $ 5,138 | $ 898 | $ 1,796 | $ 225,760 |
| Total Assets | $ 28,752 | $ 750,619 | $ 5,322 | $ 26,643 | $ 1,146 | $ 1,788 | $ 5,138 | $ 1,098 | $ 1,796 | $ 822,302 |
| Total Liabilities | 16,476 | 620,663 | 1,088 | 34 | 158 | 2 | — | — | — | 638,421 |
| Fund Equity | $ 12,276 | $ 129,956 | $ 4,234 | $ 26,609 | $ 988 | $ 1,786 | $ 5,138 | $ 1,098 | $ 1,796 | $ 183,881 |
| Long-Term Liabilities | $ 6,008 | $ 540,573 | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ 546,581 |
| Current Capital Contributions | $ (74) | $ — | $ — | $ 130 | $ — | $ 1,360 | $ 2,000 | $ — | $ — | $ 3,416 |
| Fixed Assets July 1, 1996 | $ 21,671 | $ 740 | $ 2,930 | $ 7 | $ 185 | $ — | $ — | $ — | $ — | $ 25,533 |
| Additions | 1,302 | 246 | 177 | — | 16 | — | — | — | — | 1,741 |
| Deletions | (517) | (46) | (282) | — | — | — | — | — | — | (845) |
| Fixed Assets June 30, 1997 | $ 22,456 | $ 940 | $ 2,825 | $ 7 | $ 201 | $ — | $ — | $ — | $ — | $ 26,429 |

### Component Units — Proprietary Type Funds
### Segment Information
*(Expressed in Thousands)*

| | Housing Finance Agency | Workers' Compensation | Technology Finance Corporation | Comprehensive Health Insurance | Heber Valley Historic Railroad Authority | Utah Science Center Authority | Utah State Fair Corporation | Total |
|---|---|---|---|---|---|---|---|---|
| Operating Revenue | $ 80,688 | $ 178,554 | $ 1,186 | $ 1,736 | $ 484 | $ 70 | $ 2,744 | $ 265,462 |
| Operating Expenses: | | | | | | | | |
| Depreciation | 177 | 3,193 | 111 | — | 47 | 16 | 49 | 3,593 |
| Other | 69,098 | 137,249 | 1,839 | 4,038 | 486 | 101 | 3,206 | 216,017 |
| Operating Income (Loss) | 11,413 | 38,112 | (764) | (2,302) | (49) | (47) | (511) | 45,852 |
| Operating Transfers from Primary Government | — | — | 2,131 | — | — | — | 595 | 2,726 |
| Federal Grants | — | — | 738 | — | — | — | — | 738 |
| Other Non-Operating Income (Loss) | — | — | (442) | 246 | — | 5 | 61 | (130) |
| Net Income (Loss) | $ 11,413 | $ 38,112 | $ 1,663 | $ (2,056) | $ (49) | $ (42) | $ 145 | $ 49,186 |
| Current Assets | $ 128,954 | $ 412,399 | $ 8,049 | $ 3,721 | $ 82 | $ 102 | $ 1,384 | $ 554,691 |
| Due From Primary Government | — | — | — | — | — | — | — | — |
| Current Liabilities | 135,172 | 101,110 | 409 | 1,233 | 159 | 8 | 252 | 238,343 |
| Net Working Capital | $ (6,218) | $ 311,289 | $ 7,640 | $ 2,488 | $ (77) | $ 94 | $ 1,132 | $ 316,348 |
| Total Assets | $ 1,205,792 | $ 670,019 | $ 15,452 | $ 3,721 | $ 1,237 | $ 170 | $ 1,651 | $ 1,898,042 |
| Total Liabilities | 1,081,888 | 501,379 | 2,045 | 1,233 | 168 | 8 | 252 | 1,586,973 |
| Fund Equity | $ 123,904 | $ 168,640 | $ 13,407 | $ 2,488 | $ 1,069 | $ 162 | $ 1,399 | $ 311,069 |
| Long-Term Liabilities | $ 946,716 | $ 400,269 | $ 1,636 | $ — | $ 9 | $ — | $ — | $ 1,348,630 |
| Current Capital Contributions | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ 0 |
| Fixed Assets July 1, 1996 | $ 1,901 | $ 14,733 | $ 1,048 | $ — | $ 1,479 | $ 82 | $ 1,133 | $ 20,376 |
| Additions | 189 | 3,302 | 106 | — | 4 | 15 | 80 | 3,696 |
| Deletions | — | (306) | (4) | — | (138) | — | (2) | (450) |
| Fixed Assets June 30, 1997 | $ 2,090 | $ 17,729 | $ 1,150 | $ — | $ 1,345 | $ 97 | $ 1,211 | $ 23,622 |

### Component Units — Colleges and Universities
### Segment Information
*(Expressed in Thousands)*

| | Assets | Liabilities | | | | |
|---|---|---|---|---|---|---|
| | Property, Plant, and Equipment | Due to Primary Government | Bonds, Notes, and Contracts Payable | Total Assets | Total Liabilities | Fund Balance |
| Current Funds: | | | | | | |
| Unrestricted | $ — | $ — | $ — | $ 472,697 | $ 147,243 | $ 325,454 |
| Restricted | — | — | — | 144,653 | 18,112 | 126,541 |
| Loan Funds | — | — | — | 59,162 | 4 | 59,158 |
| Endowment and Similar Funds | — | — | 738 | 232,100 | 748 | 231,352 |
| Agency Funds | 704 | — | 15 | 25,717 | 25,717 | — |
| Plant Funds | 2,132,661 | 8,841 | 154,672 | 2,314,020 | 177,542 | 2,136,478 |
| Foundations and Institutes | 47,479 | — | 22,325 | 79,222 | 34,060 | 45,162 |
| Totals | $ 2,180,844 | $ 8,841 | $ 177,750 | $ 3,327,571 | $ 403,426 | $ 2,924,145 |

## NOTE 13. LITIGATION, CONTINGENCIES, AND COMMITMENTS

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.

Among the legal proceedings is a suit filed by the Navajo Indians who allege the State of Utah has mismanaged Navajo Trust fund monies. The plaintiffs are seeking an accounting of the legitimacy of the fund's receipts, disbursements, and damages. There is no way to estimate the outcome of this case, since this is a case of first impression and there is no similar case law available to help predict the outcome. However, if the State were ultimately held liable, the range of liability could be up to $50 million plus interest and attorney's fees.

A suit has recently been filed by the United Mine Workers of America and others, with respect to lands which are alleged to have been conveyed by the Federal government to the State of Utah to build and maintain a hospital for miners. The plaintiffs seek certification of the suit as a class action, a declaration that a separate hospital for disabled miners is required and that the proceeds received from the lands must be separately maintained. It also seeks a full accounting of all assets together with an order requiring the State to establish a hospital to be maintained for disabled miners. It is not possible at this time to estimate the outcome or the financial impact an adverse ruling would have upon the State.

Financial and compliance audits (Single Audit) of federal grants, contracts, and agreements were conducted under the provisions of the Federal Office of Management and Budget's circulars. As a result of the audits, the allowableness of $840 thousand of federal expenditures is in question. These costs will be contested with the federal agency involved, and management estimates the liability to be less than the questioned amount. Other audit findings on noncompliance cannot be estimated as to the potential liability. The Single Audit for the fiscal year ended June 30, 1997, is in process and management expects proposed disallowances to be immaterial.

Management's estimated liability for the Underground Petroleum Storage Tank Fund (Expendable Trust Fund) is highly sensitive to change based on the short period of historical data and the uncertainties in estimating costs. Since it is not possible to determine the occurrence date of a leak in an underground storage tank, it is not possible to estimate the number and the associated costs of leaks that have not been detected. The State's liability includes only claims that have been reported.

Federal regulations which will take effect December 22, 1998, require all tanks to be constructed of corrosion resistant materials, or to be "cathodically protected" to prevent corrosion. It is expected that in the next four years, as tank owners inspect their tanks for compliance with the new regulations, many future claims will be filed. These future claims, per the actuarial report, will increase the costs over the next four years significantly to approximately $38.588 million.

The State is totally self-insured against liability claims and up to $2.5 million in property claims. According to an actuarial study and other known factors, $29.054 million exists as either incurred but unfiled or unpaid claims. This amount is reported as a liability of the Administrative Services Risk Management Fund (Internal Service Fund).

Legislation passed during the 1997 Legislative Session which requires private insurance carriers to accept uninsurable individuals until they reach an established uninsurable individual enrollment percentage is expected to increase the enrollment of the highest risk uninsurable individuals in the Comprehensive Health Insurance Pool (Component Unit). Financial projections indicate appropriations from the Legislature will be necessary for the Comprehensive Health Insurance Pool to continue operations.

The Utah School Bond Guaranty Act (UCA 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 (Trust Lands Nonexpendable Trust 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.

As of June 30, 1997, the State has guaranteed approximately $217.40 million principal amount of Guaranteed Bonds and estimates an additional $380 million principal amount of such bonds may be guaranteed during calendar year 1997. The State cannot predict how many bonds may be guaranteed in future years, but no limitation is currently imposed by the Guaranty Act.

At June 30, 1997, the General Fund had loan and grant commitments of approximately $37.209 million ($35.905 in loans, $1.304 million in grants).

The State Retirement System (Pension Trust Fund) Investment Fund has at December 31, 1996, committed to fund certain venture capital partnerships and real estate projects for an amount of $688.969 million. Funding of $327.433 million has been provided, leaving an unfunded commitment of $361.536 million as of December 31, 1996.

As of June 30, 1997, the Utah Housing Finance Agency (Component Unit, Proprietary Fund Type) has committed to purchase mortgages under the Single-Family Mortgage Purchase Program in the amount of $20.869 million.

At June 30, 1997, the Internal Service Funds had loan and grant commitments of approximately $22.862 million ($14.855 million in loans, $8.007 million in grants).

At June 30, 1997, the Enterprise Funds had loan commitments of $328 thousand.

At June 30, 1997, the Utah Higher Education Assistance Authority (Student Assistance Program, Enterprise Fund) had guaranteed student loans outstanding with an original principal amount of approximately $1.044 billion.

At June 30, 1997, the Department of Transportation had construction and other contract commitments of $1.446 billion, of which $1.302 billion is for I-15 reconstruction and $144 million is for other Transportation Fund (Special Revenue Fund) projects. These commitments will be funded with bonded debt and future appropriations.

## NOTE 14. PENSION PLANS

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

### A. Utah State Retirement Systems

The Utah State Retirement Systems (Systems) and related deferred compensation plans (Plans) were established by Chapter 49 of *Utah Code Annotated, 1953*, as amended. The Systems are a group of cost-sharing multiple-employer defined-benefit public employee retirement systems (PERS) plans. The Utah State Retirement Office administers the Systems and Plans under the direction of the Utah Retirement Board (Board), which consists of the State Treasurer and six members appointed by the Governor. The Board has a separate accounting system and prepares a separately issued financial report covering all retirement systems and deferred compensation plans administered by it. The Systems and Plans maintain records and accounts and prepare separately issued financial statements using fund accounting principles and the accrual basis of accounting, under which expenses are recorded when liability is incurred and revenues are recorded in the accounting period in which they are earned and become measurable. The Board's accounting system reports on a calendar yearend. The December 31, 1996, financial report has been included in this Comprehensive Annual Financial Report as a Pension Trust Fund for the PERS and 401(k) Deferred Compensation Plan, and as an Agency Fund for the 457 Deferred Compensation Plan. 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 Utah Retirement Systems adopted Statement No. 28 of the Governmental Accounting Standards Board (GASB No. 28), *Accounting and Financial Reporting for Securities Lending Transactions* for the year ended December 31, 1996. This resulted in the presentation of securities lending reporting explained in Note 3. C. of the notes to the financial statements. The 1996 financial memorandum only columns were restated to reflect an increase in short-term securities of $1.059 billion and an increase in securities lending liability of the same amount. Since the securities lending collateral is in a pool maintained by the custodian bank, it was not necessary to report the total income and expenses of securities lending. Rather, the net income from securities lending, which was already appropriately reported in the 1996 financial statements, remained unchanged.

The Systems are comprised of the following groups of defined-benefit plans covering substantially all employees of the State, public education, and other political subdivisions of the State:

- The Public Employees Contributory Retirement System (Contributory System); the Public Employees Noncontributory Retirement System (Noncontributory System); and the Firefighters Retirement System, which are multiple-employer, cost-sharing, public employee retirement systems;
- The Public Safety Retirement System, which is a mixed cost-sharing and agent, multiple-employer retirement system;
- The Judges Retirement System and the Governors and Legislative Pension Plan, which are single-employer public employee retirement systems; and
- The 401(k) Plan defined-contribution plan.

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

**Summary of Eligibility and Benefits**

| | Contributory System | Noncontributory System | Public Safety System | Firefighters System | Judges System |
|---|---|---|---|---|---|
| Highest Average Salary | Highest 5 Years | Highest 3 Years | Highest 3 Years | | Highest 2 Years |
| Years of Service Required and/or Age Eligible for Benefit | 30 years any age<br>20 years age 60<br>10 years age 62<br>4 years age 65 | 30 years any age<br>*25 years any age<br>20 years age 60<br>10 years age 62<br>4 years age 65 | 20 years any age<br>10 years age 60<br>4 years age 65 | | 25 years any age<br>*20 years age 55<br>10 years age 62<br>6 years age 70 |
| Benefit Percent per Year of Service | 1.10% to June 1967<br>1.25% July 1967 to June 1975<br>2.00% July 1975 to present | 2.00% per year | 2.50% per year up to 20 years<br>2.00% per year over 20 years | | 5.00% first 10 years<br>2.25% second 10 years<br>1.00% over 20 years |

*With full actuarial reductions

Former governors at age 65 receive $960 per month per term, limited to two terms. 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 $21.60 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, insurance premium taxes, or legislative appropriations. Below is a summary of plan participants.

**Participants**
**December 31, 1996**

| | Contributory System | Non-contributory System | Public Safety System | Fire-fighters System | Judges System | Governors and Legislative Pension Plan |
|---|---|---|---|---|---|---|
| Number of participating: | | | | | | |
| Employers | 225 | 336 | 115 | 28 | 1 | 1 |
| Members: | | | | | | |
| Active | 4,830 | 73,652 | 5,736 | 1,224 | 100 | 95 |
| Terminated vested | 1,413 | 10,210 | 579 | 49 | 3 | 78 |
| Retirees and beneficiaries: | | | | | | |
| Service benefits | 10,229 | 11,872 | 1,817 | 676 | 69 | 200 |
| Disability benefits | 266 | 0 | 56 | 62 | 0 | 0 |

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 service year) and *(2)* an amount for amortization of the unfunded actuarial accrued liability over a period representing the remainder of the original 30 year amortization period. These rates are determined using the entry age normal actuarial cost method with a supplemental present value.

The following schedule summarizes contribution rates in effect as of December 31, 1996:

**Contribution Rates as a Percent of Covered Payroll**

| System | Member | Employer | Other |
|---|---|---|---|
| Contributory | 6.00% | 6.42–9.67% | — |
| Noncontributory | — | 10.24–13.99% | — |
| Public Safety: | | | |
| Contributory | 10.5 – 13.74% | 3.72–20.38% | — |
| Noncontributory | — | 14.47–31.51% | — |
| Firefighters: | | | |
| Group A | 13.31% | 0.0% | 7.98% |
| Group B | 16.71% | 6.64% | 7.98% |
| Judges | 8.00% | 10.70% | 25.62% |
| Governors and Legislative | — | Appropriation | — |

The following table presents the State of Utah's actuarially determined employer contributions required and paid to the State Retirement System:

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

| | Contributory System | Non-contributory System | Public Safety System | Fire-fighters System | Judges System | Total All Systems |
|---|---|---|---|---|---|---|
| Primary Government: | | | | | | |
| 1997 | $ 5,202 | $ 61,782 | $ 13,865 | $ 44 | $ 1,721 | $ 82,614 |
| 1996 | $ 6,554 | $ 51,530 | $ 12,772 | $ 38 | $ 1,501 | $ 72,395 |
| 1995 | $ 11,838 | $ 45,131 | $ 10,599 | $ 40 | $ 1,291 | $ 68,899 |
| 1994 | $ 10,681 | $ 37,502 | $ 8,590 | $ 44 | $ 986 | $ 57,803 |
| 1993 | $ 10,755 | $ 34,904 | $ 8,542 | $ 49 | $ 884 | $ 55,134 |
| Component Units: | | | | | | |
| Colleges and Universities: | | | | | | |
| 1997 | $ 2,548 | $ 29,694 | $ 318 | $ — | $ — | $ 32,560 |
| 1996 | $ 3,066 | $ 25,751 | $ 97 | $ — | $ — | $ 28,914 |
| 1995 | $ 4,556 | $ 22,457 | $ 65 | $ — | $ — | $ 27,078 |
| 1994 | $ 4,260 | $ 19,388 | $ 48 | $ — | $ — | $ 23,696 |
| 1993 | $ 4,475 | $ 18,225 | $ 45 | $ — | $ — | $ 22,745 |
| Proprietary Type Funds: | | | | | | |
| 1997 | $ 122 | $ 1,756 | $ — | $ — | $ — | $ 1,878 |
| 1996 | $ 149 | $ 1,297 | $ — | $ — | $ — | $ 1,446 |
| 1995 | $ 152 | $ 950 | $ — | $ — | $ — | $ 1,102 |
| 1994 | $ 149 | $ 823 | $ — | $ — | $ — | $ 972 |
| 1993 | $ 147 | $ 647 | $ — | $ — | $ — | $ 794 |
| Total Primary Government and Component Units: | | | | | | |
| 1997 | $ 7,872 | $ 93,232 | $ 14,183 | $ 44 | $ 1,721 | $ 117,052 |
| 1996 | $ 9,769 | $ 78,578 | $ 12,869 | $ 38 | $ 1,501 | $ 102,755 |
| 1995 | $ 16,546 | $ 68,538 | $ 10,664 | $ 40 | $ 1,291 | $ 97,079 |
| 1994 | $ 15,090 | $ 57,713 | $ 8,638 | $ 44 | $ 986 | $ 82,471 |
| 1993 | $ 15,377 | $ 53,776 | $ 8,587 | $ 49 | $ 884 | $ 78,673 |

**401(k) Defined-Contribution Plans**

The 401(k) Plan administered by the Retirement Board in which the State participates is a defined-contribution plan. This Plan is available as a supplemental plan to the basic retirement benefits of the retirement systems for employees of employers which have adopted the 401(k) Plan. Voluntary contributions may be made into the Plan by employees of employers sponsoring the plan, subject to Plan and Internal Revenue Code limitations. Employer contributions may be made into the Plan at rates determined by the employers. There are 272 employers participating in the 401(k) Plan. There are 97,781 employees of those employers who are members of the 401(k) Plan.

After termination of employment, benefits are paid out to individuals in lump sum, or as periodic benefit payments, at the option of the participant based on individual account balances. The 401(k) Plan account balances are fully vested to the participants at time of deposit. Investments of the plan are reported at fair value. No single investment of the Plan constitutes 5 percent or more of the total plan assets.

Employees of the State are eligible to participate in the deferred compensation 401(k) Plan. The State and participating employers are required to contribute to employees who participate in the noncontributory retirement plan. The State contributes 1.5 percent of eligible employees' salaries which amount vests immediately. The amounts contributed to the 401(k) Plan during the year ended June 30, 1997, by employees and employers are as follows: for Primary Government $19.408 million and $6.884 million; for Component Units, Colleges and Universities $1.344 million and $2.901 million; for Component Units, Proprietary $630 thousand and $189 thousand; and the combined total for all is $21.382 million and $9.974 million, respectively.

**Pension Plan 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. In general, however, corporate bonds are valued based on yield currently available on comparable securities of issuers with similar credit ratings. Mortgages have been valued on an amortized cost basis which approximates market or fair value. The fair value of real estate investments has been estimated based on independent appraisals. For investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, have determined the fair value for the individual investments. Approximately 16 percent of the net assets held in trust for the pension benefits are invested in bonds of the U.S. Government and its instrumentalities. The Systems have no investments of any commercial or industrial organization whose market value equals 5 percent or more of the Systems' net assets available for benefits. The Principal Components of the receivables and investment categories are presented below.

**Pension Receivables and Investments**
*(Expressed in Thousands)*

| | Contributory System | Noncontributory System | Public Safety System | Firefighters System | Judges System | Governors and Legislative Pension Plan | Deferred Compensation 401(k) Plan | Retirement Investment Fund | Total June 30, 1997 |
|---|---|---|---|---|---|---|---|---|---|
| Receivables: | | | | | | | | | |
| Member Contributions | $ 413 | $ — | $ 209 | $ 235 | $ 28 | $ — | $ 918 | $ — | $ 1,803 |
| Employer Contributions | 602 | 17,520 | 1,168 | 421 | 271 | — | — | — | 19,982 |
| Investments | — | — | — | — | — | — | — | 41,377 | 41,377 |
| Total Receivables | $ 1,015 | $ 17,520 | $ 1,377 | $ 656 | $ 299 | $ 0 | $ 918 | $ 41,377 | $ 63,162 |
| Investments: | | | | | | | | | |
| Bonds | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ 2,224,904 | $ 2,224,904 |
| Equity Investments | — | — | — | — | — | — | 335,221 | 5,021,483 | 5,356,704 |
| Venture Capital | — | — | — | — | — | — | — | 344,185 | 344,185 |
| Real Estate | — | — | — | — | — | — | — | 805,463 | 805,463 |
| Mortgage Loans | — | — | — | — | — | — | — | 4,016 | 4,016 |
| Investment Contracts | — | — | — | — | — | — | 277,893 | — | 277,893 |
| Equity in Investment Fund | 911,373 | 6,492,924 | 829,871 | 361,897 | 55,457 | 9,560 | — | (8,661,082) | 0 |
| Total Investments | $ 911,373 | $ 6,492,924 | $ 829,871 | $ 361,897 | $ 55,457 | $ 9,560 | $ 613,114 | $ (261,031) | $ 9,013,165 |

### Actuarial Methods And Assumptions

The latest actuarial valuation and study was dated January 1, 1996. The actuarial accrued liability and schedule of funding progress is presented by the retirement systems in their separately presented financial reports based on the report generated by that study conducted by the Watson Wyatt & Company. The actuarial value of assets for that date is based on a smoothed expected investment income rate. Investment income in excess or shortfall of the expected 8 percent return on fair value is smoothed over a five-year period with 20 percent of a year's excess or shortfall being recognized each year beginning with the current year. Below is listed the various actuarial methods and significant assumptions used to determine the annual required contributions, together with the actuarial accrued liability and funding ratios for five valuation dates.

| | Contributory | Noncontributory | Public Safety | Firefighters | Judges | Governors and Legislative |
|---|---|---|---|---|---|---|
| Valuation Date | 1/1/96 | 1/1/96 | 1/1/96 | 1/1/96 | 1/1/96 | 1/1/96 |
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal | Entry Age Normal | Entry Age Normal | Entry Age Normal | Entry Age Normal |
| Amortization Method | Level Percent of Payroll | Level Percent of Payroll | Level Percent of Payroll | Level Percent of Payroll | Level Percent of Payroll | Level Dollar Amount |
| Remaining Amortization Period | Open Group 24 Years Closed Period | Open Group 24 Years Closed Period | Open Group 24 Years Closed Period | Open Group 24 Years Closed Period | Open Group 24 Years Closed Period | Open Group 24 Years Closed Period |
| Asset Valuation Method | 5 Year Smoothed Market | 5 Year Smoothed Market | 5 Year Smoothed Market | 5 Year Smoothed Market | 5 Year Smoothed Market | 5 Year Smoothed Market |
| Actuarial Assumptions: | | | | | | |
| Investment rate of return | 8% | 8% | 8% | 8% | 8% | 8% |
| Projected salary increases | 4.25–14.75% | 4.25–14.75% | 4.25–10.25% | 4.25–13.25% | 5.50% | none |
| Includes inflation at | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | none |
| Post-retirement cost-of-living adjustment (Note below) | 4.00% | 4.00% | 2.50% | 4.00% | 4.00% | 4.00% |
| Funding Progress – Actuarial Accrued Liability (In thousands): | | | | | | |
| December 31,1996 | $ 930,906 | $ 6,655,664 | $ 832,733 | $ 358,559 | $ 60,883 | $ 6,893 |
| January 1, 1996 | $ 992,374 | $ 6,032,412 | $ 771,150 | $ 333,432 | $ 55,952 | $ 6,853 |
| January 1, 1995 | $ 1,176,222 | $ 5,205,873 | $ 691,107 | $ 307,459 | $ 49,830 | $ 6,606 |
| January 1, 1994 | $ 1,099,162 | $ 4,624,515 | $ 627,358 | $ 279,084 | $ 45,631 | $ 6,116 |
| January 1, 1993 | $ 1,054,163 | $ 4,186,743 | $ 557,664 | $ 237,752 | $ 40,594 | $ 6,150 |
| Funding Ratios: | | | | | | |
| December 31, 1996 | 88.2% | 89.0% | 90.7% | 91.9% | 83.3% | 125.3% |
| January 1, 1996 | 85.9% | 85.1% | 87.0% | 88.1% | 79.2% | 119.4% |
| January 1, 1995 | 82.0% | 84.0% | 86.4% | 85.1% | 77.7% | 118.1% |
| January 1, 1994 | 82.9% | 87.3% | 88.5% | 87.2% | 77.8% | 125.6% |
| January 1, 1993 | 79.2% | 83.1% | 87.1% | 89.7% | 74.5% | 115.8% |

NOTE: All post retirement cost-of-living adjustments are noncompounding and are based on the original benefit, except for Judges which is a compounding benefit. The cost-of-living 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.

### B. Teachers Insurance and Annuity Association

The Teachers Insurance and Annuity Association and/or College Retirement Equities Fund (TIAA–CREF), privately administered defined-contribution retirement plans, provide individual retirement fund contracts for each eligible participating employee. Eligible employees consist mainly of state college/university and applied technology center faculty. Benefits to retired employees are generally based on the value of the individual contracts and the estimated life expectancy of the employee at retirement and are fully vested from the date of employment. The total current year required contribution and the amount paid is 14.2 percent of the employee's annual salary. Most of the employers contribute both the employer and the employee share of 7.1 percent. The State has no further liability once annual contributions are made.

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

**State of Utah's Employer Contributions**
For the Years Ended June 30, 1996 and 1997
*(Expressed in Thousands)*

| | Contribution Required and Paid 1996 | Contribution Required and Paid 1997 |
|---|---|---|
| Primary Government | $ 462 | $ 522 |
| Component Units: | | |
| College and University | 53,179 | 55,838 |
| Total | $ 53,641 | $ 56,360 |

### C. Travelers Insurance Retirement Plan

There are 243 employees of the Department of Employment Security (General Fund) participating in the Travelers Insurance Plan, which is a deposit fund administered retirement plan. The employer payments are fully funded through federal revenues from the U.S. Department of Labor.

The contribution is 9.97 percent of the employee's annual salary, of which 3.05 percent is paid by the employee, 3.95 percent is paid by the employer for the employee, and 2.97 percent is paid by the employer. The employer is also contributing to prior service costs. Retirement benefits are computed using salary, age, and years of service.

According to the latest periodic actuarial valuation on October 1, 1996, the present value of future retirement benefits is $149.073 million, and the unfunded liability is $14.064 million. Net assets available for benefits are $128.976 million. The unfunded liability represents cost-of-living increases on benefits. The average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7.50 percent for 1997 and 1996.

The State of Utah's actual current year employer contributions, including prior year service costs, to the Travelers Retirement Plan from the General Fund in fiscal years ended June 30, 1997 and 1996 were $2.591 million and $2.950 million, respectively.

## NOTE 15. DEFERRED COMPENSATION PLAN

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by the Utah State Retirement System and is available to all state employees. The plan permits employees to defer a portion of their salary until future years. There are six colleges and universities and the Office of Education which have set up their own deferred compensation plans for their employees. These plans are administered by a third party. The amounts for these six colleges and universities total $15.255 million and are reported in the Agency Funds of the college and university financial statements. The amount in the Office of Education's plan totals $2.325 million and is included with the amounts for the State plan. These amounts are reported in the State's Agency Funds.

There are no funding requirements in the deferred compensation plans other than the deposit of deferred compensation or voluntary contributions for the employee by the employer. The deferred compensation under both plans is not available to employees until termination, retirement, death, or unforeseeable emergency.

All compensation deferred under the plans, as well as assets acquired and income earned by the plans, is held as agency funds for the respective employers and does not belong to the member participants until the funds are distributed to them. Until that time, the funds remain assets of the respective employers and are available to the general creditors of these employers. Participants' rights under the plans are equal to those of general creditors of the respective employers in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the State's legal counsel that the State and the colleges and universities have no liability for losses under the plans but do have the duty to exercise the due care that would be required of an ordinary prudent investor. The State and the colleges and universities believe that it is unlikely that they will use the plans' assets to satisfy the claims of general creditors in the future.

Of the $171.248 million in assets reported on the balance sheet in the State's Agency Funds at June 30, 1997, $84.487 million was applicable to state agencies, and $2.325 million was from the Office of Education's outside plan. The remaining amount of $84.436 million represents the assets of the other jurisdictions participating in the plan. The state colleges and universities reported $17.631 million in assets on the component units' balance sheet.

## NOTE 16. POSTEMPLOYMENT BENEFITS

At the option of the individual state departments, employees may be offered a retirement incentive program, as set forth in Section 67–19–14(2) of the *Utah Code Annotated, 1953*, as amended. In order to qualify, the employee must be eligible to receive retirement benefits. Upon retirement most employees, including those age 65 and over, may be paid for 25 percent of unused accumulated sick leave at the employee's current rate of pay. In addition, the employee may receive health and life insurance coverage up to age 65, but not to exceed five years. If the employee has not reached age 65 after the five-year limitation is reached, they may exchange one sick leave day in excess of 60 days, after the 25 percent payout, for one month of paid health and life insurance coverage. As of June 30, 1997, there were 1,028 individuals on the program. The insurance coverage is paid 100 percent by the State.

The State has estimated a liability for current employees who will eventually retire in addition to an estimated liability for employees who have already retired. The liability for postemployment benefits and compensated absences of $180.468 million is fully funded from accrued taxes, with the ongoing payments being charged to state agencies as benefits are earned. For the year ended June 30, 1997, the postemployment benefits portion of the cumulative liability was $110.326 million. In fiscal year 1997, $30.659 million in expenditures were recognized. An additional postemployment benefits liability for the Department of Employment Security of $7.996 million is in the General Long-Term Obligation Account Group.

All employers who participate in the State Retirement System are eligible to participate in the Public Employees Long-Term Disability Program per Section 49–9–203 of the *Utah Code Annotated, 1953*, as amended. 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, 1997, there are 216 state employees receiving benefits. The program is funded by paying premiums to the Employees Group Insurance Fund (Internal Service Fund), where assets are set aside for future payments. For the year ended June 30, 1997, the State paid $3.218 million in premiums and the program has $29.813 million in assets.

The colleges and universities offer early retirement incentives, as approved by their boards of trustees, which may provide health, dental, and life insurance; incentive pay or stipends; or long-term disability. Eligibility requirements differ, depending on the college or university. In general, the employee must be at least 55–60 years of age with a minimum of 15–20 years of service. Some of the colleges and universities also require that the sum of the employee's age and years of service be at least 75. The employee may receive these benefits up to age 65 but not to exceed 5–10 years. The ranges for incentive and stipend pay are from 20 percent to 30 percent of the employee's salary upon retirement. The benefits are funded on a pay-as-you-go basis. As of June 30, 1997, there are 360 individuals participating in the programs, and $4.860 million was expended during the year.

## NOTE 17. 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 and Employees Group Insurance Funds (Internal Service Funds). The Risk Management Fund manages the general property and liability risk of the State, and the Employees Group Insurance Fund manages the health insurance programs of the State. The University of Utah and Utah State University (Colleges and Universities – Component Units) each maintain self-insurance funds to manage health care. The University of Utah also maintains self insurance funds to manage auto/physical damage, and 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 risk funds service all claims for risk of loss to which the State is exposed, including general liability, property and casualty, group medical and dental, and some environmental claims. They also service the general risk claims for many local school districts and local health departments within the State. All funds, agencies, and public authorities of the State may participate in the State's Risk Management and Employees Group Insurance Funds. The risk funds allocate the cost of providing claims servicing, claims payment, and commercial insurance by charging a "premium" to each agency, public authority, or employee, based on each organization's estimated current year liability and property values. The liability is determined using an independent actuarial study based on past, current, and estimated loss experiences.

Risk Management and Employees Group Insurance Fund claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities 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 unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. An annual actuarial study is also performed, and estimated liabilities are determined to 80 percent certainty.

The State covers its workers' compensation risk by purchasing insurance from The Workers' Compensation Fund of Utah (Component Units – Proprietary Funds).

The University of Utah and Utah State University report claim liabilities if it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The University of Utah and the University Hospital have a "claims made" umbrella malpractice insurance policy in an amount considered adequate by its respective administrations for catastrophic malpractice liabilities in excess of the trusts' fund balances. Amounts for the current year are included below.

The following table presents the changes in claims liabilities balances (short- and long-term combined) during fiscal years ended June 30, 1996, and June 30, 1997:

**Changes in Claims Liabilities**
*(Expressed in Thousands)*

| | Beginning Balance | Current Year Claims and Changes in Estimates | Claims Payments | Ending Balance |
|---|---|---|---|---|
| Risk Management: | | | | |
| 1996 | $ 39,476 | $ 8,395 | $ 11,537 | $ 36,334 |
| 1997 | $ 36,334 | $ 3,502 | $ 3,565 | $ 36,271 |
| Employees Group Insurance: | | | | |
| 1996 | $ 32,022 | $ 147,161 | $ 130,238 | $ 48,945 |
| 1997 | $ 48,945 | $ 155,301 | $ 154,274 | $ 49,972 |
| College and University Self-Insurance: | | | | |
| 1996 | $ 8,764 | $ 52,565 | $ 50,856 | $ 10,473 |
| 1997 | $ 10,473 | $ 55,839 | $ 54,321 | $ 11,991 |

Effective July 1, 1995, Employees Group Insurance assumed the risk for optional death benefit policies previously issued by the Utah Retirement Systems. In making this change, the Utah Retirement Systems transferred $15.547 million of investments and reserves to Employees Group Insurance which are included in the current year claims and changes in estimates amounts for 1996.

The Workers' Compensation Fund of Utah (Component Units – Proprietary Funds) cedes reinsurance to other insurance companies to limit the exposure arising from large losses. It retains liability on the first $2 million of each loss while reinsurers are liable between $2 and $10 million on individual claims (up to an annual aggregate of $10 million) and up to $55 million on occurrences involving multiple claimants.

**NOTE 18. SUBSEQUENT EVENTS**

On July 1, 1997, the State issued $200 million of general obligation bonds: $65 million will be used for building projects, and $135 million will be used for highway construction projects. The building bonds mature from the year 2001 to 2003 and carry an interest rate of 5.5 percent. The highway bonds mature from the year 2001 to 2012 and carry interest rates which range from 4.8 to 5.5 percent.

On July 10, 1997, the State issued $260 million of general obligation commercial paper notes to fund a portion of the costs of various highway construction projects. The notes are not callable prior to maturity and will mature no later than 270 days from the date of issuance. Each note will bear interest from its date of issuance at a rate determined on the date of issuance, and interest is payable at maturity. These notes will be converted to long-term general obligation highway bonds when market and funding conditions are favorable, as determined by the State Treasurer.

On August 1, 1997, the State issued $205 million of general obligation highway bonds to be used for highway construction projects within the State. The bonds mature from the year 2001 to 2012 and carry interest rates which range from 5.0 to 5.5 percent.

The State Building Ownership Authority anticipates issuing approximately $4.14 million of lease revenue bonds in December 1997. The proceeds will be used for the acquisition and construction of five buildings to be used by Alcoholic Beverage Control.

Subsequent to June 30, 1997, the Utah Housing Finance Agency also issued $25 million Single-Family Mortgage Purchase Bonds, 1997 Series D, maturing in 1999 through 2029, at interest rates of 4.15 percent to 6.95 percent.

Subsequent to June 30, 1997, Dixie College purchased 2.39 acres of property for $708,000, financed by the State of Utah.

On July 10, 1997, Weber State University refinanced $3.405 million 1988 Student Facilities System Refunding Revenue Bonds by issuing $3.665 million 1997A Student Facilities System Revenue Refunding Bonds. The 1997A bonds mature in the year 2007 and carry interest rates between 4.15 percent and 4.95 percent.

On July 30, 1997, the University of Utah issued Auxiliary and Campus Facility Revenue bonds for an expansion of the football stadium in the amount of $52.59 million.

Subsequent to June 30, 1997 the Board of Regents Student Loan Purchase Program issued student loan revenue bonds under authority of the 1993 Revenue Bonds General Indenture, Second Supplemental Indenture in the amount of $90.9 million.

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# APPENDIX C

# DEMOGRAPHIC AND ECONOMIC DATA REGARDING THE STATE OF UTAH

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## GENERAL INFORMATION

This appendix has been summarized from certain information which is contained in the *1998 Economic Report to the Governor* (the "ERG"). *However, the Governor's Office of Planning and Budget ("GOPB") has updated the various sections contained in this appendix with the latest information available.* The 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 ERG has been generated by members of the State Economic Coordinating Committee. A complete copy of the ERG may be obtained from the Contact Persons as listed under the "INTRODUCTION" section above, or by contacting the GOPB, 116 State Capitol Building, Salt Lake City, Utah, 84114, Ms. Lynne N. Koga, CPA, Director, (801) 538–1027, fax (801) 538–1547.

Additional information is available at the:

| | |
|---|---|
| State's web site at | http://www.state.ut.us |
| State Treasurer's web site at | http://www.treasurer.state.ut.us |
| Division of Finance's web site at | http://www.finance.state.ut.us |
| Governor's Office of Planning and Budget web site at | http://www.governor.state.ut.us/gopb |
| Governor's Office web site at | http://www.governor.state.ut.us |

The information available at the web sites shown above is provided by the State in the course of its normal operations and has not necessarily been reviewed for accuracy or completeness. Such information has not been provided in connection with the offering of the Bonds and is not a part of this OFFICIAL STATEMENT.

## TOPOGRAPHICAL INFORMATION

On January 4, 1896, the State became the forty–fifth state of the United States of America. Ranking eleventh among the states in total area, the State contains approximately 82,168 square miles. It ranges in elevation from a low of 2,500 feet above sea level in the south, to a high of 13,500 feet above sea level in the north. The State is located in an arid region (precipitation ranks as the second 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. Approximately 20% of the State is national park and forest land, 42% is Bureau of Land Management land and 7% is State park land.

## ECONOMIC INDICATORS

### Demographics

Although the size of the State's population is still relatively small in comparison to other states, the growth, composition, and distribution of the population is unique. The State's population grows more rapidly, is younger, lives longer, has larger household sizes, and is more urban than the national average. Changes are occurring, however, as the population becomes older, household formation becomes less oriented toward married couple families and the population becomes more racially and ethnically diverse. Further, the concentration of the population continues to spread to counties close to the metropolitan areas and to counties in the Southwest region of the State.

**State Population**

| Year | Population | % Change From Prior Period |
|---|---|---|
| 1997 Estimate (1) | 2,048,753 | 2.3% |
| 1996 Estimate (1) | 2,002,400 | 2.2 |
| 1995 Estimate (1) | 1,959,351 | 2.3 |
| 1994 Estimate (1) | 1,916,000 | 2.7 |
| 1993 Estimate (1) | 1,866,000 | 2.4 |
| 1992 Estimate (1) | 1,822,000 | 2.7 |
| 1991 Estimate (1) | 1,775,000 | 2.7 |
| 1990 Census | 1,722,850 | 17.9 |
| 1980 Census | 1,461,037 | 37.9 |
| 1970 Census | 1,059,273 | 18.9 |
| 1960 Census | 890,627 | 29.3 |
| 1950 Census | 688,862 | 25.2 |
| 1940 Census | 550,310 | 8.1 |

(1) As of July 1, of each year.

(Sources: U.S. Department of Commerce, Bureau of the Census and the Utah Population Estimates Committee.)

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**Components of Population Change in the State**

| Fiscal Year | Births | Deaths | Natural Increase | Migration | Population Change |
|---|---|---|---|---|---|
| 1997 | 42,398 | 11,082 | 31,316 | 15,037 | 46,353 |
| 1996 | 40,371 | 10,918 | 29,453 | 13,596 | 43,049 |
| 1995 | 38,064 | 10,381 | 28,683 | 15,063 | 43,421 |
| 1994 | 37,480 | 10,311 | 27,169 | 22,831 | 50,000 |
| 1993 | 36,573 | 10,000 | 26,573 | 17,427 | 44,000 |
| 1992 | 36,813 | 9,559 | 27,254 | 19,746 | 47,000 |
| 1991 | 36,312 | 9,273 | 27,039 | 18,961 | 46,000 |
| 1990 | 35,569 | 8,950 | 26,619 | (3,619) | 23,000 |
| 1989 | 35,549 | 8,916 | 26,633 | (10,633) | 16,000 |
| 1988 | 35,648 | 9,122 | 26,526 | (14,526) | 12,000 |

(Sources: Utah Bureau of Health Statistics and the Utah Population Estimates Committee.)

**Significant Characteristics of the State's Population**

| Category | Ranking | Comments |
|---|---|---|
| State population (1996) | Ranked as the thirty–fourth state | out of 50 states |
| age (under five years old) | Ranked highest in the U.S. | 9.4% |
| age (five to 17) | Ranked highest in the U.S. | 24.5% |
| age (18 to 64) | Ranked lowest in the U.S. | 57.3% |
| age (over age 65) | Ranked second lowest in the U.S. | 8.8% |
| Median age (1996) | Ranked youngest in the U.S. | 26.8 years |
| Fertility rate (1996) | Ranked highest in the U.S. | 2.55 births/woman |
| Birth rate (1995) | Ranked highest in the U.S. | 20.3 births/1,000 population |
| Death rate (1995) | Ranked second lowest in the U.S. | 5.5 deaths/1,000 population |
| Dependency ratio (1996) | Ranked highest in the U.S. | 75 per 100 of working age |
| Population in metropolitan areas (1990) | Ranked nineteenth highest in U.S. | 77.5% |
| Household size (1996) | Ranked largest in the U.S. | 3.15 persons/household |

(Sources: U.S. Bureau of the Census and GOPB)

## Employment, Wages And Labor Force

The State's employment growth rate slowed again in 1997. Expansion in the number of non-farm jobs, at 4.2% in 1997, is down slightly from the 1996 rate of 5.1%, which was down from the unusually rapid 6.2% growth of 1994. This year is the tenth in the series of consecutive annual job expansions of 3% or greater. The longest previous string since 1950 was only four years. By comparison, the U.S. 1997 job growth rate was 2.2%. In 1997, the State added 39,618 net new jobs and continued to rank as one of the fastest–growing states in the nation.

**Current Unemployment Rates**

| Current Unemployment Rate (1) | State | U.S. |
|---|---|---|
| May 1998 | 3.1% | 4.3% |
| May 1997 | 3.1% | 4.8% |

(1) Seasonally adjusted.

(Source: Utah Department of Workforce Services, Workforce Information.)

**Average Annual Employment and Unemployment Rate for Utah and the U.S.**

| | Utah | | Unemployment Rate | | Utah Unemployment Rate as % of U.S. Average |
|---|---|---|---|---|---|
| Year | Civilian Labor Force | Total Employed | Utah | U.S. | |
| 1998 (f) | 1,076,000 | 1,040,000 | 3.3% | 4.5% | 73% |
| 1997 (p) | 1,040,000 | 1,007,700 | 3.1 | 4.9 | 63 |
| 1996 (r) | 1,008,400 | 973,400 | 3.5 | 5.4 | 65 |
| 1995 | 986,600 | 951,400 | 3.6 | 5.6 | 64 |
| 1994 | 974,500 | 938,000 | 3.7 | 6.1 | 61 |
| 1993 | 917,000 | 879,800 | 3.9 | 6.9 | 57 |
| 1992 | 915,900 | 821,400 | 5.0 | 7.5 | 67 |
| 1991 | 864,800 | 800,900 | 5.0 | 6.8 | 74 |
| 1990 | 842,800 | 781,000 | 4.3 | 5.6 | 77 |
| 1989 | 816,300 | 752,000 | 4.6 | 5.3 | 87 |
| 1988 | 789,000 | 722,000 | 4.9 | 5.5 | 89 |
| 1987 | 757,000 | 709,000 | 6.4 | 6.2 | 103 |

(f) forecast. (p) preliminary. (r) revised

(Source: Utah Department of Workforce Services, Workforce Information.)

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# Employment

## Utah Labor Force, Nonagricultural Jobs, and Wages

### Selected Years

| | 1998 (f) | 1997 (p) | 1996 (r) | 1995 | 1994 | 1993 | 1992 | % Change 97–98 | % Change 96–97 | % Change 95–96 | % Change 94–95 | % Change 93–94 | % Change 92–93 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Civilian labor force (thousands)..... | 1,076.0 | 1,040.0 | 1008.4 | 986.6 | 974.5 | 915.9 | 864.8 | 3.5 | 3.1 | 2.2 | 1.2 | 6.4 | 5.9 |
| Employed.................................. | 1,040.0 | 1,007.7 | 973.4 | 951.4 | 938.0 | 879.8 | 821.4 | 3.2 | 3.5 | 2.3 | 1.4 | 6.6 | 7.1 |
| Unemployed.............................. | 36.0 | 32.3 | 35.0 | 35.2 | 36.5 | 36.1 | 43.4 | 11.5 | (7.7) | (0.6) | (3.6) | 1.1 | (16.8) |
| Unemployment rate.................... | 3.3% | 3.1% | 3.5% | 3.6% | 3.7% | 3.9% | 4.9% | 6.5 | (11.4) | (2.8) | (2.7) | (5.1) | (20.4) |
| Nonagricultural jobs (thousands).... | 1,026.0 | 993.8 | 954.2 | 908.0 | 859.7 | 809.7 | 768.6 | 3.2 | 4.2 | 5.1 | 5.6 | 6.2 | 5.3 |
| Mining........................................ | 8.2 | 8.3 | 7.9 | 8.1 | 8.3 | 8.3 | 8.5 | (1.2) | 5.1 | (2.5) | (2.4) | 0.0 | (2.4) |
| Construction............................... | 67.2 | 64.4 | 60.2 | 54.8 | 48.2 | 39.7 | 34.9 | 4.3 | 7.0 | 9.9 | 13.7 | 21.4 | 13.8 |
| Manufacturing............................ | 134.9 | 132.8 | 129.2 | 123.9 | 116.7 | 110.5 | 106.2 | 1.6 | 2.8 | 4.3 | 6.2 | 5.6 | 4.0 |
| Trans., Comm., & Util. ............. | 57.8 | 56.0 | 54.0 | 51.5 | 49.4 | 47.1 | 43.9 | 3.2 | 3.7 | 4.9 | 4.3 | 4.9 | 7.3 |
| Trade.......................................... | 245.0 | 238.3 | 230.2 | 220.1 | 205.4 | 191.5 | 184.4 | 2.8 | 3.5 | 4.6 | 7.2 | 7.3 | 3.9 |
| Finance, Ins., & Real Estate........ | 53.8 | 52.6 | 50.5 | 47.7 | 45.9 | 41.4 | 37.3 | 2.3 | 4.2 | 5.9 | 3.9 | 10.9 | 11.0 |
| Services...................................... | 281.5 | 269.5 | 255.5 | 238.3 | 224.4 | 211.8 | 196.4 | 4.5 | 5.5 | 7.2 | 6.2 | 5.9 | 7.8 |
| Government............................... | 177.6 | 171.9 | 166.4 | 163.6 | 161.4 | 159.4 | 156.9 | 3.3 | 3.3 | 1.7 | 1.4 | 1.3 | 1.6 |
| Nonagricultural wages (millions)... | $27,120 | $25,202 | $23,089 | $21,096 | $19,262 | $17,711 | $16,611 | 7.6 | 9.2 | 9.4 | 9.5 | 8.8 | 6.6 |
| Average monthly wage................... | $26,433 | $25,356 | $24,192 | $23,234 | $22,405 | $21,872 | $21,612 | 4.2 | 4.8 | 4.1 | 3.7 | 2.4 | 1.2 |

(f) forcast; (p) preliminary; (r) revised

Source: Utah Department of Employment Security.

**Largest Nonagricultural Employers (1)**

| Employer | Business | Employee Range |
|---|---|---|
| State of Utah | State Government | 20,500 |
| Brigham Young University | Higher Education | 16,000 |
| University of Utah (Including Hospital) | Higher Education | 16,000 |
| Hill Air Force Base | Military Installation | 9,000 |
| Granite School District | Public Education | 8,000 |
| Jordan School District. | Public Education | 7,500 |
| Davis County School District | Public Education | 6,500 |
| Morton International | Motor Vehicle Parts | 6,500 |
| Utah State University | Higher Education | 6,500 |
| Smith's Foods and Drug Centers | Food Distribution | 6,000 |
| U.S. Post Office | Mail Distribution | 6,000 |
| Matrixx Marketing | Telemarketing | 5,500 |
| Salt Lake County | County Government | 5,000 |
| Wal–Mart Stores | Variety Store | 5,000 |
| Albertson's | Food Distribution | 4,500 |
| Alpine School District | Public Education | 4,500 |
| Delta Airlines Inc. | Air Transportation | 4,500 |
| ZCMI | Department Store | 4,500 |
| IHC Hospitals | Health Care Provider | 4,000 |
| Salt Lake City School District | Public Education | 4,000 |
| U.S. Treasury Department (Internal Revenue Service) | Federal Government | 4,000 |
| Icon Health & Fitness | Sporting/Athletic Goods | 3,500 |
| LDS Hospital (and IHC facility) | Hospital | 3,500 |
| Thiokol Corporation | Aerospace | 3,500 |
| United Parcel Service | Postal Service | 3,500 |
| K–Mart Corporation | Variety Store | 3,000 |
| PacifiCorp | Electricity | 3,000 |
| Salt Lake City | City Government | 3,000 |
| U.S. West Communications | Communications | 3,000 |
| Weber County School District | Public Education | 3,000 |
| First Security Bank, N.A. | Banking | 2,500 |
| Geneva Steel | Steel Manufacturing | 2,500 |
| J.C. Penney Company | Department Store | 2,500 |
| Kennecott Copper | Copper, Mining | 2,500 |
| Novell | Computer Software | 2,500 |
| Sears Roebuck & Co. | Retail Merchandise | 2,500 |
| Super Target Stores | Retail Merchandise/Food | 2,500 |
| Unibase Date Entry | Data Entry Service | 2,500 |
| Utah Valley Regional Medical Center (an IHC facility) | Hospital | 2,500 |
| Zions First National Bank | State Banking | 2,500 |
| Alliant Tech Systems | Aerospace | 2,000 |
| CR England & Sons | Trucking | 2,000 |
| Fred Meyer | Food/Department Stores | 2,000 |
| McKay Dee Hospital (an IHC facility) | Hospital | 2,000 |
| Nebo School District | Public Education | 2,000 |
| Pizza Hut | Restaurant | 2,000 |
| Primary Children Medical Center (an IHC facility) | Hospital | 2,000 |
| Provo City School District | Public Education | 2,000 |
| Salt Lake Community College | Higher Education | 2,000 |
| Shopko | Drug and Variety Stores | 2,000 |

(1) Approximate employment as of December 1997. Includes those firms with 2,000 and more employees. The Church of Jesus Christ of Latter–day Saints ("LDS") remains one of the State's largest employers; however, the Church does not disclose employment numbers.

(Source: Utah Department of Workforce Services, Workforce Information.)

## Personal Income

The State's 1997 total personal income is forecast to be $42.1 billion, up 7.6% from the 1996 total (total personal income is defined as all income received by all residents of an area). The State's 1997 total personal income increased considerably faster than that of the nation. The State's 1997 per capita income is estimated to be $20,432, an increase of 5.4% over the 1996 estimate. The State's 1996 per capita income ranks 44th among the states, but the State's relative ranking improves considerably when adjusting for the young population.

**Total Personal Income** (in millions)

| | Utah | | United States | |
|---|---|---|---|---|
| Year | Amount | % Change | Amount | % Change |
| 1997 (p) | $42,072 | 7.6% | $6,851,080 | 5.7% |
| 1996 | 39,108 | 8.1 | 6,480,031 | 5.6 |
| 1995 | 36,165 | 9.0 | 6,137,878 | 6.3 |
| 1994 | 33,171 | 7.7 | 5,774,875 | 4.9 |
| 1993 | 30,792 | 8.4 | 5,507,657 | 4.7 |
| 1992 | 28,395 | 7.7 | 5,260,922 | 6.0 |
| 1991 | 26,367 | 7.1 | 4,963,545 | 3.7 |
| 1990 | 24,617 | 8.9 | 4,786,293 | 6.7 |
| 1989 | 22,599 | 7.3 | 4,485,191 | 7.5 |
| 1988 | 21,054 | 5.5 | 4,171,650 | 7.7 |

(p) preliminary

(Sources: U.S. Department of Commerce, and the GOPB. April 1998)

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**Components of State Total Personal Income**

| | (in millions) | | | | |
|---|---|---|---|---|---|
| | 1996 | 1996 % of Total | % change 1995–96 | 1995 | 1994 |
| Total Personal Income | $39,199 | 100.0% | 8.4% | $36,166 | $33,171 |
| Total Earnings by Place of Work | 30,300 | 77.3 | 8.7 | 27,865 | 25,662 |
| Less Personal Cont. for Social Insurance | 1,989 | 5.1 | 7.9 | 1,843 | 1,695 |
| Plus Residential Adjustment | 0 | 0.0 | – | (5) | (4) |
| Equals: Earnings by Residence | 28,312 | 72.2 | 8.8 | 26,017 | 23,963 |
| Plus Dividends, Interest and Rent | 5,462 | 13.9 | 8.6 | 5,029 | 4,450 |
| Plus Transfer Payments | 5,426 | 13.8 | 6.0 | 5,120 | 4,757 |
| Components of Earnings | 30,300 | 77.3 | 8.7 | 27,865 | 25,662 |
| Wages and Salaries | 24,594 | 62.7 | 9.6 | 22,434 | 20,523 |
| Other Labor Income | 2,769 | 7.1 | 3.5 | 2,675 | 2,556 |
| Proprietors' Income | 2,937 | 7.5 | 6.6 | 2,756 | 2,583 |
| Farm Proprietors' Income | 92 | 0.2 | 18.9 | 77 | 116 |
| Nonfarm Proprietors' Income | 2,845 | 7.3 | 6.2 | 2,679 | 2,467 |
| Earnings by Industry | 30,300 | 77.3 | 8.7 | 27,865 | 25,662 |
| Farm | 181 | 0.5 | 8.2 | 168 | 201 |
| Nonfarm | 30,119 | 76.8 | 8.7 | 27,697 | 25,461 |
| Private Sector | 25,041 | 63.9 | 9.4 | 22,899 | 20,889 |
| Agriculture Services | 120 | 0.3 | 18.3 | 102 | 89 |
| Mining | 418 | 1.1 | 0.5 | 416 | 401 |
| Construction | 2,383 | 6.1 | 12.8 | 2,114 | 1,826 |
| Manufacturing | 4,581 | 11.7 | 8.3 | 4,229 | 3,882 |
| Durable goods | 3,281 | 8.4 | 8.0 | 3,039 | 2,804 |
| Nondurable goods | 1,299 | 3.3 | 9.1 | 1,191 | 1,078 |
| Transportation and Public Utilities | 2,260 | 5.8 | 6.5 | 2,123 | 2,035 |
| Wholesale Trade | 1,750 | 4.5 | 10.8 | 1,580 | 1,438 |
| Retail Trade | 3,228 | 8.2 | 8.2 | 2,985 | 2,694 |
| Finance, Insurance, Real Estate | 2,150 | 5.5 | 11.0 | 1,937 | 1,705 |
| Services | 8,151 | 20.8 | 9.9 | 7,416 | 6,819 |
| Government | 5,078 | 13.0 | 5.8 | 4,798 | 4,572 |
| Federal, Civilian | 1,287 | 3.3 | (0.4) | 1,292 | 1,302 |
| Military | 261 | 0.7 | 1.1 | 258 | 248 |
| State | 1,513 | 3.9 | 10.5 | 1,369 | 1,263 |
| Local | 2,017 | 5.1 | 7.3 | 1,880 | 1,760 |

(p) preliminary

(Source: U.S. Department of Commerce, Bureau of Economic Analysis, and Governor's Office of Planning and Budget. September 1997)

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**Per Capita Personal Income**

| Year | Income Per Capita Utah | Income Per Capita U.S. | Annual % Change Utah | Annual % Change U.S. | Utah as a % of U.S. |
|---|---|---|---|---|---|
| 1997 (p) | $20,432 | $25,598 | 5.4% | 4.8% | 79.8% |
| 1996 | 19,384 | 24,436 | 5.8 | 4.6 | 79.3 |
| 1995 | 18,317 | 23,359 | 6.5 | 5.3 | 78.4 |
| 1994 | 17,200 | 22,186 | 4.7 | 3.8 | 77.5 |
| 1993 | 16,426 | 21,368 | 4.8 | 3.6 | 76.9 |
| 1992 | 15,672 | 20,631 | 5.0 | 4.8 | 76.0 |
| 1991 | 14,919 | 19,689 | 4.8 | 2.6 | 75.8 |
| 1990 | 14,230 | 19,191 | 7.4 | 5.6 | 74.1 |
| 1989 | 13,246 | 18,172 | 6.3 | 6.5 | 72.9 |
| 1988 | 12,461 | 17,062 | 4.8 | 6.7 | 73.0 |
| 1985 | 11,037 | 14,448 | 5.8 | 6.3 | 76.4 |
| 1980 | 8,019 | 10,062 | 7.9 | 10.4 | 79.7 |

(p) preliminary

(Sources: U.S. Department of Commerce, Bureau of Economic Analysis, and GOPB. April 1998)

## Gross State Product

The State's 1997 gross state product is estimated by Regional Financial Associates to be $47.2 billion. The most recent estimate of gross state product for the State released by the U.S. Bureau of Economic Analysis is for 1994 and shows the State at $41.7 billion.

**Total Gross State Product**
**(in millions)**

| Year | Utah Amount | Utah % Change | United States Amount | United States % Change |
|---|---|---|---|---|
| 1994 | $41,657 | 9.6% | $6,835,641 | 6.3% |
| 1993 | 38,013 | 7.6 | 6,430,519 | 4.8 |
| 1992 | 35,314 | 5.9 | 6,135,028 | 5.1 |
| 1991 | 33,353 | 7.2 | 5,837,351 | 3.1 |
| 1990 | 31,101 | 9.0 | 5,661,950 | 5.5 |
| 1989 | 28,525 | 5.4 | 5,366,174 | 6.5 |
| 1988 | 27,067 | 7.8 | 5,039,428 | 8.3 |
| 1987 | 25,107 | 2.8 | 4,651,838 | 7.1 |
| 1986 | 24,425 | 1.0 | 4,345,359 | 5.3 |
| 1985 | 24,174 | 8.2 | 4,128,383 | 7.2 |
| 1980 | 15,466 | – | 2,722,199 | – |

(Source: U.S. Department of Commerce, Bureau of Economic Analysis.)

**Utah Gross State Product and Share of Industry (millions of current dollars)**

| Industry | 1994 | GSP (1) | 1990 | GSP (1) | 1985 | GSP (1) |
|---|---|---|---|---|---|---|
| Total | $41,657 | 100% | $31,101 | 100% | $24,174 | 100% |
| Private Industries | 34,999 | 84 | 25,662 | 83 | 19,897 | 82 |
| Agriculture, Forestry, Fish. | 541 | 1 | 488 | 2 | 347 | 1 |
| Mining | 1,484 | 4 | 1,539 | 5 | 1,262 | 5 |
| Construction | 2,151 | 5 | 1,240 | 4 | 1,308 | 5 |
| Manufacturing | 5,891 | 14 | 4,646 | 15 | 3,583 | 15 |
| Durable Goods | 3,806 | 9 | 3,217 | 10 | 2,600 | 11 |
| Nondurable Goods | 2,086 | 5 | 1,429 | 5 | 983 | 4 |
| TCU | 4,008 | 10 | 3,068 | 10 | 2,715 | 11 |
| Wholesale Trade | 2,532 | 6 | 1,845 | 6 | 1,511 | 6 |
| Retail Trade | 4,268 | 10 | 2,911 | 9 | 2,321 | 10 |
| FIRE | 5,905 | 14 | 4,162 | 13 | 3,357 | 14 |
| Services | 8,221 | 20 | 5,763 | 19 | 3,492 | 14 |
| Government | 6,659 | 16 | 5,439 | 17 | 4,277 | 18 |

TCU means transportation, communication and utilities. FIRE means finance, insurance and real estate.

(1) Percent share of Gross State Product ("GSP").

(Source: U.S. Department of Commerce, Bureau of Economic Analysis)

## Gross Taxable Sales

After four consecutive years of between 9% and 12% growth, taxable sales rose 3.8% in 1997 and are expected to turn up again to 5.1% growth in 1998. Taxable sales include three major components. These components and their 1997 values include: Retail Trade at $14.9 billion, represents about 55%, and increased by about 3.2%; Taxable Business Investment and Utility Sales at $7.0 billion, represents 26% of taxable sales, and increased by 2.8%; and Taxable Services at $3.7 billion, representing 14% of taxable sales, increased by 3.6%.

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## Gross Taxable Sales

**(millions of dollars)**

| Calendar Year | Retail Sales | % Change | Investment Purchases | % Change | Taxable Services | % Change | All Other | % Change | Total Gross Taxable Sales | % Change |
|---|---|---|---|---|---|---|---|---|---|---|
| 1998 (f)..... | $15,656 | 5.3 % | $7,393 | 5.0 % | $4,064 | 9.1 % | $ 1,093 | (8.0) % | $ 28,206 | 5.1 % |
| 1997 (e)..... | 14,873 | 3.2 | 7,044 | 2.8 | 3,724 | 3.6 | 1,188 | 20.6 | 26,829 | 3.8 |
| 1996 (r)..... | 14,413 | 10.2 | 6,851 | 10.0 | 3,594 | 12.1 | 985 | (9.8) | 25,843 | 9.5 |
| 1995.......... | 13,081 | 8.1 | 6,231 | 11.1 | 3,205 | 14.4 | 1,092 | 7.2 | 23,609 | 9.7 |
| 1994.......... | 12,097 | 10.0 | 5,609 | 13.2 | 2,802 | 12.1 | 1,019 | 14.2 | 21,527 | 11.3 |
| 1993.......... | 10,994 | 11.5 | 4,956 | 14.1 | 2,499 | 12.4 | 892 | 0.5 | 19,341 | 11.7 |
| 1992.......... | 9,860 | 10.6 | 4,342 | (0.3) | 2,223 | 9.0 | 888 | 29.6 | 17,313 | 8.2 |
| 1991.......... | 8,918 | 6.1 | 4,355 | 12.4 | 2,040 | 11.5 | 685 | 3.2 | 15,998 | 8.3 |
| 1990.......... | 8,407 | 4.5 | 3,874 | 5.4 | 1,829 | (1.1) | 664 | 107.5 | 14,774 | 6.3 |
| 1989.......... | 8,048 | 9.6 | 3,675 | (0.2) | 1,849 | 7.6 | 320 | 19.0 | 13,892 | 6.7 |
| 1988.......... | 7,346 | 5.2 | 3,684 | 8.4 | 1,718 | 8.3 | 269 | 6.7 | 13,017 | 6.5 |

(f) forecast
(e) estimate
(r) revised

(Source: State Tax Commission.)

## Tax Collections

Tax collections experienced a net reduction of $180.6 million (on an annualized basis) due to statutory changes that occurred over the past four years. The cumulative reduction in tax collections from fiscal year 1995 through fiscal year 1999 is $768.7 million. The 1994 General Legislative session enacted a net reduction of $18.8 million in taxes. Additional cuts during the 1995 General Legislative session reduced taxes another $141.9 million. Taxes were reduced another $109.6 million during the 1996 General and Special Legislative sessions. Taxes, fines, and fees, were raised a net $89.7 million during the 1997 Legislative session primarily to fund reconstruction of Interstate Highway 15 and other roadways.

The federal Taxpayer Relief Act of 1997 will provide tax cuts averaging about $958 over the next five years for each State tax filer. This tax relief will come primarily in the form of education and child credits. State income tax collections will also increase due to the provisions of this act. State income tax collections will increase due to onetime increased asset selling due to a lower capital gains tax rate ($25 million); and because state taxpayers will pay lower federal income taxes (they will deduct fewer federal taxes paid against state income taxes owed ($15 million).

## International Merchandise Exports

The value of the State's 1997 international merchandise exports is estimated to be $3.49 billion, a slight decrease from 1996. The State's largest merchandise export industries are primary metals, industrial machinery, transportation equipment, electronic machinery, and metallic ores. The State's largest markets for merchandise exports are in eastern Asia, Canada, and Europe. Current market uncertainties in Asia have the potential to negatively impact the State's export ties; however, these economies rely heavily on the products they import from the State.

## Prices, Inflation And Cost Of Living

Inflation grew at a decelerated pace, registering 2.3% in 1997 compared with a 3.0% growth rate in 1996. The gross domestic product chain–type price deflator increased 2.0% in 1997. The State's cost–of–living index in selected cities remained near the national average. The first quarter 1998 composite index (with the national average equals 100) for Salt Lake City (Salt Lake County) was 99.5; Logan City (Cache County) 100.1; St. George City (Washington County) 99.9; and Cedar City (Iron County) 92.6.

# INDUSTRY FOCUS

## Agriculture

Agricultural production in Utah during 1997 was affected primarily by above average precipitation in many parts of the State and price fluctuations as a result of the 1996 farm bill. Passage of the farm bill eliminated many government price–support programs, and many farmers, especially in the dairy sector, experienced lower revenues and increased production costs–resulting in a dramatic decline in profits between 1996 and 1997. The production outlook for 1998 is healthy.

## Construction And Housing

After eight consecutive years of expansion, the value of permit–authorized residential construction fell by 7.7% to $1.94 billion. Despite this decline, the value of permit–authorized nonresidential construction increased by 44.4% to $1.37 billion, resulting in an 8.5% increase for the combined value. Housing prices continued to increase, but at a slower rate than the past few years. Although the rate is slowing, the State's measured price increase over the last year of 7.1% ranks 2nd highest among all states. The 1998 outlook anticipates a similar decline in permitted residential construction of 2.2% but a significant decline in permitted non–residential construction of 32.3% to $928 million. The number of building permits issued for new dwelling units is projected to decline from 20,687 in 1997 to 20,000 in 1998. Housing prices are expected to level off to about 4% annual increases over the coming years.

**Permit–Authorized Construction**

| | | Construction Value (millions of dollars) | | | |
|---|---|---|---|---|---|
| Year | Total Units | Residential | Nonresidential | Renovations | Total Valuation |
| 1997 (e) | 20,687 | $1,943.5 | $1,371.0 | $407.1 | $3,721.6 |
| 1996 | 23,737 | 2,104.5 | 951.8 | 386.3 | 3,442.6 |
| 1995 | 21,558 | 1,854.6 | 832.7 | 409.0 | 3,096.3 |
| 1994 | 19,747 | 1,730.1 | 772.2 | 341.9 | 2,844.2 |
| 1993 | 17,804 | 1,504.4 | 463.7 | 337.3 | 2,305.4 |
| 1992 | 13,001 | 1,113.6 | 396.9 | 234.8 | 1,745.3 |
| 1991 | 9,411 | 791.0 | 342.6 | 186.9 | 1,320.5 |
| 1990 | 7,009 | 579.4 | 422.9 | 243.4 | 1,245.7 |
| 1989 | 5,632 | 447.8 | 389.6 | 171.1 | 1,008.5 |
| 1988 | 5,715 | 413.0 | 272.1 | 161.5 | 846.6 |

(e) estimated

(Source: Bureau of Economic and Business Research, University of Utah.)

## Defense

News concerning the State's defense industry has grown less dramatic as the effects of national military realignment decisions level off. Defense spending in the State in 1996 totaled $1.3 billion, down nearly 9%. Continued declines in defense spending both nationally and locally, the closing and redevelopment of military facilities, and continued threats to Hill Air Force Base will continue to dominate defense issues in the coming years.

Hill Air Force Base ("HAFB"), the State's largest basic employer and last of the big military installations in the State, continues to defend threats from federal cutbacks. HAFB proponents in Washington were recently victorious in passing a defense spending bill which eliminated preferential treatment in the bidding process for competing repair–and–maintenance facilities in Texas and California. The Clinton Administration had attempted to "privatize in place" most jobs at Kelly Air Force Base (California) and McClellan Air Force Base (Texas), essentially skirting the Defense Base Closure and Realignment Commission's closure orders and threatening HAFB with more job losses. Defense Secretary Cohen has recently ordered an outside review of competition for work resulting from the closure of McClellan Air Force Base. This development could have a positive effect on the job outlook for HAFB. The 388th Fighter Wing, which had been under consideration to be moved, is secure at HAFB for at least another year.

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**Federal Defense–Related Spending**
(thousands of dollars)

| Fiscal Year | Wages and Salaries (1) | Procurement Contract Awards | Military Retirement | State/ Local Grants | Total |
|---|---|---|---|---|---|
| 1996 ...... | $760,514 | $ 393,157 | $171,978 | $ 2,849 | $1,328,498 |
| 1995 ...... | 794,333 | 495,771 | 161,964 | 2,845 | 1,454,913 |
| 1994 ...... | 763,608 | 524,001 | 152,426 | 4,514 | 1,444,549 |
| 1993 ...... | 847,053 | 532,269 | 146,743 | 5,932 | 1,531,997 |
| 1992 ...... | 852,772 | 614,286 | 134,844 | 8,431 | 1,610,333 |
| 1991 ...... | 922,035 | 804,404 | 125,526 | 598 | 1,852,563 |
| 1990 ...... | 890,892 | 883,014 | 115,442 | 1,232 | 1,890,580 |
| 1989 ...... | 870,295 | 979,116 | 108,005 | 10,186 | 1,967,602 |
| 1988 ...... | 817,787 | 866,782 | 98,876 | 1,318 | 1,784,763 |
| 1987 ...... | 794,294 | 1,182,097 | 98,743 | 5,766 | 2,080,900 |

(1) Does not include fringe benefits.

(Source: U.S. Department of Commerce, Bureau of the Census.)

## Energy And Minerals

Production of crude oil and natural gas declined in 1997, while coal production, electric power generation, and uranium production increased. At its currently low level of around $18 per barrel, the price of crude oil is not enough to spur significant exploration. Local development and production costs are high in the State, further dampening activity. The combination of increasing natural gas prices and the development of coalbed methane may improve natural gas production in the coming years. Coal production reached a new high in 1997 of 28.6 million tons. Electric power generation rebounded in 1997 because of less hydro power circulating on the western power grid. As the electricity industry becomes more competitive, stable or declining prices will support strong levels of consumption. The State is once again the nation's number one uranium producing state, producing 43% of total U.S. uranium production. Uranium prices are expected to continue to climb and cause further increases in production in 1998.

The total value of minerals (including coal) produced in the state in 1997 is estimated at $2.3 billion, $75 million more than last year. Contributions from each segment are base metals ($938 million), industrial minerals ($533 million), coal ($523 million), and precious metals ($289 million). The value of mineral production is expected to decline moderately in 1998.

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## Utah Energy Production, Prices, and Value

**(1997–1987)**

| | Crude Oil | | | Natural Gas | | | | Coal | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Year | Field Production (Thousand Barrels) | Field Price (Barrels) | Value of (Million $) | Gross Production (Millions of Cubic Feet) | Marketed Production (Millions of Cubic Feet) | Field Price (Millions of Cubic Feet) | Value (Million $) | State Production (Thousand Short Ton) | Marketed Production (Thousand Short Ton) | Field Price (Tons) | Value (Million $) |
| 1997 | 19,585 | $18.56 | $363.50 | 274,920 | 257,139 | $1.78 | $457.71 | 26,428 | 25,429 | $ 18.34 | $466.37 |
| 1996 | 19,504 | 21.10 | 411.53 | 281,208 | 250,767 | 1.39 | 348.57 | 27,071 | 27,816 | 18.50 | 514.60 |
| 1995 | 19,982 | 17.71 | 353.88 | 303,233 | 241,290 | 1.15 | 277.48 | 25,051 | 25,443 | 19.11 | 486.22 |
| 1994 | 20,662 | 16.38 | 338.44 | 347,019 | 270,858 | 1.54 | 417.12 | 24,135 | 23,441 | 20.07 | 470.46 |
| 1993 | 21,826 | 17.48 | 381.52 | 336,183 | 225,401 | 1.77 | 398.96 | 21,723 | 21,935 | 21.17 | 464.36 |
| 1992 | 24,075 | 19.39 | 466.81 | 314,275 | 171,293 | 1.63 | 279.21 | 21,015 | 21,339 | 21.83 | 465.83 |
| 1991 | 25,930 | 19.99 | 518.34 | 323,660 | 144,817 | 1.54 | 223.02 | 21,945 | 21,673 | 21.56 | 467.27 |
| 1990 | 27,693 | 22.61 | 626.14 | 319,632 | 149,410 | 1.70 | 254.00 | 22,012 | 21,680 | 21.78 | 472.19 |
| 1989 | 28,512 | 18.63 | 531.18 | 278,081 | 120,445 | 1.61 | 193.92 | 20,517 | 21,289 | 22.01 | 468.57 |
| 1988 | 33,350 | 14.24 | 474.90 | 278,463 | 101,929 | 1.70 | 173.28 | 18,164 | 18,244 | 22.85 | 416.88 |
| 1987 | 35,835 | 17.22 | 617.08 | 262,045 | 96,360 | 1.82 | 175.38 | 16,521 | 16,989 | 25.67 | 436.11 |

(Source: Utah Office of Energy and Resource Planning.)

## High Technology

High technology activities continue to be a mainstay of the State's economy. By year–end 1997, the State's high technology sector included more than 460 companies and a work force of roughly 40,000.

Technological advances and demand for new and more powerful products drive high technology companies. As technologies change, certain segments of the high technology sector gain or lose importance as sector leaders. In the State, significant changes in the high technology sector have occurred with employment losses in aerospace, the rise and fall of software, and rapid growth in automotive components.

## Tourism, Travel And Recreation

The State travel and tourism industry continues to be one the largest and most important economic activities in the State. An estimated 17 million trips were taken by out–of–state visitors to the State for leisure and business in 1997. These visitors spent an estimated $4.0 billion which generated $292 million in state and local taxes. The travel and tourism industry provided employment for 97,000 workers in 1997, an impressive 7% gain over last year. Implementing the State's long–range tourism planning, monitoring hotel and motel construction and convention activity, tracking the development of the ski industry, and preparing for the 2002 winter Olympic games will dominate tourism issues in the coming year..

**Profile of the State Tourism Industry**

| Category | 1997 (e) | 1996 | 1995 | 1994 |
|---|---|---|---|---|
| Total spending by out–of–state travelers (in $ billions) | $4.0 | $3.8 | $3.6 | $3.4 |
| Total number of out–of–state visitors (in millions) | 17.0 | 16.5 | 15.9 | 15.2 |
| Number of U.S. visitors | 16.0 | 15.5 | 14.9 | 14.3 |
| Number of foreign visitors | 1.0 | 1.0 | 1.0 | 0.9 |
| Total tourism–related employment | 97,000 | 91,000 | 84,500 | 78,500 |
| Percent of State jobs in tourism | 9.7% | 9.5% | 9.3% | 9.1% |
| Total state and local taxes generated by tourism spending (in millions) | $292 | $276 | $262 | $247 |
| State portion | $214 | $203 | $193 | $185 |
| Local portion | $78 | $73 | $69 | $62 |
| National Park Recreation visits (in millions) | 5.5 | 5.6 | 5.4 | 5.1 |
| Total skier visits (in millions) | 3.0 | 2.9 | 3.1 | 2.8 |
| Taxable room rents (in millions) | $536 | $525 | $485 | $439 |
| Hotel/Motel occupancy rates | 71.0% | 73.1% | 73.5% | 73.7% |

(e) Estimate

(Sources: Utah Division of Travel Development, State Tax Commission, National Park Service, Utah Division of Parks and Recreation, Salt Lake Airport Authority and the Utah Ski Association.)

## APPENDIX D

## FORM OF OPINION OF BOND COUNSEL

Upon delivery of the 1998C Bonds, Chapman and Cutler, Bond Counsel, propose to issue its final approving opinions in substantially the following forms.

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## PROPOSED FORM OF OPINION OF BOND COUNSEL

**[LETTERHEAD OF CHAPMAN AND CUTLER]**

**[TO BE DATED CLOSING DATE]**

$105,100,000
Utah State Building Ownership Authority
Lease Revenue Refunding Bonds
(State Facilities Master Lease Program),
Series 1998C

We hereby certify that we have examined certified copy of the proceedings of record of the Utah State Building Ownership Authority (the *"Issuer"*), a body politic and corporate of the State of Utah, passed preliminary to the issuance by the Issuer of its Lease Revenue Refunding Bonds (State Facilities Master Lease Program), Series 1998C, in the aggregate principal amount of $105,100,000 (the *"Bonds"*). The Bonds are issuable only as fully registered bonds without coupons in the denomination of $5,000 or any whole multiple thereof. The Bonds are dated August 15, 1998, bear interest payable on May 15 and November 15 in each year, commencing May 15, 1999, until paid, and mature on May 15 of each of the years and in the amounts and bear interest as follows:

| YEAR OF MATURITY | PRINCIPAL AMOUNT | RATE OF INTEREST | YEAR OF MATURITY | PRINCIPAL AMOUNT | RATE OF INTEREST |
|---|---|---|---|---|---|
| 2000 | $ 45,000 | 3.80% | 2009 | $ 8,130,000 | 5.50% |
| 2001 | 45,000 | 3.90 | 2010 | 8,575,000 | 5.50 |
| 2002 | 50,000 | 3.95 | 2011 | 9,065,000 | 5.50 |
| 2003 | 50,000 | 4.00 | 2012 | 8,995,000 | 5.50 |
| 2004 | 50,000 | 4.00 | 2013 | 9,490,000 | 5.50 |
| 2005 | 55,000 | 4.10 | 2014 | 10,010,000 | 5.50 |
| 2006 | 1,120,000 | 4.20 | 2015 | 9,540,000 | 5.50 |
| 2007 | 1,170,000 | 4.30 | 2019 | 30,995,000 | 5.50 |
| 2008 | 7,715,000 | 5.50 | | | |

The Bonds are subject to extraordinary optional and mandatory sinking fund redemption prior to maturity at the times, in the manner and upon the terms set forth in the Bonds and the Indenture hereinafter described.

The Bonds are being issued pursuant to the Indenture under the authority of the State Building Ownership Act, Chapter 9a of Title 63, Utah Code Annotated 1953, as amended, the Utah Refunding Bond Act, Chapter 27 of Title 11, Utah Code Annotated 1953, as amended, and other applicable Utah law (collectively, the *"Act"*) for the purpose of paying the cost of refunding $105,615,000 aggregate principal amount of outstanding Lease Revenue Bonds (the *"Refunded Bonds"*) of the Issuer and paying the costs and expenses incidental thereto and to the issuance of the Bonds. Accordingly, a portion of the proceeds of sale of the Bonds has been applied to the purchase of certain obligations of the United States of America, which obligations have been deposited in trust in an escrow account (the *"Escrow Account"*) with First Security Bank, National Association, Salt Lake City, Utah, as escrow agent (the *"Escrow Agent"*), in such manner that the collection of the principal thereof and the interest thereon is to be applied to the payment of the redemption price of and interest on the Refunded Bonds as such redemption price and interest become due thereon on each interest payment date and on each redemption date. We have relied upon an accountant's report of Ernst & Young LLP, Memphis, Tennessee, as to the accuracy of (1) 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 the other escrowed moneys, placed in the Escrow Account to pay when due, pursuant to call for redemption, the redemption price of and interest on the Refunded Bonds and (2) the mathematical computations of the yield on the Bonds and of the yield on the obligations so purchased with the proceeds of sale of the Bonds.

From such examination of the proceedings of the Issuer referred to above and from an examination of the Act, we are of the opinion that such proceedings show lawful authority for the issuance of the Bonds under the laws of the State of Utah now in force.

In connection with the issuance of the Bonds, we have also examined an originally executed counterpart of each of the following: (a) that certain Indenture of Trust, Assignment of State Facilities Master Lease Agreement and Security Agreement, dated as of September 1, 1994 (the *"Original Indenture"*), between the Issuer and First Security Bank, National Association (formerly known as First Security Bank of Utah, N.A.), as trustee (the *"Trustee"*), as heretofore supplemented and amended and as supplemented and amended by that certain Seventh Supplemental Indenture of Trust, dated as of August 15, 1998 (the *"Seventh Supplemental Indenture"*) to the Original Indenture (the Original Indenture and the Seventh Supplemental Indenture are herein collectively referred to as the *"Indenture"*), between the Issuer and the Trustee; (b) that certain annually renewable State Facilities Master Lease Agreement, dated as of September 1, 1994 (the *"Original Lease"*), between the Issuer and the State of Utah, acting through its Department of Administrative Services, Division of Facilities Construction and Management, as lessee (the *"State"*), as heretofore supplemented and amended and as supplemented and amended by that certain Seventh Amendment, dated as of August 15, 1998 (the *"Seventh Amendment"*) to the Original Lease (the Original Lease and the Seventh Amendment are herein collectively referred to as the

*"Lease"*), between the Issuer and the State; and (c) that certain Escrow Agreement, dated as of August 15, 1998 (the *"Escrow Agreement"*), between the Issuer and the Escrow Agent.

The Bonds are issued under and are equally and ratably secured by the Indenture, pursuant to which the Issuer has mortgaged, pledged and assigned to the Trustee for the benefit of the owners of the Bonds and the Prior Parity Bonds (as such term is defined in the Seventh Supplemental Indenture) and the owners of any bonds hereafter issued on a parity therewith under the Indenture all of the Issuer's right, title and interest in and to the Leased Property (as such term is defined in the Indenture) and the Lease (including the right under the Lease to receive Base Rentals, as such term is defined in the Lease), as security for the payment of the principal of, and premium, if any, and interest on, the Bonds, the Prior Parity Bonds and such parity bonds. The Bonds are limited obligations of the Issuer and are payable solely from the Base Rentals received under the Lease and, if paid, the Option Price (as such term is defined in the Lease) and, to the extent not so paid, from the Trust Estate (as such term is defined in the Indenture) and from such amounts as may be realized by the Trustee upon the exercise of any of its rights and remedies pursuant to the Indenture and the Mortgages (as such term is defined in the Indenture). Neither the Bonds nor the Lease constitute the debt or indebtedness of the Issuer, the State or any political subdivision of the State within the meaning of any constitutional provision or limitation nor constitute or give rise to or are a general obligation or liability of, nor a charge against the general credit or taxing powers of, the State or any political subdivision of the State. The Issuer has no taxing power. In the event of default of any payment of principal of, or premium (if any) or interest on, the Bonds or any violation of any provision of the Lease or the Indenture resulting in the foreclosure of the liens, security interests and rights granted by the Indenture and the Mortgages, the Trustee shall be entitled, among other things, to pursue certain remedies against the Leased Property as provided in the Indenture and the Mortgages but no deficiency judgment upon foreclosure may be entered in any event against the Issuer, the State or any political subdivision of the State, except as otherwise expressly provided in the Lease with respect to the State's actual use and occupancy of the Leased Property, and no breach of any covenant or agreement in the Lease, the Indenture or the Mortgages shall impose any general obligation or liability upon, nor a charge against, the State or the general credit or taxing power of the State or any of its political subdivisions.

Under the Lease, the Leased Property has been or will be leased by the Issuer to the State, and the State has agreed to pay, directly to the Trustee, the Base Rentals, but only if and to the extent that the Utah Legislature shall specifically appropriate funds annually sufficient to pay the Base Rentals coming due during the succeeding fiscal year of the State plus such additional amounts (the *"Additional Rentals"*) necessary to operate and maintain the Leased Property during such period. The Base Rentals and the Additional Rentals are hereinafter referred to collectively as the *"Rentals"*. Under the Lease, the Issuer has been granted an option to purchase the Leased Property (excluding State-Owned Sites, as such term is defined in the Lease) and to terminate its obligations under the Lease upon payment of the then applicable Option Price. The Lease specifically provides, however, that nothing therein shall be construed to require the State to appropriate any money to pay any Rentals or the Option Price thereunder. In addition, the obligation of the State to pay Base Rentals under the Lease will terminate, without payment of the Option Price or any other amounts, if an Event of Nonappropriation or an Event of Default (as each such term is defined in the Lease) shall occur.

Based upon an examination of the aforementioned documents and of such other documents and matters of law as we have deemed relevant and necessary as a basis for the opinions set forth herein, it is further our opinion that:

1. The Issuer is a duly organized and validly existing body politic and corporate of the State of Utah and has the authority under the Act to issue the Bonds and to authorize, execute, deliver and perform its obligations under the Lease and the Indenture.

2. The Seventh Amendment has been duly authorized, executed and delivered and the Lease constitutes the legal, valid and binding obligation of the Issuer and the State enforceable in accordance with its terms, except to the extent that the enforcement thereof may be limited by bankruptcy, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally or usual equity principles in the event equitable remedies should be sought.

3. The Seventh Supplemental Indenture has been duly authorized, executed and delivered by the Issuer and, assuming the due authorization, execution and delivery thereof by the Trustee, the Indenture constitutes the legal, valid and binding obligation of the Issuer enforceable against the Issuer in accordance with its terms, except to the extent that the enforcement thereof may be limited by bankruptcy, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally or usual equity principles in the event equitable remedies should be sought.

4. The Escrow Agreement has been duly authorized, executed and delivered by the Issuer and constitutes the legal, valid and binding obligation of the Issuer enforceable in accordance with its terms, except to the extent that the enforcement thereof may be limited by bankruptcy, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally or usual equity principles in the event equitable remedies should be sought.

5. The Bonds are valid and binding limited obligations of the Issuer enforceable in accordance with their terms (except to the extent that the enforcement thereof may be limited by bankruptcy, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally or usual equity principles in the event

equitable remedies should be sought) and the terms of the Indenture and are entitled to the benefits of the Indenture and the Act; and (except to the extent paid out of moneys attributable to Bond proceeds or income from the temporary investment thereof, the Option Price, if paid, and any payments derived from the exercise by the Trustee of its rights and remedies against the Trust Estate as provided in the Indenture and the Mortgages) the Bonds are and will continue to be payable solely from Base Rentals paid by the State under the Lease, which Base Rentals have been duly assigned to the Trustee pursuant to the Indenture and pledged to the payment of principal of, and premium, if any, and interest on, the Bonds. Such amounts, which by the terms of the Lease are to be paid by the State to the Trustee, are sufficient for the payment of the principal of, and premium, if any, and interest on, the Bonds as the same become due so long as the State exercises its option annually under the Lease to extend the term of the Lease as provided therein.

6. The obligations of the State under the Lease are subject to the exercise in the future by the State of Utah and its governmental bodies of the police power inherent in the sovereignty of the State of Utah and to the exercise by the United States of America of the powers delegated to it by the federal Constitution.

We further certify that we have examined the form of registered Bond of the issue and find the same in due form of law.

It is our opinion that, subject to the Issuer's and the State's compliance with certain covenants, under present law, interest on the Bonds is not includible in gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the *"Code"*). Interest on the Bonds is exempt from present federal income taxation, except to the extent that such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations and in computing the "branch profits tax" imposed on foreign corporations. Failure to comply with certain of such Issuer and State covenants could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

In rendering this opinion, we have relied upon certifications of the Issuer and the State with respect to certain material facts solely within the Issuer's and the State's knowledge relating to the application of the proceeds of the Bonds.

It is further our opinion that under the laws of the State of Utah as presently enacted and construed, interest on the Bonds is exempt from taxes imposed by the Utah Individual

Income Tax Act. No opinion is expressed with respect to any other taxes imposed by the State of Utah or any political subdivision thereof. Ownership of the Bonds may result in other Utah tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

We express no opinion as to the title to, the description of, or the perfection, priority or existence of any liens, charges, security interests or encumbrances on, any of the Leased Property.

Respectfully submitted,

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# APPENDIX E

## FORM OF CONTINUING DISCLOSURE UNDERTAKING

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# CONTINUING DISCLOSURE UNDERTAKING
## FOR THE PURPOSE OF PROVIDING CONTINUING DISCLOSURE INFORMATION UNDER SECTION (b)(5) OF RULE 15c2-12

This Continuing Disclosure Undertaking (the *"Agreement"*) is executed and delivered by the State of Utah (the *"State"*) in connection with the issuance by the Utah State Building Ownership Authority (the *"Authority"*) of $105,100,000 Lease Revenue Refunding Bonds (State Facilities Master Lease Program), Series 1998C (the *"Bonds"*). The Bonds are being issued pursuant to an Indenture of Trust, Assignment of State Facilities Master Lease Agreement and Security Agreement dated as of September 1, 1994, as supplemented (the *"Indenture"*).

In consideration of the issuance of the Bonds by the Authority and the purchase of such Bonds by the beneficial owners thereof, the State covenants and agrees as follows:

1. PURPOSE OF THIS AGREEMENT. This Agreement is executed and delivered by the State as of the date set forth below, for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The State represents that it will be the only obligated person with respect to the Bonds at the time the Bonds are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the Bonds.

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 State's comprehensive Annual Financial Report prepared pursuant to the standards and as described in *Exhibit I.*

*Commission* means the Securities and Exchange Commission.

*Dissemination Agent* means any agent designated as such in writing by the State and which has filed with the State a written acceptance of such designation, and such agent's successors and assigns.

*Exchange Act* means the Securities Exchange Act of 1934, as amended.

*Lease* means the State Facilities Master Lease Agreement dated as of September 1, 1994, as amended, between the Authority and the State.

*Material Event* means the occurrence of any of the Events with respect to the Bonds set forth in *Exhibit II* that is material, as materiality is interpreted under the Exchange Act.

*Material Events Disclosure* means dissemination of a notice of a Material Event as set forth in Section 5.

*MSRB* means the Municipal Securities Rulemaking Board.

*NRMSIRs* means, as of any date, all Nationally Recognized Municipal Securities Information Repositories then recognized by the Commission for purposes of the Rule. As of the date of this Agreement, the NRMSIRs are:

Bloomberg Municipal Repositories
P.O. Box 840
Princeton, NJ 08542-0840
Phone: (609) 279-3200
Fax: (609) 279-5962
E-Mail: Munis@Bloomberg.com

DPC Data, Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-Mail: nrmsir@dpcdata.com

Kenny Information Systems, Inc.
65 Broadway - 16th Floor
New York, NY 10006
Attn: Kenny Repository Service
Phone: (212) 770-4595
Fax: (212) 797-7994

Thomson NRMSIR
Attn: Municipal Disclosure
395 Hudson Street, 3rd Floor
New York, NY 10014
Phone: (212) 807-5001; (800) 689-8466
Fax: (212) 989-2078
E-Mail: Disclosure @ Muller.com

The names and addresses of all current NRMSIRs should be verified each time information is delivered to the NRMSIRs pursuant to this Agreement.

*Participating Underwriter* means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

*Rule* means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

*SID* means the public or private repository designated by the State as the state repository and recognized as such by the Commission for purposes of the Rule. As of the date of this Agreement there is no SID.

*Undertaking* means the obligations of the State pursuant to Sections 4 and 5.

3. CUSIP NUMBER/FINAL OFFICIAL STATEMENT. The CUSIP Numbers of the Bonds are as set forth below:

SERIES 1998C BONDS

| MATURITY (MAY 15) | CUSIP NUMBER | MATURITY (MAY 15) | CUSIP NUMBER |
|---|---|---|---|
| 2000 | | 2009 | |
| 2001 | | 2010 | |
| 2002 | | 2011 | |
| 2003 | | 2012 | |
| 2004 | | 2013 | |
| 2005 | | 2014 | |
| 2006 | | 2015 | |
| 2007 | | 2019 | |
| 2008 | | | |

The Final Official Statement relating to the Bonds is dated August 26, 1998 (the *"Final Official Statement"*).

4. ANNUAL FINANCIAL INFORMATION DISCLOSURE. Subject to Section 9 of this Agreement, the State hereby covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (in the form and by the dates set forth in *Exhibit I*) to each NRMSIR and to the SID, if any. The State is required to deliver such information in such manner and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the State will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Agreement, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to each NRMSIR and the SID, if any) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. MATERIAL EVENTS DISCLOSURE. Subject to Section 9 of this Agreement, the State hereby covenants that it will disseminate in a timely manner Material Events Disclosure to each NRMSIR or to the MSRB and to the SID, if any. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders pursuant to the Indenture.

6. DUTY TO UPDATE NRMSIRs/SID. The State shall determine, in the manner it deems appropriate, the names and addresses of the then existing NRMSIRs and SID each time it is required to file information with such entities.

7. CONSEQUENCES OF FAILURE OF THE STATE TO PROVIDE INFORMATION. The State shall give notice in a timely manner to each NRMSIR or to the MSRB and to the SID, if any, of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the State to comply with any provision of this Agreement, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the State to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed a default or an Event of Default under the Indenture, and the sole remedy under this Agreement in the event of any failure of the State to comply with this Agreement shall be an action to compel performance.

8. AMENDMENTS; WAIVER. Notwithstanding any other provision of this Agreement, the State may amend this Agreement, and any provision of this Agreement may be waived, if:

(a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the State, or type of business conducted;

(b) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined either by parties unaffiliated with the State or the Authority (such as the Trustee).

9. TERMINATION OF UNDERTAKING. The Undertaking of the State shall be terminated hereunder if the State shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Indenture. The State shall give notice in a timely manner if this Section is applicable to each NRMSIR or to the MSRB and to the SID, if any.

10. DISSEMINATION AGENT. The State may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

11. ADDITIONAL INFORMATION. Nothing in this Agreement shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Agreement. If the State chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Agreement, the State shall have no obligation under this Agreement to update such information or include it in any future disclosure or notice of occurrence of a Material Event.

12. BENEFICIARIES. This Agreement has been executed in order to assist the Participating Underwriters in complying with the Rule; however, this Agreement shall inure solely to the benefit of the State, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

13. RECORDKEEPING. The State shall maintain records of all Annual Financial Information Disclosure and Material Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

14. ASSIGNMENT. The State shall not transfer its obligations under the Lease unless the transferee agrees to assume all obligations of the State under this Agreement or to execute an Undertaking under the Rule.

15. GOVERNING LAW. This Agreement shall be governed by the laws of the State of Utah.

STATE OF UTAH

By____________________________________
Edward T. Alter
State Treasurer

Date: September __, 1998

## 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: "STATE BUILDING OWNERSHIP AUTHORITY," "DEBT STRUCTURE OF THE STATE OF UTAH" and "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH."

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to each NRMSIR and to the SID, if any, or filed with the Commission. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available from the MSRB; the Final Official Statement need not be available from each NRMSIR, the SID or the Commission. The State shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided to each NRMSIR and to the SID, if any, not later than 199 days after the last day of the State's fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included.

Audited Financial Statements will be prepared in conformity with generally accepted accounting principles as prescribed by the Government Accounting Standard Board. Audited Financial Statements will be provided to each NRMSIR and to the SID, if any within 30 days after availability to State.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the State will disseminate a notice of such change as required by Section 4.

## EXHIBIT II
## EVENTS WITH RESPECT TO THE BONDS FOR WHICH MATERIAL EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the security
7. Modifications to the rights of security holders
8. Bond calls
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities
11. Rating changes

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**APPENDIX F**

**FORM OF MUNICIPAL BOND INSURANCE POLICY**

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FINANCIAL SECURITY ASSURANCE[SM]

# MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By______________________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)

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