OFFICIAL NOTICE OF BOND SALE

and

PRELIMINARY OFFICIAL STATEMENT

State of Utah,
State Building Ownership Authority

$5,250,000* Lease Revenue Bonds
(State Facilities Master Lease Program), Series 2011

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

State of Utah

pursuant to a State Facilities Master Lease Agreement, as amended and supplemented

Electronic bids will be received up to 9:30:00 A.M., Mountain Daylight Time, via the ***PARITY®*** electronic bid submission system, on Wednesday, October 5, 2011.

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* Preliminary; subject to change.

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Official Notice of Bond Sale

(Bond Sale to be Conducted Electronically)

State of Utah
State Building Ownership Authority

$5,250,000* Lease Revenue Bonds
(State Facilities Master Lease Program), Series 2011

Bids will be received electronically (as described under "Procedures Regarding Electronic Bidding" below) by the State of Utah, State Building Ownership Authority (the "Authority") on the *PARITY*® electronic bid submission system at 9:30 a.m., M.D.T., on Wednesday, October 5, 2011, for the purchase (all or none) of $5,250,000* State of Utah, State Building Ownership Authority Lease Revenue Bonds (State Facilities Master Lease Program) Series 2011 (the "2011 Bonds"), to be issued pursuant to an Indenture of Trust, Assignment of State Facilities Master Lease Agreement and Security Agreement dated as of September 1, 1994, as supplemented and amended (as so supplemented and amended, the "Indenture"), between the Authority and the Trustee (described herein), and to be payable from, and secured by, Base Rentals to be paid by the State of Utah (the "State"), acting through its Department of Administrative Services, Division of Facilities Construction and Management (the "Lessee"), pursuant to an annually renewable State Facilities Master Lease Agreement dated as of September 1, 1994, as supplemented and amended (as so supplemented and amended, the "Master Lease"), between the Authority (as lessor) and the Lessee, as more fully described under "Security" herein. The bids will be publicly reviewed and considered in public session held by the Authority on Wednesday, October 5, 2011, at 4:00 p.m., M.D.T., in the State Treasurer's Conference Room, State Capitol Building, in Salt Lake City, Utah.

The 2011 Bonds are being issued pursuant to the provisions of the State Building Ownership Authority Act, Title 63B, Chapter 1, Part 3, Utah Code Annotated 1953 as amended ("Utah Code"), and Section 63B–20–102, Utah Code; a resolution of the Authority adopted on April 18, 2011 (the "Parameters Resolution") and a resolution to be adopted by the Authority on October 5, 2011 (the "Bond Resolution," and collectively with the Parameters Resolution, the "Resolutions"), which provide for the issuance of the 2011 Bonds; and other applicable provisions of law.

The 2011 Bonds are more fully described in the Authority's Preliminary Official Statement with respect to the 2011 Bonds dated September 23, 2011 (the "Preliminary Official Statement").

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* Preliminary; subject to change. See caption "Adjustment of Principal Amount of Bonds" in this Official Notice of Bond Sale.

Description of the 2011 Bonds

The 2011 Bonds will be dated their date of delivery and will mature serially on May 15 of each of the years (except as otherwise described under the caption "Term Bonds and Mandatory Sinking Fund Redemption at Bidder's Option" herein) and in the amounts as follows:

Maturity (May 15)	Amount*	Maturity (May 15)	Amount*
2012	$210,000	2022	$445,000
2013	355,000	2023	465,000
2014	360,000	2024	70,000
2015	370,000	2025	75,000
2016	375,000	2026	75,000
2017	385,000	2027	80,000
2018	390,000	2028	80,000
2019	405,000	2029	85,000
2020	415,000	2030	90,000
2021	425,000	2031	95,000

TOTAL $5,250,000*

The 2011 Bonds will be issued in registered form and, when issued, will be registered in the name of The Depository Trust Company, New York, New York, or its nominee. The Depository Trust Company will act as securities depository for the 2011 Bonds. Purchases of beneficial interests in the 2011 Bonds will be made in book–entry form in the denomination of $5,000 or any whole multiple thereof.

Adjustment of Principal Amount of 2011 Bonds

The Authority reserves the right, following determination of the best bid(s), to reduce or increase the principal amount of each maturity of the 2011 Bonds by the amount necessary to properly size the issue so that proceeds available to the Authority will be approximately $5,350,000. The dollar amount of the price bid (i.e., par plus any premium bid) by the successful bidder may be changed as described below, but the interest rates specified by the successful bidder for all maturities will not change. A successful bidder may not withdraw its bid as a result of any changes made within these limits and the Authority will consider the bid as having been made for the adjusted amount of the 2011 Bonds. The dollar amount of the price bid will be changed so that the percentage net compensation to the successful bidder (i.e., the percentage resulting from dividing (i) the aggregate difference between the offering price of the 2011 Bonds to the public and the price to be paid to the Authority (excluding accrued interest, if any), by (ii) the principal amount of the 2011 Bonds) does not increase or decrease from what it would have been if no adjustment was made to the principal amounts shown in this Official Notice of Bond Sale. The Authority expects to advise the successful bidder as soon as possible, but expects no later than 11:00 a.m., M.D.T., on the date of sale, of the changes to the principal amount of the 2011 Bonds maturing on one or more of the above–designated maturity dates for the 2011 Bonds. Any such adjustment will be in an amount of $5,000 or a whole multiple thereof.

To facilitate any adjustment in the principal amounts, the successful bidder(s) is required to indicate by facsimile transmission to Zions Bank Public Finance, the Financial Advisor to the Authority (the "Financial Advisor") at fax number 801.844.4484 within one–half hour of the time of bid opening, the amount of any original issue discount or premium on each maturity of the 2011 Bonds and the amount

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* Preliminary; subject to change.

received from the sale of the 2011 Bonds to the public that will be retained by the successful bidder(s) as its compensation.

Term Bonds and Mandatory Sinking Fund Redemption at Bidder's Option

The 2011 Bonds scheduled to mature on one or more of the above–designated maturity dates may be rescheduled, at bidder's option, to mature as term bonds on one or more dates within that period, in which event the 2011 Bonds will mature and be subject to mandatory sinking fund redemption in such amounts and on such dates as will correspond to the above–designated maturity dates and principal amounts (as adjusted as described above) maturing on those dates.

Purchase Price

The purchase price to be bid for the 2011 Bonds (the "Purchase Price") shall not be less than the principal amount of the 2011 Bonds ($5,250,000*).

Possible Rejection of All Bids for 2011 Bonds

As described below under "Sale Reservations," the Authority reserves the right to reject any and all bids and to resell the 2011 Bonds.

Interest Rate

Bidders must specify the rate of interest with respect to each maturity of the 2011 Bonds. Bidders will be permitted to bid different rates of interest for each separate maturity of 2011 Bonds but:

(a) the highest interest rate bid for any of the 2011 Bonds shall not exceed five percent (5.0%) per annum;

(b) the difference between the highest interest rate bid for a maturity of the 2011 Bonds and the lowest interest rate bid for a maturity of the 2011 Bonds cannot exceed three percent (3.0%).

(c) each interest rate specified in any bid must be in a multiple of one–eighth or one–twentieth of one percent (1/8th or 1/20th of 1%) per annum;

(d) all 2011 Bonds of the same maturity must bear the same rate of interest;

(e) interest shall be computed from the dated date of the 2011 Bonds to the stated maturity dates at the interest rates specified in the bid for each maturity of the 2011 Bonds;

(f) the Purchase Price must be paid in Federal Reserve Bank funds and no bid will be accepted that contemplates the cancellation of any interest or the waiver of interest or other concession by the bidder as a substitute for Federal Reserve Bank funds;

(g) any premium must be paid in the funds specified for the payment of the 2011 Bonds as part of the purchase price;

(h) there shall be no supplemental interest coupons;

(i) a zero percent (0%) rate may not be used; and

(j) interest shall be computed on the basis of a 360–day year of twelve 30–day months.

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* Preliminary; subject to change.

Interest will be payable semiannually on May 15 and November 15 of each year, commencing May 15, 2012.

Ratings

The Authority will, at its own expense, pay fees of Moody's Investors Service and Standard & Poor's Ratings Group for rating the 2011 Bonds. Any additional ratings shall be at the option and expense of the bidder.

Trustee, Bond Registrar and Paying Agent; Place of Payment

Wells Fargo Bank, N.A., Denver, Colorado, will be the trustee (the "Trustee"), paying agent and bond registrar for the 2011 Bonds. The Authority may remove any trustee, paying agent or bond registrar, and any successor thereto, and appoint a successor or successors thereto. Principal of and premium, if any, on the 2011 Bonds will be payable when due to the registered owner of each 2011 Bond upon presentation and surrender thereof at the principal corporate trust office of the paying agent at maturity or upon redemption prior to maturity. Payment of interest on each 2011 Bond will be made to the person who, as of the record date, is the registered owner of the 2011 Bond and shall be made by check or draft mailed to the person who, as of the record date, is the registered owner of the 2011 Bond, at the address of such registered owner as it appears on the registration books of the Authority kept by the bond registrar.

Redemption Provisions

Optional Redemption. The 2011 Bonds maturing on or before May 15, 2021, are not subject to redemption prior to maturity, except as otherwise described under this caption "Redemption Provisions." The 2011 Bonds maturing on or after May 15, 2022, are subject to redemption (i) in whole on any business day on or after November 15, 2021, in the event that the Lessee exercises its option pursuant to the Master Lease to purchase all the Leased Property thereunder or (ii) in part on November 15, 2021, or on any date thereafter from such maturities or portions thereof designated by the Lessee in the event that the Lessee prepays additional Base Rentals pursuant to the Master Lease or purchases a portion of the Leased Property representing separate Facilities pursuant to the Master Lease, all as provided in the Indenture. If called for redemption as described in this paragraph, the 2011 Bonds to be redeemed, in whole or in part, shall be redeemed at a redemption price, expressed as a percentage of the principal amount of the 2011 Bonds to be redeemed, equal to 100% of the principal amount thereof plus accrued interest thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption. The 2011 Bonds scheduled to mature on any of the above–designated maturity dates may be subject to mandatory sinking fund redemption at bidder's option under the circumstances described under "Term Bonds and Mandatory Sinking Fund Redemption at Bidder's Option" above.

Extraordinary Optional Redemption in the Event of Damage, Destruction or Condemnation. The 2011 Bonds shall be subject to redemption prior to maturity in whole or in part from time to time, from such maturities or portions thereof designated by the Lessee, on such date or dates as the Trustee shall determine as provided in the Indenture, 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 event that (i) any of the Facilities are damaged or destroyed, in whole or in part, or the Leased Property or any portion thereof is taken in a condemnation or other proceeding, or certain events occur with respect to the title to the Leased Property or construction defects in any of the Facilities as described in the Master 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 the Leased Property and (iii) the Lessee elects, pursuant to the Master Lease, to waive its obligation to rebuild, repair or replace the affected portion of the Leased Property by depositing such Net Proceeds into the Redemption Fund under the Indenture for application to the redemption of the then outstanding 2011 Bonds in accordance with the Master Lease and the Indenture and provides written notice of such election to the Trustee and the Authority. If the 2011 Bonds are called for extraordinary optional redemption, the 2011 Bonds to be redeemed will be redeemed on such date or dates as the Trustee may determine to be in the best interests of the Owners of the 2011 Bonds.

Security

The principal of, and premium (if any) and interest on, the 2011 Bonds are payable from, and secured by, annually renewable Base Rentals to be paid by the Lessee pursuant to the Master Lease, subject to annual appropriation by the State Legislature of amounts sufficient to pay such Base Rentals and certain other amounts payable under the Master Lease. The 2011 Bonds are also payable from certain funds and accounts held under the Indenture.

The obligation of the Lessee to pay Base Rentals and other amounts under the Master Lease is annually renewable as provided therein. Neither the obligation of the Lessee to make such payments nor the 2011 Bonds will constitute a debt of the Authority, the Lessee or any political subdivision of the State. Neither the issuance of the 2011 Bonds nor the execution and delivery of the Master Lease directly or contingently obligate the Lessee or any political subdivision of the State to appropriate any money to pay Rentals under the Master Lease or to pay any Rentals beyond those appropriated for the then current fiscal year of the State. The 2011 Bonds do not constitute an indebtedness within the meaning of any State constitutional or statutory debt limitation or restriction.

Award

Award or rejection of bids will be made at the Wednesday, October 5, 2011 meeting of the Authority referred to above. The 2011 Bonds will be awarded to the responsible bidder offering to pay the lowest effective interest cost to the Authority for the 2011 Bonds, computed from the date of the 2011 Bonds to maturity and taking into consideration the premium, if any, in the purchase price of the 2011 Bonds. The effective interest rate to the Authority shall be the interest rate per annum (based upon a 360–day year) determined on a per annum true interest cost ("TIC") based on the discounting of the scheduled semiannual debt service payments of the Authority on the 2011 Bonds (based on such rate or rates of interest so bid) to the dated date of the 2011 Bonds, compounded semiannually, and to the bid price, excluding accrued interest to the date of delivery.

Procedures Regarding Electronic Bidding:

Bids will be received by means of the *PARITY®* electronic bid submission system in accordance with the following procedure:

PARITY®

A prospective bidder who intends to use *PARITY®* must communicate its bid electronically on or before 9:30 a.m., M.D.T., on Wednesday, October 5, 2011. No bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in *PARITY®* conflict with this Official Notice of Bond Sale, the terms of this Official Notice of Bond Sale shall control. For further information about *PARITY®*, potential bidders may contact the Financial Advisor or i–Deal LLC at 1359 Broadway, New York, New York 10018, telephone 212.849.5021.

For purposes of *PARITY®*, the time as maintained by *PARITY®* shall constitute the official time.

Each qualified prospective bidder shall be solely responsible to make necessary arrangements to access *PARITY®* for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Bond Sale. Neither the Financial Advisor, the Authority nor

i–Deal LLC shall have any duty or obligation to provide or assure such access to any qualified prospective bidder, and neither the Financial Advisor, the Authority nor i–Deal LLC shall be responsible for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, *PARITY*®. The Authority is using *PARITY*® as a communication mechanism, and not as the Authority's agent, to conduct the electronic bidding for the 2011 Bonds.

Notification

The Authority will notify the apparent successful bidder, as soon as possible after the Authority's receipt of bids for the 2011 Bonds, that such bidder's bid appears to be the lowest and best bid received which conforms to the requirements of this Official Notice of Bond Sale, subject to verification and to official action to be taken at the Authority's meeting as described in the next succeeding paragraph.

The award of the 2011 Bonds to the respective successful bidder will be considered at the Authority meeting to be held beginning at 4:00 p.m., M.D.T., on Wednesday, October 5, 2011.

Form of Bid

Each bidder is required to transmit electronically via *PARITY*® an unconditional bid specifying the lowest rate or rates of interest and confirm the Purchase Price at which the bidder will purchase the 2011 Bonds. Each bid must be for all the 2011 Bonds herein offered for sale.

For information purposes only, bidders are requested to state in their bids the effective interest rate for the 2011 Bonds represented on a TIC basis, as described under "Award" below, represented by the rate or rates of interest and the bid price specified in their respective bids.

No bids will be accepted in written form, by facsimile transmission or in any other medium or on any system other than by means of *PARITY*®; provided, however, that in the event a prospective bidder cannot access *PARITY*®, as applicable, through no fault of its own, it may so notify the State Treasurer by telephone at 801.538.1042. Thereafter, it may submit its bid by telephone to the State Treasurer at 801.538.1042, who shall transcribe such bid into written form, or by facsimile transmission to the office of the State Treasurer at 801.538.1465, in either case before 9:30 a.m., M.D.T., on Wednesday, October 5, 2011. For purposes of bids submitted telephonically to the office of the State Treasurer or by facsimile transmission, the time as maintained by *PARITY*® shall constitute the official time. Each bid submitted as provided in the second preceding sentence must specify the interest rate or rates for the 2011 Bonds and the total purchase price of all of the 2011 Bonds. The State Treasurer will seal transcribed telephonic bids and facsimile transmission bids for submission. Neither the Authority nor the State Treasurer assumes any responsibility or liability for the failure of any such transcribed telephonic bid or facsimile transmission (whether such failure arises from equipment failure, unavailability of phone lines or otherwise). No bid will be received after the time for receiving such bids specified above.

If requested by the Financial Advisor, the apparent successful bidder will provide written confirmation of its bid (by facsimile transmission) to the Financial Advisor prior to 2:00 p.m., M.D.T., on Wednesday, October 5, 2011.

Issue Price

In order to enable the Authority to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the successful bidder will be required to provide to the Authority at the time of the delivery of the 2011 Bonds a certificate as to the "issue price" of the 2011 Bonds. Each bidder, by transmitting its bid, agrees to complete, execute and deliver such certificate, in form and substance satisfactory to Bond Counsel, by the date of delivery of the 2011 Bonds, if its bid is accepted by the Authority. It will be the responsibility of the successful bidder to institute such syndicate reporting requirements, to make such investigation or otherwise to ascertain the facts necessary to make such certification. Any questions potential bidders might have regarding the certification required by Bond Counsel should be directed to Blake Wade at 801.531.3031 (wadeb@ballardspahr.com) or Randy Larsen at 801.531.3079 (larsen@ballardspahr.com). A form of the required certification is attached hereto as Exhibit A.

Good Faith Deposit

A good faith deposit (the "Deposit") in the amount of $50,000 is required only from the successful bidder. The Deposit shall be payable to the order of the Authority in the form of a wire transfer in federal funds as instructed by the Financial Advisor no later than 2:00 p.m., M.D.T., on Wednesday, October 5, 2011. As an alternative to wiring funds, a bidder may deliver a cashier's or certified check, payable to the order of the Authority, with its bid. If a check is used, it must precede each bid. Such check shall be promptly returned to its respective bidder whose bid is not accepted.

The Authority shall, as security for the faithful performance by the successful bidder of its obligation to take up and pay for the 2011 Bonds when tendered, cash the Deposit check, if applicable, of the successful bidder and hold the proceeds of the Deposit of the successful bidder or invest the same (at the Authority's risk) in obligations that mature at or before the delivery of the 2011 Bonds as described under the caption "Delivery and Payment" below, until disposed of as follows: (a) at such delivery of the 2011 Bonds and upon compliance with the successful bidder's obligation to take up and pay for the 2011 Bonds, the full amount of the Deposit held by the Authority, without adjustment for interest, shall be applied toward the purchase price of the 2011 Bonds at that time and the full amount of any interest earnings thereon shall be retained by the Authority; and (b) if the successful bidder fails to take up and pay for the 2011 Bonds, when tendered, the full amount of the Deposit plus any interest earnings thereon will be forfeited to the Authority as liquidated damages.

Sale Reservations

The Authority reserves the right: (a) to waive any irregularity or informality in any bid or in the electronic bidding process; (b) to reject any and all bids for the 2011 Bonds; and (c) to resell the 2011 Bonds as provided by law.

Prompt Award

The Authority will take action awarding the 2011 Bonds or rejecting all bids not later than ten (10) hours after the expiration of the time herein prescribed for the receipt of bids, unless such award is waived by the successful bidder.

Delivery and Payment

Delivery of the 2011 Bonds will be made to the successful bidder in book–entry form, on or about Tuesday, October 25, 2011. Closing documentation will be delivered in Salt Lake City, Utah, except that the successful bidder may, at its option and expense, designate some other place for such delivery. At least seven days' prior notice of the time of delivery will be given to the successful bidder. Payment for the 2011 Bonds must be made in Federal Reserve Bank funds or other funds immediately available to the Authority in Salt Lake City, Utah, on the date of delivery. Any expense incurred in providing immediate funds, whether by transfer of Federal Reserve Bank funds or otherwise, shall be borne by the successful bidder.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the 2011 Bonds, but neither the failure to print such numbers on any 2011 Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder thereof to accept delivery of and pay for the 2011 Bonds in accordance with the terms of its bid. All expenses in relation to the providing of CUSIP numbers for the 2011 Bonds shall be paid for by the Authority.

Tax–Exempt Status

Federal Income Tax. In the opinion of Ballard Spahr LLP, Bond Counsel to the Authority, interest on the 2011 Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the 2011 Bonds, assuming the accuracy of the certifications of the State and the Authority and continuing compliance by the State and the Authority with the requirements of the Code. Interest on the 2011 Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax; however, interest on 2011 Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder.

Bond Counsel expresses no opinion regarding any other federal tax consequences relating to ownership or disposition of or the accrual or receipt of interest on the 2011 Bonds.

State Income Tax. Bond Counsel is also of the opinion that, under currently existing laws, interest on the 2011 Bonds is exempt from State of Utah individual income taxes.

Legal Opinion and Closing Certificates

The approving opinion of Ballard Spahr LLP, Bond Counsel to the Authority, as to the legality of the 2011 Bonds will be furnished to the successful bidder, without charge to the successful bidder. Closing certificates will also be furnished, dated as of the date of delivery of and payment for the 2011 Bonds, including a statement that there is no litigation pending or, to the knowledge of the signer thereof, threatened affecting the validity of the 2011 Bonds.

Official Statement

The Authority has employed Zions Bank Public Finance, in Salt Lake City, Utah, as Financial Advisor, to prepare the Preliminary Official Statement describing the 2011 Bonds, copies of which will be furnished by the Authority or by the Financial Advisor upon request. Upon award of the 2011 Bonds, the Authority will complete the final Official Statement and will, within seven business days after acceptance of bid and in sufficient time to accompany any confirmation that requests payment from any customer of the successful bidder, deliver to the successful bidder for the 2011 Bonds the final Official Statement in electronic format to assist the successful bidder to comply with paragraph (b)(4) of Rule 15c2–12 of the Securities and Exchange Commission and the rules of the Municipal Securities Rulemaking Board (the "MSRB").

Disclosure Certificate and Disclosure Counsel Letter

The Authority will deliver to the successful bidder a certificate of a member of the Authority, dated the date of the delivery of the 2011 Bonds, stating that, as of the date thereof, to the best of the signer's knowledge and after reasonable investigation: (a) the descriptions and statements contained in the Preliminary Official Statement circulated with respect to the 2011 Bonds were at the time of the acceptance of the bid true and correct in all material respects and did not at the time of the acceptance of the bid contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and (b) the descriptions and statements contained in the final Official Statement are at the time of the delivery of the 2011 Bonds true and correct in all material respects and do not at the time of the delivery of the 2011 Bonds contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, should the final Official Statement be supplemented or amended subsequent to the date thereof, the foregoing confirmation as to the final Official Statement shall relate to the final Official Statement as so supplemented or amended.

The Authority has retained Chapman and Cutler LLP to act as disclosure counsel to the Authority with respect to the 2011 Bonds and, as such disclosure counsel, such firm will review the contents of the final Official Statement. Chapman and Cutler LLP will deliver a letter to the successful bidder with respect to the final Official Statement which will state, in effect, that while the firm has not verified and is not passing upon, and does not assume responsibility for, the accuracy, completeness or fairness of the statements contained in the final Official Statement, based upon participation in conferences and in reliance thereon with various representatives of the Authority, representatives of the Lessee, representatives of the office of the State Attorney General, representatives of the Financial Advisor for the Authority, and Bond Counsel at which the contents of the final Official Statement were discussed and reviewed, without independent verification, no information came to the attention of the attorneys of such firm rendering legal services in connection with such retention which lead such firm to believe that the final Official Statement contained as of its date, or as of the date of the delivery of the 2011 Bonds, contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. However, such firm will not be called upon to and will not provide any assurances as to information relating to the book–entry system or the expressions of opinion, the assumptions, the projections, financial statements (including notes and schedules thereto) or other financial, numerical, demographic or statistical data contained in the final Official Statement.

Continuing Disclosure Undertaking

The State covenants and agrees to enter into a written agreement or contract constituting an undertaking (the "Undertaking") to provide ongoing disclosure about the State for the benefit of the beneficial owners of the 2011 Bonds on or before the date of delivery of the 2011 Bonds, as required by Section (b)(5) of Rule 15c2–12 (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The State expects to deliver an Undertaking as described in the Preliminary Official Statement and as will be set forth in the final Official Statement. The successful bidder's obligation to purchase the 2011 Bonds shall be conditioned upon the State delivering the Undertaking on or before the date of delivery of the 2011 Bonds. The State is in compliance with each and every undertaking previously entered into by it pursuant to the Rule.

Additional Information

For copies of the Preliminary Official Statement and this Official Notice of Bond Sale and information regarding the electronic bidding procedures and other information with respect to the Bonds, contact Jon Bronson (jon.bronson@zionsbank.com), Brian Baker (brian.baker@zionsbank.com) or Eric Pehrson (eric.pehrson@zionsbank.com), at Zions Bank Public Finance, One South Main Street, Suite 1800, Salt Lake City, Utah 84133–1109, 801.844.7373, Fax: 801.844.4484, the Financial Advisor to the Authority. The Preliminary Official Statement (including this Official Notice of Bond Sale) is also available at i–dealprospectus.com, the Electronic Municipal Market Access (EMMA) website (emma.msrb.org) of the MSRB, and the Investor Information page on the State Treasurer's website (utah.gov/treasurer/investor–overview.html).

Dated: September 23, 2011.

STATE OF UTAH, STATE BUILDING OWNERSHIP AUTHORITY

/s/ Richard K. Ellis

Secretary,
State Building Ownership Authority

EXHIBIT A

FORM OF CERTIFICATE OF PURCHASER

On behalf of __________, as Purchaser, I hereby certify in connection with the issuance of the $__________ State of Utah, State Building Ownership Authority Lease Revenue Bonds Series 2011 (the "Series 2011 Bonds"), as follows:

1. We have made a bona fide public offering of the Series 2011 Bonds to the public at the reoffering price as set forth below:

Maturity Date (May 15)	Principal Amount of Maturity	Initial Reoffering Price at which Substantial Amount Was Sold	Total Price if Total Maturity Sold at Initial Price

2. If such issue price were paid for all of the Series 2011 Bonds, the total issue price to the public would be $__________.

3. A substantial amount (not less than 10%) of the Series 2011 Bonds was sold, or was reasonably expected at the time of the bid for the Series 2011 Bonds to be sold, to the public or final purchasers (not including bond houses, or brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at or below such initial reoffering prices.

4. Based upon our experience, the issue price of the Series 2011 Bonds does not exceed their fair market value as of the date of sale thereof.

IN WITNESS WHEREOF, the undersigned has hereunto fixed his official signature this _____ day of __________, 2011.

[PURCHASER]

By:______________________________

Title: ____________________________

PRELIMINARY OFFICIAL STATEMENT

State of Utah,
State Building Ownership Authority

$5,250,000* Lease Revenue Bonds
(State Facilities Master Lease Program), Series 2011

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

State of Utah

pursuant to a State Facilities Master Lease Agreement,
as amended and supplemented

On Wednesday, October 5, 2011 up to 9:30:00 A.M., Mountain Daylight Time, electronic bids will be received by means of the ***PARITY®*** electronic bid submission system. See the "OFFICIAL NOTICE OF BOND SALE—Procedures Regarding Electronic Bidding."

The 2011 Bonds will be awarded to the successful bidder(s) and issued pursuant to a resolution of the Authority which will be presented for adoption at 4:00 P.M., Mountain Daylight Time on Wednesday, October 5, 2011, in the State Treasurer's Conference Room, Utah State Capitol Complex, 350 North State Street, Salt Lake City, Utah.

The Secretary of the Authority has deemed this PRELIMINARY OFFICIAL STATEMENT final as of the date hereof for purposes of paragraph (b)(1) of Rule 15c2–12 of the Securities and Exchange Commission, subject to completion with certain information to be established at the time of sale of the 2011 Bonds, as permitted by the Rule.

For copies of the OFFICIAL NOTICE OF BOND SALE, the PRELIMINARY OFFICIAL STATEMENT, and other related information with respect to the 2011 Bonds, contact the Financial Advisor:

ZIONS BANK® Z B P F PUBLIC FINANCE

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

Investors must read the entire PRELIMINARY OFFICIAL STATEMENT to obtain information essential to the making of an informed investment decision.

This PRELIMINARY OFFICIAL STATEMENT is dated September 23, 2011 and the information contained herein speaks only as of that date.

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* Preliminary; subject to change.

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PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 23, 2011

New Issue

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

In the opinion of Ballard Spahr LLP, Bond Counsel to the Authority and the State, interest on the 2011 Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the 2011 Bonds, assuming the accuracy of the certifications of the Authority and the State and continuing compliance by the Authority and the State with the requirements of the Internal Revenue Code of 1986. Interest on the 2011 Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax; however, interest on 2011 Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder. Bond Counsel is also of the opinion that, under currently existing law, interest on the 2011 Bonds is exempt from State of Utah individual income taxes. See "LEGAL MATTERS" herein.

State of Utah,
State Building Ownership Authority

$5,250,000* Lease Revenue Bonds (State Facilities Master Lease Program), Series 2011

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

State of Utah

pursuant to a State Facilities Master Lease Agreement, as amended and supplemented

The $5,250,000* Lease Revenue Bonds (State Facilities Master Lease Program), Series 2011, are issued by the State Building Ownership Authority, a body corporate and politic of the State of Utah, as fully–registered bonds and will be initially issued in book–entry form through The Depository Trust Company, New York, New York, which will act as securities depository for the 2011 Bonds.

Principal of and interest on the 2011 Bonds (interest payable May 15 and November 15 of each year, commencing May 15, 2012) are payable by Wells Fargo Bank, N.A., Corporate Trust Services, Denver, Colorado, as Paying Agent, to the registered owners thereof, initially DTC. See "THE 2011 BONDS—Book–Entry System" herein.

The 2011 Bonds are subject to optional redemption, [mandatory sinking fund redemption,] and extraordinary optional redemption (in the event of damage to, or destruction, seizure or condemnation of the Facilities) prior to maturity. See "THE FACILITIES" and "THE 2011 BONDS—Redemption Provisions For The 2011 Bonds" herein.

The 2011 Bonds are being issued to finance a portion of the cost of the acquisition of real estate and the acquisition of, construction of, improvements to and equipping of certain building facilities, the payment of capitalized interest and the payment of the costs associated with the issuance of the 2011 Bonds. The 2011 Bonds and certain other Bonds, as described herein, previously issued by the Authority are parts of an ongoing master lease and building program whereby all Bonds issued thereunder are equally and ratably secured and cross–collateralized by the several facilities constructed through this program.

Pursuant to the Lease, the State has agreed to pay annual Base Rentals which are sufficient to pay the principal of and interest on the 2011 Bonds and the Prior Parity Bonds, coming due in each year, but only if and to the extent that the Utah State Legislature appropriates funds sufficient to pay such Base Rentals plus such Additional Rentals, as are necessary to operate and maintain the Facilities. The Lease specifically provides that nothing therein shall be construed to require the State to appropriate moneys to pay the Base Rentals or Additional Rentals and the State is not obligated to pay such Rentals except to the extent appropriated. Neither the obligation of the State to pay such Rentals nor the obligation of the Authority to pay the principal of and interest on the 2011 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 2011 Bonds does not directly or contingently obligate the State to pay any Rentals beyond those appropriated for the State's then current fiscal year. The Authority has no taxing power.

Dated: Date of Delivery[1]

Due: May 15, as shown on inside front cover

See the inside front cover for the maturity schedule of the 2011 Bonds.

The 2011 Bonds will be awarded pursuant to competitive bidding received by means of the *PARITY*® electronic bid submission system on Wednesday, October 5, 2011, as set forth in the OFFICIAL NOTICE OF BOND SALE (dated September 23, 2011).

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

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

This OFFICIAL STATEMENT is dated October _, 2011, and the information contained herein speaks only as of that date.

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* Preliminary; subject to change.

[1] The anticipated date of delivery is Tuesday, October 25, 2011.

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

$5,250,000*

Lease Revenue Bonds, (State Facilities Master Lease Program), Series 2011

$__________ Serial Bonds

Due May 15*	CUSIP 917547	Principal Amount*	Interest Rate	Yield/ Price
2012…..		$210,000	%	%
2013…..		355,000		
2014…..		360,000		
2015…..		370,000		
2016…..		375,000		
2017…..		385,000		
2018…..		390,000		
2019…..		405,000		
2020…..		415,000		
2021…..		425,000		
2022…..		445,000		
2023…..		465,000		
2024…..		70,000		
2025…..		75,000		
2026…..		75,000		
2027…..		80,000		
2028…..		80,000		
2029…..		85,000		
2030…..		90,000		
2031…..		95,000		

$__________ _____% Term Bond due May 15, 20__—Price ___% (CUSIP 917547 __ _)

1 The anticipated date of delivery is Tuesday, October 25, 2011.

* Preliminary; subject to change.

Table Of Contents

This OFFICIAL STATEMENT does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of, the 2011 Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained herein, and if given or made, such other information or representations must not be relied upon as having been authorized by either the State; the Authority; Zions Bank Public Finance, Salt Lake City, Utah (as Financial Advisor); Wells Fargo Bank, Corporate Trust Division, Denver, Colorado (as Trustee, Bond Registrar and Paying Agent); or any other entity. All information contained herein has been obtained from the State, The Depository Trust Company, and from other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this OFFICIAL STATEMENT nor the issuance, sale, delivery or exchange of the 2011 Bonds, shall under any circumstance create any implication that there has been no change in the affairs of the Authority or the State since the date hereof.

The 2011 Bonds have not been registered under the Securities Act of 1933, as amended, or any state securities laws in reliance upon exemptions contained in such act and laws. Any registration or qualification of the 2011 Bonds in accordance with applicable provisions of the securities laws of the states in which the 2011 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any state securities commission has passed upon the accuracy or adequacy of this OFFICIAL STATEMENT. Any representation to the contrary is unlawful.

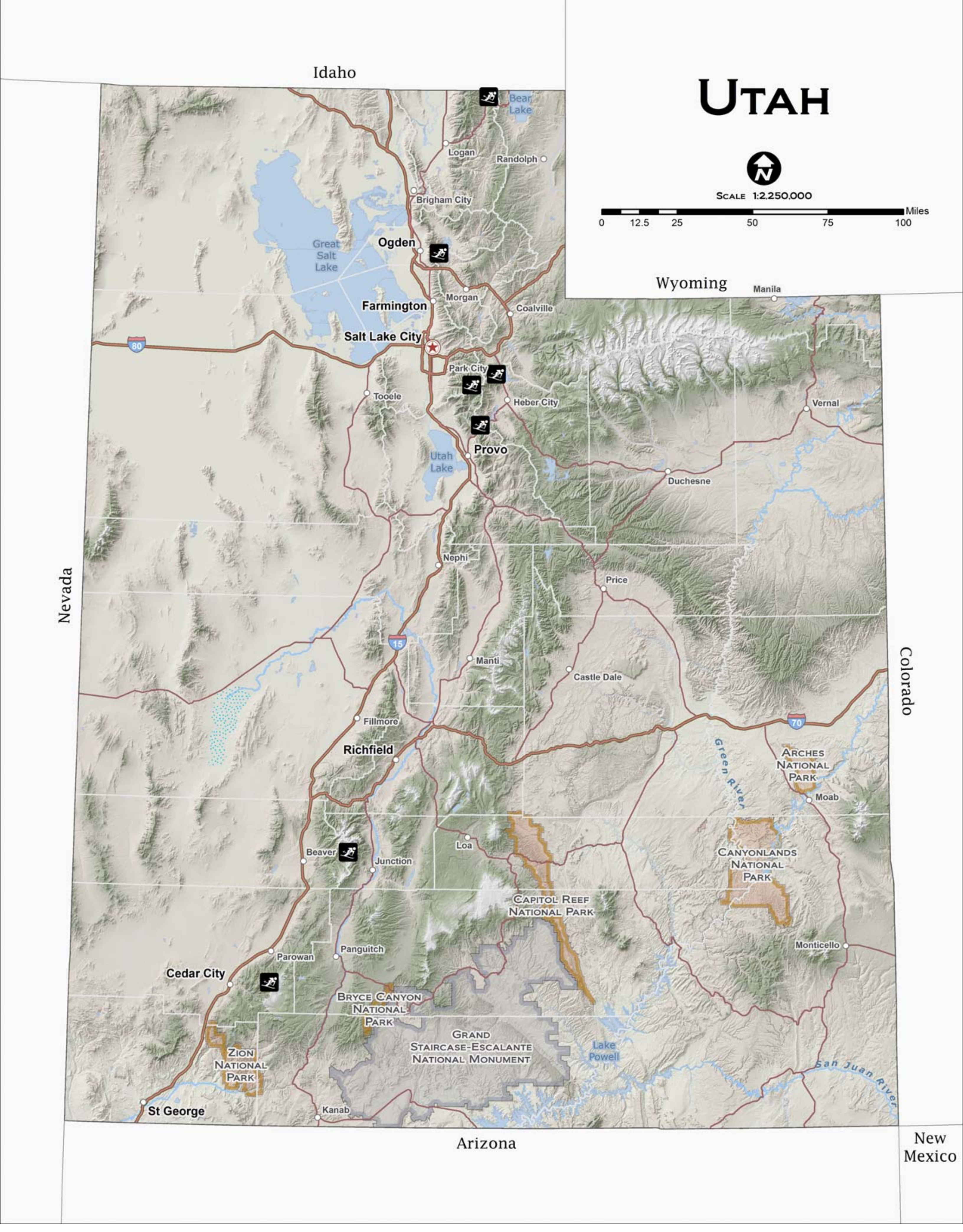
The yields at which the 2011 Bonds are offered to the public may vary from the initial reoffering yields on the inside cover page of this OFFICIAL STATEMENT. In addition, the successful bidder(s), may allow concessions or discounts from the initial offering prices of the 2011 Bonds to dealers and others. In connection with the offering of the 2011 Bonds, the successful bidder(s) may engage in transactions that stabilize, maintain, or otherwise affect the price of the 2011 Bonds. Such transactions may include overallotments in connection with the purchase of 2011 Bonds, the purchase of 2011 Bonds to stabilize their market price and the purchase of 2011 Bonds to cover the successful bidders(s)' short positions. Such transactions, if commenced, may be discontinued at any time.

Forward–Looking Statements. Certain statements included or incorporated by reference in this OFFICIAL STATEMENT constitute "forward–looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used, such as "plan," "project," "forecast," "expect," "estimate," "budget" or other similar words.

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

The CUSIP (the Committee on Uniform Securities Identification Procedures) identification numbers are provided on the inside cover page of this OFFICIAL STATEMENT and are being provided solely for the convenience of bondholders only, and neither the Authority nor the State make any representation with respect to such numbers or undertake any responsibility for their accuracy. The CUSIP numbers are subject to change after the issuance of the 2011 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the 2011 Bonds.

The information available at Web sites referenced in this OFFICIAL STATEMENT has not been reviewed for accuracy and completeness. Such information has not been provided in connection with the offering of the 2011 Bonds and is not a part of this OFFICIAL STATEMENT.


Utah
Scale 1:2,250,000
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Miles
Idaho
Wyoming
Nevada
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Arizona
New Mexico
Bear Lake
Logan
Randolph
Brigham City
Great Salt Lake
Ogden
Morgan
Farmington
Coalville
Manila
Salt Lake City
80
Park City
Tooele
Heber City
Vernal
Utah Lake
Provo
Duchesne
Nephi
Price
15
Manti
Castle Dale
Fillmore
70
Richfield
Green River
Arches National Park
Moab
Loa
Beaver
Junction
Canyonlands National Park
Capitol Reef National Park
Monticello
Parowan
Panguitch
Cedar City
Bryce Canyon National Park
Grand Staircase-Escalante National Monument
Lake Powell
Zion National Park
San Juan River
St George
Kanab

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OFFICIAL STATEMENT RELATED TO

State of Utah, State Building Ownership Authority

$5,250,000* Lease Revenue Bonds
(State Facilities Master Lease Program), Series 2011

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

State of Utah

pursuant to a State Facilities Master Lease Agreement,
as amended and supplemented

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 $5,250,000* Lease Revenue Bonds (State Facilities Master Lease Program), Series 2011 (the "2011 Bonds").

This introduction is only a brief description of the 2011 Bonds and the security and source of payment for the 2011 Bonds and is qualified by more complete and detailed information contained in the entire OFFICIAL STATEMENT, including the cover page and appendices hereto, and the documents summarized or described herein. Accordingly, the OFFICIAL STATEMENT should be read in its entirety. The offering of the 2011 Bonds to potential investors is made only by means of the entire OFFICIAL STATEMENT.

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

Public Sale/Electronic Bid

The 2011 Bonds will be awarded pursuant to competitive bidding received by means of the ***PARITY***® electronic bid submission system on Wednesday, October 5, 2011 as set forth in the OFFICIAL NOTICE OF BOND SALE (dated September 23, 2011).

The State Of Utah

On January 4, 1896, the State became the 45th state of the United States of America (the "U.S."). Ranking 13th among the states in total area, the State contains approximately 84,900 square miles. It

* Preliminary; subject to change.

ranges in elevation from a low of 2,200 feet above sea level in the south, to a high of 13,500 feet above sea level in the northern mountains. The State is located in an arid region (precipitation ranks as the 2nd lowest in the nation, behind Nevada). Home to deserts, plateaus, the Great Basin and the Rocky Mountains, the State is known for its scenic beauty and the diversity of its outdoor recreation areas. The State's 2010 Census population was 2,763,885 people. For additional information regarding the State see "APPENDIX C—DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE STATE OF UTAH."

The Authority

The Authority was established by and operates pursuant to the State Building Ownership Authority Act, Title 63B, Chapter 1, Part 3 (the "Building Ownership Act"), Utah Code Annotated 1953, as amended (the "Utah Code"). The Authority was created in 1979 for the purpose of acquiring, constructing, or improving one or more projects on behalf of the State and certain state bodies pursuant to the Building Ownership Act. See "STATE BUILDING OWNERSHIP AUTHORITY" below.

Authorization For And Purpose Of The 2011 Bonds; Prior Parity Bonds

The 2011 Bonds are being issued pursuant to: (i) the Building Ownership Act; Section 63B–20–102 of the Utah Code Annotated 1953 (the "Utah Code"), as amended (the "2011 Bonding Act") (related to the Davis Courts Building and the Utah College of Applied Technology Building); and other applicable State law (collectively with the Building Ownership Act, the "Act"); (ii) resolutions adopted by the Authority on April 18, 2011 (the "Parameters Resolution") and on October __, 2011 (the "Final Bond Resolution" and, together with the Parameters Resolution, the "Resolutions") which provide for the authorization, issuance, sale and delivery of the 2011 Bonds; and (iii) an Indenture of Trust, Assignment of State Facilities Master Lease Agreement and Security Agreement, dated as of September 1, 1994, as heretofore amended and supplemented (collectively, the "Indenture"), between the Authority and Wells Fargo Bank, N.A., Corporate Trust Services, Denver, Colorado ("Wells Fargo Bank"), as trustee (the "Trustee") and as further supplemented by the Eighteenth Supplemental Indenture of Trust dated as of September 1, 2011, by and between the Authority and the Trustee.

The 2011 Bond are being issued to finance the acquisition and construction of certain facilities consisting of (i) the acquisition of the Davis County Courts building and adjacent land in Farmington City, Utah, and related facilities, property and improvements (the "Davis Courts 2011 Facilities") and (ii) the acquisition and construction of the Utah College of Applied Technology Administration and Training building, and related facilities, property and improvements (the "UCAT 2011 Facilities" and collectively with the Davis Courts 2011 Facilities, the "2011 Facilities"). See "THE 2011 BONDS—Estimated Sources And Uses Of Funds" and "THE FACILITIES" below.

The Authority has previously issued 23 series of Bonds under the Indenture (collectively, the "Prior Parity Bonds"), 11 of which are currently outstanding, to finance and refinance the cost of various projects, which projects may include a variety of real or personal property (collectively, the "Facilities" or "Leased Property") pursuant to the Act. The 2011 Bonds are, subject to the release of certain portions of the Facilities in accordance with the Indenture and the Lease, cross–collateralized in that the Authority has granted to the Trustee, for the benefit of the Owners of all of the Bonds, a mortgage and security interest in all of the Authority's right, title and interest in all of the Facilities. See "THE FACILITIES—Cross–Collateralization" and "–Release Of Portions Of Facilities" below.

As of Tuesday, October 25, 2011 (the anticipated delivery date of the 2011 Bonds), the outstanding aggregate principal amount of the Prior Parity Bonds will be $309,555,000 (exclusive of the 2011 Bonds).

The 2011 Bonds will be issued on a parity basis, and will be equally and ratably secured under the Indenture with (i) the outstanding Prior Parity Bonds, and (ii) any Additional Bonds which may be issued from time to time pursuant to the Indenture. *The 2011 Bonds, the Prior Parity Bonds, and any Additional*

Bonds issued pursuant to the Indenture are sometimes collectively referred to herein as the "Bonds." See "THE 2011 BONDS—Security And Sources Of Payment For The 2011 Bonds–Additional Bonds; Refunding Bonds" below and "APPENDIX D—BASIC DOCUMENTATION–THE INDENTURE–Additional Bonds."

The Authority has leased all of the Facilities to the State, acting through its Division of Facilities Construction and Management ("DFCM"), a division of its Department of Administrative Services, pursuant to a State Facilities Master Lease Agreement, dated as of September 1, 1994, as amended and supplemented and as further supplemented by the Eighteenth State Facilities Master Lease Agreement dated as of September 1, 2011 (collectively, the "Lease").

Security For The 2011 Bonds; Cross Collateralization

The 2011 Bonds are limited obligations of the Authority, payable solely from the revenues and other amounts received pursuant to the Lease and other funds or amounts held by the Trustee pursuant to the Indenture as security for the 2011 Bonds. See "THE 2011 BONDS—Security And Sources Of Payment For The 2011 Bonds" below.

The State has agreed to make payments pursuant to the Lease in stated amounts which are sufficient to pay the principal of and interest on the 2011 Bonds when due (the "Base Rentals"), but only if and to the extent that the Utah State Legislature (the "Legislature") has appropriated funds sufficient to pay the Base Rentals coming due during each succeeding Renewal Term (as described herein) of the Lease plus such additional amounts as are necessary to operate and maintain the Facilities during such period (the "Additional Rentals" and collectively, with the Base Rentals, the "Rentals"). The Lease specifically provides that nothing therein shall be construed to require the Legislature to appropriate any money to pay any Rentals thereunder and that neither the State nor any political subdivision thereof is obligated to pay such Rentals except to the extent of funds appropriated for that purpose. Neither the obligation of the State to pay Rentals nor the obligation of the Authority to pay the principal of and interest on the 2011 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 2011 Bonds does not directly or contingently obligate the State to pay any Rentals beyond those appropriated for the State's then current fiscal year. The Authority has no taxing power. See "THE 2011 BONDS—Security And Sources Of Payment For The 2011 Bonds" and "RISK FACTORS" below.

Pursuant to the Indenture, the Authority has mortgaged, pledged and assigned to the Trustee, among other things, its right, title and interest in and to all of the Facilities (except any Excepted Property) and its right to receive the Base Rentals as lessor under the Lease, as security for the payment of the principal of, premium, if any, and interest on the 2011 Bonds (collectively, the "Mortgages"). The mortgages and security interests created by the Mortgages secure all Bonds issued and outstanding under the Indenture on a parity basis (see "THE FACILITIES—Cross–Collateralization" below) subject to the release of any of the Facilities upon the terms and conditions described under "THE FACILITIES—Release Of Portions Of Facilities" below.

Redemption Provisions

The 2011 Bonds are subject to optional redemption, [mandatory sinking fund redemption,] and extraordinary optional redemption (in the event of damage to, or destruction, seizure or condemnation of the Facilities occurs) prior to maturity. See "THE FACILITIES" and "THE 2011 BONDS—Redemption Provisions For The 2011 Bonds" below.

Tax Matters Regarding The 2011 Bonds

In the opinion of Ballard Spahr LLP, Bond Counsel to the Authority and the State, interest on the 2011 Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the 2011 Bonds, assuming the accuracy of the certifications of the Authority and the State and continuing compliance by the Authority and the State with the requirements of the Internal Revenue Code of 1986. Interest on the 2011 Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax; however, interest on 2011 Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder. Bond Counsel is also of the opinion that, under currently existing law, interest on the 2011 Bonds is exempt from State of Utah individual income taxes.

Bond Counsel expresses no opinion regarding any other tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the 2011 Bonds.

See "LEGAL MATTERS" below for a more complete discussion.

Professional Services

As of the date of this OFFICIAL STATEMENT, the following have served the State in the capacity indicated in connection with the issuance of the 2011 Bonds:

Independent Auditors

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

Bond Counsel

Ballard Spahr LLP
201 S Main St Ste 800
Salt Lake City UT 84111–2215
801.531.3000 | f 801.531.3001
wadeb@ballardspahr.com

Trustee, Registrar and Paying Agent

Wells Fargo Bank NA
Corporate Trust Services
MAC C7300–107
1740 Broadway
Denver CO 80274
303.863.4884 | f 303.863.5645
ethel.m.vick@wellsfargo.com

Disclosure Counsel

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

Financial Advisor

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

Conditions On Delivery, Anticipated Date, Manner, And Place Of Delivery For The 2011 Bonds

The 2011 Bonds are offered, subject to prior sale, when, as and if issued and received by the successful bidder(s), subject to the approval of legality by Ballard Spahr LLP, Bond Counsel, to the Authority and the State, and certain other conditions. Certain legal matters will be passed on for the State by its Attorney General. Certain legal matters regarding this OFFICIAL STATEMENT will be passed on for the Authority and the State by Chapman and Cutler LLP. It is expected that the 2011 Bonds, in book–entry form, will be available for delivery in Salt Lake City, Utah, for deposit with DTC or its agent on Tuesday, October 25, 2011.

Risks Inherent In The Ownership Of The 2011 Bonds

The purchase of the 2011 Bonds involves certain investment risks which are discussed throughout this OFFICIAL STATEMENT. Accordingly, each prospective purchaser of the 2011 Bonds should make an independent evaluation of all of the information presented in this OFFICIAL STATEMENT in order to make an informed investment decision. Certain investment risks are described under "RISK FACTORS" below.

Continuing Disclosure

The State will enter into a Continuing Disclosure Undertaking for the benefit of the Owners of the 2011 Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access System ("EMMA") pursuant to the provisions of paragraph (b)(5) of Rule 15c2–12 (the "Rule") promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. See "CONTINUING DISCLOSURE UNDERTAKING" below for further discussion and information regarding the Undertaking and "APPENDIX F—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING" hereto for a copy of the proposed form of the Undertaking.

Basic Documentation

This OFFICIAL STATEMENT speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the Authority, the State, the 2011 Bonds, the Indenture and the Lease are included in this OFFICIAL STATEMENT. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture and the Lease are qualified in their entirety by reference to such documents, and references herein to the 2011 Bonds are qualified in their entirety by reference to the forms thereof included in the Indenture, the Lease and the information with respect thereto included in the aforementioned documents, copies of which are available for inspection at the principal office of the Trustee on or after the delivery of the 2011 Bonds. Descriptions of the Indenture, the Lease and the 2011 Bonds are qualified by reference to bankruptcy laws affecting the remedies for the enforcement of the rights and security provided therein and the effect of the exercise of the police power by any entity having jurisdiction. See "APPENDIX D—BASIC DOCUMENTATION." The "basic documentation" which includes the Resolutions, the closing documents for the 2011 Bonds, the Indenture, the Lease and other documentation, authorizing the issuance of the 2011 Bonds and establishing the rights and responsibilities of the Authority, the State and other parties to the transaction, may be obtained from the "contact persons" as indicated below.

Contact Persons

As of the date of this OFFICIAL STATEMENT, the chief contact person for the Authority and DFCM concerning the 2011 Bonds is:

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

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

Contact Persons–continued

As of the date of this OFFICIAL STATEMENT, the chief contact person for the State concerning the 2011 Bonds is:

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

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

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

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

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

CONTINUING DISCLOSURE UNDERTAKING

The State will enter into a Continuing Disclosure Undertaking (the "Undertaking") for the benefit of the Owners of the 2011 Bonds to send certain information annually and to provide notice of certain events to the MSRB through EMMA pursuant to the provisions of the Rule. No person, other than the State, has undertaken, or is otherwise expected, to provide continuing disclosure with respect to the 2011 Bonds. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and other terms of the Undertaking, including termination, amendment and remedies, are set forth in the proposed form of Undertaking in "APPENDIX F—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING."

The State has complied in all material respects with each and every undertaking previously entered into by it pursuant to the Rule. Based on prior disclosure undertakings the State submits its annual comprehensive annual financial report ("CAFR") (Fiscal Year Ending June 30) and other operating and financial information on or before January 15th (on or before 199 days from the end of the Fiscal Year). The State will submit the Fiscal Year 2011 CAFR and other operating and financial information for the 2011 Bonds on or before January 15, 2012, and annually thereafter on or before each January 15th.

A failure by the State to comply with the Undertaking will not constitute a default under the Resolutions, and Owners of the 2011 Bonds are limited to the remedies provided in the Undertaking. See "APPENDIX F—PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING–Consequences of Failure of the State to Provide Information." A failure by the State to comply with the 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 2011 Bonds in the secondary market. Any such failure may adversely affect the marketability of the 2011 Bonds.

THE 2011 BONDS

General

The 2011 Bonds will be dated the date of delivery[1] thereof (the "Dated Date") and will mature on May 15 in the years and in the amounts and pay interest on the dates and at the rates shown below.

Debt Service based on Base Rental Payment Schedule. The Lease requires semi–annual Base Rental payments to be made by the State to the Authority (on May 1 and November 1 of each year), which Base Rentals have been assigned to the Trustee pursuant to the Indenture. 2011 Bond principal and/or interest payments are then paid by the Trustee on May 15 and November 15. The following table shows scheduled debt service on the 2011 Bonds based on Base Rental Payments.

Due Date (Base Rental Payment)	The 2011 Bonds Principal*	The 2011 Bonds Interest	Period Total	Fiscal Total
May 1, 2012	$ 210,000.00	$	$	$
November 1, 2012	0.00			
May 1, 2013	355,000.00			
November 1, 2013	0.00			
May 1, 2014	360,000.00			
November 1, 2014	0.00			
May 1, 2015	370,000.00			
November 1, 2015	0.00			
May 1, 2016	375,000.00			
November 1, 2016	0.00			
May 1, 2017	385,000.00			
November 1, 2017	0.00			
May 1, 2018	390,000.00			
November 1, 2018	0.00			
May 1, 2019	405,000.00			
November 1, 2019	0.00			
May 1, 2020	415,000.00			
November 1, 2020	0.00			
May 1, 2021	425,000.00			
November 1, 2021	0.00			
May 1, 2022	445,000.00			
November 1, 2022	0.00			
May 1, 2023	465,000.00			
November 1, 2023	0.00			
May 1, 2024	70,000.00			
November 1, 2024	0.00			
May 1, 2025	75,000.00			
November 1, 2025	0.00			
May 1, 2026	75,000.00			
November 1, 2026	0.00			
May 1, 2027	80,000.00			

[1] The anticipated date of delivery is Tuesday, October 25, 2011.

* Preliminary; subject to change.

Due Date (Base Rental Payment)	The 2011 Bonds Principal*	Interest	Period Total	Fiscal Total
November 1, 2027	0.00			
May 1, 2028	80,000.00			
November 1, 2028	0.00			
May 1, 2029	85,000.00			
November 1, 2029	0.00			
May 1, 2030	90,000.00			
November 1, 2030	0.00			
May 1, 2031	95,000.00			
Totals	$5,250,000.00	$	$	

Interest on the 2011 Bonds will be computed on the basis of a 360–day year of 12, 30–day months. Wells Fargo Bank, is the initial Registrar (the "Registrar"), Paying Agent (the "Paying Agent") and Trustee with respect to the 2011 Bonds.

The 2011 Bonds will be issued as fully–registered bonds, initially in book–entry form, in the denomination of $5,000 or any whole multiple thereof, not exceeding the amount of each maturity.

The 2011 Bonds are being issued within the statutory debt limits imposed on the Authority. See "STATE BUILDING OWNERSHIP AUTHORITY—Legal Borrowing Debt Capacity" below.

Registration, Denominations, Manner Of Payment Of The 2011 Bonds

The 2011 Bonds are issuable only as fully–registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 2011 Bonds. Purchases of 2011 Bonds will be made in book–entry form, in the principal amount of $5,000 or any whole multiple thereof not exceeding the amount of each maturity, through brokers and dealers who are, or who act through, Direct Participants. Beneficial Owners of the 2011 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 2011 Bonds. "Direct Participants," "Indirect Participants" and "Beneficial Owners" are defined in "APPENDIX G—BOOK–ENTRY SYSTEM."

Principal of and interest on the 2011 Bonds (interest payable May 15 and November 15 of each year, commencing May 15, 2012) are payable by the Paying Agent to the Owners of the 2011 Bonds. So long as Cede & Co. is the sole registered owner, as nominee of DTC, it is required in turn to remit such principal and interest to its Direct Participants, for subsequent disbursements to the Beneficial Owners of the 2011 Bonds, as described under "APPENDIX G—BOOK–ENTRY SYSTEM."

So long as DTC or its nominee is the sole registered owner of the 2011 Bonds, none of the Authority, the State, the successful bidder(s), nor the Trustee will have any responsibility or obligation to any Direct or Indirect Participants of DTC, or the Persons for whom they act as nominees, with respect to payments to or provision of notice for the Direct Participants, Indirect Participants or the Beneficial Owners of the 2011 Bonds. *Under these same circumstances, references herein and in the Indenture to the "Bondowners" or "Registered Owners" of the 2011 Bonds shall mean Cede & Co. as nominee for DTC and shall not mean the Beneficial Owners of the 2011 Bonds.*

Transfer Or Exchange Of The 2011 Bonds

No transfer or exchange of any 2011 Bonds shall be required to be made (i) during a period beginning on the Regular Record Date or the Special Record Date, as the case may be, immediately preceding any

* Preliminary; subject to change.

Bond Interest Payment Date and ending on such Bond Interest Payment Date or special interest payment date, (ii) during a period beginning at the opening of business 15 days before the date of the mailing of a notice of redemption of the 2011 Bonds selected for redemption and ending at the close of business on the day of such mailing, and (iii) for any 2011 Bond so selected for redemption, in whole or in part, except the unredeemed portion of such 2011 Bond being redeemed in part. Regular Record Date shall mean the first day of the month in which such Bond Interest Payment Date occurs.

Estimated Sources And Uses Of Funds

The proceeds from the sale of the 2011 Bonds are estimated to be applied as set forth below:

Sources of Funds:	
Par amount of the 2011 Bonds	$
Original issue premium on the 2011 Bonds	
Total	$
Uses of Funds:	
Deposit to Project Account	$
Successful bidder's discount on the 2011 Bonds	
Costs of issuance (1)	
Total	$

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

Security And Sources Of Payment For The 2011 Bonds

The Lease and the Indenture. The 2011 Bonds are payable from amounts due under the Lease, as may be appropriated by the Legislature, and certain other moneys as provided in the Indenture. The initial term of the Lease commenced as of September 1, 1994, and expired on June 30, 1995 (the "Initial Term"). The State has exercised its option to extend the term of the Lease in each subsequent year. The current term will expire June 30, 2012. Extension of the term of the Lease beyond such date is subject to the further exercise by the State, in its sole discretion, to renew the Lease for consecutive additional one–year Renewal Terms commencing July 1 of each of the years 2012 through 2029, and a final Renewal Term commencing July 1, 2030, and ending May 16, 2031, unless terminated earlier. For circumstances under which the Lease may be terminated, see "APPENDIX D—BASIC DOCUMENTATION–THE LEASE–Term Of The Lease."

The Authority, as lessor under the Lease and pursuant to the Indenture, will assign to the Trustee its rights to receive Base Rentals under the Lease for the benefit of the Owners of the 2011 Bonds. In addition, the Authority has granted or will grant a mortgage and security interest in all of its right, title and interest in and to the Facilities. See "APPENDIX D—BASIC DOCUMENTATION–THE INDENTURE."

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

The continuation of the term of the Lease and the obligation of the State to pay Base Rentals after June 30, 2012, 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 2011 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 2011 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 2011 Bonds. The Authority does not have any taxing power.

So long as the Lease does not expire on June 30, 2012, 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 2011 Bonds.

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

The Governor's Office of Planning and Budget reports that the Legislature at its 2011 Legislative General Session appropriated funds sufficient to pay Base Rentals and Additional Rentals due under the Lease during Fiscal Year 2012 (which commenced on July 1, 2011 and will end on June 30, 2012), which has extended the term of the Lease.

If the amounts otherwise legally available to be paid by the State to the Authority under the Lease are insufficient to pay the principal of and interest on the bonds as and when due, the Governor may request the Legislature to appropriate additional funds for the payment of amounts due. *The Legislature may, but is not required to, make such an appropriation.* The State covenants to request that the Governor include in the budget submitted to the Legislature a request or requests for appropriation as and when necessary to assure full and timely payments on the 2011 Bonds; *provided, however,* that nothing in the Lease shall be construed as requiring the Governor to make such a request or the Legislature to appropriate such amounts.

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

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

No Reserve Fund for the 2011 Bonds. ***The Authority will not create or fund a debt service reserve fund for the 2011 Bonds.***

Additional Bonds; Refunding Bonds. Additional Bonds may be issued pursuant to the Indenture on a parity with the 2011 Bonds and the Prior Parity Bonds upon the terms and conditions of the Indenture for the purpose of providing funds to pay one or more of the following: (i) the costs of completing the acquisition and construction of any of the Facilities financed under the Indenture; (ii) the costs of making such additions, improvements, extensions, alterations, relocations, enlargements, expansions, modifications or changes (hereinafter in this paragraph collectively called the "improvements") in, on or to the Facilities as the State may deem necessary or desirable and as will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds or reduce the fair rental value of the Facilities, including any repairing, restoring, modifying, improving or replacing pursuant to the Lease to the extent that such costs exceed the insurance or condemnation proceeds out of which such costs are to be paid pursuant to the Lease; (iii) the costs of Acquiring or Constructing any Additional Facilities for the use and benefit of the State and any State Bodies, but only to the extent that (A) the inclusion of such Additional Facilities as part of the Leased Property will not, in the opinion of Bond Counsel, adversely affect the excludability from gross income for federal income tax purposes of interest on the Bonds then outstanding and (B) the Lease is amended to include such Additional Facilities thereunder; (iv) the refunding of a Series of Bonds; (v) the costs of the issuance and sale of the Additional Bonds; (vi) interest during the estimated period of Acquisition and Construction of such Additional Facilities and for a period of up to 12 months thereafter; and (vii) any combination of such purposes. Any such Additional Facilities shall become a part of the Leased Property and shall be included under the Lease to the same extent as if originally included thereunder. All Additional Bonds will be secured by the lien of the Indenture pursuant to which such bonds are issued and will rank *pari passu* with Prior Parity Bonds issued, the 2011 Bonds and all Additional Bonds that may be issued under the Indenture, will be in such form, will bear such date or dates, bear such interest rate or rates, will have such maturity date or dates, redemption dates and redemption premiums, and will be issued at such prices as provided in the Supplemental Indenture authorizing the same and in accordance with the provisions of the Indenture.

The Authority may issue Additional Bonds to finance or refinance Additional Facilities or portions thereof pursuant to the Indenture without subjecting such Additional Facilities or portions thereof to any additional Mortgages or supplements to existing Mortgages and without providing title insurance thereon if certain conditions are met under the Indenture. See "APPENDIX D—BASIC DOCUMENTATION—THE INDENTURE–Additional Bonds."

Redemption Provisions For The 2011 Bonds

Optional Redemption. The 2011 Bonds maturing on or before May 15, 2021, are not subject to redemption prior to maturity, except as otherwise described under this caption "Redemption Provisions For

The 2011 Bonds." The 2011 Bonds maturing on or after May 15, 2022, are subject to redemption (i) in whole on any business day on or after November 15, 2021, in the event that the Lessee exercises its option pursuant to the Master Lease to purchase all the Leased Property thereunder or (ii) in part on November 15, 2021, or on any date thereafter from such maturities or portions thereof designated by the Lessee in the event that the Lessee prepays additional Base Rentals pursuant to the Master Lease or purchases a portion of the Leased Property representing separate Facilities pursuant to the Master Lease, all as provided in the Indenture. If called for redemption as described in this paragraph, the 2011 Bonds to be redeemed, in whole or in part, shall be redeemed at a redemption price, expressed as a percentage of the principal amount of the 2011 Bonds to be redeemed, equal to 100% of the principal amount thereof plus accrued interest thereon to the date fixed for redemption.

[Mandatory Sinking Fund Redemption. The 2011 Bonds maturing on May 15, 20__, are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest thereon to the date of redemption, on the dates and in the principal amounts as set forth below:

Mandatory Sinking Fund Redemption Date	Sinking Fund Requirements
May 15, 20__	$
May 15, 20__ (stated maturity).....................................	
Total	$

Upon redemption of any 2011 Bonds maturing on May 15, 20__ and May 15, 20__, respectively, other than by application of such mandatory sinking fund redemption, an amount equal to the principal amount so redeemed will be credited toward a part or all of any one or more of such mandatory sinking fund redemption amounts for the 2011 Bonds maturing on May 15, 20__ or May 15, 20__, respectively, in such order of mandatory sinking fund date as shall be directed by the Authority.]

Extraordinary Optional Redemption in the Event of Damage, Destruction or Condemnation The 2011 Bonds are subject to redemption prior to maturity in whole or in part from time to time, from such maturities or portions thereof designated by the State in its notice described below, on such date or dates as the Trustee shall determine as hereinafter described, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest thereon to the redemption date (to the extent that funds are available for such purpose as described herein), but without premium, in the event that (i) any of the Facilities are damaged or destroyed, in whole or in part, or the Leased Property or any portion thereof is taken in a condemnation or other proceeding, or certain events occur with respect to the title to such Leased Property or construction defects in any of the Facilities as described in the Lease, (ii) the Net Proceeds of any insurance policy, performance bond or condemnation award, or the Net Proceeds received as a consequence of defaults under any Project Contract (excluding liquidated damages), plus all amounts required to be paid as deductibles thereunder, made available by reason of one or more such occurrences, and any other legally available moneys, shall be insufficient to pay in full the cost of rebuilding, replacing or repairing Leased Property and (iii) the Lessee elects, pursuant to the Lease, to waive its obligation to rebuild, repair or replace the affected portion of such Leased Property by depositing such Net Proceeds into the Redemption Fund for application to the redemption of then–Outstanding Bonds in accordance with the Lease and the Indenture and provides written notice of such election to the Trustee and the Authority. If 2011 Bonds are called for extraordinary optional redemption, the 2011 Bonds to be redeemed will be redeemed on such date or dates as the Trustee may determine to be in the best interests of the Owners of the 2011 Bonds.

On the redemption date or dates determined as provided in the preceding paragraph, the Trustee shall transfer all moneys into the Redemption Fund in accordance with the provisions of the Indenture to be used by the Trustee to redeem the 2011 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 2011 Bonds or portions thereof to be redeemed, the redemption date and price, and that the interest on such Bonds will cease to accrue from and after the redemption date, shall be given by the Trustee, upon being satisfactorily indemnified as to expenses, by mail at least 30 but not more than 60 days prior to the date fixed for redemption to the registered Owner of each 2011 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 2011 Bond, shall not affect the validity of any proceedings for the redemption of any other 2011 Bond or portion thereof with respect to which no such failure has occurred. Any notice mailed as provided above shall be conclusively presumed to have been duly given, whether or not the registered Owner receives the notice.

In addition to the foregoing notice, certain further notice of any redemption of 2011 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 2011 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 2011 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 2011 Bonds called for redemption, which moneys are or will be available for redemption of 2011 Bonds, such notice shall state that such redemption is subject to the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date and that such notice shall be of no effect unless such moneys are so deposited.

Redemption Payments. All moneys to be used for redemption of 2011 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 2011 Bonds in advance of their scheduled maturity date, except as may otherwise be required by any Tax Certificate, and shall be applied on or after the Bond Payment Date or other date designated for redemption to the payment of the principal of, and premium, if any, and interest on, the 2011 Bonds to be redeemed, upon presentation and surrender of such 2011 Bonds.

Partial Redemption of 2011 Bonds. In the case of a partial redemption of 2011 Bonds when 2011 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 2011 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 2011 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 2011 Bond shall forthwith surrender such 2011 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 2011 Bond or 2011 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 2011 Bond to be so redeemed. If the Owner of any such 2011 Bond of a denomination greater than $5,000 shall fail to present such 2011 Bond to the Trustee for redemption and exchange as aforesaid, the principal amount of such 2011 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 2011 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 2011 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 2011 Bonds be thereafter issued corresponding to said unit or units. 2011 Bonds shall be redeemed only in the principal amount of $5,000 each or any whole multiple thereof.

With respect to any partial redemption of 2011 Bonds of less than all of a particular maturity of 2011 Bonds, the particular 2011 Bonds to be redeemed shall be selected by the Trustee by lot in such manner as the Trustee shall determine to be fair and equitable.

Book–Entry System

DTC will act as securities depository for the 2011 Bonds. The 2011 Bonds will be issued as fully–registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully–registered 2011 Bond certificate will be issued for each maturity of the 2011 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or a "fast agent" of DTC. See "APPENDIX G—BOOK–ENTRY SYSTEM" for a more detailed discussion of the book–entry system and DTC.

Manner Of Payment, Registration, Transfer And Exchange

The Trustee, as Registrar, will keep or cause to be kept sufficient books for the registration, exchange and transfer of the 2011 Bonds (the "Register"). In all cases in which the privilege of exchanging or transferring the 2011 Bonds is exercised in the event that the book–entry system is discontinued and 2011 Bonds are transferred or exchanged, the Authority shall execute, and the Trustee shall authenticate, register and deliver, 2011 Bonds in accordance with the provisions of the Indenture. In such cases, any 2011 Bond may, in accordance with its terms, be transferred upon the Register by the Owner of the 2011 Bond, in person or by such Owner's duly authorized attorney, upon surrender of such registered 2011 Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. Similarly, 2011 Bonds may be exchanged in such instances at the principal corporate trust office of the Trustee for a like principal amount of 2011 Bonds of other authorized denominations. The Trustee will require the Owner requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange, and the Trustee may in addition require the payment of a reasonable sum to cover expenses incurred by the Authority or the Trustee in connection with such transfer or exchange.

STATE BUILDING OWNERSHIP AUTHORITY

Establishment And Statutory Powers

The Authority was created in 1979 as a body politic and corporate of the State. The Authority is empowered, among other things, to issue its bonds (with the prior approval of the Legislature) to finance the acquisition and construction of facilities to be leased to State agencies and their affiliated entities from rentals paid out of budget appropriations or other available funds for the lessee agencies, which in the aggregate will be sufficient to pay the principal of and interest on the Bonds as they become due and to maintain, operate and insure the facilities. The necessary prior approval of the Legislature for the issuance of such bonds is given by specific acts, which acts are generally passed upon during a General Session of the Legislature.

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

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

State Building Board

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

Division Of Facilities Construction And Management

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

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

Legal Borrowing Debt Capacity

The Authority may not issue any bonds or other obligations under the Building Ownership Act in an amount which would exceed the difference between (i) the total outstanding indebtedness of the State (exclusive of certain State highway bonds specified under the Building Ownership Act) and (ii) 1.5% of the fair market value of the taxable property of the State. Under this formula, the Authority's debt capacity is reduced as non–excluded State general obligation bonds are issued. As of October 25, 2011 (the anticipated delivery date of the 2011 Bonds), the legal debt limit and additional debt incurring capacity of the Authority are calculated as follows:

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Fair market value of ad valorem taxable property (1)	$269,496,519,718
Fees in lieu of ad valorem taxable property (2)	11,349,810,426
Total fair market value of taxable property (1)	$280,846,330,144
1.5% debt limit amount	$4,212,694,952
Less: outstanding State general obligation debt (net) (3)	(3,692,496,229)
Less: Authority's outstanding lease revenue bonds (net) (3)	(319,718,835)*
Plus: statutorily exempt State general obligation highway debt (net) (3)	3,258,995,379
Authority's estimated additional debt incurring capacity	$3,459,475,267*

* Preliminary; subject to change.

(1) Based on 2010 taxable values. The estimated fair market value for 2011 is $267,337,000,000. See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Property Tax Matters–Taxable Value Compared with Fair Market Value of All Taxable Property in the State" below.

(2) Based on 2010 "age based" values. For purposes of calculating debt incurring capacity only, the value of all motor vehicles and state–assessed commercial vehicles (which value is determined by dividing the uniform fee revenue by 1.5%) is added to the fair market value of the taxable property in the State.

(3) Includes unamortized original issue bond premium and deferred amount on refunding that was treated as principal for purposes of calculating the applicable constitutional and statutory debt limits as of October 25, 2011.

The State's Limited Lease Rental Obligation

The Building Ownership Act provides that, except as otherwise provided therein, bonds issued by the Authority pursuant thereto will be payable solely out of rentals or lease payments received by the Authority for the facilities constructed or acquired thereunder, and that, if the amounts otherwise legally available to be paid by the State to the Authority under the Lease are insufficient to pay the principal of and interest on the bonds as and when due, the Governor may request the Legislature to appropriate additional funds for the payment of amounts due. *The Legislature may, but is not required to, make such an appropriation. Bonds issued pursuant to authorizing legislation of this type are sometimes referred to herein as "State Lease Revenue Bonds."*

Debt Issuance

Current Lease Revenue Obligation Bonds Outstanding. The 2011 Bonds of the Authority will be the 24th series of Bonds to be issued pursuant to the State Facilities Master Lease Program. Under the State Facilities Master Lease Program, no debt service reserve fund is created for any Bonds issued pursuant to the Indenture and the Lease. In connection with this program, all Bonds are issued on a parity basis and are cross–collateralized by the facilities subject to the lien of the Indenture and the Mortgages.

The 2011 Bonds and all other Bonds issued under the State Facilities Master Lease Program are not classified as State Moral Obligation Bonds as defined in "DEBT STRUCTURE OF THE STATE OF UTAH—State Moral Obligation Bonds" below. However, the 2011 Bonds are considered to be State Lease Revenue Bonds.

As of October 25, 2011, the Authority will have the following State Lease Revenue Bonds outstanding under the State Facilities Master Lease Program and other separate stand alone legal documents:

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

Series (1)	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding
2011 (a)	Various purposes	$ 5,250,000*	May 15, 2031	$ 5,250,000*
2010	Refunding	36,735,000	May 15, 2024	36,135,000
2009E (2)	Huntsman Hospital (BABs)	89,470,000	May 15, 2030	89,470,000
2009D	Huntsman Hospital	12,125,000	May 15, 2017	12,125,000
2009C (2)	DABC Warehouse (BABs)	16,715,000	May 15, 2029	16,715,000
2009B	DABC Warehouse	8,445,000	May 15, 2019	8,445,000
2009A	DABC Facilities	25,505,000	May 15, 2030	24,675,000
2007A (3)	DABC/UCI Facilities	15,380,000	May 15, 2028	14,020,000
2006A	DABC Facilities	8,355,000	May 15, 2027	7,170,000
2004A (4)	Refunding/various purposes	45,805,000	May 15, 2027	21,490,000
2003	Refunding/various purposes	22,725,000	May 15, 2025	15,255,000
1998C (5) (6)	Refunding	105,100,000	May 15, 2019	64,055,000
Total principal amount of outstanding State Facilities Master Lease Program Bonds				$314,805,000*

* Preliminary; subject to change.

(a) Ratings applied for.

(1) All bonds rated "Aa1" by Moody's Investors Service, Inc. ("Moody's); and "AA+" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), as of the date of this OFFICIAL STATEMENT. No municipal bond rating has been requested from Fitch Ratings.

(2) Issued as federally taxable, 35% issuer subsidy, "Build America Bonds".

(3) These bonds are insured by National Public Finance Guarantee Corp., as of the date of this OFFICIAL STATEMENT.

(4) Portions of this bond issue have been refunded by the 2010 Bonds.

(5) These bonds are insured by Assured Guaranty Municipal Corp.

(6) Portions of this bond issue (principal amounts maturing 2012 through 2019, in the total aggregate amounts of $2,925,000 and $4,515,000) have been legally defeased by separate irrevocable escrow accounts, which accounts were funded from available cash on hand.

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

Issued Under Separate Stand Alone Legal Documents

Series	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding
1993A (1)	Human Services Building	$ 6,230,000	January 1, 2013	$965,000
1992B (2)	Youth Corrections	1,380,000	August 15, 2011	0
1992A (2)	Refunding/Employ. Security	26,200,000	August 15, 2011	0
Total Authority's other bonds				$965,000

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

(2) These bond issues are included in this table because final debt payment occurred in Fiscal Year 2012. See "Debt Service Schedule Of Outstanding Lease Revenue Bonds (State Building Ownership Authority) By Fiscal Year" below.

Summary

Total State Facilities Master Lease Program Bonds	$314,805,000*
Total Authority's other bonds	965,000
Total State Lease Revenue Bonds (1)	$315,770,000*

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* Preliminary; subject to change.

(1) For accounting purposes, the total unamortized bond premium is $7,929,609 and the total deferred amount on refunding is $3,980,774 as of October 25, 2011, together with current debt outstanding of $315,770,000*, results in total outstanding net direct debt of $319,718,835*.

Authorized State Lease Revenue Bonds and Future Bonds Issuance. Notwithstanding the legal debt issuing capacity of the Authority discussed in this section under "Legal Borrowing Debt Capacity" above, the Authority may only issue State Lease Revenue Bonds for facilities authorized by the Legislature.

Under existing legislative authorization, the Authority has approximately $10.5 million (for capital projects from a 2000 authorization) of remaining bonding authority for future projects that may be undertaken solely by vote of the Authority.

As of the date of this OFFICIAL STATEMENT, the Authority anticipates it will not issue the remaining authorized lease revenue bonds in Fiscal Year 2012.

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

Issued under the State Facilities Master Lease Program

Fiscal Year Ending	Series 2011 $5,250,000*		Series 2010 $36,735,000		Series 2009E $89,470,000		Series 2009D $12,125,000		Series 2009C $16,715,000		Series 2009B $8,445,000		Series 2009A $25,505,000	
June 30	Principal*	Interest (a)	Principal	Interest	Principal	Interest (2)	Principal	Interest	Principal	Interest (2)	Principal	Interest	Principal	Interest
2012………	$ 210,000	$ 101,141	$ 1,480,000	$ 1,806,750	$ 0	$ 4,992,885	$ 0	$ 606,250	$ 0	$ 929,780	$ 900,000	$ 404,250	$ 875,000	$ 1,160,500
2013………	355,000	156,200	1,545,000	1,732,750	0	4,992,885	0	606,250	0	929,780	925,000	377,250	900,000	1,134,250
2014………	360,000	149,100	1,620,000	1,655,500	0	4,992,885	1,300,000	606,250	0	929,780	975,000	331,000	925,000	1,107,250
2015………	370,000	141,900	2,880,000	1,574,500	0	4,992,885	3,425,000	541,250	0	929,780	1,020,000	282,250	950,000	1,079,500
2016………	375,000	134,500	3,030,000	1,430,500	0	4,992,885	3,605,000	370,000	0	929,780	1,075,000	231,250	975,000	1,041,500
2017………	385,000	125,125	3,175,000	1,279,000	0	4,992,885	3,795,000	189,750	0	929,780	1,125,000	177,500	1,025,000	1,002,500
2018………	390,000	115,500	3,330,000	1,120,250	4,010,000	4,992,885	–	–	0	929,780	1,185,000	121,250	1,075,000	951,250
2019………	405,000	105,750	3,510,000	953,750	0	4,807,463	–	–	0	929,780	1,240,000	62,000	1,125,000	897,500
2020………	415,000	93,600	2,995,000	778,250	5,295,000	4,807,463	–	–	1,305,000 (4)	929,780	–	–	1,175,000	841,250
2021………	425,000	81,150	3,145,000	628,500	5,555,000	4,539,853	–	–	1,370,000 (4)	860,693	–	–	1,250,000	782,500
2022………	445,000	64,150	3,275,000	471,250	5,830,000	4,248,549	–	–	1,445,000 (4)	788,165	–	–	1,300,000	720,000
2023………	465,000	46,350	3,445,000	307,500	5,395,000	3,936,994	–	–	1,520,000 (4)	711,667	–	–	1,375,000	655,000
2024………	70,000	27,750	2,705,000	135,250	5,695,000	3,643,290	–	–	1,605,000 (4)	631,198	–	–	1,450,000	586,250
2025………	75,000	24,950	–	–	6,015,000 (3)	3,327,559	–	–	1,685,000 (5)	546,230	–	–	1,500,000	513,750
2026………	75,000	21,950	–	–	8,635,000 (3)	2,980,614	–	–	1,785,000 (5)	449,039	–	–	1,575,000	438,750
2027………	80,000	18,950	–	–	9,145,000 (3)	2,482,547	–	–	1,890,000 (5)	346,080	–	–	1,675,000	360,000
2028………	80,000	15,750	–	–	10,665,000 (3)	1,955,064	–	–	1,995,000 (5)	237,065	–	–	1,750,000 (6)	276,250
2029………	85,000	12,150	–	–	11,285,000 (3)	1,339,906	–	–	2,115,000 (5)	121,993	–	–	1,850,000 (6)	188,750
2030………	90,000	8,325	–	–	11,945,000 (3)	688,988	–	–	–	–	–	–	1,925,000 (6)	96,250
2031………	95,000	4,275	–	–	–	–	–	–	–	–	–	–	–	–
Totals………	$ 5,250,000	$ 1,448,566	$ 36,135,000	$ 13,873,750	$ 89,470,000	$ 73,708,483	$ 12,125,000	$ 2,919,750	$ 16,715,000	$ 13,060,150	$ 8,445,000	$ 1,986,750	$ 24,675,000	$ 13,833,000

Fiscal Year Ending	Series 2007A $15,380,000		Series 2006A $8,355,000		Series 2004A $45,805,000		Series 2003 $22,725,000		Series 1998C $105,100,000	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal (14)	Interest
2012………	$ 565,000	$ 667,513	$ 325,000	$ 307,053	$ 2,665,000	$ 1,068,463	$ 1,375,000	$ 663,530	$ 8,345,000	$ 3,523,025
2013………	585,000	643,500	335,000	295,678	2,795,000	935,213	1,440,000	594,780	8,805,000	3,064,050
2014………	610,000	618,638	350,000	282,278	2,945,000	795,463	835,000	537,180	9,290,000	2,579,775
2015………	645,000	592,713	365,000	268,278	1,910,000	648,213 (13)	875,000	503,780	8,850,000	2,068,825
2016………	665,000	563,688	380,000	253,678	2,010,000	552,713 (13)	900,000	468,780	9,230,000 (15)	1,582,075
2017………	695,000	533,763	395,000	238,478	2,110,000	452,213 (13)	940,000	432,780	9,130,000 (15)	1,074,425
2018………	735,000	502,488	410,000	222,678	1,090,000	346,713 (13)	980,000	394,240	8,295,000 (15)	572,275
2019………	760,000	471,250	425,000	205,663	800,000	292,213 (13)	1,020,000	353,080	2,110,000 (15)	116,050
2020………	795,000 (7)	438,000	445,000	187,600	845,000	252,213 (13)	1,065,000	310,240	–	–
2021………	835,000 (7)	398,250	465,000	168,688	530,000	207,850 (13)	1,110,000	264,978	–	–
2022………	880,000 (8)	356,500	485,000	145,438	0	180,025 (13)	1,160,000	216,415	–	–
2023………	915,000 (8)	312,500	510,000	122,400	0	180,025 (13)	1,210,000	165,375	–	–
2024………	965,000 (9)	266,750	535,000 (11)	96,900	0	180,025 (13)	1,265,000	110,925	–	–
2025………	1,015,000 (9)	218,500	560,000 (11)	74,163	1,830,000 (12)	180,025	1,080,000	54,000	–	–
2026………	1,065,000 (10)	167,750	580,000 (11)	50,363	1,250,000 (12)	93,100	–	–	–	–
2027………	1,115,000 (10)	114,500	605,000 (11)	25,713	710,000 (12)	33,725	–	–	–	–
2028………	1,175,000 (10)	58,750	–	–	–	–	–	–	–	–
2029………	–	–	–	–	–	–	–	–	–	–
2030………	–	–	–	–	–	–	–	–	–	–
2031………	–	–	–	–	–	–	–	–	–	–
Totals………	$ 14,020,000	$ 6,925,050	$ 7,170,000	$ 2,945,043	$ 21,490,000	$ 6,398,188	$ 15,255,000	$ 5,070,083	$ 64,055,000	$ 14,580,500

* Preliminary; subject to change.
(a) Preliminary; subject to change. Interest has been estimated at an average interest rate of 3.53% per annum.
(1) These tables reflect the Authority's debt service schedule for its lease revenue bonds for the Fiscal Year shown. This information is based on payments (cash basis) falling due in that particular Fiscal Year
(2) Issued as federally taxable "Build America Bonds." Does not reflect a 35% federal interest rate subsidy.
(3) Mandatory sinking fund payments from a $57,690,000, 5.768%, term bond due May 15, 2030.
(4) Mandatory sinking fund payments from a $7,245,000, 5.294%, term bond due May 15, 2024.
(5) Mandatory sinking fund payments from a $9,470,000, 5.768%, term bond due May 15, 2029.
(6) Mandatory sinking fund payments from a $5,525,000, 5%, term bond due May 15, 2030.
(7) Mandatory sinking fund payments from a $1,630,000, 5%, term bond due May 15, 2021.
(8) Mandatory sinking fund payments from a $1,795,000, 5%, term bond due May 15, 2023.
(9) Mandatory sinking fund payments from a $1,980,000, 5%, term bond due May 15, 2025.
(10) Mandatory sinking fund payments from a $3,355,000, 5%, term bond due May 15, 2028.
(11) Mandatory sinking fund payments from a $2,280,000, 4.25%, term bond due May 15, 2027.
(12) Mandatory sinking fund payments from a $3,790,000, 4.75%, term bond due May 15, 2027.
(13) Certain principal maturites and interest have been refunded by the 2010 Bonds.
(14) Remaining principal after portions of certain principal amounts maturing May 15, 2011 through May 15, 2019 have been legally defeased by separate irrevocable escrow accounts.
(15) Mandatory sinking fund payments from a $28,765,000, 5.50%, term bond due May 15, 2019.

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

Issued Under Stand Alone Legal Documents

Fiscal Year Ending June 30	Series 1993A; $6,230,000 Principal	Series 1993A; $6,230,000 Interest	Series 1993A; $6,230,000 Total Debt Service	Series 1992B; $1,380,000 Principal	Series 1992B; $1,380,000 Interest	Series 1992B; $1,380,000 Total Debt Service	Series 1992A; $26,200,000 Principal	Series 1992A; $26,200,000 Interest	Series 1992A; $26,200,000 Total Debt Service
2012………..	$ 470,000 (2)	$ 50,663	$ 520,663	$ 120,000	$ 3,600	$ 123,600	$ 2,185,000	$ 62,819	$ 2,247,819
2013………..	495,000 (2)	25,988	520,988	–	–	–	–	–	–
2014………..	–	–	–	–	–	–	–	–	–
2015………..	–	–	–	–	–	–	–	–	–
2016………..	–	–	–	–	–	–	–	–	–
2017………..	–	–	–	–	–	–	–	–	–
2018………..	–	–	–	–	–	–	–	–	–
2019………..	–	–	–	–	–	–	–	–	–
2020………..	–	–	–	–	–	–	–	–	–
2021………..	–	–	–	–	–	–	–	–	–
2022………..	–	–	–	–	–	–	–	–	–
2023………..	–	–	–	–	–	–	–	–	–
2024………..	–	–	–	–	–	–	–	–	–
2025………..	–	–	–	–	–	–	–	–	–
2026………..	–	–	–	–	–	–	–	–	–
2027………..	–	–	–	–	–	–	–	–	–
2028………..	–	–	–	–	–	–	–	–	–
2029………..	–	–	–	–	–	–	–	–	–
2030………..	–	–	–	–	–	–	–	–	–
2031………..	–	–	–	–	–	–	–	–	–
Totals………	$ 965,000	$ 76,651	$ 1,041,651	$ 120,000	$ 3,600	$ 123,600	$ 2,185,000	$ 62,819	$ 2,247,819

Total Bonds Issued

Fiscal Year Ending June 30	State Facilities Master Lease Program Total Principal	State Facilities Master Lease Program Total Interest (3)	State Facilities Master Lease Program Total Debt Service*	Stand Alone Legal Documents Total Principal	Stand Alone Legal Documents Total Interest	Stand Alone Legal Documents Total Debt Service	Total All Lease Obligations Total Principal	Total All Lease Obligations Total Interest (3)	Total All Lease Obligations Total Debt Service*
2012………..	$ 16,740,000	$ 16,231,138	$ 32,971,138	$ 2,775,000	$ 117,082	$ 2,892,082	$ 19,515,000	$ 16,348,220	$ 35,863,220
2013………..	17,685,000	15,462,585	33,147,585	495,000	25,988	520,988	18,180,000	15,488,573	33,668,573
2014………..	19,210,000	14,585,097	33,795,097	–	–	–	19,210,000	14,585,097	33,795,097
2015………..	21,290,000	13,623,872	34,913,872	–	–	–	21,290,000	13,623,872	34,913,872
2016………..	22,245,000	12,551,347	34,796,347	–	–	–	22,245,000	12,551,347	34,796,347
2017………..	22,775,000	11,428,197	34,203,197	–	–	–	22,775,000	11,428,197	34,203,197
2018………..	21,500,000	10,269,307	31,769,307	–	–	–	21,500,000	10,269,307	31,769,307
2019………..	11,395,000	9,194,497	20,589,497	–	–	–	11,395,000	9,194,497	20,589,497
2020………..	14,335,000	8,638,395	22,973,395	–	–	–	14,335,000	8,638,395	22,973,395
2021………..	14,685,000	7,932,461	22,617,461	–	–	–	14,685,000	7,932,461	22,617,461
2022………..	14,820,000	7,190,492	22,010,492	–	–	–	14,820,000	7,190,492	22,010,492
2023………..	14,835,000	6,437,811	21,272,811	–	–	–	14,835,000	6,437,811	21,272,811
2024………..	14,290,000	5,678,338	19,968,338	–	–	–	14,290,000	5,678,338	19,968,338
2025………..	13,760,000	4,939,176	18,699,176	–	–	–	13,760,000	4,939,176	18,699,176
2026………..	14,965,000	4,201,565	19,166,565	–	–	–	14,965,000	4,201,565	19,166,565
2027………..	15,220,000	3,381,515	18,601,515	–	–	–	15,220,000	3,381,515	18,601,515
2028………..	15,665,000	2,542,878	18,207,878	–	–	–	15,665,000	2,542,878	18,207,878
2029………..	15,335,000	1,662,800	16,997,800	–	–	–	15,335,000	1,662,800	16,997,800
2030………..	13,960,000	793,563	14,753,563	–	–	–	13,960,000	793,563	14,753,563
2031………..	95,000	4,275	99,275	–	–	–	95,000	4,275	99,275
Totals………	$314,805,000	$156,749,312	$471,554,312	$ 3,270,000	$ 143,070	$ 3,413,070	$318,075,000	$156,892,382	$474,967,382

* Preliminary; subject to change.

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

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

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

No Defaulted Authority Bonds Or Failures By State To Renew Lease

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

THE FACILITIES

The Facilities As Security For The 2011 Bonds

The 2011 Bonds are equally and ratably secured by the lien of the Indenture and the Lease, subject to the terms, conditions, limitations and exceptions set forth therein. Upon the occurrence of an Event of Default under the Indenture or the occurrence of an Event of Nonappropriation under the Lease, the State shall be required to surrender and vacate the Facilities, the Trustee shall have all rights and remedies to take possession of the Facilities as trustee for the benefit of the Beneficial Owners of the Bonds, and the Trustee may exercise various remedies against or with respect to the Facilities under the Indenture and the Lease for the proportionate benefit of the Beneficial Owners of the Bonds, subject to the limitation on remedies and acceleration during acquisition and construction of any of the Facilities. See in this section "Cross–Collateralization" below. See also "THE 2011 BONDS—Security And Sources Of Payment For The 2011 Bonds–The Lease and the Indenture" above. Under the Lease, an Event of Nonappropriation will occur if the Legislature fails or refuses to specifically appropriate moneys sufficient to pay the Rentals with respect to all or any portion of the Facilities coming due in any fiscal year under the Lease.

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

The Facilities Financed With The Bonds

Set forth below is a brief description of certain major Facilities financed or refinanced through the proceeds of the 2011 Bonds and the Prior Parity Bonds. The Facilities consist of approximately 68 separate facilities, located in various counties within the State, that are used by various departments of State government and State Bodies including the Department of Alcoholic Beverage Control, the University of Utah's Health Sciences Center, various District and Juvenile Courts, the Department of Corrections, the Department of Community and Culture, the Department of Human Services, the Department of Natural Resources and its Division of Parks and Recreation, the State Office of Education, the Department of Environmental Quality, the Department of Transportation and others. The most significant of these facilities include or will include:

(1) The expansion of the Huntsman Cancer Hospital (which is part of the University of Utah's Health Sciences Center) in 2009. The Authority issued approximately $90 million of bonds for construction of a new $102 million, 156,000 square foot expansion to the existing Huntsman Cancer Hospital. Approximately $12 million will be contributed to the project by private contributions.

(2) The Huntsman Cancer Hospital was expanded in 2001, with a $105 million, 272,000 square–foot, building. This expansion was financed with approximately $100.2 million ($30.3 million of variable rate Bonds and approximately $69.9 million fixed rate Bonds) issued by the Authority and various public and private contributions.

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

(4) DABC warehouse expansion, located in Salt Lake County, Utah. The Authority issued approximately $23.7 million of Bonds to finance this facility.

(5) Two office buildings located in Salt Lake City, totaling approximately 77,000 square feet of space, built for occupancy for the Department of Environmental Quality ("DEQ"). The Authority issued approximately $18.3 million of Bonds to finance these facilities.

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

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

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

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

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

The following table provides further summary information regarding the Facilities:

Facility	Construction Status	Scheduled Date of Release from Lien (May 16) (1)
Huntsman Cancer Hospital (2009 expansion)	Under construction–2012	2030
Huntsman Cancer Hospital	Completed–2004	2019
State Courts Complex	Completed–1998	2018
DABC Warehouse	Completed–2011	2029
DEQ Office	Completed–1993–1995	2014
West Jordan Courts Complex	Completed–2005	2025
Youth Corrections	Completed–1998	2017
DCC Library	Completed–1999	2019
DNR Office	Completed–1997	2017
Davis County Courts	Completed–1999	2019
All Other Facilities	Completed or under construction	2011–2030

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

Cross–Collateralization

Subject to the following section "Release Of Portions Of Facilities," pursuant to the Indenture and the Lease, all of the 2011 Bonds issued under the Indenture are cross–collateralized in that the Authority has granted to the Trustee, for the benefit of the Owners of all of the Bonds, a mortgage and security interest in all of the Authority's right, title and interest in all of the Facilities. The occurrence of an Event of Default under the Indenture or an Event of Nonappropriation under the Lease will entitle the Trustee to take possession of the Facilities and to exercise its rights and remedies to the extent provided in the Indenture against the Facilities in such manner and order as the Trustee determines to be in the best interests of the Owners of the Bonds then outstanding. However, the security interest in some of the Facilities may be released prior to the payment of all of the 2011 Bonds as described below under "Release of Portions of Facilities."

Release Of Portions Of Facilities

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

Release of Portions of Facilities' Sites. So long as no Event of Default or Event of Nonappropriation has occurred under the Lease and is then continuing, the State and the Authority may make, from time to time, without the consent of the Trustee or the Owners of the Bonds, such modifications, alterations, amendments or additions to, or deletions from, the sites on which any of the Facilities are located as the State and the Authority mutually agree to be necessary and desirable to facilitate the use and development by the State, its successors, permitted sublessees and assigns, of such sites; *provided, however*, that the portions of each such respective site remaining subject to the Lease and the Indenture after any such modification, alteration, amendment to, or deletion from, such site shall (i) be capable of being operated as a separate and independent functional unit without additional cost to the occupant, (ii) be a single legal parcel of land or a combination of contiguous legal parcels, (iii) include the Facilities located on each such respective site financed with the proceeds of sale of the Bonds or the replacement of such Facilities, (iv) have adequate access to and from public streets and easements for the maintenance of all utilities and (v) not be in violation of any applicable law, rule, regulation, ordinance, covenant or restriction relating thereto. The State and the Authority covenant in the Lease not to agree to any modification, alteration, amendment or addition to or deletion from the sites on which any of the Facilities are located that would reduce the fair rental value of the Facilities remaining subject to the Lease (such value to be determined in each instance with reference to the value to the State based upon its use of the Facilities under the Lease and not with reference to such value as may be applicable for a different use or by a different user of the Facilities) below the Rentals payable under the Lease or adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or otherwise adversely affect the purposes for which the Authority acquired the Facilities and for which the State is leasing the Facilities pursuant to the Lease.

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

Release of Portions of Facilities Upon Discharge of Related Series of Bonds. At such time as all Bonds of one or more Series issued to finance or refinance any separately identifiable portion of the Facilities are deemed to be paid under the Indenture, such Bonds shall no longer be secured by or entitled to the benefits of the Indenture or the Mortgages, except for the purposes of registration and exchange of Bonds and from moneys or Government Obligations deposited with or for the benefit of the Trustee therefore, and the Trustee shall release the liens and security interests granted by the Indenture and the Mortgages with respect to such portions of the Facilities.

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

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

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

Maintenance Of The Facilities

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

RISK FACTORS

The purchase of the 2011 Bonds involves certain investment risks which are discussed throughout this OFFICIAL STATEMENT. Accordingly, each prospective purchaser of the 2011 Bonds should make an independent evaluation of all of the information presented in this OFFICIAL STATEMENT in order to make an informed investment decision. Certain of these risks are described below. The enumerated risks described below are not all–inclusive but are intended to highlight certain of these risks for the convenience of the reader.

Limited Obligations

The 2011 Bonds are payable from amounts due under the Lease on a parity basis with all other Bonds that may be outstanding under the Indenture. The State's obligation under the Lease does not constitute a general obligation or other indebtedness of the State, the Authority or any agency or political subdivision of the State within the meaning of any constitutional or statutory debt limitation. The Authority has no taxing power.

The Initial Term of the Lease expired on June 30, 1995, and the current term expires on June 30, 2012. The State has the option to extend the term of the Lease for consecutive one–year renewal terms, which it has done since 1995 and through June 30, 2012. Unless sooner terminated, this annual renewal option will continue through June 30, 2030 with a final renewal term commencing July 1, 2030, and ending May 16, 2031 (each renewal term, and all of the existing renewals are referred to herein as the "Renewal Terms").

There is no assurance that the State, in its sole discretion, will exercise its option to extend the term of the Lease for any future Renewal Term. Accordingly, the likelihood that the State will extend the term of the Lease for any Renewal Term and that there will be sufficient funds to pay the principal of, premium, if any, and interest on the 2011 Bonds as the same become due depends upon a number of factors, including, but not limited to:

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

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

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

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

General Economic Conditions

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

No Reserve Fund For The 2011 Bonds Or Any Other Bonds

No debt service reserve fund has been established to secure any of the Bonds issued under the Indenture, including the 2011 Bonds.

Expiration Or Termination Of The Lease

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

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

Certain of the Facilities financed under the Indenture will be or are now under construction. If the possessory interest of the State under the Lease were to be terminated by reason of an Event of Nonappropriation or an Event of Default under the Indenture or otherwise pursuant to the Building Ownership Act or the Lease prior to the acquisition and construction of these Facilities, the payment of principal of, premium, if any, and interest on the 2011 Bonds would depend, in part, on the ability of the Trustee to complete any unfinished construction, foreclose on the Facilities, and liquidate, relet or sell one or more partially constructed Facilities. See "APPENDIX D—BASIC DOCUMENTATION–THE INDENTURE–Events Of Default And Remedies."

Possible Difficulties In Selling Or Re–letting The Facilities

In the event that the State's right of possession of the Facilities under the Lease expires or is terminated for any of the reasons described in the Indenture, the obligation of the State to pay Rentals under the Lease will continue through the then–current Renewal Term, but not thereafter, and the 2011 Bonds will be payable from, among other sources, such moneys as may be available by way of recovery from the State of the Rentals which are due through the then–current Renewal Term. As set forth in the Building

Ownership Act, the Indenture and the Lease, if the State fails to pay any Rentals due to the Authority under the terms of the Lease, the State shall immediately surrender, and vacate the Facilities, and the rental or lease obligation under the Lease shall then cease. Should the Lease expire at the end of a Renewal Term without any extension for the next succeeding Renewal Term, or if an event occurs pursuant to which the Trustee terminates the State's right of possession of the Facilities under the Lease, the Trustee may repossess, complete construction, and relet or sell the affected Facilities as provided in the Indenture.

No assurance can be given that the Trustee could relet or sell the Facilities for the amount necessary to pay the principal of and the interest due on the 2011 Bonds. The Facilities constitute facilities to be used in connection with the operation of certain divisions of State government and institutions of higher education and may not be readily usable by other types of tenants. See "THE FACILITIES" above. The net proceeds of any reletting or sale of the Facilities, together with certain other moneys then held by the Trustee under the Indenture, if any, are required to be used to pay the Bonds to the extent of such moneys. No assurance can be given as to the amount of funds available from any such source for the payment of the aggregate principal amount of the 2011 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 2011 Bonds on a timely basis.

Delays In Exercising Remedies; Limitations On Enforceability

The enforceability of the Lease and the Indenture is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, the police powers of the State, the exercise of judicial authority by State or federal courts and the exercise by the United States of America of the powers delegated to it by the federal constitution. Because of the unique uses to which the Facilities may be suited and the delays inherent in obtaining foreclosure upon real property and judicial remedies, no assurance can be given that these remedies could be accomplished rapidly. Any delays in or failure on the part of the Trustee to obtain possession of or to foreclose the lien on the Facilities, if necessary, will likely result in delays in any payment of principal of or interest on the 2011 Bonds.

Possible Shortfall In Costs Of Acquisition And Construction Of The Facilities

The design, acquisition, construction and equipping of certain of the Facilities being financed with the Prior Parity Bonds has been commenced and is expected to be completed at various times within the next several years. In the interim, the Authority has capitalized interest on the Prior Parity Bonds, to the expected completion date of the Facilities financed with the proceeds of such bonds. Regardless of the sufficiency of the capitalized interest, however, once the capitalized interest has been fully applied, the State is required to commence lease payments pursuant to the Lease to the extent, in the amounts and at the times necessary to pay debt service on the Bonds. See "THE FACILITIES—The Facilities As Security For The 2011 Bonds," and "—The Facilities Financed With The Bonds" above.

The Authority and the State believe, but there can be no assurance, that the proceeds of sale of the 2011 Bonds and the Prior Parity Bonds, together with certain investment earnings thereon and other sources of construction funds described in "THE FACILITIES—The Facilities Financed With The Bonds" above, will be sufficient to complete the acquisition, construction and equipping of the Facilities which are yet to be completed. In the event such proceeds are insufficient, the Authority is authorized, pursuant to the Lease, to complete the acquisition, construction and equipping of those certain Facilities from legally available funds, but only in connection with the issuance of Additional Bonds issued pursuant to the Indenture or from moneys otherwise legally available for that purpose. The Indenture provides that Additional Bonds may be issued for the purpose of completing the Facilities or making additions or improvements to the Facilities or acquiring or constructing Additional Facilities, subject to satisfaction of certain conditions provided in the Indenture. There can be no assurance that such Additional Bonds will be permitted under applicable law or that the Legislature will agree to the issuance of Additional Bonds at that time. If issued, Additional Bonds will be secured under the Indenture on a parity with the Bonds previously issued, including the 2011 Bonds and the Prior Parity Bonds. See “THE 2011 BONDS—Security And Sources Of Payment For The 2011 Bonds—Additional Bonds; Refunding Bonds” above and “APPENDIX D—BASIC DOCUMENTATION–THE INDENTURE–Additional Bonds.”

Destruction Of The Facilities

The Lease requires the Facilities to be insured by policies of insurance (including casualty and property damage insurance) as described in “APPENDIX D—BASIC DOCUMENTATION–THE LEASE–Insurance Provisions.” In the event of damage to or destruction of all or any part of the Facilities, the State is nevertheless required to continue to make payments under the Lease during the period for which the Legislature has appropriated moneys to do so. In such event, the State will decide whether the proceeds from available insurance (and any other legally available source) are sufficient to repair and rebuild such Facilities or whether to apply the available proceeds to redemption or payment of the applicable Series of Bonds. If the net proceeds from insurance or certain other sources are insufficient to repair or replace such Facilities, the State may terminate its obligations under the Lease with respect to such Facilities and cause such proceeds to be distributed for the redemption of the applicable Series of Bonds in whole or in part as provided in the Indenture. See “THE 2011 BONDS—Redemption Provisions For The 2011 Bonds–Extraordinary Optional Redemption in the Event of Damage, Destruction or Condemnation” above. There can be no assurance as to the adequacy of a timely payment under property damage insurance in effect at that time. Furthermore, there can be no assurance that such insurance proceeds will be sufficient to redeem the applicable Series of Bonds in whole or that the Trustee will be able to realize any additional funds from such Facilities at that time. See “APPENDIX D—BASIC DOCUMENTATION–THE LEASE–Damage Or Destruction; Condemnation.”

Depreciation And Lack Of Residual Value

Certain components of the Facilities may depreciate in value during the time that the 2011 Bonds are outstanding. In addition, various components of the Facilities may be difficult or impossible to remove from their points of service or use. Consequently, following an Event of Nonappropriation, an Event of Default under the Lease or the termination of the Lease for any reason, it is possible that any revenues realized by the Trustee from a reletting or sale, as appropriate, of the Authority’s interest in the Facilities may be insufficient to pay all outstanding Bonds in full.

Tax–Exempt Status; Continuing Compliance With Certain Covenants

Failure by the Authority or the State and other applicable departments and divisions of the State with respect to any of the 2011 Bonds to comply with certain covenants relating to the Indenture, the Lease and the 2011 Bonds, on a continuing basis, so long as any of the 2011 Bonds are outstanding under the Indenture and thereafter as required by such document provisions and applicable law, could result in interest on the 2011 Bonds becoming includible in federal gross income of the owners thereof, retroactive to the date of their original issuance. See “LEGAL MATTERS” below. The Indenture and the 2011 Bonds do not provide for payment of any additional interest or penalty or redemption in the event that interest on the 2011 Bonds becomes includible in federal gross income.

Other Factors Regarding The Facilities

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

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

Changes In State Government

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

The obligation of the State to make payments under the Lease is subject to annual appropriation by the Legislature, which consists of the Utah Senate (the "Senate") and the Utah House of Representatives (the "House"), based upon a budget initially presented to the Legislature by the Governor, and an appropriation bill signed by the Governor. The members of the Legislature and the Governor are elected officials. Members of the Senate and the Governor serve four–year terms while members of the House serve two–year terms. As of the date of this OFFICIAL STATEMENT, the Governor and his administration support the construction and continued operation of the Facilities. However, the individuals elected to serve as Governor and as members of the Legislature will almost certainly change during the period when the 2011 Bonds are outstanding. There can be no assurance that a future Legislature or a future Governor will not take a policy position against the continued appropriation of payments under the Lease for the Facilities.

STATE OF UTAH GOVERNMENTAL ORGANIZATION

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

Constitutional Departments

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

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

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

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

Certain Other Administrative Bodies

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

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

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

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

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

DEBT STRUCTURE OF THE STATE OF UTAH

General Obligation Bonds Of The State

Outstanding General Obligation Bonds. General obligation bonds of the State are issued pursuant to resolutions of the State Bonding Commission and pursuant to the legislative authorizing acts to provide funds to pay a portion of the costs of the State's capital facilities and highway construction or reconstruction projects and to pay costs and expenses incident to the issuance of bonds. As of October 25, 2011, the State will have $3,487,680,000 of outstanding general obligation bonds that mature through Fiscal Year 2026.

Future Issuance of General Obligation Bonds. The State has approximately $583,877,575 aggregate principal amount of additional authorized and unissued general obligation bonds. Based on the State's building needs, the State anticipates that it will issue approximately $39.6 million of its authorized and unissued general obligation bonds during Fiscal Year 2013. Additionally, based on the State's highway and transportation needs, the State anticipates that it will issue approximately $260 million of its authorized and unissued general obligation bonds during Fiscal Year 2013 and approximately $92 million during Fiscal Year 2014.

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

Revenue Bonds And Notes

State of Utah Recapitalization Revenue Bonds. The State Bonding Commission is authorized, with prior approval of the Legislature, to issue "recapitalization" revenue bonds of the State to provide funds for certain of the State's revolving loan funds. Such State revenue bonds are secured principally by the payments on certain bonds, notes and other obligations owned by the State through such funds and by debt service reserve funds, and constitute "State Moral Obligation Bonds." As of October 25, 2011, the State will have $61,205,000 of outstanding recapitalization revenue bonds that mature through Fiscal Year 2023, with annual principal and interest payments of approximately $6.95 million.

See "State Moral Obligation Bonds" below.

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

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

Additional information. For a detailed report and description of the various revenue bonds and notes see "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2010—Notes to the Financial Statements, Note 10. Long–Term Liabilities."

Lease Obligations

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

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

Primary government's total capital lease payment for Fiscal Year 2010 was $4.664 million. The present value of the minimum lease payments of the State's capital leases for primary government for Fiscal Years 2010 and 2009 totaled approximately $27.5 million (with annual payments scheduled through Fiscal Year 2030) and approximately $19.2 million (with annual payments scheduled through Fiscal Year 2029), respectively. The present value of the minimum lease payments of the State's capital leases for the State's component units for Fiscal Years 2010 and 2009 totaled approximately $70 million (with annual payments scheduled through Fiscal Year 2030) and approximately $63.8 million (with annual payments scheduled through Fiscal Year 2029), respectively.

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

Operating lease expenditures for Fiscal Years 2010 and 2009 were approximately $30.6 million and $33.9 million, respectively, for the primary government, and approximately $30 million and $27.9 million, respectively, for component units. The total future minimum lease payments for the State's operating leases for primary government for Fiscal Years 2010 and 2009 totaled approximately $76.9 million (with annual payments scheduled through Fiscal Year 2060) and approximately $85.6 million (with annual payments scheduled through Fiscal Year 2060), respectively. The total future minimum lease payments for the State's operating leases for component units for Fiscal Years 2010 and 2009 totaled approximately $374.7 million (with annual payments scheduled through Fiscal Year 2050) and approximately $258.2 million (with annual payments scheduled through Fiscal Year 2039), respectively.

For a detailed report and description of operating and capital leases see "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2010—Notes to the Financial Statements, Note 9. Lease Commitments."

State Guaranty Of General Obligation School Bonds

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

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

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

During Fiscal Year 2012, the State will have at least $2.66 billion principal amount outstanding of Guarantied Bonds. Currently, the Guarantied Bond program's annual principal and interest payments are scheduled through Fiscal Year 2030. The State cannot predict the amount of bonds that may be guarantied in this year or in future years; no limitation is currently imposed by the Guaranty Act.

State Moral Obligation Bonds

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

The following State Moral Obligation Bonds are outstanding:

State Board of Regents. The State Board of Regents has approximately $1.25 billion of student loan revenue bonds and approximately $8 million of other revenue bonds (for office space) outstanding, all of which are State Moral Obligation Bonds[1]. In addition, the State Board of Regents has outstanding approximately $634 million of revenue bonds issued to finance capital projects at the State's institutions of higher education, approximately $565 million of which are State Moral Obligation Bonds.

Utah Communications Agency Network. The Utah Communications Agency Network ("UCAN") is a State agency created to regulate the use of the 800 mega–hertz emergency frequency in the State. UCAN has $2.765 million of refunding revenue bonds outstanding, all of which are State Moral Obligation Bonds. Final maturity payment is scheduled for September 15, 2013. See "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2010—Notes to the Financial Statements, Note 15. Joint Venture."

State of Utah Recapitalization Revenue Bonds. The State Bonding Commission has issued revenue bonds in the outstanding principal amount of $61.205 million as described above under "Revenue Bonds And Notes," all of which are State Moral Obligation Bonds.

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

Contingent Tax Credits

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

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.

[1] In addition to the bonds described above, the State Board of Regents has issued and has outstanding commercial paper through the Federal Straight A Lending Program in the amount of approximately $650 million for its student loan program.

FINANCIAL INFORMATION REGARDING THE STATE OF UTAH

Generally

The following table summarizes the State's revenues and expenditures for Fiscal Years 2010, 2009 and 2008:

Revenues and Expenditures for Fiscal Years 2010, 2009 and 2008 ($ In Thousands)

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

	Fiscal Year 2010		Fiscal Year 2009		Fiscal Year 2008	
	Amounts	% Change From Prior Year	Amounts	% Change From Prior Year	Amounts	% Change From Prior Year
Revenues (1):						
Federal revenues	$ 3,700,617	16%	$3,192,814	24%	$2,570,047	4%
Individual and corporate Income taxes	2,391,134	(8)	2,589,577	(13)	2,970,980	(1)
Sales and use tax	1,729,604	(2)	1,757,483	(13)	2,031,239	(4)
Other	1,085,886	(2)	1,111,653	6	1,049,465	6
Motor/special fuel taxes	341,196	1	337,529	(6)	357,664	(2)
Other taxes	321,592	0	322,767	(1)	325,513	4
Total	$ 9,570,029	3%	$9,311,823	0%	$9,304,908	1%
Expenditures	$10,260,933	4%	$9,832,356	6%	$9,259,205	12%

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

(Source: Division of Finance and the 2010 CAFR.)

Recent Developments

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

Spending and Debt Limitations. The State has statutory appropriation and debt limits. The appropriations limit adjusts annually pursuant to a statutory formula based on population and inflation. The definition of appropriations includes only appropriations from unrestricted General Fund and Education Fund sources. Spending for public education in addition to spending for transportation is exempt from the limitation. For Fiscal Year 2011, the State is approximately $701.6 million below the statutory appropriation limit, and for Fiscal Year 2012 it is $746.9 million below the limit. The statutory debt limit is 45% of the maximum allowable appropriation limit. See "APPENDIX B—ADDITIONAL DEBT AND FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Legal Borrowing Authority Of The State.

Budget Management. There was a General Fund surplus of $14.9 million and an Education Fund shortfall of $42.5 million at the end of the Fiscal Year 2010. The Education Fund Reserve Account shortfall was covered by a reserve of $178.4 million budgeted in Fiscal Year 2011.

Budget Reserve Accounts. The State maintains a General Fund Budget Reserve Account and an Education Fund Budget Reserve Account. State law requires that 25% of any General Fund revenue surplus be deposited in the General Fund Budget Reserve Account and 25% of any Education Fund revenue surplus be deposited in the Education Fund Budget Reserve Account, in each case up to the statutory limit. Unless such reserve funds are drawn upon for their respective purposes, annual mandatory surplus transfers will be limited to the lesser of 25% of the applicable surplus or the amount necessary to reach the statutory limit of 6% for the General Fund and 7% for the Education Fund.

The current balance in the General Fund Budget Reserve Account is $99.1 million and the balance in the Education Fund Budget Reserve Account is $104.3 million.

2011 General Session. Before the 2011 General Session, the State was facing a structural imbalance of $312 million. A structural imbalance occurs when ongoing programs are funded with one–time revenue. Through budget reductions and revenue growth, the structural imbalance was reduced to $52 million. It is anticipated that the structural imbalance will be reduced to zero during the 2012 General Session.

Federal Funds. With the ongoing federal government budget and debt ceiling discussions the 2011 Legislature passed HB 138. This bill requires the reporting of federal receipts received by certain state agencies, requires the report to contain a plan to operate the state agency in the event federal receipts are reduced by certain amounts, and requires the Government Operations and Political Subdivisions Interim Committee to study whether to apply federal receipt reporting requirements to certain other governmental entities. The State is preparing plans for estimates of reduced funding from federal receipts at the 5% and 25% level.

Retirement Reform. In order to help limit financial risk to the State and ensure the ability to meet retirement obligations for current employees, several changes were made to the retirement system during the 2010 General Session, including passage of the New Public Employees' Tier II Contributory Retirement Act. All employees beginning regular full–time employment after June 30, 2011, will participate in the new Tier II plan. It increases the number of years an employee must serve to be eligible for retirement and allows employees to participate in either a defined contribution plan or a defined benefit plan. Under both scenarios, the State will contribute 10% of the employee's salary toward his or her retirement. See "Employee Workforce and Retirement System" and "Other Postemployment Benefits" below.

Public Education. In Fiscal Year 2012, the weighted pupil unit value (used in school funding) was increased to $2,577 per student, a $194,386,500 funding increase, to fund an estimated student enrollment of 591,089 including an expected 14,754 new students.

Capital Expenditures. During the 2011 General Session, the Legislature made a one–time appropriation of $12.7 million from a restricted fund for nursing homes for veterans in Washington and Utah counties. An additional $222.6 million in non–state funds was authorized for new buildings for higher education and the Department of Natural Resources. The Legislature also authorized $88.5 million in new general obligation bonding projects for the Utah State Hospital, state warehouse remodel, and higher education buildings.

Management's Discussion And Analysis Of Financial Statements

The State prepared a narrative discussion, overview, and analysis of the financial activities of the State for Fiscal Year 2010. For the complete discussion see "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2010–Management's Discussion and Analysis" (after the Independent State Auditor's Report).

Five–Year Financial Summaries

The following summaries were extracted from the State's audited financial statements for Fiscal Years 2006 through 2010. The summaries have not been audited. The financial information presented in the summaries is presented on a fund statement basis and not on a government–wide statement basis.

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

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

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State of Utah

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

(This summary is unaudited)

	As of June 30 (in thousands)				
	2010	2009	2008	2007	2006
Assets:					
Cash and cash equivalents	$ 819,821	$ 1,052,272	$ 1,540,923	$ 1,811,006	$ 1,259,084
Investments	1,351,954	1,070,235	950,549	746,104	769,088
Receivables:					
Accrued taxes, net	686,101	753,290	833,731	1,191,060	929,421
Accounts, net	712,829	734,385	571,498	533,245	473,961
Notes / mortgages, net	10,247	11,073	10,078	12,920	30,471
Accrued interest	97	55	80	77	135
Due from other funds	34,985	61,138	50,038	90,336	30,214
Interfund loans receivable	29,726	34,933	39,005	33,905	28,111
Due from component units	23,837	28,829	35,802	42,177	26,784
Inventories	12,057	13,324	11,899	12,776	11,557
Other assets	48	21	–	–	–
Total assets	$ 3,681,702	$ 3,759,555	$ 4,043,603	$ 4,473,606	$ 3,558,826
Liabilities and fund balances:					
Liabilities:					
Accounts payable and accrued liabilities	$ 812,154	$ 812,554	$ 768,618	$ 721,060	$ 598,382
Deferred revenue	351,675	451,121	433,196	614,529	502,036
Due to other funds	76,863	83,512	71,019	99,670	35,704
Due to component units	7,884	3,427	19	448	440
Total liabilities	1,248,576	1,350,614	1,272,852	1,435,707	1,136,562
Fund balances (2):					
Nonspendable	14,918	–	–	–	–
Restricted	1,368,947	–	–	–	–
Committed	718,608	–	–	–	–
Assigned	315,769	–	–	–	–
Unassigned	14,884	–	–	–	–
Reserved designated	–	1,282,127	1,323,820	986,326	836,056
Unreserved designated	–	880,157	1,134,438	1,628,919	1,199,334
Unreserved undesignated	–	246,657	312,493	422,654	386,874
Total fund balances	2,433,126	2,408,941	2,770,751	3,037,899	2,422,264
Total liabilities and fund balances	$ 3,681,702	$ 3,759,555	$ 4,043,603	$ 4,473,606	$ 3,558,826

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

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

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

State of Utah

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

(This summary is unaudited)

	Fiscal Year Ended June 30 (in thousands)				
	2010	2009	2008	2007	2006
Revenues:					
Taxes:					
Sales and use tax	$ 1,416,447	$ 1,487,652	$ 1,710,564	$ 1,860,703	$ 1,820,992
Other taxes	275,952	280,934	283,852	274,563	271,178
Total taxes	1,692,399	1,768,586	1,994,416	2,135,266	2,092,170
Other revenues:					
Federal contracts and grants	2,642,157	2,272,215	1,892,116	1,818,571	1,859,583
Charges for services	297,494	293,753	299,819	267,479	256,025
Federal mineral lease	129,377	172,642	134,404	145,985	156,851
Licenses, permits and fees	34,540	23,018	20,633	20,479	18,725
Investment income	6,704	29,993	75,647	94,448	47,027
Miscellaneous and other	206,666	202,666	158,883	166,471	164,890
Total revenues	5,009,337	4,762,873	4,575,918	4,648,699	4,595,271
Expenditures:					
Current:					
Health and environmental quality	1,867,646	1,806,126	1,643,269	1,615,690	1,629,909
Higher education–colleges and universities	716,043	746,846	773,107	693,082	665,855
Employment and family services	673,060	519,282	432,032	405,902	412,855
Human services and youth corrections	665,601	696,787	674,389	623,689	590,727
General government	288,464	283,138	286,274	242,845	200,631
Corrections, adult	232,235	252,886	247,376	225,548	203,419
Public safety	194,314	209,961	191,483	170,306	177,201
Community and culture	170,898	135,062	127,225	105,051	82,627
Natural resources	158,939	173,138	171,738	166,533	136,059
Courts	136,373	127,442	128,148	118,326	111,541
Business, labor, and agriculture	86,984	92,430	87,601	81,643	79,138
Higher education–state administration	52,084	60,224	64,587	49,064	43,505
Total expenditures	5,242,641	5,103,322	4,827,229	4,497,679	4,333,467
Excess revenues over (under) expenditures	(233,304)	(340,449)	(251,311)	151,020	261,804
Other financing sources (uses):					
Transfers in	397,162	587,138	908,222	649,271	323,689
Transfers out	(156,098)	(491,877)	(873,826)	(589,855)	(370,336)
Capital leases acquisition	11,122	2,010	2,131	–	–
Sale of capital assets	–	11,001	80	–	–
Total other financing sources (uses)	252,186	108,272	36,607	59,416	(46,647)
Net change in fund balances	18,882	(232,177)	(214,704)	210,436	215,157
Beginning fund balance	632,691	864,868	1,079,572	869,136	653,979
Adjustments to beginning fund balance (1)	(3,929)	–	–	–	–
Beginning fund balance as adjusted	628,762	864,868	1,079,572	869,136	653,979
Ending fund balances	$ 647,644	$ 632,691	$ 864,868	$ 1,079,572	$ 869,136

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

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

State of Utah

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

(This summary is unaudited)

	Fiscal Year Ended June 30 (in thousands)				
	2010	2009	2008	2007	2006
Revenues:					
Taxes:					
Individual income tax…………………………	$ 2,124,173	$ 2,340,400	$ 2,560,394	$ 2,589,252	$ 2,324,365
Motor and special fuels tax……………………	341,196	337,529	357,664	366,446	344,902
Sales and use tax (2)…………………………	313,157	269,831	320,675	249,029	94,608
Corporate tax…………………………………	266,961	249,177	410,586	411,929	379,624
Other taxes……………………………………	45,640	41,833	41,661	38,586	40,796
Total taxes…………………………………	3,091,127	3,238,770	3,690,980	3,655,242	3,184,295
Other revenues:					
Federal contracts and grants…………………	1,058,460	920,599	677,931	650,871	641,447
Licenses, permits and fees……………………	145,407	105,194	101,249	99,870	94,959
Charges for services…………………………	83,423	71,489	70,715	56,592	50,857
Federal aeronautics…………………………	39,752	34,141	68,193	44,074	37,521
Investment income…………………………	33,323	43,451	49,281	41,156	31,222
Miscellaneous and other………………………	109,200	135,306	70,641	54,111	38,169
Total other revenues………………………	1,469,565	1,310,180	1,038,010	946,674	894,175
Total revenues……………………………	4,560,692	4,548,950	4,728,990	4,601,916	4,078,470
Expenditures:					
Current:					
Public education……………………………	3,002,231	3,034,678	2,960,523	2,547,075	2,322,801
Transportation……………………………...	2,016,061	1,694,356	1,471,453	1,220,484	975,432
Total expenditures…………………………	5,018,292	4,729,034	4,431,976	3,767,559	3,298,233
Excess revenues over (under) expenditures………	(457,600)	(180,084)	297,014	834,357	780,237
Other financing sources (uses):					
General obligation bonds issued………………	855,390	394,360	68,995	–	–
Transfers in (3)…………………………………	201,685	2,549,946	3,072,875	2,612,415	286,496
Premium on bonds issued………………………	49,510	33,557	1,088	–	–
Sale of capital assets…………………………	8,048	6,157	8,058	6,747	–
Transfers out (3)………………………………	(700,067)	(2,919,863)	(3,625,959)	(3,074,734)	(567,290)
Total other financing sources (uses)………	414,566	64,157	(474,943)	(455,572)	(280,794)
Net changes in fund balances……………………	(43,034)	(115,927)	(177,929)	378,785	499,443
Beginning fund balance…………………………	1,381,365	1,497,292	1,675,221	1,296,436	796,993
Ending fund balances……………………………	$ 1,338,331	$ 1,381,365	$ 1,497,292	$ 1,675,221	$ 1,296,436

(1) The major special revenue funds include the Education Fund (which includes all the activity of the Uniform School Fund–perviously a major special revenue fund–to be reported within the Education Fund), Transportation Fund, and Transportation Investment Fund.

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

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

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

Property Tax Matters

The following information with respect to certain property tax matters is included in this OFFICIAL STATEMENT to provide background information. As described herein, the 2011 Bonds are not secured by any pledge of property tax revenues and do not constitute a debt or indebtedness of the State or the Authority.

Ad Valorem Levy. Though authorized to do so under Part 9 of the Property Tax Act (defined below), the State does not presently levy ad valorem property taxes and has not done so since 1974. *However, if the State does not have sufficient moneys available to pay principal and interest on its general obligation bonds from sources other than ad valorem taxes, the State Tax Commission would be required to levy ad valorem property taxes on all taxable property in the State to cover the short fall.*

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

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

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

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

The following table reflects the effect of the current 45% reduction from Fair Market Value for assessment of ad valorem property tax. The table on the following page also shows the Centrally–Assessed Property compared with the Locally–Assessed Property.

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

Tax Year	Taxable Value (1)	% Change Over Prior Year	Fair Market Value (2)	% Change Over Prior Year
2011 (3)	$193,170,000,000	(0.4)%	$267,337,000,000	(0.8)%
2010	193,934,125,410	(3.2)	269,496,519,718	(3.6)
2009	200,432,557,803	(5.4)	279,470,018,301	(6.5)
2008	211,905,170,511	12.1	298,740,951,422	10.9
2007	189,087,689,610	22.3	269,489,922,952	23.1
2006	154,663,248,988	16.8	218,864,053,927	17.1

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

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

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

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Historical Summaries Of Taxable Values Of Property

	Calendar Year											
	2010		2009		2008		2007		2006		2005	
Set by State Tax Commission (Centrally Assessed)	Taxable Value	% of Total	Taxable Value	% of Total	Taxable Value	% of Total	Taxable Value	% of Total	Taxable Value	% of Total	Taxable Value	% of Total
Natural resources……………	$ 10,141,168,789	5.2 %	$ 7,979,377,781	4.0 %	$ 8,601,102,256	4.1 %	$ 6,858,057,725	3.6 %	$ 6,219,779,718	4.0 %	$ 4,898,371,950	3.7 %
Utilities………………………	10,905,488,943	5.6	10,141,150,495	5.1	10,427,402,597	4.9	9,943,565,300	5.3	9,552,461,539	6.2	9,293,092,255	7.0
Total centrally assessed…..	21,046,657,732	9.1	18,120,528,276	9.0	19,028,504,853	9.0	16,801,623,025	8.9	15,772,241,257	10.2	14,191,464,205	10.7
Set by County Assessor (Locally Assessed)												
Real property:												
Primary residential……………	92,165,056,015	47.5	96,392,005,655	48.1	105,930,854,172	50.0	98,069,970,843	51.9	78,264,051,562	50.6	66,358,371,700	50.1
Commercial…………………..	42,111,973,936	21.7	42,092,546,088	21.0	43,621,013,421	20.6	38,267,427,307	20.2	32,588,392,214	21.1	28,604,861,843	21.6
Other real……………………	26,774,244,279	13.8	30,741,370,840	15.3	31,011,606,439	14.6	25,974,054,552	13.7	19,383,478,151	12.5	14,895,471,950	11.3
Total real property……….	161,051,274,230	83.0	169,225,922,583	84.4	180,563,474,032	85.2	162,311,452,702	85.8	130,235,921,927	84.2	109,858,705,493	83.0
Personal property:												
Total personal property………	11,836,193,448	6.1	13,086,106,944	6.5	12,313,191,626	5.8	9,974,613,883	5.3	8,655,085,804	5.6	8,322,631,712	6.3
Total locally assessed…….	172,887,467,678	90.9	182,312,029,527	91.0	192,876,665,658	91.0	172,286,066,585	91.1	138,891,007,731	89.8	118,181,337,205	89.3
Total taxable value………	$193,934,125,410	100.0 %	$200,432,557,803	100.0 %	$211,905,170,511	100.0 %	$189,087,689,610	100.0 %	$154,663,248,988	100.0 %	$132,372,801,410	100.0 %

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

Budgetary Procedures

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

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

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

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

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

Budgetary Controls. The Director of the Division of Finance is required to exercise accounting control over all State departments, institutions and agencies other than the Legislature and legislative committees. The Director of the Division of Finance must require the head of each department to submit, not later than May 15, a budget (work program) for the next fiscal year that does not exceed legislative appropriations or other estimated funding.

State Funds And Accounting

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

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

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

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

For further information on State funds and accounting, including a description of each of the major governmental funds, see "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2010—Notes to the Financial Statements—Note 1. Summary of Significant Accounting Policies."

State Tax System

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

The State also receives revenues from unemployment compensation taxes.

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

Individual Income Taxes. The State is one of 43 states that impose an individual income tax. The State's current single rate income tax system was fully implemented in the 2008 tax year. Under the system, all taxpayers' income is subject to a single rate of 5% of federal adjusted gross income. To retain the progressivity, a tax credit based on federal deductions and federal personal exemptions is available, but phases out depending upon the income and filing status of the individual taxpayers.

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

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

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

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

For additional information regarding recent tax collection results and forecasts for 2010 and 2011 tax collections, see "APPENDIX C—DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE STATE OF UTAH–Tax Collections."

State Revenues

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

($ In Thousands)
Fiscal Year

	2010	% (1)	2009	% (1)	2008	% (1)	2007	% (1)	2006	% (1)
Taxes	$4,794,495	50%	$5,043,043	53%	$5,693,425	60%	$5,797,563	62%	$5,281,485	60%
Federal contracts and grants	3,713,771	38	3,207,110	34	2,574,585	27	2,480,016	26	2,524,022	29
All other misc. revenues	1,183,008	12	1,181,846	13	1,227,345	13	1,084,752	12	972,222	11
Total all funds	$9,691,274	100%	$9,431,999	100%	$9,495,355	100%	$9,362,331	100%	$8,777,729	100%

(1) Percentage of total Governmental Fund Revenue.

(Source: Division of Finance.)

Revenue Summary. For Fiscal Year 2010, General Fund revenues from all sources totaled approximately $5 billion. Of this amount, 53% came from federal contracts and grants; 28% came from sales taxes; 7% came from charges for services and licenses, permits and fees; 7% came from federal mineral leases, investment income and miscellaneous and other revenues; and 5% came from other tax sources.

In the Education Fund for Fiscal Year 2010, revenues from all sources totaled approximately $3.1 billion. Of this amount, 68% came from individual income taxes; 20% came from federal contracts and grants; 9% came from corporate franchise taxes; 1% came from investment income; and 1% came from other tax sources.

In the Transportation Fund for Fiscal Year 2010, revenues from all sources totaled approximately $1.1 billion. Of this amount, 38% came from federal contracts and grants; 31% came from motor and special fuel taxes; 13% came from charges for services and licenses, permits, and fees; 12% came from other miscellaneous taxes and fees; and 6% came from sales and use taxes.

In the Transportation Investment Fund for Fiscal Year 2010, revenues from all sources totaled $325.9 million. Of this amount, 77% came from sales tax revenue; 21% came from motor vehicle registration fees; and 2% came from investment income.

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

Revenues by Source—All Governmental Fund Types (1) (In Thousands)

	Fiscal Year 2010	2009	2008	2007	2006
Taxes:					
Individual income tax	$2,124,173	$2,340,400	$2,560,394	$2,589,252	$2,324,365
Sales and use tax	1,733,412	1,761,224	2,031,239	2,109,732	1,915,600
Motor and special fuel tax	341,196	337,529	357,664	366,446	344,902
Other taxes	328,753	354,713	333,542	320,204	316,994
Corporate tax	266,961	249,177	410,586	411,929	379,624
Total taxes	4,794,495	5,043,043	5,693,425	5,797,563	5,281,485
Other revenues:					
Federal contracts and grants	3,713,771	3,207,110	2,574,585	2,480,016	2,524,022
Charges for services	402,222	386,516	392,345	347,038	329,576
Miscellaneous and other	356,004	382,614	373,047	261,617	239,901
Licenses, permits and fees	179,947	128,212	121,882	120,349	113,684
Federal mineral lease	129,377	172,642	134,404	145,985	156,851
Investment income	47,047	68,275	124,590	142,357	85,580
Federal aeronautics	39,752	34,141	68,193	44,074	37,521
Intergovernmental	28,659	9,446	12,884	23,332	9,109
Total other revenues	4,896,779	4,388,956	3,801,930	3,564,768	3,496,244
Total revenues	$9,691,274	$9,431,999	$9,495,355	$9,362,331	$8,777,729

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

(Sources: Division of Finance and the 2010 CAFR.)

Expenditures by Function—All Governmental Fund Types (1) (In Thousands)

Function	Fiscal Year 2010	2009	2008	2007	2006
Public education	$ 3,002,318	$ 3,035,519	$2,960,873	$2,547,421	$2,322,871
Transportation	2,016,427	1,694,811	1,472,208	1,221,371	975,565
Health and environmental quality	1,873,264	1,812,488	1,648,841	1,620,400	1,634,619
Higher education (Colleges and Universities)	734,440	782,650	793,283	708,063	675,267
Employment and family services	673,329	519,741	432,955	406,532	413,380
Human services/youth corrections	667,192	701,099	677,234	627,598	593,392
General government	313,981	325,076	319,389	268,775	239,838
Debt service	302,917	245,288	333,175	235,011	235,436
Capital outlay	235,499	196,204	193,733	196,126	170,748
Corrections/adult	235,411	255,448	251,216	229,198	205,310
Public safety	199,731	213,038	196,008	172,427	179,622
Community and culture	178,258	140,453	132,413	108,592	85,231
Natural resources	161,640	178,306	174,120	171,014	140,592
Courts	136,373	129,125	131,261	119,650	114,111
Business, labor and agriculture	96,579	101,966	96,072	91,162	89,255
Higher education (State Adm.)	52,084	60,224	64,587	49,064	43,505
Total expenditures	$10,879,443	$10,391,436	$9,877,368	$8,772,404	$8,118,742

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

(Sources: Division of Finance and the 2010 CAFR.)

Changes in All Governmental Fund Types (1) ($ In Millions)

	Fiscal Year				
	2010	2009	2008	2007	2006
Revenues	$9,691	$9,432	$9,496	$9,362	$8,778
% change over previous year	2.7%	(0.7)%	1.4%	6.7%	15.1%
Net other financing sources (2)	$1,169	$563	$77	$7	$0
Expenditures (3)	$10,879	$10,391	$9,877	$8,772	$8,119
% change over previous year	4.7%	5.2%	12.6%	8.0%	8.4%

(1) Includes all governmental fund types, except Trust Lands.
(2) Includes sale of capital assets, bond proceeds, net of any refunding issues, plus financing provided from capital leasing.
(3) Funding for expenditures is provided from revenues, beginning balances, bond proceeds, sale of capital assets, and capital leases issued. Beginning balances are not reflected in this table.

(Sources: Division of Finance and the 2010 CAFR.)

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Fund Balances—All Governmental Fund Types (1) (In Thousands)

Fund	As of June 30 2010	2009	2008	2007	2006
General	$ 647,644	$ 632,691	$ 864,868	$1,079,572	$ 869,136
Special Revenue:					
Transportation Investment (2)	586,550	(8,652)	199,872	129,808	144,162
Education (3) (4)	523,104	517,677	413,998	566,672	–
Transportation	228,677	675,172	510,626	327,017	209,885
State Endowment (5)	106,727	79,480	45,834	33,221	24,671
Rural Development	39,420	38,203	35,431	31,109	25,012
Environmental Reclamation	22,343	27,656	29,442	30,168	24,135
Miscellaneous Special Rev.	10,262	13,278	12,446	10,401	8,343
Crime Victim Reparation	5,210	4,495	6,891	8,942	9,690
Universal Telephone	4,460	8,008	8,351	6,999	7,119
Consumer Education	3,710	2,817	4,139	2,774	3,245
State Capitol	1,449	1,282	125	196	125
Uniform School (4)	–	197,168	372,796	651,724	942,389
Capital Projects	233,178	208,686	239,362	135,762	133,630
Debt Service	20,392	10,980	26,570	23,534	20,722
Total	$2,433,126	$2,408,941	$2,770,751	$3,037,899	$2,422,264

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

(2) Effective Fiscal Year 2006, the Legislature created the Transportation Investment Fund and designated that projects previously reported as part of the Centennial Highway Fund be reported within this new fund.

(3) Effective Fiscal Year 2007, the Legislature created the Education Fund. Individual income and corporate franchise taxes are deposited into the Education Fund, then transferred as authorized to the Uniform School Fund and expended for public education. The remainder is used for higher education.

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

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

(Sources: Division of Finance and the 2010 CAFR.)

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General Fund—Revenues, Expenditures and Fund Balances (In Thousands)

	Fiscal Year				
	2010	2009	2008	2007	2006
Revenues:					
Federal contracts and grants	$2,642,157	$2,272,215	$1,892,116	$1,818,571	$1,859,583
Sales and use tax	1,416,447	1,487,652	1,710,564	1,860,703	1,820,992
Charges for services	297,494	293,753	299,819	267,479	256,025
Other taxes	275,952	280,934	283,852	274,563	271,178
Miscellaneous and other	206,666	202,666	158,883	166,471	164,890
Federal mineral lease	129,377	172,642	134,404	145,985	156,851
Licenses, permits and fees	34,540	23,018	20,633	20,479	18,725
Investment income	6,704	29,993	75,647	94,448	47,027
Total revenues	$5,009,337	$4,762,873	$4,575,918	$4,648,699	$4,595,271
% change over previous year	5.2%	4.1%	(1.6)%	1.2%	10.0%
Expenditures	$5,242,641	$5,103,322	$4,827,229	$4,497,679	$4,333,467
% change over previous year	2.7%	5.7%	7.3%	3.8%	7.9%
Fund Balance: (1) (2)					
Nonspendable	$ 3,272	$ –	$ –	$ –	$ –
Restricted	35,171	–	–	–	–
Committed	371,354	–	–	–	–
Assigned	222,963	–	–	–	–
Unassigned	14,884	–	–	–	–
Unreserved, designated	–	327,467	394,068	603,165	483,510
Reserved	–	305,224	470,800	411,600	300,497
Unreserved, undesignated	–	–	–	64,807	85,129
Total fund balance	$647,644	$632,691	$864,868	$1,079,572	$869,136
% change over previous year	2.4%	(26.8)%	(19.9)%	24.2%	32.9%

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

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

(Sources: Division of Finance and the 2010 CAFR.)

Capital Expenditure Authorizations

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

Capital Expenditure Authorizations (In Millions)

Fiscal Year				
2012	2011	2010	2009	2008
$833.3	$807.4	$3,388.1 (1)	$1,538.2	$3,033.4 (2)

(1) The large increase in Fiscal Year 2010 was from a new bond authorization of $2.2 billion for highway projects and $148 million for building projects.
(2) The large increase in Fiscal Year 2008 was from a new bond authorization of $1.3 billion for highway projects and by approximately $428 million for buildings projects.

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

Investment Of Funds

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

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

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

See "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2010–Notes to the Financial Statements–Note 3. Deposits and Investments" and "–Note 4. Investment Pool."

Investment of 2011 Bond Proceeds. Proceeds of the 2011 Bonds will be held by the Trustee and invested so as to be readily available. 2011 Bond proceeds may also be invested in the PTIF or other available investment funds authorized under the MM Act.

Employee Workforce And Retirement System

Employee Workforce and Retirement System. The State is the largest employer in the State employing over 20,200 people (full–time equivalents) in Fiscal Year 2011. In Fiscal Year 2010, the State employed 20,635 people and in Fiscal Year 2009, the State employed 21,406 people. All full–time employees of the State are members of the Utah State Retirement System.

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

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

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

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

(4) five defined contribution plans comprised of the 401(k) Plan, 457 Plan, Roth and Traditional IRA Plans, and HRA.

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

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

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

The actuarial value of assets, which is based on a five–year smoothed expected rate of return, wherein the excess or shortfall of investment income over or under the actuarial assumed income rate (currently 7.75%), is recognized over a five–year period. This is the value of assets used by the actuary in determining contribution rates for the Systems. The current funded ratios as of January 1, 2011 range from 75% to 96%.

At January 1, 2011, the date of the most recent actuarial valuation, the average funded ratio of the Systems was 82.7%. This was a decrease of 3% from the Systems' January 1, 2010, valuation average funded ratio of 85.7%. The funded ratio decrease for all components of the Systems was the result of lower than expected investment returns over the previous five years. At January 1, 2011, the Systems' underfunded actuarial accrued liability was $4.4 billion.

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

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

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	Total Investment Portfolio Fair Value	Smooth Expected Rate of Return (1)	Fair Value Rate of Return (2)	Actuarial Assumed Interest Rate (3)
2010	$21,134,000,000	2.87%	13.73%	7.75%
2009	19,058,000,000	6.11	12.88	7.75
2008	17,565,000,000	(5.03)	(22.3)	7.75
2007	22,979,000,000	13.04	7.15	8.00
2006	21,861,000,000	11.10	14.77	8.00
2005	18,657,000,000	7.36	8.96	8.00
2004	16,937,000,000	5.32	13.24	8.00
2003	14,563,000,000	8.01	26.00	8.00
2002	11,745,000,000	(1.54)	(7.54)	8.00
2001	12,892,000,000	6.80	(4.99)	8.00

(1) Smoothed Expected Rate of Return consists of investment income in excess or shortfall of the expected 7.75% on fair value smoothed over a five–year period with 20% of a year's excess or shortfall being recognized each year beginning with the current year.
(2) Fair Value Rate of Return consists of cash income plus gains and losses due to changes in fair value, whether realized or unrealized (before deduction of investment fees). (For 2010, 13.54% net of fees.)
(3) Actuarial Assumed Interest Rate is the assumed rate of return on the fair value of assets, and is used in establishing retirement contribution rates and in determining current benefit reserve requirements.

(Source: 2010 Utah Retirement Systems Consolidated Annual Financial Report.)

Contributions and Funding Ratios. The State and all other participating employers in the Systems, have paid 100% of the Annual Required Contribution. For Calendar Year 2010 the required contribution for all participating employers was $754,873,000. Of this amount, $59,652,000 was paid by members and $695,221,000 was contributed by employers. Covered payroll totals $4.488 billion.

The schedule below summarizes the contribution rates in effect as of December 31, 2010.

Contribution rates as a percent of payroll

System	Member	Employer	Other
Noncontributory..................	0.00%	13.37–16.32%	0.00%
Contributory........................	6.00	9.36–11.83	0.00
Public Safety:			
Noncontributory	0.00	26.13–36.31	0.00
Contributory	10.5–12.29	14.86–23.22	0.00
Firefighters:			
Division A	15.05	1.72	11.87
Division B	16.18	0.00	11.87
Judges:			
Noncontributory	0.00	23.72	14.08
Governors/Legislators.........	0.00	0.00	0.00

(Source: 2010 Utah Retirement Systems Consolidated Annual Financial Report.)

Systems' actuary, Gabriel, Roeder, Smith & Company ("GRS"), projected that contribution rates for the Noncontributory System, the largest program in the Systems, will increase to 23.10% by 2020 and remain at that level for a period of time. The Legislature hired the actuary firm Cheiron to verify the calculations of GRS as the Legislature contemplated changes to the Systems benefit structure. Cheiron substantially agreed with the findings of GRS.

Preliminary contribution rates for Fiscal Year 2012 are in line with previous projections even with the change in assumptions.

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

($ In Billions)

	Actuarial Value of Assets	Accrued Actuarial Liability	Funding Ratios
2010	$21.1	$25.7	82%
2009	20.8	24.3	86
2008	19.9	22.9	87
2007	20.3	21.3	95
2006	18.1	18.8	96
2005	16.4	17.6	93
2004	15.4	16.7	92
2003	14.7	15.5	95
2002	13.8	14.8	93
2001	14.1	13.7	103

(Source: 2010 Utah Retirements Systems Consolidated Annual Financial Report.)

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

For a further discussion concerning the Utah State Retirement System see "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2010—Notes to the Financial Statements—Note 16. Pension Plans."

Other Postemployment Benefits

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

The Legislature currently plans to continue contributing amounts to the OPEB Plan sufficient to fully fund the annual required contribution ("ARC"), a rate actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The ARC of

$43.8 million (from the December 31, 2008) is 4.9% of annual covered payroll. The actuarial accrued liability for benefits was approximately $446.6 million, with an actuarial value of plan assets of approximately $53.9 million, resulting in an unfunded actuarial accrued liability of approximately $392.8 million (the State's actuarial accrued liability is calculated biannually). The State contributed $43.8 million to the OPEB Plan in Fiscal Years 2010 and 2011, respectively.

The State also administers the Elected officials' OPEB Plan, a single–employer defined benefit healthcare plan. Only governors and legislators (elected officials) that retire after January 1, 1998 and have four or more years of service can elect to receive and apply for this benefit. This OBEB plan is paid on a pay–as–you–go basis and has an unfunded actuarial accrued liability of $24.515 million (from December 31, 2008 actuarial valuation). The Legislature has set aside $1.785 million in Fiscal Years 2011 and 2012, respectively, to fund this OPEB plan in anticipation of establishing an irrevocable trust and begin funding the ARC.

The State is in the process of obtaining new actuarial valuations for both these OPEB plans.

For additional discussion of the State's postemployment benefits see "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2010—Notes to the Financial Statements—Note 17. Other Postemployment Benefits."

Risk Management And Insurance

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

The property self–insurance limits are currently $1 million per claim with an annual aggregate of $3.5 million. Generally, claims in excess of the self–insured limits are covered by insurance policies with private insurance companies. This coverage has limits of $1 billion at any single building. The State has aggregate coverage of $500 million for earthquake and $500 million for flood losses.

As of June 30, 2011, the Administrative Services Risk Management Fund contained approximately $39.8 million in reserve available to pay for claims incurred. In the opinion of the State's Risk Manager, the available balance will be adequate to cover claims through Fiscal Year 2012. See "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2010—Notes to the Financial Statements—Note 14. Litigation, Contingencies and Commitments" and "—Note 18. Risk Management And Insurance."

LEGAL MATTERS

Absence Of Litigation Concerning The 2011 Bonds

There is no litigation pending or threatened against the 2011 Bonds questioning or in any matter relating to or affecting the validity of the 2011 Bonds.

On the date of the execution and delivery of the 2011 Bonds, certificates will be delivered by the Authority to the effect that to the knowledge of the Authority, there is no action, suit, proceeding or litigation pending or threatened against the Authority, which in any way materially questions or affects the validity or enforceability of the 2011 Bonds or any proceedings or transactions relating to their authorization, execution, authentication, marketing, sale or delivery or which materially adversely affects the existence or powers of the Authority.

A non–litigation opinion issued by the State's Attorney General, dated the date of closing, will be provided stating, among other things, that there is not now pending, or to his knowledge threatened, any action, suit, proceeding, inquiry, or any other litigation or investigation, at law or in equity, before or by any court, public board or body, challenging the creation, organization or existence of the State, the Authority or DFCM, or the titles of its respective officers to their respective offices, or the ability of the State, the Authority or DFCM, or its respective officers to authenticate, execute or deliver the 2011 Bonds or such other documents as may be required in connection with the issuance and sale of the 2011 Bonds, or to comply therewith or perform its respective obligations thereunder, or seeking to restrain or enjoin the issuance, sale or delivery of the 2011 Bonds, or directly or indirectly contesting or affecting the proceedings or the authority by which the 2011 Bonds are issued, the legality of the purposes for which the 2011 Bonds are issued, or the validity of the 2011 Bonds or the issuance and sale thereof.

Miscellaneous Legal Matters

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

See "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2010—Notes to the Financial Statements—Note 14. Litigation, Contingencies, and Commitments."

Attorney General's Opinion Of Effect Of Legal Proceedings On State's Ability To Make Timely Payments On 2011 Bonds

Based on discussions with representatives of the Authority and the State's executive and legislative departments, the Attorney General is of the opinion that the miscellaneous legal proceedings against the State or the Authority, individually or in the aggregate, are not likely to have a material adverse impact on the Authority's ability to make its payments of the principal of and interest on the 2011 Bonds as those payments come due or the State's ability to make its payment of Rentals as those payments come due.

Federal Income Tax Matters

In the opinion of Ballard Spahr LLP, Bond Counsel to the Authority and the State, interest on the 2011 Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the 2011 Bonds, assuming the accuracy of the certifications of the Authority and the State and continuing compliance by the Authority and the State with the requirements of the Internal Revenue Code of 1986. Interest on the 2011 Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax; however, interest on 2011 Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder.

The Internal Revenue Code of 1986, as amended, contains a number of requirements and restrictions which apply to the 2011 Bonds. The Authority and the State have covenanted to comply with all such requirements and restrictions. Failure to comply with certain of such requirements and restrictions may cause interest on the 2011 Bonds to become includable in gross income for federal income tax purposes retroactive to the date of issuance of the 2011 Bonds. Bond Counsel has assumed, without undertaking to determine or confirm, continuing compliance by the Authority and the State with such requirements and restrictions in rendering its opinion regarding the tax–exempt status of interest on the 2011 Bonds.

The 2011 Bonds Original Issue Premium. Portions of the 2011 Bonds (collectively, the "Premium Bonds") may be offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Premium Bond through reductions in the holders' tax basis in the Premium Bond for determining taxable gain or loss from the sale or from redemption prior to maturity. Amortization of premium does not create a deductible expense or loss. Holders of Premium Bonds should consult their tax advisors for an explanation of the amortization rules.

The 2011 Bonds Original Issue Discount. The 2011 Bonds (collectively, the "Discount Bonds") may be offered at a discount ("original issue discount") equal generally to the difference between the public offering price and stated redemption price at maturity. For federal income tax purposes, original issue discount on a Discount Bond accrues periodically over the term of the Discount Bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holder's tax basis in the Discount Bond for determining taxable gain or loss from the sale or from redemption prior to maturity. Holders of Discount Bonds should consult their tax advisors for an explanation of the accrual rules.

State Of Utah Income Tax

Bond Counsel is also of the opinion that interest on the 2011 Bonds is exempt from State of Utah individual income taxes under currently existing law.

No Further Opinion

Bond Counsel expresses no opinion regarding any other tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the 2011 Bonds.

Changes In Federal And State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the 2011 Bonds or otherwise prevent holders of the 2011 Bonds from realizing the full benefit of the tax exemption of interest on the 2011 Bonds. Further, such proposals may impact the marketability or market value of the 2011 Bonds simply by being proposed. One such proposal is the American Jobs Act of 2011 (S.1549) (the "Jobs Bill") which was introduced in the Senate on September 13, 2011 at the request of the President. If enacted in its current form, the Jobs Bill could adversely impact the marketability and market value of the 2011 Bonds and prevent certain bondholders (depending on the financial and tax circumstances of the particular bondholder) from realizing the full benefit of the tax exemption of interest on the 2011 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to 2011 Bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the 2011 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the 2011 Bonds would be impacted thereby.

Purchasers of the 2011 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the 2011 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

General

The approving opinion of Ballard Spahr LLP, Bond Counsel to the Authority and the State, concerning the validity of the 2011 Bonds, in substantially the form set out in "APPENDIX E—PROPOSED FORM OF OPINION OF BOND COUNSEL" to this OFFICIAL STATEMENT, will be provided at the time of delivery of the 2011 Bonds. Copies of the opinion of Bond Counsel, in substantially the form set forth in "APPENDIX E—PROPOSED FORM OF OPINION OF BOND COUNSEL" to this OFFICIAL STATEMENT, will be available upon request from the chief contact person for the State indicated under the heading "INTRODUCTION—Contact Persons" above.

Bond Counsel has reviewed those portions of the OFFICIAL STATEMENT captioned: "THE 2011 BONDS (except the portions under the captions "—General," "—Estimated Sources And Uses Of Funds," and "—Book–Entry System") and "LEGAL MATTERS—Federal Income Tax Matters," "—State Of Utah Income Tax" and "APPENDIX D—BASIC DOCUMENTATION" to the OFFICIAL STATEMENT. Bond Counsel also prepared and has reviewed "APPENDIX E—PROPOSED FORM OF OPINION OF BOND COUNSEL" to the OFFICIAL STATEMENT, which sets forth the anticipated form of Bond Counsel's opinion on the 2011 Bonds. Bond Counsel has not assumed responsibility for the remaining material in the OFFICIAL STATEMENT and has not verified independently the information set out therein. In addition, Bond Counsel has not assumed responsibility for any agreement, representations, offering circulars, or other material of any kind not mentioned in this paragraph, relating to the offering of the 2011 Bonds for sale.

Certain legal matters will be passed upon for the State by the Office of the Attorney General of the State. Certain legal matters regarding this OFFICIAL STATEMENT will be passed on for the Authority and the State by Chapman and Cutler LLP.

MISCELLANEOUS

Bond Ratings

Moody's and S&P have rated the 2011 Bonds "Aa1", and "AA+", respectively, as of the date of this OFFICIAL STATEMENT.

Any explanation of the significance of these outstanding ratings may only be obtained from the rating service furnishing the same. The above ratings are not recommendations to buy, sell or hold the 2011 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 2011 Bonds. The Authority and the State have not applied to Fitch for a rating on the 2011 Bonds.

Trustee

The obligations and duties of the Trustee are described in the Indenture and the Trustee has undertaken only those obligations and duties that are expressly set out in the Indenture. The Trustee has not independently passed upon the validity of the 2011 Bonds, the security therefore, the adequacy of the provisions for payment thereof or the exclusion from gross income for federal tax purposes of the interest on the 2011 Bonds. The Trustee may resign or be removed or replaced as provided in the Indenture. Such Trustee is empowered to take various actions set forth in the Indenture.

Financial Advisor

The State has entered into an agreement with the Financial Advisor whereunder the Financial Advisor provides financial recommendations and guidance to the State with respect to preparation for sale of the 2011 Bonds, timing of sale, tax–exempt bond market conditions, costs of issuance and other factors relating to the sale of the 2011 Bonds. The Financial Advisor has read, participated in the drafting of and provided the information in certain provisions of this OFFICIAL STATEMENT. The Financial Advisor has not otherwise audited, authenticated or verified the information set forth in the OFFICIAL STATEMENT, or any other related information available to the State, with respect to accuracy and completeness of disclosure of such information, and no guaranty, warranty or other representation is made by the Financial Advisor respecting accuracy and completeness of the OFFICIAL STATEMENT or any other matters related to the OFFICIAL STATEMENT. Financial Advisor fees are contingent upon the sale and delivery of the 2011 Bonds.

Independent Auditor

The financial statements of the State as of June 30, 2010, and for the fiscal year then ended, are included as "APPENDIX A—BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2010" to this OFFICIAL STATEMENT and have been audited by the Utah State Auditor, as indicated in its report thereon. The State has neither requested nor has been obligated to obtain the consent of the State Auditor to include its report in this OFFICIAL STATEMENT and therefore the State Auditor has not performed any procedures with respect to such financial statements subsequent to the date of its report.

Additional Information

The foregoing description of the 2011 Bonds does not purport to be complete and is expressly made subject to the exact provisions of the complete documents, copies of which are available for inspection at the offices of the Financial Advisor during the offering of the 2011 Bonds, and subsequently, at the office of the Trustee in Denver, Colorado.

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

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

This PRELIMINARY OFFICIAL STATEMENT is in a form deemed final for purposes of paragraph (b)(1) of Rule 15c2–12 of the Securities and Exchange Commission.

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

State of Utah, State Building Ownership Authority

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Richard K. Ellis, Secretary
State Building Ownership Authority

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APPENDIX A

BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION OF THE STATE OF UTAH FOR FISCAL YEAR 2010

The Basic Financial Statements and Required Supplementary Information of the State for Fiscal Year 2010 are contained herein. This information has been extracted from the State's Fiscal Year 2010 CAFR and such pages numbers may not be in numerical order. Copies of current and prior financial reports are available on the internet and upon request from the contact person as indicated under "INTRODUCTION—Contact Persons" above.

The Government Finance Officers Association of the United States and Canada ("GFOA") have awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its CAFR for the 26th consecutive year, beginning with Fiscal Year 1985 through Fiscal Year 2010.

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

The State's CAFR for Fiscal Year 2011 must be completed under State law by December 31, 2011.

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STATE OF UTAH

Office of the State Auditor

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Stan Godfrey, CPA
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INDEPENDENT STATE AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Utah as of and for the year ended June 30, 2010, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Utah Housing Corporation, Utah Public Employees Health Program, the University of Utah's hospital and component units, the Utah State University Research Foundation, certain other college and university foundations, the Dairy Commission, and the Utah State Retirement Systems, which represent 38 percent of the assets and 40 percent of the revenues of the aggregate discretely presented component units and 68 percent of the assets and 28 percent of the revenues/additions of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us; and our opinions, insofar as they relate to the amounts included for those agencies, funds, and component units, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Utah as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 18, 2010, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages 14 through 26 and the required supplementary information on pages 124 through 132 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, the supplementary information – combining statements and individual fund statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information – combining statements and individual fund statements and schedules on pages 136 through 195 has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section on pages 1 through 10 and the statistical section on pages 200 through 237 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Auston G. Johnson

Auston G. Johnson, CPA
Utah State Auditor
November 18, 2010

INTRODUCTION

The following is a discussion and analysis of the State of Utah's financial performance and position, providing an overview of the State's activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and with the State's financial statements that follow this section.

HIGHLIGHTS

Government-wide

- Total assets of the State exceeded liabilities by $17.133 billion (reported as net assets). Of this amount, $1.833 billion (unrestricted net assets) may be used to meet the government's ongoing obligations while $15.3 billion is restricted for specific uses or invested in capital assets.

- The State's total net assets increased $453.4 million or 2.7 percent over the prior year. Net assets of governmental activities increased $593.8 million or 4.2 percent. Net assets of business-type activities decreased by $140.4 million or 5.9 percent.

Fund Level

- The governmental funds reported combined ending fund balances of $3.5 billion, an increase of $174.9 million in comparison with the prior year. Approximately 30 percent or $1.049 billion of the ending fund balance is considered unrestricted (committed, assigned, or unassigned) and is available for spending either at the government's discretion or upon legislative approval.

- The General Fund ended the fiscal year with a $14.9 million surplus (unassigned fund balance). The Education Fund ended the year with a zero dollar surplus by using $42.5 million restricted and budgeted to be used for fiscal year 2011 to cover revenue shortfalls that occurred in fiscal year 2010.

- The State's stabilization accounts, the General Fund Budget Reserve Account ("Rainy Day Fund") and the Education Budget Reserve Account ended the fiscal year with balances of $105 million and $104.8 million, respectively. The Legislature used $83.9 million of the General Fund Budget Reserve Account and $125.3 million of the Education Budget Reserve Account to make up for revenue shortfalls.

- Overall, sales tax revenues in the governmental funds declined by 1.6 percent, compared to a 13.3 percent decline in the prior year. Combined tax revenues were 4.3 percent lower in the General Fund and 7.5 percent lower in the Education Fund than the prior year. Tax revenues in both funds declined, although by less than the prior year, as the economy showed signs of stabilizing.

Long-term Debt

- The State's long-term bonded debt increased a net $180.9 million or 4.5 percent. General obligation bonds for the primary government increased $846.9 million or 54.2 percent, while revenue bonds for the primary government decreased $666 million or 27 percent. The new debt issued was used to fund highway and capital facility construction, and to fund student loan programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Statements — Reporting the State as a Whole
The Statement of Net Assets and the Statement of Activities beginning on page 29 together comprise the *government-wide financial statements*. These statements provide a broad overview of the State's finances as a whole with a long-term focus and are prepared using the *full-accrual* basis of accounting, similar to private-sector companies. This means all revenues and expenses are recognized regardless of when cash is received or spent, and all assets and liabilities, including capital assets and long-term debt, are reported at the entity level.

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

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

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

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

Fund Financial Statements — Reporting the State's Most Significant Funds
The fund financial statements beginning on page 34 provide detailed information about individual major funds, not the State as a whole. A fund is a group of related accounts that the State uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the State's funds are divided into three types, each of which uses a different accounting approach.

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

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

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

Reconciliation between Government-wide and Fund Statements
The financial statements include schedules on pages 36 and 40 that reconcile and explain the differences between the amounts reported for *governmental activities* on the government-wide statements (full-accrual accounting, long-term focus) with amounts reported on the *governmental* fund statements (modified accrual accounting, short-term focus). The following are some of the major differences between the two statements:

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

Notes to the Financial Statements
The notes beginning on page 60 provide additional schedules and information that are essential to a complete understanding of the financial statements. The notes apply to both the government-wide financial statements and the fund financial statements.

Required Supplementary Information (RSI)
Following the Basic Financial Statements are budgetary comparison schedules for major funds with legally adopted budgets and condition assessment data related to infrastructure. In addition, the RSI includes schedules on the funded status and employer contributions for the State's defined benefit Other Postemployment Benefit Plans. RSI further supports the information in the basic financial statements.

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

Adjustments to Beginning Net Assets
As described in Note 2 of the financial statements on page 68, beginning net assets of governmental activities were increased by $28.447 million for capital asset adjustments as a result of implementing GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets.* To enhance comparability, all amounts presented for governmental activities for fiscal year 2009 in this discussion and analysis were revised, where applicable, to reflect these changes as if the changes had been made in the prior year.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets
The State's total net assets increased $453.4 million or 2.7 percent in fiscal year 2010. In comparison, net assets in the prior year decreased $42.6 million or .3 percent. This increase in total net assets resulted from the active management of the state's resources. The change in net assets is comprised of the following:

- *Invested in Capital Assets* – Total invested in capital assets net of related debt increased $727 million or 6.4 percent as the State's investment in highways and buildings exceeded depreciation and the net additional debt that was incurred to finance capital-related projects.
- *Restricted Net Assets* – Total restricted net assets decreased $337.2 million or 9.3 percent over the prior year:

    Restricted net assets of governmental activities decreased $340.3 million or 14.5 percent due in part to a $282.5 million decrease in expendable public education net assets as a result of lower individual income tax revenues caused by the weak economy. In addition, net assets restricted for transportation also decreased by $195.4 million as the number of infrastructure projects escalated. These decreases were offset by a $150.7 million increase in nonexpendable public education net assets as a result of increased net earnings in the Permanent Trust Lands Fund.

    Restricted net assets of business-type activities increased slightly by $3.1 million. Restricted net assets within the Unemployment Compensation Fund decreased $256.7 million or 37.8 percent due to unemployment claims exceeding related premiums and investment income due to higher unemployment from the weak economy. This decrease was offset by an increase within (1) the Water Loan Programs of $169.5 million in net assets restricted for debt service due to restrictions on receivables pledged for outstanding revenue bonds, and (2) the Student Loan Programs and Water Loan Programs of $90.2 million as additional loan capital in various loan programs provided by federal grants and investment income was received.
- *Unrestricted Net Assets* – Total unrestricted net assets in governmental activities increased by $206.5 million or 30 percent primarily due to an increase in carry-forward balances in the Transportation Investment Fund. Total unrestricted net assets in business-type activities decreased by $142.8 million or 13.2 percent primarily due to Water Loan Programs receivables pledged for outstanding revenue bonds, causing unrestricted net assets to decrease and restricted net assets to increase.

(Table on next page)

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Current and Other Assets	$ 4,779,971	$ 4,693,031	$ 4,617,471	$ 5,030,178	$ 9,397,442	$ 9,723,209
Capital Assets	14,001,697	12,514,562	84,345	72,007	14,086,042	12,586,569
Total Assets	**18,781,668**	**17,207,593**	**4,701,816**	**5,102,185**	**23,483,484**	**22,309,778**
Current and Other Liabilities	938,271	941,661	43,470	58,871	981,741	1,000,532
Long-term Liabilities	2,933,391	1,949,751	2,435,743	2,680,326	5,369,134	4,630,077
Total Liabilities	**3,871,662**	**2,891,412**	**2,479,213**	**2,739,197**	**6,350,875**	**5,630,609**
Net Assets:						
Invested in Capital Assets, Net of Related Debt	12,005,321	11,277,630	13,061	13,751	12,018,382	11,291,381
Restricted	2,009,168	2,349,499	1,272,090	1,269,006	3,281,258	3,618,505
Unrestricted	895,517	689,052	937,452	1,080,231	1,832,969	1,769,283
Total Net Assets	**$ 14,910,006**	**$ 14,316,181**	**$ 2,222,603**	**$ 2,362,988**	**$ 17,132,609**	**$ 16,679,169**
Percent change in total net assets from prior year	4.1 %		(5.9)%		2.7 %	

The largest component of the State's net assets, 70.1 percent, reflects investments in capital assets (e.g., land, buildings, equipment, intangible assets, roads, and other infrastructure) less the outstanding debt issued to finance those assets. As capital assets, these resources are not available for future spending, nor can they be readily liquidated to pay off their related liabilities. Resources needed to repay capital-related debt must be provided from other sources.

Restricted net assets comprise 19.2 percent of total net assets and are subject to constitutional, legal, or external constraints on how they can be used. Net assets that are restricted by the *Constitution of Utah* include individual income and corporate taxes that can be used only for public and higher education costs and motor fuel taxes that can be used only for transportation expenses.

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

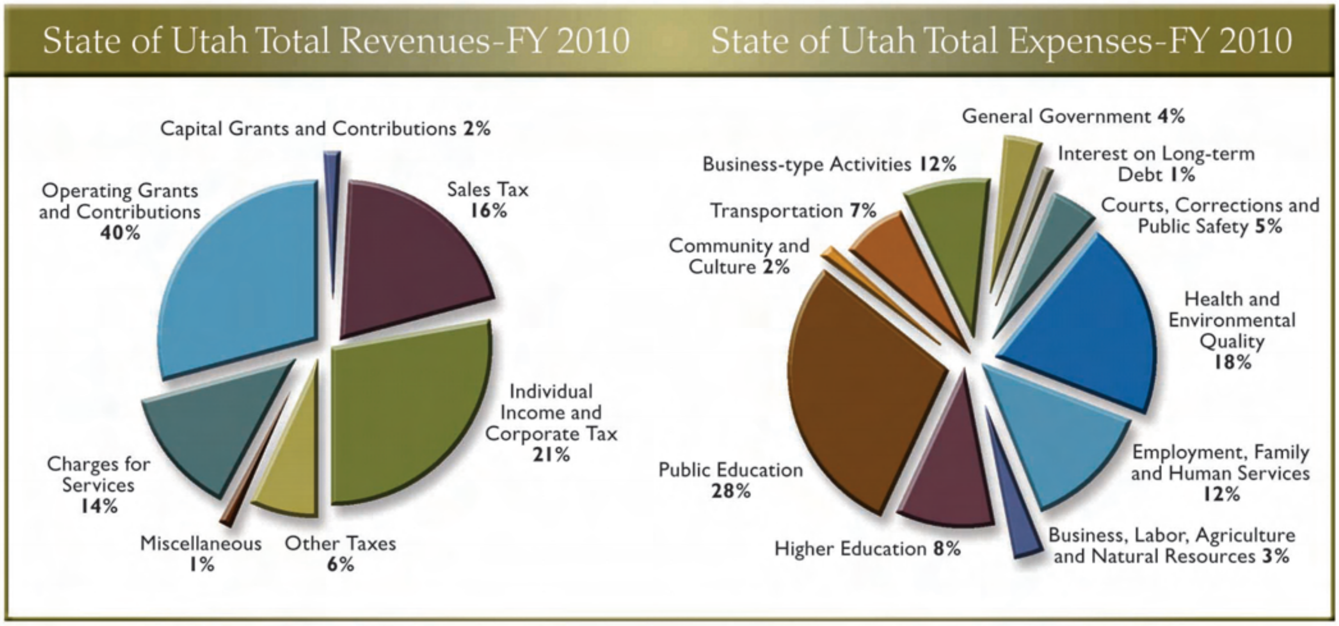
The following schedule and charts summarize the State's total revenues, expenses, and changes in net assets for fiscal year 2010.

(Table on next page)

State of Utah
Changes in Net Assets
for the Fiscal Year Ended June 30
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2009 to 2010**
Revenues							
General Revenues:							
Taxes	$ 4,704,713	$ 5,043,745	$ 22,206	$ 22,976	$ 4,726,919	$ 5,066,721	(6.7)%
Other General Revenues	51,790	91,225	38,188	—	89,978	91,225	(1.4)%
Program Revenues:							
Charges for Services	945,922	887,113	583,230	532,171	1,529,152	1,419,284	7.7 %
Operating Grants and Contributions	3,865,150	3,177,737	546,840	214,876	4,411,990	3,392,613	30.0 %
Capital Grants and Contributions	204,237	145,353	—	—	204,237	145,353	40.5 %
Total Revenues	**9,771,812**	**9,345,173**	**1,190,464**	**770,023**	**10,962,276**	**10,115,196**	8.4 %
Expenses							
General Government	383,925	390,373	—	—	383,925	390,373	(1.7)%
Human Services and Youth Corrections	669,169	700,307	—	—	669,169	700,307	(4.4)%
Corrections, Adult	238,902	254,980	—	—	238,902	254,980	(6.3)%
Public Safety	184,197	189,069	—	—	184,197	189,069	(2.6)%
Courts	118,577	123,209	—	—	118,577	123,209	(3.8)%
Health and Environmental Quality	1,875,775	1,812,067	—	—	1,875,775	1,812,067	3.5 %
Higher Education	837,479	997,218	—	—	837,479	997,218	(16.0)%
Employment and Family Services	672,852	514,915	—	—	672,852	514,915	30.7 %
Natural Resources	166,749	174,730	—	—	166,749	174,730	(4.6)%
Community and Culture	177,823	139,840	—	—	177,823	139,840	27.2 %
Business, Labor, and Agriculture	96,895	101,995	—	—	96,895	101,995	(5.0)%
Public Education	3,007,905	3,033,574	—	—	3,007,905	3,033,574	(0.8)%
Transportation	744,638	819,833	—	—	744,638	819,833	(9.2)%
Interest on Long-term Debt	87,393	52,070	—	—	87,393	52,070	67.8 %
Student Assistance Programs	—	—	156,754	144,007	156,754	144,007	8.9 %
Unemployment Compensation	—	—	872,826	489,925	872,826	489,925	78.2 %
Water Loan Programs	—	—	31,971	12,900	31,971	12,900	147.8 %
Community and Economic Loan Programs	—	—	2,166	2,349	2,166	2,349	(7.8)%
Liquor Retail Sales	—	—	180,401	168,844	180,401	168,844	6.8 %
Other Business-type Activities	—	—	30,886	35,635	30,886	35,635	(13.3)%
Total Expenses	**9,262,279**	**9,304,180**	**1,275,004**	**853,660**	**10,537,283**	**10,157,840**	3.7 %
Excess (deficit) Before Transfers	509,533	40,993	(84,540)	(83,637)	424,993	(42,644)	
Transfers	55,845	38,953	(55,845)	(38,953)	—	—	
Change in Net Assets	**565,378**	**79,946**	**(140,385)**	**(122,590)**	**424,993**	**(42,644)**	
Net Assets – Beginning as Adjusted	14,344,628	14,236,235	2,362,988	2,485,578	16,707,616	16,721,813	
Net Assets – Ending	**$ 14,910,006**	**$ 14,316,181**	**$ 2,222,603**	**$ 2,362,988**	**$ 17,132,609**	**$ 16,679,169**	2.7 %

(*Charts on next page*.)



Changes in Net Assets

This year the State received 43.1 percent of its revenues from state taxes and 42.1 percent of its revenues from grants and contributions, mostly from federal sources. In the prior year, state taxes accounted for 50.1 percent and grants and contributions were 35 percent of total revenues. Charges for goods and services such as licenses, permits, liquor sales, park fees, and court fees, combined with other miscellaneous collections, comprised 14.8 percent of total revenues in fiscal year 2010, compared to 14.9 percent in fiscal year 2009.

Governmental Activities

The State's total governmental revenues from all sources increased $426.6 million or 4.6 percent. Tax revenues decreased $339 million or 6.7 percent. This decrease in taxes reflects weak economic conditions and is similar to the decrease at the fund level. However, due to differences in measurement focus and timing of collections, the decrease at the government-wide level should not be used to predict future decreases at the fund statement or budget level. With the exception of Higher Education and Transportation as discussed below, other significant changes in governmental activities' revenues and expenses mirror the changes in the governmental funds. For further discussion, see the section entitled "Financial Analysis of the State's Governmental Funds" on page 20.

- *Higher Education* – Expenses decreased by $159.7 million, as compared to the prior year, primarily due to a decrease in the amount spent by the primary government for building projects completed and transferred to colleges and universities. When these buildings are completed, ownership is transferred to the colleges and universities and reported as expenses on the government-wide statements. However there is no impact on the governmental fund statements.
- *Transportation* – Expenses for transportation activities decreased $75.2 million, as compared to the prior year, primarily due to an increase in the amount spent for capital outlay (i.e., land, state roads, and bridges). The amount expended for capital outlay is not reported as expenses, but as an asset on the government-wide statements.

The following table shows to what extent the State's governmental activities relied on state taxes and other general revenues to cover all of their costs. For fiscal year 2010, these revenues covered 45.9 percent of expenses. The remaining $5 billion or 54.1 percent of the total expenses were covered by charges for services and grants.

(*Table on next page*.)

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

	Program Expenses	Less Program Revenues	Net Program (Expenses) / Revenues		Program Revenues as a Percentage of Program Expenses	
	2010	2010	2010	2009	2010	2009
General Government	$ 383,925	$ 375,938	$ (7,987)	$ (31,640)	97.9 %	91.9 %
Human Services and Youth Corrections	669,169	348,855	(320,314)	(354,839)	52.1 %	49.3 %
Corrections, Adult	238,902	7,605	(231,297)	(249,041)	3.2 %	2.3 %
Public Safety	184,197	120,554	(63,643)	(63,435)	65.4 %	66.4 %
Courts	118,577	79,459	(39,118)	(72,651)	67.0 %	41.0 %
Health and Environmental Quality	1,875,775	1,577,209	(298,566)	(339,592)	84.1 %	81.3 %
Higher Education	837,479	60,328	(777,151)	(963,079)	7.2 %	3.4 %
Employment and Family Services	672,852	603,004	(69,848)	(60,592)	89.6 %	88.2 %
Natural Resources	166,749	111,745	(55,004)	(64,368)	67.0 %	63.2 %
Community and Culture	177,823	94,191	(83,632)	(81,930)	53.0 %	41.4 %
Business, Labor, and Agriculture	96,895	85,062	(11,833)	(25,010)	87.8 %	75.5 %
Public Education	3,007,905	806,541	(2,201,364)	(2,530,776)	26.8 %	16.6 %
Transportation	744,638	744,818	180	(204,954)	100.0 %	75.0 %
Interest and Charges on Long-term Debt	87,393	—	(87,393)	(52,070)	0.0 %	0.0 %
Total Governmental Activities	**$ 9,262,279**	**$ 5,015,309**	**$ (4,246,970)**	**$ (5,093,977)**	54.1 %	45.3 %

Business-type Activities

Changes in the State's business-type activities mirror the changes noted in the State's proprietary funds. The changes in the State's proprietary funds are detailed in the section entitled "Financial Analysis of the State's Proprietary Funds" on page 23. Revenues from the State's business-type activities increased $420.4 million or 54.6 percent from the prior year. The increase was primarily due to increases in the Unemployment Compensation Fund and the Student Assistance Programs. Total expenses for the State's business-type activities increased $421.3 million or 49.4 percent. The increase is primarily due to increases in the Unemployment Compensation Fund, the Water Loan Programs, and the Student Assistance Programs.

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

FINANCIAL ANALYSIS OF THE STATE'S GOVERNMENTAL FUNDS

Adjustments to Beginning Fund Balances

As described in Note 2 of the financial statements on page 68, beginning fund balances of governmental funds were adjusted as noted below. To enhance comparability, all amounts presented for fiscal year 2009 in this discussion and analysis were revised, where applicable, to reflect these changes as if the changes had been made in the prior year.

- Net reclassification of $3.9 million from the General Fund to Nonmajor Governmental Funds
- Reclassification of $338 million from the Transportation Fund (major special revenue fund) to Transportation Investment Fund (major special revenue fund)
- Reclassification of $197.2 million from the Uniform School Fund, previously reported as a major special revenue fund, now reported within the Education Fund (major special revenue fund)

Fund Balances

At June 30, 2010, the State's governmental funds reported combined ending fund balances of $3.5 billion. Of this amount, $1.081 billion or 31 percent is nonspendable, either due to its form or legal constraints, and $1.369 billion or 39.1 percent is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. Unspent bond proceeds, revenue restricted for public education, revenue that derives from the operation of motor vehicles on public highways, and mineral lease revenues are included in restricted fund balance. An additional $718.6 million or 20.5 percent of total fund balance has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the Legislature. An additional $315.8 million or 9 percent of total fund balance has been assigned to specific purposes, as expressed by legislative intent. The remaining $14.9 million or .4 percent of fund balance is unassigned and available for appropriation.

State of Utah
Governmental Fund Balances as of June 30, 2010
(Expressed in Thousands)

	General Fund	Education Fund	Transportation Fund	Transportation Investment Fund	Trust Lands Fund	Nonmajor Funds	Total
Nonspendable	$ 3,272	$ —	$ 11,646	$ —	$ 1,066,568	$ —	$ 1,081,486
Restricted	35,171	523,104	178,759	437,503	—	194,410	1,368,947
Committed	371,354	—	37,354	149,047	—	160,853	718,608
Assigned	222,963	—	918	—	—	91,888	315,769
Unassigned	14,884	—	—	—	—	—	14,884
Total	**$ 647,644**	**$ 523,104**	**$ 228,677**	**$ 586,550**	**$ 1,066,568**	**$ 447,151**	**$ 3,499,694**
Percent change from prior year	3.0 %	(26.8)%	(32.2)%	78.1 %	16.5 %	12.1 %	5.3 %

General Fund

During fiscal year 2010, the General Fund's total fund balance increased $18.9 million or 3 percent. During the fiscal year, due to revised estimated revenue shortfalls, the Legislature reduced spending through mid-year budget cuts and used agency carry forward monies to balance the budget. The General Fund ended the year with a $14.9 million unassigned fund balance, or surplus, compared to a zero dollar surplus in the prior year.

For fiscal year 2010, the General Fund nonspendable fund balance decreased $4.4 million or 57.5 percent due to a decrease in the long-term portion of revolving loans with Internal Service Funds. The restricted fund balance increased slightly by $2.8 million or 8.8 percent due to increases in revenues set aside for specific purposes. The committed fund balance decreased $96.6 million or 20.6 percent as $83.9 million from the General Fund Budget Reserve Account (Rainy Day Fund) and other committed balances were used to cover revenue shortfalls. The General Fund Budget Reserve Account ended fiscal year 2010 with a balance of $105 million. The General Fund assigned fund balance increased $98.2 million due primarily to an increase of $70.2 million in the amount set aside for the next year's budget. Increased tax accruals assigned by law account for most of the remaining change in the assigned fund balance.

Total General Fund revenues increased $246.5 million or 5.2 percent from the prior year. Total tax collections decreased $76.2 million or 4.3 percent. The major decrease in tax revenues was sales tax, which decreased only $71.2 million or 4.8 percent (compared to a 13 percent decrease in the prior year), due to the slowly stabilizing economy. Federal contracts and grants increased by $369.9 million or 16.3 percent, in part due to $280.8 million funding provided by the American Recovery and Reinvestment Act (ARRA). ARRA is a one-time federal economic stimulus package provided to the states to aid in recovering from the recession. This increase was the largest single factor in increasing non-tax revenues for the fiscal year. Licenses, permits, and fees increased by $11.5 million or 50.1 percent due to an increase in court fees imposed by the Legislature. Federal mineral lease revenue decreased by $43.3 million or 25.1 percent due to declining energy prices and lower production. Investment income decreased $23.3 million or 77.6 percent due to lower interest rates.

Overall, total General Fund expenditures increased by $139.3 million or 2.7 percent as the impact of the recession continued to increase the public's demand for some government services, and ARRA and other federal revenues were available to help pay for the increased demand. However, expenditures in other areas decreased because of budget cuts by the Legislature. Significant changes in expenditures occurred in the following areas:

- *Employment and Family Services* – Total expenditures in this category increased $153.8 million primarily due to a $134.7 million increase in federal funding for Food Stamp program costs as a result of an increase in caseloads and benefits. Expenditures also increased $20.4 million due primarily to increases in caseloads in the Child Care programs, the Temporary Assistance to Needy Families (TANF) program, and the Workforce Investment Act program.
- *Health and Environmental Quality* – Total expenditures in this category were up $61.5 million, primarily due to a $77.9 million increase in expenditures for Medicaid mandatory services caused by caseload growth and inflationary rate increases. This increase was offset by a $17.3 million decrease in Medicaid spending that reflected a return to normal spending levels as compared to the prior year, for a disproportionate share of hospital payments.
- *Community and Culture* – Total expenditures in this category increased $35.8 million due to a $20.3 million increase in Housing and Community Development programs primarily due to increased funding provided by ARRA. Expenditures also increased $11.3 million due to an increase in issuing state grants to local governments within the Community Development Capital Budget program as a result of more available funding and more requests for grants as compared to the prior year.

- In addition, overall expenditures decreased in the following areas due to net budget reductions: Human Services and Youth Corrections, $31.2 million; Higher Education, $38.9 million; Adult Corrections, $20.7 million; Public Safety, $15.6 million; Natural Resources, $14.2 million; Business, Labor, and Agriculture, $5.4 million.

Budgetary Highlights — General Fund

The Legislature adopted the initial fiscal year 2010 budget during the 2009 General Session (January to March 2009). The original revenue estimates in the General Fund budget at the start of fiscal year 2010, excluding department-specific revenue sources such as federal grants and departmental collections, and including miscellaneous transfers, were 4.9 percent lower than the final fiscal year 2009 budget. Budgeted expenditures were 13.5 percent lower than the final fiscal year 2009 budget. In this recessionary environment, the Legislature balanced the budget using spending reductions, one-time resources, modest revenue increases in courts fees and certain commerce and agriculture regulatory fees, and federal funding provided by ARRA.

The fiscal year 2010 budget was again addressed during the 2010 General Session of the Legislature (January to March 2010). At that time, the general revenue estimates, primarily sales and use tax and severance taxes, had decreased $47.2 million from the original estimates adopted in the 2009 General Session. In order to balance the General Fund budget, the Legislature made additional budget reductions and utilized one-time resources, including the Rainy Day Fund. Slight adjustments were made to the final revenue budget in May 2010 due to revised revenue estimates. In the end, taxes and other general revenues ended the year $397 thousand less than the final budgeted amounts.

Final budgets of department-specific revenue sources increased over original budgets; and actual department-specific revenues increased over final budgets mostly due to an increase in departmental collections. Final budgets for many of the departmental-specific revenue sources and related expenditures such as federal grants, departmental collections, and miscellaneous revenues, are generally revised based on actual collections. The difference between final budgeted expenditures and actual expenditures is primarily due to nonlapsing and unspent restricted funds that will be carried forward to the next year. However, $21.1 million of unspent budgeted dollars were lapsed back to the General Fund by agencies, a significant increase from the prior year amount of $4.8 million. The increase in the amount lapsed back was impacted by a mid-year Governor's Executive Order to state agencies requiring spending constraints due to the forecast of further decreases in tax revenues.

Education Fund

Restricted fund balance in the Education Fund decreased $191.7 million or 26.8 percent from the prior year as expenditures and transfers out exceeded revenues. The Legislature used $125.3 million of the Education Budget Reserve Account, $102 million earmarked for growth in student population, and the surplus from the prior year of $21.5 million, to offset revenue shortfalls in the Education Fund. These decreases in restricted fund balance were offset by a $36.1 million increase in the amount set aside for the fiscal 2011 budget and $12.1 million increase in tax accruals restricted by law for education.

The Education Fund ended the year with a zero dollar surplus by using $42.5 million restricted and budgeted to be used for fiscal year 2011 to cover revenue shortfalls that occurred in fiscal year 2010. The Education Budget Reserve Account ended the fiscal year with a balance of $104.8 million.

Overall, total revenue in the Education Fund decreased by $157.9 million or 4.8 percent. Individual income tax decreased $216.2 million or 9.2 percent, a lagging effect, despite a slowly stabilizing economy. This decrease was offset by an increase in corporate taxes of $17.8 million or 7.1 percent, primarily due to timing differences on the receipt of taxes at yearend. Federal contracts and grants also increased $39.4 million or 6.6 percent as a result of federal funding provided by ARRA. Expenditures decreased in the Education Fund by $32.4 million or 1.1 percent as a result of slight budget reductions.

Transportation Fund

Total fund balance in the Transportation Fund decreased $108.5 million or 32.2 percent from the prior year. Net transfers in (appropriations) from general resources were significantly reduced by over $74.1 million, which required the Transportation Fund to use existing fund balance resources to meet spending for infrastructure projects. Restricted fund balance decreased by $91.9 million or 34 percent as unspent bond proceeds and revenues from the prior year were used in addition to current year revenues on highway projects. In addition, general revenues appropriated to the Transportation Fund in the prior year were spent, decreasing assigned fund balance by $19.1 million or 95.4 percent.

Revenues increased by $84 million or 8.2 percent due to a $99.6 million increase in federal funding primarily provided by ARRA, offset by a $14.4 million decrease in revenue received from cooperative agreements for construction projects. Expenditures increased by $22.7 million or 1.9 percent as a result of increased spending on federal participating highway projects. Over the past several years, there has been a major effort directed toward funding the State's transportation needs and critical highway projects.

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

Transportation Investment Fund
Fund balance in the Transportation Investment Fund increased by $257.2 million or 78.1 percent from the prior year. Restricted fund balance increased $99.5 million or 29.4 percent primarily due to funding provided through general obligation bond proceeds. Committed fund balance increased $149.1 million or 100 percent due to sales tax revenue unspent at yearend.

Revenues increased $85.6 million or 35.6 percent, due in part to a $45.8 million increase in motor vehicle registration fees, and also due to a $37.9 million increase in committed sales and use tax collections for highway projects. Other financing sources increased by $467.4 million for general obligation bonds issued in fiscal year 2010, $380 million of which was used for capital project expenditures in the current year. Expenditures increased by $299 million or 63.3 percent from the prior year as a result of increased spending on highway construction projects.

Trust Lands Fund
The fund balance of the permanent Trust Lands Fund increased by $150.7 million or 16.5 percent, primarily due to an increase in investment values because of general market conditions. The permanent fund also generated $23 million of cash investment earnings that is earmarked for distribution to local school districts. The principal in the fund is held in perpetuity (nonspendable), with earnings restricted primarily to support public education.

FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

Student Assistance Programs
The net assets of the Student Assistance Programs increased by $48.5 million or 16.3 percent. The increase resulted primarily from a $37.7 million net gain from the refunding of student loan revenue bonds and a $15.4 million increase in an administrative cost reimbursement for the sale of student loans to the U.S. Department of Education. Of total net assets of $346.3 million, $266.6 million is restricted for use within the programs by bond covenants or federal law.

Unemployment Compensation Fund
Although the economy began to slowly stabilize in fiscal year 2010, the State's average unemployment rate increased compared to the rate in the prior year. Federal grant revenue in the fund increased $324.6 million, as benefits were extended for the unemployed. ARRA provided $259.6 million of the increase. In addition, unemployment tax revenue paid into the fund increased by $25.8 million as a result of higher unemployment. Expenditures in the fund increased $382.9 million or 78.2 percent due to the increase in benefit payments. For the second consecutive year, benefit payments exceeded employer taxes and other revenues resulting in the decrease of net assets of $256.7 million or 37.8 percent. The entire balance of net assets of $422.6 million is restricted for paying unemployment benefits by state and federal law.

Water Loan Programs
The net assets of the Water Loan Programs increased $39.9 million or 5.6 percent from the prior year. Additional capital for loans was provided from $21.7 million in dedicated sales tax revenues, $32.6 million in federal grants, and $13.1 million in interest on loans, offset by program grant expenses of $20 million and other operating expenses of $11.2 million. In addition to the increase in net assets noted above, the Water Loan Programs issued $67.6 million in recapitalization revenue bonds, net of bond premium. This increase in capital allowed the Water Loan Programs to issue more loans during the year resulting in an increase in loans receivable of $60.8 million. Of total net assets of $746.5 million, $346.7 million is restricted for use within the Water Loan Programs by federal grant requirements and $169.5 million is restricted as pledged receivables for outstanding revenue bonds.

Community Impact Loan Fund
The Community Impact Loan Fund was reported as a non-major enterprise fund in the prior year, but is now considered a major fund for fiscal year 2010. Net assets of $524.1 million increased $20.3 million or 4 percent from the prior year, primarily due to transfers into the fund of $13 million from federal mineral lease revenues to provide capital for loans and a $5.3 million increase in interest on notes and mortgages. There is no restriction on fund net assets.

CAPITAL ASSET AND LONG-TERM DEBT ADMINISTRATION

Adjustment to Beginning Net Assets and Reclassification of Major Class of Assets

As described in Note 2 of the financial statements on page 68, beginning net assets of governmental activities were increased by $28.4 million for capital asset adjustments as a result of implementing GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets.* In addition, the beginning balance related to software, previously reported with machinery and equipment was reclassified and is now reported as a separate major class of capital assets. To enhance comparability, all amounts presented for fiscal year 2009 in this discussion and analysis were revised, where applicable, to reflect these changes as if the changes had been made in the prior year.

Capital Assets

The State's capital assets increased a net $1.471 billion during the year. The change consisted of net increases in infrastructure (i.e., state roads and bridges) of $659.5 million; land and related assets of $269.7 million; buildings and improvements of $137.4 million; and in construction in progress of $343.8 million. Machinery and equipment increased a net $1.6 million during the year and software increased $58.9 million during the year. Several buildings financed by the State are actually owned by the colleges and universities, which are discrete component units of the State. Therefore, while the capital assets are on the component unit's financial statements, any outstanding debt issued by the State to finance construction of those assets is reported as a liability of the State's governmental activities. This in turn reduces unrestricted net assets. As of June 30, 2010, the State had $69.6 million of outstanding debt related to capital assets of component units.

At June 30, 2010, the State had $208.3 million in commitments for building projects in its capital projects funds and $1.563 billion ($97.3 million in the Transportation Investment Fund and $1.466 billion in the Transportation Fund) in commitments for highway construction and improvement projects. Funding for the commitments will come from existing resources in these funds and from future bond proceeds and appropriations.

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

The State's established condition level for state roads is to maintain 50 percent with a rating of "fair" or better and no more than 15 percent with a "very poor" rating. The most recent condition assessment completed in 2009 (calendar year basis), indicated that 60 percent of the roads were in "fair" or better condition. Only 13.1 percent of the roads assessed were in "very poor" condition. These results reflect a slight change in conditions compared to calendar year 2008, when 61 percent of the roads were assessed as "fair" or better, and 13.9 percent assessed were in "very poor" condition.

The State's established condition level for bridges is to maintain 50 percent with a rating of "good" and no more than 15 percent of bridges with a "poor" rating. The most recent condition assessment, completed in April 2010, indicated that 72.4 percent and 1 percent of bridges were in "good" and "poor" condition, respectively. These results reflect a slight improvement in conditions from calendar year 2008 when 69 percent of the bridges were assessed as "good" or better, and 1 percent assessed were in "poor" condition.

During fiscal year 2010, the State spent $411.1 million to maintain and preserve roads and bridges. This amount is 43 percent above the estimated amount of $287.4 million needed to maintain these assets at established condition levels.

More information about capital assets is included in Note 8 on page 90, and more detailed information on the State's modified approach for reporting infrastructure is presented in the Required Supplementary Information on pages 131 and 132.

Long-term Debt

The *Constitution of Utah* authorizes issuing general obligation debt only as approved by the Legislature. The *Constitution* also limits the total general obligation indebtedness of the State to an amount equal to 1.5 percent of the value of the total taxable property of the State. The *State Appropriation and Tax Limitation Act* (i.e., statutory debt limit) further limits the outstanding general obligation debt of the State to not exceed 45 percent of the maximum allowable state budget appropriation limit. As of June 30, 2010, the State was $1.962 billion below the debt limit established in the *Constitution* and $646.4 million below the statutory debt limit.

Revenue bonds of the State Building Ownership Authority are not backed by the general taxing authority of the State, but are payable from rent revenue provided through appropriations of the Legislature or other operating revenues. Revenue bonds of the Student

Assistance Programs and Water Loan Programs are not backed by the general taxing authority of the State, but are payable solely from specific fees or loan repayments as pledged in the bond indentures.

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

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2010	2009	2010	2009	2010	2009	2009 to 2010
General Obligation Bonds	$ 2,409.9	$ 1,563.0	$ —	$ —	$ 2,409.9	$ 1,563.0	54.2 %
Revenue Bonds:							
State Building Ownership Auth.	238.6	149.3	98.5	74.9	337.1	224.2	50.4 %
Student Assistance Programs	—	—	1,388.9	2,235.4	1,388.9	2,235.4	(37.9)%
Water Loan Progams	—	—	67.6	—	67.6	—	100.0 %
Total Bonds Payable	**$ 2,648.5**	**$ 1,712.3**	**$ 1,555.0**	**$ 2,310.3**	**$ 4,203.5**	**$ 4,022.6**	4.5 %

Total General obligation bonds payable net of premiums, discounts, and deferred amounts on refunding increased $846.9 million offset by a $666 million reduction in revenue bonds payable for an overall net increase of $180.9 million during the fiscal year. The State issued $982.2 million of general obligation bonds during the fiscal year as the State sought to take advantage of lower interest rates to fund both highway and capital facility projects. Of the general obligation bonds issued, $855.4 million was for highway construction and $126.8 million was for capital facility construction. In addition, the State issued a total of $350.6 million of revenue bonds. Of the revenue bonds issued, $126.8 million was to provide for capital facility construction, $65.8 million was for water facility construction in the Water Loan Programs, and $158 million was to provide capital for purchasing student loans in the Student Assistance Programs. Student loan program debt decreased $846.5 million due in part to a $542.7 million refunding and an early $50 million sinking fund payment on bonds just issued. The balance of the decrease was attributable to scheduled principal payments.

The State's active management of its resources has helped the State maintain its triple-A rating on general obligation bonds from all three national rating agencies, and double-A rating on lease revenue bonds from two national rating agencies from which ratings were sought. These ratings are the best available and save millions of dollars in interest each year because the State is able to obtain very favorable interest rates on new debt. Note 10 beginning on page 94 contains more information about the State's outstanding debt.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

Original general revenue estimates of the General Fund and Education Fund for fiscal year 2011 are higher than actual fiscal year 2010 revenues, by 2.3 percent and 5.3 percent, respectively. Although revenue estimates were slightly higher, the Legislature took additional action to ensure a 2011 balanced budget by further reducing agency budgets, using money from the State's Rainy Day Fund, increasing the tobacco tax, and using one-time resources from various state accounts.

Preliminary data for fiscal year 2011 show tax revenues to be in line with the original 2011 expected budget estimates. The overall unemployment rate is expected to increase in 2010 to 7.6 percent, up from the average 2009 rate of 6.6 percent. Taxable retail sales are expected to decline .8 percent in 2010 and increase 3.8 percent in 2011. Personal income is expected to increase 2.5 percent in 2010, and grow 4.2 percent in 2011. Because these indicators are measured on a calendar year basis, the impact on the State budget will not be fully realized until well into fiscal year 2011. The Governor and Legislature are expected to review the fiscal year 2011 budget again during the upcoming 2011 General Session and take action as necessary to balance the budget.

CONTACTING THE STATE'S DIVISION OF FINANCE

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

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

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Basic Financial Statements

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Statement of Net Assets

June 30, 2010 (Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and Cash Equivalents	$ 885,810	$ 797,305	$ 1,683,115	$ 745,621
Investments	1,351,954	41,627	1,393,581	2,144,142
Taxes Receivable, net	686,101	1,823	687,924	—
Accounts and Interest Receivable, net	727,746	143,293	871,039	484,312
Amounts Due From:				
Component Units	23,872	—	23,872	4
Primary Government	—	—	—	7,895
Prepaid Items	2,641	7,060	9,701	16,060
Inventories	16,683	31,391	48,074	58,897
Internal Balances	(10,982)	10,982	—	—
Restricted Investments	988,557	359,438	1,347,995	664,244
Deferred Charges	9,099	14,456	23,555	125,488
Notes/Loans/Mortgages/Pledges Receivable, net	26,870	3,048,111	3,074,981	1,466,059
Pledged Loans Receivables	—	161,985	161,985	—
Other Assets	71,620	—	71,620	80,211
Capital Assets:				
Land and Related Non-depreciable Assets	1,354,318	21,573	1,375,891	138,178
Infrastructure	10,063,774	—	10,063,774	—
Construction in Progress	1,133,392	5,678	1,139,070	386,840
Buildings, Equipment, and Other Depreciable Assets	2,383,381	83,734	2,467,115	5,082,356
Less Accumulated Depreciation	(933,168)	(26,640)	(959,808)	(2,330,930)
Total Capital Assets	14,001,697	84,345	14,086,042	3,276,444
Total Assets	18,781,668	4,701,816	23,483,484	9,069,377
LIABILITIES				
Accounts Payable and Accrued Liabilities	839,810	36,823	876,633	398,873
Amounts Due to:				
Component Units	7,894	1	7,895	—
Primary Government	—	—	—	23,872
Securities Lending	—	—	—	12,787
Unearned Revenue	90,567	6,489	97,056	130,547
Deposits	—	157	157	87,272
Long-term Liabilities (Note 10)				
Due Within One Year	327,806	86,982	414,788	333,980
Due in More Than One Year	2,605,585	2,348,761	4,954,346	2,349,984
Total Liabilities	3,871,662	2,479,213	6,350,875	3,337,315
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	12,005,321	13,061	12,018,382	2,665,351
Restricted for:				
Transportation	155,949	—	155,949	—
Public Education – Expendable	704,673	—	704,673	—
Public Education – Nonexpendable	1,066,568	—	1,066,568	—
Higher Education – Expendable	—	—	—	829,003
Higher Education – Nonexpendable	—	—	—	527,755
Debt Service	9,884	169,522	179,406	173,732
Unemployment Compensation and Insurance Programs	4,234	422,610	426,844	146,069
Loan Programs	—	679,958	679,958	—
Other Purposes – Expendable	67,860	—	67,860	8,582
Unrestricted	895,517	937,452	1,832,969	1,381,570
Total Net Assets	$ 14,910,006	$ 2,222,603	$ 17,132,609	$ 5,732,062

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

State of Utah

Statement of Activities

For the Fiscal Year Ended June 30, 2010 (Expressed in Thousands)

		Program Revenues		
Activities	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government:				
Governmental:				
General Government	$ 383,925	$ 169,808	$ 206,130	$ —
Human Services and Youth Corrections	669,169	12,851	336,004	—
Corrections, Adult	238,902	6,520	1,085	—
Public Safety	184,197	53,504	67,050	—
Courts	118,577	77,953	1,506	—
Health and Environmental Quality	1,875,775	88,504	1,488,705	—
Higher Education	837,479	419	59,909	—
Employment and Family Services	672,852	(2,715)	605,719	—
Natural Resources	166,749	70,780	40,965	—
Community and Culture	177,823	5,030	89,161	—
Business, Labor, and Agriculture	96,895	74,400	10,662	—
Public Education	3,007,905	73,962	732,579	—
Transportation	744,638	314,906	225,675	204,237
Interest and Other Charges on Long-term Debt	87,393	—	—	—
Total Governmental Activities	9,262,279	945,922	3,865,150	204,237
Business-type:				
Student Assistance Programs	156,754	109,804	56,987	—
Unemployment Compensation	872,826	170,224	446,173	—
Water Loan Programs	31,971	13,875	33,717	—
Community and Economic Loan Programs	2,166	9,033	9,598	—
Liquor Retail Sales	180,401	238,767	316	—
Other Business-type Activities	30,886	41,527	49	—
Total Business-type Activities	1,275,004	583,230	546,840	0
Total Primary Government	$10,537,283	$ 1,529,152	$ 4,411,990	$ 204,237
Component Units:				
Utah Housing Corporation	$ 109,503	$ 95,937	$ 14,059	$ —
Public Employees Health Program	573,675	585,790	23,005	—
University of Utah	2,604,200	2,033,878	464,571	49,896
Utah State University	475,647	145,882	207,157	26,584
Nonmajor Colleges and Universities	937,641	386,460	277,296	47,792
Nonmajor Component Units	74,872	37,810	3,134	6,436
Total Component Units	$ 4,775,538	$ 3,285,757	$ 989,222	$ 130,708

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

Permanent Endowments Contributions

Transfers—Internal Activities

Total General Revenues and Transfers

Change in Net Assets

Net Assets—Beginning

Adjustment to Beginning Net Assets

Net Assets—Beginning as Adjusted

Net Assets—Ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (7,987)	$ —	$ (7,987)	$ —
(320,314)	—	(320,314)	—
(231,297)	—	(231,297)	—
(63,643)	—	(63,643)	—
(39,118)	—	(39,118)	—
(298,566)	—	(298,566)	—
(777,151)	—	(777,151)	—
(69,848)	—	(69,848)	—
(55,004)	—	(55,004)	—
(83,632)	—	(83,632)	—
(11,833)	—	(11,833)	—
(2,201,364)	—	(2,201,364)	—
180	—	180	—
(87,393)	—	(87,393)	—
(4,246,970)	0	(4,246,970)	0
—	10,037	10,037	—
—	(256,429)	(256,429)	—
—	15,621	15,621	—
—	16,465	16,465	—
—	58,682	58,682	—
—	10,690	10,690	—
0	(144,934)	(144,934)	0
(4,246,970)	(144,934)	(4,391,904)	0
—	—	—	493
—	—	—	35,120
—	—	—	(55,855)
—	—	—	(96,024)
—	—	—	(226,093)
—	—	—	(27,492)
0	0	0	(369,851)
1,735,023	22,206	1,757,229	—
2,027,884	—	2,027,884	—
272,535	—	272,535	—
340,568	—	340,568	—
328,703	—	328,703	—
4,704,713	22,206	4,726,919	0
5,575	—	5,575	81,613
—	—	—	688,831
—	—	—	36,151
10,927	—	10,927	—
35,288	38,188	73,476	—
—	—	—	20,641
55,845	(55,845)	—	—
4,812,348	4,549	4,816,897	827,236
565,378	(140,385)	424,993	457,385
14,316,181	2,362,988	16,679,169	5,274,677
28,447	—	28,447	—
14,344,628	2,362,988	16,707,616	5,274,677
$14,910,006	$ 2,222,603	$ 17,132,609	$ 5,732,062

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Governmental Fund Financial Statements

General Fund
This fund is the principal operating fund of the State. It accounts for all financial resources of the general government except those not accounted for and reported in another fund.

Education Fund
This fund accounts for all corporate and income taxes that support public and higher education in the State. This fund is also used to account for specific revenues and expenditures that support public elementary and secondary schools and the State Office of Education.

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

Transportation Investment Fund
This fund was created by the Legislature to account for revenues and expenditures associated with the maintenance, construction, and reconstruction of specific state and federal highways. Projects designated as Centennial Highway or prioritized as critical highway needs are accounted for within this fund. Funding is provided from federal funds, highway general obligation bonds, registration fees, sales and use taxes, and appropriations.

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

Nonmajor Funds
Nonmajor governmental funds are presented by fund type beginning on page 136.

State of Utah

Balance Sheet
Governmental Funds

June 30, 2010 (Expressed in Thousands)

	General	Special Revenue: Education	Special Revenue: Transportation	Special Revenue: Transportation Investment
ASSETS				
Cash and Cash Equivalents	$ 403,640	$ 61,636	$ 184,285	$ —
Investments	55,867	232,113	84,339	567,018
Receivables:				
Accounts, net	503,715	129,300	71,349	—
Accrued Interest	31	—	—	—
Accrued Taxes, net	176,699	429,415	58,016	21,971
Notes/Mortgages, net	946	8,856	445	—
Due From Other Funds	28,397	1,899	1,787	—
Due From Component Units	13	37	—	—
Inventories	411	—	11,646	—
Interfund Loans Receivable	29,726	—	—	—
Other Assets	26	—	22	—
Total Assets	$ 1,199,471	$ 863,256	$ 411,889	$ 588,989
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	$ 419,347	$ 143,958	$ 156,420	$ —
Due To Other Funds	19,092	410	6,888	—
Due To Component Units	42	86	—	—
Deferred Revenue	113,346	195,698	19,904	2,439
Total Liabilities	551,827	340,152	183,212	2,439
Fund Balances:				
Nonspendable:				
Long-term Portion of Interfund Loans Receivable	2,861	—	—	—
Inventories	411	—	11,646	—
Permanent Fund Principal	—	—	—	—
Restricted	35,171	523,104	178,759	437,503
Committed	371,354	—	37,354	149,047
Assigned	222,963	—	918	—
Unassigned	14,884	—	—	—
Total Fund Balances	647,644	523,104	228,677	586,550
Total Liabilities and Fund Balances	$ 1,199,471	$ 863,256	$ 411,889	$ 588,989

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

Permanent		
Trust Lands	Nonmajor Governmental Funds	Total Governmental Funds
$ 552	$ 170,260	$ 820,373
988,557	412,617	2,340,511
10,539	8,465	723,368
1,065	66	1,162
—	—	686,101
15,323	—	25,570
7,919	2,902	42,904
—	23,787	23,837
—	—	12,057
—	—	29,726
71,572	—	71,620
$ 1,095,527	$ 618,097	$ 4,777,229
$ —	$ 92,429	$ 812,154
166	50,473	77,029
10	7,756	7,894
28,783	20,288	380,458
28,959	170,946	1,277,535
—	—	2,861
—	—	12,057
1,066,568	—	1,066,568
—	194,410	1,368,947
—	160,853	718,608
—	91,888	315,769
—	—	14,884
1,066,568	447,151	3,499,694
$ 1,095,527	$ 618,097	$ 4,777,229

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

June 30, 2010 (Expressed in Thousands)

Total Fund Balances for Governmental Funds ……………………………………….		$ 3,499,694
Total net assets reported for governmental activities in the Statement of Net Assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds: (See Note 8)		
Land and Related Non-depreciable Assets	$ 1,354,301	
Infrastructure, Non-depreciable	10,063,774	
Construction-In-Progress	1,133,135	
Buildings, Equipment, and Other Depreciable Assets	2,195,101	
Accumulated depreciation	(818,524)	13,927,787
Some of the State's earned revenues will be collected after yearend, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. …..………………………………………………………..		290,171
Internal service funds are used by management to charge the costs of certain activities, such as insurance, technology services, and fleet operations to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. ....…..................…		75,545
Bond issue costs are reported as current expenditures in the funds. However, issue costs are deferred and amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Assets. …………………………..…		8,615
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds: (See Note 10)		
General Obligation and Revenue Bonds Payable	(2,535,186)	
Unamortized Premiums	(119,664)	
Amount Deferred on Refunding	7,044	
Accrued Interest Payable	(1,533)	
Pollution Remediation Obligation	(7,690)	
Settlement Agreements	(39,422)	
Compensated Absences	(162,120)	
Capital Leases	(27,542)	
Net Other Post Employment Benefit Obligation	(5,693)	(2,891,806)
Total Net Assets of Governmental Activities ………………………………………..		$ 14,910,006

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

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State of Utah

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

For the Fiscal Year Ended June 30, 2010 (Expressed in Thousands)

		Special Revenue		
	General	Education	Transportation	Transportation Investment
REVENUES				
Taxes:				
Sales and Use Tax	$ 1,416,447	$ —	$ 62,999	$ 250,158
Individual Income Tax	—	2,124,173	—	—
Corporate Tax	—	266,961	—	—
Motor and Special Fuels Tax	—	—	341,196	—
Other Taxes	275,952	36,186	9,454	—
Total Taxes	1,692,399	2,427,320	413,649	250,158
Other Revenues:				
Federal Contracts and Grants	2,642,157	636,641	421,819	—
Charges for Services/Royalties	297,494	2,719	80,704	—
Licenses, Permits, and Fees	34,540	4,982	71,633	68,792
Federal Mineral Lease	129,377	—	—	—
Federal Aeronautics	—	—	39,752	—
Intergovernmental	—	—	—	—
Investment Income	6,704	25,579	838	6,906
Miscellaneous and Other	206,666	26,591	82,609	—
Total Revenues	5,009,337	3,123,832	1,111,004	325,856
EXPENDITURES				
Current:				
General Government	288,464	—	—	—
Human Services and Youth Corrections	665,601	—	—	—
Corrections, Adult	232,235	—	—	—
Public Safety	194,314	—	—	—
Courts	136,373	—	—	—
Health and Environmental Quality	1,867,646	—	—	—
Higher Education – State Administration	52,084	—	—	—
Higher Education – Colleges and Universities	716,043	—	—	—
Employment and Family Services	673,060	—	—	—
Natural Resources	158,939	—	—	—
Community and Culture	170,898	—	—	—
Business, Labor, and Agriculture	86,984	—	—	—
Public Education	—	3,002,231	—	—
Transportation	—	—	1,244,341	771,720
Capital Outlay	—	—	—	—
Debt Service:				
Principal Retirement	—	—	—	—
Interest and Other Charges	—	—	—	—
Total Expenditures	5,242,641	3,002,231	1,244,341	771,720
Excess Revenues Over (Under) Expenditures	(233,304)	121,601	(133,337)	(445,864)
OTHER FINANCING SOURCES (USES)				
General Obligation Bonds Issued	—	—	37,339	818,051
Revenue Bonds Issued	—	—	—	—
Premium on Bonds Issued	—	—	2,161	47,349
Capital Leases Acquisition	11,122	—	—	—
Sale of Capital Assets	—	32	8,016	—
Transfers In	397,162	8,664	115,904	77,117
Transfers Out	(156,098)	(322,038)	(138,550)	(239,479)
Total Other Financing Sources (Uses)	252,186	(313,342)	24,870	703,038
Net Change in Fund Balances	18,882	(191,741)	(108,467)	257,174
Fund Balances – Beginning	632,691	714,845	675,172	(8,652)
Adjustment to Beginning Fund Balances	(3,929)	—	(338,028)	338,028
Fund Balances – Beginning As Adjusted	628,762	714,845	337,144	329,376
Fund Balances – Ending	$ 647,644	$ 523,104	$ 228,677	$ 586,550

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

Permanent Trust Lands	Nonmajor Governmental Funds	Total Governmental Funds
$ —	$ 3,808	$ 1,733,412
—	—	2,124,173
—	—	266,961
—	—	341,196
—	7,161	328,753
0	10,969	4,794,495
—	13,154	3,713,771
61,214	21,305	463,436
—	—	179,947
—	—	129,377
—	—	39,752
—	28,659	28,659
71,494	7,020	118,541
—	40,138	356,004
132,708	121,245	9,823,982
—	25,517	313,981
—	1,591	667,192
—	3,176	235,411
—	5,417	199,731
—	—	136,373
—	5,618	1,873,264
—	—	52,084
—	18,397	734,440
—	269	673,329
—	2,701	161,640
—	7,360	178,258
—	9,595	96,579
—	87	3,002,318
—	366	2,016,427
—	235,499	235,499
—	189,041	189,041
—	113,876	113,876
0	618,510	10,879,443
132,708	(497,265)	(1,055,461)
—	126,780	982,170
—	101,595	101,595
—	16,343	65,853
—	—	11,122
5,918	—	13,966
12,111	318,086	929,044
—	(17,202)	(873,367)
18,029	545,602	1,230,383
150,737	48,337	174,922
915,831	394,885	3,324,772
—	3,929	—
915,831	398,814	3,324,772
$ 1,066,568	$ 447,151	$ 3,499,694

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds To the Statement of Activities

For the Fiscal Year Ended June 30, 2010 (Expressed in Thousands)

Net Change in Fund Balances – Total Governmental Funds		$ 174,922
The change in net assets reported for governmental activities in the Statement of Net Assets is different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The primary government also constructs buildings for component units. When the buildings are completed they are "transferred" to component units and are reported as expenses in the Statement of Activities. This is the amount by which capital outlays $1,637,954 exceeded depreciation $(72,365) and buildings "transferred" to component units $(57,325) in the current period. (See Note 8)		1,508,264
In the Statement of Activities, only the gain/loss on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sales increase financial resources. Thus, the change in net assets differs from the change in fund balance by the assets sold.		(49,620)
Net effect of revenues reported on the accrual basis in the Statement of Activities that do not provide current financial resources and thus are not reported as revenues in the funds until available.		(89,539)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, technology services, and fleet operations, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.		2,481
Bond proceeds and capital leases provide current financial resources to governmental funds by issuing debt which increases long-term liabilities in the Statement of Net Assets. Repayments of bond and capital lease principal are expenditures in the governmental funds, but reduce liabilities in the Statement of Net Assets: (See Note 10)		
Bonds Issued	$ (1,083,765)	
Premiums on Bonds Issued	(65,853)	
Capital Lease Additions	(11,122)	
Payment of Bond Principal	189,041	
Capital Lease Payments	2,790	(968,909)
Expenditures are recognized in the governmental funds when paid or due for: items not normally paid with available financial resources; interest on long-term debt unless certain conditions are met; and bond issue costs. However, the Statement of Activities is presented on the accrual basis and expenses and liabilities are reported when incurred, regardless of when financial resources are available or expenditures are paid or due. This adjustment combines the net changes of the following balances:		
Pollution Remediation Obligation Costs	(3)	
Settlement Agreements Costs	(39,422)	
Compensated Absences Expenses	568	
Accrued Interest on Bonds Payable	(628)	
Amortization of Bond Premiums	27,114	
Amortization of Amount Deferred on Refunding	(3,064)	
Deferred Bond Issue Costs	4,989	
Other Post Employment Benefit Costs	(1,775)	(12,221)
Change in Net Assets of Governmental Activities		$ 565,378

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

Proprietary Fund Financial Statements

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

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

Water Loan Programs
These programs provide loans to local governments, water districts, and other entities for the purpose of upgrading water storage facilities and other related structures. Capital for this fund has been provided from the General Fund and from general obligation bonds that have been repaid from general tax revenues. Additional funds have been generated by issuing water loan recapitalization revenue bonds that are secured by pledged principal and interest payments of specific revolving water resources loan funds.

Community Impact Loan Fund
This fund provides loans to local governments to alleviate the social, economic, and public financial impacts resulting from the development of the State's natural resources. Working capital for this fund is provided from federal mineral lease funds transferred from the General Fund.

Nonmajor Funds
Nonmajor enterprise funds are presented beginning on page 160.

Governmental Activities – Internal Service Funds
These funds are maintained to account for the operation of state agencies that provide goods or services to other state agencies and other governmental units on a cost-reimbursement basis. These funds are presented in more detail beginning on page 170.

Statement Of Net Assets
Proprietary Funds

June 30, 2010 (Expressed in Thousands)

	Business-type Activities – Enterprise Funds			
	Student Assistance Programs	Unemployment Compensation Fund	Water Loan Programs	Community Impact Loan Fund
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 92,371	$ 375,682	$ 120,576	$ 176,404
Investments	40,674	—	—	—
Receivables:				
Accounts, net	9,409	56,720	546	—
Accrued Interest	31,068	—	9,145	3,308
Accrued Taxes, net	—	—	1,823	—
Notes/Loans/Mortgages, net	163,317	—	34,893	15,340
Due From Other Funds	—	—	7,152	—
Due From Component Units	—	—	—	—
Prepaid Items	2,559	—	—	—
Inventories	—	—	—	—
Deferred Charges	1,685	—	—	—
Total Current Assets	341,083	432,402	174,135	195,052
Noncurrent Assets:				
Restricted Investments	359,438	—	—	—
Accounts Receivables	—	10,221	—	—
Investments	—	—	—	—
Prepaid Items	4,498	—	—	—
Accrued Interest Receivable	—	—	3,894	70
Notes/Loans/Mortgages Receivables, net	1,898,499	—	475,409	328,935
Pledged Loans Receivables	—	—	161,985	—
Deferred Charges	12,771	—	—	—
Capital Assets:				
Land	—	—	—	—
Infrastructure	—	—	—	—
Buildings and Improvements	12,679	—	—	—
Machinery and Equipment	1,408	—	—	—
Intangible Assets–Software	—	—	—	—
Construction in Progress	—	—	—	—
Less Accumulated Depreciation	(3,394)	—	—	—
Total Capital Assets	10,693	0	0	0
Total Noncurrent Assets	2,285,899	10,221	641,288	329,005
Total Assets	2,626,982	442,623	815,423	524,057
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	21,676	1,611	554	—
Deposits	—	62	—	—
Due To Other Funds	—	4,227	705	—
Due To Component Units	—	—	—	—
Interfund Loans Payable	—	—	—	—
Unearned Revenue	1,618	—	—	—
Policy Claims and Uninsured Liabilities	1,695	14,113	—	—
Contracts/Notes Payable	66,305	—	—	—
Revenue Bonds Payable	510	—	—	—
Arbitrage Liability	1,050	—	—	—
Total Current Liabilities	92,854	20,013	1,259	0
Noncurrent Liabilities:				
Accrued Liabilities	701	—	—	—
Unearned Revenue	1,138	—	—	—
Interfund Loans Payable	—	—	—	—
Policy Claims and Uninsured Liabilities	3,297	—	—	—
Contracts/Notes Payable	745,049	—	—	—
Revenue Bonds Payable	1,388,446	—	67,624	—
Arbitrage Liability	49,164	—	—	—
Total Noncurrent Liabilities	2,187,795	0	67,624	0
Total Liabilities	2,280,649	20,013	68,883	0
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	2,125	—	—	—
Restricted for:				
Unemployment Compensation and Insurance Programs	—	422,610	—	—
Loan Programs	266,641	—	346,660	—
Debt Service	—	—	169,522	—
Unrestricted (Deficit)	77,567	—	230,358	524,057
Total Net Assets	$ 346,333	$ 422,610	$ 746,540	$ 524,057

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

Business-type Activities – Enterprise Funds		Governmental Activities –
Nonmajor Enterprise Funds	Total	Internal Service Funds
$ 32,272	$ 797,305	$ 65,437
—	40,674	—
16,678	83,353	3,124
1,512	45,033	—
—	1,823	—
10,833	224,383	—
36,042	43,194	22,785
—	0	35
3	2,562	2,367
31,391	31,391	4,626
—	1,685	18
128,731	1,271,403	98,392
—	359,438	—
—	10,221	—
953	953	—
—	4,498	274
722	4,686	—
120,885	2,823,728	1,300
—	161,985	—
—	12,771	466
21,573	21,573	17
304	304	303
56,651	69,330	6,081
12,463	13,871	177,278
229	229	4,618
5,678	5,678	257
(23,246)	(26,640)	(114,644)
73,652	84,345	73,910
196,212	3,462,625	75,950
324,943	4,734,028	174,342
12,178	36,019	22,584
95	157	—
27,383	32,315	3,090
1	1	—
—	0	26,865
3,733	5,351	115
—	15,808	17,038
—	66,305	18
3,309	3,819	73
—	1,050	—
46,699	160,825	69,783
—	701	—
—	1,138	165
—	0	2,861
—	3,297	24,859
—	745,049	466
95,181	1,551,251	663
—	49,164	—
95,181	2,350,600	29,014
141,880	2,511,425	98,797
10,936	13,061	73,269
—	422,610	4,234
66,657	679,958	—
—	169,522	—
105,470	937,452	(1,958)
$ 183,063	$ 2,222,603	$ 75,545

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

For the Fiscal Year Ended June 30, 2010 (Expressed in Thousands)

	Business-type Activities – Enterprise Funds			
	Student Assistance Programs	Unemployment Compensation Fund	Water Loan Programs	Community Impact Loan Fund
OPERATING REVENUES				
Sales and Charges for Services/Premiums	$ 10,090	$ 170,224	$ 431	$ —
Fees and Assessments	19,449	—	259	—
Interest on Notes/Mortgages	80,241	—	13,111	5,275
Federal Reinsurance and Allowances/Reimbursements	53,027	424,591	—	—
Miscellaneous	24	—	74	474
Total Operating Revenues	162,831	594,815	13,875	5,749
OPERATING EXPENSES				
Administration	4,454	—	—	—
Purchases, Materials, and Services for Resale	—	—	—	—
Grants	—	—	19,967	—
Rentals and Leases	—	—	—	—
Maintenance	—	—	—	—
Interest	29,030	—	—	—
Depreciation/Amortization	541	—	—	—
Student Loan Servicing and Related Expenses	59,856	—	—	—
Payment to Lenders for Guaranteed Claims	54,690	—	—	—
Benefit Claims and Unemployment Compensation	—	872,826	—	—
Supplies and Other Miscellaneous	8,183	—	11,246	65
Total Operating Expenses	156,754	872,826	31,213	65
Operating Income (Loss)	6,077	(278,011)	(17,338)	5,684
NONOPERATING REVENUES (EXPENSES)				
Investment Income	3,960	21,582	1,076	1,617
Federal Grants	—	—	32,641	
Gain (Loss) on Sale of Capital Assets	—	—	—	—
Tax Revenues	—	—	21,681	—
Interest Expense and Other Charges	—	—	(758)	—
Refunds Paid to Federal Government	—	—	—	—
Other Revenues (Expenses)	38,510	—	—	—
Total Nonoperating Revenues (Expenses)	42,470	21,582	54,640	1,617
Income (Loss) before Transfers	48,547	(256,429)	37,302	7,301
Capital Contributions	—	—	—	—
Transfers In	—	—	6,500	13,033
Transfers Out	—	(224)	(3,886)	—
Change in Net Assets	48,547	(256,653)	39,916	20,334
Net Assets – Beginning	297,786	679,263	706,624	503,723
Net Assets – Ending	$ 346,333	$ 422,610	$ 746,540	$ 524,057

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

Business-type Activities – Enterprise Funds		Governmental Activities –
Nonmajor Enterprise Funds	Total	Internal Service Funds
$ 275,868	$ 456,613	$ 277,003
4,177	23,885	—
2,866	101,493	—
—	477,618	—
667	1,239	75
283,578	1,060,848	277,078
33,152	37,606	101,405
159,324	159,324	75,634
1,241	21,208	—
1,877	1,877	1,830
2,848	2,848	21,270
—	29,030	—
1,860	2,401	17,679
—	59,856	—
—	54,690	—
—	872,826	11,321
8,587	28,081	44,964
208,889	1,269,747	274,103
74,689	(208,899)	2,975
325	28,560	484
8,021	40,662	—
(322)	(322)	(1,342)
525	22,206	—
(4,499)	(5,257)	(54)
—	0	(168)
—	38,510	428
4,050	124,359	(652)
78,739	(84,540)	2,323
—	0	(10)
4,676	24,209	177
(75,944)	(80,054)	(9)
7,471	(140,385)	2,481
175,592	2,362,988	73,064
$ 183,063	$ 2,222,603	$ 75,545

Statement Of Cash Flows
Proprietary Funds

For the Fiscal Year Ended June 30, 2010 (Expressed in Thousands)

	Business-type Activities – Enterprise Funds			
	Student Assistance Programs	Unemployment Compensation Fund	Water Loan Programs	Community Impact Loan Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers/Loan Interest/Fees/Premiums ...	$ 66,882	$ 161,252	$ 10,778	$ 5,683
Receipts from Loan Maturities	231,056	—	37,579	22,259
Receipts Federal Reinsurance & Allowances/Reimburse ..	23,966	424,591	—	—
Receipts from State Customers	11,241	—	—	—
Student Loan Disbursements Received from Lenders	561,462	—	—	—
Student Loan Disbursements Sent to Schools/Lenders	(560,678)	—	—	—
Payments to Suppliers/Claims/Grants	(31,454)	(873,724)	(1,743)	—
Disbursements for Loans Receivable	187,200	—	(98,423)	(62,414)
Payments on Loan Guarantees	(53,770)	—	—	—
Payments for Employee Services and Benefits	(11,039)	—	—	—
Payments to State Suppliers and Grants	—	—	(30,260)	(65)
Payments of Sales, School Lunch, and Premium Taxes	—	—	—	—
Net Cash Provided (Used) by Operating Activities	424,866	(287,881)	(82,069)	(34,537)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Borrowings Under Interfund Loans	—	—	—	—
Repayments Under Interfund Loans	—	—	—	—
Receipts from Bonds, Notes, and Deposits	1,493,346	5	67,624	—
Payments of Bonds, Notes, Deposits, and Refunds	(1,790,714)	(6)	—	—
Interest Paid on Bonds, Notes, and Financing Costs	(40,506)	—	—	—
Federal Grants and Other Revenues	—	—	24,882	—
Restricted Sales Tax	—	—	19,858	—
Transfers In from Other Funds	—	—	6,500	13,033
Transfers Out to Other Funds	—	(224)	(3,886)	—
Net Cash Provided (Used) by Noncapital Financing Activities	(337,874)	(225)	114,978	13,033
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Borrowings Under Interfund Loans	—	—	—	—
Repayments Under Interfund Loans	—	—	—	—
Proceeds from Bond and Note Debt Issuance	—	—	—	—
Proceeds from Disposition of Capital Assets	—	—	—	—
Principal Paid on Debt and Contract Maturities	—	—	—	—
Acquisition and Construction of Capital Assets	(153)	—	—	—
Interest Paid on Bonds, Notes, and Capital Leases	—	—	—	—
Transfers In from Other Funds	—	—	—	—
Transfers Out to Other Funds	—	—	—	—
Net Cash Provided (Used) by Capital and Related Financing Activities	(153)	0	0	0
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the Sale and Maturity of Investments	3,962,926	—	—	—
Receipts of Interest and Dividends from Investments	3,966	21,582	1,459	1,617
Payments to Purchase Investments	(4,072,083)	—	—	—
Net Cash Provided (Used) by Investing Activities	(105,191)	21,582	1,459	1,617
Net Cash Provided (Used) – All Activities	(18,352)	(266,524)	34,368	(19,887)
Cash and Cash Equivalents – Beginning	110,723	642,206	86,208	196,291
Cash and Cash Equivalents – Ending	$ 92,371	$ 375,682	$ 120,576	$ 176,404

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

Business-type Activities – Enterprise Funds: Nonmajor Enterprise Funds	Business-type Activities – Enterprise Funds: Total	Governmental Activities – Internal Service Funds
$ 311,084	$ 555,679	$ 43,069
7,201	298,095	—
—	448,557	—
9,838	21,079	237,635
—	561,462	—
—	(560,678)	—
(174,364)	(1,081,285)	(121,530)
(23,780)	2,583	—
—	(53,770)	—
(32,786)	(43,825)	(100,749)
(1,010)	(31,335)	(32,913)
(42,610)	(42,610)	—
53,573	73,952	25,512
18,379	18,379	—
(19,597)	(19,597)	(4,037)
—	1,560,975	—
—	(1,790,720)	(380)
—	(40,506)	(18)
8,583	33,465	624
525	20,383	—
2,296	21,829	34
(73,651)	(77,761)	(9)
(63,465)	(273,553)	(3,786)
—	0	262
—	0	(1,433)
26,374	26,374	—
—	0	2,485
(3,040)	(3,040)	(69)
(22,587)	(22,740)	(21,564)
(3,973)	(3,973)	(23)
2,380	2,380	143
(2,292)	(2,292)	—
(3,138)	(3,291)	(20,199)
(8)	3,962,918	—
296	28,920	484
—	(4,072,083)	—
288	(80,245)	484
(12,742)	(283,137)	2,011
45,014	1,080,442	63,426
$ 32,272	$ 797,305	$ 65,437

Continues

Statement Of Cash Flows
Proprietary Funds

Continued

For the Fiscal Year Ended June 30, 2010 (Expressed in Thousands)

	Business-type Activities – Enterprise Funds			
	Student Assistance Programs	**Unemployment Compensation Fund**	**Water Loan Programs**	**Community Impact Loan Fund**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	$ 6,077	$ (278,011)	$ (17,338)	$ 5,684
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation/Amortization Expense	541	—	—	—
Interest Expense for Noncapital and Capital Financing	37,408	—	—	—
Miscellaneous Gains, Losses, and Other Items	4,590	—	—	—
Net Changes in Assets and Liabilities:				
Accounts Receivable/Due From Other Funds	60	(2,273)	(424)	—
Notes/Accrued Interest Receivables	380,798	—	(63,514)	(40,221)
Inventories	—	—	—	—
Prepaid Items/Deferred Charges	(6)	—	—	—
Accrued Liabilities/Due to Other Funds	(6,311)	(9,882)	(793)	—
Unearned Revenue/Deposits	—	—	—	—
Notes Payable	—	—	—	—
Policy Claims Liabilities	1,709	2,285	—	—
Net Cash Provided (Used) by Operating Activities	$ 424,866	$ (287,881)	$ (82,069)	$ (34,537)
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Increase (Decrease) in Fair Value of Investments	$ —	$ —	$ 280	$ 474
Contributed Capital Assets Transferred In (Out)	—	—	—	—
Total Noncash Investing, Capital, and Financing Activities	$ 0	$ 0	$ 280	$ 474

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

Business-type Activities – Enterprise Funds: Nonmajor Enterprise Funds	Business-type Activities – Enterprise Funds: Total	Governmental Activities – Internal Service Funds
$ 74,689	$ (208,899)	$ 2,975
1,860	2,401	17,679
—	37,408	—
(608)	3,982	6
(5,433)	(8,070)	4,874
(15,750)	261,313	(1,300)
(1,085)	(1,085)	40
—	(6)	(600)
(224)	(17,210)	3,584
124	124	19
—	0	(12)
—	3,994	(1,753)
$ 53,573	$ 73,952	$ 25,512
$ 72	$ 826	$ 142
—	0	(10)
$ 72	$ 826	$ 132

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Fiduciary Fund Financial Statements

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

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

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

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

Individual funds are presented by fund type beginning on page 180.

Statement Of Fiduciary Net Assets
Fiduciary Funds

June 30, 2010 (Expressed in Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents	$ 794,329	$ 1,411,154	$ 16,825	$ 174,173
Receivables:				
Accounts	10,345	—	6,660	9,605
Contributions	34,641	—	—	—
Investments	353,695	—	—	—
Accrued Assessments	—	—	4,539	—
Court Settlement	—	—	26,000	—
Due From Other Funds	—	—	3,448	195
Investments:				
Debt Securities	5,902,057	4,912,889	1,112,139	23,407
Equity Investments	8,676,150	—	2,273,579	—
Absolute Return	2,411,419	—	—	—
Private Equity	1,410,809	—	—	—
Real Estate	2,799,042	—	—	—
Mortgage Loans	6,844	—	—	—
Invested Securities Lending Collateral	1,555,917	—	—	—
Total Investments	22,762,238	4,912,889	3,385,718	23,407
Capital Assets:				
Land	1,780	—	271	—
Buildings and Improvements	11,448	—	10,715	—
Machinery and Equipment	4,533	—	1,021	—
Less Accumulated Depreciation	(17,439)	—	(2,986)	—
Total Capital Assets	322	0	9,021	0
Total Assets	23,955,570	6,324,043	3,452,211	$ 207,380
LIABILITIES				
Accounts Payable	562,036	—	3,601	$ —
Securities Lending Liability	1,555,917	—	—	—
Due To Other Funds	—	—	92	—
Due To Individuals, Organizations, and Other Governments	—	—	—	207,380
Unearned Revenue	—	—	242	—
Leave/Postemployment Benefits	9,426	—	—	—
Policy Claims Liabilities/Insurance Reserves	5,788	—	274,676	—
Real Estate Liabilities	1,084,561	—	—	—
Total Liabilities	3,217,728	0	278,611	$ 207,380
NET ASSETS				
Held in trust for:				
Pension Benefits	17,717,845	—	—	
Other Postemployment Benefits	91,384	—	—	
Defined Contribution	2,928,613	—	—	
Pool Participants	—	6,324,043	—	
Individuals, Organizations, and Other Governments	—	—	3,173,600	
Total Net Assets	$ 20,737,842	$ 6,324,043	$ 3,173,600	
Participant Account Balance Net Asset Valuation Factor		1.00385638		

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

Statement Of Changes In Fiduciary Net Assets
Fiduciary Funds

For the Fiscal Year Ended June 30, 2010 (Expressed in Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund	Private Purpose Trust Funds
ADDITIONS			
Contributions:			
Member	$ 291,430	$ —	$ 480,460
Employer	692,768	—	—
Court Fees and Fire Insurance Premiums	18,260	—	—
Total Contributions	1,002,458	0	480,460
Pool Participant Deposits	—	8,207,966	—
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	2,099,628	15,887	265,692
Interest, Dividends, and Other Investment Income	474,196	91,765	67,548
Less Investment Expenses	(45,419)	(244)	—
Net Investment Income	2,528,405	107,408	333,240
Transfers From Affiliated Systems	44,420	—	—
Other Additions:			
Escheats	—	—	16,474
Royalties and Rents	—	—	3,411
Fees, Assessments, and Revenues	—	—	38,283
Miscellaneous	—	—	35,124
Total Other	0	0	93,292
Total Additions	3,575,283	8,315,374	906,992
DEDUCTIONS			
Pension Benefits	940,863	—	—
Retiree Healthcare Benefits	29,365	—	—
Refunds/Plan Distributions	150,298	—	—
Earnings Distribution	—	81,871	—
Pool Participant Withdrawals	—	7,982,788	—
Transfers To Affiliated Systems	44,420	—	—
Trust Operating Expenses	—	—	27,762
Distributions and Benefit Payments	—	—	147,659
Administrative and General Expenses	17,571	—	17,683
Total Deductions	1,182,517	8,064,659	193,104
Change in Net Assets Held in Trust for:			
Pension Benefits	1,831,778	—	—
Other Postemployment Benefits	21,617	—	—
Defined Contributions	539,371	—	—
Pool Participants	—	250,715	—
Individuals, Organizations, and Other Governments	—	—	713,888
Net Assets – Beginning	18,345,076	6,073,328	2,459,712
Net Assets – Ending	$ 20,737,842	$ 6,324,043	$ 3,173,600

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

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Component Unit Financial Statements

Utah Housing Corporation

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

Public Employees Health Program

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

University of Utah and Utah State University

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

Nonmajor Component Units

Nonmajor component units are presented beginning on page 192.

State of Utah

Combining Statement Of Net Assets
Component Units

June 30, 2010 (Expressed in Thousands)

	Utah Housing Corporation	Public Employees Health Program	University of Utah	Utah State University
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 70,185	$ 27,711	$ 369,362	$ 34,949
Investments	346,198	27,779	404,517	39,633
Receivables:				
Accounts, net	—	34,180	297,377	54,575
Notes/Loans/Mortgages/Pledges, net	26,057	—	8,478	1,786
Accrued Interest	6,338	1,782	4,284	—
Due From Primary Government	—	—	7,756	—
Due From Component Units	—	—	—	—
Prepaid Items	—	9,764	—	1,949
Inventories	—	—	39,149	4,743
Deferred Charges	—	—	18,194	—
Total Current Assets	448,778	101,216	1,149,117	137,635
Noncurrent Assets:				
Restricted Investments	97,861	—	431,601	74,207
Accounts Receivables, net	—	—	—	36,633
Investments	169,249	193,439	568,765	157,286
Notes/Loans/Mortgages/Pledges Receivables, net	1,294,387	—	85,421	10,328
Deferred Charges	107,099	—	—	—
Other Assets	8,670	—	65,252	—
Capital Assets (net of Accumulated Depreciation)	6,269	293	1,681,491	526,140
Total Noncurrent Assets	1,683,535	193,732	2,832,530	804,594
Total Assets	2,132,313	294,948	3,981,647	942,229
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	46,934	11,324	164,344	41,132
Securities Lending Liability	—	12,787	—	—
Deposits	—	—	70,564	579
Due To Primary Government	—	—	13,952	5,968
Unearned Revenue	—	2,087	66,823	18,042
Current Portion of Long-term Liabilities (Note 10)	174,639	74,251	38,163	22,546
Total Current Liabilities	221,573	100,449	353,846	88,267
Noncurrent Liabilities:				
Accrued Liabilities	95,826	—	—	—
Unearned Revenue	7,952	—	—	1,046
Deposits	—	—	12,900	—
Long-term Liabilities (Note 10)	1,573,075	48,137	483,429	132,569
Total Noncurrent Liabilities	1,676,853	48,137	496,329	133,615
Total Liabilities	1,898,426	148,586	850,175	221,882
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	4,079	293	1,289,089	413,015
Restricted for:				
Nonexpendable:				
Higher Education	—	—	342,260	85,898
Expendable:				
Higher Education	—	—	543,482	129,366
Debt Service	173,732	—	—	—
Insurance Plans	—	146,069	—	—
Other	—	—	—	—
Unrestricted	56,076	—	956,641	92,068
Total Net Assets	$ 233,887	$ 146,362	$ 3,131,472	$ 720,347

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

Nonmajor Component Units	Total
$ 243,414	$ 745,621
89,471	907,598
46,655	432,787
6,955	43,276
421	12,825
139	7,895
4	4
4,347	16,060
15,005	58,897
195	18,389
406,606	2,243,352
60,575	664,244
2,067	38,700
147,805	1,236,544
32,647	1,422,783
—	107,099
6,289	80,211
1,062,251	3,276,444
1,311,634	6,826,025
1,718,240	9,069,377
39,177	302,911
—	12,787
1,528	72,671
3,952	23,872
28,636	115,588
24,381	333,980
97,674	861,809
136	95,962
5,961	14,959
1,701	14,601
112,774	2,349,984
120,572	2,475,506
218,246	3,337,315
958,875	2,665,351
99,597	527,755
156,155	829,003
—	173,732
—	146,069
8,582	8,582
276,785	1,381,570
$ 1,499,994	$ 5,732,062

State of Utah

Combining Statement Of Activities
Component Units

For the Fiscal Year Ended June 30, 2010 (Expressed in Thousands)

	Utah Housing Corporation	Public Employees Health Program	University of Utah	Utah State University
Expenses	$ 109,503	$ 573,675	$ 2,604,200	$ 475,647
Program Revenues:				
Charges for Services:				
Tuition and Fees	—	—	228,464	119,040
Scholarship Allowances	—	—	(27,164)	(39,624)
Sales, Services, and Other Revenues (net of University of Utah patient services allowance of $68,874)	95,937	585,790	1,832,578	66,466
Operating Grants and Contributions	14,059	23,005	464,571	207,157
Capital Grants and Contributions	—	—	49,896	26,584
Total Program Revenues	109,996	608,795	2,548,345	379,623
Net (Expenses) Revenues	493	35,120	(55,855)	(96,024)
General Revenues:				
State Appropriations	—	—	246,631	137,605
Unrestricted Investment Income	—	—	62,661	15,939
Permanent Endowments Contributions	—	—	13,898	3,395
Total General Revenues	0	0	323,190	156,939
Change in Net Assets	493	35,120	267,335	60,915
Net Assets – Beginning	233,394	111,242	2,864,137	659,432
Net Assets – Ending	$ 233,887	$ 146,362	$ 3,131,472	$ 720,347

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

Nonmajor Component Units	Total
$ 1,012,513	$ 4,775,538
359,574	707,078
(74,799)	(141,587)
139,495	2,720,266
280,430	989,222
54,228	130,708
758,928	4,405,687
(253,585)	(369,851)
340,746	724,982
3,013	81,613
3,348	20,641
347,107	827,236
93,522	457,385
1,406,472	5,274,677
$ 1,499,994	$ 5,732,062

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

Blended Component Units

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

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

Discrete Component Units

Discretely presented component units are reported in a separate column and/or rows in each of the government-wide statements to emphasize that they are legally separate from the State.

The Governor appoints at least a majority of the governing board members of each of the State's component units, subject in most cases to approval by the Senate. The Utah Housing Corporation is included in the reporting entity because of its ability to issue moral obligation debt of the State and low-income housing tax credits. The other component units are included in the reporting entity because under the criteria established by GASB, the State has the ability to impose its will on these organizations.

The colleges and universities, the Public Employees Health Program, Comprehensive Health Insurance Pool and the Schools for the Deaf and Blind are included as component units due to the level of budget or day-to-day oversight provided by the State. The Governor-appointed board members of the Military Installation Development Authority, Heber Valley Historic Railroad Authority and Utah State Fair Corporation can be replaced at will.

The State's major discrete component units are:

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

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

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

The State's nonmajor discrete component units are:

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

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

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

Heber Valley Historic Railroad Authority — The Authority is an independent state agency that maintains and operates a scenic and historic railroad in and around the Heber Valley. The Authority issues a separate publicly available compilation report.

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

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

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

Fiduciary Component Units

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

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

In accordance with GAAP, fiduciary funds and component units that are fiduciary in nature are excluded from the government-wide financial statements.

Related Organization (Excluded from Financial Statements)

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

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Government-wide Financial Statements

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

Governmental Fund Financial Statements

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

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

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

- **General Fund**. This fund is the principal operating fund of the State. It accounts for all financial resources of the general government, except those not accounted for and reported in another fund.
- **Education Fund**. This special revenue fund accounts for all corporate taxes, income taxes, and revenues from taxes on intangible property that support public and higher education. Specific revenues that support public elementary and secondary schools in the State are also reported in the Education Fund.
- **Transportation Fund**. This special revenue fund accounts for dedicated highway user taxes, bond proceeds, fees, and federal funds associated with highway construction and maintenance.
- **Transportation Investment Fund**. This special revenue fund accounts for vehicle registration fees, sales and use taxes, bond proceeds, and federal funds associated with Centennial Highway projects and other specific highway projects.
- **Trust Lands Fund**. This is a permanent fund that accounts for land grants and the sale of lands received from the federal *Enabling Act*. The principal in the fund is perpetual, with the earnings used primarily to support public education.

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

Proprietary Fund Financial Statements

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

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

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

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

- **Student Assistance Programs**. These programs make loans to, and purchase loans of, qualified students attending eligible higher education institutions. The programs also guarantee the repayment of student loans made by participating lenders to eligible students.
- **Unemployment Compensation Fund**. This fund pays claims for unemployment to eligible recipients.
- **Water Loan Programs**. This fund provides loans to local governments, water districts, and other entities for the purpose of upgrading water storage facilities and other related structures.
- **Community Impact Loan Fund.** This fund provides loans to local governments to alleviate the social, economic, and public financial impacts resulting from the development of the State's natural resources.

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

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

Fiduciary Fund Financial Statements

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

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

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

Private Purpose Trust Funds — These funds report resources of all other trust arrangements in which principal and income benefit individuals, private organizations or other governments. Examples include the Utah Navajo Royalties Holding Trust, Unclaimed Property Trust, Employers' Reinsurance Trust, Petroleum Storage Tank Trust, and the Utah Educational Savings Plan Trust.

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

Component Unit Financial Statements

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

D. **Fiscal Yearends**

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

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

Cash and Cash Equivalents and Investments

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

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

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

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

Utah Retirement Systems (defined benefit pension plans and defined contribution plans) had five types of derivative financial instruments at yearend: futures, currency forwards, options, swaps, and Synthetic Guaranteed Investment Contracts. Futures contracts are traded on organized exchanges to minimize credit risk. Currency forwards are entered into in order to hedge the exposure to changes in foreign currency exchange rates on foreign currency dominated portfolio holdings. Options give the right, but not the obligation, to buy (call) or sell (put) an asset at a preset price over a specified period. Interest rate swap agreements are entered into in an attempt to manage their exposure to interest rate risk. Interest rate risk represents the exposure to fair value losses arising from the future changes in prevailing market interest rates. Synthetic Guaranteed Investment Contracts are available to members in the Utah Retirement Systems Defined Contribution Plans. Utah Housing Corporation (major component unit) enters into various rate swap contracts as part of its overall funding strategy. The Corporation sells variable rate bonds, although to manage the inherent interest rate risk associated with variable rate debt, it enters into pay fixed, receive variable interest rate swap contracts. See Note 3 for additional information about derivatives.

Receivables

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

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

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

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

Inventories and Prepaid Items

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

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

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

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

Capital Assets

Capital assets, which include land and related assets, buildings, equipment, intangible assets (software), and infrastructure (roads, bridges, drainage systems, lighting systems, and similar items), are reported in the applicable governmental or business-type activities columns, or in the component units column on the government-wide Statement of Net Assets. Capital assets of proprietary funds and fiduciary funds are also recorded in their respective fund statements. Capital assets, with the exception of infrastructure and internally generated software, are defined by the State as assets, which cost $5 thousand or more when acquired and have an estimated useful life greater than one year. Infrastructure assets are capitalized if the cost is over $1 million. Internally generated software is capitalized if the cost is over $500 thousand. Purchased or constructed capital assets are recorded at cost or at estimated historical cost where historical cost is not available. Donated fixed assets are valued at their estimated fair value at the date of donation.

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

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

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

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

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

Accrued Liabilities

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

Deferred Revenue — Unearned and Unavailable

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

Policy Claims Liabilities

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

Long-term Debt

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

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

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

Arbitrage liability is treated as an expense in the government-wide Statement of Net Assets and the proprietary fund financial statements when the liability is recognized. Arbitrage liability is recorded as an expenditure in the governmental funds financial statements when the liability is due. At June 30, 2010, the total estimated arbitrage rebate liability in the Student Assistance Programs (enterprise fund) was $50.214 million, of which $48.32 million represents yield reduction payments and $1.894 million represents the estimated liability for non-purpose interest. Other arbitrage liabilities are immaterial.

Compensated Absences and Postemployment Benefits

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

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

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

The State of Utah also administers the Elected Officials' OPEB Plan, a single-employer defined benefit healthcare plan. Only governors and legislators (elected officials) that retire after January 1, 1998 and have four or more years of service can elect to receive and apply for this benefit. To qualify for health coverage, elected officials must be between 62 and 65 years of age and either be active members at the time of retirement or have continued coverage with the program until the date of eligibility. To qualify for Medicare supplemental coverage an elected official must be at least 65 years of age. The State will pay a portion or all the health benefit costs for the elected official and spouse based on years of service. See Note 17 for additional information.

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

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

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

Net Assets/Fund Balances

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

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

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

F. Revenues and Expenditures/Expenses

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

Grants

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

Federal grants include nonmonetary transactions for food and vaccine commodities. Commodities revenue and expenditures are valued at their federally reported value. Commodity inventories at yearend are immaterial. For the fiscal year ended June 30, 2010, the State reported revenue and expenditures of $25.523 million for commodities in the General Fund, and $16.315 million for commodities in the Education Fund (special revenue fund).

Investment Income

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

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

Retirement and Employee Benefit Costs

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

G. Interfund Transactions

Government-wide Financial Statements

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

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

Governmental Fund Financial Statements

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

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

NOTE 2. BEGINNING NET ASSET ADJUSTMENTS AND OTHER CHANGES

For the fiscal year ended June 30, 2010, the State implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

- GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets.*
- GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions.*
- GASB Statement 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*

In addition to the statements noted above, GASB Statement 53, *Accounting and Financial Reporting for Derivative Instruments,* was implemented by Utah Retirement Systems (fiduciary component unit) and Utah Housing Corporation (major discrete component unit). The required GASB Statement 53 disclosures, from the separate reports of these component units have been included in this report.

GASB Statement 51 requires that identifiable intangible assets be classified and reported as capital assets. This statement also provides guidance on recognizing internally generated computer software as an intangible asset. Retroactive reporting is required except for intangible assets with indefinite useful lives and internally generated assets (i.e., software). The State began capitalizing external software costs over $5,000 and other intangible assets several years ago and, as a result, restatement of beginning net assets or accumulated amortization related to intangible assets was not necessary. The State decided to retroactively capitalize costs from a recently completed internally generated computer software project for new tax systems. As a result, a restatement of $28.447 million was made to beginning net assets of governmental activities. Specific changes are reflected in Note 8.

GASB Statement 54 clarifies the existing governmental fund type definitions and provides clearer fund balance categories and classifications. The new hierarchical fund balance classification is based primarily upon the extent to which a government is bound to follow constraints on resources in governmental funds and includes the terms: *nonspendable, committed, restricted, assigned,* and *unassigned*. This Statement was early implemented. Details on the State's fund balance classifications and policies are reflected in Note 11.

The governmental fund types used by the State were evaluated based on the provisions of GASB Statement 54. Several funds reported as part of Miscellaneous Special Revenue Funds (nonmajor governmental funds) were determined to not meet the new fund type classification for special revenue funds. As a result, the funds were statutorily changed by the Legislature to be sub-accounts within the General Fund. Therefore, a reclassification of $3.264 million was made to reduce the beginning fund balance of Miscellaneous Special Revenue Funds (nonmajor governmental funds) and increase beginning fund balance of the General Fund. This change had no impact on governmental activities as reported on the prior year Statement of Activities.

In defining fund type classifications GASB Statement 54 clarified that specific revenue sources should be recognized in the special revenue fund where these revenues will be expended. In order to comply with this Statement, legislation was passed that requires all activity of the Uniform School Fund (previously a major special revenue fund) be reported within the Education Fund (major special revenue fund). As a result of this change, the beginning fund balance of the Uniform School Fund ($197.168 million) is now combined and reported as part of the beginning fund balance of the Education Fund. This change had no impact on governmental activities as reported on the prior year Statement of Activities.

GASB Statement 55 was implemented upon issuance. This statement incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature.

All provisions of these new statements have been incorporated into the financial statements and notes.

Other Adjustments and Changes

As a result of legislative action, a reclassification of $7.193 million was made to reduce the beginning fund balance related to oil, gas, and mining severance taxes previously reported as part of the General Fund and increase the beginning fund balance of the State Endowment Fund (nonmajor governmental funds). This change had no impact on governmental activities as reported on the prior year Statement of Activities.

The beginning fund balance activity related to the Critical Highway Needs Program was statutorily changed to be reported in the Transportation Investment Fund (major special revenue fund). It was previously reported as part of the Transportation Fund (major special revenue fund). As a result of this change, a reclassification of $338.028 million was made to reduce the beginning fund balance of the Transportation Fund and increase the beginning fund balance of the Transportation Investment Fund. This change had no impact on governmental activities as reported on the prior year Statement of Activities.

NOTE 3. DEPOSITS AND INVESTMENTS

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

A. Primary Government

Custodial Credit Risk — Deposits

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

Deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The deposits for the primary government at June 30, 2010, were $573.367 million. These deposits are exposed to custodial credit risk as follows:

- $316.825 million were exposed to custodial credit risk as uninsured and uncollateralized.
- Exposure to custodial credit risk cannot be determined for $235.137 million of the primary government deposits which are in an FDIC-Insured Savings account at Zions First National Bank (Bank) for Account Owners in the Utah Educational Savings Plan Trust (UESP) (private purpose trust). Contributions to and earnings on the FDIC-Insured Savings account are insured by the FDIC on a pass-through basis to each Account Owner up to the maximum amount set by federal law. The amount of FDIC insurance provided to an individual is based on the total of (1) the value of an Account Owner's investments in the UESP's FDIC-insured savings account plus (2) the value of other accounts held (if any) at the Bank, as determined by the Bank and by FDIC regulations. It is the Account Owners responsibility to determine how investments in the savings account would be aggregated with other investments at the Bank for purposes of FDIC insurance.

Investments

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

The Act authorizes investments in both negotiable and nonnegotiable deposits of qualified depositories and permitted depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Service or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and Student Loan Marketing Association (Sallie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; and shares or certificates in a money market mutual fund as defined in the Act.

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

The primary government's investments at June 30, 2010, are presented below. All investments, except those of the Utah Retirement Systems (pension and other employee benefit trust funds), are presented by investment type and debt securities are presented by maturity. The Utah Retirement Systems are presented consistent with their separately issued financial statements by investment type.

(Table on next page.)

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

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1–5	6–10	More Than 10
Debt Securities					
U.S. Treasuries	$ 8,694	$ 3,904	$ 1,988	$ 2,802	$ —
U.S. Agencies	94,129	66,433	26,864	—	832
Corporate Debt	7,494,988	7,489,451	5,537	—	—
Negotiable Certificates of Deposit	25,282	25,282	—	—	—
Money Market Mutual Fund	1,625,000	1,625,000	—	—	—
Commercial Paper	721,579	721,579	—	—	—
Bond Mutual Fund *	1,032,340	—	—	1,032,340	—
Repurchase Agreements	4,972	4,972	—	—	—
Total Debt Securities Investments	11,006,984	$ 9,936,621	$ 34,389	$ 1,035,142	$ 832
Other Investments					
Equity Securities	12,538				
Equity Mutual Funds Securities:					
Domestic	2,441,448				
International	423,075				
U.S. Unemployment Trust Pool	372,531				
Real Estate Held for Investment Purposes	46,045				
Real Estate Joint Ventures	6,136				
Component Units Investment in Primary Government's Investment Pool	(475,132)				
Total Investments	$13,833,625				

***** At June 30, 2010, the bond mutual fund had an average effective maturity of 6.4 years.

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

In addition, significant funds with a long-term investment perspective have the following mix of investments (percentages are of the fund's total investments).

- Utah Educational Savings Plan Trust (private purpose trust) – $1,801.334 million, 62.6 percent, in domestic equity mutual fund securities; $724.616 million, 25.2 percent, in bond mutual fund; $224.477 million, 7.8 percent, in international equity mutual fund securities; and $126.541 million, 4.4 percent, in the Utah Public Treasurer's Investment Fund.
- Trust Lands (permanent fund) – $459.827 million, 47.6 percent, in domestic equity mutual fund securities; $262.515 million, 27.2 percent, in bond mutual fund; $198.598 million, 20.5 percent, in international equity mutual fund securities; and $45.279 million, 4.7 percent in real estate.
- State Post-Retirement Benefits Trust (pension and other employee benefit trust funds) – $55.577 million, 61.3 percent, in domestic equity mutual fund securities; $29.33 million, 32.3 percent, in bond mutual fund; and $5.757 million, 6.4 percent, in the Utah Public Treasurer's Investment Fund.
- State Endowment Fund (special revenue fund) – $41.621 million, 38.0 percent, in domestic equity mutual fund securities; $15.879 million, 14.5 percent, in bond mutual fund; and $52.091 million, 47.5 percent, in the Utah Public Treasurer's Investment Fund.

(Table on next page.)

Utah Retirement Systems
(pension and other employee benefit trust funds)
Investments at Fair Value
At December 31, 2009
(Expressed in Thousands)

Investment Type	Defined Benefit	Defined Contribution	Total All Systems and Plans
Debt Securities – Domestic	$ 3,090,946	$ 1,338,147	$ 4,429,093
Debt Securities – International	737,908	—	737,908
Equity Securities – Domestic	3,864,773	643,574	4,508,347
Equity Securities – International	2,536,972	178,078	2,715,050
Short-term Securities Pools	804,100	2,994	807,094
Mortgage Loans:			
Real Estate Notes	6,844	—	6,844
Real Estate	2,799,042	—	2,799,042
Private Equity (Venture Capital)	1,410,809	—	1,410,809
Absolute Return	2,411,419	—	2,411,419
Equity Securities – Domestic (Pooled)	—	475,196	475,196
Mutual Fund – International	—	113,351	113,351
Investments Held by Broker-dealers Under Securities Lending Program:			
U.S. Government and Agency Securities	562,642	—	562,642
Corporate Debt Securities – Domestic	84,557	13,718	98,275
Debt Securities – International	44,809	—	44,809
Equity Securities – Domestic	608,407	79,943	688,350
Equity Securities – International	94,287	20,214	114,501
Total Investments	19,057,515	2,865,215	21,922,730
Securities Lending Collateral Pool	1,438,249	117,668	1,555,917
Total Investments	$ 20,495,764	$ 2,982,883	$ 23,478,647

Interest Rate Risk — Investments

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

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

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

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

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

The URS compares an investment's effective duration against the Barclays Capital Aggregate Index for domestic debt securities and the Barclays Capital Global Aggregate Index for international debt securities. The index range at December 31, 2009, was 3.4 – 5.7 for domestic debt securities and 2.7 – 8.1 for international debt securities. At December 31, 2009, no individual debt security investment manager's portfolio was outside of the policy guidelines. At December 31, 2009, the following tables show the investments by investment type, amount, and the effective weighted duration.

(Table on next page.)

Utah Retirement Systems
(pension and other employee benefit trust funds)
Debt Securities Investments, Domestic
At December 31, 2009
(Expressed in Thousands)

Investment	Defined Benefit Plans Fair Value	Defined Benefit Plans Effective Weighted Duration	Defined Contribution Plans Fair Value	Defined Contribution Plans Effective Weighted Duration	Total All Systems and Plans
Asset-backed Securities	$ 130,615	0.65	$ 40,914	0.65	$ 171,529
Commercial Mortgage-backed	157,518	4.07	52,341	2.67	209,859
Corporate Bonds	986,416	5.27	281,871	5.04	1,268,287
Fixed Income Derivatives – Futures	(242,350)	0.34	—	—	(242,350)
Fixed Income Derivatives – Options	65	NA	—	—	65
Fixed Income Futures	242,350	NA	—	—	242,350
Government Agencies	180,062	4.11	251,508	1.96	431,570
Government Bonds	506,551	9.01	23,723	2.28	530,274
Government Mortgage-backed Securities	1,322,557	2.92	270,826	2.01	1,593,383
Guaranteed Fixed Income	104,739	2.23	—	—	104,739
Index Linked Government Bonds	57,893	3.51	—	—	57,893
Municipal/Provincial Bonds	8,983	11.35	9,998	9.36	18,981
Non-government Backed C.M.O.s	281,241	2.09	—	—	281,241
Other Fixed Income	668	NA	101,620	NA	102,288
Other Liabilities	(3,000)	NA	—	—	(3,000)
Other Options	762	NA	—	—	762
Swap Liabilities	(9,742)	NA	—	—	(9,742)
Swaps	12,817	NA	—	—	12,817
Treasury Inflation Protected Securities	—	NA	25,417	4.99	25,417
Treasury Notes	—	NA	278,681	4.77	278,681
Whole loan C.M.O.s	—	NA	14,966	—	14,966
Total Debt Securities Investments, Domestic	$ 3,738,145	4.66	$ 1,351,865	3.06	$ 5,090,010

Utah Retirement Systems
(pension and other employee benefit trust funds)
Debt Securities Investments, International
At December 31, 2009
(Expressed in Thousands)

Investment	Defined Benefit Plans Fair Value	Defined Benefit Plans Effective Weighted Duration
Asset backed securities	$ 3,302	1.59
Corporate Bonds	268,559	5.04
Fixed Income Derivative – Futures	—	NA
Fixed Income Futures	—	NA
Government Agencies	60,830	3.28
Government Bonds	399,449	5.58
Index Linked Government Bonds	2,293	5.89
Municipal/Provincial Bonds	46,746	3.75
Non-government Backed C.M.O.s	781	NA
Unit trust bonds	757	NA
Total Debt Securities Investments, International	$ 782,717	5.09

Credit Risk of Debt Securities

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

The primary government's rated debt investments as of June 30, 2010, with the exception of URS, were rated by Standard and Poor's and/or an equivalent nationally recognized statistical rating organization and the ratings are presented below using the Standard and Poor's rating scale. Securities rated less than "A" met the investment criteria at the time of purchase.

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

Debt Investments	Fair Value	Quality Ratings AAA	AA	A	BBB
U.S. Agencies	$ 94,129	$ 90,991	$ 2,306	$ —	$ —
Corporate Debt	$ 7,494,988	$ 45,903	$ 816,659	$ 5,688,808	$ 943,618
Negotiable Certificates of Deposit	$ 25,282	$ —	$ 25,020	$ —	$ —
Money Market Mutual Fund	$ 1,625,000	$ 205,000	$ —	$ —	$ —
Commercial Paper	$ 721,579	$ —	$ —	$ —	$ —
Bond Mutual Fund	$ 1,032,340	$ —	$ —	$ —	$ —
Repurchase Agreements – Underlying:					
U.S. Treasuries	$ 1,731	$ —	$ —	$ —	$ —
U.S. Agencies	$ 3,241	$ 3,241	$ —	$ —	$ —

Continues Below

Debt Investments	Quality Ratings A1 *	Unrated
U.S. Agencies	$ —	$ 832
Corporate Debt	$ —	$ —
Negotiable Certificates of Deposit	$ —	$ 262
Money Market Mutual Fund	$ —	$ 1,420,000
Commercial Paper	$ 721,579	$ —
Bond Mutual Fund	$ —	$ 1,032,340
Repurchase Agreements – Underlying:		
U.S. Treasuries	$ —	$ 1,731
U.S. Agencies	$ —	$ —

***** A1 is Commercial Paper rating

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

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

The weighted quality rating average of the domestic debt securities, excluding pooled investments, at December 31, 2009, is AAA and the fair value of below grade investments is $218.215 million or 5.84 percent of the domestic portfolio. The weighted quality rating average of the international debt securities investments, at December 31, 2009, is AA+ and the fair value of below grade investments is $ 18.601 million or 2.38 percent of the international portfolio.

The following table presents the URS credit risk ratings as of December 31, 2009:

(Table on next page.)

Utah Retirement Systems
(pension and other employee benefit trust funds)
Debt Securities Investments at Fair Value
At December 31, 2009
(Expressed in Thousands)

Quality Rating	Defined Benefit Plans Domestic	Defined Benefit Plans International	Defined Benefit Plans Total	Defined Contribution Plans Domestic	Total All Systems and Plans
AAA	$ 1,186,873	$ 313,502	$ 1,500,375	$ 86,366	$ 1,586,741
AA+	96,175	17,929	114,104	1,416	115,520
AA	25,679	81,363	107,042	29,562	136,604
AA–	68,529	58,044	126,573	9,693	136,266
A+	78,800	72,056	150,856	93,795	244,651
A	238,398	59,219	297,617	32,528	330,145
A–	93,257	43,779	137,036	28,516	165,552
BBB+	104,805	47,932	152,737	94,750	247,487
BBB	76,055	43,199	119,254	28,105	147,359
BBB–	81,151	27,093	108,244	36,019	144,263
BB+	20,417	1,703	22,120	—	22,120
BB	17,130	6,754	23,884	9,974	33,858
BB–	12,376	—	12,376	5,635	18,011
B+	7,645	—	7,645	—	7,645
B	12,813	1,358	14,171	10,467	24,638
B–	41,975	3,382	45,357	25,264	70,621
CCC+	131	—	131	—	131
CCC	40,401	—	40,401	—	40,401
CCC–	—	1,213	1,213	—	1,213
CC	15,275	—	15,275	—	15,275
C	—	547	547	—	547
D	1,523	—	1,523	—	1,523
NR	48,528	3,644	52,172	25,528	77,700
Total credit risk debt securities	2,267,936	782,717	3,050,653	517,618	3,568,271
U.S. Government and Agencies	1,337,579	—	1,337,579	834,247	2,171,826
Pooled investments	132,630	—	132,630	—	132,630
Total debt securities investments	$ 3,738,145	$ 782,717	$ 4,520,862	$ 1,351,865	$ 5,872,727

Custodial Credit Risk — Investments

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

The primary government's investments at June 30, 2010, except those of the Utah Retirement Systems (URS) (pension and other employee benefit trust funds), were held by the State or in the State's name by the State's custodial banks; except $4.972 million of repurchase agreements where the underlying securities were uninsured and held by the investment's counterparty, not in the name of the State.

At December 31, 2009, the URS investments were registered in the name of URS and held by their custodians; however, there is $12.62 million frictional cash and cash equivalents subject to custodial risk in foreign banks held in URS' name, but because it is in foreign banks it is subject to custodial risk. URS does not have an investment policy regarding custodial credit risk for frictional cash in foreign banks. URS also has $4 thousand of investments for which exposure to custodial credit risk could not be determined.

Concentration of Credit Risk — Investments

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

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

The primary government had no debt securities investments at June 30, 2010, with more than 5 percent of the total investments in a single issuer.

The Utah Retirement Systems debt securities investments had no single issuer investments at December 31, 2009, that exceed their diversified portfolio by sector and by issuer using the following guidelines:

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

Foreign Currency Risk — Investments

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

The Utah Educational Savings Plan Trust (private purpose trust) has $224.477 million and the Trust Lands (permanent fund) has $198.598 million invested in international equity funds. As such, no currency denomination is presented.

The Utah Retirement Systems (URS) (pension and other employee benefit trust funds), expect the International Securities Investment Managers to maintain diversified portfolios by sector and by issuer using the following guidelines:

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

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

(Table on next page.)

Utah Retirement Systems
(pension and other employee benefit trust funds)
Foreign Currency Risk
International Investment Securities at Fair Value
At December 31, 2009
(Expressed in Thousands)

	Defined Benefit Plans				Defined Contribution Plans	Total All Systems
Currency	**Short-term**	**Debt**	**Equity**	**Total**	**Equity**	**and Plans**
American Depository Receipts (ADR) US dollar	$ —	$ 8,383	$ 897,067	$ 905,450	$ —	$ 905,450
Argentine peso	2	—	131	133	—	133
Australian dollar	205	39,313	65,588	105,106	12,893	117,999
Brazilian real	—	12,713	13,155	25,868	—	25,868
British pound sterling	872	91,047	327,309	419,228	32,440	451,668
Canadian dollar	1,763	57,681	71,246	130,690	6,685	137,375
Cayman Islands dollar	—	606	—	606	—	606
Chilean peso	—	1,310	—	1,310	—	1,310
Chinese yuan renminbi	—	—	23,475	23,475	—	23,475
Croatian kuna	—	5,601	—	5,601	—	5,601
Czech koruna	—	—	123	123	—	123
Danish krone	54	24,212	5,666	29,932	636	30,568
Euro	6,717	297,172	545,895	849,784	63,442	913,226
Hong Kong dollar	64	—	53,483	53,547	6,291	59,838
Icelandic krona	—	1,497	—	1,497	—	1,497
Indian rupee	—	—	5,525	5,525	—	5,525
Japanese yen	159	48,553	382,692	431,404	39,619	471,023
Korean won	—	17,619	17,364	34,983	—	34,983
Malaysian ringgit	—	15,283	6,640	21,923	—	21,923
Mexican peso	—	26,141	—	26,141	—	26,141
Netherlands antillean gulden	—	—	7,363	7,363	—	7,363
New Zealand dollar	66	3,499	149	3,714	65	3,779
Norwegian krone	90	22,491	8,479	31,060	1,499	32,559
Panamanian balboa	—	1,703	5,317	7,020	—	7,020
Philippines peso	—	—	1,804	1,804	—	1,804
Polish zloty	—	27,913	—	27,913	—	27,913
Puerto Rico – US dollar	—	—	4,908	4,908	—	4,908
Qatari riyal	—	15,953	—	15,953	—	15,953
Russian Federation ruble	—	14,590	1,462	16,052	—	16,052
Singapore dollar	69	11,681	11,462	23,212	1,414	24,626
Swedish krona	76	15,236	18,589	33,901	3,971	37,872
Swiss franc	564	17,034	140,179	157,777	16,096	173,873
Taiwanese new dollar	1,892	—	6,900	8,792	—	8,792
Thai baht	—	2,596	1,250	3,846	—	3,846
Tunisian dinar	—	735	—	735	—	735
Turkish lira	—	—	5,915	5,915	—	5,915
United Arab Emirates dirham	—	2,155	2,123	4,278	—	4,278
Pooled International Investments	—	—	—	—	126,592	126,592
Total Securities Subject to Foreign Currency Risk	$ 12,593	$ 782,717	$ 2,631,259	$ 3,426,569	$ 311,643	$ 3,738,212

B. **Component Units**

Custodial Credit Risk — Deposits

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

The component units follow the Money Management Act by making deposits only in qualified financial institutions in accordance with the Act. The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The deposits for the component units at June 30, 2010, were $268.279 million. Of these, $243.982 million were exposed to custodial credit risk as uninsured and uncollateralized.

Investments

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

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

The component units' debt investments at June 30, 2010, are presented below.

Component Units Debt Securities Investments
(Expressed in Thousands)

Investment Type	Fair Value	Investment Maturities (in years): Less Than 1	1–5	6–10	11–20	More Than 20
U.S. Treasuries	$ 558,947	$ 219,609	$ 338,258	$ 55	$ 1,025	$ —
Government National Mortgage Association	7	—	—	—	7	—
U.S. Agencies	790,811	334,213	113,606	79,588	202,397	61,007
Corporate Debt	229,535	140,046	32,442	50,515	5,791	741
Commercial Paper	22,762	22,762	—	—	—	—
Money Market Mutual Funds	401,734	401,734	—	—	—	—
Negotiable Certificates of Deposit	1,525	1,076	449	—	—	—
Municipal/Public Bonds	11,847	152	538	5,246	5,911	—
Repurchase Agreements	43,904	43,904	—	—	—	—
Guaranteed Investment Contracts	108,204	23,351	1,241	5,242	78,370	—
Bond Mutual Funds	252,525	142	52,101	177,195	23,087	—
Securities Lending Cash Collateral Pool	12,787	12,787	—	—	—	—
Utah Public Treasurer's Investment Fund	475,132	475,132	—	—	—	—
Total Debt Securities Investments	$ 2,909,720	$ 1,674,908	$ 538,635	$ 317,841	$ 316,588	$ 61,748

Interest Rate Risk — Investments

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

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The component units' policy for reducing exposure to investment credit risk is the same as described above for the primary government. The component units' debt investments as of June 30, 2010, were rated by Standard and Poor's and/or an equivalent nationally recognized statistical rating organization and the ratings are presented below using the Standard and Poor's rating scale.

Component Units Rated Debt Investments
(Expressed in Thousands)

Debt Investments	Fair Value	Quality Ratings AAA	AA	A	BBB
U.S. Agencies	$ 790,811	$ 784,664	$ —	$ 6,147	$ —
Corporate Debt	$ 229,535	$ —	$ 35,675	$ 125,877	$ 45,353
Commercial Paper	$ 22,762	$ —	$ —	$ —	$ —
Money Market Mutual Funds	$ 401,734	$ 330,651	$ —	$ —	$ —
Negotiable Certificates of Deposit	$ 1,525	$ —	$ —	$ —	$ —
Municipal/Public Bonds	$ 11,847	$ 9,009	$ —	$ 2,748	$ —
Guaranteed Investment Contracts	$ 108,204	$ —	$ —	$ —	$ —
Bond Mutual Funds	$ 252,525	$ —	$ 1,668	$ 1,017	$ 307
Securities Lending Cash Collateral Pool	$ 12,787	$ —	$ —	$ —	$ —
Utah Public Treasurer's Investment Fund	$ 475,132	$ —	$ —	$ —	$ —
Repurchase Agreements – Underlying:					
U.S. Agencies	$ 6,781	$ 1,788	$ —	$ —	$ —
Money Market Mutual Funds	$ 37,123	$ —	$ —	$ —	$ —

Continues Below

Debt Investments	Quality Ratings BB	B	A1 *	Unrated
U.S. Agencies	$ —	$ —	$ —	$ —
Corporate Debt	$ 3,457	$ 1,327	$ —	$ 17,846
Commercial Paper	$ —	$ —	$ 22,762	$ —
Money Market Mutual Funds	$ —	$ —	$ —	$ 71,083
Negotiable Certificates of Deposit	$ —	$ —	$ —	$ 1,525
Municipal/Public Bonds	$ —	$ 90	$ —	$ —
Guaranteed Investment Contracts	$ —	$ —	$ —	$ 108,204
Bond Mutual Funds	$ —	$ 190	$ —	$ 249,343
Securities Lending Cash Collateral Pool	$ —	$ —	$ —	$ 12,787
Utah Public Treasurer's Investment Fund	$ —	$ —	$ —	$ 475,132
Repurchase Agreements – Underlying:				
U.S. Agencies	$ —	$ —	$ —	$ 4,993
Money Market Mutual Funds	$ —	$ —	$ —	$ 37,123

***** A1 is Commercial Paper rating

Custodial Credit Risk — Investments

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

The various component units' investments at June 30, 2010, were held by the component unit or in the name of the component unit by the component unit's custodial bank or trustee, except the following which were uninsured, were not registered in the name of the component unit, and were held by (expressed in thousands):

Counterparty	
U.S. Treasuries	$ 506,501
U.S. Agencies	$ 432,746
Corporate Debt	$ 3,823
Repurchase Agreements	$ 11,620
Equity Securities – Domestic	$ 5,177
Counterparty's Trust Department or Agent	
U.S. Treasuries	$ 44,877
U.S. Agencies	$ 85,712
Corporate Debt	$ 92,183
Repurchase Agreements	$ 32,284

Concentration of Credit Risk — Investments

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

The Utah Housing Corporation places no limit on the amount the Corporation may invest in any one issuer. More than five percent of the Corporation's investments are in the Federal National Mortgage Association, Government National Mortgage Association, CDC Guaranteed Investment Contracts, and Trinity. These investments are 12.94 percent, 14.24 percent, 5.45 percent and 5.37 percent, respectively, of the Corporation's total investments.

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

Utah State University held more than 5 percent of total investments in securities of American Express, the Federal Home Loan Bank, the Federal National Mortgage Association, and Freddie Mac. These investments represent 5.9 percent, 22.7 percent, 14.5 percent, and 5.9 percent, respectively, of the University's total investments.

Foreign Currency Risk — Investments

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The component units do not have a formal policy to limit foreign currency risk. Dixie State College of Utah–Foundation (nonmajor component unit) has $1.334 million invested in international equities and, as such, no currency denomination is presented.

C. Securities Lending

The Utah Retirement Systems (URS) (pension and other employee benefit trust funds) and the Public Employees Health Program (PEHP) (component unit) participate in security lending programs as authorized by their Boards. Under these programs, securities are transferred to an independent broker or dealer in exchange for collateral in the form of cash, government securities, and irrevocable bank letters of credit equal to approximately 103 percent and 102 percent of the market value of the domestic securities on loan (respectively for URS and PEHP) and 105 percent of the market value of the international securities on loan (URS only), with a simultaneous agreement to return the collateral for the same securities in the future. For both state entities, their custodial bank is the agent for its securities lending program. Securities under loan are maintained in the financial records, and corresponding liabilities are recorded for market value of the collateral received.

At yearend, neither the Utah Retirement Systems nor Public Employees Health Program had any credit risk exposure to borrowers because the collateral exceeded the amount borrowed. The securities on loan at yearend for the entities were $1.509 billion and $12.483 million, respectively, and the collateral received for those securities on loan was $1.556 billion and $12.787 million, respectively. Under the terms of the lending agreement, both state entities are indemnified against loss should the lending agent be unable to recover borrowed securities and distributions due to borrower insolvency or failure of the lending agent to properly evaluate the creditworthiness of the borrower. In addition, they are indemnified against loss should the lending agent fail to demand adequate and appropriate collateral on a timely basis. All securities loaned can be terminated on demand by either the state entity or the borrower. Cash collateral is invested in the lending agent's short-term investment pool.

The short-term investment pool guidelines specify that a minimum of 20 percent of the invested cash collateral is to be available each business day and that the dollar weighted average maturity of holdings should not exceed 60 days. The relationship between the maturities of the short-term investment pool and each of the state entities' loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the state entities cannot determine. Since the securities lending collateral is in a pool maintained by the custodial bank, the state entities do not have the ability to pledge or sell the securities, and it is not necessary to report the total income and expenses of securities lending.

D. Derivative Financial Instruments

Utah Retirement Systems

The Utah Retirement Systems (URS) (pension and other employee benefit trust funds) invests in derivative financial investments as authorized by Board policy. Derivatives are financial arrangements between two parties whose payments are based on, or "derived" from, the performance of some agreed-upon benchmark. All derivatives are considered investments and their fair value is reported in the Statement of Fiduciary Net Assets–Pension and Other Employee Benefit Trust Funds. By policy, portfolio liabilities associated with investments shall be backed by cash equivalents or deliverable securities. URS does not have a policy regarding master netting arrangements. At December 31, 2009, URS had five types of derivative financial instruments: futures, currency forwards, options, swaps, and Synthetic Guaranteed Investment Contracts.

Futures represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specified price. Futures contracts are traded on organized exchanges (exchange traded) thereby minimizing URS' credit risk. The net change in the futures contracts value is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included with trading account securities gains or losses in the Statement of Changes in Fiduciary Net Assets. At December 31, 2009 and December 31, 2008, URS' investments had the following notional futures balances (expressed in thousands):

Futures	2009 Notional Value	2008 Notional Value
Cash and Cash Equivalent Derivative:		
Long	$ 32,136	$ 373,887
Short	(6,704)	(27,148)
Equity Derivatives:		
Long	363,221	446,893
Short	(189,853)	—
Fixed Income:		
Long	150,237	180,978
Short	(392,587)	(619,353)
Total Futures	$(43,550)	$ 355,257

Currency forwards represent forward foreign exchange contracts that are entered into in order to hedge the exposure to changes in foreign currency exchange rate on the foreign currency dominated portfolio holdings. A forward foreign exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in net realized gains or losses on foreign currency related transactions. At December 31, 2009 and December 31, 2008, URS investments included the following currency forwards balances (expressed in thousands):

Currency Forwards	2009 Fair Value	2008 Fair Value
Forwards Subject to Foreign Currency Risk (pending foreign exchange sales):		
Defined Benefit Plans	$ (2,862)	$ 1,268
Defined Contribution Plans	(1)	—

Options represent or give buyers the right, but not the obligation, to buy (call) or sell (put) an asset at a preset price over a specified period. The option's price is usually a small percentage of the underlying asset's value. As a writer of financial options, URS receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. As a purchaser of financial options, URS pays a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. At December 31, 2009 and December 31, 2008, URS investments had the following options balances (expressed in thousands):

Options	**2009 Notional Market Value**	**2008 Notional Market Value**
Cash and Cash Equivalent:		
Call	$ (333)	$ (626)
Put	(209)	(11)
Equity:		
Call	(8)	—
Put	(271)	—
Fixed Income:		
Call	65	(1,276)
Put	—	(1,209)
Swaptions:		
Call	1,381	(3,667)
Put	(618)	(798)
Total Options	$ 7	$ (7,587)

URS has entered into various interest rate swap agreements in an attempt to manage their exposure to interest rate risk. Interest rate risk represents the exposure to fair value losses arising from the future changes in prevailing market interest rates. Swaps represent an agreement between two or more parties to exchange sequences of cash flows over a period in the future. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counter party who, in turn, agrees to make return interest payments that float with some reference rate. Most of the interest rate swaps were purchased in connection with variable real estate debt. Those interest rate swaps allowed URS to effectively convert most of their long term variable interest rate credit facility loans into fixed interest rate loans, thereby mitigating some of their interest rate risk. Gains and losses on swaps are determined based on market values and are recorded in the Statement of Changes in Fiduciary Net Assets. Swap market values are determined by an independent third party. At December 31, 2009 and December 31, 2008, URS investments had the swap market value balances as shown in the table below.

Utah Retirement Systems
(pension and other employee benefit trust funds)
Interest Rate Swaps
December 31, 2009
(Expressed in Thousands)

	Outstanding Notional Amount*	**URS Rate****	**Counterparty Rate****	**Maturity Date**	**2009 Fair Value**	**2008 Fair Value**
Real Estate Portfolio Interest Rate Swaps:						
	$ 1,137,699	4.057 % – 5.464 %	One Month LIBOR	2010–2021	$ (100,104)	$ (164,945)
Fixed Income Portfolio Interest Rate Swaps:						
	$ 527,520	3.500 % – 5.067 %	Three Month LIBOR	2009–2019	$ (8,667)	$ (53,662)
	620,200	Three Month LIBOR	3.416 % – 5.503 %	2009–2027	11,743	60,743
Total Fixed Income Interest Rate Swaps	$ 1,147,720				$ 3,076	$ 7,081

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

Derivatives which are exchange traded are not subject to credit risk. No derivatives held are subject to custodial credit risk. The maximum loss that would be recognized at December 31, 2009, if all counterparties fail to perform as contracted is $20.598 million. The maximum exposure is reduced by $9.445 million in collateral held and $19.62 million of liabilities, resulting in no net exposure to credit risk. Credit ratings for the wrap contracts associated with the Synthetic Guaranteed Investment Contracts are noted below. At December 31, 2009, the counterparties' credit ratings for currency forwards, swaptions, and swaps are subject to credit risk.

Utah Retirement Systems
(pension and other employee benefit trust funds)
Credit Risk Derivatives at Fair Value
December 31, 2009
(Expressed in Thousands)

Quality Rating	Forwards	Options	Swaps	Total
AA	$ (2,574)	$ —	$ (12,863)	$ (15,437)
AA–	2,485	—	—	2,485
A+	(2,178)	762	2,225	809
A	115	—	(86,389)	(86,274)
A–	(711)	—	—	(711)
Total	$ (2,863)	$ 762	$ (97,027)	$ (99,128)

In the URS Defined Contribution Plans, members are able to participate in Synthetic Guaranteed Investment Contracts (SGICs). The SGICs are fully benefit responsive which means that URS is prohibited from assigning and selling the contract or its proceeds to a third party without the consent of the issuer. Prospective interest crediting rate adjustments are provided to plan participants. The SGICs provide assurance that the probability of future rate adjustments resulting in an interest crediting rate less than zero is remote. The underlying investments are high credit quality averaging AA+ and therefore credit loss is remote. The terms of the SGICs require all plan participants to initiate transactions with the fund at contract value. The contract value is the fair value (cost plus accrued interest). The fair value of these contracts at December 31, 2009 is $856.36 million and the market value is $849.101 million. Credit ratings for the wrap contracts associated with the Synthetic Guaranteed Investment Contracts are also noted below.

Utah Retirement Systems
(pension and other employee benefit trust funds)
Synthetic Guaranteed Investment Contracts Underlying Investments*
December 31, 2009
(Expressed in Thousands)

	1–5 Year Government Credit		Intermediate Government Credit		Total Underlying Investments	
	Fair Value	Market Value	Fair Value	Market Value	Fair Value	Market Value
Asset Backed Securities	$ 11,977	$ 11,771	$ 12,197	$ 7,843	$ 24,174	$ 19,614
Agencies	197,548	194,142	58,585	129,365	256,133	323,507
Corporates	13,999	13,758	62,944	9,168	76,943	22,926
Mortgage Backed Securities	60,042	59,007	22,299	39,319	82,341	98,326
Treasuries	189,563	186,295	121,495	124,136	311,058	310,431
Commercial Mortgage Back Securities	31,836	31,287	21,015	20,848	52,851	52,135
Cash	13,533	13,300	39,327	8,862	52,860	22,162
Total	$ 518,498	$ 509,560	$ 337,862	$ 339,541	$ 856,360	$ 849,101

* New Investment Contracts – 2008 information not available

Utah Retirement Systems
(pension and other employee benefit trust funds)
Wrap Contracts
December 31, 2009
(Expressed in Thousands)

	Fair Value	Market Value	Rate	Duration	Quality Ratings
Issued Wrap Contracts	$ 856,360	$ 849,101	1.72% – 3.63%	2.60 – 3.67	AAA – A+
Repurchase	27,864	27,864	0.12%		
Total	$ 884,224	$ 876,965			

Utah Housing Corporation

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

Objective — In order to protect against the potential of rising interest rates on its variable rate debt, the Corporation has entered into 76 separate pay-fixed, receive-variable interest rate swaps as of June 30, 2010. Based on the assumption that the payments on the variable rate debt will be substantially offset by the receipts on the interest rate swaps, the net cost associated with the synthetic fixed rate structure over the life of the bonds will be less than what the Corporation would have paid had it issued fixed rate debt. The Corporation's swaps are all similar in nature and summary information is included in this report. More detailed information about each swap is included in the Corporation's separately issued financial statements.

Terms, Fair Values, and Credit Risk — The terms, including the fair values of the outstanding swaps as of June 30, 2010, are summarized below. The notional amounts of the swaps matched the principal amounts of the associated debt at the time of issuance. Except as discussed under rollover risk, the Corporation's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds payable.

Utah Housing Corporation
Interest Rate Swap Agreements
June 30, 2010
(Expressed in Thousands)

Outstanding Notional Amount	Effective Dates	Fixed Rate Paid by the Corporation	Variable Rate Received from Counterparty	Fair Values	Swap Termination Dates
$ 519,005	2008	3.920 % to 5.610 %	SIFMA* plus .27 %	$ (68,851)	2021 – 2030
124,000	2008	3.730 % to 4.253 %	SIFMA* plus .11 %	(15,952)	2026 – 2030
37,450	2008	3.713 % to 4.000 %	SIFMA* plus .08 %	(3,592)	2028 – 2032
14,000	2008	3.299 % to 3.299 %	SIFMA*	(979)	2023
30,800	2008	4.640 % to 7.760 %	LIBOR** plus .15 %	(3,407)	2010 – 2020
25,610	2008	5.301 % to 5.545 %	LIBOR** plus .01 %	(2,333)	2038
$ 750,865				$ (95,114)	

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

Fair Values — The fair values of swaps are a function of market interest rates and the remaining term on the swap contracts. The fair values of the swap contracts were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. Changes in the fair value of a hedging derivative (such as the Corporation's pay-fixed, receive-variable interest rate swap contracts) are reported as either deferred inflows or deferred outflow of resources in the balance sheet as long as the hedge is deemed effective. Management has recorded a deferred outflow of resources in non-current assets, and derivative instrument swap liability in non-current liabilities in the amount of $95.1 million as of June 30, 2010, compared to $73.8 million in the prior year, resulting in an overall decrease in the change in fair value of $21.3 million.

Credit Risk — The Corporation executes derivative instruments interest rate swap transactions with two counterparties, Barclays Bank and Deutsche Bank. The credit ratings for each of the counterparties is Aa3/AA–. The Corporation's swap contracts do not require it to post collateral at anytime. The Corporation believes that the high credit rating by both parties will mitigate most credit risk associated with the derivatives' fair value. During the year ended June 30, 2009, the Corporation received a net gain of $8.903 million in connection with the replacement of their swaps. This net gain is represented in the financial statements as deferred revenue and is being amortized over the life of the swap agreements. The ability to acquire replacement swaps demonstrates a strong mitigating factor associated with credit and fair value risks.

Basis Risk — The Corporation's tax-exempt variable-rate bond coupon payments have historically been substantially the same as the SIFMA rate. Its taxable variable-rate bond coupon payments have historically been substantially the same as the LIBOR rate. At June 30, 2010, the weighted average interest rate on Corporation's variable-rate hedged debt is 0.28 percent, while the SIFMA swap index is 0.25 percent and the month LIBOR is 0.35 percent. As the interest rate swaps pay a variable rate based on the SIFMA rate (tax-exempt debt), or the LIBOR rate (taxable debt), the Corporation therefore has limited exposure to basis risk except as disclosed under the Tax/Cross-over Risk.

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

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

Rollover Risk — The Corporation is exposed to rollover risk on swaps that mature or may be terminated prior to the maturity of the associated debt. When these swaps terminate, or in the case of the termination option, the Corporation will not realize the synthetic rate offered by the swaps on the underlying debt issues. As of June 30, 2010, the Corporation's swap termination dates ranged from 0 to 24.5 years prior to the maturity dates of the associated debt.

NOTE 4. INVESTMENT POOL

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

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

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

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

The PTIF condensed financial statements, inclusive of external and internal participants along with the portfolio statistics for the fiscal year ended June 30, 2010, are as follows:

Public Treasurer's Investment Fund
Statement of Net Assets
June 30, 2010
(*Expressed in Thousands*)

Assets	
Cash and Cash Equivalents	$ 2,015,907
Investments	7,942,667
Total Assets	$ 9,958,574
Net Assets Consist of:	
External Participant Account Balances	$ 6,324,043
Internal Participant Account Balances:	
Primary Government	3,151,077
Component Units	482,609
Unrealized Gains/Losses	845
Net Assets	$ 9,958,574
Participant Account Balance Net Asset Valuation Factor	1.00385638

(Notes continue on next page)

Public Treasurer's Investment Fund
Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2010
(*Expressed in Thousands*)

Additions	
Pool Participant Deposits	$ 11,362,162
Investment Income:	
Investment Earnings	114,250
Fair Value Increases (Decreases)	(12,425)
Total Investment Income	101,825
Less Administrative Expenses	(352)
Net Investment Income	101,473
Total Additions	11,463,635
Deductions	
Pool Participant Withdrawals	10,981,815
Earnings Distributions	104,247
Total Deductions	11,086,062
Net Increase/(Decrease) From Operations	377,573
Net Assets	
Beginning of Year	9,581,001
Net Assets – End of Year	$ 9,958,574

Public Treasurer's Investment Fund
Portfolio Statistics

June 30, 2010

	Range of Yields	Weighted Average Maturity
Money Market Mutual Fund	0.19 % – 0.60 %	1.00 days
Certificates of Deposit – Negotiable	0.45 % – 0.45 %	27.00 days
Certificates of Deposit – Nonnegotiable	0.60 % – 0.75 %	70.00 days
U.S. Agencies	0.50 % – 2.01 %	320.22 days
Corporate Bonds and Notes	0.25 % – 7.00 %	89.16 days
Commercial Paper	0.25 % – 0.75 %	33.54 days

June 30, 2010

	Weighted Average Yield	Average Adjusted Maturity
Total Investment Fund	0.83 %	72.61 days

Deposits and Investments

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

Custodial Credit Risk — Deposits

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

The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The deposits for the PTIF at June 30, 2010, were $2.001 million. Of those, $1.5 million were exposed to custodial credit risk as uninsured and uncollateralized.

Investments

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

The PTIF investments at June 30, 2010, are presented below.

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

		Investment Maturities (in years)	
Investment Type	Fair Value	Less Than 1	1–5
Debt Securities			
U.S. Agencies	$ 90,106	$ 65,047	$ 25,059
Corporate Bonds and Notes	7,477,783	7,477,783	—
Negotiable Certificates of Deposit	25,020	25,020	—
Money Market Mutual Fund	1,625,000	1,625,000	—
Commercial Paper	701,105	701,105	—
	$ 9,919,014	$ 9,893,955	$ 25,059

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

Interest Rate Risk — Investments

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

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The PTIF follows the Money Management Act as its policy for reducing exposure to investment credit risk. The PTIF's rated debt investments as of June 30, 2010, were rated by Standard and Poor's and/or an equivalent nationally recognized statistical rating organization and the ratings are presented below using the Standard and Poor's rating scale.

(Notes continue on next page)

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

Rated Debt Investments	Fair Value	Quality Ratings AAA	AA	A	BBB
U.S. Agencies	$ 90,106	$ 90,106	$ —	$ —	$ —
Corporate Bonds and Notes	$ 7,477,783	$ 45,903	$ 814,111	$ 5,678,250	$ 939,519
Negotiable Certificates of Deposit	$ 25,020	$ —	$ 25,020	$ —	$ —
Money Market Mutual Fund	$ 1,625,000	$ 205,000	$ —	$ —	$ —
Commercial Paper	$ 701,105	$ —	$ —	$ —	$ —

Continues Below

Rated Debt Investments	Quality Ratings A1 *	Not Rated
U.S. Agencies	$ —	$ —
Corporate Bonds and Notes	$ —	$ —
Negotiable Certificates of Deposit	$ —	$ —
Money Market Mutual Fund	$ —	$ 1,420,000
Commercial Paper	$ 701,105	$ —

***** A1 is Commercial Paper rating

Concentration of Credit Risk — Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The PTIF's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5 percent of the total dollar amount held in the portfolio. The Money Management Council limitations do not apply to securities issued by the U.S. government and its agencies. The PTIF had no debt securities investments at June 30, 2010, with more than 5 percent of the total investments in a single issuer.

(Notes continue on next page.)

NOTE 5. RECEIVABLES

Receivables as of June 30, 2010, consisted of the following (in thousands):

	Accounts Receivable					
	Federal	Customer	Other	Interest	Taxes	Notes/ Mortgages
Governmental Activities:						
General Fund	$ 317,471	$ 228,687	$ 15,361	$ 31	$ 199,255	$ 2,512
Education Fund	129,285	5	10	—	558,771	8,856
Transportation Fund	56,057	14,163	1,469	—	58,879	445
Transportation Investment Fund	—	—	—	—	25,650	—
Trust Lands	—	—	10,539	1,065	—	15,323
Nonmajor Funds	511	7,954	—	66	—	—
Internal Service Funds	—	3,124	—	—	—	1,300
Adjustments:						
Fiduciary Funds	—	—	92	—	—	—
Total Receivables	503,324	253,933	27,471	1,162	842,555	28,436
Less Allowance for Uncollectibles:						
General Fund	—	(57,804)	—	—	(22,556)	(1,566)
Education Fund	—	—	—	—	(129,356)	—
Transportation Fund	—	—	(340)	—	(863)	—
Transportation Investment Fund	—	—	—	—	(3,679)	—
Receivables, net	$ 503,324	$ 196,129	$ 27,131	$ 1,162	$ 686,101	$ 26,870
Current Receivables	$ 503,324	$ 167,014	$ 17,232	$ 1,162	$ 575,711	$ 4,440
Noncurrent Receivables	—	29,115	9,899	—	110,390	22,430
Total Receivables, net	$ 503,324	$ 196,129	$ 27,131	$ 1,162	$ 686,101	$ 26,870
Business-type Activities:						
Student Assistance Programs	$ 7,599	$ 1,810	$ —	$ 31,068	$ —	$ 2,065,976
Unemployment Compensation	3,944	93,419	—	—	—	—
Water Loan Programs	396	150	—	13,039	1,823	672,287
Community Impact Loan Fund	—	—	—	3,378	—	344,275
Nonmajor Funds	47	16,631	—	2,234	—	131,718
Total Receivables	11,986	112,010	0	49,719	1,823	3,214,256
Less Allowance for Uncollectibles:						
Student Assistance Programs	—	—	—	—	—	(4,160)
Unemployment Compensation	—	(30,422)	—	—	—	—
Receivables, net	$ 11,986	$ 81,588	$ 0	$ 49,719	$ 1,823	$ 3,210,096

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

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

Aggregated receivables for component units at June 30, 2010, were $1.861 billion for major component units and $88.745 million for nonmajor component units, net of an allowance for doubtful accounts of $176.616 million and $6.145 million, respectively.

NOTE 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2010, consisted of the following (in thousands):

	Salaries/ Benefits	Service Providers	Vendors/ Other	Government	Tax Refunds	Interest	Total
Governmental Activities:							
General Fund	$ 58,992	$ 237,963	$ 39,425	$ 80,158	$ 2,809	$ —	$ 419,347
Education Fund	2,795	1,772	11,135	106,443	21,813	—	143,958
Transportation Fund	6,427	296	102,061	47,283	353	—	156,420
Nonmajor Funds	105	—	37,828	292	—	54,204	92,429
Internal Service Funds	6,358	—	16,222	—	—	4	22,584
Adjustments:							
Fiduciary Funds	—	—	—	3,540	—	—	3,540
Other	—	—	—	—	—	1,532	1,532
Total Governmental Activities	$ 74,677	$ 240,031	$ 206,671	$ 237,716	$ 24,975	$ 55,740	$ 839,810
Business-type Activities:							
Student Assistance Programs	$ 2,005	$ —	$ 7,783	$ 10,174	$ —	$ 2,415	$ 22,377
Unemployment Compensation	—	1,603	—	8	—	—	1,611
Water Loan Programs	—	—	554	—	—	—	554
Nonmajor Funds	2,223	—	9,366	1	—	588	12,178
Adjustments:							
Fiduciary Funds	—	—	—	103	—	—	103
Total Business-type Activities	$ 4,228	$ 1,603	$ 17,703	$ 10,286	$ 0	$ 3,003	$ 36,823

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

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

(Notes continue on next page.)

NOTE 7. INTERFUND BALANCES AND LOANS

Interfund Balances

Interfund balances at June 30, 2010, consisted of the following (in thousands):

Due to General Fund from:	
Education Fund	$ 159
Transportation Fund	1,142
Trust Lands Fund	23
Nonmajor Governmental Funds	2,098
Unemployment Compensation Fund	2,729
Water Loan Programs	675
Nonmajor Enterprise Funds	19,041
Internal Service Funds	2,466
Fiduciary Funds	64
Total due to General Fund from other funds	$ 28,397
Due to Education Fund from:	
General Fund	$ 390
Unemployment Compensation Fund	1,498
Fiduciary Funds	11
Total due to Education Fund from other funds	$ 1,899
Due to Transportation Fund from:	
General Fund	$ 247
Nonmajor Governmental Funds	1,151
Internal Service Funds	389
Total due to Transportation Fund from other funds	$ 1,787
Due to Trust Lands Fund from Nonmajor Enterprise Funds	$ 7,919
Due to Nonmajor Governmental Funds from:	
General Fund	$ 1,349
Education Fund	63
Transportation Fund	1,289
Internal Service Funds	194
Fiduciary Funds	7
Total due to Nonmajor Governmental Funds from other funds	$ 2,902
Due to Water Loan Programs from:	
General Fund	$ 130
Trust Lands Fund	21
Nonmajor Governmental Funds	7,001
Total due to Water Loan Programs from other funds	$ 7,152
Due to Nonmajor Enterprise Funds from:	
General Fund	$ 91
Education Fund	21
Transportation Fund	57
Nonmajor Governmental Funds	35,831
Water Loan Programs	30
Internal Service Funds	12
Total due to Nonmajor Enterprise Funds from other funds	$ 36,042
Due to Internal Service Funds from:	
General Fund	$ 16,377
Education Fund	166
Transportation Fund	4,400
Nonmajor Governmental Funds	1,483
Nonmajor Enterprise Funds	320
Internal Service Funds	29
Fiduciary Funds	10
Total due to Internal Service Funds from other funds	$ 22,785
Due to Fiduciary Funds from:	
General Fund	$ 508
Education Fund	1
Trust Lands Fund	122
Nonmajor Governmental Funds	2,909
Nonmajor Enterprise Funds	103
Total due to Fiduciary Funds from other funds	$ 3,643
Total Due to/Due froms	$ 112,526

These balances resulted from the time lags between the dates that: (***1***) interfund goods and services are provided or reimbursable expenditures occur; (***2***) transactions are recorded in the accounting system; and (***3***) payments between funds are made.

Interfund Loans

At June 30, 2010, interfund loans receivable/payable balances consist of $29.726 million revolving loans payable to the General Fund from Internal Service Funds. The balance payable to the General Fund from Internal Service Funds of $ 29.726 million includes $ 2.861 million that is not expected to be repaid within one year and is classified as nonspendable fund balance.

(Notes continue on next page.)

NOTE 8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows (in thousands):

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets Not Depreciated/Amortized:				
Land and Related Assets	$ 1,088,212	$ 272,229	$ (6,123)	$ 1,354,318
Infrastructure	9,406,853	699,906	(42,985)	10,063,774
Construction-In-Progress	793,112	1,286,497	(946,217)	1,133,392
Total Capital Assets Not Depreciated/Amortized	11,288,177	2,258,632	(995,325)	12,551,484
Capital Assets Depreciated/Amortized:				
Buildings and Improvements	1,534,071	172,673	(539)	1,706,205
Infrastructure	48,849	8,642	—	57,491
Machinery and Equipment	455,611	36,728	(21,419)	470,920
Intangible Assets-Software	84,336	71,735	(7,306)	148,765
Total Capital Assets Depreciated/Amortized	2,122,867	289,778	(29,264)	2,383,381
Less Accumulated Depreciation/Amortization for:				
Buildings and Improvements	(498,232)	(40,466)	309	(538,389)
Infrastructure	(11,843)	(6,094)	—	(17,937)
Machinery and Equipment	(307,467)	(30,673)	17,296	(320,844)
Intangible Assets-Software	(50,493)	(12,811)	7,306	(55,998)
Total Accumulated Depreciation/Amortization	(868,035)	(90,044)	24,911	(933,168)
Total Capital Assets Depreciated/Amortized, Net	1,254,832	199,734	(4,353)	1,450,213
Capital Assets, Net	$12,543,009	$2,458,366	$ (999,678)	$14,001,697
Business-type Activities:				
Capital Assets Not Depreciated/Amortized:				
Land and Related Assets	$ 17,930	$ 3,685	$ (42)	$ 21,573
Construction-In-Progress	2,120	4,127	(569)	5,678
Total Capital Assets Not Depreciated/Amortized	20,050	7,812	(611)	27,251
Capital Assets Depreciated/Amortized:				
Buildings and Improvements	62,408	7,731	(809)	69,330
Infrastructure	304	—	—	304
Machinery and Equipment	14,799	233	(1,161)	13,871
Intangible Assets-Software	322	—	(93)	229
Total Capital Assets Depreciated/Amortized	77,833	7,964	(2,063)	83,734
Less Accumulated Depreciation/Amortization for:				
Buildings and Improvements	(13,380)	(1,856)	384	(14,852)
Infrastructure	(73)	(7)	—	(80)
Machinery and Equipment	(12,130)	(517)	1,160	(11,487)
Intangible Assets-Software	(293)	(21)	93	(221)
Total Accumulated Depreciation/Amortization	(25,876)	(2,401)	1,637	(26,640)
Total Capital Assets Depreciated/Amortized, Net	51,957	5,563	(426)	57,094
Capital Assets, Net	$ 72,007	$ 13,375	$ (1,037)	$ 84,345

In the beginning balance column above, *intangible assets – software,* governmental activities was increased by $84.336 million, of which $28.447 million is a beginning balance adjustment. This $28.447 million adjustment is due to implementing GASB Statement 51, as described in Note 2.

The State implemented GASB Statement 51 which requires the separate reporting of intangible assets as a major class of capital asset for footnote disclosure. As a result, beginning balances related to software, previously reported in *machinery and equipment* and accumulated *depreciation/amortization* of the governmental activities and business-type activities was reclassified and is now reported as part of beginning balances for *intangible assets – software* and *accumulated depreciation/amortization*.

Construction-in-progress of governmental activities includes amounts for buildings the State is constructing for colleges and universities and other discrete component units that are funded by state appropriations or state bond proceeds. As the buildings are completed, the applicable amounts are deleted from construction-in-progress of governmental activities and "transferred" to the colleges and universities and other discrete component units. For fiscal year 2010, $50.889 million of buildings were completed for colleges and universities and $6.436 million for other discrete component units.

On the government-wide statement of activities, the building "transfers" are reported as higher education expenses of governmental activities and as program revenues of component units.

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

General Government	$ 16,168
Human Services and Youth Corrections	5,337
Corrections, Adult	5,978
Public Safety	5,461
Courts	6,123
Health and Environmental Quality	3,502
Employment and Family Services	8,201
Natural Resources	10,247
Community and Culture	386
Business, Labor, and Agriculture	1,014
Public Education	1,239
Transportation	8,709
Depreciation on capital assets of the State's internal service funds is charged to the various functions based on their usage of services provided	17,679
Total	$ 90,044

Discretely Presented Component Units

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

	Utah Housing Corporation	Public Employees Health Program	University of Utah	Utah State University	Nonmajor Component Units	Total
Capital Assets Not Depreciated/Amortized:						
Land and Related Assets	$ 1,472	$ —	$ 19,620	$ 24,028	$ 93,058	$ 138,178
Construction-In-Progress	—	—	333,598	42,796	10,446	386,840
Total Capital Assets Not Depreciated/ Amortized	1,472	0	353,218	66,824	103,504	525,018
Capital Assets Depreciated/Amortized:						
Building and Improvements	5,064	—	1,600,431	628,599	1,343,127	3,577,221
Infrastructure	—	—	187,978	—	24,064	212,042
Machinery and Equipment	1,897	1,647	890,343	204,876	194,330	1,293,093
Total Capital Assets Depreciated/Amortized	6,961	1,647	2,678,752	833,475	1,561,521	5,082,356
Less Total Accumulated Depreciation/ Amortization	(2,164)	(1,354)	(1,350,479)	(374,159)	(602,774)	(2,330,930)
Total Capital Assets Depreciated/ Amortized, Net	4,797	293	1,328,273	459,316	958,747	2,751,426
Discretely Presented Component Units – Capital Assets, Net	$ 6,269	$ 293	$ 1,681,491	$ 526,140	$1,062,251	$ 3,276,444

The State had long-term construction project commitments totaling $ 208.266 million at June 30, 2010. The following construction projects have remaining commitments and represent reservations of fund balance in the Capital Projects Funds (nonmajor governmental funds):

Capital Projects Fund
Construction Project Commitments
(Expressed in Thousands)

Project	Description	Remaining Construction Commitment
02243750	U of U – New Museum of Natural History	$ 31,538
06272750	U of U – Eccles School of Business	28,847
06291750	U of U – USTAR Neuroscience & Biomedical Technology	22,796
09021240	OWATC – Health Technology Building	17,284
09029750	U of U – Neuropsychiatric Institute	12,682
08258750	U of U – Skaggs Pharmacy Research Building	10,619
07297730	SUU – Gibson Science Center Addition	9,824
06292700	USTAR/USU – Life Sciences Research	7,581
09191810	WSU – Residential Life Building	6,956
07039260	MATC – Utah County Building	6,482
07310770	USU – Agriculture Building	5,159
07260750	U of U – Nursing Building Renovation/Expansion	4,503
09024670	SLCC – RRC New Media Building	4,040
07258700	Snow – Library/Classroom Building	3,457
08273770	USU – Vernal Bingham Entrepreneurship	2,062
09218900	UDOT – Strawberry Maintenance Station	1,762
09240200	Rehab – Residential Apartments for the Blind	1,573
07146520	DWR – Springville Hatchery Water Treatment System	1,414
08008770	USU – Early Childhood Research Center	1,134
08231110	Corrections – CUCF 192 Bed Expansion	1,100
07049810	WSU – Heat Plant Boiler Replacement	1,086
—	All Others	26,367
	Total Commitments	$ 208,266

(Notes continue on next page.)

NOTE 9. LEASE COMMITMENTS

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

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

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

The primary government's capital lease payments were $2.790 million in principal and $1.874 million in interest for fiscal year 2010. As of June 30, 2010, the historical cost of the primary government's assets acquired through capital leases was $36.935 million of which $35.397 million was buildings and $1.538 million was equipment and other depreciable assets. As of June 30, 2010, the accumulated depreciation of the primary government's assets acquired through capital leases was $9.58 million of which $8.605 million was buildings and $975 thousand was equipment and other depreciable assets.

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

Operating lease expenditures for fiscal year 2010 were $30.561 million for the primary government and $29.995 million for component units. For fiscal year 2009, the operating lease expenditures were $33.941 million for the primary government and $27.911 million for component units. Future minimum lease commitments for noncancellable operating leases and capital leases as of June 30, 2010, were as follows:

Future Minimum Lease Commitments
(Expressed in Thousands)

	Operating Leases			Capital Leases		
Fiscal Year	Primary Government	Component Units	Total	Primary Government	Component Units	Total
2011	$ 21,672	$ 28,559	$ 50,231	$ 3,030	$ 19,459	$ 22,489
2012	17,335	24,585	41,920	2,709	16,695	19,404
2013	13,746	24,879	38,625	2,664	13,251	15,915
2014	9,022	24,568	33,590	2,696	8,957	11,653
2015	5,191	24,848	30,039	2,727	6,263	8,990
2016–2020	8,566	95,897	104,463	12,301	10,373	22,674
2021–2025	1,331	79,311	80,642	9,916	5,231	15,147
2026–2030	11	68,123	68,134	2,096	336	2,432
2031–2035	10	1,523	1,533	—	—	—
2036–2040	10	875	885	—	—	—
2041–2045	10	875	885	—	—	—
2046–2050	10	700	710	—	—	—
2051–2055	10	—	10	—	—	—
2056–2060	5	—	5	—	—	—
Total Future Minimum Lease Payments	$ 76,929	$ 374,743	$ 451,672	38,139	80,565	118,704
Less Amounts Representing Interest				(10,597)	(10,603)	(21,200)
Present Value of Future Minimum Lease Payments				$ 27,542	$ 69,962	$ 97,504

NOTE 10. LONG-TERM LIABILITIES

A. Changes in Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010, are presented in the following table. As referenced below, certain long-term liabilities are discussed in other Notes to the Financial Statements.

Long-term Liabilities
(Expressed in Thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds	$ 1,492,620	$ 982,170	$ (175,490)	$ 2,299,300	$ 209,060
State Building Ownership Authority Lease Revenue Bonds	148,654	101,595	(13,620)	236,629	14,371
Net Unamortized Premiums	80,962	65,853	(27,121)	119,694	—
Deferred Amounts on Refunding	(10,151)	—	3,071	(7,080)	—
Capital Leases (Note 9)	19,210	11,122	(2,790)	27,542	1,843
Contracts/Notes Payable	512	—	(28)	484	18
Compensated Absences (Note 1) *	162,689	76,420	(76,989)	162,120	77,352
Claims	43,650	11,321	(13,074)	41,897	17,038
Pollution Remediation Obligation **	7,687	59	(56)	7,690	702
Net OPEB Obligation (Note 17)	3,918	2,118	(343)	5,693	—
Settlement Obligations ***	—	39,422	—	39,422	7,422
Total Governmental Long-term Liabilities	$ 1,949,751	$ 1,290,080	$ (306,440)	$ 2,933,391	$ 327,806
Business-type Activities					
Student Assistance Revenue Bonds	$ 2,235,322	$ 158,000	$ (1,004,400)	$ 1,388,922	$ 510
State Building Ownership Authority Lease Revenue Bonds	73,676	25,160	(2,360)	96,476	3,309
Water Loan Recapitalization Revenue Bonds	—	65,800	—	65,800	—
Net Unamortized Premiums	1,491	3,035	(433)	4,093	—
Deferred Amounts on Refunding	(267)	—	46	(221)	—
Contracts/Notes Payable	297,381	1,351,007	(837,034)	811,354	66,305
Claims and Uninsured Liabilities	14,941	878,298	(874,134)	19,105	15,808
Arbitrage Liability (Note 1)	57,782	133	(7,701)	50,214	1,050
Total Business-type Long-term Liabilities	$ 2,680,326	$ 2,481,433	$ (2,726,016)	$ 2,435,743	$ 86,982
Component Units					
Revenue Bonds	$ 2,188,350	$ 764,872	$ (628,851)	$ 2,324,371	$ 200,352
Net Unamortized Premiums/(Discounts)	2,440	522	(189)	2,773	(34)
Capital Leases/Contracts Payable (Notes 9 and 10)	69,958	21,606	(15,198)	76,366	18,297
Notes Payable	45,179	4,853	(7,778)	42,254	3,604
Claims	121,957	582,399	(578,923)	125,433	77,296
Leave/Termination Benefits (Note 1)	118,870	69,320	(75,423)	112,767	34,465
Total Component Unit Long-term Liabilities	$ 2,546,754	$ 1,443,572	$ (1,306,362)	$ 2,683,964	$ 333,980

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

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

*** A Final Settlement Agreement was entered into and under the terms of the settlement, the State agreed to pay $26 million to the Utah Navajo Royalties Holding Fund (private purpose trust fund) plus $7 million in court and legal fees. See Note 19 for additional information. The State settled additional claims totaling $6.422 million that still need approval by the Governor, and approval and funding by the Legislature.

B. **General Obligation Bonds**

The State issues general obligation bonds to provide funds for acquisition, construction, and renovation of major capital facilities and for highway construction. In addition, general obligation bonds have been issued to refund general obligation bonds, revenue bonds, and capitalized leases. General obligation bonds are secured by the full faith and credit of the State. Debt service requirements are provided by legislative appropriation from the State's general tax revenues. As of June 30, 2010, the State had $102.775 million, $42.5 million, and $2.144 billion of authorized but unissued general obligation building, State land acquisition, and highway bond authorizations remaining, respectively.

During fiscal year 2010, the State issued $490.410 million Series 2009 C and $491.760 million Series 2009 D general obligation bonds. The proceeds were used to provide funds for certain highway projects and various other construction projects.

General obligation bonds payable information is presented below:

General Obligation Bonds Payable
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2010
2002 A Highway/Capital Facility Issue	06/27/02	2003–2011	3.00 % to 5.25 %	$ 281,200	$ 12,325
2002 B Refunding Issue	07/31/02	2004–2012	3.00 % to 5.38 %	$ 253,100	170,290
2003 A Highway/Capital Facility Issue	06/26/03	2005–2013	2.00 % to 5.00 %	$ 407,405	173,000
2004 A Refunding Issue	03/02/04	2010–2016	4.00 % to 5.00 %	$ 314,775	314,775
2004 B Highway/Capital Facility Issue	07/01/04	2005–2019	4.75 % to 5.00 %	$ 140,635	90,480
2007 Highway/Capital Facility Issue	07/03/07	2008–2014	4.00 % to 5.00 %	$ 75,000	57,450
2009 A Highway Issue	03/17/09	2010–2023	2.00 % to 5.00 %	$ 394,360	394,360
2009 B Capital Facility Issue	05/19/09	2010–2015	4.00 %	$ 104,450	104,450
2009 C Highway/Capital Facility Issue	09/29/09	2011–2018	2.00 % to 5.00 %	$ 490,410	490,410
2009 D Highway Issue	09/29/09	2019, 2024	4.15 %, 4.55 %	$ 491,760	491,760
Total General Obligation Bonds Outstanding					2,299,300
Plus Unamortized Bond Premium					117,095
Less Deferred Amount on Refunding					(6,456)
Total General Obligation Bonds Payable					$ 2,409,939

(*Notes continue on next page*.)

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

	Principal						
Fiscal Year	**2002A Highway/ Capital Facility**	**2002 B Refunding Bonds**	**2003 A Highway/ Capital Facility**	**2004 A Refunding Bonds**	**2004 B Highway/ Capital Facility**	**2007 Highway/ Capital Facility**	**2009A Highway Bonds**
2011	$ 6,000	$ 53,670	$ 50,025	$ 39,310	$ 25,755	$ 10,185	$ 23,665
2012	6,325	56,705	15,100	40,830	30,600	15,030	23,680
2013	—	59,915	52,575	11,245	3,575	10,300	23,680
2014	—	—	55,300	18,480	3,750	10,720	23,680
2015	—	—	—	73,595	3,950	11,215	23,680
2016–2020	—	—	—	131,315	22,850	—	126,325
2021–2025	—	—	—	—	—	—	149,650
Total	$ 12,325	$ 170,290	$ 173,000	$ 314,775	$ 90,480	$ 57,450	$ 394,360

Continues Below

	Principal					
Fiscal Year	**2009B Capital Facility Bonds**	**2009C Highway/ Capital Bonds**	**2009D Highway Bonds**	**Total Principal Required**	**Total Interest Required**	**Total Amount Required**
2011	$ 450	$ —	$ —	$ 209,060	$ 96,596	$ 305,656
2012	19,175	4,085	—	211,530	86,677	298,207
2013	19,950	35,225	—	216,465	77,154	293,619
2014	20,775	97,950	—	230,655	67,268	297,923
2015	21,600	71,545	—	205,585	57,555	263,140
2016–2020	22,500	281,605	74,145	658,740	181,876	840,616
2021–2025	—	—	417,615	567,265	50,913	618,178
Total	$ 104,450	$ 490,410	$ 491,760	$2,299,300	$ 618,039	$2,917,339

C. **Revenue Bonds**

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

Governmental Activities

The Utah State Building Ownership Authority (SBOA) has issued bonds for the purchase and construction of facilities to be leased to state agencies and other organizations. The bonds are secured by the facilities and repayment is made from lease income appropriated by the Legislature and is not considered pledged revenue of the State. The outstanding bonds payable at June 30, 2010 are reported as a long-term liability of the governmental activities, except for $96.254 million and $2.236 million, which are reported in the Alcoholic Beverage Control Fund and the Utah Correctional Industries Fund (nonmajor enterprise funds), respectively. These portions are reported as liabilities of the business-type activities on the government-wide statement of net assets.

Business-type Activities

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

The Student Assistance Programs include $377.512 million of bonds bearing interest at an adjustable rate, which is determined weekly by a remarketing agent. The Programs bonds also include adjustable rate bonds that are set by an auction procedure every 28 days in the amount of $494.05 million and $508.825 million of bonds that are auctioned every 35 days.

The Student Assistance Programs bonds issued under the 1988 Trust Estate are limited obligations of the Board secured by and payable solely from the Trust Estate established by the Indenture. The bonds were issued to finance eligible student loans. The Trust Estate consists of: Student loans acquired under the indenture; all proceeds of the bonds and net revenues in the funds and accounts; and any other property pledged to the Trust Estate. The Board has pledged these assets and net revenues to repay $339.512 million of outstanding student loan revenue bonds which are payable through 2039. The total principal and interest remaining to be paid on the bonds is discussed below. Principal and interest paid for the current year and total net revenues before interest expense were $160.87 million and $9.283 million, respectively.

The Student Assistance Program's bonds issued under the 1993 Trust Estate are limited obligations of the Board secured by and payable solely from the Trust Estate established by the Indenture. The bonds were issued to finance eligible student loans. The Trust Estate consists of student loans acquired under the indenture, all proceeds of the bonds and net revenues in the funds and accounts, and any other property pledged to the Trust Estate. The Board has pledged these assets and net revenues to repay $932.875 million of outstanding student loan revenue bonds which are payable through 2046. The total principal and interest remaining to be paid on the bonds is discussed below. Principal and interest paid for the current year and total net revenues before interest expense were $599.812 million and $17.665 million, respectively.

The Student Assistance Program's bonds issued under the 2010 Trust Estate are limited obligations of the Board secured by and payable solely from the Trust Estate established by the Indenture. The bonds were issued to finance eligible student loans. The Trust Estate consists of student loans acquired under the indenture, all proceeds of the bonds and net revenues in the funds and accounts, and any other property pledged to the Trust Estate. The Board has pledged these assets and net revenues to repay $108 million of outstanding student loan revenue bonds which are payable through 2048. The total principal and interest remaining to be paid on the bonds is discussed below. Principal and interest paid for the current year and total net revenues before interest expense were $50.275 million and $403.488 thousand, respectively.

The State's Water Loan Programs have issued recapitalization revenue bonds to provide additional capital for the State's revolving water resources loan programs. The bonds are secured by and repayments are made from the pledged principal and interest payments (pledged revenues) of specific revolving water resources loan funds. These pledged revenues will not be available for other purposes until the end of fiscal year 2023 when the bonds are completely paid off. Pledged revenues were projected to produce 150 percent of debt service requirements over the life of the bonds. The total principal and interest remaining to be paid on the bonds is $85.103 million. For the current year principal and interest paid and total repayments from pledged revenues were $862 thousand and $2.304 million, respectively. Of the bonds payable outstanding at June 30, 2010, $67.624 million are reported in the Water Loan Program Fund (major enterprise fund). These portions are reported as liabilities of the business-type activities on the government-wide statement of net assets.

Discrete Component Units

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

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

Information on pledged revenues for discrete component units for the fiscal year ended June 30, 2010, is presented below.

Pledged Revenue — Component Units
(Expressed in Thousands)

	Utah Housing Corporation	University of Utah	Utah State University	Nonmajor Component Units
Type of Revenue Pledged*	D	A, B, C	A, B	A
Amount of Pledged Revenue	$3,037,862	$561,672	$147,628	$113,088
Term of Commitment	Thru 2051	Thru 2032	Thru 2035	Thru 2033
Percent of Revenue Pledged	100.00 %	100.00 %	100.00 %	100.00 %
Current Year Pledged Revenue	$ 95,937	$142,497	$ 31,362	$ 15,299
Current Year Principal and Interest Paid	$ 647,511	$ 27,572	$ 8,139	$ 9,586

*****Type of Revenue Pledged:

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

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

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

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

Revenue Bonds Payable — Primary Government
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2010
Governmental Activities					
SBOA Lease Revenue Bonds:					
Series 1992 A	07/15/92	1993–2011	5.30 % to 5.75 %	$ 26,200	$ 4,245
Series 1992 B	07/15/92	1994–2011	4.00 % to 6.00 %	$ 1,380	230
Series 1993 A	12/01/93	1995–2013	4.50 % to 5.25 %	$ 6,230	1,410
Series 1998 C	08/15/98	2000–2019	3.80 % to 5.50 %	$ 101,557	69,835
Series 2001 A	11/21/01	2005–2021	4.00 % to 5.00 %	$ 69,850	5,350
Series 2001 B	11/21/01	2002–2024	3.00 % to 5.75 %	$ 14,240	11,100
Series 2003	12/30/03	2005–2025	2.00 % to 5.00 %	$ 20,820	15,110
Series 2004 A	10/26/04	2005–2027	3.00 % to 5.25 %	$ 32,458	27,754
Series 2009 D	09/09/09	2014–2017	5.00 %	$ 12,125	12,125
Series 2009 E	09/09/09	2018–2030	4.62 % to 5.77 %	$ 89,470	89,470
Total Lease Revenue Bonds Outstanding					236,629
Plus Unamortized Bond Premium					2,599
Less Deferred Amount on Refunding					(624)
Total Lease Revenue Bonds Payable					$ 238,604

Continues Below

Revenue Bonds Payable — Primary Government
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2010
Business-type Activities					
Student Assistance Programs:					
1988 Trust Estate Student Loan Indentures	1988–2005	2005–2039	Variable	$ 360,580	$ 339,512
1993 Trust Estate Student Loan Indentures	1993–2006	2009–2046	Variable	$1,503,375	932,875
2010 Trust Estate Student Loan Indentures	2010	2010–2048	Variable	$ 158,000	108,000
Office Facility Bond Fund	2002, 2004	2003–2024	4.00 % to 5.25 %	$ 11,780	8,535
Total Revenue Bonds Outstanding					1,388,922
Plus Unamortized Bond Premium					34
Total Revenue Bonds Payable					$ 1,388,956
SBOA Lease Revenue Bonds:					
Series 1998 C	08/15/98	2000–2019	3.80 % to 5.50 %	$ 3,543	$ 2,630
Series 2001 B	11/21/01	2004–2023	3.25 % to 5.25 %	$ 11,540	8,535
Series 2003	12/30/03	2005–2025	2.00 % to 5.00 %	$ 1,905	1,470
Series 2004 A	10/26/04	2005–2025	3.00 % to 5.25 %	$ 13,347	11,126
Series 2006 A	01/10/06	2006–2027	3.50 % to 5.00 %	$ 8,355	7,485
Series 2007 A	07/10/07	2009–2028	4.25 % to 5.00 %	$ 15,380	14,565
Series 2009 A	03/25/09	2011–2030	3.00 % to 5.00 %	$ 25,505	25,505
Series 2009 B	09/09/09	2012–2019	3.00 % to 5.00 %	$ 8,455	8,445
Series 2009 C	09/09/09	2024, 2029	5.29 %, 5.77 %	$ 16,715	16,715
Total Lease Revenue Bonds Outstanding					96,476
Plus Unamortized Bond Premium					2,235
Less Deferred Amount on Refunding					(221)
Total Lease Revenue Bonds Payable					$ 98,490

Continues Below

Revenue Bonds Payable — Primary Government
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2010
Business-type Activities					
Water Loan Programs:					
Series 2010 C Revolving Loan Recapitalization Revenue Bonds.......	02/23/10	2018–2022	4.19 % to 4.79 %	$ 31,225	$ 31,225
Series 2010 B Revolving Loan Recapitalization Revenue Bonds.......	02/23/10	2014–2017	2.25 % to 5.00 %	$ 16,125	16,125
Series 2010 A Revolving Loan Recapitalization Revenue Bonds.......	02/23/10	2011–2014	1.15 % to 2.57 %	$ 18,450	18,450
Total Recapitalization Revenue Bonds Outstanding................................					65,800
Plus Unamortized Bond Premium.............					1,824
Total Recapitalization Revenue Bonds Payable.......................................					$ 67,624
Total Revenue/Lease Revenue/ Recapitalization Revenue Bonds Payable..................................					$ 1,793,674

(*Notes continue on next page*.)

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

	Principal							
Fiscal Year	**1988 Trust Estate Student Loan Indentures**	**1993 Trust Estate Student Loan Indentures**	**2010 Trust Estate Student Loan Indentures**	**Office Facility Bond Fund**	**1992 A Utah State Building Ownership Authority**	**1992 B Utah State Building Ownership Authority**	**1993 A Utah State Building Ownership Authority**	**1998 C Utah State Building Ownership Authority**
2011	$ —	$ —	$ —	$ 510	$ 2,060	$ 110	$ 445	$ 8,410
2012	—	—	—	535	2,185	120	470	8,345
2013	—	—	—	555	—	—	495	8,805
2014	16,250	—	—	585	—	—	—	9,290
2015	201,922	—	—	610	—	—	—	8,850
2016–2020	16,340	—	—	3,530	—	—	—	28,765
2021–2025	20,500	35,000	—	2,210	—	—	—	—
2026–2030	—	40,000	—	—	—	—	—	—
2031–2035	49,500	150,800	—	—	—	—	—	—
2036–2040	35,000	251,350	—	—	—	—	—	—
2041–2045	—	305,325	—	—	—	—	—	—
2046–2050	—	150,400	108,000	—	—	—	—	—
Total	$ 339,512	$ 932,875	$ 108,000	$ 8,535	$ 4,245	$ 230	$ 1,410	$ 72,465

Continues Below

	Principal							
Fiscal Year	**2001A Utah State Building Ownership Authority**	**2001 B Utah State Building Ownership Authority**	**2003 Utah State Building Ownership Authority**	**2004 A Utah State Building Ownership Authority**	**2006 A Utah State Building Ownership Authority**	**2007 A Utah State Building Ownership Authority**	**2009 A Utah State Building Ownership Authority**	**2009 B Utah State Building Ownership Authority**
2011	$ —	$ 1,090	$ 1,325	$ 2,550	$ 315	$ 545	$ 830	$ —
2012	—	1,135	1,375	2,665	325	565	875	900
2013	—	1,175	1,440	2,795	335	585	900	925
2014	—	1,225	835	2,945	350	610	925	975
2015	—	1,280	875	3,085	365	645	950	1,020
2016–2020	5,350	7,370	4,905	13,675	2,055	3,650	5,375	4,625
2021–2025	—	6,360	5,825	9,205	2,555	4,610	6,875	—
2026–2030	—	—	—	1,960	1,185	3,355	8,775	—
2031–2035	—	—	—	—	—	—	—	—
2036–2040	—	—	—	—	—	—	—	—
2041–2045	—	—	—	—	—	—	—	—
2046–2050	—	—	—	—	—	—	—	—
Total	$ 5,350	$ 19,635	$ 16,580	$ 38,880	$ 7,485	$ 14,565	$ 25,505	$ 8,445

Continues Below

(*Table continues on next page.*)

Fiscal Year	Principal					
	2009 C Utah State Building Ownership Authority	2009 D Utah State Building Ownership Authority	2009 E Utah State Building Ownership Authority	2010 A Revolving Loan Recap Program	2010 B Revolving Loan Recap Program	2010 C Revolving Loan Recap Program
2011..............	$ —	$ —	$ —	$ —	$ —	$ —
2012	—	—	—	4,595	—	—
2013	—	—	—	4,660	—	—
2014	—	1,300	—	4,745	—	—
2015	—	3,425	—	4,450	410	—
2016–2020	1,305	7,400	9,305	—	15,715	11,660
2021–2025	7,625	—	28,490	—	—	19,565
2026–2030	7,785	—	51,675	—	—	—
2031–2035	—	—	—	—	—	—
2036–2040	—	—	—	—	—	—
2041–2045	—	—	—	—	—	—
2046–2050	—	—	—	—	—	—
Total	$ 16,715	$ 12,125	$ 89,470	$ 18,450	$ 16,125	$ 31,225

Continues Below

Fiscal Year	Total Principal Required	Interest Required	Total Amount Required
2011..............	$ 18,190	$ 35,580	$ 53,770
2012	24,090	34,612	58,702
2013	22,670	33,624	56,294
2014	40,035	32,158	72,193
2015	227,887	28,233	256,120
2016–2020	141,025	85,812	226,837
2021–2025	148,820	57,354	206,174
2026–2030	114,735	34,879	149,614
2031–2035	200,300	21,241	221,541
2036–2040	286,350	14,702	301,052
2041–2045	305,325	8,816	314,141
2046–2050	258,400	5,076	263,476
Total	$ 1,787,827	$ 392,087	$ 2,179,914

(*Notes continue on next page.*)

Revenue Bonds Payable — Component Units
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2010
Utah Housing Corporation Issues	1994–2010	2011–2051	Variable and 0.60 % to 8.00 %	$ 3,286,103	$ 1,747,173
University of Utah Revenue Bonds	1987–2009	2014–2032	Variable and 2.00 % to 6.75 %	$ 563,575	404,896
Utah State University Revenue Bonds	1999-2009	2014–2035	1.90 % to 5.25 %	$ 119,800	94,597
Nonmajor Component Units Revenue Bonds	2001–2010	2010–2033	2.00 % to 6.00 %	$ 107,830	77,705
Total Revenue Bonds Outstanding					2,324,371
Colleges and Universities Plus Unamortized Bond Premium					2,773
Total Revenue Bonds Payable					$ 2,327,144

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

	Principal						
Fiscal Year	Utah Housing Corporation	University of Utah	Utah State University	Nonmajor Component Units	Total Principal Required	Interest Required	Total Amount Required
2011	$ 174,098	$ 17,139	$ 3,765	$ 5,350	$ 200,352	$ 96,170	$ 296,522
2012	20,527	15,809	4,552	5,575	46,463	95,230	141,693
2013	21,989	17,626	4,710	4,275	48,600	93,277	141,877
2014	23,611	18,454	4,892	4,445	51,402	91,202	142,604
2015	24,439	18,884	5,040	4,640	53,003	88,963	141,966
2016–2020	165,468	93,306	20,663	19,335	298,772	405,655	704,427
2021–2025	242,445	97,435	17,665	15,000	372,545	326,616	699,161
2026–2030	309,673	104,643	18,385	13,000	445,701	228,059	673,760
2031–2035	376,830	21,600	14,925	6,085	419,440	118,949	538,389
2036–2040	258,915	—	—	—	258,915	38,620	297,535
2041–2045	66,639	—	—	—	66,639	8,477	75,116
2046–2050	29,519	—	—	—	29,519	2,034	31,553
2051–2055	33,020	—	—	—	33,020	33	33,053
Total	$ 1,747,173	$ 404,896	$ 94,597	$ 77,705	$ 2,324,371	$ 1,593,285	$ 3,917,656

D. **Conduit Debt Obligations**

Of the Utah Housing Corporation (component unit) bonds outstanding, $375.763 million were issued as multi-family purchase bonds. Of those bonds, $343.963 million are conduit debt obligations issued on behalf of third parties. The Corporation is not obligated in any manner for repayment of the conduit debt. However, in accordance with the Corporation's accounting policies, the conduit debt is reported in the Corporation's financial statements.

In 1985, the State Board of Regents authorized the University of Utah (component unit) to issue Variable Rate Demand Industrial Development Bonds for the Salt Lake City Marriott University Park Hotel separate from the University. The bonds are payable solely from revenues of the hotel. The bonds do not constitute a debt or pledge of the faith and credit of the University of Utah or the State and, accordingly, have not been reported in the accompanying financial statements. The outstanding balance of the bonds at June 30, 2010, is $4.585 million.

The State Charter School Finance Authority (component unit) issued conduit debt obligations on behalf of various charter schools. The debt is the responsibility of the charter schools, and neither the State nor any political subdivision of the State is obligated in any manner for repayment of the debt. Accordingly, this debt has not been reported in the accompanying financial statements. The outstanding balance at June 30, 2010, is $128.316 million in tax-exempt and $410 thousand in taxable conduit debt.

E. **Demand Bonds**

- The Student Assistance Programs had $269.512 million of demand bonds outstanding at June 30, 2010, subject to purchase on the demand of the holder at a price equal to principal plus accrued interest, on seven days notice and delivery to the Board's remarketing agent.

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

  The Student Assistance Programs have an irrevocable direct-pay letter of credit expiring November 15, 2011, in the amount of $37.462 million to support the Series 1993 A bonds of $35 million. In addition, the Student Assistance Programs have a standby bond purchase agreements of $16.499 million expiring November 20, 2013 to support the Series 1988 C bonds of $16.25 million, $80.041 million expiring November 16, 2025 to support the Series 1995 L bonds of $74.604 million, $92.651 million expiring February 11, 2024 to support the Series 2005 W bonds of $86.358 million, $58.289 million expiring February 11, 2024 to support the 2005 Series X bonds of $57.3 million.

  Under the terms of the liquidity facility, the interest on the bonds held in the liquidity facility are paid at the Bank Rate which is defined as the greater of the Federal Funds Rate plus 0.5 percent per annum, or the Prime Rate. The Bank Rate on the bonds increases by 1.25 percent if the bonds remain in the liquidity facility for more than 90 days. The Bank Rate for the year ended June 30, 2010 ranged between 3.25 percent and 4.5 percent. The bonds are redeemable in semi-annual installments from available funds, provided that all of the unpaid principal amount of Bank Bonds shall be redeemed by the seventh anniversary of the Bank Purchase Date.

  On April 5, 2010, the Student Assistance Programs issued $158 million of variable rate Series 2010A student loan revenue bonds at par. The Student Assistance Programs used $149.775 million of the proceeds to refund the variable rate 2008 Series A student loan revenue bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2.3 million. This difference reported as deferred bond issuance costs, will be amortized through the year 2048 using the straight line method. The Student Assistance Programs completed the refunding to manage its interest costs and to address the expiring liquidity facility on the Series 2008 A bonds. The variable rate refunding issue has no stated minimum rate and a maximum rate of 15 percent per annum. The range of potential savings from the refunding will vary depending on the actual interest costs incurred over the life of the Series 2010 A bonds. Based upon a minimum rate of 0 percent, the Student Assistance Programs would have no reduction in cash flow and no economic gain (i.e., the difference between the present values of the old debt and new debt service payments). At a maximum rate of 15 percent, the Student Assistance Programs could have a reduction in cash flow of $71.6 million with an economic gain of $14.4 million.

  As of June 30, 2010, there were insufficient clearing bids on all of the Student Assistance Program's 1988 Revenue Bond Fund bonds in which interest rates are set by auction procedure (ARCs). Interest on these bonds will be calculated at the maximum rate. In general, the Maximum Auction Rate means, for any taxable bond, a per annum interest rate on the ARCs which would result in the average interest rate on the ARCs not being in excess of, the lesser of the 91 day United States Treasury Bill Rate plus 1.2 percent or LIBOR plus 1.5 percent. For a tax exempt bond the Maximum Auction Rate means a per annum interest rate on the ARCs which would result in the average interest rate on the ARCs not being in excess of, the lesser of the After Tax Equivalent Rate plus 175 percent or the Kenny Index. The Maximum Auction Rate for the year ended June 30, 2010 ranged between 0 percent and 12.37 percent.

  As of June 30, 2010, there were insufficient clearing bids on all of the Student Assistance Program's 1993 Revenue Bond Fund bonds in which interest rates are set by auction procedure (ARCs). Interest on these bonds will be calculated at the maximum rate. In general, the Maximum Auction Rate means, for any taxable bond, a per annum interest rate on the ARCs which would result in the average interest rate on the ARCs not being in excess of, the lesser of the 91 day United States Treasury Bill Rate plus 1.2 percent or LIBOR plus 1.5 percent. For a tax exempt bond the Maximum Auction Rate means a per annum interest rate on the ARCs which would result in the average interest rate on the ARCs not being in excess of, the lesser of the After Tax Equivalent Rate plus 175 percent or the Kenny Index. The Maximum Auction Rate for the year ended June 30, 2010 ranged between 0 percent and 14.48 percent.

- The Utah Housing Corporation (component unit) had $940.635 million of bonds outstanding at June 30, 2010, subject to purchase on the demand of the holder at a price equal to principal plus accrued interest, on delivery to the remarketing agent.

In the event the variable rate bonds cannot be remarketed, the Corporation has entered into various irrevocable Standby Bond Purchase Agreements (Liquidity Facility) totaling $844.015 million. These Agreements provide funds to purchase the variable rate bonds that have been tendered and not remarketed. These liquidity providers receive a fee ranging from 12.5 to 40 basis points of the outstanding amount of the variable rate bonds paid on a quarterly basis. As of June 30, 2010, none of the original commitments were available for replacement of existing liquidity facilities or to issue new variable rate bonds.

- The University of Utah (component unit) Series 1997 A bonds in the amount of $7.545 million currently bear interest at a weekly rate in accordance with bond provisions. When a weekly rate is in effect, the bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days notice and delivery to the University's tender agent. If the bonds cannot be remarketed, the tender agent is required to draw on an irrevocable standby bond purchase agreement to pay the purchase price of the bonds delivered to it. The standby bond purchase agreement is with J.P. Morgan Chase Bank and is valid through July 30, 2013. Through June 30, 2010, no funds have been drawn against the agreement. The interest requirement for the Series 1997 A Bonds is calculated using an interest rate of 0.24 percent, which is the rate in effect as of June 30, 2010.

The University's Hospital Revenue Refunding Bonds Series 2008 in the amount of $20.12 million currently bear interest at a weekly rate in accordance with the bond provisions. When a weekly rate is in effect, these bonds are also subject to purchase on the demand of the holder at a price equal to principal plus accrued interest. The University's remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to this same amount plus accrued interest. If the bonds cannot be remarketed, the tender agent is required to draw on an irrevocable letter of credit to pay the purchase price of the bonds delivered to it. This agreement is with Wells Fargo Bank, N.A. and is valid through December 1, 2011. No funds have been drawn against the letter of credit. The interest requirement for the bonds is calculated using an annualized interest rate of 0.33 percent which is the rate effective at June 30, 2010.

F. Defeased Bonds and Bond Refunding

In prior years, the State defeased certain general obligation and revenue bonds by placing the proceeds of new bonds and other monies available for debt service in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Statement of Net Assets. At June 30, 2010, the total amount outstanding of defeased general obligation bonds was $186.485 million. At June 30, 2010, the total amount outstanding of defeased revenue bonds was $56.215 million.

In prior years, component units defeased certain revenue bonds by placing the proceeds of new bonds and various bond reserves in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the component unit column on the Statement of Net Assets. At June 30, 2010, $91.059 million of college and university bonds outstanding are considered defeased.

G. Contracts Payable

Component unit capital leases/contracts payable include $6.403 million in life annuity contracts.

H. Notes Payable

In March 2009, the Student Assistance Programs began participating in the U.S. Department of Education (ED) Loan Participation Purchase Program, which was created under the "Ensuring Continued Access to Student Loans Act of 2008" (Pub. L. No. 110-227). The Loan Participation Purchase Program was created to assist lenders in obtaining financing for student loans during the 2008-2009 and 2009-2010 academic years. Under the Loan Participation Purchase Program, ED may purchase a 100 percent participation interest in student loans disbursed after May 1, 2009. ED advances to the lender a line of credit equal to the principal amount of the student loan. The pledged loans are serviced internally by the Loan Participation Purchase Program and administered by a custodian. The Loan Participation Purchase Program has pledged collections from $85.894 million of participating loans to repay the line of credit from ED of $66.305 million. Monthly interest cost on the line of credit is equal to the Commercial Paper rate plus 0.50 percent. Interest is payable monthly to ED.

On June 28, 2010, the Utah State Board of Regents Student Loan Purchase Program (Student Assistance Programs) entered into a long-term asset-backed commercial paper conduit funding note for the purpose of refunding certain outstanding student loan revenue bonds in the 1988 and 1993 Trust Estates. In accordance with the financing agreement, the Board has pledged cash, cash equivalents, student loan receivable principal, accrued interest, interest subsidy and special allowance. In accordance with the financing agreement, the Board pledged cash and student loan receivable principal and accrued interest totaling $781.096 million at June 30, 2010. The Conduit Financing costs on the note are determined weekly by the Conduit lender and include all financing and other fees, costs and expenses of the Conduit lender. The yield on the Conduit in general means the greater of LIBOR plus 1 percent or a rate determined by the Secretary of the Treasury, considering the yield on obligations of the United States having a maturity equal to 90 days, plus .05 percent plus administrative costs of the Conduit. The weighted average cost of capital for the period ended June 30, 2010 was .65 percent, which included .36 percent of interest cost, .22 percent of liquidity fees and .07 percent of other administrative expenses resulting in a LIBOR plus 11 basis point financing cost.

The notes payable balance consists of notes issued by component units for the purchase of buildings and equipment. The notes bear various interest rates and will be repaid over the next 19 years. They are secured by the related assets. Payment information on notes payable is presented below.

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

	Principal					
Fiscal Year	University of Utah	Utah State University	Nonmajor Component Units	Total Principal Required	Interest Required	Total Amount Required
2011	$ 949	$ 1,776	$ 879	$ 3,604	$ 2,090	$ 5,694
2012	803	1,741	4,294	6,838	1,926	8,764
2013	860	1,823	649	3,332	1,554	4,886
2014	922	1,636	267	2,825	1,401	4,226
2015	990	1,605	263	2,858	1,247	4,105
2016–2020	5,681	9,205	1,197	16,083	3,580	19,663
2021–2025	395	4,796	1,135	6,326	544	6,870
2026–2030	—	102	286	388	26	414
Total	$ 10,600	$ 22,684	$ 8,970	$ 42,254	$ 12,368	$ 54,622

I. **Debt Service Requirements for Derivatives**

Swap Payments and Associated Debt — As explained in Note 3.D., Utah Housing Corporation (major component unit) had entered into 76 separate pay-fixed, receive-variable interest rate swaps as of June 30, 2010. Using rates as of June 30, 2010, debt service requirements of the Corporation's outstanding variable-rate debt and net swap payments are presented below. As rates vary, variable-rate bond interest payments and net swap payments (receipts) will vary. The principal, interest and net swap interest are included in the Component Unit debt service schedule presented on page 102 for Utah Housing Corporation.

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

	Variable Rate Bonds			
Fiscal Year	Principal	Interest	Interest Rate Swaps – Net	Total
2011	$ 15,245	$ 2,078	$ 31,945	$ 49,268
2012	1,415	2,035	31,890	35,340
2013	1,575	2,031	31,816	35,422
2014	2,335	2,026	31,725	36,086
2015	3,280	2,020	31,599	36,899
2016–2020	52,785	9,847	153,443	216,075
2021–2025	104,075	8,769	135,617	248,461
2026–2030	179,535	6,944	105,493	291,972
2031–2035	240,600	3,940	56,772	301,312
2036–2040	141,710	905	11,534	154,149
Total	$ 742,555	$ 40,595	$ 621,834	$ 1,404,984

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

A. **Governmental Fund Balances – Restricted, Committed and Assigned**

The State's fund balances represent: (**1**) **Restricted Purposes,** which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (**2**) **Committed Purposes**, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature; **(3) Assigned Purposes**, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. A summary of the nature and purpose of these reserves by fund type at June 30, 2010, follows:

Governmental Fund Balances
(Expressed in Thousands)

	Restricted Purposes	Committed Purposes	Assigned Purposes
General Fund:			
Government Operations:			
Legislature	$ —	$ 5,489	$ —
Governor	848	18,193	—
Elected Officials	396	20,433	—
Administrative Services	—	1,890	—
Revenue Assessments and Collections	—	10,349	—
Human Services	—	10,367	—
Corrections	—	10,329	—
Public Safety	11,196	40,212	—
Courts	—	11,759	—
Health	200	22,369	—
Environmental Quality	1	5,364	—
Higher Education	—	687	—
Employment and Family Services	—	6,319	—
Natural Resources	18,599	36,754	—
Community and Culture	16	3,106	—
Business, Labor, and Agriculture	11	27,937	—
Budget Reserve (Rainy Day) Account	—	105,030	—
Industrial Assistance	—	26,039	—
Postemployment and Other Liabilities	—	—	139,575
Fiscal Year 2011 Appropriations:			
Line Item Appropriations	—	—	83,388
Other Purposes	3,904	8,728	—
Total	$ 35,171	$ 371,354	$ 222,963
Education Fund:			
Minimum School Program	$ 43,084	$ —	$ —
State Office of Education	14,066	—	—
School Building Program	15,838	—	—
School Land Interest	27,193	—	—
Education Budget Reserve Account	104,753	—	—
Postemployment and Other Liabilities	181,417	—	—
Fiscal Year 2011 Appropriations:			
Line Item Appropriations	135,877	—	—
Other	876	—	—
Total	$ 523,104	$ —	$ —
Transportation Fund:			
Transportation – Construction/Maintenance	$ 76,160	$ 33,660	$ 918
Public Safety	12,935	—	—
Corridor Preservation	35,572	—	—
Aeronautical Programs	6,046	—	—
Postemployment and Other Liabilities	48,046	3,694	—
Total	$ 178,759	$ 37,354	$ 918

Continues Below

Governmental Fund Balances
(Expressed in Thousands)

	Restricted Purposes	Committed Purposes	Assigned Purposes
Transportation Investment Fund:			
Critical Highway Needs Program	$ 223,767	$ 79,720	$ —
Transportation Investment Projects	213,736	—	—
Centennial Highway Program	—	49,981	—
Other Liabilities	—	19,346	—
Total	$ 437,503	$ 149,047	$ 0
Non-major Governmental Funds:			
Capital Projects	$ 151,837	$ —	$ 81,341
Debt Service	9,884	—	10,508
State Endowment Fund	—	106,727	—
Environmental Reclamation	19,940	2,403	—
Rural Development	—	39,420	—
Other Purposes	12,749	12,303	39
Total	$ 194,410	$ 160,853	$ 91,888

B. **Budget Stabilization Accounts**

In accordance with Sections 63J–1–312 and 313 of the Utah Code, the State maintains the General Fund Budget Reserve Account in the General Fund (the “Rainy Day Fund”) and an Education Fund Budget Reserve Account in the Education Fund (the “Education Reserve”). These stabilization balances can only be used to cover budget shortfalls when appropriated by the Legislature. State law requires 25 percent of any revenue surplus in the General Fund to be deposited in the Rainy Day Fund and 25 percent of any revenue surplus in the Education Fund to be deposited in the Education Reserve, in each case up to a statutory limit. State law limits the totals of the Rainy Day Fund and Education Reserve to 6 percent and 7 percent of appropriations from the General Fund and Education Fund, respectively, for the fiscal year in which the surplus occurred.

Historically, resources from the Rainy Day Fund or Education Reserve have only been expended during recessionary periods to cover overall budget shortfalls after other budgetary measures have been exhausted. Section 63J-1-217 of the Utah Code requires the State to maintain a balanced budget. If a revenue shortfall is expected, the Governor is required to direct state agencies to reduce commitments and expenditures by an amount proportionate to any revenue shortfall until the Legislature takes action to rectify the deficit. The Rainy Day Fund and the Education Reserve ended the year with balances of $105.030 million and $104.753 million, respectively. For the fiscal year ended June 30, 2010, there were no transfers into the Rainy Day Fund or Education Reserve because neither the General Fund nor the Education Fund had any revenue surplus, as defined by law.

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

The State’s net assets restricted by enabling legislation represent resources which a party external to a government—such as citizens, public interest groups, or the judiciary—can compel the government to use only for the purpose specified by the legislation. The government-wide Statement of Net Assets reports $2.647 billion of restricted net assets, of which $10.516 million is restricted by enabling legislation.

(*Notes continue on next page.*)

NOTE 12. DEFICIT NET ASSETS AND FUND BALANCE

Funds reporting a deficit total net assets position at June 30, 2010, are (in thousands):

Private Purpose Trust Funds:	
Employers' Reinsurance	$ (46,814)
Petroleum Storage Tank	$ (18,239)

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

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

Funds/activities reporting a deficit position in the unrestricted portion of their net assets at June 30, 2010, are (in thousands):

Internal Service Funds:	
Technology Services	$ (451)
General Services	$ (1,058)
Fleet Operations	$ (13,788)

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

NOTE 13. INTERFUND TRANSFERS

Transfers between funds occur when one fund collects revenue and transfers the assets to another fund for expenditure or when one fund provides working capital to another fund. All transfers must be legally authorized by the Legislature through statute or an *Appropriation Act*. Interfund transfers for the fiscal year ended June 30, 2010, are as follows (in thousands):

Transfers In:

	Governmental Funds					
Transfers Out:	**General Fund**	**Education Fund**	**Transportation Fund**	**Transportation Investment Fund**	**Trust Lands Fund**	**Nonmajor Governmental Funds**
General Fund	$ —	$ 6,164	$ 52,898	$ —	$ 29	$ 72,655
Education Fund	274,572	—	—	—	—	47,432
Transportation Fund	41,771	—	—	76,977	—	19,802
Transportation Investment Fund	—	—	63,000	—	—	176,479
Nonmajor Governmental Funds	15,338	—	6	140	—	1,718
Unemployment Compensation	224	—	—	—	—	—
Water Loan Programs	3,886	—	—	—	—	—
Nonmajor Enterprise Funds	61,362	2,500	—	—	12,082	—
Internal Service Funds	9	—	—	—	—	—
Total Transfers In	$ 397,162	$ 8,664	$ 115,904	$ 77,117	$ 12,111	$ 318,086

Continues Below

Transfers In:

	Enterprise Funds			
Transfers Out:	**Water Loan Programs**	**Nonmajor Enterprise Funds**	**Internal Service Funds**	**Total Transfers Out**
General Fund	$ 6,500	$ 17,709	$ 143	$ 156,098
Education Fund	—	—	34	322,038
Transportation Fund	—	—	—	138,550
Transportation Investment Fund	—	—	—	239,479
Nonmajor Governmental Funds	—	—	—	17,202
Unemployment Compensation	—	—	—	224
Water Loan Programs	—	—	—	3,886
Nonmajor Enterprise Funds	—	—	—	75,944
Internal Service Funds	—	—	—	9
Total Transfers In	$ 6,500	$ 17,709	$ 177	$ 953,430

Transfers from major governmental funds to nonmajor governmental funds are primarily for debt service expenditures and capital facility construction. Transfers from the General Fund to nonmajor enterprise funds are primarily mineral lease royalties used to make loans and grants to local governments through the Community Impact Loan Fund. Transfers from nonmajor enterprise funds to the General Fund are mostly liquor profits from the Alcoholic Beverage Control Fund that are required by statute to be deposited in the General Fund. All other transfers are made to finance various programs as authorized by the Legislature.

During fiscal year 2010, the Legislature authorized transfers of $9 thousand from the Internal Service Funds to the General Fund to subsidize general fund revenues. In addition, the Legislature authorized payments of $688.831 million to the Colleges and Universities. Payments to the Colleges and Universities are reported as expenditures in both the General Fund fund statements and the Governmental Activities column of the Statement of Activities. They are also reported as revenues in the Component Units column of the Statement of Activities.

NOTE 14. LITIGATION, CONTINGENCIES, AND COMMITMENTS

A. Litigation

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

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

- In addition to the items above, the State is contesting other legal actions totaling over $52.7 million plus attorneys' fees and interest and other cases where the amount of potential loss is undeterminable. Some portions of the amounts sought have been paid by the State or placed in escrow.

B. Contingencies

- Financial and compliance audits (Single Audit) of federal grants, contracts, and agreements were conducted under the provisions of the Federal Office of Management and Budget's circulars. As a result of the audits, identified questioned costs are immaterial. In addition, program compliance audits by the federal government are conducted periodically; however, an estimate of any potential disallowances on these audits and findings on other audits on noncompliance cannot be estimated as to the potential liability. The Single Audit for the fiscal year ended June 30, 2010, will be available in December 2010.

- The Board of directors for the Utah Capital Investment Corporation (an independent quasi-public nonprofit corporation) has been authorized to issue and use up to $300 million in contingent tax credit certificates to mobilize private investment and enhance the venture capital culture and infrastructure within the State. The certificates are structured so that no more than $20 million of contingent tax credits for each $100 million increment of contingent tax liability may be redeemable in any fiscal year. Under certain circumstances, the holder of a certificate is entitled to a refundable tax credit against tax liabilities imposed by Title 59, Chapter 7 Corporate Franchise and Income taxes, or Title 59, Chapter 10, Individual Income Tax Act.

- Management's estimated liability for the Petroleum Storage Tank Trust (private purpose trust fund) is highly sensitive to change based on the short period of historical data and the uncertainty in estimating costs. Since it is not possible to determine the occurrence date of a leak in an underground storage tank, it is not possible to estimate the number or the associated costs of leaks that have not been detected.

- The State is self-insured for liability claims up to $1 million and beyond the excess insurance policy limit of $10 million. The State is self-insured for individual property and casualty claims up to $1 million and up to $3.5 million in aggregate claims and beyond the excess insurance policy limit of $700 million per occurrence. According to an actuarial study and other known factors, $41.897 million exists as either incurred but unfiled or unpaid claims. This amount is reported as a liability of the Department of Administrative Services' Risk Management Fund (internal service fund).

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

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

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

  Local school boards have $2.562 billion principal amount of Guarantied Bonds outstanding at June 30, 2010. The State cannot predict the amount of bonds that may be guarantied in future years, but no limitation is currently imposed by the Guaranty Act.

- The Attorney General of the State sued the tobacco industry for medical costs related to smoking. The State of Utah has signed on to a master settlement agreement along with 45 other states. The major tobacco manufacturers and most of the smaller manufacturers have joined the agreement. The State received $38.191 million from tobacco companies in fiscal year 2010 and expects to receive approximately $39.331 million in fiscal year 2011. Annual payments will be adjusted for factors such as inflation, decreased sales volume, previously settled law suits, disputed payments, and legal fees.

C. **Commitments**

- At June 30, 2010, the Industrial Assistance Program of the General Fund had grant commitments of $9.7 million, contingent on participating companies meeting certain performance criteria.

- Utah Retirement Systems (defined benefit pension plans and defined contribution plans) has at its yearend December 31, 2009, committed to fund certain private equity partnerships and real estate projects for an amount of $6.144 billion. Funding of $3.866 billion has been provided, leaving an unfunded commitment of $2.278 billion as of December 31, 2009, which will be funded over the next five years. In addition, URS has a partial loan guarantee against real estate investments of up to $11.23 million.

- As of June 30, 2010, the Utah Housing Corporation (major component unit) has committed to purchase mortgages under the warehouse loans and the Single-Family Mortgage Purchase Program in the amount of $45.11 million.

  The Utah Housing Corporation (major component unit) has one Revolving Credit Note, in the amount of $3 million matures on March 24, 2011. At June 30, 2010, the outstanding balance on this Revolving Credit Note was $2.598 million. The Revolving Credit Note bears interest at a calculated LIBOR rate advance or base rate advance with a minimum rate of 5.25 percent. The Revolving Credit Note balance consists of three separate loans. The first loan is dated April 1, 2009 for $500 thousand with an interest rate of 5.25 percent at June 30, 2010. The second loan is dated June 26, 2008 for $450 thousand with an interest rate of 5.25 percent at June 30, 2010. The third loan is dated November 24, 2008 for $1.648 million with an interest rate of 5.25 percent at June 30, 2010. These three loans are due during the year ended June 30, 2011.

- At June 30, 2010, the enterprise funds had loan commitments of approximately $241.8 million and grant commitments of approximately $46.6 million.

- At June 30, 2010, the Utah Higher Education Assistance Authority Student Loan Guarantee Program (Student Assistance Programs, major enterprise fund) had guaranteed student loans outstanding with a current principal and interest balance of $2.085 billion. Also, at June 30, 2010, the Student Assistance Programs had commitments to purchase approximately $24.206 million in student loans and fund undisbursed loans of $2.758 million.

  On March 30, 2010, the President signed into law H.R. 4872 – Health Care and Education Reconciliation Act of 2010, which terminates new loan originations in the Federal Family Education Loan Program (FFELP) on June 30, 2010. As of July 1, 2010 the Program will not originate or disburse student loans under FFELP.

  The Program sold eligible student loans to U.S. Department of Education (ED) under a Master Loan Sales Agreement as authorized by the "Ensuring Continued Access to Student Loans Act of 2008" (Pub. L. No. 110-227). Under this agreement, the Program may sell student loans to ED for a purchase price equal to the principal and accrued interest, reimbursement of the 1 percent lender origination fee, and payment of a $75 administrative fee per loan. At the date of sale, the ownership and servicing of the loans transfers to

ED. During the fiscal year ended June 30, 2010, the Program sold loans to ED with a principal and accrued interest balance of $821.53 million and received $8.09 million for reimbursement of the 1 percent origination fee and $15.901 million for administrative cost reimbursement. On September 24, 2010, the Program sold loans to ED with a principal and accrued interest balance of $88.532 million.

- At June 30, 2010, the Permanent Trust Lands Fund (permanent fund) had real estate commitments of $50 million, of which $17.072 million have been called, leaving a remaining commitment of $32.928 million.

- At June 30, 2010, the Utah Department of Transportation had construction and other contract commitments of $1.563 billion, of which $97.3 million is for Centennial Highway Projects within the Transportation Investment Fund (major special revenue fund) and $1.466 billion is for Transportation Fund (major special revenue fund) projects. These commitments will be funded with bonded debt and future appropriations.

- Under the terms of various limited partnership agreements approved by the Board of Trustees or by the University of Utah (major component unit) officers, the University is obligated to make periodic payments for advance commitments to venture capital and private equity investments. As of June 30, 2010, the University had committed, but not paid, a total of $21.325 million in funding for these alternative investments.

  Under the terms of various limited partnership agreements approved by the Board of Trustees or by the Utah State University (major component unit) officers, the University is obligated to make periodic payments for advance commitments to venture capital, natural resource, and private equity investments. As of June 30, 2010, the University had committed, but not paid, a total of $6.952 million in funding for these alternative investments.

NOTE 15. JOINT VENTURE

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

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

In fiscal year 1998 the State provided startup capital of $185 thousand. UCAN also may receive legal counsel from the Attorney General's Office at no cost. Contracts with state agencies are estimated to provide over 30 percent of UCAN's operating revenues.

UCAN had $5.28 million of revenue bonds outstanding at June 30, 2010. UCAN's debt is not a legal obligation of the State; however, if UCAN cannot meet its debt service requirements, state law allows the Governor to request an appropriation to restore the debt service reserve fund to its required level or to meet any principal or interest payment deficiency. The Legislature is not required to make any such appropriation, but if made, UCAN must repay the State within 18 months. To date, UCAN has never requested any such funding from the State and has had sufficient resources to cover its debt service and debt service reserve requirements.

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

NOTE 16. PENSION PLANS

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

A. Utah Retirement Systems

Utah Retirement Systems (URS) was established by Title 49 of *Utah Code Annotated, 1953,* as amended. URS administers the pension systems and plans under the direction of the URS Board, which consists of the State Treasurer and six members appointed by the Governor. URS has a separate accounting system and prepares a separately issued financial report covering all retirement systems and deferred compensation plans it administers. URS maintains records and prepares separately issued financial statements using fund accounting principles and the accrual basis of accounting under which expenses, including benefits and refunds, are recorded when the liability is incurred. Revenues, including contributions, are recorded in the accounting period in which they are earned and become measurable. URS reports on a calendar yearend. The December 31, 2009, financial report has been included in this Comprehensive Annual Financial Report as a pension trust fund for the Utah Retirement Systems (URS) within the fiduciary funds. Copies of the separately issued financial report that include financial statements and required supplemental information may be obtained by writing to Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102, or by calling 1-800-365-8772.

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

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

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

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

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

Summary of Eligibility and Benefits

	Contributory System	Noncontributory System	Public Safety System / Firefighters System	Judges System
Highest Average Salary	Highest 5 Years	Highest 3 Years	Highest 3 Years	Highest 2 Years
Years of Service Required and/or Age Eligible for Benefit	30 years any age *20 years age 60 *10 years age 62 4 years age 65	30 years any age *25 years any age *20 years age 60 *10 years age 62 4 years age 65	20 years any age 10 years age 60 4 years age 65	25 years any age *20 years age 55 10 years age 62 6 years age 70
Benefit Percent per Year of Service	1.25% to June 1975 2.00% July 1975 to present	2.00% per year	2.50% per year up to 20 years 2.00% per year over 20 years Benefit cannot exceed 70% of final average salary	5.00% first 10 years 2.25% second 10 years 1.00% over 20 years Benefit cannot exceed 75% of final average salary

*With actuarial reductions

Former governors at age 65 receive $1,220 per month per term. Legislators receive a benefit actuarially reduced at age 62 with ten or more years of service, or an unreduced benefit at age 65 with four or more years of service at the rate of $26.80 per month per year of service. Both the governors' and legislators' benefits are adjusted based on the Consumer Price Index (CPI), limited to 4 percent of the base benefit per year.

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

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

Participants
December 31, 2009

	Non-contributory System	Contributory System	Public Safety System	Fire-fighters System	Judges System	Governors and Legislative Retirement Plan
Number of participating:						
Employers	416	160	130	55	1	1
Members:						
Active	92,766	2,515	7,695	1,907	104	119
Terminated vested	31,030	1,355	2,331	128	8	80
Retirees and beneficiaries:						
Service benefits	33,901	4,969	3,819	1,030	107	224
Disability benefits	—	2	12	82	—	—

Employer contribution rates consist of (***1***) an amount for normal cost (the estimated amount necessary to finance benefits earned by the members during the current year) and (***2***) an amount for amortization of the unfunded, or excess funded actuarial accrued liability over a closed 25 year amortization period. These rates are determined using the entry age actuarial cost method with a supplemental present value and the same actuarial assumptions used to calculate the actuarial accrued liability.

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

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

	Contributory System	Non-contributory System	Public Safety System	Fire-fighters System	Judges System	Total All Systems
Primary Government:						
2010	$ 3,333	$ 103,548	$ 34,342	$ 81	$ 2,427	$ 143,731
2009	$ 3,692	$ 106,881	$ 33,711	$ 76	$ 1,980	$ 146,340
2008	$ 3,792	$ 101,591	$ 29,261	$ 75	$ 1,737	$ 136,456
2007	$ 3,874	$ 94,384	$ 27,208	$ 59	$ 1,238	$ 126,763
2006	$ 4,197	$ 87,445	$ 22,701	$ 49	$ 1,007	$ 115,399
Component Units:						
Colleges and Universities:						
2010	$ 1,905	$ 40,385	$ 639	$ —	$ —	$ 42,929
2009	$ 2,133	$ 42,026	$ 596	$ —	$ —	$ 44,755
2008	$ 2,160	$ 40,781	$ 498	$ —	$ —	$ 43,439
2007	$ 2,200	$ 39,016	$ 488	$ —	$ —	$ 41,704
2006	$ 2,117	$ 37,813	$ 425	$ —	$ —	$ 40,355
Other:						
2010	$ 53	$ 3,580	$ —	$ —	$ —	$ 3,633
2009	$ 70	$ 3,483	$ —	$ —	$ —	$ 3,553
2008	$ 76	$ 2,938	$ —	$ —	$ —	$ 3,014
2007	$ 78	$ 2,722	$ —	$ —	$ —	$ 2,800
2006	$ 60	$ 2,385	$ —	$ —	$ —	$ 2,445
Total Primary Government and Component Units:						
2010	$ 5,291	$ 147,513	$ 34,981	$ 81	$ 2,427	$ 190,293
2009	$ 5,895	$ 152,390	$ 34,307	$ 76	$ 1,980	$ 194,648
2008	$ 6,028	$ 145,310	$ 29,759	$ 75	$ 1,737	$ 182,909
2007	$ 6,152	$ 136,122	$ 27,696	$ 59	$ 1,238	$ 171,267
2006	$ 6,374	$ 127,643	$ 23,126	$ 49	$ 1,007	$ 158,199

(*Continues on next page*.)

The following table summarizes contribution rates in effect at December 31, 2009:

Contribution Rates as a Percent of Covered Payroll

System	Member	Employer	Other
Contributory	6.00 %	7.65 % – 9.73 %	—
Noncontributory	—	11.66 % – 14.22 %	—
Public Safety:			
Contributory	10.50 % – 12.29 %	12.47 % – 19.17 %	—
Noncontributory	—	23.07 % – 35.71 %	—
Firefighters:			
Division A	13.49 %	—	12.34%
Division B	9.68 %	—	12.34 %
Judges:			
Noncontributory	—	13.51 %	13.83 %
Governors and Legislative	—	—	—

Defined Contribution Plans

The 401(k), 457, Roth and Traditional IRA Plans, and Health Reimbursement Arrangement (HRA) administered by URS, in which the State participates, are defined contribution plans. These plans are available as supplemental plans to the basic retirement benefits of the retirement systems. Contributions may be made into the plans subject to plan and Internal Revenue Code limitations. Employer contributions may be made into the plans at rates determined by the employers and according to Utah Title 49. There are 362 employers participating in the 401(k) Plan and 153 employers participating in the 457 Plan. There are 144,013 plan participants in the 401(k) Plan, 17,111 participants in the 457 Plan, 1,949 participants in the Roth IRA Plan, 494 participants in the Traditional IRA Plan, and 1,079 in the HRA.

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

Employees of the State are eligible to participate in the defined contribution 401(k), 457, 403(b), Roth and Traditional IRA Plans. For the 401(k) plan, the State and participating employers are required to contribute to employees who participate in the noncontributory retirement plan. The State contributes 1.5 percent of eligible employees' salaries which amount vests immediately. The amounts contributed to the 401(k) Plan during the year ended June 30, 2010, by employees and employers are as follows: for Primary Government, $35.357 million and $18.707 million; for Component Units – Colleges and Universities, $3.935 million and $4.647 million; for Component Units – Other, $1.04 million and $838.405 thousand; and the combined total for all is $40.332 million and $24.192 million, respectively. The amounts contributed by employees to the 457, Roth and Traditional IRA Plans (Primary Government) are $6.82 million, $1.015 million, and $39.656 thousand, respectively.

Employees of the University of Utah (major component unit) may also contribute to a 403(b) plan. For employees enrolled in the Hospital Retirement Plan and contribute to a 403(b) plan, the University matches up to 3 percent of an employee's contribution. Total University employee contributions to the 403(b) plans for the fiscal year was approximately $29.584 million.

Pension Receivables and Investments

Investments are presented at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers at current exchange rates, as available. Many factors are considered in arriving at that value. Corporate debt securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Mortgages have been valued on an amortized cost basis, which approximates market or fair value. The fair value of real estate investments has been estimated based on independent appraisals. 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 11 percent of the net assets held in trust for the pension benefits are invested in debt securities of the U.S. Government and its instrumentalities. Of the 11 percent, approximately 3 percent are U.S. Government debt securities and 8 percent are debt securities of the U.S. Government instrumentalities. The systems and plans have no investments of any commercial or industrial organization whose market value equals 5 percent or more of the net assets held in trust for pension benefits. The principal components of the receivables and investment categories are presented below.

(*Continues on next page*.)

Pension Receivables and Investments
(Expressed in Thousands)

	Non-contributory System	Contributory System	Public Safety System	Fire-fighters System	Judges System	Governors and Legislative Retirement Plan
Receivables:						
Member Contributions	$ —	$ 366	$ 43	$ 489	$ —	$ —
Employer Contributions	28,875	529	3,783	—	92	—
Court Fees and Fire Insurance Premium	—	—	—	10,161	184	—
Investments	231,214	15,334	29,810	10,994	1,825	147
Total Receivables	$ 260,089	$ 16,229	$ 33,636	$ 21,644	$ 2,101	$ 147
Investments:						
Debt Securities	$ 3,612,865	$ 239,606	$ 465,794	$ 171,788	$ 28,509	$ 2,300
Equity Investments	5,677,545	376,536	731,981	269,961	44,801	3,615
Absolute Return	1,927,096	127,805	248,453	91,631	15,207	1,227
Private Equity	1,127,454	74,773	145,358	53,609	8,897	718
Real Estate	2,236,867	148,350	288,390	106,360	17,651	1,424
Mortgage Loans	5,471	363	704	260	43	3
Invested Securities Lending Collateral	1,149,384	76,227	148,184	54,652	9,070	732
Total Investments	$ 15,736,682	$ 1,043,660	$ 2,028,864	$ 748,261	$ 124,178	$ 10,019

Continues Below

	401(k) Plan	457 Plan	IRA Plans	Health Reimbursement Arrangement	Total December 31, 2009
Receivables:					
Member Contributions	$ —	$ —	$ —	$ —	$ 898
Employer Contributions	—	—	—	—	33,279
Court Fees and Fire Insurance Premium	—	—	—	—	10,345
Investments	59,361	5,010	—	—	353,695
Total Receivables	$ 59,361	$ 5,010	$ 0	$ 0	$ 398,217
Investments:					
Debt Securities	$ 1,203,475	$ 130,892	$ 17,498	$ —	$ 5,872,727
Equity Investments	1,345,368	147,806	17,182	—	8,614,795
Absolute Return	—	—	—	—	2,411,419
Private Equity	—	—	—	—	1,410,809
Real Estate	—	—	—	—	2,799,042
Mortgage Loans	—	—	—	—	6,844
Invested Securities Lending Collateral	104,636	11,603	1,429	—	1,555,917
Total Investments	$ 2,653,479	$ 290,301	$ 36,109	$ 0	$ 22,671,553

Actuarial Methods and Assumptions

The information contained in the Schedules of Funding Progress is based on the actuarial study dated January 1, 2009, and calendar year 2009 activity. The actuarial accrued liability and schedule of funding progress is presented by the retirement systems for the last ten years in their separately presented financial reports based on the report generated by the latest actuarial study, conducted by Gabriel, Roeder, Smith & Company. Beginning with the 2008 actuarial study, the investment rate of return assumption was changed from 8 percent to 7.75 percent. The actuarial value of assets is based on a smoothed expected investment income rate. Investment income in excess or shortfall of the expected rate on fair value is smoothed over a five-year period with 20 percent of a year's excess or shortfall being recognized each year, beginning with the current year. All systems use the entry age actuarial cost method and the level percent of payroll amortization method. The remaining amortization period for all systems is open group, 25 years, closed period. An inflation rate of 3 percent is used for all systems. Post-retirement cost of living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The adjustments are also limited to the actual CPI increase for the year with any unused CPI increase not met carried forward to subsequent years. Below are the Schedules of Funding Progress.

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

	Contributory System	Noncontributory System	Public Safety System	Firefighters System	Judges System	Governors and Legislative Retirement Plan
Actuarial Value of Assets:						
January 1, 2008	$ 1,102,107	$ 16,199,077	$ 2,038,613	$ 787,663	$ 129,847	$ 11,736
January 1, 2009	$ 1,097,711	$ 15,839,461	$ 2,017,576	$ 765,871	$ 126,120	$ 10,841
December 31, 2009	$ 1,114,019	$ 16,622,548	$ 2,137,027	$ 802,576	$ 131,491	$ 10,769
Actuarial Accrued Liability (AAL):						
January 1, 2008	$ 1,170,251	$ 17,025,185	$ 2,247,826	$ 732,829	$ 135,379	$ 9,862
January 1, 2009	$ 1,218,572	$ 18,306,590	$ 2,473,667	$ 776,622	$ 145,965	$ 10,982
December 31, 2009	$ 1,234,895	$ 19,429,734	$ 2,644,070	$ 825,154	$ 154,303	$ 11,027
Unfunded Actuarial Accrued Liability (UAAL):						
January 1, 2008	$ 68,144	$ 826,108	$ 209,213	$ (54,834)	$ 5,532	$ (1,874)
January 1, 2009	$ 120,861	$ 2,467,129	$ 456,091	$ 10,751	$ 19,845	$ 141
December 31, 2009	$ 120,876	$ 2,807,186	$ 507,043	$ 22,578	$ 22,812	$ 258
Funding Ratios:						
January 1, 2008	94.2 %	95.1 %	90.7 %	107.5 %	95.9 %	119.0 %
January 1, 2009	90.1 %	86.5 %	81.6 %	98.6 %	86.4 %	98.7 %
December 31, 2009	90.2 %	85.6 %	80.8 %	97.3 %	85.2 %	97.7 %
Annual Covered Payroll:						
January 1, 2008	$ 132,899	$ 3,582,495	$ 339,187	$ 95,767	$ 13,322	$ 947
January 1, 2009	$ 133,110	$ 3,871,636	$ 365,043	$ 102,252	$ 14,404	$ 910
December 31, 2009	$ 127,804	$ 3,955,040	$ 373,959	$ 107,625	$ 14,434	$ 910
UAAL as a Percent of Covered Payroll:						
January 1, 2008	51.3 %	23.1 %	61.7 %	(57.3)%	41.5 %	(197.9)%
January 1, 2009	90.8 %	63.7 %	124.9 %	10.5 %	137.8 %	15.5%
December 31, 2009	94.6 %	71.0 %	135.6 %	21.0 %	158.0 %	28.4%

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

Teachers Insurance and Annuity Association–College Retirement Equities Fund (TIAA–CREF) and Fidelity Investments, privately administered defined-contribution retirement plans, provides individual retirement fund contracts for each eligible participating employee. Eligible employees are mainly state college/university faculty and staff. Benefits to retired employees are generally based on the value of the individual contracts and the estimated life expectancy of the employee at retirement and are fully vested from the date of employment. The total current year required contribution and the amount paid is 14.2 percent of the employee's annual salary. The State has no further liability once annual contributions are made.

The total contribution made by the college and university (component units) to the TIAA–CREF retirement system for June 30, 2010 and 2009, were $138.905 million and $135.108 million, respectively.

NOTE 17. OTHER POSTEMPLOYMENT BENEFITS

A. **State's Other Postemployment Benefit Plan**

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

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

Only state employees entitled to receive retirement benefits and hired prior to January 1, 2006, are eligible to receive postemployment health and life insurance benefits from the OPEB Plan. Upon retirement, an employee receives 25 percent of the value of their unused accumulated sick leave as a mandatory employer contribution into a 401(k) account. The employee may exchange eight hours of remaining unused accumulated sick leave earned *prior* to January 1, 2006, for one month of paid health and life insurance coverage up to age 65. Regardless of the unused sick leave balance, the State will provide postemployment health and life insurance coverage for up to five years (if the employee retired in 2006) or until the employee reaches age 65. This automatic coverage provision will decline by one year each calendar year until it is completely phased out on January 1, 2011. After age 65, the employee may use any remaining unused accumulated sick leave, earned *prior* to January 1, 2006, to exchange for spouse health insurance to age 65, or Medicare supplemental insurance for the employee or spouse. As of December 31, 2008, the date of the latest actuarial valuation, approximately 4,888 retirees and their beneficiaries were receiving state post-retirement health and life insurance benefits, and an estimated 20,385 active state employees are eligible to receive future benefits under the State Employee OPEB Plan.

The contribution requirements of employees and the State are established and may be amended by the State Legislature. For retirees that participate in the State Employee OPEB Plan, health insurance premiums are paid 100 percent by the State for individuals that retired before July 1, 2000. Individuals retiring thereafter are required to contribute specified amounts monthly, ranging from 5 percent to 27 percent, toward the cost of health insurance premiums. For the year ended June 30, 2010, retirees contributed $1.207 million, or approximately 3.9 percent of total premiums, through their required contributions of $20.01 to $491.31 per month depending on the coverage (single, double, or family) and health plan selected.

The State Legislature currently plans to contribute amounts to the trust fund sufficient to fully fund the Annual Required Contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC of $43.819 million, from the December 31, 2008, actuarial valuation and used to establish the annual budget for fiscal year 2010, is 4.9 percent of annual covered payroll. There are no long-term contracts for contributions to the plan.

B. **Elected Officials' Other Postemployment Benefit Plan**

The State of Utah also administers the Elected Officials' Other Postemployment Benefit Plan (Elected Officials' OPEB Plan), a single-employer defined benefit healthcare plan, as set forth in Section 49-20-404 of the *Utah Code.* The Elected Officials' OPEB Plan does not issue a publicly available financial report.

Only governors and legislators (elected officials) that retire after January 1, 1998 and have 4 or more years of service can elect to receive and apply for this benefit. To qualify for health coverage, elected officials must be between 62 and 65 years of age and either be active members at the time of retirement or have continued coverage with the program until the date of eligibility. To qualify for Medicare supplemental coverage an elected official must be at least 65 years of age. As established by 49-20-404(3) of the *Utah Code*, the State will pay 40 percent of the benefit cost for 4 years of service and up to 100 percent for ten or more years of service, for elected officials, and their spouses. As of December 31, 2008, the date of the latest actuarial valuation, approximately 63 retirees and their beneficiaries were receiving health or Medicare supplemental coverage, and an estimated 192 active and former elected officials may receive future benefits for themselves and qualifying dependents under the Elected Officials' Other Postemployment Benefit Plan.

For the year ended June 30, 2010, the State paid the expected benefit payments of $335 thousand on a pay-as-you-go basis. Retirees that participate in the Elected Officials' OPEB Plan are required to contribute specified amounts monthly, ranging from $0 (for ten or more years of service) to $545.22 per month (for four years of service) depending on the coverage (single, double) and health plan selected.

The following table shows the components of the annual OPEB cost for the year, amount actually contributed to the plan, and changes in the net OPEB obligation for both the State Employees' and Elected Officials' OPEB plans for fiscal year 2010 (dollar amount in thousands):

	State Employees' OPEB Plan	Elected Officials' OPEB Plan
Annual required contribution	$ 43,819	$ 2,188
Interest on net OPEB obligation	—	156
Adjustment to annual required contribution	—	(226)
Annual OPEB cost (expense)	43,819	2,118
Contributions made	(43,819)	(343)
Increase in net OPEB obligation	0	1,775
Net OPEB obligation (asset) – Beginning of year	0	3,918
Net OPEB obligation – End of year	$ 0	$ 5,693

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for fiscal year 2010 and the two preceding years for both the State Employees' and Elected Officials' OPEB plans were as follows (dollar amount in thousands):

	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
State Employees' OPEB Plan:	6/30/2008	$ 53,502	98.71 %	$ 0
	6/30/2009	$ 53,491	100.00 %	$ 0
	6/30/2010	$ 43,819	100.00 %	$ 0
Elected Officials' OPEB Plan:	6/30/2008	$ 2,188	8.19 %	$ 2,009
	6/30/2009	$ 2,161	11.66 %	$ 3,918
	6/30/2010	$ 2,118	16.18 %	$ 5,693

The funded status of both the State Employees' and Elected Officials' OPEB plans as of December 31, 2008 was as follows (dollar amount in thousands):

	State Employees' OPEB Plan	Elected Officials' OPEB Plan
Actuarial accrued liability	$ 446,601	$ 24,515
Actuarial value of plan assets	53,851	0
Unfunded actuarial accrued liability (funding excess)	$ 392,750	$ 24,515
Funded ratio	12.1 %	0.0 %
Covered payroll	$ 901,245	$ 866
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	43.6 %	2,830.8 %

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

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

The actuarial methods and assumptions of both the State Employees' and Elected Officials' OPEB plans as of December 31, 2008 were as follows:

	State Employees' OPEB Plan	Elected Officials' OPEB Plan
Actuarial valuation date	12/31/2008	12/31/2008
Actuarial cost method	Projected Unit Credit	
Amortization method	Level Dollar Amount; Open	
Remaining amortization period	25 years	30 years
Asset valuation method	Fair Value	Fair Value
Actuarial assumptions:		
Investment rate of return	6 % discounted	4 % discounted
Healthcare inflation rate	10 % initial 4.5 % ultimate	

NOTE 18. RISK MANAGEMENT AND INSURANCE

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

The State has determined that the risk funds can economically and effectively manage the State's risks internally and have set aside assets for claim settlement. The risks are covered through reserves and commercial insurance for excessive losses. The State has not had any losses or settlements that exceeded the commercial excess insurance coverage for the fiscal years ended June 30, 2008 and 2009. However, the State did have property losses that will exceed the commercial excess insurance coverage for the fiscal year ended June 30, 2010. The risk funds service all claims for risk of loss to which the State is exposed, including general liability, property and casualty, auto/physical damage, group medical and dental, disability, and some environmental claims. They also service the general risk claims for all local school districts and many charter schools within the State. All funds, agencies, public schools, and public authorities of the State may participate in the State's Risk Management and Public Employees Health Programs. The risk funds allocate the cost of providing claims servicing, claims payment, and commercial insurance by charging a "premium" to each agency, public authority, or employee, based on each organization's estimated current year liability and property values. The reserve for liability losses is determined using an independent actuarial study based on past, current, and estimated loss experiences.

Risk Management and Public Employees Health Program claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated and include an amount for claims that have been incurred but not reported. Because actual claims liabilities are affected by complex factors including inflation, changes in legal doctrines and insurance benefits, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities are recomputed periodically by actuaries to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Inflation is included in this calculation because reliance is based on historical data that reflects past inflation and other appropriate modifiers. The Risk Management claim liabilities reserves are reported using a discount rate of 3 percent. The Public Employees Health Program long-term disability benefit reserves are reported using discount rates between 4.25 and 7.75 percent. The primary government and the discrete component units of the State paid premiums to the Public Employees Health Program of $242.838 million and $16.127 million, respectively, for health and life insurance coverage in fiscal year 2010. In addition, the State Department of Health paid $47.327 million in premiums to the Public Employees Health Program for the Children's Health Insurance Program.

All employers who participate in the Utah Retirement Systems are eligible to participate in the Public Employees Long-term Disability Program per Section 49–21–201 of the *Utah Code*. Employees of those state agencies who participate in the program and meet long-term disability eligibility receive benefits for the duration of their disability up to the time they are eligible for retirement or until age 65. Benefits begin after a three-month waiting period and are paid 100 percent by the program. As of June 30, 2010, there are 281 state employees receiving benefits. The program is funded by paying premiums to the Public Employees Health Program (component unit), where assets are set aside for future payments. For the fiscal year ended June 30, 2010, the primary government and the discrete component units of the State paid premiums of $5.349 million and $139 thousand, respectively, for the Long-Term Disability Program.

The State covers its workers' compensation risk by purchasing insurance from Workers' Compensation Fund (a related organization). The University of Utah, Utah State University, Southern Utah University, Salt Lake Community College, and Utah Valley University report claims liabilities if it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The University of Utah and the University of Utah Hospital and Clinics have a "claims made" umbrella malpractice insurance policy in an amount considered adequate by their respective administrations for catastrophic malpractice liabilities in excess of the trusts' fund balances. Amounts for the current year are included below. The following table presents the changes in claims liabilities balances (short and long-term combined) during fiscal years ended June 30, 2009 and June 30, 2010:

Changes in Claims Liabilities
(Expressed in Thousands)

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Risk Management:				
2009	$ 41,285	$ 11,980	$ (9,615)	$ 43,650
2010	$ 43,650	$ 11,321	$ (13,074)	$ 41,897
Public Employees Health Program:				
2009	$ 121,816	$ 558,493	$(560,990)	$ 119,319
2010	$ 119,319	$ 549,337	$(546,268)	$ 122,388
College and University Self-Insurance:				
2009	$ 75,199	$ 205,565	$(227,861)	$ 52,903
2010	$ 52,903	$ 266,181	$(258,990)	$ 60,094

NOTE 19. SUBSEQUENT EVENTS

A lawsuit was filed in 1992 by the members of the Navajo Nation alleging that the State of Utah mismanaged Navajo Nation Trust Fund monies. The plaintiffs were seeking an accounting of the legitimacy of the fund's receipts and disbursements including monetary damages. A Final Settlement Agreement was entered into by the parties, approved by the Governor and the Utah State Legislature and in a July 14, 2010 Final Order and Judgment the settlement was approved by the court. Under the terms of the settlement agreement, Utah will pay $26 million to the Utah Navajo Royalties Holding Fund (Private Purpose Trust Fund) plus $7 million in court and legal fees in four annual payments: $1 million was paid in July 2010; $5 million on or before July 15, 2011; $13.5 million on or before July 16, 2012; and $13.5 million on or before July 15, 2013. Pursuant to the terms of the Final Judgment and Order, the case has been resolved and dismissed with prejudice, leaving nothing further to be adjudicated.

On September 30, 2010, the State issued $412.990 million of General Obligation Bonds Series 2010 A and $621.980 million of General Obligation Bonds Series 2010 B Build America Bonds. Principal on the bonds is due annually commencing July 1, 2011 through July 1, 2017 for the Series 2010 A. Principal on the bonds is due annually commencing July 1, 2019 through July 1, 2021 for the Series 2010 B with an additional Term Bond due July 1, 2025. Interest rates on the Series 2010 A bonds range from 1.75 percent to 5 percent, with a "true interest rate" of 1.26 percent after considering premium received upon the sale of the bonds. Interest rates on the Series 2010 B bonds range from 3.19 percent to 3.54 percent with a "true interest rate" of 2.29 percent after considering the federal subsidy of 35 percent from the U.S. Treasury received on the bonds. Proceeds of the bonds will be used for capital facilities and highway projects.

On October 21, 2010, the State issued $172.055 million of General Obligation Refunding Bonds Series 2010 C. Principal on the bonds is due annually commencing July 1, 2016 through July 1, 2019. Interest rates on the Series 2010 C bonds range from 4 percent to 5 percent, with a "true interest rate" of 1.92 percent after considering premium received upon the sale of the bonds. Proceeds of the bonds will be used to advance refund certain outstanding General Obligation Bonds Series 2004 B and 2009 A.

On November 9, 2010, the Utah State Building Ownership Authority (blended component unit) sold $36.735 million of Lease Revenue Refunding Bonds Series 2010 with the closing date on the issued bonds scheduled for November 30, 2010. Principal on the bonds is due annually commencing May 15, 2011 through May 15, 2024. Interest rates on the Series 2010 bonds range from 2 percent to 5 percent. Proceeds of the bonds will be used to advance refund certain outstanding lease revenue bonds series 2001 A, 2001 B, and 2004 A.

Subsequent to June 30, 2010, the Student Loan Purchase Program (major enterprise fund) redeemed multiple series of the student loan revenue bonds totaling $24.85 million. The bonds were redeemed at a discount, which will result in an estimated gain on the redemption of bonds of $2.053 million.

Subsequent to June 30, 2010, the Utah Housing Corporation (major component unit) refunded Multi-Family Series 2006A-1 and Series 2006A-2, Liberty Commons Apartments Projects, a fixed rate Multi-Family Class I Bonds of $17.193 million. The $17.04 million Multi-Family Class I Refunding Bonds 2010 Series Fixed Rate Bonds matures in annual installments from January 1, 2010 through July 1, 2041, 2010 Series A (Tax Exempt) of $14 million with an interest rate 5.59 percent maturing July 1, 2041, 2010 Series B (Tax Exempt) of $2.8 million with an interest rate of 6.5 percent maturing July 1, 2023, and 2010 Series C (Taxable) of $240 thousand with an interest rate of 7.22 percent maturing January 1, 2012.

Subsequent to June 30, 2010, the Permanent Trust Lands Fund (permanent fund) had real estate commitments of $25 million.

On August 2, 2010 the University of Utah (major component unit) issued $36.12 million of Hospital Revenue Bonds, Series 2010. Principal on the bonds is due annually commencing August 1, 2011 through August 1, 2026. Bond interest is due semi-annually commencing February 1, 2011 at rates ranging from 3 percent to 5 percent. Proceeds from these bonds will be used to acquire two buildings for use by the Hospital.

On July 28, 2010, the Utah State University's (major component unit) $11.07 million Series 2010 Research Revenue Bonds were issued for the purpose of refunding in advance of the maturity a portion of the Series 2002A Research Revenue Bonds that were previously issued. This refunding resulted in an increase of $1.073 million in the net carrying amount of the refunded debt, a reduction in the future debt service payments of $619 thousand, and an economic gain (difference between the present value of the old and new debt service payments) of $576 thousand.

On August 18, 2010 Weber State University (non-major component unit) issued $14.015 million of Taxable Student Facilities System Revenue Bonds, Series 2010A Build America Bonds. Principal on the Series 2010A bonds is due annually commencing April 1, 2014 through April 1, 2040. Bond interest is due semiannually commencing April 1, 2011 at rates ranging from 1.75 percent to 5.15 percent. Each interest payment on the Series 2010A bonds will receive a subsidy from the Federal Government with funds provided by the American Recovery and Reinvestment Act totaling $4.342 million over the life of the bonds. Proceeds from the bonds will be used to finance the demolition of four old dormitories and the construction of three modern student dorms on the University's Ogden campus. A portion of the Series 2010A bond proceeds will be used to cover the costs of design, construction, furnishings, and equipment associated with the project.

During the 2010 Utah State Legislative session, the Legislature passed HB406S(1), State Fair Park Amendments. This bill authorizes the State and the Utah State Fair Corporation (non-major component unit) to enter into a lease agreement for a period not to exceed 50 years beginning July 1, 2010. This legislation allows for the portion of the leased premises known as the "white ball field" to revert back to the State effective June 30, 2017, in accordance with the existing lease agreement.

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Required Supplementary Information

Budgetary Comparison Schedule
General Fund

For the Fiscal Year Ended June 30, 2010 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Sales Tax	$ 1,472,586	$ 1,430,450	$ 1,402,671	$ (27,779)
Licenses, Permits, and Fees:				
Insurance Fees	6,324	4,896	6,547	1,651
Court Fees	9,107	13,004	15,667	2,663
Other Licenses, Permits, and Fees	9,662	18,879	12,352	(6,527)
Investment Income	7,498	3,000	5,321	2,321
Miscellaneous Taxes and Other:				
Beer Tax	8,128	6,234	7,725	1,491
Cigarette and Tobacco Tax	50,680	46,916	50,986	4,070
Inheritance Tax	16	75	61	(14)
Insurance Premium Tax	83,227	86,250	80,013	(6,237)
Oil, Gas, and Mining Severance Tax	72,206	51,800	77,066	25,266
Taxpayer Rebates	(7,200)	(6,400)	(6,384)	16
Court Collections	5,133	3,245	4,601	1,356
Other Taxes	30,011	29,095	31,518	2,423
Miscellaneous Other	13,821	26,531	25,434	(1,097)
Total General Revenues	1,761,199	1,713,975	1,713,578	(397)
Department Specific Revenues				
Restricted Sales Tax	3,825	3,627	3,627	—
Federal Contracts and Grants	2,312,945	2,663,603	2,663,603	—
Departmental Collections	325,929	333,253	324,300	(8,953)
Higher Education Collections	403,779	491,441	491,441	—
Federal Mineral Lease	103,460	115,315	129,377	14,062
Investment Income	3,078	3,997	4,224	227
Miscellaneous	575,376	558,641	560,223	1,582
Total Department Specific Revenues	3,728,392	4,169,877	4,176,795	6,918
Total Revenues	5,489,591	5,883,852	5,890,373	6,521
Expenditures				
General Government	383,709	352,677	295,922	56,755
Human Services and Youth Corrections	708,486	694,048	676,920	17,128
Corrections, Adult	252,169	244,184	232,748	11,436
Public Safety	251,748	232,230	196,156	36,074
Courts	130,352	141,733	136,342	5,391
Health and Environmental Quality	2,043,426	2,255,711	2,227,545	28,166
Higher Education – State Administration	62,176	52,770	52,084	686
Higher Education – Colleges and Universities	1,145,332	1,219,182	1,219,172	10
Employment and Family Services	568,382	694,029	686,563	7,466
Natural Resources	186,967	191,322	166,380	24,942
Community and Culture	224,340	174,232	171,235	2,997
Business, Labor, and Agriculture	99,648	101,029	87,203	13,826
Total Expenditures	6,056,735	6,353,147	6,148,270	204,877
Excess Revenues Over (Under) Expenditures	(567,144)	(469,295)	(257,897)	211,398
Other Financing Sources (Uses)				
Capital Leases Acquisition	—	—	11,122	11,122
Transfers In	333,968	401,228	401,228	—
Transfers Out	(148,201)	(159,213)	(159,213)	—
Total Other Financing Sources (Uses)	185,767	242,015	253,137	11,122
Net Change in Fund Balance	(381,377)	(227,280)	(4,760)	222,520
Budgetary Fund Balance – Beginning	502,076	502,076	502,076	—
Adjustments to Beginning Fund Balances	(3,929)	(3,929)	(3,929)	—
Fund Balances – Beginning As Adjusted	498,147	498,147	498,147	—
Budgetary Fund Balance – Ending	$ 116,770	$ 270,867	$ 493,387	$ 222,520

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

Budgetary Comparison Schedule
Education Fund

For the Fiscal Year Ended June 30, 2010 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Individual Income Tax	$ 2,260,695	$ 2,228,927	$ 2,119,947	$ (108,980)
Corporate Tax	260,897	211,800	259,458	47,658
Miscellaneous Other	11,600	15,950	32,824	16,874
Total General Revenues	2,533,192	2,456,677	2,412,229	(44,448)
Department Specific Revenues				
Federal Contracts and Grants	605,515	561,174	561,174	—
Departmental Collections	3,241	10,477	10,477	—
Investment Income	21,000	21,438	25,579	4,141
Miscellaneous:				
School Lunch Tax	21,612	27,913	27,913	—
Driver Education Fee	3,956	4,982	4,982	—
Other	4,895	5,914	6,324	410
Total Department Specific Revenues	660,219	631,898	636,449	4,551
Total Revenues	3,193,411	3,088,575	3,048,678	(39,897)
Expenditures				
Public Education	2,926,877	2,995,667	2,939,144	56,523
Total Expenditures	2,926,877	2,995,667	2,939,144	56,523
Excess Revenues Over (Under) Expenditures	266,534	92,908	109,534	16,626
Other Financing Sources (Uses)				
Capital Leases/Contracts Issued	—	—	33	33
Transfers In	6,419	8,664	8,664	—
Transfers Out	(322,298)	(322,038)	(322,038)	—
Total Other Financing Sources (Uses)	(315,879)	(313,374)	(313,341)	33
Net Change in Fund Balance	(49,345)	(220,466)	(203,807)	16,659
Budgetary Fund Balance – Beginning	545,493	545,493	545,493	—
Budgetary Fund Balance – Ending	$ 496,148	$ 325,027	$ 341,686	$ 16,659

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

Budgetary Comparison Schedule
Transportation Fund

For the Fiscal Year Ended June 30, 2010 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Motor Fuel Tax	$ 224,472	$ 238,100	$ 243,295	$ 5,195
Special Fuel Tax	106,454	92,250	94,812	2,562
Licenses, Permits, and Fees:				
Motor Vehicle Registration Fees	35,943	33,068	33,447	379
Proportional Registration Fees	13,725	14,433	14,617	184
Temporary Permits	504	374	387	13
Special Transportation Permits	8,480	8,610	8,753	143
Highway Use Permits	6,922	8,064	8,297	233
Motor Vehicle Control Fees	4,703	4,353	4,391	38
Miscellaneous	1,991	2,159	2,152	(7)
Investment Income	3,639	3,287	—	(3,287)
Miscellaneous Other	4,644	5,552	1,587	(3,965)
Total General Revenues	411,477	410,250	411,738	1,488
Department Specific Revenues				
Restricted Sales and Aviation Fuel Taxes	59,716	57,260	65,640	8,380
Federal Contracts and Grants	177,303	421,819	421,819	—
Departmental Collections	48,357	65,137	81,332	16,195
Federal Aeronautics	20,000	20,000	39,753	19,753
Investment Income	910	956	769	(187)
Miscellaneous	20,050	86,109	86,722	613
Total Department Specific Revenues	326,336	651,281	696,035	44,754
Total Revenues	737,813	1,061,531	1,107,773	46,242
Expenditures				
Transportation	692,107	1,256,920	1,246,498	10,422
Total Expenditures	692,107	1,256,920	1,246,498	10,422
Excess Revenues Over (Under) Expenditures	45,706	(195,389)	(138,725)	56,664
Other Financing Sources (Uses)				
General Obligation Bonds Issued	—	—	39,500	39,500
Sale of Capital Assets	500	717	8,016	7,299
Transfers In	110,596	115,904	115,904	—
Transfers Out	(132,356)	(138,550)	(138,550)	—
Total Other Financing Sources (Uses)	(21,260)	(21,929)	24,870	46,799
Net Change in Fund Balance	24,446	(217,318)	(113,855)	103,463
Budgetary Fund Balance – Beginning	626,768	626,768	626,768	—
Adjustments to Beginning Fund Balances	(335,978)	(335,978)	(335,978)	—
Fund Balances – Beginning As Adjusted	290,790	290,790	290,790	—
Budgetary Fund Balance – Ending	$ 315,236	$ 73,472	$ 176,935	$ 103,463

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

Budgetary Comparison Schedule
Transportation Investment Fund

For the Fiscal Year Ended June 30, 2010 (Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General Revenues				
Sales Tax	$ 148,300	$ 150,400	$ 145,012	$ (5,388)
Motor Vehicle Registration Fees	77,400	66,900	68,792	1,892
Total General Revenues	225,700	217,300	213,804	(3,496)
Department Specific Revenues				
Restricted Sales Tax	100,633	100,161	98,507	(1,654)
Investment Income	5,000	6,511	6,906	395
Total Department Specific Revenues	105,633	106,672	105,413	(1,259)
Total Revenues	331,333	323,972	319,217	(4,755)
Expenditures				
Transportation	219,909	825,299	771,720	53,579
Total Expenditures	219,909	825,299	771,720	53,579
Excess Revenues Over (Under) Expenditures	111,424	(501,327)	(452,503)	48,824
Other Financing Sources (Uses)				
General Obligation Bonds Issued	—	—	865,400	865,400
Transfers In	70,977	77,117	77,117	—
Transfers Out	(251,546)	(239,479)	(239,479)	—
Total Other Financing Sources (Uses)	(180,569)	(162,362)	703,038	865,400
Net Change in Fund Balance	(69,145)	(663,689)	250,535	914,224
Budgetary Fund Balance – Beginning	(19,308)	(19,308)	(19,308)	—
Adjustments to Beginning Fund Balances	335,978	335,978	335,978	—
Fund Balances – Beginning As Adjusted	316,670	316,670	316,670	—
Budgetary Fund Balance – Ending	$ 247,525	$ (347,019)	$ 567,205	$ 914,224

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

Budgetary Comparison Schedule
Budget To GAAP Reconciliation

For the Fiscal Year Ended June 30, 2010 (Expressed in Thousands)

	General Fund	Education Fund	Transportation Fund	Transportation Investment Fund
Revenues				
Actual total revenues (budgetary basis)	$ 5,890,373	$ 3,048,678	$ 1,107,773	$ 319,217
Differences – Budget to GAAP:				
Intrafund revenues are budgetary revenues but are not revenues for financial reporting	(378,303)	(5,090)	(2,213)	—
Higher education and Utah Schools for the Deaf and the Blind collections are budgetary revenues but are not revenues for financial reporting	(503,130)	(7,206)	—	—
Change in revenue accrual for nonbudgetary Medicaid claims	(15,177)	—	—	—
Change in tax accruals designated by law for postemployment and other liabilities are revenues for financial reporting but not for budgetary reporting	15,574	11,813	5,444	6,639
Estimated federal receivables are recorded as revenues for financial reporting but not for budgetary reporting	—	75,637	—	—
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	$ 5,009,337	$ 3,123,832	$ 1,111,004	$ 325,856
Expenditures				
Actual total expenditures (budgetary basis)	$ 6,148,270	$ 2,939,144	$ 1,246,498	$ 771,720
Differences – Budget to GAAP:				
Intrafund expenditures for reimbursements are budgetary expenditures but are not expenditures for financial reporting	(378,303)	(5,090)	(2,213)	—
Expenditures related to higher education and Utah Schools for the Deaf and the Blind collections are budgetary expenditures but are not expenditures for financial reporting	(503,130)	(7,206)	—	—
Certain budgetary transfers and other charges are reported as a reduction of expenditures for financial reporting	(951)	—	—	—
Leave/postemployment charges budgeted as expenditures when earned rather than when taken or due	(2,240)	(254)	56	—
Estimated federal liabilities are recorded as expenditures for financial reporting but not for budgetary reporting	—	75,637	—	—
Change in accrual for Medicaid incurred but not reported claims excluded from the budget by statute	(21,005)	—	—	—
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	$ 5,242,641	$ 3,002,231	$ 1,244,341	$ 771,720

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

Budgetary Presentation

A Budgetary Comparison Schedule is presented for each of the State's major governmental funds for which the Legislature enacts an annual budget. An annual budget is also adopted for the Debt Service Fund, a nonmajor fund. The budgets are enacted through passage of *Appropriations Acts.* Budgets for specific general revenues are not adopted through an *Appropriations Act* but are based on supporting estimates approved by the Executive Appropriations Committee of the Legislature. General revenues are those revenues available for appropriation for any program or purpose as allowed by law. Department-specific revenues are revenues dedicated by an *Appropriations Act* or restricted by other law or external grantor to a specific program or purpose.

Original budgets and related revenue estimates represent the spending authority enacted through *Appropriations Acts* as of June 30, 2010, and include nonlapsing carryforward balances from the prior fiscal year. Final budgets represent the original budget as amended by supplemental appropriations and related changes in revenue estimates, executive order reductions when applicable, and changes authorized or required by law when department-specific revenues either exceed or fall short of budgeted amounts.

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

Budgetary Control

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

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

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

Any department that spends more than the authorized amount must submit a report explaining the overspending to the State Board of Examiners. The Board will recommend corrective action, which may include a request to the Legislature for a supplemental appropriation to cover the deficit. If a supplemental appropriation is not approved, the department must cover the overspending with the subsequent year's budget. In the General Fund, the State Courts Administrator's budget for juror and witness fees was overexpended by $595 thousand. This deficit is allowed by statute and will be funded with future appropriations. All other appropriated budgets of the State were within their authorized spending levels.

Spending Limitation

The State also has an appropriation limitation statute that limits the growth in state appropriations. The total of the amount appropriated from unrestricted General Fund sources plus the income tax revenues appropriated for higher education is limited to the growth in population and inflation. The appropriations limitation can be exceeded only if a fiscal emergency is declared and approved by more than two-thirds of both houses of the Legislature, or if approved by a vote of the people. However, the appropriations limitation statute may be amended by a majority of both houses of the Legislature. Appropriations for debt service, emergency expenditures, amounts from other than unrestricted revenue sources, transfers to the Budgetary Reserve Account (Rainy Day Fund), Education Budget Reserve Account and the Transportation Investment Fund; or capital developments meeting certain criteria are exempt from the appropriations limitation. For the fiscal year ended June 30, 2010, the State was $633.4 million below the appropriations limitation.

INFORMATION ABOUT THE STATE'S OTHER POSTEMPLOYMENT BENEFIT PLANS

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

The following factors contributed to the decrease in the State Employees' OPEB Plan Actuarial Accrued Liability (AAL) and the Unfunded Actuarial Accrued Liability (UAAL) from December 31, 2006 to December 31, 2008: ***(1)*** fully funding the Annual Required Contribution (ARC) over the last two fiscal years; ***(2)*** changes in benefit provisions that shifted increases in health care costs to employees and retirees; and ***(3)*** the State Employees' Plan is a closed plan (i.e., only state employees entitled to receive retirement benefits and hired prior to January 1, 2006 are eligible to receive benefits).

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

State Employees' OPEB Plan
Schedule of Funding Progress
By Valuation Date
(Expressed in Thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
December 31, 2006	$ 0	$ 669,617	$ 669,617	0.00 %	$ 748,096	89.51 %
December 31, 2008	$ 53,851	$ 446,601	$ 392,750	12.06 %	$ 901,245	43.58 %

State Employees' OPEB Plan
Schedule of Employer Contributions
(Expressed in Thousands)

Year Ended	Annual Required Contributions	Percentage Contributed
June 30, 2007	$ 50,433	101.37 %
June 30, 2008	$ 53,491	98.71 %
June 30, 2009	$ 53,491	100.00 %
June 30, 2010	$ 43,819	100.00 %

The Elected Officials' Other Postemployment Benefit Plan (Elected Officials' OPEB Plan) is administered by the State and funded on a pay-as-you-go basis. Only elected officials that retire after January 1, 1998 and have 4 or more years of service are eligible for this benefit. The following schedule presents the State of Utah's actuarially determined funding progress for the Elected Officials' OPEB Plan (using the projected unit credit method):

Elected Officials' OPEB Plan
Schedule of Funding Progress
By Valuation Date
(Expressed in Thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
December 31, 2008	$ 0	$ 24,515	$ 24,515	0.00 %	$ 866	2,830.8 %

INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

As allowed by GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, the State has adopted an alternative to reporting depreciation on roads and bridges (infrastructure assets) maintained by the Utah Department of Transportation (UDOT). This includes infrastructure acquired prior to fiscal year 1981. Under this alternative method, referred to as the "modified approach," infrastructure assets are not depreciated, and maintenance and preservation costs are expensed.

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

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

Roads

UDOT uses the Pavement Management System to determine the condition of 5,753 centerline miles of state roads. The assessment is based on the Ride Index, which is a measure of ride quality on a 1 to 5 scale, with 5 representing new or nearly new pavements that provide a very smooth ride. The Ride Index is calculated from the International Roughness Index (IRI), with pavement type (asphalt or concrete) taken into account. The IRI is a mathematical statistic based on the longitudinal profile of the road.

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

Condition Level – Roads

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

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

Rating	2009	2008	2007
Fair or Better	60.0 %	61.0 %	62.6 %
Very Poor	13.1 %	13.9 %	12.4 %

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

FISCAL YEAR	ESTIMATED SPENDING	ACTUAL SPENDING
2010	$ 244,272	$ 349,451
2009	$ 296,443	$ 313,817
2008	$ 418,386	$ 292,585
2007	$ 212,911	$ 252,526
2006	$ 240,854	$ 366,600

Bridges

UDOT uses the Structures Inventory System to monitor the condition of the 1,854 state-owned bridges. A number, ranging from 1 to 100, is calculated based on condition, geometry, functional use, safety, and other factors. Three categories of condition are established in relation to the number range as follows:

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

Condition Level – Bridges

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

Rating	2010	2009	2008
Good	72.4 %	69.0 %	72.0 %
Poor	1.0 %	1.0 %	2.0 %

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

FISCAL YEAR	ESTIMATED SPENDING	ACTUAL SPENDING
2010	$ 43,107	$ 61,668
2009	$ 52,314	$ 55,379
2008	$ 73,833	$ 51,633
2007	$ 37,573	$ 44,563
2006	$ 42,504	$ 64,694

APPENDIX B

ADDITIONAL DEBT AND FINANCIAL INFORMATION REGARDING THE STATE OF UTAH

Legal Borrowing Authority Of The State

Constitutional Debt Limit. Article XIV, Section 1 of the State Constitution limits the total general obligation indebtedness of the State to an amount equal to 1.5% of the value of the total taxable property of the State, as shown by the last assessment for State purposes previous to incurring such debt. The application of this constitutional debt limit and the additional debt incurring capacity of the State under the Constitution are estimated to be on October 25, 2011 as follows:

Fair market value of ad valorem taxable property (1)	$269,496,519,718
Fees in lieu of ad valorem taxable property (2)	11,349,810,426
Total fair market value of taxable property (1)	$280,846,330,144
Constitutional debt limit (1.5%)	$4,212,694,952
Less: currently outstanding general obligation debt (net) (3)	(3,692,496,229)
Estimated additional constitutional debt incurring capacity of the State (4)	$ 520,198,723

(1) Based on 2010 taxable values. See "FINANCIAL INFORMATION REGARDING THE STATE OF UTAH—Property Tax Matters–Taxable Value Compared with Fair Market Value of All Taxable Property in the State" above.

(2) Based on 2010 "age based" values. For purposes of calculating debt incurring capacity only, the value of all motor vehicles and state–assessed commercial vehicles (which value is determined by dividing the uniform fee revenue by 1.5%) is added to the fair market value of the taxable property in the State.

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

(4) The State is further limited on its issuance of general obligation indebtedness by statute. See in this section "Statutory General Obligation Debt Limit" below.

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

On occasion, the Legislature has amended the State Appropriations and Tax Limitation Act in order to provide an exemption for certain general obligation highway bonds and bond anticipation notes from the limitations imposed by the State Appropriations and Tax Limitation Act. See "Authorized General Obligation Bonds and Future General Obligation Bonds Issuance" below.

Using the budget appropriations for Fiscal Year 2011, the statutory general obligation debt limit under the State Appropriations and Tax Limitation Act and additional general obligation debt incurring capacity of the State under that act are as of October 25, 2011, as follows:

Statutory general obligation debt limit (1)	$1,282,260,990
Less: statutorily applicable general obligation debt (net) (2)	(433,500,851)
Remaining statutory general obligation debt incurring capacity	$ 848,760,139

(1) 45% of Fiscal Year 2011 appropriation limit of $2,849,468,866.
(2) Includes unamortized original issue bond premium and deferred amount on refunding that was treated as principal for purposes of calculating the applicable constitutional and statutory debt limits.

Authorized General Obligation Bonds and Future General Obligation Bonds Issuance. As of October 25, 2011, the State has approximately $583,877,575 aggregate principal amount of additional authorized and unissued general obligation bonds, the proceeds of which bonds, when issued, will be used by the Utah Department of Transportation and DFCM for various capital projects. The authorizations consist of:

- $40,270,747 for building projects from 2011;
- $443,318,200 (all of which is exempt from statutory debt limit calculations) for highway projects and $1,131,050 for higher education and building projects from 2009;
- $42,500,000 for development projects from 2008;
- $56,165,228 (all of which is exempt from statutory debt limit calculations) for highway projects from 2007; and
- $1,623,400 for capital projects from 2004.

Based on the State's building needs, the State anticipates that it will issue approximately $39.6 million of its authorized and unissued general obligation bonds during Fiscal Year 2013. Additionally, based on the State's highway and transportation needs, the State anticipates that it will issue approximately $260 million of its authorized and unissued general obligation bonds during Fiscal Year 2013 and approximately $92 million during Fiscal Year 2014.

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

The calculation of the historical constitutional debt limit, the general obligation debt, the additional general obligation debt incurring capacity, and the statutory debt limit for the State for each of the Fiscal Years 2007 through 2011 is as follows:

	(In Thousands) Fiscal Year				
	2011	2010	2009	2008	2007
Fair Market Value of Ad Valorem Taxable Property (1)	$269,496,520	$279,470,018	$298,740,951	$269,489,923	$218,864,054
Fees in lieu of Ad Valorem Tax (2)	11,349,810	11,990,434	12,784,269	12,686,241	14,148,805
Fair Market Value for Debt Incurring Capacity (1)	$280,846,330	$291,460,452	$311,525,220	$282,176,164	$233,012,859
Constitutional:					
Debt Limit	$4,212,698	$4,371,907	$4,672,878	$4,232,642	$3,495,193
Outstanding General Obligation Debt (Net) (3)	(3,256,115)	(2,409,939)	(1,562,815)	(1,198,172)	(1,284,023)
Additional Debt Incurring Capacity	$ 956,583	$1,961,968	$3,110,063	$3,034,470	$2,211,170
Statutory:					
Debt Limit	$1,282,261	$1,195,711	$1,132,009	$1,114,933	$1,024,512
Outstanding General Obligation Debt (Net) (3) (4)	(557,785)	(549,254)	(483,545)	(434,590)	(493,456)
Additional Debt Incurring Capacity	$ 724,476	$ 646,457	$ 648,464	$ 680,343	$ 531,056

(1) Information as reported in the State Tax Commission, Property Tax Division, Annual Reports.

(2) Information as reported in the State Tax Commission, Property Tax Division, Annual Reports. For purposes of calculating debt incurring capacity only, the value of all motor vehicles and state–assessed commercial vehicles (which value is determined by dividing the uniform fee revenue by 1.5%) is added to the fair market value of the taxable property in the State.

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

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

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

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Outstanding General Obligation Indebtedness Of The State

The State has issued general obligation bonds for general administrative buildings, higher education buildings, highways, water and wastewater facilities, flood control facilities, technology, and refunding purposes. As of October 25, 2011, the State expects to have the following principal amounts of general obligation debt outstanding:

Series (1)	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding
2011A (2)	Building/highways	$609,920,000	July 1, 2026	$ 609,920,000
2010C (3)	Refunding	172,055,000	July 1, 2019	172,055,000
2010B (3) (5)	Highways (BABs)	621,980,000	July 1, 2025	621,980,000
2010A (4)	Building/highways	412,990,000	July 1, 2017	373,390,000
2009D (3) (5)	Highways (BABs)	491,760,000	July 1, 2024	491,760,000
2009C (6)	Building/highways	490,410,000	July 1, 2018	486,325,000
2009B	Various purpose	104,450,000	July 1, 2015	84,825,000
2009A (3) (7)	Highways	394,360,000	July 1, 2019 (14)	197,365,000
2007 (8)	Various purpose	75,000,000	July 1, 2014	32,235,000
2004B (7) (9)	Various purpose	140,635,000	July 1, 2015 (14)	15,400,000
2004A (10)	Refunding	314,775,000	July 1, 2016	234,635,000
2003A (11) (12)	Various purpose	407,405,000	July 1, 2013 (15)	107,875,000
2002B (3)	Refunding	253,100,000	July 1, 2012	59,915,000
2002A (13)	Various purpose	281,200,000	July 1, 2011	0
Total principal amount of outstanding general obligation debt (16)				$3,487,680,000

(1) Rated "AAA" by Fitch; "Aaa" by Moody's; and "AAA" by S&P, as of the date of this OFFICIAL STATEMENT.
(2) $563,060,000 of these bonds is exempt from statutory debt limit calculations.
(3) This bond is exempt from statutory debt limit calculations.
(4) $293,680,000 of these bonds is exempt from statutory debt limit calculations.
(5) Issued as federally taxable, 35% issuer subsidy, "Build America Bonds".
(6) $363,630,000 of these bonds is exempt from statutory debt limit calculations.
(7) Portions of this bond issue were refunded by the 2010C Bonds.
(8) $32,235,000 of these bonds is exempt from statutory debt limit calculations.
(9) $15,400,000 of these bonds is exempt from statutory debt limit calculations.
(10) $66,565,000 of these bonds is exempt from statutory debt limit calculations.
(11) $107,875,000 of these bonds is exempt from statutory debt limit calculations.
(12) Portions of this bond issue were refunded by the 2004A Bonds.
(13) This bond issue is included in this table because final debt payment occurred in Fiscal Year 2012. See "Debt Service Schedule Of Outstanding General Obligation Bonds By Fiscal Year" below.
(14) Final maturity date after the refunding effected by the 2010C Bonds.
(15) Final maturity date after the refunding effected by the 2004A Bonds.
(16) For accounting purposes, the outstanding debt as shown above must be increased by the premium associated with debt issued and reduced by the deferred amount on refunding that is reported in the long–term debt notes of the State's financial statements. For accounting purposes, the total unamortized bond premium is $232,880,301 and the total deferred amount on refundings is $28,064,072 (as of October 25, 2011), together with current debt outstanding of $3,487,680,000, results in total outstanding net direct debt of $3,692,496,229.

(Source: Division of Finance.)

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

Fiscal Year Ending	Series 2011A $609,920,000		Series 2010C $172,055,000		Series 2010B $621,980,000		Series 2010A $412,990,000	
June 30	Principal	Interest	Principal	Interest	Principal	Interest (2)	Principal	Interest
2012………	$ 0	$ 13,979,899	$ 0	$ 8,350,200	$ 0	$ 21,480,074	$ 39,600,000	$ 18,340,150
2013………	28,760,000	28,327,250	0	8,350,200	0	21,480,074	50,245,000	16,441,500
2014………	28,765,000	27,350,125	0	8,350,200	0	21,480,074	55,435,000	13,960,975
2015………	28,765,000	26,116,625	0	8,350,200	0	21,480,074	58,035,000	11,166,125
2016………	28,765,000	24,785,725	0	8,350,200	0	21,480,074	89,635,000	7,577,775
2017………	48,765,000	23,031,000	28,510,000	7,667,200	0	21,480,074	81,125,000	3,463,925
2018………	70,855,000	20,177,325	28,635,000	6,309,325	0	21,480,074	38,915,000	758,725
2019………	43,995,000	17,343,025	70,435,000	3,873,575	0	21,480,074	–	–
2020………	43,990,000	15,166,500	44,475,000	1,056,350	29,470,000	21,010,175	–	–
2021………	43,990,000	12,988,700	–	–	101,775,000	18,866,586	–	–
2022………	43,990,000	10,929,600	–	–	102,480,000	15,466,620	–	–
2023………	39,790,000	8,969,250	–	–	103,250,000 (3)	11,913,336	–	–
2024………	39,785,000	6,979,875	–	–	104,160,000 (3)	8,243,216	–	–
2025………	39,785,000	4,990,625	–	–	104,430,000 (3)	4,552,216	–	–
2026………	39,785,000	3,001,375	–	–	76,415,000 (3)	1,352,163	–	–
2027………	40,135,000	1,003,375	–	–	–	–	–	–
Totals………	$ 609,920,000	$ 245,140,274	$ 172,055,000	$ 60,657,450	$ 621,980,000	$ 253,244,900	$ 412,990,000	$ 71,709,175

Fiscal Year Ending	Series 2009D $491,760,000		Series 2009C $490,410,000		Series 2009B $104,450,000		Series 2009A $394,360,000	
June 30	Principal	Interest (2)	Principal	Interest	Principal	Interest	Principal	Interest
2012………	$ 0	$ 22,098,170	$ 4,085,000	$ 21,674,650	$ 19,175,000	$ 3,776,500	$ 23,680,000	$ 9,234,425
2013………	0	22,098,170	35,225,000	21,127,950	19,950,000	2,994,000	23,680,000	8,368,600
2014………	0	22,098,170	97,950,000	18,750,050	20,775,000	2,179,500	23,680,000	7,510,425
2015………	0	22,098,170	71,545,000	15,264,375	21,600,000	1,332,000	23,680,000	6,415,450
2016………	0	22,098,170	74,080,000	11,873,750	22,500,000	450,000	25,265,000	5,316,325
2017………	0	22,098,170	69,165,000	8,416,438	–	–	25,265,000	4,228,075
2018………	0	22,098,170	67,495,000	5,089,688	–	–	25,265,000	3,015,325
2019………	0	22,098,170	70,865,000	1,721,625	–	–	25,265,000	1,797,525
2020………	74,145,000	20,558,179	–	–	–	–	25,265,000	605,675
2021………	87,715,000 (4)	17,020,917	–	–	–	–	0	0 (5)
2022………	86,740,000 (4)	13,048,576	–	–	–	–	0	0 (5)
2023………	90,825,000 (4)	9,005,421	–	–	–	–	0	0 (5)
2024………	64,420,000 (4)	5,470,493	–	–	–	–	0	0 (5)
2025………	87,915,000 (4)	2,001,825	–	–	–	–	–	–
2026………	–	–	–	–	–	–	–	–
2027………	–	–	–	–	–	–	–	–
Totals………	$ 491,760,000	$ 243,890,773	$ 490,410,000	$ 103,918,525	$ 104,000,000	$ 10,732,000	$ 221,045,000	$ 46,491,825

(1) This table reflects the State's debt service schedule for its outstanding general obligation bonds for the fiscal year shown. This information is based on payments (cash basis) falling due in that particular fiscal year. **Does not reflect federal interest rate subsidy payments on Build America Bonds.**

(2) Issued as federally taxable "Build America Bonds." Does not reflect 35% federal interest subsidy payments.

(3) Mandatory sinking fund principal payments from a $388,255,000 3.539% term bond due July 1, 2025.

(4) Mandatory sinking fund principal payments from a $417,615,000 4.554% term bond due July 1, 2024.

(5) Principal and interest has been refunded by the 2010C General Obligation Bonds.

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

Fiscal Year Ending June 30	Series 2007 $75,000,000 Principal	Series 2007 Interest	Series 2004B $140,635,000 Principal	Series 2004B Interest	Series 2004A $314,775,000 Principal	Series 2004A Interest	Series 2003A $407,405,000 Principal	Series 2003A Interest
2012………	$ 15,030,000	$ 1,777,300	$ 30,600,000	$ 1,535,000	$ 40,830,000	$ 12,548,350	$ 15,100,000	$ 5,771,250
2013………	10,300,000	1,195,550	3,575,000	680,625	11,245,000	11,450,625	52,575,000	4,079,375
2014………	10,720,000	775,150	3,750,000	497,500	18,480,000	10,707,500	55,300,000	1,382,500
2015………	11,215,000	280,375	3,950,000	305,000	73,595,000	8,405,625	0	0 (6)
2016………	–	–	4,125,000	103,125	73,910,000	4,718,000	0	0 (6)
2017………	–	–	0	0 (5)	57,405,000	1,435,125	0	0 (6)
2018………	–	–	0	0 (5)	–	–	–	–
2019………	–	–	0	0 (5)	–	–	–	–
2020………	–	–	0	0 (5)	–	–	–	–
2021………	–	–	–	–	–	–	–	–
2022………	–	–	–	–	–	–	–	–
2023………	–	–	–	–	–	–	–	–
2024………	–	–	–	–	–	–	–	–
2025………	–	–	–	–	–	–	–	–
2026………	–	–	–	–	–	–	–	–
2027………	–	–	–	–	–	–	–	–
Totals………	$ 47,265,000	$ 4,028,375	$ 46,000,000	$ 3,121,250	$ 275,465,000	$ 49,265,225	$ 122,975,000	$ 11,233,125

Fiscal Year Ending June 30	Series 2002B $253,100,000 Principal	Series 2002B Interest	Series 2002A $281,200,000 Principal	Series 2002A Interest	Totals (1) Total Principal	Totals (1) Total Interest	Totals (1) Total Debt Service
2012………	$ 56,705,000	$ 4,744,378	$ 6,325,000	$ 166,031	$ 251,130,000	$ 145,476,378	$ 396,606,378
2013………	59,915,000	1,610,216	0	0 (7)	295,470,000	148,204,135	443,674,135
2014………	–	–	0	0 (6)	314,855,000	135,042,169	449,897,169
2015………	–	–	0	0 (6)	292,385,000	121,214,019	413,599,019
2016………	–	–	0	0 (6)	318,280,000	106,753,144	425,033,144
2017………	–	–	–	–	310,235,000	91,820,007	402,055,007
2018………	–	–	–	–	231,165,000	78,928,632	310,093,632
2019………	–	–	–	–	210,560,000	68,313,994	278,873,994
2020………	–	–	–	–	217,345,000	58,396,878	275,741,878
2021………	–	–	–	–	233,480,000	48,876,202	282,356,202
2022………	–	–	–	–	233,210,000	39,444,796	272,654,796
2023………	–	–	–	–	233,865,000	29,888,007	263,753,007
2024………	–	–	–	–	208,365,000	20,693,583	229,058,583
2025………	–	–	–	–	232,130,000	11,544,665	243,674,665
2026………	–	–	–	–	116,200,000	4,353,538	120,553,538
2027………	–	–	–	–	40,135,000	1,003,375	41,138,375
Totals………	$ 116,620,000	$ 6,354,594	$ 6,325,000	$ 166,031	$ 3,738,810,000	$ 1,109,953,523	$ 4,848,763,523

(1) This table reflects the State's debt service schedule for its outstanding general obligation bonds for the fiscal year shown. This information is based on payments (cash basis) falling due in that particular fiscal year. **Does not reflect federal interest rate subsidy payments on Build America Bonds.**

(5) Principal and interest has been refunded by the 2010C General Obligation Bonds.

(6) Principal and interest has been refunded by the 2004A General Obligation Bonds.

(7) There is no scheduled principal maturity in this Fiscal Year.

(Source: Financial Advisor.)

Debt Ratios Of The State

The following tables show the ratios of the principal par amounts of the State's general obligation debt (excludes any additional principal amounts attributable to unamortized original issue bond premium and deferred amount on refunding), to population, total personal income, taxable value and fair market/market value for the fiscal years shown and estimated as of October 25, 2011.

	Fiscal Year				
	2011	2010	2009	2008	2007
Outstanding general obligation debt (in $1,000's)	$3,128,890	$2,299,300	$1,492,620	$1,161,510	$1,237,170
Debt ratios:					
Per capita	$1,132	$832	$533	$421	$458
As % of State Total Personal Income	3.32%	2.55%	1.70%	1.31%	1.45%
As % of Taxable Value	1.61%	1.15%	0.70%	0.61%	0.80%
As % of Fair Market/Market Value	1.16%	0.82%	0.50%	0.43%	0.57%

	Estimated As of October 25, 2011
Outstanding general obligation debt	$3,487,680,000
Debt ratios:	
Per capita (2010 Census–2,763,885)	$1,262
As % of State Total Personal Income (2011 estimate–$94,856,000,000)	3.68%
As % of Taxable Value (2011 estimate–$193,170,000,000)	1.81%
As % of Fair Market Value/Market Value (2011 estimate–$267,337,000,000)	1.30%

(Source: Financial Advisor.)

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

	($ In Thousands) Fiscal Year				
	2010	2009	2008	2007	2006
General Fund Expenditures	$5,242,641	$5,103,322	$4,827,229	$4,497,679	$4,333,467
Debt Service Expenditures	$302,917	$245,288	$333,175	$235,011	$235,436
Ratio of Debt Service to General Fund Expenditures	5.78%	4.81%	6.90%	5.23%	5.43%
Total All Governmental Funds Expenditures	$10,879,443	$10,391,436	$9,877,368	$8,772,404	$8,118,742
Ratio of Debt Service Expenditures to All Governmental Fund Expenditures	2.78%	2.36%	3.37%	2.68%	2.90%

(Sources: Division of Finance and the 2010 CAFR.)

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Revenue Bonds And Notes

State of Utah Recapitalization Revenue Bonds. The State has issued the following recapitalization revenue bonds:

Series (1)	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding
2010C (2)	Water resources (BABs)	$31,225,000	July 1, 2022	$31,225,000
2010B..................	Water resources	16,125,000	July 1, 2017	16,125,000
2010A (3)............	Water resources	18,450,000	July 1, 2014	13,855,000
Total principal amount of outstanding revenue debt (4)				$61,205,000

(1) Rated "Aa2" by Moody's and "AA" by S&P, as of the date of this OFFICIAL STATEMENT. No municipal bond rating has been requested from Fitch.

(2) Issued as federally taxable, 35% issuer subsidy, "Build America Bonds".

(3) Issued as federally taxable bonds.

(4) For accounting purposes, the total unamortized bond premium is $1,433,889 (as of October 25, 2011), together with current debt outstanding of $61,205,000, results in total outstanding net direct debt of $62,638,889.

(Source: Division of Finance.)

Fiscal Year Debt Service Payments. Total annual principal and interest payments on the State's recapitalization revenue bonds are approximately $6.95 million and are due on July 1 of each year, beginning in Fiscal Year 2012 and extending through Fiscal Year 2023.

See "DEBT STRUCTURE OF THE STATE OF UTAH—Revenue Bonds And Notes" above.

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APPENDIX C

DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING THE STATE OF UTAH

General Information

This appendix has been summarized from information which is contained in the *Economic Outlook 2011* (the "Economic Outlook 2011"); the *Economic Report to the Governor* (the "2010 ERG"); and from other reliable sources. *Additionally, the Governor's Office of Planning and Budget ("GOPB") has updated certain sections contained in this appendix with the latest information available.* The Economic Outlook 2011 and the 2010 ERG is prepared by the Demographic and Economic Analysis Section of the GOPB. Among other functions, the GOPB is to serve as the lead agency for the U.S. Census Bureau's State Data Center Program. Much of the economic data in the Economic Outlook 2011 and the 2010 ERG have been generated by members of the State Council of Economic Advisors. A complete copy of the Economic Outlook 2011 and the 2010 ERG may be obtained on the internet or by contacting GOPB; 801.538.1027 | f 801.538.1547 | governor.utah.gov

Geographic Information

On January 4, 1896, the State became the 45th state of the United States of America (the "U.S."). Ranking 13th among the states in total area, the State contains approximately 84,900 square miles. It ranges in elevation from a low of 2,200 feet above sea level in the south, to a high of 13,500 feet above sea level in the northern mountains. The State is located in an arid region (precipitation ranks as the 2nd lowest in the nation, behind Nevada). Home to deserts, plateaus, the Great Basin and the Rocky Mountains, the State is known for its scenic beauty and the diversity of its outdoor recreation areas. As of April 2001, land ownership in the State was distributed as 63.9% federal, 10.1% State, and 26% other (American Indian reservation, municipal, state sovereign lands, and private).

Demographics

The State's 2010 Census population was 2,763,885, an increase of 530,716 people or 23.8% increase from 2000. According to the U.S. Census Bureau, the State was the third fastest growing state in the nation from 2000 to 2010. Nevada ranked first followed by Arizona, Utah, Idaho, Texas, North Carolina, and Georgia. The State's unique characteristics of a high fertility rate and low mortality rate consistently contribute to strong natural increase, the difference between births and deaths. The State continues to have a distinctive demographic profile that includes the nation's youngest population, highest fertility rate, largest household size, and low mortality rates.

State Population

Year	Population	% Change From Prior Period
2010 Census	2,763,885	23.8%
2000 Census	2,233,169	29.6
1990 Census	1,722,850	17.9
1980 Census	1,461,037	37.9
1970 Census	1,059,273	18.9
1960 Census	890,627	29.3
1950 Census	688,862	25.2
1940 Census	550,310	8.4
1930 Census	507,847	13.0
1920 Census	449,396	20.4
1910 Census	373,351	34.9

(Source: U.S. Bureau of the Census.)

Components of Population Change in the State

Year	Births	Deaths	Natural Increase	Net In-Migration	Population Change
2010	52,781	14,206	38,575	4,750	43,325
2009	54,658	13,873	40,785	(57)	40,728
2008	55,483	13,941	41,542	13,064	54,606
2007	54,345	13,967	40,378	19,851	60,229
2006	52,507	13,496	39,011	32,262	71,273
2005	50,581	13,163	37,418	39,001	76,419
2004	50,673	13,501	37,172	20,893	58,065
2003	49,669	13,041	36,628	3,481	40,109
2002	48,171	12,929	35,242	4,599	39,841
2001	47,693	12,449	35,244	8,325	43,569

(Source: GOPB.)

Significant Characteristics of the State's Population

Category	Ranking (1)	Comments
Population growth (2000 to 2010)	3rd (23.8% growth rate)	out of 50 states
State population (July 1, 2009)	34th	out of 50 states and DC
Pre–school age (under five years old)	1st	9.8%
School age (five to 17)	1st	21.4%
Working age (18 to 64)	51st	58.9%
Retirement age (over age 65)	50th	9.0%
Median age (July 1, 2009)	1st	28.8 years
Dependency ratio (July 1, 2009)	1st	67.3 per 100 of working age
Fertility rate (2006)	1st	2.63 births/woman
Death rate (2006)	50th	5.3 deaths/1,000 population
Life expectancy (2000)	3rd	78.6 years
Urban status	9th	88.3% urban
Household size (2009)	1st	3.14 persons

(1) Rankings are from least favorable to most favorable, highest to lowest. Rankings are based on the most current national data available for all states, includes the District of Columbia in some cases.

(Source: 2011 Economic Outlook and GOPB.)

Employment, Wages And Labor Force

Like every other state in the nation, the State's employment situation was severely impacted by the recession. Signs of recovery began to emerge in 2010—consecutive monthly declines halted and the rate of increase in the unemployment rate slowed—but the average annual employment level for the year was an estimated 7,200 lower than in 2009 (the loss was 63,700 between 2008 and 2009). The unemployment rate rose to 7.7%, 2.0% lower than the national rate but still the highest unemployment rate in the State in more than 25 years. By the end of 2010, most industries had passed their low points and began to show employment growth. Those industries posting measurable gains in average annual employment between 2009 and 2010 were professional and business services and education and health services. Following a decline of 3.6% between 2008 and 2009, total nonfarm wages increased 1.0% between 2009 and 2010 to $45.7 billion.

2011 Outlook. The State employment situation is anticipated to gradually improve during 2011. The average annual level of employment is anticipated to grow by 20,200 jobs, making up just under a quarter of the jobs lost over the last three years. The unemployment rate is projected to retreat slightly to an average of 7.4% for the year. Job gains and lower unemployment will lead to better growth in total nonfarm wages of 4.1%.

Current Unemployment Rates (seasonally adjusted)

Current Unemployment Rate	State	U.S.
July 2011	7.5%	9.1%
July 2010	7.6	9.5

(Source: Utah Department of Workforce Services.)

Average Annual Employment and Unemployment Rate for Utah and the United States

	Utah		Unemployment Rate		Utah Unemployment Rate as % of
Year	Civilian Labor Force	Total Employed	Utah	U.S.	U.S. Rate
2012 (f)	1,382,100	1,298,300	6.7%	8.4%	79.8%
2011 (f)	1,367,700	1,270,500	7.4	8.8	84.1
2010 (e)	1,354,800	1,252,500	7.7	9.6	80.2
2009	1,364,494	1,274,788	6.6	9.3	71.0
2008	1,368,182	1,317,082	3.7	5.8	63.8
2007	1,356,550	1,319,784	2.7	4.6	58.7
2006	1,318,473	1,279,453	3.0	4.6	65.2
2005	1,268,075	1,214,150	4.3	5.1	84.3
2004	1,203,459	1,140,498	5.2	5.5	95.0
2003	1,188,279	1,121,088	5.7	6.0	94.2
2002	1,174,582	1,107,379	5.7	5.8	98.3
2001	1,153,387	1,103,028	4.4	4.8	91.7
2000	1,133,870	1,095,657	3.4	4.0	85.0
1999	1,120,591	1,080,441	3.6	4.2	85.7
1998	1,101,972	1,061,282	3.7	4.5	82.2

(f) forecast; (e) estimate.

(Source: Utah Department of Workforce Services; GOPB)

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Employment

Utah Labor Force, Nonagricultural Jobs, and Wages

	2012(f)	2011(f)	2010 (p)	2009	2008	2007	% Change 2011–12	% Change 2010–11	% Change 2009–10	% Change 2008–09	% Change 2007–08
Population	2,947,100	2,895,000	2,848,000	2,800,089	2,757,779	2,699,554	1.8	1.7	1.7	1.5	2.2
Civilian labor force	1,362,400	1,363,800	1,371,883	1,364,494	1,368,182	1,356,550	(0.1)	(0.6)	0.5	(0.3)	0.9
Employed persons	1,271,600	1,262,400	1,262,083	1,274,788	1,317,082	1,319,784	0.7	0.0	(1.0)	(3.2)	(0.2)
Unemployed persons	90,800	101,400	109,800	89,706	51,100	36,766	(10.5)	(7.7)	22.4	75.5	39.0
Unemployment rate (%)	6.7	7.4	7.7	6.6	3.7	2.7	–	–	–	–	–
U.S. unemployment rate (%)	8.4	8.8	9.6	9.3	5.8	4.6	–	–	–	–	–
Total nonfarm jobs	1,229,400	1,201,700	1,181,519	1,188,736	1,252,470	1,251,282	2.3	1.7	(0.6)	(5.1)	0.1
Mining	11,400	11,000	10,442	10,694	12,506	11,034	3.6	5.3	(2.4)	(14.5)	13.3
Construction	69,300	66,300	65,237	70,492	90,469	103,450	4.5	1.6	(7.5)	(22.1)	(12.5)
Manufacturing	114,300	112,700	111,080	112,874	125,852	127,695	1.4	1.5	(1.6)	(10.3)	(1.4)
Trade, transportation, utilities	236,300	230,000	229,128	234,097	247,978	245,672	2.7	0.4	(2.1)	(5.6)	0.9
Information	30,800	30,000	29,268	29,558	30,747	32,448	2.7	2.5	(1.0)	(3.9)	(5.2)
Financial activity	68,500	68,000	67,998	71,075	74,050	74,739	0.7	0.0	(4.3)	(4.0)	(0.9)
Professional and business services	165,600	158,800	152,374	149,517	162,194	161,022	4.3	4.2	1.9	(7.8)	0.7
Education and health services	165,500	160,300	155,019	150,874	146,617	139,991	3.2	3.4	2.7	2.9	4.7
Leisure and hospitality	114,000	111,800	110,675	110,852	114,813	112,821	2.0	1.0	(0.2)	(3.4)	1.8
Other services	34,100	33,700	33,630	34,024	35,534	35,542	1.2	0.2	(1.2)	(4.2)	(0.0)
Government	219,600	217,000	216,668	214,679	211,710	206,868	1.2	0.2	0.9	1.4	2.3
Goods–producing	195,000	190,000	186,759	194,060	228,827	242,179	2.6	1.7	(3.8)	(15.2)	(5.5)
Service–producing	1,034,400	1,011,700	994,760	994,676	1,023,643	1,009,103	2.2	1.7	0.0	(2.8)	1.4
% Service–producing	84.1%	84.2%	84.2%	83.7%	81.7%	80.6%	–	–	–	–	–
U.S. nonagricultural job growth	1.8%	1.2%	(0.7)%	(4.3)%	(0.6)%	1.1%	–	–	–	–	–
Total nonagricultural wages (millions)	$50,130	$47,564	$45,684	$45,242	$46,913	$45,691	5.4	4.1	1.0	(3.6)	2.7
Average annual wage	$40,776	$39,581	$38,665	$38,059	$37,456	$36,515	3.0	2.4	1.6	1.6	2.6
Average monthly wage	$3,398	$3,298	$3,222	$3,172	$3,121	$3,043	3.0	2.4	1.6	1.6	2.6
Establishments (first quarter)	82,800	82,400	80,419	83,263	85,492	84,957	0.5	2.5	(3.4)	(2.6)	0.6

(f) forecast; (e) estimated.

(Source: Utah Deparment of Employment Services, Economic Outlook 2011 and GOPB. June 2011)

Largest Nonagricultural Employers (1)

Employer	Business	Employee Range
Intermountain Health Care	Healthcare	20,000+
State of Utah	State government	20,000+
Brigham Young University	Higher education	15,000–20,000
University of Utah (including Hospital)	Higher education	15,000–20,000
Wal–Mart Stores	Department store	15,000–20,000
Hill Air Force Base	Military installation	10,000–15,000
Davis School District	Public education	7,000–10,000
Granite School District	Public education	7,000–10,000
Jordan School District.	Public education	7,000–10,000
Alpine School District	Public education	5,000–7,000
Kroger Group Cooperative	Retail stores	5,000–7,000
Salt Lake County	County government	5,000–7,000
U.S. Department of Treasury	Federal government	5,000–7,000
U.S. Postal Service	Mail distribution	5,000–7,000
Utah State University	Higher education	5,000–7,000
Albertson's	Grocery stores	4,000–5,000
ATK Thiokol	Aerospace equip. manufacturing	4,000–5,000
Zions First National Bank	Banking	4,000–5,000
Autoliv Asp (Morton International)	Auto components manufacturing	3,000–4,000
Convergys	Telemarketing	3,000–4,000
Delta Airlines Inc.	Air transportation	3,000–4,000
Home Depot	Building supply store	3,000–4,000
Nebo School District	Public education	3,000–4,000
Salt Lake City	Local government	3,000–4,000
Salt Lake City School District	Public education	3,000–4,000
Skywest Airlines	Air transportation	3,000–4,000
United Parcel Service	Courier service	3,000–4,000
Weber County School District	Public education	3,000–4,000
Wells Fargo Bank N.A.	Banking	3,000–4,000
ARUP	Medical laboratory	2,000–3,000
Costco Wholesale	Retail warehouse club	2,000–3,000
Discover Products	Consumer loans	2,000–3,000
Harmons	Grocery stores	2,000–3,000
L3 Communications	Electronic manufacturing	2,000–3,000
Sizzler Office	Restaurants	2,000–3,000
Macey's	Grocery stores	2,000–3,000
Qwest Corporation	Telephone service/communications	2,000–3,000
Rocky Mountain Power	Electric generation/distribution	2,000–3,000
Salt Lake Community College	Higher education	2,000–3,000
Target Corporation	Discount department store	2,000–3,000
Teleperformance USA	Telemarketing	2,000–3,000
Utah Valley State College	Higher education	2,000–3,000
Washington County School District	Public education	2,000–3,000
Weber State University	Higher education	2,000–3,000

(1) The most current information is as of 2008. Includes those firms with 2,000 to 3,000 and more employees. The Church of Jesus Christ of Latter–day Saints Church remains one of the State's largest employers; however, the Church does not disclose employment numbers.

(Source: Utah Department of Workforce Services; 2010 ERG.)

Personal Income

The State's total personal income is expected to increase by 2.4% in 2010, a positive change from the 1% decline in 2009. The 2010 increase in personal income was facilitated by the American Recovery and Reinvestment Act which stimulated the State economy and increased transfer receipts. Income from wages, proprietorships, dividends, and interest all turned positive in 2010. Moving into 2011 as the economy slowly recovers the State's personal income is expected to increase by 5.3%, 0.4% above the anticipated U.S. increase. Income growth from wages and proprietorships in 2011 is expected to increase. Interest rates are predicted to gradually increase in 2011 with slower growth in dividend income and increasing growth in interest income. Per capita personal income is forecast to increase 3.8% in 2011.

The State's estimated 2010 per capita income was approximately $32,471 up 1.0% from the 2009 level of $32,155. The State's per capita income was only 80.5% of the national per capita income in 2010, one of the lowest percentages of the past 15 years. The State's per capita income remains weak against the national average primarily as a result of two factors: (i) the State's average wages are generally below the national average due to the youth of the State's labor force; and, (ii) the State's population is the nation's youngest, its household size is the largest, and, State residents have larger size families.

Total Personal Income ($ In Millions)

	Utah		United States	
Year	Amount	% Change	Amount	% Change
2011 (f)	$94,856	5.3%	$13,150,000	4.9%
2010 (e)	90,090	2.4	12,530,000	3.0
2009 (e)	87,947	(1.0)	12,168,161	(1.7)
2008	88,792	4.3	12,380,225	4.0
2007	85,106	8.6	11,900,562	5.7
2006	78,378	9.6	11,256,516	7.4
2005	71,530	9.3	10,476,669	5.5
2004	65,453	6.5	9,928,790	6.0
2003	61,485	2.7	9,369,072	3.5
2002	59,873	2.3	9,054,702	2.0
1995	37,795	–	6,194,245	–
1990	25,704	–	4,831,282	–
1985	19,593	–	3,482,520	–
1980	12,506	–	2,292,903	–

(f) forecast; (e) estimate.

(Source: U.S. Department of Commerce, Bureau of Economic Analysis ("BEA"); GOPB.)

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Components of the State's Total Personal Income

	(in thousands)					% change 2009–10	% change 2008–09	% change 2007–08	% change 2006–07
	2010 (p)	2009 (r)	2008	2007	2006				
Personal income	$90,090,080	$87,947,247	$88,792,239	$85,105,668	$78,378,401	2.4	(1.0)	4.3	8.6
Earnings by place of work	68,717,526	67,786,523	69,832,807	68,318,299	63,748,021	1.4	(2.9)	2.2	7.2
less: Contributions for government social insurance	8,018,483	7,862,366	8,011,497	7,778,393	7,271,132	2.0	(1.9)	3.0	7.0
plus: Adjustment for residence	9,154	10,772	37,005	36,984	43,354	(15.0)	(70.9)	0.1	(14.7)
equals: Net earnings by place of residence	60,708,197	59,934,929	61,858,315	60,576,890	56,520,243	1.3	(3.1)	2.1	7.2
plus: Dividends, interest, and rent	16,305,740	16,026,604	16,612,385	15,155,693	13,227,394	1.7	(3.5)	9.6	14.6
plus: Personal current transfer receipts	13,076,143	11,985,714	10,321,539	9,373,085	8,630,764	9.1	16.1	10.1	8.6
Wage and salary disbursements	49,444,833	48,999,839	50,696,923	49,391,906	45,154,989	0.9	(3.3)	2.6	9.4
Supplements to wages and salaries	12,842,246	12,578,106	12,260,794	11,658,591	11,122,827	2.1	2.6	5.2	4.8
Proprietors' income	6,430,447	6,208,578	6,875,090	7,267,802	7,470,205	3.6	(9.7)	(5.4)	(2.7)
Farm proprietors' income	(66,793)	(98,607)	58,600	2,420	(1,254)	(32.3)	(268.3)	2,321.5	(293.0)
nonfarm proprietors' income	6,497,240	6,307,185	6,816,490	7,265,382	7,471,459	3.0	(7.5)	(6.2)	(2.8)
Farm earnings	153,244	117,193	246,093	197,116	166,993	30.8	(52.4)	24.8	18.0
Nonfarm earnings	68,564,282	67,669,330	69,586,714	68,121,183	63,581,028	1.3	(2.8)	2.2	7.1
Private earnings	55,270,939	54,383,458	56,891,563	56,078,278	52,203,251	1.6	(4.4)	1.5	7.4
Forestry, fishing, related activities, and other	74,673	69,525	69,248	68,862	60,473	7.4	0.4	0.6	13.9
Mining	1,178,460	1,154,874	1,372,671	1,071,608	991,905	2.0	(15.9)	28.1	8.0
Utilities	503,149	493,123	478,941	454,072	470,178	2.0	3.0	5.5	(3.4)
Construction	4,290,042	4,511,276	5,589,204	6,366,934	5,802,670	(4.9)	(19.3)	(12.2)	9.7
Manufacturing	7,751,683	7,530,789	7,896,808	7,603,852	7,094,929	2.9	(4.6)	3.9	7.2
Durable goods	5,181,835	5,066,326	5,482,369	5,266,699	4,802,542	2.3	(7.6)	4.1	9.7
Nondurable goods	2,569,848	2,464,463	2,504,439	2,337,153	2,292,387	4.3	(1.6)	7.2	2.0
Wholesale trade	3,136,040	3,120,635	3,304,991	3,219,149	2,910,463	0.5	(5.6)	2.7	10.6
Retail trade	5,057,805	4,968,114	5,239,245	5,414,830	4,991,846	1.8	(5.2)	(3.2)	8.5
Transportation and warehousing	2,828,848	2,789,690	2,927,804	3,025,714	2,727,491	1.4	(4.7)	(3.2)	10.9
Information	2,010,979	1,896,615	1,914,102	1,855,191	1,848,632	6.0	(0.9)	3.2	0.4
Finance and insurance	3,824,469	3,943,489	3,944,155	3,977,977	3,722,368	(3.0)	(0.0)	(0.9)	6.9
Real estate and rental and leasing	1,099,073	1,135,868	1,191,040	1,202,817	1,362,720	(3.2)	(4.6)	(1.0)	(11.7)
Professional, scientific and technical services	5,970,694	5,898,592	6,032,311	5,650,826	5,162,254	1.2	(2.2)	6.8	9.5
Management of companies and enterprises	1,486,795	1,479,741	1,491,692	1,479,162	1,365,165	0.5	(0.8)	0.8	8.4
Administrative and waste services	2,637,682	2,441,577	2,674,315	2,692,786	2,440,580	8.0	(8.7)	(0.7)	10.3
Educational services	1,344,924	1,248,524	1,190,197	1,118,928	1,040,486	7.7	4.9	6.4	7.5
Health care and social assistance	6,272,259	6,050,714	5,696,934	5,278,786	4,981,809	3.7	6.2	7.9	6.0
Arts, entertainment and recreation	565,386	570,930	578,892	592,146	550,951	(1.0)	(1.4)	(2.2)	7.5
Accommodations and food services	2,002,443	1,933,960	2,021,481	1,982,865	1,807,263	3.5	(4.3)	1.9	9.7
Other services, except public administration	3,235,535	3,145,422	3,187,532	3,021,773	2,871,068	2.9	(1.3)	5.5	5.2
Government and government enterprises	13,293,343	13,285,872	12,695,151	12,042,905	11,377,777	0.1	4.7	5.4	5.8
Federal, civilian	3,276,155	3,272,529	3,137,898	3,136,970	3,000,038	0.1	4.3	0.0	4.6
Military	1,085,733	1,059,587	955,925	911,267	897,529	2.5	10.8	4.9	1.5
State and local	8,931,455	8,953,756	8,601,328	7,994,668	7,480,210	(0.2)	4.1	7.6	6.9

(p) preliminary; (r) revised.

(Source: BEA.)

Year	Income Per Capita Utah	Income Per Capita U.S.	Annual % Change Utah	Annual % Change U.S.	Utah as a % of U.S.
2011 (f)	$33,697	$42,001	3.8%	4.2%	80.2%
2010 (e)	32,471	40,311	2.8	1.7	80.6
2009	31,584	39,635	(3.0)	(2.6)	79.7
2008	32,556	40,674	1.9	3.1	80.0
2007	31,949	39,461	5.3	4.7	81.0
2006	30,335	37,698	6.0	6.4	80.5
2005	28,616	35,424	6.6	4.6	80.8
2004	26,837	33,881	3.9	5.0	79.2
2003	25,835	32,271	0.7	2.6	80.1
2002	25,647	31,461	0.4	1.0	81.5
2000	24,517	30,318	–	–	80.9
1995	18,765	23,262	–	–	80.7
1990	14,847	19,354	–	–	76.7
1985	11,926	14,637	–	–	81.5
1980	8,492	10,091	–	–	84.2

(f) forecast; (e) estimate.

(Source: BEA and GOPB.)

Gross Domestic Product

Gross Domestic Product ("GDP") is the value of final goods and services produced by the labor and property located in a geographic area. GDP is gross output less intermediate inputs, and as such it measures the economic activity within an area.

Total Gross Domestic Product (millions of current dollars)

Year	Utah Amount	Utah % Change	United States Amount	United States % Change
2010	$114,538	2.9%	$14,551,782	3.8%
2009	111,301	(0.9)	14,014,849	(1.8)
2008	112,353	3.3	14,270,462	2.2
2007	108,815	8.3	13,969,323	4.9
2006	100,466	10.7	13,310,937	6.0
2005	90,748	9.8	12,554,538	6.5
2004	82,616	6.2	11,788,909	6.5
2003	77,809	4.3	11,067,759	4.7
2002	74,568	3.0	10,572,388	3.5
2001	72,384	4.2	10,218,019	3.4

(Source: BEA.)

Gross Taxable Sales

Taxable sales are comprised of three major components: retail trade, business investments and utility taxable sales, and taxable services. In 2010, total taxable sales in the State increased by 0.8% to an estimated $44.8 billion. After two years of decline in taxable sales, 2010 was the first year of positive change.

Retail trade taxable sales were an estimated $25.4 billion in 2010, representing 56.7% of taxable sales. This is a 0.8% decrease from 2009. Business investment and utility taxable sales were an estimated $11.5 billion in 2010, representing 25.8% of taxable sales. This is an increase of 4.3% over 2009. Taxable services were estimated at $6.4 billion for 2010, representing 14.2% of all taxable sales—a 0.2% increase over 2009.

2011 Outlook. Total taxable sales are expected to increase by 3.5% to $46.4 billion, from $44.8 billion in 2010. Retail trade is projected to grow by 3.9% in 2011. Business investment and utility taxable sales is expected to grow another 3.6% in 2011. Taxable services are expected to increase by 2.7% in 2011. The economy is expected to take a slow path to recovery as both investor and consumer confidence continues to grow.

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Gross Taxable Sales

(millions of dollars)

Calendar Year	Retail Sales	% Change	Business Investment Purchases	% Change	Taxable Services	% Change	All Other	% Change	Total Gross Taxable Sales	% Change
2011 (f)….	$26,387	3.9 %	$11,963	3.6 %	$6,521	2.7 %	$1,519	2.4 %	$ 46,390	3.6 %
2010 (e)….	25,395	(0.8)	11,547	4.3	6,350	0.2	1,483	5.9	44,775	0.8
2009……..	25,600	(3.4)	11,071	(12.3)	6,338	(7.1)	1,400	(1.5)	44,409	(6.2)
2008……..	26,489	(0.1)	12,628	(3.9)	6,822	11.5	1,422	(26.4)	47,361	(0.7)
2007……..	26,504	6.1	13,136	4.7	6,119	7.9	1,931	19.9	47,690	6.5
2006……..	24,969	12.7	12,546	18.6	5,670	10.4	1,610	17.3	44,795	14.2
2005……..	22,155	8.9	10,579	16.0	5,135	13.3	1,372	5.1	39,241	11.1
2004……..	20,351	8.2	9,121	15.3	4,534	3.1	1,305	(9.8)	35,311	8.4
2003……..	18,808	2.5	7,909	(1.6)	4,396	(4.7)	1,447	(3.7)	32,560	0.1
2002 …….	18,356	3.4	8,039	(6.4)	4,615	(2.0)	1,502	8.8	32,512	0.3

(f) forecast; (e) estimate.

(Source: Utah State Tax Commission.)

Tax Collections

General and Education Fund ("GF/EF") revenue for Fiscal Year 2010 fell 8.1% over Fiscal Year 2009. For Fiscal Year 2010, total collections reached $4,192.8 million, $368.7 million less than prior year collections of $4,561.4 million. The decline is a continued reflection of the recent economic recession, but shows moderation in the decline. In Fiscal Year 2009, GF/EF revenue declined 12.5% as the State lost $651.5 million in tax collections. This marks the third consecutive year of revenue declines, as collections also fell 1.8% in Fiscal Year 2008.

Compared to forecast expectations, GF/EF collections in Fiscal Year 2010 were $47.6 million short, a (1.1)% difference. Revenue was expected to fall $320.2 million in Fiscal Year 2010; collections actually fell $367.8 million.

The outlook for tax collections in Fiscal Year 2011 is positive, with expected collections of $4,560.1 million. A growing economy, combined with a shift in the earmarking of funds is expected to produce an extra $367.2 million in GF/EF tax collections, an 8.8% increase. This is $31.4 million higher than forecast in the 2010 General Legislative Session. General Fund collections are expected to grow $228 million. Education Fund collections are expected to grow $140 million.

Fiscal Year 2010 Tax Collections. Tax collections in the GF/EF reached $4,192.8 million in Fiscal Year 2010, a fall of $368.7 million from the prior year. The General Fund fell to $1,780.5 million, a loss of $154.1 million. The Education Fund fell to $2,412.2 million, a loss of $214.6 million.

The General Fund was 42.5% of all collections, with the Education Fund with the balance at 57.5%. Individual Income tax collections were $2,104.6 million and represent 50.2% of all collections. Sales and Use Tax collections were $1,402.7 million and were 33.4% of collections. All other General Fund collections were $378.7 million and represent 9.1% of collections. All other Education Fund collections were $307.6 million and represent 7.3% of collections.

2010 Revenue Forecast. The first forecast for Fiscal Year 2010, in late 2008 was for tax collections of $4,599.6 million, a 2.1% decline over prior year. Months later, in early 2009, with the scale and magnitude of the recession becoming clear, the forecast predicted $4,364.6 million, a drop of $235 million. In late 2009, having realized Fiscal Year 2009 revenue at $4,561.4 million, the Fiscal Year 2010 revenue forecast was again modified down $124.5 million to $4,240.1 million. The last revenue forecast in early 2010, with four months until the end of Fiscal Year 2010, kept the revenue forecast unchanged at $4,240.1. Actual tax collections for Fiscal Year 2010 were $47.6 million short of this last forecast, falling 8.1% instead of 7.0%.

2010 Legislation Impacting Tax Collections. During the 2010 General Legislative Session, several bills impacting tax collections were enacted. Two major policy changes boosted expected tax collections to the GF/EF in Fiscal Year 2011. The largest, House Bill 438, shifted $113 million in sales tax earmarked for transportation spending back the General Fund for Fiscal Year 2011 only. House Bill 196, increased the cigarette tax from 69.5 cents per pack to $1.70 per pack (with proportional increases in tax for other tobacco products). This was expected to generate an extra $43.2 million for the General Fund in Fiscal Year 2011.

2011 Revenue Forecast. The initial forecast for Fiscal Year 2011, in late 2009 was for tax collections of $4,410.7 million, 4% higher than the prior year. Months later, in early 2010, the forecast was revised down $49.6 million to $4,361.1 million. Projected policy changes from 2010 Legislation moved forecast expectations to $4,529.4 million. In early 2011, with Fiscal Year 2010 revenue realized at $4,193.7 million and a strengthening economic recovery, tax collections in Fiscal Year 2011 were forecast to grow to $4,560.8 million, an increase of $367.2 million. A little more than half, 4.8% of forecast growth comes from the improving economy, while 4% comes from enacted policy changes.

Historical/Projected Tax Collections within the General Fund and Education Fund ($ In Thousands)

	Fiscal Year			
	Forecast 2012	Estimated 2011	2010	2009
General Fund:				
Sales and use tax	$1,521,551	$1,556,035	$1,402,670	$1,547,473
Beer, cigarette, and tobacco	111,393	112,656	58,711	60,609
Insurance premiums	82,503	79,286	80,013	82,979
Oil and gas severance tax	71,000	69,250	56,201	70,996
Liquor profits	65,850	61,250	58,400	59,675
Other	63,250	80,875	80,255	54,378
Cable/satellite excise tax	27,050	25,650	25,281	24,776
Metal severance tax	24,373	26,800	20,865	14,574
Investment income	3,800	3,450	5,321	25,072
Inheritance tax	30	30	61	321
Property and energy credit	(6,800)	(6,700)	(6,384)	(6,234)
Subtotal General Fund	1,964,000	2,008,582	1,781,394	1,934,620
Education Fund:				
Individual income tax	2,394,220	2,247,610	2,104,592	2,319,572
Corporation tax	280,156	268,858	258,445	255,406
Mineral production withholding	27,483	26,224	24,556	32,480
Escheats and other	10,900	11,000	24,635	19,343
Subtotal Education Fund	2,712,759	2,553,691	2,412,229	2,626,801
Total revenues General Fund and Education Fund	$4,676,759	$4,562,273	$4,193,623	$4,561,420
% change over previous year	2.5%	8.8%	(8.1)%	–

(Sources: GOPB's Consensus Forecast.)

Construction

In 2010 the value of permit authorized construction in the State dropped to $3.3 billion, a decline of 3.7% from the $3.4 billion of 2009. In inflation adjusted dollars the $3.3 billion in 2010 was the lowest levels since 1992. The construction sector is comprised of three subsectors; residential, nonresidential and additions, alterations and repairs. In 2010 the value of residential construction was $1.7 billion followed by $925 million for nonresidential construction and $670 million for addition, alterations and repairs.

The continued decline in construction value in 2010 was led by the contraction in nonresidential construction and multifamily residential construction. The value of nonresidential construction fell by 12.3%. In contrast, new home construction had the first gain in value since 2005. The value of new home construction increased by nearly 30%, from $1.05 billion in 2009 to $1.35 billion in 2010. The modest recovery in 2010 for the homebuilding industry suggests that 2009 was likely the bottom for new homebuilding.

In terms of units, residential activity dropped from 10,488 building permits in 2009 to 9,339 in 2010, the lowest level since 1990. The 11% decline in residential permits was due entirely to the weakness in the multifamily sector. The number of apartments, condominiums and townhomes permits fell from 4,951 units in 2009 to 3,168 units in 2010. In contrast, the number of permits issued for new home construction increased from 5,217 in 2009 to 5,931 in 2010, an increase of 13.7%.

2011 Outlook. No residential construction contraction in the State's postwar history has lasted longer than five years. 2010 was the fifth year of decline for the current contraction however, there are some indications a modest recovery may get underway in 2011. The increase in single–family homes in 2010 was certainly an important sign of progress. Another positive development is an improving job market. In 2011, the number of jobs in the State is expected to increase by nearly 20,000. Job growth will help reduce the loss of housing demand caused by households doubling–up due to unemployment and/or foreclosures. The number of permits issued for residential units should increase by about 20% in 2011 to 11,000 units with a construction value of $2.0 billion.

On the nonresidential side excess capacity and rising vacancy rates will result in further declines in 2011. The value of permit authorized nonresidential construction is projected to drop to $800 million in 2011 as the nonresidential contraction is extended through a fourth year.

Permit–Authorized Construction ($ In Millions)

		Construction Value			
Year	Total Units	Residential	Nonresidential	Renovations	Total Valuation
2010 (e)	9,339	$1,667.0	$ 925.1	$672.0	$3,264.1
2009	10,488	1,674.0	1,054.3	660.1	3,388.4
2008	10,603	1,877.0	1,919.1	791.1	4,587.2
2007	20,539	3,963.2	2,051.0	979.7	6,993.9
2006	26,322	4,955.5	1,588.0	865.3	7,408.8
2005	28,285	4,662.6	1,217.8	707.6	6,588.0
2004	24,293	3,552.6	1,089.9	476.0	5,118.5
2003	22,836	3,046.4	1,017.4	497.0	4,560.8
2002	19,941	2,491.9	897.0	393.0	3,781.9
2001	19,675	2,352.7	970.0	562.8	3,885.5
2000	18,154	2,140.1	1,123.0	583.3	3,846.4

(e) estimate.

(Source: Economic Outlook 2011 and GOPB.)

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APPENDIX D

BASIC DOCUMENTATION

Table Of Contents

The following are definitions of certain terms from the Indenture and the Lease and summaries or extracts of certain provisions of the Indenture, the Lease and the State Facilities Master Agency Agreement. Reference is made to the Indenture, the Lease and the State Facilities Master Agency Agreement for complete recital of their terms. During the period of the offering of the 2011 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 2011 Bonds copies of the Indenture, the Lease and the State Facilities Master Agency Agreement may be obtained from the Trustee.

DEFINITIONS OF CERTAIN TERMS

"*Acquisition*" (and other forms of the word "acquire") shall have the same meaning as when such term is used in the Act, including Section 63B–1–303 thereof, as amended from time to time.

"*Act*" shall mean the State Building Ownership Authority Act, Title 63B, Chapter 1, Part 3 of the Utah Code.

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

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

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

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

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

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

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

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

"*Bond*" or "*Bonds*" shall mean all bonds previously issued under the Indenture, the 2011 Bonds and any Additional Bonds authenticated and delivered from time to time under the Indenture.

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

"*Bond Interest Payment Dates*" shall mean May 15 and November 15 of each year so long as any of the Bonds are Outstanding, or with respect to Variable Rate Bonds, such dates as shall be specified for the payment of interest on such Bonds in the Supplemental Indenture authorizing such Variable Rate Bonds.

"*Bond Payment Date*" shall mean a Bond Interest Payment Date and/or a Bond Principal Payment Date.

"*Bond Principal Payment Dates*" shall mean May 15 of each year.

"*Bondowner*" or "*Owner of the Bonds*," or any similar term, shall mean the Person in whose name a Bond is registered in the register kept for the registration, exchange and transfer of Bonds.

"*Build America Bonds*" means the interest subsidy bonds issuable by the Issuer under Sections 54AA and 6431 of the Code and a "qualified bond" under Section 54AA(g)(2) of the Code or such other tax credit bonds of substantially similar nature which may be hereafter authorized.

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

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

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

"*Construction*" (and other forms of the word "construct") shall have the same meaning as when such term is used in the Act, including Section 63B–1–303 thereof, as amended from time to time.

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

"*Direct Payments*" means the interest subsidy payments received by the Issuer from the Internal Revenue Service pursuant to Section 6431 of the Code or other similar programs with respect to Bonds issued hereunder.

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

"*Event of Nonappropriation*" shall mean a nonrenewal of the term of the Lease by the Lessee, determined by the failure (for whatever reason) of the State to enact into law a State budget that appropriates and allocates to or for the benefit of the Lessee for purposes of the Lease moneys sufficient to pay the Base Rentals and reasonably estimated Additional Rentals for the next succeeding Renewal Term as provided in the Lease or determined by the unavailability of such moneys for such purpose for any other reason. To the extent any non–lapsing appropriations are used as the basis for determining that sufficient moneys have been appropriated for a Fiscal Year, such appropriations shall be deemed to have been appropriated and to be legally available for the purpose of paying Rentals during such Fiscal Year. The existence or nonexistence of an Event of Nonappropriation shall be determined as of (a) the date on which the Utah State Legislature (the "Legislature") fails or refuses to adopt a final budget in accordance with applicable law which appropriates sufficient moneys to pay such Base Rentals and reasonably estimated Additional Rentals for the next succeeding Renewal Term as contemplated by the Lease or (b) the date on which the Governor of the State of Utah (the "Governor") vetoes the appropriation to pay such Rentals contained in a final budget adopted by the Legislature, which veto is not thereafter overridden as provided by law; *provided, however,* that the Trustee may waive any Event of Nonappropriation that is cured by the Lessee within a reasonable time if, in the Trustee's judgment, such waiver is in the best interests of the Owners of the Bonds, except as otherwise provided in the Lease; and *provided, further, however,* that in no event shall an Event of Nonappropriation occur or be deemed to occur prior to June 1 of the Fiscal Year next preceding each Renewal Term, notwithstanding anything in the Lease to the contrary. If the State changes its Fiscal Year to a different 12–month period than the Fiscal Year in effect on the date of execution of the Lease, the foregoing reference to June 1 shall be deemed to refer to the date that is 30 days prior to the end of such new Fiscal Year.

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

(a) The last day of the term of the leasehold estate created under the Lease and the last day of the term of each Site Lease; *provided, however,* that the Issuer covenants and agrees that it will hold each such last day in trust for the use and benefit of the Owners of the 2011 Bonds and that it will dispose of each such last day from time to time in accordance with such written order as the Trustee in its discretion may give;

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

(c) Amounts to be transferred pursuant to the Indenture to, or held by the Trustee in, the rebate fund established under any Tax Certificate; and

(d) Additional Facilities in which the Trustee has not been given a lien or security interest as provided in the relevant Supplemental Indenture.

"*Facilities*" shall mean any "facility" within the meaning of the Act to be Acquired or Constructed pursuant to the Act as provided in the Lease.

"*Fiscal Year*" shall mean the 12–month period used from time to time by the Lessee for its financial accounting purposes, such period currently extending from July 1 to the next succeeding June 30.

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

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

"*Insurance Fund*" shall mean the fund by that name created by the Indenture.

"*Interests Secured by the Indenture*" shall mean the principal of and interest and premium, if any, on the Bonds and all additional amounts and other sums at any time due and owing from or required to be paid by or on behalf of the Issuer under the terms of the Bonds or the Indenture or by the Lessee pursuant to the terms of the Lease.

"*Investment Securities*" shall mean any of the investments in which the moneys and other assets of the State may be invested as permitted from time to time by the State Money Management Act, Title 51, Chapter 7 of the Utah Code, and such other investments as may be identified from time to time in a Supplemental Indenture as "Investment Securities."

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

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

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

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

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

"*Mortgage*" shall mean each Mortgage, Security Agreement and Assignment of Rents, substantially in the form attached to the Indenture, to be executed, delivered and recorded as provided in the Indenture and in the Lease and any other "mortgage" (as such term is defined in Section 63B–1–303 of the Act as such Section may be amended from time to time), relating to a mortgage lien, if any, to be imposed on the respective Facilities or Additional Facilities in accordance with the relevant Supplemental Indenture on or before the disbursement of moneys from each Project Account as provided in the Indenture, for the purpose of providing security, in addition to that provided by the Indenture, for the payment of the principal of, and premium, if any, and interest on, the Bonds and the other Interests Secured by the Indenture.

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

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

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

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

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

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

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

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

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

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

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

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

"*Permitted Encumbrances*" shall mean, as of any particular time, (a) liens for taxes, assessments and other governmental charges not then delinquent; (b) the Lease, the Indenture, any Mortgage, any sublease permitted by the Lease and any financing statements naming the Issuer or the Lessee as debtor and naming the Issuer or the Trustee as secured party now or hereafter filed to perfect the mortgage lien and security interests granted or to be granted by the Indenture, any Mortgage and the Lease; (c) the Site Leases; (d) utility, access and other easements and rights–of–way, mineral rights, restrictions and exceptions that an authorized Lessee representative certifies to the Trustee will not materially interfere with or impair the operations being conducted in or on the Leased Property (or, if no operations are being conducted therein or thereon, the operations for which the Leased Property was designed or last modified); (e) any mechanic's, laborer's, materialmen's, supplier's or vendor's lien or right in respect thereof if payment is not yet due and payable under the contract in question; (f) such minor defects, irregularities, encumbrances, easements, rights–of–way and clouds on title as normally exist with respect to properties similar in character to the Leased Property and (1) as do not, in the opinion of the authorized Lessee representative, certified in writing to the Trustee, materially impair the property affected thereby for the purpose for which it was or is to be Acquired or is or will be held by the Issuer or the Lessee or (2) are adequately insured against by a title insurance policy reasonably satisfactory to the Trustee and the Lessee; (g) any liens or encumbrances being contested as provided in the Lease; (h) any encumbrance represented by financing statements recorded or filed to perfect purchase money security interests in any or all of the Facilities; (i) any encumbrance represented by a notice of agreement filed or recorded to evidence an obligation of the Lessee entered into for the purpose of financing energy conservation or energy management equipment; and (j) any easements, liens, security interests and other encumbrances as are included in the definition of "Permitted Encumbrances" as provided in a Supplemental Lease.

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

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

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

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

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

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

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

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

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

(f) the cost of equipment and furnishings for each of the Facilities and all other authorized costs that are considered to be a part of the costs of each of the Facilities in accordance with generally accepted accounting principles and that will not adversely affect the excludability from gross income for federal income tax purposes of interest on the Bonds, including, but not limited to, interest accruing on the Bonds from the date of original issuance thereof and during the period required to complete each Project and for not more 12 months after the respective Completion Date of each such Project;

(g) temporary rent and other similar temporary relocation expenses (including the cost of mobile office trailer space) to be paid for the benefit of any State Body that has been or will be dispossessed from its facilities for a period of time pending completion of the Facilities in which such State Body will be located upon completion thereof;

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

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

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

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

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

"*Project Fund*" shall mean the fund by that name created by the Indenture.

"*Projects*" shall mean, the undertaking by the Issuer, of the direction of the Lessee, of the Acquisition and Construction of any Facilities as authorized by the Act and pursuant to the Lease.

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

"*Redemption Fund*" shall mean the fund by that name created by the Indenture.

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

"*Renewal Term*" shall mean each of the additional and consecutive one year renewal terms for which the Lessee at its option may extend the term of the Lease after the Initial Term.

"*Rentals*" shall mean the total amount of the Base Rentals and the Additional Rentals payable during the initial term and each Renewal Term under the Lease.

"*Revenues*" shall mean (a) the Option Price, if paid, and any portion of the Option Price (if paid) with respect to separate Facilities; (b) all Net Proceeds, if any, of casualty insurance (including any moneys derived from the Risk

Management Fund or any self–insurance program), title insurance, performance bonds, condemnation awards and awards resulting from defaults under Project Contracts (including amounts realized as liquidated damages) in connection with the Projects, not applied to the repair, restoration, modification, improvement or replacement of the Leased Property; (c) all Net Proceeds, if any, derived from any sale of the Leased Property pursuant to a foreclosure pursuant to the Indenture or any of the Mortgages and reletting or sale of the Leased Property thereafter pursuant to the Indenture or any of the Mortgages or any other proceeds realized upon the exercise of any other remedies under the Indenture or under any of the Mortgages; (d) the Base Rentals; (e) any portion of the proceeds of sale of the Bonds deposited into the Bond Fund or the Capitalized Interest Fund to pay accrued interest or capitalized interest on Bonds; (f) any earnings on moneys on deposit in the Bond Fund and the Capitalized Interest Fund to the extent such earnings are available as provided in the Indenture for application for the purposes for which such funds have been or will be established under the Indenture; (g) all other revenues derived from the Lease, except Additional Rentals; and (h) any other moneys to which the Trustee may be entitled for the benefit of the Owners of the Bonds, including, but not limited to, Direct Payments and any amounts to be paid into the Bond Fund pursuant to the Lease from rentals or other payments by permitted sublessees, assignees and transferees.

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

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

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

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

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

"*State Bodies*" shall mean "state bodies" as such term is defined in the Act, including Section 63B–1–303 thereof, as amended from time to time.

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

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

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

"*Tax Certificate*" shall mean, with respect to each Series of Bonds, any agreement or certificate of the Issuer and the Lessee that the Issuer and the Lessee may execute in order to establish and assure the excludability from gross income for federal income tax purposes of interest on the Bonds.

"*Term of the Lease*" or "*term of the Lease*" with respect to the possessory interest of the Lessee shall mean the initial term and any Renewal Terms as to which the Lessee exercises its option to renew the term of the Lease as provided in the Lease, subject to the provisions hereof concerning termination of certain of the Lessee's obligations under the Lease.

"*Trust Estate*" shall mean the properties, rights, interests and privileges (a) described in the Granting Clauses of the Indenture and to be described in the Granting Clauses of each Supplemental Indenture or (b) subject to the lien of a Mortgage.

"*Trustee*" shall mean Wells Fargo Bank, N.A., of Denver, Colorado (as successor in interest to First Security Bank of Utah, N.A.), and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at the time serving as successor trustee under the Indenture.

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

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

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

THE INDENTURE

Additional Bonds

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

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

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

(b) a date–down endorsement to each ALTA mortgage title insurance policy, and if required by the Lessee, an ALTA leasehold policy which complies with Section 211(a)(vi) of the Indenture or a new ALTA mortgagee title insurance policy with comprehensive endorsement, which endorsement or new policy shall insure to the date of issuance of such Series of Additional Bonds and the recording of the Mortgage, if any, relating to such Additional Bonds the continuing validity of the lien thereof, as a first and prior lien on the premises thereby secured, subject only to Permitted Encumbrances, and which endorsement shall establish the amount of title insurance coverage thereunder as an amount equal to the principal amount of the Additional Bonds used to finance a particular Project plus the principal amount of any such Bonds (other than such Series of Additional Bonds) outstanding as of the date of issuance of such endorsement, and insuring that the title to the Additional Facilities to be financed with the proceeds of the sale of such Series of Additional Bonds is vested in the Issuer, title to the leasehold estate under the Lease is vested in the Lessee and, if such is the case, title to the leasehold estate under any Site Lease executed in connection with such Series of Additional Bonds is vested in the Issuer, subject to any Permitted Encumbrances, and naming the Trustee as an insured; *provided, however*, in the event that the property upon which Additional Projects are to be located has not been acquired at or prior to the time of issuance of the Additional Bonds, the Supplemental Lease or Supplemental Indenture relating to such Additional Bonds shall require that such endorsement or additional title policy with respect to such property be delivered at the time of or prior to any disbursements being made from the Project Fund with respect to such portion of the Project; and

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

Notwithstanding any other provisions of the Indenture to the contrary, the Issuer may issue Additional Bonds to finance or refinance Additional Facilities or portions thereof pursuant to the Indenture without subjecting such Additional Facilities or portions thereof to any additional Mortgages or supplements to existing Mortgages and without delivering a copy of the Mortgage to the Trustee, if the Issuer submits to the Trustee a certificate stating and demonstrating that (a) the Additional Facilities or portions thereof to be finance or refinanced are of such a nature that would make an additional Mortgage or supplement to an existing Mortgage impractical and (b) the value to the Lessee of the Facilities and Additional Facilities or portions thereof that are subject to the Mortgage is sufficient to secure all Outstanding Bonds and the Additional Bonds to be issued.

Notwithstanding any other provisions of the Indenture to the contrary, the Issuer may issue Additional Bonds to finance or refinance Additional Facilities or portions thereof pursuant to the Indenture without providing title insurance therefore, if the Issuer submits to the Trustee a certificate stating that such Additional Facilities or portions thereof to be financed or refinanced are of such a nature that obtaining title insurance thereon is impractical or impossible.

General Covenants

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

Payment of Bonds. The Issuer covenants in the Indenture to pay promptly the principal of (whether at maturity, by operation of mandatory sinking fund redemptions, by acceleration, call for redemption or otherwise), and premium, if any, and interest on, the Bonds at the places, on the dates and in the manner provided in the Indenture and in every Bond issued under the Indenture according to the true intent and meaning thereof; *provided, however,* that such obligations are not general obligations of the Issuer but are limited obligations payable solely from the Revenues.

Performance of Issuer's Covenants; Authority. The Issuer covenants in the Indenture to faithfully observe and perform at all times any and all covenants, conditions and agreements on its part contained in the Indenture, in any and every Bond executed, authenticated and delivered under the Indenture and in all proceedings of the Issuer pertaining thereto; provided, however, that the liability of the Issuer under any such covenant, condition or agreement for any breach or default by the Issuer thereof or thereunder shall be limited solely to the Revenues.

Payment of Taxes, Charges, Insurance, etc. The Issuer covenants in the Indenture to cause the Lessee pursuant to the Lease to maintain certain insurance and pay all lawful taxes, assessments and charges at any time levied or assessed against or with respect to the Leased Property or the Revenues, or any part thereof, that might impair or prejudice the lien and priority of the Indenture or any of the Mortgages; provided, however, that nothing contained in the Indenture shall require the maintenance of insurance or payment of any such taxes, assessments or charges if the same are not required to be maintained or paid under the provisions of the Lease.

Maintenance and Repair of and Alterations, Additions and Improvements to Leased Property. Pursuant to the provisions of the Lease, the Lessee has agreed at its own expense to maintain, manage and operate the Leased Property in good order, condition and repair, and the Lessee may, at its own expense, make from time to time additions, modifications or improvements to the Leased Property under the terms and conditions set forth in the Lease and as provided in the Indenture.

Recordation of the Lease, Indenture, Mortgages, Site Leases and Security Instruments. The Issuer covenants to cause the Indenture, each Mortgage, the Lease, each Site Lease and all supplements and amendments thereto as well as such other security instruments, financing statements, continuation statements and all supplements and amendments thereto and other instruments as may be required from time to time to be kept recorded and filed in such manner and in such places as may be required by law in order fully to preserve and protect the security of the Owners of the Bonds and the rights of the Trustee under the Indenture and to perfect the lien of, and the security interest created by, the Indenture and each Mortgage.

Revenues And Funds

Source of Payment of Bonds. The Base Rentals that the Lessee is required to pay in accordance with the Lease are to be remitted directly to the Trustee for the account of the Issuer and deposited into the Bond Fund and the Redemption Fund as provided in the Lease. Such payments, sufficient in amount to insure the prompt payment of the principal of (including mandatory sinking fund redemptions) and premium, if any, and interest on, the Bonds (so long as the Lessee appropriates sufficient moneys annually to pay Rentals accruing during each succeeding Renewal Term under the Lease) are pledged to secure the payment of such principal of, and premium, if any, and interest on, the Bonds. Said pledge shall constitute a first and exclusive lien on the Base Rentals provided in the Lease for the payment of the principal of, and premium, if any, and interest on, the Bonds in accordance with the terms thereof and of the Indenture and otherwise for the benefit of the Interests Secured by the Indenture.

Funds and Accounts. The Indenture establishes the following irrevocable trust funds, among others, all of which are to be held by the Trustee:

(a) the Bond Fund;

(b) the Capitalized Interest Fund, which includes certain Capitalized Interest Accounts;

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

(d) the Redemption Fund; and

(e) the Insurance Fund.

Payments into and Use of Moneys in Bond Fund. There shall be deposited into the Bond Fund, as and when received, the following:

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

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

(c) all Base Rentals;

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

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

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

Payments into and Disbursements from Project Fund. The proceeds of a Series of Bonds deposited into a Project Account within the Project Fund are to be used to pay the Project Costs being financed by such Series of Bonds. So long as no Event of Nonappropriation of Event of Default has occurred and is continuing and the Lessee's right (as agent of the Issuer under the Agency Agreement) or other agent to control the Projects has not otherwise been terminated pursuant to the Lease or the Agency Agreement, the Trustee is authorized and directed under the Indenture to make payments as requested by the Lessee from each Project Account to pay or reimburse (to the extent authorized) the Project Costs relating to each of the Projects, upon receipt of certain documents, certificates and opinions specified in the Indenture.

Completion of the Projects; Delivery of Completion Certificate. The completion of each Project under the Lease, the payment or provision made for payment of all Project Costs under the Lease related to each such Project and the acceptance of the portion of the Leased Property represented by such Project by the Lessee shall be evidenced by the filing with the Trustee of the Completion Certificate of an authorized Lessee representative stating that, to the best of the Lessee's knowledge based upon the representations of the engineers, vendors, suppliers, contractors, architects and other consultants for such Project and except for any amounts estimated by such authorized Lessee representative to be necessary for payment of any Project Costs not then due and payable, such Project has been completed and the portion of the Leased Property represented by such Project has been accepted by the Lessee.

Immediately after the date of delivery of the Completion Certificate for a Project and unless otherwise provided in a Supplemental Indenture with respect to a Series of Additional Bonds, any moneys remaining in the related Project Account (except any amount that the Lessee shall have directed the Trustee to retain for any Project Costs not then due and payable and except as otherwise may be required by any Tax Certificate) shall without further authorization be transferred by the Trustee for deposit into the Bond Fund and applied by the Trustee for the purposes for which such Fund has been established under the Indenture.

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

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

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

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

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

Moneys To Be Held In Trust

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

Permitted Investments

Subject to compliance with the terms and provisions of any Tax Certificate, any moneys held as part of the Project Accounts, the Insurance Fund or any accounts therein or in any other funds or accounts under the Indenture (except the Bond Fund, the Redemption Fund and the Capitalized Interest Fund) and any moneys held as part of the 2011 Cost of Issuance Fund, shall be invested and reinvested by the Trustee to the extent permitted by law, at the written direction of the Utah State Treasurer for and on behalf of the Lessee, but only so long as no Event of Default has occurred and is continuing (or by the Trustee after the occurrence and during the continuance of any such Event of Default), in any Investment Securities maturing not later than such times as shall be necessary to provide moneys when needed for payments to be made from each such Fund or other fund or account.

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

All such investments shall at all times be a part of the fund from whence the moneys used to acquire such investments shall have come. In computing the amount in any fund or account under the Indenture, investments shall be valued at the market price thereof at least annually by the Trustee prior to May 1 of each year. All income and profits on such investments shall be credited to, and all losses thereon shall be charged against, such funds and accounts equal to each fund's or account's respective proportionate contribution thereto. Any such investments shall be made by the Trustee in such manner as to assure the availability of moneys to make disbursements from each Project Account on the anticipated dates of disbursement for the Project to which such Project Account relates and to make payments of the principal of, and premium, if any, and interest on, the Bonds at the times and in the amounts as provided therein.

Discharge Of Lien

If the Issuer shall pay or cause to be paid, or there shall otherwise be paid or provision for the unconditional payment made from any source, to or for the Owners of the Bonds all principal of, and premium, if any, and interest on, the Bonds at the times and in the manner stipulated therein and in the Indenture, and if the Issuer shall not then be in default in any of the other covenants and promises in the Bonds and in the Indenture expressed or implied as to be kept, performed and observed by it or on its part, and if the Lessee shall not then be in default in any of its covenants and promises in the Lease expressed or implied as to be kept, performed and observed by it or on its part, and if the Issuer shall pay or cause to be paid to the Trustee all sums of money due or to become due according to the provisions of the Indenture, then all rights and obligations of the Issuer, the Lessee and the Trustee under the Indenture, the Lease and the Site Leases shall terminate and be of no further force and effect and the Trustee shall cancel and discharge the Indenture, the Mortgages, the Lease and the Site Leases and execute and deliver to the Issuer and the Lessee such instruments in writing as shall be requisite to cancel and discharge the lien of the Indenture, and reconvey, release, assign and deliver unto the Issuer and the Lessee any and all the estate, right, title and interest in and to any property conveyed, mortgaged, assigned or pledged to the Trustee or otherwise subject to the lien of the Indenture or the Mortgages, except (a) amounts in the Bond Fund required to be paid to the Lessee pursuant to the Indenture, (b) moneys or securities held by the Trustee for the payment of the principal of, or premium, if any, or interest on, the Bonds and (c) any moneys to be paid pursuant to any Tax Certificate.

Any Bond shall be deemed to be paid, or any portion thereof shall be deemed to be paid, within the meaning of the Indenture when payment of the principal of, and premium, if any, and interest on, the Bonds (or such portion thereof) either (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided by irrevocably depositing with or for the benefit of the Trustee, in trust and irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment or (2) Government Obligations (provided that such deposit does not, in the opinion of bond counsel, adversely affect the excludability from gross income for federal income tax purposes of interest on any of the Bonds or cause the Lease or any of the Bonds to be classified as arbitrage bonds within the meaning of Section 148(a) of the Code), which are not callable at the option of the issuer thereof prior to their maturity and which mature and bear interest in such amounts and at such times as will provide such amounts and at such times as will insure the availability of sufficient moneys to make such payment on and prior to the redemption date or maturity date, as the case may be. If the Bonds are not to be paid on the next succeeding Bond Payment Date, proper notice of redemption shall have been previously mailed as provided in the Indenture or the Issuer shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to mail notice of redemption as provided in the Indenture. At such time as a Bond shall be deemed to be paid, it shall no longer be secured by or entitled to the benefits of the Indenture or the Mortgages, except for the purposes of registration and exchange of Bonds and of any such payment from such moneys or Government Obligations.

Possession, Use And Partial Release Of Leased Property

Subordination of Lease to the Indenture and the Mortgages. As provided in the Lease, the Lease and the Lessee's interest in the Leased Property and its interest as lessee under the Lease shall at all times be subject to the lien of the Indenture and the Mortgages; provided, however, that so long as no Event of Default under the Indenture or an Event of Nonappropriation has occurred and is then continuing, the Lease shall remain in full force and effect notwithstanding such subordination, and the Lessee shall not be disturbed by the Issuer or the Trustee in its possession, use and enjoyment of the Leased Property during the term of the Lease or in the enjoyment of its rights under the Lease.

Release of Sites. The Issuer and the Lessee have reserved the right in the Lease to withdraw certain portions of the sites on which any of the Facilities are located from the terms of the Lease and the lien of the Indenture upon compliance with the terms and conditions of the Lease. The Trustee shall release from the lien of the Indenture any such portions of the sites upon compliance with the provisions of the Lease.

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

Events Of Default And Remedies

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

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

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

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

(d) Subject to the provisions of the Indenture, default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer in the Indenture or in the Bonds contained and the continuance thereof for a period of 60 days after written notice to the Issuer and the Lessee given by the Trustee or to the Trustee, the Issuer and the Lessee by the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding.

Notice of Certain Defaults; Opportunity of Lessee to Cure Certain Defaults. Anything in the Indenture to the contrary notwithstanding, no default described in paragraph (d) under "Events of Default Defined" above will constitute an Event of Default until actual notice of such default by registered or certified mail has been given by the Trustee or by the Owners of not less than a majority in aggregate principal amount of all Bonds then Outstanding to the Issuer and the Lessee, and the Lessee has had 30 days after receipt of such notice to correct said default or cause said default to be corrected, and has not corrected said default or caused said default to be corrected, or if said default be such that it cannot be corrected within the applicable period, it will not constitute an Event of Default if corrective action is instituted by the Lessee within the applicable period and diligently pursued until the default is corrected.

Remedies Upon Default. Upon the occurrence and continuance of any Event of Default, the Trustee shall have all the rights and remedies with respect to the Trust Estate as the Issuer, as lessor, has against the Leased Property and the Lessee under the pertinent provisions of the Lease and subject to the restrictions and limitations therein provided. Upon the occurrence and continuance of any Event of Default, the Trustee may, and at the written request of Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall, declare the principal amount of the Bonds then Outstanding to be immediately due and payable, whereupon such principal amount shall, without further action, become and be immediately due and payable, anything in the Indenture, any Mortgage or in the Bonds to the contrary notwithstanding; provided, however, that no such acceleration shall change or otherwise affect the Lessee's obligation under the Lease to pay Rentals only during the term of the Lease and in the amounts and at the times as provided in the Lease. The Trustee shall give notice of such declaration of acceleration to the Lessee and the Issuer and, upon receipt of indemnity satisfactory to it, shall give notice thereof by Mail to Owners of all Bonds then Outstanding.

Upon the occurrence and continuance of any Event of Default specified in paragraphs (a), (b), or (c) under the heading "Events of Default Defined" above, the Trustee shall, without any action on the part of the Owners of the Bonds, or upon the occurrence and continuance of an Event of Default specified in paragraph (d) under the heading "Events of Default Defined" above, and at the written request of Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding the Trustee shall, give notice to the Lessee to vacate and surrender the Leased Property immediately as provided in the Lease, with or without terminating the term of the Lease thereunder except as to the Lessee's possessory interests in the Leased Property under the Lease. The Trustee may, and at the written request of Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding shall, commence an action to foreclose the lien of the Indenture as a mortgage in the manner provided in the Indenture and as permitted by law against the Trust Estate, commence an action or actions to foreclose any Mortgage or Mortgages in the manner therein provided and as permitted by law against the Issuer's right, title and interest in the Leased Property in such manner and order as the Trustee may determine, and take one or any combination of the following additional remedial steps:

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

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

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

(2) Base Rentals and Additional Rentals that are or would otherwise have been payable by the Lessee under the Lease during the remainder, after the Lessee vacates and surrenders the Leased Property, of the Renewal Term in which such Event of Default occurs for which Term the Lessee had lawfully appropriated moneys for purposes of paying such Base Rentals and Additional Rentals; *provided, however*, that if the Trustee does not proceed to sell the Leased Property reasonably promptly after such Event of Default, the Trustee shall be obligated to the Lessee to use the Trustee's best efforts to lease or sublease the Leased Property for the remainder of such Renewal Term, and the Net Proceeds of such leasing and subleasing shall be offset against the amount recoverable from the Lessee as described under this subparagraph (2);

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

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

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

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

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

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

Upon the occurrence of an Event of Default, if requested to do so by the Owners of at least 25% in aggregate principal amount of Bonds then Outstanding and if indemnified as provided in the Indenture, the Trustee shall exercise such one or more of the rights and powers conferred by the Indenture as the Trustee, upon being advised by counsel, shall deem most expedient in the interests of the Owners; provided that the obligation of the Trustee to accelerate the principal of the Bonds shall be subject to the provisions set forth under the heading "Remedies Upon Default" above.

Remedies Not Exclusive. No remedy conferred in the Indenture upon or reserved to the Trustee is intended to be exclusive of any other remedy in the Indenture or by law provided or permitted, but each such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute. Every power or remedy given by the Indenture, any Mortgage, the Lease or any Site Lease, or to which the Trustee may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Trustee, and the Trustee may pursue inconsistent remedies.

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

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

Waivers of Events of Default. The Trustee may in its discretion waive any Event of Default under the Indenture and its consequences and rescind any declaration of maturity of principal of and interest on the Bonds, and shall do so upon the written request of the Owners of (a) more than 50% in aggregate principal amount of all Bonds the Outstanding in respect of which a default exists in the payment of principal and/or premium, if any and/or interest, or (b) more than 50% in aggregate principal amount of all Bonds then Outstanding, subject to the provisions of the Indenture.

Rights and Remedies of Owners of the Bonds. Except in the case of a failure of the Trustee to accelerate payment of principal of the Bonds pursuant to the provisions of the Indenture described under the heading "Remedies Upon Default" above, no Owner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust thereof or the enforcement of any Mortgage or for the appointment of a receiver or any other remedy under the Indenture or under any Mortgage, unless (a) a default has occurred of which the Trustee has been notified, or of which it is deemed to have notice, (b) such default has become an Event of Default and the Owners of at least 25% in aggregate principal amount of Bonds then Outstanding have made written request to the Trustee and have offered it reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, (c) such Owners have offered to the Trustee indemnity as provided for in the Indenture and (d) the Trustee thereafter has failed or refused to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name or in the name of such Owners. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or the Mortgages or for the appointment of a receiver or any other proceedings under the Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of law, the Indenture and any applicable Mortgage.

Limitations Of Liability

Limitations of Liability of Issuer. The Trustee and the Owners agree to look solely to the Trust Estate, including the Leased Property and the Revenues, for the payment of the obligations of the Issuer under the Indenture. However, nothing contained in the Indenture shall limit, restrict or impair the rights of the Owners of the Bonds or the Trustee to exercise all rights and remedies provided under the Indenture, the Mortgages, the Lease or any Site Lease or otherwise realize upon the Trust Estate and the Trustee may join the Issuer and the Lessee and their officers, trustees, agents and employees, in their capacities as officers, trustees, agents and employees of the Issuer or the Lessee, as defendants in any legal action it undertakes to enforce its rights and remedies under the Indenture.

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

Supplemental Indentures; Waivers

Supplemental Indentures Without Consent of the Owners of the Bonds. The Issuer and the Trustee from time to time and at any time with the prior written consent of the Lessee, but without the consent of or notice to any Owners and subject to the restrictions contained in the Indenture, may enter into an indenture or indentures supplemental thereto and that shall thereafter form a part thereof for any one or more or all of the following purposes:

(a) to add to the covenants and agreements to be observed by, and to surrender any right or power reserved to or conferred upon, the Issuer;

(b) to subject to the lien of the Indenture additional Property and Revenues hereafter acquired by the Issuer and intended to be subjected to the lien of the Indenture and to correct and amplify the description of any Property and Revenues subject to the lien of the Indenture;

(c) to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect;

(d) to cure any ambiguity or cure, correct or supplement any provision contained in the Indenture or in any Supplemental Indenture that may be defective or inconsistent with any other provision contained in the Indenture or in any Supplemental Indenture or to make such other provisions in regards to matters or questions arising under the Indenture or any Supplemental Indenture as shall not adversely affect in a material way the interest of any Owner;

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

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

Waivers and Consents by Owners; Supplemental Indentures with Owners' Consent. Upon the prior written waiver or consent of the Owners of at least $66^{2}/_{3}\%$ in aggregate principal amount of the Bonds then Outstanding, (a) the Issuer may take any action prohibited, or omit the taking of any action required, by any of the provisions of the Indenture or any Supplemental Indenture, or (b) the Issuer and the Trustee may enter into an indenture or indentures supplemental thereto for the purpose of adding, changing or eliminating any provisions of the Indenture or of any Supplemental Indenture thereto or modifying in any manner the rights and obligations of the Owners of the Bonds and the Issuer; provided that no such waiver or supplemental indenture shall (1) impair or affect the right of any Owner to receive payments or prepayments of the principal of, and premium, if any, and interest on, such Owner's Bond, as provided therein and in the Indenture, without the consent of such Owner, (2) permit the creation of any lien with respect to any of the Trust Estate, without the consent of the Owners of all the Bonds at the time Outstanding, (3) effect the deprivation of the Owner of any Bond of the benefit of the liens of the Indenture or any Mortgage upon all or any part of the Trust Estate without the consent of such Owner, (4) reduce the aforesaid percentage of the aggregate principal amount of Bonds, the Owners of which are required to consent to any such waiver or supplemental indenture pursuant to the Indenture, without the consent of the Owners of all of the Bonds at the time Outstanding or (5) modify the rights, duties or immunities of the Trustee without the consent of the Trustee and the Owners of all of the Bonds at the time Outstanding.

Amendment Of Lease And Site Leases

Amendments to Lease or Site Leases Not Requiring Consent of Owners. The Issuer and the Lessee may, with the prior written consent of the Trustee, but without the consent of or notice to the Owners, consent to any amendment, change or modification of the Lease or any Site Lease as may be required (a) by the provisions of the Lease, any Site Lease or the Indenture; (b) for the purpose of curing any ambiguity or formal defect or omission in the Lease or any Site Lease; (c) in order to more precisely identify the Leased Property or any portion thereof or to add additional or substituted improvements or properties acquired in accordance with the Lease, any Site Lease or the Indenture; (d) in connection with any other change in the Lease or any Site Lease that, in the judgment of the Trustee, does not adversely affect in a material way the interests of the Trustee or any Owner; (e) for the purposes of complying with additional requirements necessary to maintain the excludability from gross income for federal income tax purposes of interest on the Bonds or (f) in connection with the issuance of Additional Bonds, including such provisions as are necessary to provide for Variable Rate Rentals.

Amendments to Lease or Site Leases Requiring Consent of Owners. Except for the amendments, changes or modifications described in the preceding paragraph, neither the Issuer nor the Trustee shall consent to any other amendment, change or modification of the Lease or any Site Lease without mailing of notice and the prior written approval or consent of the Owners of not less than $66^2/_3$% in aggregate principal amount of the Bonds at the time Outstanding.

THE LEASE

Term Of The Lease

Commencement of the Term of the Lease. The initial term of the Lease expired on June 30, 1995 (the "Initial Term"). Subject to the Lessee's option to extend the term of the Lease for additional and consecutive one–year renewal terms (which the Lessee has done since 1995 and through June 30, 2012), with a final renewal term commencing July 1, 2030, and ending May 16, 2031. The terms and conditions of the Lease during any Renewal Term shall be the same as the terms and conditions during the Initial Term, except that the Base Rentals will be as specified in Schedules attached to the Lease, as such Schedules may be revised as provided in the Indenture.

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

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

Expiration or Termination of the Term of the Lease. The term of the Lease will expire or terminate, as appropriate, as to the Lessee's right of possession of the Leased Property as described in the next paragraph upon the first to occur of any of the following events: (a) the expiration of any Renewal Term during which there occurs an Event of Nonappropriation (which is not thereafter waived by the Trustee); (b) on the Optional Payment Date on which the deposit is made of the purchase price by the Lessee for Leased Property to be purchased pursuant to the Lease; (c) an Event of Default and a termination of the term of the Lease as to the possessory interest of the Lessee by the Trustee as provided in the Lease; (d) discharge of the Indenture as therein provided; or (e) May 16, 2031, which date constitutes the day following the last Bond Principal Payment Date of the final Renewal Term of the Lease, or such later date as all Rentals required under the Lease and the Bonds shall be paid.

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

Rentals Payable

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

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

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

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

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

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

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

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

(vi) the costs of casualty, public liability, property damage and workers' compensation insurance as required under to the Lease and the costs related to any self–insurance carried or required to be carried as provided in the Lease;

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

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

(ix) any amount of interest required to be paid (1) on any of the foregoing items as a result of the Lessee's failure to pay any such items when due or (2) pursuant to the Lease; and

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

(c) *Prepayment of Base Rentals and Partial Redemption of Bonds.* The Lease expressly reserves to the Lessee the right, and the Lessee is authorized by the Lease, to prepay Base Rentals in addition to the Base Rentals otherwise payable under the Lease solely for the purpose of redeeming a Series of Bonds in part pursuant to the Indenture. Such additional Base Rentals shall be deposited into the Redemption Fund and applied to the redemption of the Series of Bonds in part in the manner and to the extent provided in the Indenture. See "THE 2011 BONDS—Redemption Provisions For The 2011 Bonds" in the body of the OFFICIAL STATEMENT to which this "APPENDIX D—BASIC DOCUMENTATION" is attached.

(d) *Allocation of Base Rentals.* Each payment of Base Rentals on a regularly scheduled Base Rental Payment Date shall be allocated and applied to each of the portions of the Base Rentals relating to the leasing of the respective Facilities as part of the Leased Property as provided in the Lease (each such portion being the "Amortization Payments" with respect to its related Facility) in the respective amounts set forth in the Base Rental Payment Schedule attached to the Lease. A partial payment of such Base Rentals on a regularly scheduled Base Rental Payment Date shall be allocated pro rata among such payments and shall be treated as a corresponding reduction to the amount payable with respect to each Facility. Prepayments of Base Rentals in part to effect a partial redemption of a Series of Bonds as described in paragraph (c) above shall be applied to a reduction of Base Rentals in the same manner as such Series of Bonds are redeemed in part and shall be allocated either (1) to the Amortization Payments for the Facilities or (2) pro rata among the Amortization Payments for all Facilities financed by such Series of Bonds.

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

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

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

In the event that any Rentals to be paid by the Lessee to the Trustee are insufficient to pay any Base Rentals payable under the Lease or principal of or interest on the Bonds when due, the Lessee shall request that the Governor submit a request to the Legislature to appropriate additional funds to the Lessee or to any State Body that is subleasing a portion of the Leased Property for the payment of increased Rentals as authorized by Section 63–1–308 of the Act.

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

Subject to the provisions of the Lease, should the Lessee fail to pay any portion of the required Rentals and then fail immediately to surrender, quit and vacate the Leased Property, the Trustee in accordance with the Indenture or any Mortgage may immediately bring legal action to recover the Leased Property from the Lessee or to evict the Lessee from the Leased Property (but not for money damages except as provided in the Lease and in the Indenture) and commence proceedings to foreclose the lien of the Indenture and any Mortgage pursuant to their respective provisions. The Lessee agrees, to the extent permitted by law, to pay as damages for its failure immediately to surrender, quit and vacate the Leased Property upon termination of the then current Renewal Term of the Lease in violation of the terms thereof and Section 63B–1–308 of the Act an amount equal to the Base Rentals otherwise payable during such period prorated on a daily basis and any reasonable Additional Rentals attributable to such period on the basis of the services provided.

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

The Rentals constitute current expenses of the Lessee, and the Lessee's obligations under the Lease are from year–to–year only and do not constitute a mandatory payment obligation of the Lessee in any ensuing Fiscal Year beyond the then current Fiscal Year. No provision of the Lease shall be construed or interpreted as creating a general obligation or other indebtedness of the State or any political subdivision of the State within the meaning of any constitutional or statutory debt limitation. Neither the Bonds nor the obligation to pay Rentals under the Lease constitute or give rise to a general obligation or liability of, or a charge against the general credit or taxing power of, the State or any political subdivisions thereof. Neither the execution, delivery and performance of the Lease nor the issuance of the Bonds directly or indirectly obligates the Lessee to make any payments under the Lease beyond those appropriated for the Lessee's then current Fiscal Year.

Nonappropriation. Subject to the provisions of the Lease, in the event that sufficient funds (a) are not appropriated in the duly enacted State budget by the June 1 next preceding the beginning of any Renewal Term for the payment of the Base Rentals on the Base Rental Payment Dates and reasonably estimated Additional Rentals payable during such Renewal Term, or (b) are otherwise not legally available for such purpose, then an Event of Nonappropriation shall be deemed to have occurred under the Lease. The Trustee shall declare an Event of Nonappropriation on any earlier date on which the Trustee receives an Officer's Certificate from an authorized Lessee representative to the effect that the Legislature has determined by official action not to renew the term of the Lease for the next succeeding Renewal Term and, absent receipt of such Officer's Certificate and if an Event of Nonappropriation has otherwise occurred under the Lease, the Trustee shall give written notice to the Lessee of any Event of Nonappropriation on or before July 1 next succeeding the expiration of the term of the Lease or such later date as the Trustee determines to be in the best interest of the Owners. Any failure of the Trustee to give such written notice to the Lessee will not prevent the Trustee from declaring an Event of Nonappropriation or from taking any remedial action that would otherwise be available to the Trustee under the Lease or under the Indenture or any Mortgage. An Event of Nonappropriation shall also be deemed to have occurred if, during any Renewal Term, any Additional Rentals shall become due for which moneys were not appropriated in the duly enacted budget, or that exceed the amount for those Additional Rentals included in such budget, and funds are not legally available (including funds legally available for such purpose under the Indenture) to the Lessee to pay such Additional Rentals by the earlier of June 30 of the then current Renewal Term or 90 days after the date on which such Additional Rentals are due.

The Trustee may waive any Event of Nonappropriation that is cured by the Lessee within a reasonable time if, in the Trustee's judgment, such waiver is in the best interests of the Owners of the Bonds. After June 30 of each year during the term of the Lease the Trustee shall not waive any Event of Nonappropriation that results from sufficient funds not being appropriated in the duly enacted budget for the payment of the Base Rentals that would be payable during the next succeeding Renewal Term unless the Trustee has reason to believe that appropriate officials of the Lessee and the State are diligently pursuing appropriations by the Legislature to pay such Base Rentals on a timely basis and that a delay in declaring an Event of Nonappropriation, under the circumstances, is in the best interests of the Owners of the Bonds. If an Event of Nonappropriation shall occur, the Lessee shall not be obligated to make payment of the Base Rentals or Additional Rentals provided for in the Lease beyond the last day of the Renewal Term during which such Event of Nonappropriation occurs, except for the Lessee's obligation to pay Rentals that are payable prior to the termination of the Lease. The Lessee shall continue to be liable for the amounts payable pursuant to the Lease during such time when the Lessee continues to use, occupy and operate the Leased Property.

The Trustee shall, upon the occurrence of an Event of Nonappropriation and foreclosure of the lien of the Indenture or any Mortgage, have all rights and remedies to take possession of the Leased Property as trustee for the benefit of the Owners of the Bonds and shall be further entitled to all moneys then on hand in all funds and accounts created under the Indenture. All property, funds and rights acquired by the Trustee upon the termination of the Lessee's possessory interests under the Lease by reason of an Event of Nonappropriation shall be held by the Trustee under the Indenture for the benefit of the Owners of the Bonds until the principal of, and premium (if any) and interest on, the Bonds are paid in full.

Upon the occurrence of an Event of Nonappropriation (which is not waived) or an Event of Default (which is not waived), the Lessee shall have all responsibility for surrendering and vacating the Leased Property and shall surrender and vacate the Leased Property immediately following such occurrence. Within 10 days after the occurrence of an Event of Nonappropriation or an Event of Default, the Lessee shall provide the Trustee with a timetable for surrendering and vacating the Leased Property, which timetable shall provide that the Lessee shall completely surrender and vacate the Leased Property no later than June 30 of the then current Renewal Term.

Acquisition, Construction And Financing Of The Projects

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

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

If an Event of Nonappropriation or an Event of Default shall occur prior to the delivery of the Completion Certificate for a Project, the moneys remaining in the Project Account relating to such Project may be utilized by the

Trustee to complete such Project or, upon termination of the term of the Lease as to the possessory interest of the Lessee, may be disbursed as provided in the Indenture.

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

Maintenance And Operation

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

Insurance Provisions

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

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

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

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

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

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

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

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

Taxes

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

Alterations, Additions And Improvements

The Lessee shall have the right during the term of the Lease to make any alterations, additions, replacements, renovations, rehabilitations or improvements of any kind, structural or otherwise, as it shall deem necessary or desirable, on or to the Leased Property, to attach fixtures, structures or signs, and to affix any personal property to the improvements on the Leased Property; *provided, however*, that no such alteration, addition, replacement, renovation, rehabilitation or improvement shall reduce or otherwise adversely affect the value of the Leased Property or the fair rental value thereof or materially alter or change the character or use of the Leased Property or impair the excludability of interest on the Bonds from gross income of the Owners thereof for federal income tax purposes.

Except as described below, all such alterations, additions and improvements shall become the property of the Lessor as a part of the Leased Property and shall be subject to the Lease and the Indenture.

All of the Lessee's equipment and other personal property installed or placed by the Lessee in or on the Leased Property that is not a fixture under applicable law or that is not paid for with the proceeds of sale of the Bonds shall remain the sole property of the Lessee in which neither the Lessor, the Owners of the Bonds nor the Trustee shall have any interest.

Damage Or Destruction; Condemnation

The Lessor and the Lessee agree in the Lease that it is the intent of the parties that, after the delivery of the Completion Certificate with respect to a Project, the risk of any loss arising out of any damage, destruction, seizure or condemnation of the portion of the Leased Property represented by such Project shall be borne by the Lessee and not by the Lessor or the Owners. The Lessee covenants and agrees that in the event of any such damage, destruction or condemnation, the Lessee shall either repair, rebuild or replace the affected portion of the Leased Property to essentially its same condition before any such damage, destruction, seizure or condemnation or provide funds, either through payment of the applicable Option Price, or otherwise, but in any event only from legally available moneys for such purpose, necessary to redeem Bonds at the earliest practicable date in accordance with the Indenture.

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

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

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

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

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

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

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

Assignments

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

The Lessee shall have the right, without notice to or consent of the Lessor, the Trustee or any Owner of Bonds, to further sublease or permit the use of any specified portion of the Leased Property (a) to or for the benefit of any State Bodies with respect to any of the Facilities, (b) to or for the benefit of any political subdivision or other governmental entity of the State and (c) to any private operator, manager or service provider on such basis, for such use and for such period as will not impair the excludibility from gross income for federal income tax purposes of interest on the Bonds. No subleasing of the Leased Property shall relieve the Lessee from its obligation to pay Rentals as provided in the Lease or relieve the Lessee from any other obligations contained therein. No such assignment or sublease may be made if the use of the portion of the Leased Property represented by such subleased Facilities by the assignee or sublessee will affect the validity of the Lease, change the character or use of the Leased Property to ones not then permitted by applicable law or impair the excludability from gross income for federal income tax purposes of interest on the Bonds.

Compliance With Environmental Laws

The Lessee covenants and agrees in the Lease to carry on the business and operations at the Leased Property in a manner that complies in all respects, and will remain in compliance, with all federal, State, regional, county or local laws, statutes, rules, regulations or ordinances concerning public health, safety or the environment, but only to the extent applicable to the Lessee.

Amendments, Changes And Modifications

Subject to certain limitations contained in the Lease, the Lessor and the Lessee may make, from time to time, without the consent of the Trustee or the Owners of the Bonds, such modifications, alterations, amendments or additions to, or deletions from, the sites on which any of the Facilities are located as the Lessor and the Lessee mutually agree to be necessary and desirable to facilitate the use and development by the Lessee, its successors, permitted sublessees and assigns, of such sites.

The Lease may be amended at any time by written agreement of the Lessor and the Lessee (regardless of any assignments of the Lessor's interests), with the prior written consent of the Trustee, but without notice to or the consent of the Owners of the Bonds pursuant to the Indenture, (a) whenever, in the opinion of counsel satisfactory to the Trustee and the Lessee, the contemplated amendment is necessary to cause the Lease to comply with State law or to cause interest on the Bonds to be or remain excludible from gross income for federal income tax purposes, (b) whenever the effect of such amendment is solely to add further, additional or improved security to the rights of the Trustee and the Owners of the Bonds, (c) whenever the amendment shall not prejudice in any material respect the rights of the Owners of the Bonds then Outstanding or (d) otherwise for any of the purposes permitted by the Indenture. See "THE INDENTURE—Amendment Of Lease And Site Leases" above.

Lessee's Options To Purchase The Leased Property

The Lessee may, if no Event of Default has occurred and is then continuing under the Lease, purchase the Leased Property or any portion thereof representing separate Facilities, subject to the terms of the Lease, on each Optional Payment Date by delivering written notice during the term of the Lease to the Trustee not less than 45 days prior to each Optional Payment Date indicating the Lessee's intention so to purchase the Leased Property or a portion thereof representing such Facilities.

The purchase price for the Leased Property in its entirety to be paid by the Lessee to exercise the option granted in the Lease shall be an amount equal to (a) the Option Price applicable on such Optional Payment Date as indicated on the Option Price Schedule, plus interest on the Bonds to the Optional Payment Date, premium on the Bonds applicable on such Optional Payment Date, if any, and fees and expenses that must be paid to retire the then Outstanding Bonds, (b) all costs of transferring title to the Leased Property to the Lessee and (c) all other reasonable costs and expenses incidental thereto.

The purchase price for a portion of the Leased Property representing separate Facilities shall be an amount equal to (a) the portion of the Option Price applicable to such Facilities on such Optional Payment Date as indicated in the Option Price Schedule attached to the Lease, plus the portion of interest on the Bonds allocable to such Facilities to the Optional Payment Date, premium (if any) on the Bonds to be prepaid from amounts deposited to pay such purchase price and fees and expenses related to a partial redemption of the then Outstanding Bonds, (b) all costs of releasing the lien of the Indenture and the applicable Mortgage with respect to, and transferring title to, the Facilities to be purchased to the Lessee and (c) all other reasonable costs and expenses incidental thereto. Nothing in the Lease shall be construed to create any obligation of the Lessee to purchase the Leased Property or any such separate Facilities.

Events Of Default; Remedies

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

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

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

(c) Subject to the provisions of the Lease, failure by the Lessee to surrender and vacate the Leased Property by the expiration of any Renewal Term during which an Event of Nonappropriation occurs; or

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

(e) Any representation or warranty (1) made by the Lessee or by the Lessor pursuant to the Lease or (2) contained in any certificate delivered in connection with the Lease, shall prove to have been false or misleading in any material respect when made; or

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

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

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

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

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

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

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

Limitation of Remedies Relating to Certain Leased Property. Notwithstanding any other provisions of the Lease to the contrary, in the event that a lien on or a security interest in, any Facility constituting a portion of the Leased Property has not been granted to the Trustee under a Mortgage, the Lessee shall not be required to surrender, quit or vacate such Facility under any circumstance.

APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon delivery of the 2011 Bonds, Ballard Spahr LLP, Bond Counsel to the Authority, proposes to issue its final approving opinion in substantially the following form:

Utah State Building Ownership Authority
4110 State Office Building
Salt Lake City, Utah 84114

We have acted as bond counsel for the State Building Ownership Authority of the State of Utah (the "Authority") in connection with the issuance by the Authority of its $__________ Lease Revenue Bonds (State Facilities Master Lease Program), Series 2011 (the "Series 2011 Bonds"). The Series 2011 Bonds are being issued pursuant to (i) the State Building Ownership Authority Act (the "Building Ownership Act"), Title 63B, Chapter 1, Part 3 Utah Code Annotated 1953 as amended (the "Utah Code") and Title 63B-20-102, Utah Code; (ii) resolutions of the Board adopted on April 18, 2011 (the "Parameters Resolution") and September _____, 2011 (the "Bond Resolution," and collectively with the Parameters Resolution, the "Resolutions"), and (iii) an Indenture of Trust, Assignment of State Facilities Master Lease Agreement and Security Agreement dated as of September 1, 1994, as previously amended and supplemented, and as further amended and supplemented by an Eighteenth Supplemental Indenture of Trust dated as of September 1, 2011 (collectively, the "Indenture") between the Authority and Wells Fargo Bank, N.A., as Trustee. The Series 2011 Bonds are being issued for the purpose of (a) acquiring certain facilities, property and improvements and (b) paying all costs incident thereto and to the authorization and issuance of the Bonds.

The principal of, and premium (if any) and interest on, the Bonds are payable from, and secured by, Base Rentals to be paid by the State of Utah (the "State"), acting through its Department of Administrative Services, Division of Facilities Construction and Management (the "Lessee"), pursuant to an annually renewable State Facilities Master Lease Agreement dated as of September 1, 1994 (the "Original Master Lease"), as previously amended and supplemented, and as further amended and supplemented by an Eighteenth Amendment to State Facilities Master Lease Agreement dated as of October 1, 2011 (collectively, the "Lease"), between the Authority (as lessor) and the Lessee. Payments by the State under the Master Lease may be made only from funds which are appropriated by the State for such purpose. Except to the extent payable from the proceeds of certain insurance policies, performance bonds, condemnation awards and liquidation proceeds, if any, the Series 2011 Bonds and the interest thereon are payable solely from, and are secured by a pledge of, rentals derived by the Authority under the Lease. The Indenture provides that the Series 2011 Bonds and the interest thereon (i) are not general obligations, but are limited obligations of the Authority, (ii) shall not constitute an indebtedness of the State within the meaning of any constitutional provision or limitation, and (iii) do not constitute or give rise to a general obligation or liability of the State or a charge against the general credit or taxing powers of the State or any political subdivision of the State. Neither the State, nor the Authority on its behalf, has pledged the credit of the State to the payment of the Series 2011 Bonds or the interest thereon or rentals under the Lease.

Our services as bond counsel have been limited to the preparation of the legal proceedings and supporting certificates authorizing the issuance of the Series 2011 Bonds under the applicable laws of the State and to a review of the transcript of such proceedings and certificates. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials furnished to us without undertaking to verify the same by independent investigation. Our examination has been limited to the foregoing as they exist or are in effect as of the date hereof. Our opinion is limited to the matters expressly set forth herein, and we express no opinion concerning any other matters.

Based on our examination and the foregoing, we are of the opinion as of the date hereof and under existing law, as follows:

1. The Authority is a body politic and corporate and is validly organized and existing under the provisions of the Act, with powers, among others, to issue the Series 2011 Bonds and to perform its obligations under the Indenture and the Lease.

2. The Lease has been authorized, executed and delivered by the State and the Authority, and constitutes a valid and binding obligation enforceable upon the State and the Authority.

3. The Indenture has been authorized, executed and delivered by the Authority and constitutes a valid and binding obligation enforceable against the Authority.

4. The Series 2011 Bonds have been authorized by the Authority, executed and delivered by authorized officials of the Authority and are valid and binding limited obligations of the Authority, and the Series 2011 Bonds do not constitute a general obligation indebtedness of the State within the meaning of any state constitutional provision or limitation, or a charge against the general credit or taxing power of the State.

5. Interest on the Series 2011 Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Series 2011 Bonds, assuming the accuracy of the certifications of the Authority and the State and continuing compliance by the Authority and the State with the requirements of the Internal Revenue Code of 1986. Interest on the Series 2011 Bonds is not an item of tax preference for purposes of either individual or corporate federal alternative minimum tax; however, interest on Series 2011 Bonds held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder.

6. Interest on the Series 2011 Bonds is exempt from State of Utah individual income taxes.

In rendering our opinion, we wish to advise you that:

(a) The rights of the holders of the Series 2011 Bonds and the enforceability thereof and of the documents identified in this opinion may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) We express no opinion as to the accuracy, adequacy or completeness of the Official Statement or any other offering material relating to the Series 2011 Bonds; and

(c) Except as set forth above, we express no opinion regarding other tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Series 2011 Bonds.

Respectfully submitted,

APPENDIX F

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING
FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION
UNDER PARAGRAPH (b)(5) OF RULE 15C2-12

[TO BE DATED CLOSING DATE]

THIS CONTINUING DISCLOSURE UNDERTAKING (the *"Agreement"*) is executed and delivered by the State of Utah (the *"State"*) in connection with the issuance by the State Building Ownership Authority of the State of Utah (the *"Authority"*) of $__________ aggregate principal amount of its Lease Revenue Bonds (State Facilities Master Lease Program), Series 2011 (the *"2011 Bonds"*). The 2011 Bonds are being issued pursuant to an Indenture of Trust, Assignment of State Facilities Master Lease Agreement and Security Agreement, dated as of September 1, 1994, as heretofore amended and supplemented, and as further amended and supplemented by an Eighteenth Supplemental Indenture of Trust, dated as of September 1, 2011 (as so amended and supplemented, the *"Indenture"*).

In consideration of the issuance of the 2011 Bonds by the Authority and the purchase of such 2011 Bonds by the beneficial owners thereof, the State covenants and agrees as follows:

Section 1. PURPOSE OF THIS AGREEMENT. This Agreement is executed and delivered by the State as of the date set forth above, for the benefit of the beneficial owners of the 2011 Bonds and in order to assist the Participating Underwriter in complying with the requirements of the Rule (as defined below). The State represents that it will be the only obligated person with respect to the 2011 Bonds at the time the 2011 Bonds are delivered to the Participating Underwriter and that no other person is expected to become so committed at any time after issuance of the 2011 Bonds.

Section 2. DEFINITIONS. The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

"Annual Financial Information" means the financial information and operating data described in *Exhibit I*.

"Annual Financial Information Disclosure" means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

"Audited Financial Statements" means the audited financial statements of the State prepared pursuant to the standards and as described in *Exhibit I*.

"Commission" means the Securities and Exchange Commission.

"Dissemination Agent" means any agent designated as such in writing by the State and which has filed with the State a written acceptance of such designation, and such agent's successors and assigns.

"EMMA" means the MSRB through its Electronic Municipal Market Access system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Lease" means the State Facilities Master Lease Agreement, dated as of September 1, 1994, as heretofore amended and supplemented, between the Authority and the State.

"MSRB" means the Municipal Securities Rulemaking Board.

"Participating Underwriter" means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the 2011 Bonds.

"Reportable Event" means the occurrence of any of the Events with respect to the 2011 Bonds set forth in *Exhibit II*.

"Reportable Events Disclosure" means dissemination of a notice of a Event as set forth in Section 5.

"Rule" means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

"Undertaking" means the obligations of the State pursuant to Sections 4 and 5.

Section 3. CUSIP NUMBER/FINAL OFFICIAL STATEMENT. The CUSIP Numbers of the 2011 Bonds maturing in each of the following years are as follows:

MAY 15 OF THE YEAR	CUSIP NUMBER	MAY 15 OF THE YEAR	CUSIP NUMBER

The Final Official Statement relating to the 2011 Bonds is dated __________, 2011 (the *"Final Official Statement"*).

Section 4. ANNUAL FINANCIAL INFORMATION DISCLOSURE. Subject to Section 8 of this Agreement, the State hereby covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (in the form and by the dates set forth in *Exhibit I*) to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information and by such time so that such entities receive the information by the dates specified. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the State will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment or waiver is made to this Agreement, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to EMMA) shall contain a narrative description of the reasons for such amendment or waiver and its impact on the type of information being provided.

Section 5. REPORTABLE EVENTS DISCLOSURE. Subject to Section 8 of this Agreement, the State hereby covenants that it will disseminate in a timely manner (not in excess of ten business days after the occurrence of the Reportable Event) Reportable Events Disclosure to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any 2011 Bond or defeasance of any 2011 Bond need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the 2011 Bonds pursuant to the Indenture.

Section 6. CONSEQUENCES OF FAILURE OF THE STATE TO PROVIDE INFORMATION. The State shall give notice in a timely manner to EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the State to comply with any provision of this Agreement, the beneficial owner of any 2011 Bond may seek mandamus or specific performance by court order, to cause the State to comply with its obligations under this Agreement. The beneficial owners of 25% or more in principal amount of the 2011 Bonds outstanding may challenge the adequacy of the information provided under this Agreement and seek specific performance by court order to cause the State to provide the information as required by this Agreement. A default under this Agreement shall not be deemed a default under the Indenture, and the sole remedy under this Agreement in the event of any failure of the State to comply with this Agreement shall be an action to compel performance.

Section 7. AMENDMENTS; WAIVER. Notwithstanding any other provision of this Agreement, the State by resolution authorizing such amendment or waiver, may amend this Agreement, and any provision of this Agreement may be waived, if:

(a) (i) the amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the State, or type of business conducted; or

(ii) this Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) the amendment or waiver does not materially impair the interests of the beneficial owners of the 2011 Bonds, as determined either by parties unaffiliated with the State or any other obligated person (such as bond counsel).

In the event that the Commission or the MSRB or other regulatory authority shall approve or require Annual Financial Information Disclosure or Reportable Events Disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in lieu of EMMA, the State shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending this Agreement.

Section 8. *TERMINATION OF UNDERTAKING.* The Undertaking of the State shall be terminated hereunder if the State shall no longer have any legal liability for any obligation on or relating to repayment of the 2011 Bonds under the Indenture. The State shall give notice in a timely manner if this Section is applicable to EMMA.

Section 9. *DISSEMINATION AGENT.* The State may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 10. *ADDITIONAL INFORMATION.* Nothing in this Agreement shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Reportable Event, in addition to that which is required by this Agreement. If the State chooses to include any information from any document or notice of occurrence of a Reportable Event in addition to that which is specifically required by this Agreement, the State shall have no obligation under this Agreement to update such information or include it in any future disclosure or notice of occurrence of a Reportable Event.

Section 11. *BENEFICIARIES.* This Agreement has been executed in order to assist the Participating Underwriter in complying with the Rule; *provided, however*, this Agreement shall inure solely to the benefit of the State, the Dissemination Agent, if any, and the beneficial owners of the 2011 Bonds, and shall create no rights in any other person or entity.

Section 12. *RECORDKEEPING.* The State shall maintain records of all Annual Financial Information Disclosure and Reportable Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

Section 13. *ASSIGNMENT.* The State shall not transfer its obligations under the Lease unless the transferee agrees to assume all obligations of the State under this Agreement or to execute an Undertaking under the Rule.

Section 14. *GOVERNING LAW.* This Agreement shall be governed by the laws of the State.

Section 15. *SOURCE OF INFORMATION.* The persons from whom Annual Financial Information, Audited Financial Statements and any notices described herein can be obtained are (a) the Treasurer of the State of Utah, Utah State Capitol Complex, 350 North State Street, Suite C-180 (PO Box 142315), Salt Lake City, Utah 84114-2315, telephone: (801) 538-1042, and (b) a Trust Officer of the Bond Registrar, at Wells Fargo Bank, N.A., Corporate Trust Services, MAC C7300-107, 1740 Broadway, Denver, Colorado 80274; telephone: (303) 863-4884.

(*Signature page follows.*)

DATED as of the day and year first above written.

STATE OF UTAH

By______________________________________
Richard K. Ellis, State Treasurer

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

"Annual Financial Information" means financial information and operating data of the type contained in the Official Statement under the following captions:

CAPTION	PAGE
DEBT STRUCTURE OF THE STATE OF UTAH	
FINANCIAL INFORMATION REGARDING THE STATE OF UTAH	

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to EMMA or filed with the Commission. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available on EMMA; the Final Official Statement need not be available from the Commission. The State shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided to EMMA not later than the January 15th following the end of each fiscal year of the State (presently June 30), beginning January 15, 2012. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included.

Audited Financial Statements will be prepared pursuant to generally accepted accounting principles as prescribed by the Government Accounting Standards Board. Audited Financial Statements will be provided to EMMA within 30 days after availability to State.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the State will disseminate a notice of such change as required by Section 4.

EXHIBIT II

EVENTS WITH RESPECT TO THE 2011 BONDS FOR WHICH REPORTABLE EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to the rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the obligated person*
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material

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* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

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APPENDIX G

BOOK–ENTRY SYSTEM

DTC, the world's largest securities depository, is a limited–purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non–U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post–trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book–entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non–U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly–owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non–U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has S&P's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at dtcc.com.

Purchases of 2011 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2011 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2011 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2011 Bonds, except in the event that use of the book–entry system for the 2011 Bonds is discontinued.

To facilitate subsequent transfers, all 2011 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2011 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2011 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2011 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2011 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2011 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of the 2011 Bonds may wish to ascertain that the nominee holding the 2011 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial

Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2011 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2011 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2011 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2011 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Authority or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2011 Bonds at any time by giving reasonable notice to the Authority or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book–entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

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