



**STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM
An Enterprise Fund of the State of Utah**

Financial Statements
For the Years Ended June 30, 2006 and 2005

Report No. 06-08

*Keeping Utah
Financially Strong*

AUSTON G. JOHNSON, CPA
UTAH STATE AUDITOR

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM
An Enterprise Fund of the State of Utah

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STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM
AN ENTERPRISE FUND OF THE STATE OF UTAH
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

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STATE AUDITOR

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INDEPENDENT STATE AUDITOR'S REPORT

To the Utah State Board of Regents,
the UHEAA Audit Committee,
and
Richard E. Kendell, Commissioner of Higher Education

We have audited the accompanying financial statements of the State Board of Regents of the State of Utah Student Loan Purchase Program (the Program), an enterprise fund of the State of Utah, as of and for the years ended June 30, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the Program's management. Our responsibility is to express an opinion on these financial statements based on our audits.

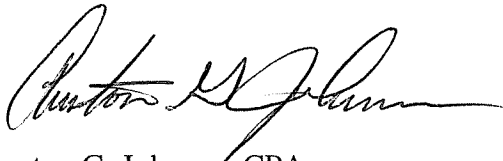
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 Program's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Program and do not purport to, and do not, present fairly the financial position of the State of Utah as of June 30, 2006 and 2005, and changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State Board of Regents of the State of Utah Student Loan Purchase Program, an enterprise fund of the State of Utah, as of June 30, 2006 and 2005, and the changes in financial position and cash flows thereof for the years 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 reports dated September 1, 2006 and September 2, 2005 on our consideration of the Program's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of those reports 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. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming opinions on the Program's financial statements. The accompanying supplemental schedules on pages 35 through 42 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying supplemental schedules have been subject to the auditing procedures applied by us in the audits of the financial statements and, in our opinion, based on our audits, are fairly stated in all material respects in relation to the financial statements taken as a whole. The accompanying supplementary information on pages 3 through 8 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying supplementary information have not been subjected to the auditing procedures applied by us in the audit of the financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, appearing to read "Auston G. Johnson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Auston G. Johnson, CPA
Utah State Auditor
September 1, 2006

STATE BOARD OF REGENTS OF THE STATE OF UTAH

STUDENT LOAN PURCHASE PROGRAM

Management's Discussion And Analysis

Introduction

The following discussion and analysis provides an overview of the financial position and activity of the State Board of Regents of the State of Utah Student Loan Purchase Program (the Program) for the year ended June 30, 2006 with selected comparative information for the year ended June 30, 2005. This discussion and analysis has been prepared by management and should be read in conjunction with the financial statements and footnotes which follow this section.

The Student Loan Purchase Program is an enterprise fund of the State of Utah and was established in 1977 by Utah statute for the purpose of making loans to, and purchasing the loans of, qualified students attending eligible institutions of higher education.

Financial Highlights

The Program's financial position remained strong at June 30, 2006, with assets totaling \$2.4 billion and total liabilities of \$2.2 billion. Net assets which represent the residual interest in the Program's assets after liabilities are deducted, increased by \$17 million to \$229.6 million at June 30, 2006.

The Program purchased or originated student loans totaling \$789 million during the year ended June 30, 2006.

The Program issued student loan revenue bonds totaling \$633.7 million.

Using the Financial Statements

The Program's financial report is prepared in accordance with Governmental Accounting Standards Board (GASB) principles and includes three financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows. The accompanying notes are an integral part of the financial statements.

Each of the financial statements describes information for the following funds:

- Short Term Note Fund
- 1988 Revenue Bond Fund
- 1993 Revenue Bond Fund
- Office Facility Bond Fund

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Management's Discussion And Analysis

While the various funds of the Program are grouped for convenience, the combined assets are available only in accordance with the applicable bond resolutions, federal and Utah State laws, and other outstanding agreements. Included within the financial statements are supplemental schedules which describe the financial activity of the Program by fund.

The statement of net assets presents information on all of the Program's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Program is improving or deteriorating.

The statement of revenues, expenses, and changes in net assets presents information showing how the Program's net assets changed during the fiscal years ended June 30, 2006 and 2005.

The statement of cash flows reports the cash receipts, cash payments, and net changes in cash resulting from operations, noncapital financing activities, capital and related financing activities and investing activities.

Significant sources of the Program's revenues include: Interest and Special Allowance on student loans and investment income. Significant Program expenses include: Interest expense; bond related fees; servicing fees; principal reductions on student loans and administrative and operating expenses.

Statement of Net Assets

The Statement of Net Assets presents the financial position of the Program at June 30, 2006 and 2005 and includes all assets and liabilities of the Program. The difference between total assets and total liabilities is net assets and is one indicator of the current financial condition of the Program.

Following is a summarized comparison of the Program's assets, liabilities and net assets at June 30, 2006 and 2005:

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Management's Discussion And Analysis

	<u>2006</u>	<u>2005</u>
Assets		
Cash and funds held by Trustee	\$ 621,790,335	\$ 319,397,897
Student loans receivable	1,752,875,463	1,454,286,730
Interest and special allowance receivable	33,411,694	24,938,441
Other receivables	313,550	247,873
Prepaid and deferred expenses	28,728,584	24,554,912
Capital assets	11,187,877	10,944,975
Total Assets	<u>2,448,307,503</u>	<u>1,834,370,828</u>
Liabilities		
Accounts payable and accrued expenses	4,382,523	4,445,015
Accrued interest payable	8,320,965	6,021,293
Bonds payable	2,138,130,358	1,544,878,253
Estimated interest arbitrage rebate	67,845,359	66,410,625
Total Liabilities	<u>2,218,679,205</u>	<u>1,621,755,186</u>
Net Assets		
Invested in capital assets, net of related debt	615,681	555,182
Restricted	156,228,483	141,170,190
Unrestricted	72,784,134	70,890,270
Total Net Assets	<u>\$ 229,628,298</u>	<u>\$ 212,615,642</u>

Financial Analysis

Total Assets – Total assets as of June 30, 2006 were \$2,448,307,503; an increase of \$614 million (33.47%) compared to June 30, 2005. Cash and funds held by trustee increased \$302 million (94%) to \$621 million. The increase was primarily due to the timing of the use of recent bond financing and the purchase and origination of student loans. Total net student loans receivable increased \$298.5 million (20.53%) over June 30, 2005. The Program purchased or originated over \$789 million in student loans during the year ended June 30, 2006, an increase of \$229.4 million (40.9%) over the prior year.

Total Liabilities – Total liabilities increased \$596.9 million (36.8%) compared to June 30, 2005. The largest increase, \$593.2 million (38.4%), was the bonds payable category. The Program issued \$633.7 million in student loan revenue bonds during the fiscal year. The proceeds from the bonds will be used primarily to fund the purchase and origination of student loans.

Net Assets – Net assets of the Program increased \$17 million (8.0%) during the year ended June 30, 2006 to \$229.6 million from a beginning balance of \$212.6 million. This was largely due to favorable net interest margins on student loans and investments. A majority of the net asset balance is contained within the individual bond funds. The use of these funds is restricted in accordance with the provisions of the applicable bond indenture document.

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Management's Discussion And Analysis

Statement of Revenue, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets present the Program's results of operations and are summarized for the years ended June 30, 2006 and 2005 as follows:

	<u>2006</u>	<u>2005</u>
Operating Revenues		
Interest and special allowance on student loans	\$ 104,043,053	\$ 76,484,406
Investment income	15,439,034	7,663,051
Other revenue	<u>2,763,129</u>	<u>2,599,760</u>
Total operating revenues	<u>122,245,216</u>	<u>86,747,217</u>
Operating Expenses		
Bond Interest expense	64,806,733	33,404,164
Bond insurance, commitment and remarketing fees	4,869,731	4,192,382
Student loan servicing fees	9,171,559	9,178,884
Administrative and operating expense	11,850,803	10,757,600
Uninsured claims expense	28,126	(1,900,085)
Student loan principal reductions	11,755,665	9,192,880
Provision for interest arbitrage rebate	<u>2,749,943</u>	<u>4,994,414</u>
Total operating expenses	<u>105,232,560</u>	<u>69,820,239</u>
Change in Net Assets	17,012,656	16,926,978
Net Assets, as previously reported July 1, 2004		193,209,304
Cumulative effect on prior years of retroactive application of new amortization method		<u>2,479,360</u>
Net Assets - Beginning	<u>212,615,642</u>	<u>195,688,664</u>
Net Assets - Ending	<u>\$ 229,628,298</u>	<u>\$ 212,615,642</u>

Financial Analysis

Total Operating Revenues – The Program earned \$122.2 million in total operating revenues during the year ended June 30, 2006; an increase of \$35.4 million (40.9%) over the previous fiscal year. The largest component of the increase came from interest and special allowance on student loans, which increased \$27.5 million (36 %). This increase resulted primarily from the growth of the student loan portfolio and higher student loan interest rates. Investment income also increased \$7.7 million (101%) over the previous fiscal year resulting from an increase in short term interest rates.

Total Operating Expenses – The Program's total operating expenses for the fiscal year ended June 30, 2006 increased \$35.4 million (50.72%) over the prior fiscal year. Total interest expense on bonds and bond related fees increased \$32 million (85%) to \$69.6 million. This increase is attributable to \$633.7 million of student loan revenue bonds issued by the Program during the year and upward pressure on bond interest rates. Student loan servicing costs remained constant and the Program experienced modest increases in administrative and other operating costs.

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Management's Discussion And Analysis

Total Operating Income – The Program’s change in net assets remained relatively unchanged for the fiscal year 2006. Net interest margins (a ratio of investment and student loan interest income to bond interest expense) decreased in fiscal year 2006 to 184.37% compared to 251.91% during fiscal year 2005. The Program’s return on Net Assets decreased from 8.29% in fiscal year 2005 to 7.69% in fiscal year 2006.

Major Financing and Long-Term Debt Activity

The following lists details the major financing activity of the Program during the fiscal year ended June 30, 2006:

Indenture Date	Amount	Type of Activity
September 1, 2005	\$ 185,000,000	New Issue - Student Loan Revenue Bonds, 2005 Series AA (Taxable). The issue was made available for the purchase or origination of student loans. The 2005 AA Bonds are secured by and are payable solely from the trust estate created by the Indenture.
February 1, 2006	\$ 98,675,000	New Issue - Student Loan Revenue Bonds, 2006 Series BB (Tax exempt). The issue was made available for the purchase or origination of student loans. The 2006 BB Bonds are secured by and are payable solely from the trust estate created by the Indenture.
February 1, 2006	\$ 100,000,000	New Issue - Student Loan Revenue Bonds, 2006 Series CC (Taxable). The issue was made available for the purchase or origination of student loans. The 2006 CC Bonds are secured by and are payable solely from the trust estate created by the Indenture.
June 1, 2006	\$ 250,000,000	New Issue - Student Loan Revenue Bonds, 2006 Series DD (Taxable). The issue was made available for the purchase or origination of student loans. The 2006 DD Bonds are secured by and are payable solely from the trust estate created by the Indenture.

Statement of Cash Flows

The Statement of Cash Flows provides additional information about the Program’s financial results, by reporting the major sources and uses of cash. The Program’s cash and cash equivalents decreased \$3.6 million. The Program experienced a cash outflow of \$235.3 million from operating activities, a cash inflow from noncapital financing activities of \$522.5 million, a cash outflow from capital and related financing activities of \$363,127, and a cash outflow of \$290.4 million from investing activities.

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Management's Discussion And Analysis

**Currently Known Conditions Expected To Have a
Significant Effect on Financial Position or Results of Operations**

Changes in Federal Law and the Higher Education Act - Since its original enactment in 1965, the Higher Education Act has been amended and reauthorized multiple times. These changes have included, among other things, changes in the calculation of interest rates and special allowance payments on federal student loans, changes in the requirements to offer alternate payment plans to borrowers and additional loan forgiveness provisions. As a result of the changes to the Federal Family Education Loan Program (FFEL), the net revenues earned by holders of student loans have in some cases been reduced and may be further reduced in the future.

The most recent amendment of the Higher Education Act, the Higher Education Reconciliation Act of 2005 (the "2005 HERA Amendment"), was signed by President Bush in February of 2006, with many of the new provisions taking effect on July 1, 2006.

The 2005 HERA Amendment extends various provisions of the FFEL Program through September 30, 2012 and includes, but is not limited to, provisions that (i) reduce student loan insurance from 98% to 97% for loans for which the first disbursement is made on or after July 1, 2006, (ii) reduce the reimbursement available for student loans serviced by servicers designated for exceptional performance from 100% to 99%, (iii) permanently eliminate recycling of 9.5% floor loans, and (iv) on student loans first disbursed on or after April 1, 2006, require payment by lenders to the U.S. Department of Education of any interest paid by borrowers which is in excess of the special allowance payment rate, and, (v) phase out of certain borrower origination fees by the year 2010.

The Higher Education Act will periodically be reauthorized and Congress could make substantial changes to the Higher Education Act impacting the Program. In addition, the U.S. Department of Education continues to engage in the rulemaking process to revise regulations promulgated by the U.S. Department of Education under the Higher Education Act.

Requests for Information

This financial report is designed to provide a general overview of the State Board of Regents of the State of Utah Student Loan Purchase Program's finances for any interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Associate Executive Director for Finance and Administration, Utah Higher Education Assistance Authority, Board of Regents Building, The Gateway; 60 South 400 West, Salt Lake City, Utah 84101-1284.

**STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM**

Statement of Net Assets
June 30, 2006 and 2005

	2006	2005
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 2)	\$ 39,738,454	\$ 43,388,000
Funds held by Trustee (Notes 2 and 3)	487,735,772	187,284,795
Receivables:		
Student loans receivable (Note 4)	79,038,662	199,710,301
Interest receivable - student loans (Note 4)	18,996,245	14,952,101
Special allowance payments	14,415,449	9,986,340
Interest receivable - investments	31,718	76,122
Other receivables	281,832	171,751
Prepaid expenses	380,409	320,063
Deferred guarantor insurance premiums (Note 10)	1,948,767	1,436,472
Deferred bond issuance costs (Note 6)	639,705	708,919
Total Current Assets	643,207,013	458,034,864
Noncurrent Assets:		
Funds held by Trustee (Notes 2 and 3)	94,316,109	88,725,102
Student loans receivable (Note 4)	1,673,836,801	1,254,576,429
Deferred guarantor insurance premiums (Notes 10 and 14)	12,884,866	12,713,113
Deferred bond issuance costs, less accumulated amortization of \$3,022,462,103 and \$2,806,387, respectively (Notes 6)	12,874,837	9,376,345
Capital assets, less accumulated depreciation of \$1,133,387 and \$824,729, respectively (Note 5)	11,187,877	10,944,975
Total Noncurrent Assets	1,805,100,490	1,376,335,964
TOTAL ASSETS	2,448,307,503	1,834,370,828
LIABILITIES		
Current Liabilities:		
Accounts payable	3,744,796	3,509,603
Payable to affiliate (Note 10)	24,224	36,323
Compensated absences (Note 7)	185,983	157,823
Other liabilities	283,821	607,758
Accrued interest payable (Note 6)	8,320,965	6,021,293
Bonds payable (Notes 6 and 7)	432,895	144,922,895
Estimated interest arbitrage rebate (Notes 7 and 11)	274,981	2,102,545
Total Current Liabilities	13,267,665	157,358,240
Noncurrent Liabilities:		
Compensated absences (Note 7)	143,699	133,508
Bonds payable, net of unamortized premiums of \$45,358 and \$48,253, respectively (Note 6 and 7)	2,137,697,463	1,399,955,358
Estimated interest arbitrage rebate (Notes 7 and 11)	67,570,378	64,308,080
Total Noncurrent Liabilities	2,205,411,540	1,464,396,946
TOTAL LIABILITIES	2,218,679,205	1,621,755,186
NET ASSETS		
Invested in capital assets, net of related debt	615,681	555,182
Restricted	156,228,483	141,170,190
Unrestricted (Note 9)	72,784,134	70,890,270
TOTAL NET ASSETS	\$ 229,628,298	\$ 212,615,642

*The accompanying notes are an integral part
of these financial statements.*

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Years Ended June 30, 2006 and 2005

	2006	2005
OPERATING REVENUES:		
Interest on student loans (Note 4)	\$ 56,337,679	\$ 42,744,940
Special allowance	47,705,374	33,739,466
Investment income (Note 2 and 3)	15,439,034	7,663,051
Lender Services revenue	486,360	498,898
Computer Services revenue	685,596	560,481
Human Resources revenue	175,132	83,389
Rental revenue (Notes 10)	1,416,041	1,456,992
Total operating revenues	122,245,216	86,747,217
OPERATING EXPENSES:		
Interest expense (Note 6)	64,806,733	33,404,164
Bond insurance, commitment and remarketing fees (Note 6)	4,869,731	4,192,382
Student loan servicing fees (Note 8)	9,171,559	9,178,884
General and administrative expense (Note 10)	3,320,053	2,853,941
Depreciation expense (Note 5)	308,659	305,122
Guarantor insurance premiums (Notes 4, 10, and 14)	1,706,494	1,479,578
Uninsured claims expense (Note 4)	28,126	(1,900,085)
Student loan principal reductions (Note 12)	11,755,665	9,192,880
Operations expense (Note 10)	6,515,597	6,118,959
Provision for interest arbitrage rebate (Note 11)	2,749,943	4,994,414
Total operating expenses	105,232,560	69,820,239
CHANGE IN NET ASSETS	17,012,656	16,926,978
NET ASSETS, as previously reported July 1, 2004		193,209,304
Cumulative effect on prior years of retroactive application of new amortization method (Note 14)		2,479,360
NET ASSETS - Beginning	212,615,642	195,688,664
NET ASSETS - Ending	\$ 229,628,298	\$ 212,615,642

*The accompanying notes are an integral part
of these financial statements.*

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Statement of Cash Flows
For the Years Ended June 30, 2006 and 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Principal received on student loans	\$ 494,563,825	\$ 368,773,386
Interest received on student loans	38,368,744	30,519,272
Special allowance payments	43,276,265	22,554,719
Student loan disbursements received from lenders	322,475,820	313,660,693
Student loan disbursements sent to schools	(322,489,955)	(313,726,883)
Payments received for lenders	39,272,864	30,527,756
Payments sent to lenders	(41,594,414)	(29,124,343)
Payments received for Lender Services	490,888	563,855
Payments received for Computer Services	616,832	541,691
Payments for loan purchases	(395,291,492)	(288,236,594)
Payments for loan consolidations	(393,948,667)	(271,598,540)
Payments for loan servicing	(8,256,088)	(7,376,160)
Payments for general and administrative expenses	(3,482,854)	(2,074,467)
Payments for guarantor insurance premiums	(2,510,951)	(3,117,870)
Payments for Computer Services expense	(907,375)	(584,078)
Payments for Operations expense	(5,988,155)	(6,098,594)
Payments for interest arbitrage	(1,315,210)	(349,882)
Payments received for rental revenue	1,406,037	1,490,833
Cash used in operating activities	(235,313,886)	(153,655,206)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from issuance of bonds	633,675,000	151,080,000
Principal paid on bonds	(40,420,000)	(3,710,000)
Interest paid on bonds	(61,922,161)	(29,262,866)
Payments for bond insurance, remarketing, and commitment fees	(5,099,353)	(4,145,623)
Payments for bond issuance costs	(3,730,975)	(1,152,335)
Cash provided by noncapital financing activities	522,502,511	112,809,176
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(363,127)	(387,612)
Payments for bond issuance costs		(6,358)
Cash used in capital and related financing activities	(363,127)	(393,970)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturing investments	960,887,765	673,544,743
Interest received on investments	15,458,145	7,655,344
Purchases of investments	(1,266,820,954)	(621,244,883)
Cash provided by (used in) investing activities	(290,475,044)	59,955,204
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,649,546)	18,715,204
CASH AND CASH EQUIVALENTS, Beginning of Period	43,388,000	24,672,796
CASH AND CASH EQUIVALENTS, End of Period	\$ 39,738,454	\$ 43,388,000

(continued next page)

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Statement of Cash Flows
For the Years Ended June 30, 2006 and 2005

(continued)

	2006	2005
RECONCILIATION OF OPERATING INCOME TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income	\$ 17,012,656	\$ 16,926,978
Adjustments to reconcile income to net cash provided by operating activities:		
Cumulative effect on prior years of retroactive application of new amortization method		2,479,360
Amortization and depreciation	893,557	836,931
Interest expense for noncapital and capital financing	64,221,833	32,872,355
Interest revenue from nonoperating investing activities	(15,439,034)	(7,663,051)
Bond insurance, commitment, and remarketing fees	4,869,731	4,192,382
Change in assets/liabilities:		
Student loans receivable	(298,588,733)	(198,238,073)
Borrower interest receivable	(4,044,144)	722,208
Special allowance receivable	(4,429,109)	(7,530,607)
Other receivables	(110,081)	84,841
Prepaid expenses	(26,076)	(23,057)
Guarantor insurance premiums	(684,048)	(3,989,268)
Accounts payable, payable to affiliate, and arbitrage	1,009,562	5,673,795
NET CASH USED IN OPERATING ACTIVITIES	\$ (235,313,886)	\$ (153,655,206)

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

STATE BOARD OF REGENTS OF THE STATE OF UTAH

STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Years Ended June 30, 2006 and 2005

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The State Board of Regents of the State of Utah Student Loan Purchase Program (the Program), an enterprise fund of the State of Utah, was formed in 1977, as a separate program for the purpose of making loans to, and purchasing the loans of, qualified students attending eligible institutions of higher education. The Program began operations January 1, 1979. Bonds issued by the Program are not general obligations of the State of Utah.

Fund Accounting – The Program maintains accounting records under the fund accounting concept. The funds are separate sets of self-balancing accounts set up in accordance with the authorizing acts and bond indentures. The following funds are administered by the Program:

- Short-Term Note Fund – Unencumbered funds generated by various financing facilities and transfers authorized by the State Board of Regents of the State of Utah (the Board) in accordance with bond indenture provisions are maintained in this fund. The Program utilizes a portion of these funds to purchase student loans. Payments, including principal and interest on student loans held by this fund, and special allowance payments are deposited in this fund and are used to purchase student loans and pay operating expenses. Program funds designated to meet future collateral and operating requirements and other Program needs are held as investments.
- 1988 Revenue Bond Fund – Proceeds from revenue bond issuances under the General Student Loan Program Indenture dated July 15, 1988, and Supplemental Indentures are recorded in this fund. Outstanding issuances include 1988 Series C; 1994 Series K; 1995 Series L, and N; 1996 Series P and Q; 1997 Series R; 2000 Series S, T, and U; 2003 Series V; and 2005 Series W and X. Proceeds are used to pay bond issuance costs, originate or purchase eligible student loans, and establish trustee funds as required by the General Indenture and Supplemental Indentures. Principal and interest payments on student loans purchased with bond proceeds, special allowance payments, and other revenues are deposited in this fund and are used for student loan purchases, debt service of the bonds and operating expenses in accordance with the provisions of the General Indenture and Supplemental Indentures. All net assets of this bond fund are reported as restricted net assets.
- 1993 Revenue Bond Fund – Proceeds from revenue bond issuances under the General Student Loan Program Indenture dated August 1, 1993 and Supplemental Indentures are recorded in this fund. Outstanding issuances include Series 1993 A; Series 1997 E; Series 1997 F; Series 1998 G and I; Series 1998 J; Series 1999 K, L, and M; Series 1999 N, and O; Series 2001 P, Q, and R; Series 2001 S, T, and U; Series 2002 V and W; Series 2002 X; Series 2003 Y; Series 2004 Z; Series 2005 AA; Series 2006 BB and CC; and Series 2006 DD. Proceeds are used to pay bond issuance costs, originate or purchase eligible student loans, and establish trustee funds as required by the General Indenture.

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Principal and interest payments on student loans purchased with bond proceeds, special allowance payments, and other revenues are deposited in this fund and are used for student loan purchases, debt service of the bonds and operating expenses in accordance with the provisions of the General Indenture. All net assets of this bond fund are reported as restricted net assets.

- Office Facility Bond Fund – Proceeds from the revenue bond issuance under the State Board of Regents Office Facility Project Indenture dated February 1, 2002 and June 1, 2004 are recorded in this fund. Proceeds are used to pay cost of issuance and finance the cost of acquiring, furnishing and equipping office space for use by the Board. Funds within the Board of Regents budget that would otherwise be expended for rent will be deposited in this fund, and will be used for debt service of the bonds and operating expenses in accordance with the provisions of the General Indenture.

Basis of Accounting – The accounting and reporting policies of the Program conform with generally accepted accounting principles and follow the accrual basis of accounting. Under this basis of accounting, revenues are recognized when earned, and expenses are recognized when incurred. The Program's funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the Program are included on the Statement of Net Assets. The Program follows all applicable Governmental Accounting Standards Board (GASB) pronouncements and all Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, except those in conflict with GASB pronouncements. As allowed by GASB Statement No. 20, the Program has elected to not apply FASB pronouncements issued after that date.

Premiums and Transfer Fees Paid for Student Loans – Premiums and transfer fees paid for student loans are deferred and amortized over the estimated lives of the loans using a method that approximates the interest method of amortization (See Note 4).

Guarantor Insurance Premiums – Guarantor insurance premiums are paid at the time the loan proceeds are disbursed by the Program on behalf of lenders who have signed a forward purchase agreement with the Program. The guarantor insurance premiums are capitalized and amortized over the estimated lives of the loans using an accelerated method of amortization beginning 36 months from the date the guarantee fee is paid.

Interest on Student Loans – The Federal Government pays quarterly interest subsidy payments on certain Federally Insured Student Loans during the period students attend school and during certain other permitted deferment periods. When loans are in repayment, interest is paid by the borrower. Interest on student loans is accrued as earned.

Special Allowance – Federal legislation provides for a special allowance subsidy to lenders participating in the Guaranteed Student Loan Program. The amount of special allowance that

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is payable on an eligible loan is determined by multiplying the average daily balance of principal and capitalized interest on the loan by the applicable special allowance rate. The rates for special allowance payments are based on formulas that differ according to the type of the loan, the date the loan was first disbursed, the interest rate and the type of funds used to finance such loan. The rate of special allowance payments is based on the bond equivalent 91 day T-Bill rate or the 90 day commercial paper index depending on the characteristics of the loan.

Capital Assets – Capital assets are stated at cost – net of accumulated depreciation. The program capitalizes assets that exceed a \$5,000 threshold. Depreciation is provided over the estimated useful lives ranging from three to forty years using the straight-line method.

Deferred Bond Issuance Costs – Costs of bond issuances are deferred and amortized over the lives of the respective maturities of the outstanding bonds using the straight-line method.

Bond Discount and Premium – Discounts and premiums on the sale of bonds are deferred and amortized over the lives of the respective maturities of outstanding bonds using a method that approximates the interest method of amortization.

Operating and Nonoperating Income – The Program distinguishes operating revenues and expenses from nonoperating items. The Program includes, within the operating income section, those revenues generated and expenses incurred that are related to the Program's principal ongoing operations and revenues and expenses related to the Program's Office Facility. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Statement of Cash Flows – For purposes of the statement of cash flows, cash and cash equivalents include checking accounts and short-term investments in the Utah Public Treasurer's Investment Fund, excluding those held by the trustee.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Disclosures – The footnotes related to the 2005 financial statements have not been repeated in this report but are available in the separately issued financial statements for the fiscal year ended June 30, 2005. Certain reclassifications have been made to the prior year financial statements to conform with current year presentation.

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2. CASH AND CASH EQUIVALENTS AND FUNDS HELD BY TRUSTEE AND AGENT

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Program follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Program funds 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.

Investments – The Money Management Act also defines the types of securities authorized as appropriate investments for the Program 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 Money Management Act authorizes the Program to invest in:

- Negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories.
- Repurchase and reverse repurchase agreements.
- Commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investors Services or Standard & Poor’s.
- Bankers’ acceptances.
- Obligations of the United States Treasury, including bills, notes, and bonds.
- Bonds, notes, and other evidence of indebtedness of political subdivisions of the State.
- Fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations.
- Shares or certificates in a money market mutual fund as defined in the Act.
- The Utah Public Treasurer’s Investment Fund.

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At June 30, 2006, the Program's investments and funds held by trustee and their maturities were as listed below:

Investments and Funds Held by Trustee	Fair Value	Investment Maturities (in years)		
		Less than one year	1 to 5 years	Over 10 years
Mutual Funds	\$ 11,467,600	\$ 11,467,600		
Public Treasurers Investment Fund	601,885,983	601,885,983		
Repurchase Agreements	7,608,199	7,608,199		
U.S. Government Securities	<u>828,553</u>	<u>152,000</u>		<u>\$ 676,553</u>
Total Investments	<u>\$ 621,790,335</u>	<u>\$ 621,113,782</u>	<u>\$ 0</u>	<u>\$ 676,553</u>

Interest Rate Risk – The risk that changes in interest rates will adversely affect the fair value of an investment. The Program's policy for managing its exposure to fair value loss arising from increasing interest rates 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.

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Program's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed. At June 30, 2006, the Program's investments totaling \$621,790,335 were all unrated.

Custodial Credit Risk – The risk that, in the event of a failure of the counterparty, the Program will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Program does not have a formal investment policy for custodial credit risk. At June 30, 2006, the Program's repurchase agreements, totaling \$7,608,199, which are invested in United States Treasuries, were uninsured and held by the counterparty.

Public Treasurer's Investment Fund – The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

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The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, *Utah Code*, Section 51-7. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. 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 based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

3. REVENUE BOND FUNDS

The bond indenture agreements require that certain trust funds be established. The following is a summary of cash and investments held by the respective revenue bond funds at June 30, 2006:

Short-Term Note Fund	<u>\$ 207,895</u>
1988 Revenue Bond Fund:	
Revenue Account	\$ 24,311,768
Loan Account	35,133,165
Reserve Account	17,160,337
Rebate Account	<u>33,471,867</u>
Total 1988 Revenue Bond Fund	<u>\$ 110,077,137</u>
1993 Revenue Bond Fund:	
Revenue Account	\$ 73,581,102
Loan Account	354,215,154
Reserve Account	12,007,425
Rebate Account	<u>31,676,480</u>
Total 1993 Revenue Bond Fund	<u>\$ 471,480,161</u>
Office Facility Bond Fund:	
Debt Service Account	<u>\$ 286,688</u>
Total Office Facility Bond Fund	<u>\$ 286,688</u>
Grand Total	<u>\$ 582,051,881</u>

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4. STUDENT LOANS RECEIVABLE

Student loans receivable carry variable interest rates or have fixed rates ranging from less than 1% to 12%. The loans are made to students enrolled or accepted for enrollment at an eligible institution of higher education on at least a half-time basis. Six to twelve months after termination of at least a half-time academic work load, the borrower is required to commence repayment on the loan. Monthly repayment amounts and the length of the repayment period are determined by the amount to be repaid; however, the maximum length of repayment is ten years for Stafford loans and up to thirty years for consolidation loans from the due date of the first payment, exclusive of authorized periods of deferments and forbearance.

Student loans are guaranteed with respect to principal and accrued interest amounts through agreements with the state guarantee agency, the Utah Student Loan Guarantee Program, another program of the State Board of Regents.

The following is a summary of the status of student loans receivable at June 30, 2006:

	Short-Term Note Fund	1988 Revenue Bond Fund	1993 Revenue Bond Fund	Total
Student & Deferment	\$ 10,593,236	\$ 109,830,642	\$ 335,949,637	\$ 456,373,515
Repayment & Forbearance	34,252,137	423,248,476	818,907,645	1,276,408,258
Unamortized Premiums	287,015	3,237,641	13,774,746	17,299,402
Unamortized Transfer Fees	29,732	208,307	972,006	1,210,045
Unamortized Loan Origination Fees	135,304	1,786,539	2,671,269	4,593,112
Student Loan Receivable Allowance	<u>(43,983)</u>	<u>(1,322,025)</u>	<u>(1,642,861)</u>	<u>(3,008,869)</u>
Total	<u>\$ 45,253,441</u>	<u>\$ 536,989,580</u>	<u>\$ 1,170,632,442</u>	<u>\$ 1,752,875,463</u>

Insurance on student loans is paid at a 98% rate for loans which were first disbursed on or after October 1, 1993. At June 30, 2006, the Program has established an uninsured claims allowance for 98% insured loans totaling \$1,708,869. In addition, the Program has established a loan loss reserve of \$1,300,000 for estimated uninsured or uncollectible student loans.

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5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006 was as follows:

Description:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Building	\$ 11,611,309	\$ 575,035		\$ 12,186,344
Computer equipment	118,989			118,989
Capitalized software	<u>39,406</u>	<u>8,387</u>	<u>\$ (31,862)</u>	<u>15,931</u>
Totals at historical cost	<u>11,769,704</u>	<u>583,422</u>	<u>(31,862)</u>	<u>12,321,264</u>
Less accumulated depreciation for:				
Building	(710,542)	(302,528)		(1,013,070)
Computer equipment	(114,187)	(4,802)		(118,989)
Capitalized software	<u> </u>	<u>(1,328)</u>	<u> </u>	<u>(1,328)</u>
Total accumulated depreciation	<u>(824,729)</u>	<u>(308,658)</u>	<u> </u>	<u>(1,133,387)</u>
Capital assets, net	<u>\$ 10,944,975</u>	<u>\$ 274,764</u>	<u>\$ (31,862)</u>	<u>\$ 11,187,877</u>

6. BONDS PAYABLE

1988 Revenue Bond Fund - The Program has outstanding student loan revenue bonds under the authority of a general indenture dated July 15, 1988, and supplemental indentures for 1988 Series C, dated July 15, 1988; for 1994 Series K, dated September 1, 1994; for 1995 Series L, dated August 1, 1995; for 1995 Series N, dated August 1, 1995; for 1996 Series Q dated April 1, 1996; for 1996 Series P, dated April 1, 1996; for 1997 Series R, dated January 1, 1997; for 2000 Series S, T, and U, dated August 1, 2000; for 2003 Series V, dated August 1, 2003; and for 2005 Series W and X, dated February 1, 2005. The bonds are special obligation bonds of the Board and are secured, as provided in the Indentures, by all assets of the 1988 Revenue Bond Fund and the revenues and receipts derived from such assets.

Bonds payable for the 1988 Revenue Bond Fund consisted of the following at June 30, 2006:

1988 Series C, Variable Rate Bonds, interest adjusted weekly, maturing November 1, 2013	\$ 25,000,000
1994 Series K, Variable Rate Bonds, interest adjusted each 35 day period, maturing November 1, 2024	20,500,000

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1995 Series L, Variable Rate Bonds, interest adjusted weekly, maturing November 1, 2025	79,500,000
1995 Series N, Fixed Rate Bonds, 5.8% to 6.0%, maturing November 1, 2007 and May 1, 2008	4,700,000
1996 Series P, Fixed Rate Bonds, 5.75% to 5.95%, maturing November 1, 2007 and May 1, 2008	5,300,000
1996 Series Q, Variable Rate Bonds, interest adjusted weekly, maturing November 1, 2031	49,700,000
1997 Series R, Variable Rate Bonds, interest adjusted weekly, maturing November 1, 2031	51,355,000
2000 Series S, Variable Rate Bonds, interest adjusted each 35 day period, maturing on May 1, 2008	44,000,000
2000 Series T, Variable Rate Bonds, interest adjusted each 35 day period, maturing May 1, 2035	49,500,000
2000 Series U, Variable Rate Bonds, interest adjusted each 28 day period, maturing November 1, 2039	35,000,000
2003 Series V, Variable Rate Bonds, interest adjusted each 35 day period, maturing May 1, 2010	37,600,000
2005 Series W, Variable Rate Bonds, interest adjusted weekly, maturing November 1, 2039	91,080,000
2005 Series X, Variable Rate Bonds, interest adjusted weekly, maturing November 1, 2044	<u>60,000,000</u>
Total	<u>\$ 553,235,000</u>

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Debt service requirements to maturity on the 1988 revenue bond issue as of June 30, 2006, are summarized below:

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2007		\$ 23,203,118	\$ 23,203,118
2008	\$ 54,000,000	22,781,618	76,781,618
2009		21,148,168	21,148,168
2010	37,600,000	21,148,168	58,748,168
2011		19,756,968	19,756,968
2012-2016	25,000,000	96,253,588	121,253,588
2017-2021		93,722,338	93,722,338
2022-2026	100,000,000	90,990,088	190,990,088
2027-2031		73,882,338	73,882,338
2032-2036	150,555,000	53,485,064	204,040,064
2037-2041	126,080,000	35,287,090	161,367,090
2042-2045	<u>60,000,000</u>	<u>11,256,000</u>	<u>71,256,000</u>
Total	<u>\$ 553,235,000</u>	<u>\$ 562,914,546</u>	<u>\$1,116,149,546</u>

Substantially all of the Program's student loan revenue bonds under the 1988 Revenue Bond Fund bear an adjustable rate of interest. To estimate the interest component of the debt service requirements for the adjustable bond series, the applicable interest rate in effect at June 30, 2006 has been used to calculate the interest amount. Actual results could differ from these estimates.

The 1988 Series C, 1995 Series L, 1996 Series Q, 1997 Series R and 2005 Series W and X bonds bearing interest at an adjustable rate, which is determined weekly by a remarketing agent in accordance with the provisions of the indenture, are subject to redemption at the option of the Board in whole or in part on any date at a redemption price equal to the principal amount plus accrued interest, if any, to the redemption date.

The 1994 Series K, 2000 Series S and T, and 2003 Series V bonds bearing interest at an adjustable rate, which is set by an auction procedure every 35 days, are subject to redemption at the option of the Board in whole or in part on any date at a redemption price equal to the principal amount plus accrued interest, if any, to the redemption date.

The 2000 Series U bonds bearing interest at an adjustable rate, which is set by an auction procedure every 28 days, is subject to redemption at the option of the Board in whole or in part

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on any date at a redemption price equal to the principal amount plus accrued interest, if any, to the redemption date.

The 1995 Series N term bonds are subject to redemption at the option of the Board on or after November 1, 2005, as a whole or in part by lot on any date at the following redemption prices plus accrued interest to the redemption date:

<u>Redemption Period</u>	<u>Redemption Price</u> <u>(Percent of Principal Amount)</u>
November 1, 2005 through October 31, 2006	102%
November 1, 2006 through October 31, 2007	101%
November 1, 2007 and thereafter	100%

To the extent revenues or unexpended bond proceeds are not applied to finance eligible loans or in the event the Board suffers unreasonable burdens in administering and maintaining its Loan Purchase Program, the 1988 Series C, 1994 Series K, 1995 Series L and N bonds are subject to extraordinary redemption at the option of the Board, in whole, at any time. Redemption in part will be on the interest payment date, at the principal amount thereof plus accrued interest to the redemption date, without premium.

The 2000 Series S Bonds shall be redeemed prior to their maturity, in part by lot by payment of Sinking Fund Payments on each of the dates set forth below and in the respective principal amounts set forth opposite each such date, at a redemption price equal to the principal amount of the Bonds being redeemed, plus accrued interest, if any, to the redemption date.

<u>Date</u>	<u>Principal Amount</u>
November 1, 2007	\$ 10,900,000
May 1, 2008*	33,100,000

*Final Maturity

The Program has standby bond purchase agreements in place that include the amount of \$25,335,616 expiring November 20, 2013 to support the 1988 Series C bonds of \$25,000,000, the amount of \$85,293,699 expiring November 16, 2025 to support the 1995 Series L bonds of \$79,500,000, the amount of \$108,419,557 expiring April 29, 2025 to support the 1996 Series Q and 1997 Series R bonds of \$101,055,000, and the amount of \$158,753,228 expiring February 11, 2024 to support the 2005 Series W and X bonds of \$151,080,000. As of June 30, 2006, the Board had not drawn on any funds under the standby bond purchase agreements.

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1993 Revenue Bond Fund - The Program has outstanding student loan revenue bonds under the authority of a general indenture dated August 1, 1993, and supplemental indentures for Series 1993 A, dated August 1, 1993; for 1997 Series E and F, dated October 1, 1997; for Series 1998 G, I, and J, dated August 1, 1998; for Series 1999 K, L, and M, dated January 1, 1999; for Series 1999 N and O, dated October 1, 1999; for Series 2001 P, Q, and R, dated January 1, 2001; for Series 2001 S, T, and U, dated September 1, 2001; for Series 2002 V and W, dated April 1, 2002; for Series 2002 X, dated September 1, 2002; for Series 2003 Y, dated March 1, 2003; for Series 2004 Z, dated May 1, 2004; for Series 2005 AA, dated September 1, 2005; for Series 2006 BB and CC, dated February 1, 2006; and for Series 2006 DD, dated June 1, 2006. The bonds are special obligation bonds of the Board and are secured, as provided in the Indentures, by all assets of the 1993 Revenue Bond Fund and the revenues and receipts derived from such assets.

The Indenture provides that Bonds of each Series must be designated a priority or priorities by Class, with Class I constituting the highest priority under the Indenture and priority decreasing by increasing Class roman numeral. Priority with respect to payment of Bonds at any particular time and exercise of various rights and remedies is based upon the Class of the Bonds in descending order of priority.

Bonds payable for the 1993 Revenue Bond Fund consisted of the following at June 30, 2006:

Series 1993 A, Class I, Variable Rate Bonds, interest adjusted weekly, maturing November 1, 2023	\$35,000,000
Series 1997 E, Class II, Variable Rate Bonds, interest adjusted each 35 day period, maturing November 1, 2027	80,000,000
Series 1997 F, Class III, Fixed Rate Bonds, 5% to 5.2%, maturing in installments November 1, 2007 and May 1, 2008	6,400,000
Series 1998 G, Class II, Variable Rate Bonds, interest adjusted each 35 day period, maturing May 1, 2033	49,500,000
Series 1998 I, Class II, Fixed Rate Bonds, 4.7% to 4.75%, maturing November 1, 2007 and May 1, 2008	5,300,000
Series 1998 J, Class II, Variable Rate Bonds, interest adjusted each 35 day period, maturing May 1, 2033	40,000,000
Series 1999 K, Class II, Variable Rate Bonds, interest adjusted each 35 day period, maturing November 1, 2033	29,500,000

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Series 1999 L, Class II, Variable Rate Bonds, interest adjusted each 35 day period, maturing November 1, 2033	40,000,000
Series 1999 M, Class IV, Variable Rate Bonds, interest adjusted each 35 day period, maturing November 1, 2033	20,000,000
Series 1999 N, Class II, Variable Rate Bonds, interest adjusted each 35 day period, maturing May 1, 2008	6,000,000
Series 1999 O, Class II, Variable Rate Bonds, interest adjusted each 28 day period, maturing November 1, 2038	102,000,000
Series 2001 P, Class II, Variable Rate Bonds, interest adjusted each 35 day period, maturing November 1, 2035	45,000,000
Series 2001 Q, Class IV, Variable Rate Bonds, interest adjusted each 35 day period, maturing November 1, 2035	10,000,000
Series 2001 R, Class II, Variable Rate Bonds, interest adjusted each 28 day period, maturing November 1, 2040	75,000,000
Series 2001 S, Class II, Variable Rate Bonds, interest adjusted each 28 day period, maturing May 1, 2041	100,100,000
Series 2001 T, Class IV, Variable Rate Bonds, interest adjusted each 35 day period, maturing May 1, 2036	12,350,000
Series 2001 U, Class II, Fixed Rate Bonds, 4.45% to 4.55%, maturing May 1, 2009 and 2010	7,565,000
Series 2002 V, Class II, Variable Rate Bonds, interest adjusted each 35 day period, maturing November 1, 2036	65,000,000
Series 2002 W, Class IV, Variable Rate Bonds, interest adjusted each 35 day period, maturing November 1, 2036	9,250,000
Series 2002 X, Class II, Variable Rate Bonds, interest adjusted each 35 day period, maturing November 1, 2009	35,850,000
Series 2003 Y, Class II, Variable Rate Bonds, interest adjusted each 35 day period, maturing November 1, 2037	83,900,000
Series 2004 Z, Class II, Variable Rate Bonds, interest adjusted each 35 day period, maturing November 1, 2038	83,100,000

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Series 2005 AA, Class II, Variable Rate Bonds, interest adjusted each 28 day period, maturing May 1, 2045	185,000,000
Series 2006 BB, Class II, Variable Rate Bonds, interest adjusted each 35 day period, maturing November 1, 2040	98,675,000
Series 2006 CC, Class II, Variable Rate Bonds, interest adjusted each 28 day period, maturing November 1, 2045	100,000,000
Series 2006 DD, Class II, Variable Rate Bonds, interest Adjusted each 28 day period, maturing May 1, 2046	<u>250,000,000</u>
Total	<u>\$1,574,490,000</u>

Debt service requirements to maturity on the 1993 revenue bond issue as of June 30, 2006, are summarized below:

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2007		\$ 74,674,861	\$ 74,674,861
2008	\$ 17,700,000	74,435,551	92,135,551
2009	4,890,000	73,883,961	78,773,961
2010	38,525,000	72,949,356	111,474,356
2011		72,110,644	72,110,644
2012-2016		360,553,219	360,553,219
2017-2021		360,553,219	360,553,219
2022-2026	35,000,000	357,009,469	392,009,469
2027-2031	80,000,000	338,681,719	418,681,719
2032-2036	246,350,000	309,549,094	555,899,094
2037-2041	617,025,000	230,381,096	847,406,096
2042-2046	<u>535,000,000</u>	<u>129,331,000</u>	<u>664,331,000</u>
Total	<u>\$1,574,490,000</u>	<u>\$2,454,113,189</u>	<u>\$4,028,603,189</u>

Substantially all of the Program's student loan revenue bonds under the 1993 Revenue Bond Fund bear an adjustable rate of interest. To estimate the interest component of the debt service requirement for the adjustable rate bond series, the applicable interest rate in effect at June 30,

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2006 has been used to calculate the interest amount. Actual results could differ from these estimates.

The Series 1993 A bonds bearing interest at an adjustable rate, which is determined weekly by a remarketing agent in accordance with the provisions of the indenture, are subject to optional redemption on any date at a redemption price of par plus accrued interest, if any.

The Series 1997 E, Series 1998 G and J, Series 1999 K, L and M, Series 1999 N, Series 2001 P and Q, Series 2001 T, Series 2002 V and W, Series 2002 X, Series 2003 Y, Series 2004 Z, and Series 2006 BB bonds bearing interest at an adjustable rate, which is set by an auction procedure every 35 days, are subject to optional redemption on any date at a redemption price of par plus accrued interest, if any.

The Series 1999 O, Series 2001 R, Series 2001 S, Series 2005 AA, Series 2006 CC, and Series 2006 DD bonds bearing interest at an adjustable rate, which is set by an auction procedure every 28 days, are subject to optional redemption on any date at a redemption price of par plus accrued interest, if any.

The Series 1997 E and 1997 F and Series 1998 G and 1998 J bonds are subject to extraordinary optional redemption, at the option of the Board, in whole or in part, at any time, in any order of maturities designated by the Board and by lot within a maturity, at a redemption price of par, plus accrued interest to the date of redemption, without premium.

The Series 1999 N bonds shall be redeemed prior to their maturity, in part by lot by payment of Sinking Fund Payments on each of the dates set forth below and in the respective principal amounts set forth opposite each such date, at a redemption price equal to the principal amount of the Bonds being redeemed, plus accrued interest, if any, to the redemption date.

<u>Date</u>	<u>Principal Amount</u>
November 1, 2007	\$ 2,800,000
May 1, 2008*	3,200,000

*Final Maturity

The Program has in place an unused, irrevocable direct-pay letter of credit expiring November 15, 2011 in the amount of \$37,462,466 which supports the Series 1993 A bonds of \$35,000,000. As of June 30, 2006, the Board had not drawn any funds under the letter of credit.

Office Facility Bond Fund - The Program has issued revenue bonds under the authority of two general indentures, the first dated February 1, 2002 (Series 2002) and the second date June 1, 2004 (Series 2004). The bonds are special limited obligation bonds of the Board payable

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primarily from (i) funds of the Board budgeted on an annual basis (including from sources and in the amounts that the Board has, prior to the issuance of the Bonds and acquisition of the Project, used to pay rent for office space) and (ii) other legally available moneys of the Board, including certain revenues and reserves of the Board's Student Loan Purchase Program.

Bonds payable for the Office Facility Bond Fund consisted of the following at June 30, 2006:

Revenue Bonds Series 2002 (Office Facility Project), Fixed Rate Bonds, 3.5% to 5.125%, maturing annually February 1, 2007 through February 1, 2022.	\$ 7,020,358
Revenue Bonds Series 2004 (Office Facility Project), Fixed Rate Bonds, 3.0% to 5.0%, maturing annually February 1, 2007 through February 1, 2024.	<u>3,385,000</u>
Total	<u>\$10,405,358</u>

Debt service requirements to maturity on the Office Facility Bond issue as of June 30, 2006 are summarized below:

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2007	430,000	494,735	924,735
2008	445,000	478,160	923,160
2009	465,000	457,535	922,535
2010	485,000	438,935	923,935
2011	510,000	416,085	926,085
2012-2016	2,925,000	1,706,968	4,631,968
2017-2021	3,705,000	930,150	4,635,150
2022-2024	1,395,000	111,012	1,506,012
Plus Unamortized Premium	45,358		45,358
Total	<u>\$ 10,405,358</u>	<u>\$ 5,033,580</u>	<u>\$ 15,438,938</u>

The Series 2002 Bonds maturing on or after February 1, 2013, are callable for redemption prior to maturity at the option of the Board on or after February 1, 2012, in whole or in part at any time from such maturities or parts thereof as may be selected by the Board and by lot within each maturity at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption.

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The Series 2002 Bonds are subject to extraordinary optional redemption prior to maturity in whole on any date, at a redemption price of 100% of the principal amount of the Bonds to be redeemed, together with accrued interest to the redemption date.

The Series 2004 Bonds maturing on or after February 1, 2015, are subject to redemption at the option of the Board on February 1, 2014, and on any date thereafter prior to maturity, in whole or in part, from such maturities or parts thereof as may be selected by the Board at a redemption price equal to 100% of the principal amount of the Series 2004 Bonds to be redeemed, plus accrued interest there on to the redemption date.

The Series 2004 Bonds maturing on February 1, 2019 are subject to mandatory sinking fund redemption at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date of redemption, but without premium, on the dates and in the principal amounts as follows:

<u>Mandatory Sinking Fund Redemption Date</u>	<u>Sinking Fund Requirements</u>
February 1, 2015	\$ 175,000
February 1, 2016	185,000
February 1, 2017	195,000
February 1, 2018	205,000
February 1, 2019 (Final Maturity)	<u>215,000</u>
Total	<u>\$ 975,000</u>

The Series 2004 Bonds maturing on February 1, 2024 are subject to mandatory sinking fund redemption at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date of redemption, but without premium, on the dates and in the principal amounts as follows:

<u>Mandatory Sinking Fund Redemption Date</u>	<u>Sinking Fund Requirements</u>
February 1, 2020	\$ 225,000
February 1, 2021	235,000
February 1, 2022	250,000
February 1, 2023	260,000
February 1, 2024 (Final Maturity)	<u>275,000</u>
Total	<u>\$ 1,245,000</u>

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The Series 2004 Bonds are subject to extraordinary optional redemption prior to maturity in whole on any date, at a redemption price of 100% of the principal amount of the Bonds to be redeemed, together with accrued interest to the redemption date.

7. CHANGES IN LONG TERM LIABILITIES

Long term liability activity for the fiscal year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Compensated absences	\$ 291,331	\$ 196,174	\$ (157,823)	\$ 329,682	\$ 185,983
Bonds payable, net of premiums and discounts	1,544,878,253	633,675,000	(40,422,895)	2,138,130,358	432,895
Estimated interest arbitrage rebate	<u>66,410,625</u>	<u>2,749,943</u>	<u>(1,315,209)</u>	<u>67,845,359</u>	<u>274,981</u>
Total long term liabilities	<u>\$1,611,580,209</u>	<u>\$636,621,117</u>	<u>\$(41,895,927)</u>	<u>\$2,206,305,399</u>	<u>\$ 893,859</u>

8. LOAN SERVICING

The Program has a loan servicing agreement with an outside service organization. Under the terms of the agreement, the servicer provides the Program loan processing and servicing. Terms of the agreement require the Program to pay conversion fees for loans placed on the service and monthly processing fees based upon the number of accounts serviced. The current servicing agreement expires on December 1, 2007.

The Program has performed origination and interim servicing functions for its participating lenders since 1995. The Program has expanded its internal servicing function to include servicing of student loans purchased by the Program which are in repayment. Presently the Program expects to service a portion of its loans internally as well as continue adding loans to the existing outside service organization.

9. DESIGNATED AND RESTRICTED NET ASSETS

The Program has designated \$68,490,000 of the Short-Term Note Net Assets for specific purposes. The specific purposes for which these funds are designated and amounts applicable

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Notes to the Financial Statements
For the Years Ended June 30, 2006 and 2005

to each are as follows: \$8,000,000 to meet future collateral requirements; \$39,370,000 for future operating and servicing expenses; and \$21,120,000 for liquidity needs.

The 1988 and 1993 Revenue Bond Fund net assets are restricted by the general and supplemental indentures (see Note 1).

10. RELATED PARTY TRANSACTIONS

The Program is a separate program of the Board and reimburses the Board for certain administrative expenses. The Program incurred \$13,638 of such expenses for the fiscal year ended June 30, 2006. As of June 30, 2006 there was no outstanding payable.

The Program reimburses the University of Utah for payroll, benefits, and certain administrative expenses. The Program incurred \$4,912,296 of such expenses for the fiscal year ended June 30, 2006. Of this amount, \$212,586 was payable at June 30, 2006.

Another program of the Board, the Student Loan Guarantee Program, guarantees student loans held by the Program. Claim payments received from the Student Loan Guarantee Program amounted to \$36,390,739 for the fiscal year ended June 30, 2006.

The Program was charged guarantor insurance premiums by the Student Loan Guarantee Program totaling \$2,427,860 for the fiscal year ended June 30, 2006. As of June 30, 2006 there was no outstanding payable.

The Student Loan Guarantee Program charged the Program \$224,843 for administrative services for the fiscal year ended June 30, 2006. Of this amount, \$24,223 was payable at June 30, 2006.

For the fiscal year ended June 30, 2006, the Program charged rental income of \$768,972 to the Board, the Student Loan Guarantee Program and the Utah Educational Savings Plan Trust. As of June 30, 2006 there was no outstanding receivable.

11. ESTIMATED LIABILITY FOR PURPOSE AND NON-PURPOSE INTEREST ARBITRAGE REBATE

In accordance with the Internal Revenue Code of 1986, as amended (the Code), the Program is required to pay to the United States Treasury certain amounts related to the Program's tax-exempt bond issues. The estimated amount of non-purpose arbitrage payable represents the excess of amounts earned on taxable investments (other than educational loans) over the interest cost of the tax-exempt borrowing, plus income attributable to the excess. Rebate

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Notes to the Financial Statements
For the Years Ended June 30, 2006 and 2005

payments are due every fifth year during the life of each bond issue and when the bonds are retired. At June 30, 2006, the estimated liability for non-purpose interest arbitrage rebate was \$964,645.

The Code and the related Treasury Regulations also require the Program to keep the yield to the Program 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 each bond issue and when the bonds are retired. At June 30, 2006, the estimated liability for yield reduction payments was \$66,880,714.

12. COMMITMENTS

The Program has entered into forward purchase agreements with twenty-two eligible student loan lenders. The agreements have expiration dates ranging from June 30, 2006 to December 31, 2008. The forward purchase agreements provide for the Program to purchase all of the lender's eligible Federal Family Education Loan Program (FFELP) loans guaranteed by the Utah Higher Education Assistance Authority, and originated during the term of the agreement to the Program. During the fiscal year ended June 30, 2006, the Program purchased \$395,291,492 of FFELP loans. As of June 30, 2006, outstanding student loan principal subject to the forward purchase agreements is approximately \$341,676,700.

As part of its current borrower benefit package, the Program, upon acquisition of a loan, provides a three percent reduction in the borrower's outstanding loan balance for Federal Family Education Loan Program loans guaranteed by the Utah Higher Education Assistance Authority between May 1, 2000 and June 30, 2006. For the fiscal year ended June 30, 2006, the Program provided benefits to reduce the borrower's outstanding loan balances totaling \$11,755,665. As of June 30, 2006, the estimated commitment to provide a three percent reduction to borrower's loan balances as the loans are acquired, is approximately \$10,212,130.

13. RISK MANAGEMENT

The Program pays an annual premium to the Utah State Risk Management Fund (the Fund) which provides insurance coverage for both property and general liability. The Fund provides property coverage through a combination of self-insurance and private carriers. The Fund's general liability coverage is provided through self-insurance up to \$10,000,000 per occurrence.

STATE BOARD OF REGENTS OF THE STATE OF UTAH
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Notes to the Financial Statements
For the Years Ended June 30, 2006 and 2005

14. DEFERRED GUARANTOR INSURANCE PREMIUMS

The Program implemented a retroactive change in its method of amortizing guarantor insurance premiums as of June 30, 2005. Beginning in July 1995, the Program contractually agreed with originating lenders to pay the one percent state guarantee insurance premium when the loan is originated, provided the Lender will sell the originated loan to the Program. The Program has paid approximately \$22,682,940 of guarantor insurance premiums since July of 1995. Until June 30, 2005 the Program historically deferred these guarantee fees and amortized their cost over the estimated life of the student loan applying a straight line method of amortization beginning in the month the guarantee fee was paid. The related student loans generally enter repayment when the student drops below a half time enrollment status, which is on average 36 months from the date the loan is originated. To more accurately match the amortized cost of the deferred guarantee fee with the revenue generated by the related student loan as of June 30, 2005, the Program changed the method of accounting from the straight line method of amortization beginning in the month the guarantee fee is paid, to an accelerated method of amortization beginning 36 months from the payment of the guarantee fee. This change, applied retroactively to the deferred guarantor insurance premiums, reduced the amortization of the guarantor insurance premium by \$435,074 and increased the beginning fund balance by \$2,479,360 for the fiscal year ending June 30, 2005. The balance of the related asset, Deferred Guarantor Insurance Premium, is \$14,833,633 at June 30, 2006. The Program recognized \$1,706,494 of Guarantor insurance premium amortization for the fiscal year ended June 30, 2006.

SUPPLEMENTAL SCHEDULES

Combining Financial Statements

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Combining Statement of Net Assets
June 30, 2006

	Short-Term Note Fund	1988 Revenue Bond Fund	1993 Revenue Bond Fund	Office Facility Bond Fund	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 11,227,467	\$ 6,028,857	\$ 22,054,618	\$ 427,512	\$ 39,738,454
Funds held by Trustee	207,895	59,444,933	427,796,256	286,688	487,735,772
Receivables:					
Student loans receivable	2,233,885	25,816,275	50,988,502		79,038,662
Interest receivable - student loans	446,104	4,899,400	13,650,741		18,996,245
Special allowance payments	552,321	5,617,673	8,245,455		14,415,449
Interest receivable - investments		31,718			31,718
Other receivables	234,609		47,223		281,832
Due from/(to) related funds	382,773	104,480	88,635	(575,888)	
Prepaid expenses	1,688	235,793	141,678	1,250	380,409
Deferred guarantor insurance premiums	1,948,767				1,948,767
Deferred bond issuance costs		287,237	341,104	11,364	639,705
Total Current Assets	17,235,509	102,466,366	523,354,212	150,926	643,207,013
Noncurrent Assets:					
Funds held by Trustee		50,632,204	43,683,905		94,316,109
Student loans receivable	43,019,556	511,173,305	1,119,643,940		1,673,836,801
Deferred guarantor insurance premiums	12,884,866				12,884,866
Deferred bond issuance costs, less accumulated amortization of \$3,022,462		3,161,664	9,568,605	144,568	12,874,837
Capital assets, less accumulated depreciation of \$1,133,387		14,603		11,173,274	11,187,877
Total Noncurrent Assets	55,904,422	564,981,776	1,172,896,450	11,317,842	1,805,100,490
TOTAL ASSETS	73,139,931	667,448,142	1,696,250,662	11,468,768	2,448,307,503
LIABILITIES					
Current Liabilities:					
Accounts payable	59,158	987,837	2,456,212	241,589	3,744,796
Payable to affiliate	591	6,238	17,395		24,224
Compensated absences	6,898	72,205	106,880		185,983
Other liabilities	283,821				283,821
Accrued interest payable		3,141,701	4,973,124	206,140	8,320,965
Bonds payable				432,895	432,895
Estimated interest arbitrage rebate		43,296	231,685		274,981
Total Current Liabilities	350,468	4,251,277	7,785,296	880,624	13,267,665
Noncurrent Liabilities:					
Compensated absences	5,329	55,789	82,581		143,699
Bonds payable, net of unamortized premiums of \$45,358		553,235,000	1,574,490,000	9,972,463	2,137,697,463
Estimated interest arbitrage rebate		34,364,059	33,206,319		67,570,378
Total Noncurrent Liabilities	5,329	587,654,848	1,607,778,900	9,972,463	2,205,411,540
TOTAL LIABILITIES	355,797	591,906,125	1,615,564,196	10,853,087	2,218,679,205
NET ASSETS					
Invested in capital assets, net of related debt				615,681	615,681
Restricted		75,542,017	80,686,466		156,228,483
Unrestricted	72,784,134				72,784,134
TOTAL NET ASSETS	\$ 72,784,134	\$ 75,542,017	\$ 80,686,466	\$ 615,681	\$ 229,628,298

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2006

	Short-Term Note Fund	1988 Revenue Bond Fund	1993 Revenue Bond Fund	Office Facility Bond Fund	Total
OPERATING REVENUES:					
Interest on student loans	\$ 1,417,405	\$ 17,282,368	\$ 37,637,906		\$ 56,337,679
Special allowance	1,692,801	20,391,351	25,621,222		47,705,374
Investment income	1,056,068	4,066,135	10,299,780	\$ 17,051	15,439,034
Lender Services revenue	12,699	145,075	328,586		486,360
Computer Services revenue	17,652	206,876	461,068		685,596
Human Resources revenue	4,523	52,818	117,791		175,132
Rental revenue				1,416,041	1,416,041
Total operating revenues	4,201,148	42,144,623	74,466,353	1,433,092	122,245,216
OPERATING EXPENSES:					
Interest expense		19,193,327	45,101,992	511,414	64,806,733
Bond insurance, commitment and remarketing fees		2,108,791	2,760,940		4,869,731
Student loan servicing fees	237,727	2,823,759	6,110,073		9,171,559
General and administrative expense	153,920	880,653	1,771,037	514,443	3,320,053
Depreciation expense		6,131		302,528	308,659
Guarantor insurance premiums	1,706,494				1,706,494
Uninsured claims expense	8,054	(87,504)	107,576		28,126
Student loan principal reductions	5,888	1,336,856	10,412,921		11,755,665
Operations expense	195,201	2,051,133	4,269,263		6,515,597
Provision for interest arbitrage rebate		935,488	1,814,455		2,749,943
Total operating expenses	2,307,284	29,248,634	72,348,257	1,328,385	105,232,560
CHANGE IN NET ASSETS	1,893,864	12,895,989	2,118,096	104,707	17,012,656
NET ASSETS - Beginning	70,890,270	62,646,028	78,568,370	510,974	212,615,642
NET ASSETS - Ending	\$ 72,784,134	\$ 75,542,017	\$ 80,686,466	\$ 615,681	\$ 229,628,298

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Combining Statement of Cash Flows
For the Year Ended June 30, 2006

	Short-Term Note Fund	1988 Revenue Bond Fund	1993 Revenue Bond Fund	Office Facility Bond Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Principal received on student loans	\$ 11,093,164	\$ 152,830,388	\$ 330,640,273		\$ 494,563,825
Interest received on student loans	880,353	11,380,394	26,107,997		38,368,744
Special allowance payments	1,568,571	19,094,853	22,612,841		43,276,265
Student loan disbursements received from lenders	322,475,820				322,475,820
Student loan disbursements sent to schools	(322,489,955)				(322,489,955)
Payments received for lenders	39,272,864				39,272,864
Payments sent to lenders	(41,594,414)				(41,594,414)
Payments received for Lender Services	17,227	145,075	328,586		490,888
Payments received for Computer Services	(250)	190,399	426,683		616,832
Payments for loan purchases		(41,077,445)	(354,214,047)		(395,291,492)
Payments for loan consolidations	(23,474,189)	(117,160,954)	(253,313,524)		(393,948,667)
Payments for loan servicing	(204,012)	(2,601,004)	(5,451,072)		(8,256,088)
Payments for general and administrative expenses	(832,940)	(831,282)	(1,924,540)	\$ 105,908	(3,482,854)
Payments for guarantor insurance premiums	(2,510,951)				(2,510,951)
Payments for Computer Services expense	(23,784)	(220,410)	(663,181)		(907,375)
Payments for Operations expense	(222,215)	(1,896,236)	(3,869,704)		(5,988,155)
Payments for interest arbitrage		(921,542)	(393,668)		(1,315,210)
Payments received for rental revenue				1,406,037	1,406,037
Cash provided by (used in) operating activities	(16,044,711)	18,932,236	(239,713,356)	1,511,945	(235,313,886)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Proceeds from issuance of bonds			633,675,000		633,675,000
Principal paid on bonds		(13,500,000)	(26,500,000)	(420,000)	(40,420,000)
Interest paid on bonds		(18,263,254)	(43,150,097)	(508,810)	(61,922,161)
Payments for bond insurance, remarketing, and commitment fees		(2,188,068)	(2,911,285)		(5,099,353)
Payments for bond issuance costs			(3,730,975)		(3,730,975)
Cash provided by (used in) noncapital financing activities		(33,951,322)	557,382,643	(928,810)	522,502,511
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
(Acquisition)/disposal of capital assets		(10,023)		(353,104)	(363,127)
Proceeds from issuance of bonds					
Payments for bond issuance costs					
Cash used in capital and related financing activities		(10,023)		(353,104)	(363,127)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from maturing investments	642,675	219,668,861	739,647,419	928,810	960,887,765
Interest received on investments	1,055,713	4,090,773	10,293,879	17,780	15,458,145
Purchases of investments	(617,452)	(207,239,443)	(1,058,021,878)	(942,181)	(1,266,820,954)
Cash provided by (used in) investing activities	1,080,936	16,520,191	(308,080,580)	4,409	(290,475,044)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
	(14,963,775)	1,491,082	9,588,707	234,440	(3,649,546)
CASH AND CASH EQUIVALENTS, Beginning of Period	26,191,242	4,537,775	12,465,911	193,072	43,388,000
CASH AND CASH EQUIVALENTS, End of Period	\$ 11,227,467	\$ 6,028,857	\$ 22,054,618	\$ 427,512	\$ 39,738,454

(continued next page)

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Combining Statement of Cash Flows
For the Year Ended June 30, 2006

(continued)

	Short-Term Note Fund	1988 Revenue Bond Fund	1993 Revenue Bond Fund	Office Facility Bond Fund	Total
RECONCILIATION OF OPERATING INCOME TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income	\$ 1,893,864	\$ 12,895,989	\$ 2,118,096	\$ 104,707	\$ 17,012,656
Adjustments to reconcile income to net cash provided by operating activities:					
Amortization and depreciation		304,073	278,487	310,997	893,557
Interest expense for noncapital and capital financing		18,895,382	44,823,505	502,946	64,221,833
Interest revenue from nonoperating investing activities	(1,056,068)	(4,066,135)	(10,299,780)	(17,051)	(15,439,034)
Bond insurance, commitment, and remarketing fees		2,108,791	2,760,940		4,869,731
Change in assets/liabilities:					
Student loans receivable	(13,760,859)	(10,222,953)	(274,604,921)		(298,588,733)
Borrower interest receivable	(59,387)	(366,646)	(3,618,111)		(4,044,144)
Special allowance receivable	(124,230)	(1,296,497)	(3,008,382)		(4,429,109)
Other receivables	(87,482)		(47,223)	24,624	(110,081)
Prepaid expenses	(1,688)	(1,325)	(24,063)	1,000	(26,076)
Guarantor insurance premiums	(684,048)				(684,048)
Accounts payable and payable to affiliate and arbitrage	(2,164,813)	681,557	1,908,096	584,722	1,009,562
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (16,044,711)	\$ 18,932,236	\$ (239,713,356)	\$ 1,511,945	\$ (235,313,886)

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM

Combining Statement of Net Assets
June 30, 2005

	Short-Term Note Fund	1988 Revenue Bond Fund	1993 Revenue Bond Fund	Office Facility Bond Fund	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 26,191,242	\$ 4,537,775	\$ 12,465,911	\$ 193,072	\$ 43,388,000
Funds held by Trustee and Agent	232,765	75,678,349	111,100,363	273,318	187,284,795
Receivables:					
Student loans receivable	5,415,266	68,747,063	125,547,972		199,710,301
Interest receivable - student loans	386,717	4,532,754	10,032,630		14,952,101
Special allowance payments	428,091	4,321,176	5,237,073		9,986,340
Interest receivable - investments		49,102	26,295	725	76,122
Other receivables	147,127			24,624	171,751
Due from/(to) related funds	(1,353,963)	1,158,675	195,288		
Prepaid expenses		200,198	117,615	2,250	320,063
Deferred guarantor insurance premiums	1,436,472				1,436,472
Deferred bond issuance costs		299,795	241,827	167,297	708,919
Total Current Assets	32,883,717	159,524,887	264,964,974	661,286	458,034,864
Noncurrent Assets:					
Funds held by Trustee and Agent		46,751,961	41,973,141		88,725,102
Student loans receivable	26,077,316	458,019,564	770,479,549		1,254,576,429
Deferred guarantor insurance premiums	12,713,113				12,713,113
Deferred bond issuance costs, less accumulated amortization of \$2,806,387		3,447,050	5,929,295		9,376,345
Capital assets, less accumulated depreciation of \$824,729		44,208		10,900,767	10,944,975
Total Noncurrent Assets	38,790,429	508,262,783	818,381,985	10,900,767	1,376,335,964
TOTAL ASSETS	71,674,146	667,787,670	1,083,346,959	11,562,053	1,834,370,828
LIABILITIES					
Current Liabilities:					
Accounts payable	163,696	1,373,316	1,961,782	10,809	3,509,603
Payable to affiliate	1,104	12,027	23,179	13	36,323
Compensated absences	4,719	52,460	100,644		157,823
Other liabilities	607,758				607,758
Accrued interest payable		2,509,572	3,299,717	212,004	6,021,293
Bonds payable		118,000,000	26,500,000	422,895	144,922,895
Estimated interest arbitrage rebate		1,708,877	393,668		2,102,545
Total Current Liabilities	777,277	123,656,252	32,278,990	645,721	157,358,240
Noncurrent Liabilities:					
Compensated absences	6,599	65,858	61,051		133,508
Bonds payable, net of unamortized premiums of \$48,253		448,735,000	940,815,000	10,405,358	1,399,955,358
Estimated interest arbitrage rebate		32,684,532	31,623,548		64,308,080
Total Noncurrent Liabilities	6,599	481,485,390	972,499,599	10,405,358	1,464,396,946
TOTAL LIABILITIES	783,876	605,141,642	1,004,778,589	11,051,079	1,621,755,186
NET ASSETS					
Invested in capital assets, net of related debt		44,208		510,974	555,182
Restricted		62,601,820	78,568,370		141,170,190
Unrestricted	70,890,270				70,890,270
TOTAL NET ASSETS	\$ 70,890,270	\$ 62,646,028	\$ 78,568,370	\$ 510,974	\$ 212,615,642

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2005

	Short-Term Note Fund	1988 Revenue Bond Fund	1993 Revenue Bond Fund	Office Facility Bond Fund	Total
OPERATING REVENUES:					
Interest on student loans	\$ 1,119,242	\$ 13,136,771	\$ 28,488,927		\$ 42,744,940
Special allowance	1,898,455	15,513,365	16,327,646		33,739,466
Investment income	596,754	3,190,958	3,864,013	\$ 11,326	7,663,051
Lender Services revenue	17,125	148,336	333,437		498,898
Computer Services revenue	19,284	165,112	376,085		560,481
Human Resources revenue	2,832	24,596	55,961		83,389
Rental revenue				1,456,992	1,456,992
Total operating revenues	<u>3,653,692</u>	<u>32,179,138</u>	<u>49,446,069</u>	<u>1,468,318</u>	<u>86,747,217</u>
OPERATING EXPENSES:					
Interest expense		10,818,755	22,059,219	526,190	33,404,164
Bond insurance, commitment and remarketing fees		1,858,289	2,334,093		4,192,382
Student loan servicing fees	219,403	2,938,620	6,020,861		9,178,884
General and administrative expense	127,416	792,266	1,549,253	385,006	2,853,941
Depreciation expense		12,635		292,487	305,122
Guarantor insurance premiums	1,479,578				1,479,578
Uninsured claims expense	(86,857)	(555,895)	(1,257,333)		(1,900,085)
Student loan principal reductions	57,836	2,548,328	6,586,716		9,192,880
Operations expense	2,370,235	1,152,649	2,596,075		6,118,959
Provision for interest arbitrage rebate		4,982,883	11,531		4,994,414
Total operating expenses	<u>4,167,611</u>	<u>24,548,530</u>	<u>39,900,415</u>	<u>1,203,683</u>	<u>69,820,239</u>
CHANGE IN NET ASSETS	<u>(513,919)</u>	<u>7,630,608</u>	<u>9,545,654</u>	<u>264,635</u>	<u>16,926,978</u>
NET ASSETS, as previously reported July 1, 2004	68,924,829	55,015,420	69,022,716	246,339	193,209,304
Cumulative effect on prior years of retroactive application of new amortization method (Note 14)	<u>2,479,360</u>				<u>2,479,360</u>
ADJUSTED NET ASSETS, July 1, 2004	<u>71,404,189</u>	<u>55,015,420</u>	<u>69,022,716</u>	<u>246,339</u>	<u>195,688,664</u>
NET ASSETS - Ending	<u>\$ 70,890,270</u>	<u>\$ 62,646,028</u>	<u>\$ 78,568,370</u>	<u>\$ 510,974</u>	<u>\$ 212,615,642</u>

**STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM**

Combining Statement of Cash Flows
For the Year Ended June 30, 2005

	Short-Term Note Fund	1988 Revenue Bond Fund	1993 Revenue Bond Fund	Office Facility Bond Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Principal received on student loans	\$ 11,921,983	\$ 107,103,074	\$ 249,748,329		\$ 368,773,386
Interest received on student loans	656,216	8,245,538	21,617,518		30,519,272
Special allowance payments	2,033,675	14,414,492	6,106,552		22,554,719
Student loan disbursements received from lenders	313,660,693				313,660,693
Student loan disbursements sent to schools	(313,726,883)				(313,726,883)
Payments received for lenders	30,527,756				30,527,756
Payments sent to lenders	(29,124,343)				(29,124,343)
Payments received for Lender Services	82,082	148,336	333,437		563,855
Payments received for Computer Services	494	165,112	376,085		541,691
Payments for loan purchases		(93,986,924)	(194,249,670)		(288,236,594)
Payments for loan consolidations		(129,600,359)	(141,998,181)		(271,598,540)
Payments for loan servicing	(167,654)	(2,397,419)	(4,811,087)		(7,376,160)
Payments for general and administrative expenses	(141,777)	(415,863)	(1,082,510)	\$ (434,317)	(2,074,467)
Payments for guarantor insurance premiums	(3,117,870)				(3,117,870)
Payments for Computer Services expense	(22,078)	(191,438)	(370,562)		(584,078)
Payments for Operations expense	(2,399,558)	(1,158,571)	(2,540,465)		(6,098,594)
Payments for interest arbitrage		(204,926)	(144,956)		(349,882)
Payments received from Gateway building				1,490,833	1,490,833
Cash provided by (used in) operating activities	<u>10,182,736</u>	<u>(97,878,948)</u>	<u>(67,015,510)</u>	<u>1,056,516</u>	<u>(153,655,206)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Proceeds from issuance of bonds		151,080,000			151,080,000
Principal paid on bonds		(3,250,000)		(460,000)	(3,710,000)
Interest paid on bonds		(8,952,002)	(19,843,914)	(466,950)	(29,262,866)
Payments for bond insurance, remarketing, and commitment fees		(1,673,452)	(2,472,171)		(4,145,623)
Payments for bond issuance costs		(1,532,774)	380,439		(1,152,335)
Cash provided by (used in) noncapital financing activities		<u>135,671,772</u>	<u>(21,935,646)</u>	<u>(926,950)</u>	<u>112,809,176</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
(Acquisition)/disposal of capital assets		(11,396)		(376,216)	(387,612)
Proceeds from issuance of bonds					
Payments for bond issuance costs				(6,358)	(6,358)
Cash used in capital and related financing activities		<u>(11,396)</u>		<u>(382,574)</u>	<u>(393,970)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from maturing investments	648,506	263,087,946	408,873,803	934,488	673,544,743
Interest received on investments	587,172	3,186,883	3,870,011	11,278	7,655,344
Purchases of investments	(751,100)	(301,916,599)	(317,644,263)	(932,921)	(621,244,883)
Cash provided by (used in) investing activities	<u>484,578</u>	<u>(35,641,770)</u>	<u>95,099,551</u>	<u>12,845</u>	<u>59,955,204</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
	10,667,314	2,139,658	6,148,395	(240,163)	18,715,204
CASH AND CASH EQUIVALENTS, Beginning of Period	15,523,928	2,398,117	6,317,516	433,235	24,672,796
CASH AND CASH EQUIVALENTS, End of Period	<u>\$ 26,191,242</u>	<u>\$ 4,537,775</u>	<u>\$ 12,465,911</u>	<u>\$ 193,072</u>	<u>\$ 43,388,000</u>

(continued next page)

**STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM**

Combining Statement of Cash Flows
For the Year Ended June 30, 2005

(continued)

	Short-Term Note Fund	1988 Revenue Bond Fund	1993 Revenue Bond Fund	Office Facility Bond Fund	Total
RECONCILIATION OF OPERATING INCOME TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income	\$ (513,919)	\$ 7,630,608	\$ 9,545,654	\$ 264,635	\$ 16,926,978
Adjustments to reconcile income to net cash provided by operating activities:					
Cumulative effect on prior years of retroactive application of new amortization method	2,479,360				2,479,360
Amortization and depreciation		412,742	123,203	300,986	836,931
Interest expense for noncapital and capital financing		10,566,356	21,788,308	517,691	32,872,355
Interest revenue from nonoperating investing activities	(596,754)	(3,190,958)	(3,864,013)	(11,326)	(7,663,051)
Bond insurance, commitment, and remarketing fees		1,710,581	2,481,801		4,192,382
Change in assets/liabilities:					
Student loans receivable	11,294,392	(118,338,591)	(91,193,874)		(198,238,073)
Borrower interest receivable	48,862	(35,692)	709,038		722,208
Special allowance receivable	135,220	(1,088,885)	(6,576,942)		(7,530,607)
Other receivables	19,612		41,338	23,891	84,841
Prepaid expenses		1,909	(23,841)	(1,125)	(23,057)
Guarantor insurance premiums	(3,989,268)				(3,989,268)
Accounts payable and payable to affiliate and arbitrage	1,305,231	4,452,982	(46,182)	(38,236)	5,673,795
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 10,182,736	\$ (97,878,948)	\$ (67,015,510)	\$ 1,056,516	\$ (153,655,206)