



**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, 2008 and 2007

Report No. 08-07

*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

Financial Statements
For the Years Ended June 30, 2008 and 2007

Report No. 08-07

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, 2008 AND 2007

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT STATE AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS:	
Statement of Net Assets	9
Statement of Revenues, Expenses, and Changes in Fund Net Assets	10
Statement of Cash Flows	11
Notes to Financial Statements	13
SUPPLEMENTAL SCHEDULES	35



Auston G. Johnson, CPA
STATE AUDITOR

STATE OF UTAH
Office of the State Auditor

UTAH STATE CAPITOL COMPLEX
EAST OFFICE BUILDING, SUITE E310
P.O. BOX 142310
SALT LAKE CITY, UTAH 84114-2310
(801) 538-1025
FAX (801) 538-1383

DEPUTY STATE AUDITOR:
Joe Christensen, CPA

FINANCIAL AUDIT DIRECTORS:
H. Dean Eborn, CPA
Deborah A. Empey, CPA
Stan Godfrey, CPA
Jon T. Johnson, CPA

INDEPENDENT STATE AUDITOR'S REPORT

To the Utah State Board of Regents,
the UHEAA Audit Committee,
and
William A. Sederberg, 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, 2008 and 2007, 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.

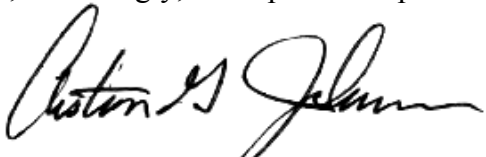
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan 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, 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 opinions.

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, 2008 and 2007, and the 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, 2008 and 2007, 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 October 27, 2008 and October 24, 2007 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 36 through 43 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying supplemental schedules have been subjected 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 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying supplementary information has not been subjected to the auditing procedures applied by us in the audit of the financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink, appearing to read "Auston G. Johnson". The signature is fluid and cursive, with the first name "Auston" being the most prominent part.

Auston G. Johnson, CPA
Utah State Auditor
October 27, 2008

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, 2008 with selected comparative information for the year ended June 30, 2007. 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 steady at June 30, 2008, with assets totaling \$2.5 billion and liabilities totaling of \$2.2 billion. Net assets, which represent the residual interest in the Program's assets after liabilities are deducted, increased by \$10.4 million to \$256 million at June 30, 2008.

The Program purchased or originated student loans totaling \$487.6 million during the year ended June 30, 2008.

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

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.

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

Management's Discussion and Analysis

The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents information showing how the Program's net assets changed during the fiscal years ended June 30, 2008 and 2007.

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 costs.

Statement of Net Assets

The Statement of Net Assets presents the financial position of the Program at June 30, 2008 and 2007 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.

A summarized comparison of the Program's assets, liabilities, and net assets at June 30, 2008 and 2007 is shown below:

	<u>2008</u>	<u>2007</u>
Assets		
Cash and funds held by Trustee	\$ 387,970,322	\$ 623,181,280
Student loans receivable	2,040,613,191	1,774,298,342
Interest and special allowance receivable	33,244,733	32,714,883
Other receivables	423,130	329,673
Prepaid and deferred expenses	25,033,940	26,670,318
Capital assets	11,584,748	11,542,174
Total Assets	<u>2,498,870,064</u>	<u>2,468,736,670</u>
Liabilities		
Accounts payable and accrued expenses	3,504,183	3,805,239
Accrued interest payable	8,172,431	9,124,984
Bonds payable	2,165,219,567	2,137,697,462
Estimated interest arbitrage rebate	65,944,406	72,487,020
Total Liabilities	<u>2,242,840,587</u>	<u>2,223,114,705</u>
Net Assets		
Invested in capital assets, net of related debt	2,060,181	1,569,711
Restricted	181,147,314	170,485,526
Unrestricted	72,821,982	73,566,728
Total Net Assets	<u>\$ 256,029,477</u>	<u>\$ 245,621,965</u>

Financial Analysis

Total Assets – Total assets as of June 30, 2008 were \$2,499 million; an increase of \$30.1 million (1.2%) compared to June 30, 2007. The increase was due to a \$266.3 million (15%) increase in student loans receivable, offset by a decrease of \$235.2 million in cash and funds held by Trustee. The Program purchased

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

Management's Discussion and Analysis

or originated \$487.6 million in student loans during the year ended June 30, 2008, an increase of \$42.9 million (9.6%) over the prior year.

Total Liabilities – Total liabilities increased \$19.7 million (.89%) compared to June 30, 2007. The largest increase, \$27.5 million (1.3%), was the bonds payable category offset by a decrease of \$6.5 million (9%) in estimated interest arbitrage rebate. The Program issued \$99.6 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. The Program also paid \$72.1 million in principal on student loan revenue bonds during the fiscal year.

Net Assets – Net assets of the Program increased \$10.4 million (4.2%) during the year ended June 30, 2008 to \$256 million from a beginning balance of \$245.6 million. This was due to favorable net interest margins on student loans and a reduction of the provision for interest arbitrage rebate of \$6.3 million. 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 indentures.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the Program's results of operations and is summarized below for the years ended June 30, 2008 and 2007.

	<u>2008</u>	<u>2007</u>
Operating Revenues		
Interest and special allowance on student loans	\$ 106,020,964	\$ 113,795,836
Investment income	22,981,777	33,207,665
Other revenue	3,407,845	3,124,656
Total operating revenues	<u>132,410,586</u>	<u>150,128,157</u>
Operating Expenses		
Interest expense	98,154,234	97,729,424
Bond related expense	4,786,465	5,064,050
Student loan servicing fees	8,809,221	8,919,268
Administrative and operating expense	8,840,711	7,977,797
Financial Assistance grants	720,000	1,156,000
Federal default fee	2,182,594	1,948,767
Student loan principal reductions	4,480,017	7,299,612
Provision for interest arbitrage rebate	(6,333,767)	4,916,644
Total operating expenses	<u>121,639,475</u>	<u>135,011,562</u>
Operating income	<u>10,771,111</u>	<u>15,116,595</u>
Nonoperating Revenues (Expenses)		
Financial Assistance State appropriations	11,457,216	9,137,745
Financial Assistance State distributions	(11,820,815)	(9,006,152)
Total nonoperating revenues (expenses)	<u>(363,599)</u>	<u>131,593</u>
Transfer in Student Financial Assistance		<u>745,479</u>
Net Assets – Beginning of Year	<u>245,621,965</u>	<u>229,628,298</u>
Net Assets – End of Year	<u>\$ 256,029,477</u>	<u>\$ 245,621,965</u>

STATE BOARD OF REGENTS OF THE STATE OF UTAH

STUDENT LOAN PURCHASE PROGRAM

Management's Discussion and Analysis

Financial Analysis

Total Operating Revenues – The Program earned \$132.4 million in total operating revenues during the year ended June 30, 2008; a decrease of \$17.7 million (11.8%) over the previous fiscal year. The largest component of the decrease came from investment income, which decreased \$10.2 million (30.8%). This decrease was due to the reduction of cash and funds held by Trustee and a decrease in short term interest rates the latter part of the fiscal year. Interest and special allowance on student loans decreased \$7.8 million (6.8%) during fiscal year 2008. Interest on student loans increased \$10.2 million (15%) from the prior fiscal year due to increased interest rates on the Program's variable rate loans. The special allowance decreased \$18 million also due to increased interest rates and the effects of the College Cost Reduction Act, CCRA (HR 2669) which reduced special allowance on student loans first disbursed on or after October 31, 2007 by .40%.

Total Operating Expenses – The Program's total operating expenses for the fiscal year ended June 30, 2008 decreased \$13.4 million (9.9%) from the prior fiscal year. The largest component of the decrease was a reduction in the provision for interest arbitrage rebate in the amount of \$6.3 million, a decrease of \$11.2 million over the prior year provision. The Program is required by the U.S. Treasury to keep the yield to the Program on student loans within a designated percentage of the interest cost of the related tax-exempt borrowing. The Program prepares an annual calculation to estimate any excess amount of yield on the student loan portfolio. Because of the increased interest expense on the Program's outstanding bonds, the net yield on the student loan portfolio was significantly reduced. As a result, the outstanding arbitrage liability was reduced by \$6.3 million.

Total Operating Income – The Program's operating income was \$10.7 million during the year ended June 30, 2008. Net interest margins (a ratio of investment and student loan interest income to bond interest expense) decreased in fiscal year 2008 to 131.43% compared to 150.42% during fiscal year 2007. The Program's return on Net Assets decreased from 6.36% in fiscal year 2007 to 4.29% in fiscal year 2008.

Nonoperating Revenues and Expenses – The Program has administrative responsibility for certain need-based grant and scholarship programs. During fiscal year 2008, the Program received \$11,457,216 in appropriations from the State of Utah and distributed financial aid in the form of grants and scholarships totaling \$11,820,815.

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 \$2.1 million. The Program experienced a cash outflow of \$180.9 million from operating activities; a cash outflow from noncapital financing activities of \$76.7 million; a cash outflow from capital and related financing activities of \$547,000; and a cash inflow of \$256.1 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

Legislation

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 resulting to holders of student loans have in some cases been reduced and may be further reduced in the future.

The College Cost Reduction Act (H.R. 2669), was signed by President Bush in September of 2007. Certain provisions of H.R. 2669, which have a future implementation date, may have a significant effect on the financial position or results of operations of the Program. The following provision has a future implementation date which will affect the reinsurance rate on certain student loans in the Program's portfolio.

- Reduction of the insurance paid by the Federal Government to lenders on defaulted loans from 98 percent to 97 percent of unpaid principal balances through October 1, 2012 at which time the insurance will be further reduced to 95 percent.

On May 7, 2008 Congress passed and the President signed the "Ensuring Continued Access to Student Loans Act of 2008" (Pub. L. No. 110-227). This legislation gave the U.S. Department of Education (ED) the authority to address concerns over the availability of capital to student loan providers.

ED has announced two programs to assist lenders in obtaining financing for student loans during the 2008-2009 and 2009-2010 academic years. Lenders may participate in one or both of the programs. Following is a brief description of each of the programs:

The Loan Participation Purchase Program

Under the Loan Participation Purchase Program, the Secretary will purchase a 100% participation interest in new loans immediately after the initial disbursement. ED will pay lenders a purchase price equal to the principal balance of the disbursements. Lenders will pay ED an annual financing cost equal to the standard Commercial Paper rate plus 0.50% (50 basis points), payable monthly and calculated on the outstanding balance of the loans placed in the Loan Participation Purchase Program. ED has committed to fund participation purchases within seven to ten business days of its receipt of a request.

The Program will retain the servicing of loans on which a participation interest has been sold to ED and retain the right to buy back the participation interest at par (principal plus unpaid accrued interest) plus the financing cost noted above.

The Loan Purchase Program

Under the Loan Purchase Program, the Secretary will purchase fully-disbursed loans directly from the Program. ED will pay a purchase price equal to the principal and accrued interest balances outstanding, reimburse UHEAA for the 1% Lender Origination Fee it paid to ED when the loan was originated, and will pay the Program an administrative fee of \$75 per loan.

STATE BOARD OF REGENTS OF THE STATE OF UTAH

STUDENT LOAN PURCHASE PROGRAM

Management's Discussion and Analysis

On July 31, 2008, Congress completed reauthorization of the Higher Education Act (HEA) by passing the Higher Education Opportunity Act which the President signed into law on August 14, 2008. The Higher Education Act is required to be reauthorized every five years and Congress could make substantial changes to the Higher Education Act which may impact 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.

Effect of the credit markets on outstanding bonds

Instability in the credit markets has restricted the Program from issuing new debt financings since November of 2007. In addition, the reduced demand for student loan revenue bonds has left the Program unable to remarket certain outstanding bonds.

As of June 30, 2008, the Program had drawn \$444,330,000 upon a liquidity facility to support certain bonds under the 1988 Series C; 1995 Series L; 1996 Series Q; 1997 Series R; 2005 Series W; and 2005 Series X which had not been remarketed. Under the terms of the liquidity facility, these bonds are redeemable in semi-annual installments from available funds, provided that all of the unpaid principal amount of Bank Bonds shall be redeemed by the seventh anniversary of the Bank Purchase Date. Interest on these bonds is calculated as provided in the indenture and paid to the liquidity provider.

As of June 30, 2008 there were insufficient clearing bids on all of the Program's auction rate certificate bonds bearing interest at an adjustable rate, which is set by auction procedure every 28 or 35 days. In the absence of sufficient clearing bids, interest on these bonds is calculated at the maximum rate as defined in the indenture.

The Board is in compliance with all debt covenants and scheduled bond interest and principal payments.

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, 2008 and 2007

	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 40,580,810	\$ 42,681,458
Funds held by Trustee (Notes 2 and 3)	269,259,564	503,553,033
Receivables		
Student loans receivable (Note 4)	66,160,444	72,813,756
Interest receivable - student loans (Note 4)	31,167,148	21,745,958
Special allowance payments (Note 1)	2,077,585	10,968,925
Interest receivable - investments	8,726	12,162
Other receivables	414,404	317,511
Prepaid expenses	874,557	873,934
Deferred federal default fee (Note 1)	2,346,104	2,182,594
Deferred bond issuance costs (Note 6)	591,486	619,086
Total Current Assets	413,480,828	655,768,417
Noncurrent Assets		
Funds held by Trustee (Notes 2 and 3)	78,129,948	76,946,789
Student loans receivable (Note 4)	1,974,452,747	1,701,484,586
Deferred federal default fee (Note 1)	8,356,169	10,702,273
Deferred bond issuance costs, less accumulated amortization of \$3,602,589 and \$3,662,290, respectively (Note 6)	12,865,624	12,292,431
Capital assets, less accumulated depreciation of \$2,151,317 and \$1,604,369, respectively (Note 5)	11,584,748	11,542,174
Total Noncurrent Assets	2,085,389,236	1,812,968,253
TOTAL ASSETS	2,498,870,064	2,468,736,670
LIABILITIES		
Current Liabilities		
Accounts payable	2,295,419	2,748,563
Payable to affiliate (Note 10)	367,480	246,302
Compensated absences (Note 7)	231,418	224,794
Other liabilities	456,857	408,571
Accrued interest payable (Note 6)	8,172,431	9,124,984
Bonds payable (Notes 6 and 7)	5,357,895	72,147,895
Estimated interest arbitrage rebate (Notes 7 and 11)	607,542	160,537
Total Current Liabilities	17,489,042	85,061,646
Noncurrent Liabilities		
Compensated absences (Note 7)	153,009	177,009
Bonds payable, net of unamortized premiums of \$39,567 and \$42,462, respectively (Notes 6 and 7)	2,159,861,672	2,065,549,567
Estimated interest arbitrage rebate (Notes 7 and 11)	65,336,864	72,326,483
Total Noncurrent Liabilities	2,225,351,545	2,138,053,059
TOTAL LIABILITIES	2,242,840,587	2,223,114,705
NET ASSETS		
Invested in capital assets, net of related debt	2,060,181	1,569,711
Restricted	181,147,314	170,485,526
Unrestricted (Note 9)	72,821,982	73,566,728
TOTAL NET ASSETS	\$ 256,029,477	\$ 245,621,965

*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 Revenue, Expenses, and Changes in Fund Net Assets
For the Years Ended June 30, 2008 and 2007

	2008	2007
OPERATING REVENUES		
Interest on student loans (Note 4)	\$ 78,093,758	\$ 67,827,403
Special allowance (Note 1)	27,927,206	45,968,433
Investment income (Notes 2 and 3)	22,981,777	33,207,665
Lender Services revenue	416,941	452,839
Billings for internal services	1,456,172	1,255,928
Rental revenue (Note 10)	1,534,732	1,415,889
Total operating revenues	132,410,586	150,128,157
OPERATING EXPENSES		
Interest expense (Note 6)	98,154,234	97,729,424
Bond related expense (Note 6)	4,786,465	5,064,050
Student loan servicing expense (Note 8)	8,809,221	8,919,268
General and administrative expense (Note 10)	3,319,409	3,309,538
Operations expense (Note 10)	3,980,899	3,677,849
Depreciation expense (Note 5)	546,948	470,983
Student loan principal reductions (Note 12)	4,480,017	7,299,612
Financial Assistance administrative expense	443,028	400,185
Financial Assistance grants	720,000	1,156,000
Federal default fee (Note 1)	2,182,594	1,948,767
Provision for interest arbitrage rebate (Note 11)	(6,333,767)	4,916,644
Uninsured claims expense (Note 4)	550,427	119,242
Total operating expenses	121,639,475	135,011,562
OPERATING INCOME	10,771,111	15,116,595
NONOPERATING REVENUES (EXPENSES)		
State Financial Assistance appropriations (Note 13)	11,457,216	9,137,745
State Financial Assistance disributions (Note 13)	(11,820,815)	(9,006,152)
Total non-operating revenues (expenses)	(363,599)	131,593
Transfers – Interfund transfer from State Board of Regents	-	745,479
CHANGES IN NET ASSETS	10,407,512	15,993,667
NET ASSETS – Beginning of Year	245,621,965	229,628,298
NET ASSETS – End of Year	\$ 256,029,477	\$ 245,621,965

*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, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Principal received on student loans	\$ 229,501,155	\$ 430,504,202
Interest received on student loans	57,684,730	50,093,915
Special allowance payments received	36,818,549	49,414,956
Student loan disbursements received from lenders	347,664,299	322,165,983
Student loan disbursements sent to schools	(347,647,977)	(322,158,787)
Payments received for lenders	30,534,831	37,233,237
Payments sent to lenders	(33,320,550)	(37,458,153)
Appropriations received for Financial Assistance	11,457,216	9,137,745
Financial Assistance distributions	(12,540,815)	(10,162,152)
Payments received for Lender Services	423,473	402,345
Payments received for internal services	1,400,837	1,236,090
Payments for loan purchases	(452,313,812)	(279,458,283)
Payments for loan consolidations	(35,287,986)	(165,220,963)
Payments for loan servicing	(7,610,755)	(7,517,785)
Payments for general and administrative expenses	(4,421,479)	(4,402,939)
Payments received for federal default fee		1,903
Payments for Computer Services expense	(816,010)	(928,556)
Payments for Operations expense	(3,730,442)	(3,475,986)
Payments for interest arbitrage	(208,847)	(274,981)
Payments received for rental revenue	1,509,267	1,415,889
Cash provided by (used in) operating activities	(180,904,316)	70,547,680
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from issuance of bonds	99,670,000	
Principal paid on bonds	(72,145,000)	(430,000)
Interest paid on bonds	(98,470,815)	(96,288,470)
Payments for bond related expense	(4,611,150)	(5,432,168)
Payments for bond issuance costs	(1,181,970)	(322,903)
Transfer in from State Board of Regents		743,556
Cash used in noncapital financing activities	(76,738,935)	(101,729,985)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(546,933)	(1,047,496)
Cash used in capital and related financing activities	(546,933)	(1,047,496)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturing investments	743,795,465	602,202,297
Interest received on investments	22,984,090	32,110,853
Purchases of investments	(510,690,019)	(599,140,345)
Cash provided by investing activities	256,089,536	35,172,805
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,100,648)	2,943,004
CASH AND CASH EQUIVALENTS – Beginning of Year	42,681,458	39,738,454
CASH AND CASH EQUIVALENTS – End of Year	\$ 40,580,810	\$ 42,681,458

(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, 2008 and 2007

(continued)

	2008	2007
RECONCILIATION OF OPERATING INCOME TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income	\$ 10,771,111	\$ 15,116,595
Adjustments to reconcile income to net cash provided by operating activities		
Amortization and depreciation	1,182,922	1,107,913
Interest expense for noncapital and capital financing	97,518,261	96,464,025
Interest revenue from nonoperating investing activities	(22,981,777)	(33,207,665)
Bond related expense	4,786,465	5,064,050
State Financial Assistance appropriations	11,457,216	9,137,745
State Financial Assistance distributions	(11,820,815)	(9,006,152)
Change in assets/liabilities		
Student loans receivable	(266,314,849)	(21,422,879)
Borrower interest receivable	(9,421,190)	(2,749,713)
Special allowance receivable	8,891,340	3,446,524
Other receivables	(96,893)	(35,679)
Prepaid expenses	(67,598)	(5,289)
Federal default fee	2,182,594	1,948,766
Accounts payable, payable to affiliate, and arbitrage	(6,991,103)	4,689,439
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (180,904,316)	\$ 70,547,680

*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, 2008 and 2007

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; 1996 Series Q; 1997 Series R; 2000 Series T and U; 2003 Series V; 2005 Series W and X; and 2007 Series Y. 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 1998 G and J; Series 1999 K, L, and M; Series 1999 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. Principal and interest payments on student loans purchased with bond proceeds, special allowance payments, and other revenues are

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

Notes to the Financial Statements
For the Years Ended June 30, 2008 and 2007

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.

Student Loan Fees – Fees paid as part of the acquisition price of a student loan are deferred and recognized as an adjustment to yield over the estimated lives of the loans using a method that approximates the interest method of amortization (See Note 4).

Federal Default Fee – The federal default fee is capitalized and amortized over the estimated lives of the loans using an accelerated method of amortization beginning 36 months from the date the federal default fee is paid by the Program.

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.

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

Notes to the Financial Statements
For the Years Ended June 30, 2008 and 2007

Special Allowance – Federal legislation provides for a special allowance subsidy to lenders participating in the Student Loan Guarantee Program. The amount of special allowance that 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 Treasurers' 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 2007 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, 2007.

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

Notes to the Financial Statements
For the Years Ended June 30, 2008 and 2007

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 Treasurers’ Investment Fund.

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

Notes to the Financial Statements
For the Years Ended June 30, 2008 and 2007

At June 30, 2008, the Program's investments and funds held by trustee and their maturities were as listed below:

<u>Investments</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>Less than one year</u>	<u>1 to 5 years</u>	<u>Over 10 years</u>
Mutual Funds	\$ 6,206,931	\$ 6,206,931		
Public Treasurers' Investment Fund	379,210,018	379,210,018		
Repurchase Agreements	1,698,847	1,698,847		
U.S. Government Securities	<u>854,526</u>			<u>\$ 854,526</u>
Total Investments	<u>\$ 387,970,322</u>	<u>\$ 387,115,796</u>	<u>\$ -</u>	<u>\$ 854,526</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, 2008, the Program's investments totaling \$387,970,322 were all unrated.

Custodial Credit Risk – The risk that, in the event of a failure of the counterparty, the Program may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Program follows the requirements of the Utah Money Management Act regarding custodial credit risk. However, the Program does not have a formal investment policy for custodial credit risk that further limits custodial arrangements from what is required by the State Money Management Act in regards to custody of the Program's investments. At June 30, 2008, the Program's repurchase agreements, totaling \$1,698,847, which are invested in the United States Treasury, were uninsured and held by the counterparty.

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

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

Notes to the Financial Statements
For the Years Ended June 30, 2008 and 2007

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act. 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, 2008:

Short-Term Note Fund	\$ <u>38,856</u>
1988 Revenue Bond Fund:	
Revenue Account	\$ 14,281,997
Loan Account	69,766,957
Rebate Account	<u>33,924,341</u>
Total 1988 Revenue Bond Fund	\$ <u>117,973,295</u>
1993 Revenue Bond Fund:	
Revenue Account	\$ 37,544,968
Loan Account	147,623,483
Reserve Account	10,976,451
Rebate Account	<u>33,229,156</u>
Total 1993 Revenue Bond Fund	\$ <u>229,374,058</u>
Office Facility Bond Fund:	
Debt Service Account	\$ <u>3,303</u>
Total Office Facility Bond Fund	\$ <u>3,303</u>
Grand Total	\$ <u>347,389,512</u>

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

Notes to the Financial Statements
For the Years Ended June 30, 2008 and 2007

4. STUDENT LOANS RECEIVABLE

Student loans receivable carry variable interest rates or have fixed rates ranging from less than 1% to 11%. 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, 2008:

	<u>Short-Term Note Fund</u>	<u>1988 Revenue Bond Fund</u>	<u>1993 Revenue Bond Fund</u>	<u>Total</u>
Student and Deferment	\$ 6,269,164	\$ 155,142,436	\$ 456,225,578	\$ 617,637,178
Repayment & Forbearance	28,498,806	435,419,747	927,170,455	1,391,089,008
Unamortized Premiums	159,453	3,518,393	19,733,129	23,410,975
Unamortized Transfer Fees	16,518	289,039	1,017,893	1,323,450
Unamortized Loan Origination Fees	105,545	2,237,957	8,130,715	10,474,217
Student Loan Receivable Allowance	<u>(34,651)</u>	<u>(1,388,613)</u>	<u>(1,898,373)</u>	<u>(3,321,637)</u>
Total	<u>\$ 35,014,835</u>	<u>\$ 595,218,959</u>	<u>\$ 1,410,379,397</u>	<u>\$ 2,040,613,191</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, 2008, the Program has established an uninsured claims allowance for 98% insured loans totaling \$2,021,637. In addition, the Program has established a loan loss reserve of \$1,300,000 for estimated uninsured or uncollectible student loans.

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

Notes to the Financial Statements
For the Years Ended June 30, 2008 and 2007

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

Description:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Buildings	\$ 12,343,901	\$ 215,781		\$ 12,559,682
Furniture and equipment	312,658	87,402		400,060
Computer equipment	474,053	266,324		740,377
Capitalized software	<u>15,931</u>	<u>20,015</u>	<u> </u>	<u>35,946</u>
Totals at historical cost	<u>13,146,543</u>	<u>589,522</u>	<u> </u>	<u>13,736,065</u>
Less accumulated depreciation for:				
Buildings	(1,344,320)	(336,695)		(1,681,015)
Furniture and equipment	(108,287)	(114,545)		(222,832)
Computer equipment	(147,248)	(86,962)		(234,210)
Capitalized software	<u>(4,514)</u>	<u>(8,746)</u>	<u> </u>	<u>(13,260)</u>
Total accumulated depreciation	<u>(1,604,369)</u>	<u>(546,948)</u>	<u> </u>	<u>(2,151,317)</u>
Capital assets, net	<u>\$ 11,542,174</u>	<u>\$ 42,574</u>	<u>\$ </u>	<u>\$ 11,584,748</u>

6. BONDS PAYABLE

1988 Revenue Bond Fund – The Program has outstanding student loan revenue bonds under the authority of the General Indenture for 1988 Series C dated July 15, 1988, and Supplemental Indentures for 1994 Series K, dated September 1, 1994; for 1995 Series L, dated August 1, 1995; for 1996 Series Q dated April 1, 1996; for 1997 Series R, dated January 1, 1997; for 2000 Series T and U, dated August 1, 2000; for 2003 Series V, dated August 1, 2003; for 2005 Series W and X, dated February 1, 2005; and for 2007 Series Y, dated November 1, 2007. 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.

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

Notes to the Financial Statements
For the Years Ended June 30, 2008 and 2007

Bonds payable for the 1988 Revenue Bond Fund consisted of the following at June 30, 2008:

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
1995 Series L, Variable Rate Bonds, interest adjusted weekly, maturing November 1, 2025	79,500,000
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 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	60,000,000
2007 Series Y, Variable Rate Bonds, interest adjusted weekly, maturing November 1, 2042	<u>99,670,000</u>
Total	<u>\$ 598,905,000</u>

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

Notes to the Financial Statements
For the Years Ended June 30, 2008 and 2007

Debt service requirements to maturity on the 1988 revenue bond issue as of June 30, 2008, are summarized below:

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2009		\$ 31,480,685	\$ 31,480,685
2010	\$ 37,600,000	31,283,285	68,883,285
2011		30,296,285	30,296,285
2012		30,296,285	30,296,285
2013		30,296,285	30,296,285
2014-2018	454,130,000	60,089,534	514,219,534
2019-2023		11,502,425	11,502,425
2024-2028	20,500,000	9,160,983	29,660,983
2029-2033		8,309,550	8,309,550
2034-2038	49,500,000	3,508,298	53,008,298
2039-2043	35,000,000	728,625	35,728,625
2044-2045	<u>2,175,000</u>	<u>194,300</u>	<u>2,369,300</u>
Total	<u>\$ 598,905,000</u>	<u>\$ 247,146,540</u>	<u>\$ 846,051,540</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, 2008 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, 2005 Series W and X bonds, and 2007 Series Y 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 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.

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

Notes to the Financial Statements
For the Years Ended June 30, 2008 and 2007

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

As of June 30, 2008 there were insufficient clearing bids on all of the Program's bonds bearing interest at an adjustable rate, which is set by auction procedure every 28 or 35 days (ARCs). Interest on these bonds will be calculated at the maximum rate. In general, the Maximum Auction Rate means, for any taxable auction, a per annum interest rate on the ARCs which, when taken together with the interest rate on the ARCs for the one year period ending on the final day of the proposed auction period, would result in the average interest rate on the ARCs not being in excess of, the lesser of the 91 day United States Treasury Bill Rate plus 1.20% or LIBOR plus 1.50% for such one year period. For a tax exempt bond the Maximum Auction Rate means, for any auction, a per annum interest rate on the ARCs which, when taken together with the interest rate on the ARCs for the one year period ending on the final day of the proposed auction period, would result in the average interest rate on the ARCs not being in excess of, the lesser of the After Tax Equivalent Rate plus 175% or the Kenny Index for such one year period absent a change in the rating on the bonds. The Maximum Auction Rate for the year ended June 30, 2008 ranged between 0% and 14.56%.

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 and 1995 Series L 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 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, the amount of \$158,753,228 expiring February 11, 2024 to support the 2005 Series W and X bonds of \$151,080,000, and the amount of \$106,933,622 expiring November 29, 2012 to support the 2007 Series Y bonds of \$99,670,000.

As of June 30, 2008, the Program had drawn \$444,330,000 upon the liquidity facility to support certain bonds under the 1988 Series C; 1995 Series L; 1996 Series Q; 1997 Series R; 2005 Series W; and 2005 Series X which had not been remarketed. Under the terms of the liquidity facility, the interest on the bonds held in the liquidity facility are paid at the Bank Rate which is defined as the greater of the Federal Funds Rate plus .50% per annum, or the Prime Rate. The Bank Rate on the bonds increases by 1.25% if the bonds remain in the liquidity facility for more than 90 days. The Bank Rate for the year ended June 30, 2008

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

Notes to the Financial Statements
For the Years Ended June 30, 2008 and 2007

ranged between 5% and 6.25%. The bonds are redeemable in semi-annual installments from available funds, provided that all of the unpaid principal amount of Bank Bonds shall be redeemed by the seventh anniversary of the Bank Purchase Date.

The bonds issued under the 1988 Trust Estate are limited obligations of the Board secured by and payable solely from the Trust Estate established by the Indenture. The bonds were issued to finance eligible student loans. The Trust Estate consists of: Student loans acquired under the indenture; all proceeds of the bonds and net revenues in the funds and accounts; and any other property pledged to the Trust Estate. The Board has pledged these assets and net revenues to repay \$598,905,000 of outstanding student loan revenue bonds which are payable through 2045. The total principal and interest remaining to be paid on the bonds is discussed above. Principal and interest paid for the current year and total net revenues before interest expense were \$80,956,903 and \$33,660,302, respectively.

1993 Revenue Bond Fund – The Program has outstanding student loan revenue bonds under the authority of the General Indenture for Series 1993 A, dated August 1, 1993 and Supplemental Indentures for 1997 Series E, dated October 1, 1997; for Series 1998 G and J, dated August 1, 1998; for Series 1999 K, L, and M, dated January 1, 1999; for Series 1999 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, 2008:

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 1998 G, Class II, Variable Rate Bonds, interest adjusted each 35 day period, maturing May 1, 2033	49,500,000

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

Notes to the Financial Statements
For the Years Ended June 30, 2008 and 2007

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
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 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

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

Notes to the Financial Statements
For the Years Ended June 30, 2008 and 2007

Series 2004 Z, Class II, Variable Rate Bonds, interest adjusted each 35 day period, maturing November 1, 2038	83,100,000
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>\$ 1,556,790,000</u>

Debt service requirements to maturity on the 1993 revenue bond issue as of June 30, 2008, are summarized below:

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2009	\$ 4,890,000	\$ 31,224,825	\$ 36,114,825
2010	38,525,000	30,316,240	68,841,240
2011		29,861,332	29,861,332
2012		29,861,332	29,861,332
2013		29,861,332	29,861,332
2014-2018		149,306,659	149,306,659
2019-2023		149,306,659	149,306,659
2024-2028	115,000,000	145,330,325	260,330,325
2029-2033	89,500,000	140,778,159	230,278,159
2034-2038	315,000,000	116,393,322	431,393,322
2039-2043	458,875,000	71,642,679	530,517,679
2044-2046	<u>535,000,000</u>	<u>30,462,167</u>	<u>565,462,167</u>
Total	<u>\$ 1,556,790,000</u>	<u>\$ 954,345,031</u>	<u>\$2,511,135,031</u>

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

Notes to the Financial Statements
For the Years Ended June 30, 2008 and 2007

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, 2008 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 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.

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

The Series 1997 E 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.

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

Notes to the Financial Statements
For the Years Ended June 30, 2008 and 2007

The Program has in place an 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, 2008 the Board had not drawn any funds under the letter of credit, however the letter of credit was drawn upon subsequent to June 30, 2008 as discussed in the subsequent event footnote.

The bonds issued under the 1993 Trust Estate are limited obligations of the Board secured by and payable solely from the Trust Estate established by the Indenture. The bonds were issued to finance eligible student loans. The Trust Estate consists of student loans acquired under the indenture, all proceeds of the bonds and net revenues in the funds and accounts, and any other property pledged to the Trust Estate. The Board has pledged these assets and net revenues to repay \$1,556,790,000 of outstanding student loan revenue bonds which are payable through 2046. The total principal and interest remaining to be paid on the bonds is discussed above. Principal and interest paid for the current year and total net revenues before interest expense were \$88,735,752 and \$74,690,568 respectively.

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 dated June 1, 2004 (Series 2004). The bonds are special limited obligation bonds of the Board payable 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, 2008:

Revenue Bonds Series 2002 (Office Facility Project), Fixed Rate Bonds, 3.5% to 5.125%, maturing annually February 1, 2009 through February 1, 2022.	\$ 6,394,567
Revenue Bonds Series 2004 (Office Facility Project), Fixed Rate Bonds, 3.0% to 5.0%, maturing annually February 1, 2009 through February 1, 2024.	<u>3,130,000</u>
Total	<u>\$ 9,524,567</u>

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

Notes to the Financial Statements
For the Years Ended June 30, 2008 and 2007

Debt service requirements to maturity on the Office Facility Bond issue as of June 30, 2008 are summarized below:

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2009	\$ 465,000	\$ 457,535	\$ 922,535
2010	485,000	438,935	923,935
2011	510,000	416,085	926,085
2012	535,000	394,410	929,410
2013	555,000	367,485	922,485
2014-2018	3,210,000	1,424,382	4,634,382
2019-2023	3,450,000	548,103	3,998,103
2024	275,000	13,750	288,750
Plus Unamortized Premium	<u>39,567</u>	<u> </u>	<u>39,567</u>
Total	<u>\$ 9,524,567</u>	<u>\$ 4,060,685</u>	<u>\$ 13,585,252</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. 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.

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

Notes to the Financial Statements
For the Years Ended June 30, 2008 and 2007

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>

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.

The bonds issued under the Office Facility Bond Fund are limited obligations of the Board secured solely by a pledge of the proceeds from the sale of the bonds and the moneys and revenues in the fund and accounts held by the Trustee under the Indenture. No other money, revenue or income of the Board is pledged to the repayment of the Office Facility Bonds. The bonds were issued to finance the construction and acquisition of the Board's office facility. The Board has pledged these assets and net revenues to repay \$9,524,567 of outstanding

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

Notes to the Financial Statements
For the Years Ended June 30, 2008 and 2007

Office Facility bonds which are payable through 2024. The total principal and interest remaining to be paid on the bonds is discussed above. Principal and interest paid for the current year and total net revenues before interest expense were \$923,160 and \$679,536 respectively.

7. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the fiscal year ended June 30, 2008 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	\$ 401,803	\$ 207,418	\$ (224,794)	\$ 384,427	\$ 231,418
Bonds payable, net of premiums and discounts	2,137,697,463	99,670,000	(72,147,896)	2,165,219,567	5,357,895
Estimated interest arbitrage rebate	<u>72,487,022</u>	<u> </u>	<u>(6,542,616)</u>	<u>65,944,406</u>	<u>607,542</u>
Total long-term liabilities	<u>\$ 2,210,586,288</u>	<u>\$ 99,877,418</u>	<u>\$ (78,915,306)</u>	<u>\$ 2,231,548,400</u>	<u>\$ 6,196,855</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, 2012.

The Program performs origination and interim servicing functions for its participating lenders. In addition, the Program services internally a portion of the 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. The Program services approximately 70% of its portfolio internally and 30% with its outside service organization.

9. DESIGNATED AND RESTRICTED NET ASSETS

The Program has designated \$72,500,000 of the Short-Term Note Net Assets for specific purposes. The specific purposes for which these funds are designated and amounts applicable

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

Notes to the Financial Statements
For the Years Ended June 30, 2008 and 2007

to each are as follows: \$8,000,000 to meet future collateral requirements; \$42,000,000 for future operating and servicing expenses; and \$22,500,000 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 reimburses the University of Utah for payroll, benefits, and certain administrative expenses. The Program incurred \$6,942,668 of such expenses for the fiscal year ended June 30, 2008. Of this amount, \$296,460 was payable at June 30, 2008.

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 \$35,691,564 for the fiscal year ended June 30, 2008.

For the fiscal year ended June 30, 2008, the Program charged rental income of \$837,069 to the Board, the Student Loan Guarantee Program, and the Utah Educational Savings Plan Trust. Of this amount, \$25,465 was a receivable at June 30, 2008.

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 payments are due every fifth year during the life of each bond issue and when the bonds are retired. At June 30, 2008, the estimated liability for non-purpose interest arbitrage rebate was \$2,215,837.

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, 2008, the estimated liability for yield reduction payments was \$63,728,569.

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

Notes to the Financial Statements
For the Years Ended June 30, 2008 and 2007

12. COMMITMENTS

The Program has entered into forward purchase agreements with twenty-four eligible student loan lenders. The agreements have expiration dates ranging from June 30, 2008 to June 30, 2011. 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, 2008, the Program purchased \$452,313,812 of FFELP loans. As of June 30, 2008, outstanding student loan principal subject to the forward purchase agreements is approximately \$280,915,000.

As part of its current borrower benefit package, the Program, upon acquisition of a loan, provides a reduction in the borrower's outstanding loan balance equal to the origination fee deducted from the borrower's loan proceeds. This benefit is applicable for Federal Family Education Loan Program loans guaranteed by the Utah Higher Education Assistance Authority between May 1, 2000 and June 30, 2007. For the fiscal year ended June 30, 2008, the Program provided benefits totaling \$2,448,027 to reduce the borrowers' outstanding loan balances. As of June 30, 2008, the estimated commitment to provide this borrower benefit is approximately \$8,436,000.

13. STUDENT FINANCIAL ASSISTANCE

The Program has administrative responsibility for certain need based grant and scholarship programs. During the fiscal year ended June 30, 2008, the Program received \$11,457,216 in appropriations from the State of Utah and distributed financial aid in the form of grants and scholarships totaling \$11,820,815.

14. 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.

15. SUBSEQUENT EVENT

Subsequent to June 30, 2008, the Program has drawn \$35,372,616 on the liquidity facility to support certain bonds under the Series 1993 A which had not been remarketed. Under the terms of the liquidity facility, interest on the bonds held in the liquidity facility is paid at the Bank Rate, which is defined as the Base Rate plus .50%. The Base Rate is the greater of the

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

Notes to the Financial Statements
For the Years Ended June 30, 2008 and 2007

Federal Funds Rate plus .50% per annum, or the Prime Rate. The Bank Rate on the bonds increases by .85% if the bonds remain in the liquidity facility for more than 90 days. The current Bank Rate for the Series 1993 A bonds is 5.0%. The bonds are redeemable in installments pursuant to the Term Out agreement defined in the Letter of Credit Agreement for the Series 1993 A Bonds.

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, 2008

	Short-Term Note Fund	1988 Revenue Bond Fund	1993 Revenue Bond Fund	Office Facility Bond Fund	Total
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 26,892,340	\$ 3,032,930	\$ 10,254,188	\$ 401,352	\$ 40,580,810
Funds held by Trustee	38,856	84,048,954	185,168,451	3,303	269,259,564
Receivables					
Student loans receivable	1,474,165	19,722,531	44,963,748		66,160,444
Interest receivable - student loans	301,913	6,248,347	24,616,888		31,167,148
Special allowance payments	98,481	1,230,287	748,817		2,077,585
Interest receivable - investments		2,150	6,576		8,726
Other receivables	306,529		82,410	25,465	414,404
Due from/(to) related funds	(23,416)	829,536	(805,346)	(774)	-
Prepaid expenses	1,688	642,396	227,973	2,500	874,557
Deferred federal default fee	2,346,104				2,346,104
Deferred bond issuance costs		268,800	311,322	11,364	591,486
Total Current Assets	31,436,660	116,025,931	265,575,027	443,210	413,480,828
Noncurrent Assets					
Funds held by Trustee		33,924,341	44,205,607		78,129,948
Student loans receivable	33,540,670	575,496,428	1,365,415,649		1,974,452,747
Deferred federal default fee	8,356,169				8,356,169
Deferred bond issuance costs, less accumulated amortization of \$3,602,589		3,782,122	8,961,662	121,840	12,865,624
Capital assets, less accumulated depreciation of \$2,151,317	12,774	159,121	534,185	10,878,668	11,584,748
Total Noncurrent Assets	41,909,613	613,362,012	1,419,117,103	11,000,508	2,085,389,236
TOTAL ASSETS	73,346,273	729,387,943	1,684,692,130	11,443,718	2,498,870,064
LIABILITIES					
Current Liabilities					
Accounts payable	36,634	849,481	1,398,205	11,099	2,295,419
Payable to affiliate	4,592	82,595	280,293		367,480
Compensated absences	8,087	85,335	137,996		231,418
Other liabilities	456,857				456,857
Accrued interest payable		4,009,289	3,972,502	190,640	8,172,431
Bonds payable			4,890,000	467,895	5,357,895
Estimated interest arbitrage rebate			607,542		607,542
Total Current Liabilities	506,170	5,026,700	11,286,538	669,634	17,489,042
Noncurrent Liabilities					
Compensated absences	5,347	56,422	91,240		153,009
Bonds payable, net of unamortized premiums of \$39,567		598,905,000	1,551,900,000	9,056,672	2,159,861,672
Estimated interest arbitrage rebate		35,087,772	30,249,092		65,336,864
Total Noncurrent Liabilities	5,347	634,049,194	1,582,240,332	9,056,672	2,225,351,545
TOTAL LIABILITIES	511,517	639,075,894	1,593,526,870	9,726,306	2,242,840,587
NET ASSETS					
Invested in capital assets, net of related debt	12,774	159,121	534,185	1,354,101	2,060,181
Restricted		90,152,928	90,631,075	363,311	181,147,314
Unrestricted	72,821,982				72,821,982
TOTAL NET ASSETS	\$ 72,834,756	\$ 90,312,049	\$ 91,165,260	\$ 1,717,412	\$ 256,029,477

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, 2008

	Short-Term Note Fund	1988 Revenue Bond Fund	1993 Revenue Bond Fund	Office Facility Bond Fund	Total
OPERATING REVENUES					
Interest on student loans	\$ 1,166,378	\$ 16,776,266	\$ 60,151,114		\$ 78,093,758
Special allowance	723,437	12,038,634	15,165,135		27,927,206
Investment income	1,240,903	7,627,707	14,102,895	\$ 10,272	22,981,777
Lender Services revenue	3,923	84,351	328,667		416,941
Billings for internal services	21,426	298,863	1,135,883		1,456,172
Rental revenue				1,534,732	1,534,732
Total operating revenues	3,156,067	36,825,821	90,883,694	1,545,004	132,410,586
OPERATING EXPENSES					
Interest expense		27,960,983	69,715,216	478,035	98,154,234
Bond related expense	2,250	1,945,316	2,835,899	3,000	4,786,465
Student loan servicing expense	173,240	2,124,983	6,510,998		8,809,221
General and administrative expense	41,285	562,956	2,189,395	525,773	3,319,409
Operations expense	124,187	791,082	3,065,630		3,980,899
Depreciation expense	4,352	50,292	155,609	336,695	546,948
Student loan principal reductions	439	556,061	3,923,517		4,480,017
Financial Assistance administrative expense	6,504	90,197	346,327		443,028
Financial Assistance grants	720,000				720,000
Federal default fee	2,182,594				2,182,594
Provision for interest arbitrage		(3,076,476)	(3,257,291)		(6,333,767)
Uninsured claims expense	6,277	121,108	423,042		550,427
Total operating expenses	3,261,128	31,126,502	85,908,342	1,343,503	121,639,475
OPERATING INCOME	(105,061)	5,699,319	4,975,352	201,501	10,771,111
NONOPERATING REVENUES (EXPENSES)					
State Financial Assistance appropriations	11,457,216				11,457,216
State Financial Assistance distributions	(11,820,815)				(11,820,815)
Total nonoperating revenues (expenses)	(363,599)	-	-	-	(363,599)
Transfers – Intrafund	(275,000)			275,000	-
CHANGES IN NET ASSETS	(743,660)	5,699,319	4,975,352	476,501	10,407,512
NET ASSETS – Beginning of Year	73,578,416	84,612,730	86,189,908	1,240,911	245,621,965
NET ASSETS – End of Year	\$ 72,834,756	\$ 90,312,049	\$ 91,165,260	\$ 1,717,412	\$ 256,029,477

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

Combining Statement of Cash Flows
For the Year Ended June 30, 2008

	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	\$ 6,641,093	\$ 51,423,821	\$ 171,436,241		\$ 229,501,155
Interest received on student loans	838,735	11,479,618	45,366,377		57,684,730
Special allowance payments received	919,618	15,140,086	20,758,845		36,818,549
Student loan disbursements received from lenders	347,664,299				347,664,299
Student loan disbursements sent to schools	(347,647,977)				(347,647,977)
Payments received for lenders	30,534,831				30,534,831
Payments sent to lenders	(33,320,550)				(33,320,550)
Appropriations received for Financial Assistance	11,457,216				11,457,216
Financial Assistance distributions	(12,540,815)				(12,540,815)
Payments received for Lender Services	10,455	84,351	328,667		423,473
Payments received for internal services	(33,909)	298,863	1,135,883		1,400,837
Payments for loan purchases		(113,086,887)	(339,226,925)		(452,313,812)
Payments for loan consolidations	(676)	(4,326,378)	(30,960,932)		(35,287,986)
Payments for loan servicing	(119,096)	(1,864,043)	(5,627,616)		(7,610,755)
Payments for general and administrative expenses	(106,917)	(889,354)	(2,894,441)	\$ (530,767)	(4,421,479)
Payments for Computer Services expense	(12,064)	(166,166)	(637,780)		(816,010)
Payments for Operations expense	(119,937)	(728,718)	(2,881,787)		(3,730,442)
Payments for interest arbitrage			(208,847)		(208,847)
Payments received for rental revenue				1,509,267	1,509,267
Cash provided by (used in) operating activities	<u>4,164,306</u>	<u>(42,634,807)</u>	<u>(143,412,315)</u>	<u>978,500</u>	<u>(180,904,316)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers - Intrafund	(275,000)			275,000	-
Proceeds from issuance of bonds		99,670,000			99,670,000
Principal paid on bonds		(54,000,000)	(17,700,000)	(445,000)	(72,145,000)
Interest paid on bonds		(26,956,903)	(71,035,752)	(478,160)	(98,470,815)
Payments for bond related expense	(2,250)	(1,780,220)	(2,825,680)	(3,000)	(4,611,150)
Payments for bond issuance costs		(1,184,015)	2,045		(1,181,970)
Cash provided by (used in) noncapital financing activities	<u>(277,250)</u>	<u>15,748,862</u>	<u>(91,559,387)</u>	<u>(651,160)</u>	<u>(76,738,935)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(4,910)	(65,983)	(260,259)	(215,781)	(546,933)
Cash used in capital and related financing activities	<u>(4,910)</u>	<u>(65,983)</u>	<u>(260,259)</u>	<u>(215,781)</u>	<u>(546,933)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from maturing investments	79,008	250,357,151	492,436,146	923,160	743,795,465
Interest received on investments	1,242,209	7,629,590	14,102,018	10,273	22,984,090
Purchases of investments	(105,053)	(232,244,172)	(277,417,058)	(923,736)	(510,690,019)
Cash provided by investing activities	<u>1,216,164</u>	<u>25,742,569</u>	<u>229,121,106</u>	<u>9,697</u>	<u>256,089,536</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,098,310	(1,209,359)	(6,110,855)	121,256	(2,100,648)
CASH AND CASH EQUIVALENTS— Beginning of Year	21,794,030	4,242,289	16,365,043	280,096	42,681,458
CASH AND CASH EQUIVALENTS— End of Year	<u>\$ 26,892,340</u>	<u>\$ 3,032,930</u>	<u>\$ 10,254,188</u>	<u>\$ 401,352</u>	<u>\$ 40,580,810</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, 2008

(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 (loss)	\$ (105,061)	\$ 5,699,319	\$ 4,975,352	\$ 201,501	\$ 10,771,111
Adjustments to reconcile income to net cash provided by operating activities					
Amortization and depreciation	4,352	345,048	488,357	345,165	1,182,922
Interest expense for noncapital and capital financing		27,666,227	69,382,468	469,566	97,518,261
Interest revenue from nonoperating investing activities	(1,240,903)	(7,627,707)	(14,102,895)	(10,272)	(22,981,777)
Bond related expense	2,250	1,945,316	2,835,899	3,000	4,786,465
State Financial Assistance appropriations	11,457,216				11,457,216
State Financial Assistance distributions	(11,820,815)				(11,820,815)
Change in assets/liabilities:					
Student loans receivable	3,481,175	(68,526,464)	(201,269,560)		(266,314,849)
Borrower interest receivable	96,596	(1,415,094)	(8,102,692)		(9,421,190)
Special allowance receivable	196,181	3,101,452	5,593,707		8,891,340
Other receivables	(48,802)		(22,626)	(25,465)	(96,893)
Prepaid expenses		(22,328)	(45,270)		(67,598)
Federal default fee	2,182,594				2,182,594
Accounts payable and payable to affiliate and arbitrage	(40,477)	(3,800,576)	(3,145,055)	(4,995)	(6,991,103)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 4,164,306	\$ (42,634,807)	\$ (143,412,315)	\$ 978,500	\$ (180,904,316)

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM
Combining Statement of Net Assets
June 30, 2007

	Short-Term Note Fund	1988 Revenue Bond Fund	1993 Revenue Bond Fund	Office Facility Bond Fund	Total
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 21,794,030	\$ 4,242,289	\$ 16,365,043	\$ 280,096	\$ 42,681,458
Funds held by Trustee	12,013	102,658,515	400,879,777	2,728	503,553,033
Receivables					
Student loans receivable	1,806,852	23,019,177	47,987,727		72,813,756
Interest receivable - student loans	398,509	4,833,253	16,514,196		21,745,958
Special allowance payments	294,662	4,331,739	6,342,524		10,968,925
Interest receivable - investments		5,585	6,577		12,162
Other receivables	257,727		59,784		317,511
Due from/(to) related funds	(97,561)	248,411	(150,099)	(751)	-
Prepaid expenses	1,688	684,225	185,521	2,500	873,934
Deferred federal default fee	2,182,594				2,182,594
Deferred bond issuance costs		274,974	332,748	11,364	619,086
Total Current Assets	26,650,514	140,298,168	488,523,798	295,937	655,768,417
Noncurrent Assets					
Funds held by Trustee		33,428,571	43,518,218		76,946,789
Student loans receivable	36,689,158	503,673,318	1,161,122,110		1,701,484,586
Deferred federal default fee	10,702,273				10,702,273
Deferred bond issuance costs, less accumulated amortization of \$3,662,290		2,886,689	9,272,538	133,204	12,292,431
Capital assets, less accumulated depreciation of \$1,604,369	11,688	133,899	397,005	10,999,582	11,542,174
Total Noncurrent Assets	47,403,119	540,122,477	1,214,309,871	11,132,786	1,812,968,253
TOTAL ASSETS	74,053,633	680,420,645	1,702,833,669	11,428,723	2,468,736,670
LIABILITIES					
Current Liabilities					
Accounts payable	48,411	909,519	1,774,516	16,117	2,748,563
Payable to affiliate	4,513	53,808	187,981		246,302
Compensated absences	7,778	82,297	134,719		224,794
Other liabilities	408,571				408,571
Accrued interest payable		3,299,965	5,625,786	199,233	9,124,984
Bonds payable		54,000,000	17,700,000	447,895	72,147,895
Estimated interest arbitrage rebate			160,537		160,537
Total Current Liabilities	469,273	58,345,589	25,583,539	663,245	85,061,646
Noncurrent Liabilities					
Compensated absences	5,944	63,078	107,987		177,009
Bonds payable, net of unamortized premiums of \$42,462		499,235,000	1,556,790,000	9,524,567	2,065,549,567
Estimated interest arbitrage rebate		38,164,248	34,162,235		72,326,483
Total Noncurrent Liabilities	5,944	537,462,326	1,591,060,222	9,524,567	2,138,053,059
TOTAL LIABILITIES	475,217	595,807,915	1,616,643,761	10,187,812	2,223,114,705
NET ASSETS					
Invested in capital assets, net of related debt	11,688	133,899	397,005	1,027,119	1,569,711
Restricted		84,478,831	85,792,903	213,792	170,485,526
Unrestricted	73,566,728				73,566,728
TOTAL NET ASSETS	\$ 73,578,416	\$ 84,612,730	\$ 86,189,908	\$ 1,240,911	\$ 245,621,965

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, 2007

	Short-Term Note Fund	1988 Revenue Bond Fund	1993 Revenue Bond Fund	Office Facility Bond Fund	Total
OPERATING REVENUES					
Interest on student loans	\$ 1,390,104	\$ 16,871,376	\$ 49,565,923		\$ 67,827,403
Special allowance	1,378,865	18,377,489	26,212,079		45,968,433
Investment income	1,215,137	6,225,482	25,751,785	\$ 15,261	33,207,665
Lender Services revenue	9,583	110,458	332,798		452,839
Billings for internal services	26,302	303,264	926,362		1,255,928
Rental revenue				1,415,889	1,415,889
Total operating revenues	4,019,991	41,888,069	102,788,947	1,431,150	150,128,157
OPERATING EXPENSES					
Interest expense		22,571,821	74,661,305	496,298	97,729,424
Bond related expense	2,250	2,186,076	2,873,974	1,750	5,064,050
Student loan servicing expense	235,720	2,413,688	6,269,860		8,919,268
General and administrative expense	149,588	677,983	2,005,345	476,622	3,309,538
Operations expense	102,597	883,556	2,691,696		3,677,849
Depreciation expense	3,115	33,967	102,651	331,250	470,983
Student loan principal reductions	(184)	143,180	7,156,616		7,299,612
Financial Assistance administrative expense	8,431	96,894	294,860		400,185
Financial Assistance grants	1,156,000				1,156,000
Federal default fee	1,948,767				1,948,767
Provision for interest arbitrage rebate		3,800,189	1,116,455		4,916,644
Uninsured claims expense	(3,503)	10,002	112,743		119,242
Total operating expenses	3,602,781	32,817,356	97,285,505	1,305,920	135,011,562
OPERATING INCOME	417,210	9,070,713	5,503,442	125,230	15,116,595
NONOPERATING REVENUES (EXPENSES)					
State Financial Assistance appropriations	9,137,745				9,137,745
State Financial Assistance distributions	(9,006,152)				(9,006,152)
Total nonoperating revenues (expenses)	131,593	-	-	-	131,593
Transfers – Interfund transfer from State Board of Regents	745,479				745,479
Transfers – Intrafund	(500,000)			500,000	-
CHANGES IN NET ASSETS	794,282	9,070,713	5,503,442	625,230	15,993,667
NET ASSETS – Beginning of Year	72,784,134	75,542,017	80,686,466	615,681	229,628,298
NET ASSETS – End of Year	\$ 73,578,416	\$ 84,612,730	\$ 86,189,908	\$ 1,240,911	\$ 245,621,965

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

Combining Statement of Cash Flows

For the Year Ended June 30, 2007

	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	\$ 7,430,589	\$ 85,653,627	\$ 337,419,986		\$ 430,504,202
Interest received on student loans	1,076,345	11,814,553	37,203,017		50,093,915
Special allowance payments received	1,636,524	19,663,423	28,115,009		49,414,956
Student loan disbursements received from lenders	322,165,983				322,165,983
Student loan disbursements sent to schools	(322,158,787)				(322,158,787)
Payments received for lenders	37,233,237				37,233,237
Payments sent to lenders	(37,458,153)				(37,458,153)
Appropriations received for Financial Assistance	9,137,745				9,137,745
Financial Assistance distributions	(10,162,152)				(10,162,152)
Payments received for Lender Services	(39,096)	110,014	331,427		402,345
Payments received for internal services	56,069	303,116	876,905		1,236,090
Payments for loan purchases		(2,996,728)	(276,461,555)		(279,458,283)
Payments for loan consolidations	(13,191)	(67,759,806)	(97,447,966)		(165,220,963)
Payments for loan servicing	(148,803)	(2,052,589)	(5,316,393)		(7,517,785)
Payments for general and administrative expenses	(150,213)	(1,066,314)	(2,631,110)	\$ (555,302)	(4,402,939)
Payments received for federal default fee	1,903				1,903
Payments for Computer Services expense	(20,120)	(198,176)	(710,260)		(928,556)
Payments for Operations expense	(160,763)	(818,093)	(2,497,130)		(3,475,986)
Payments for interest arbitrage		(43,296)	(231,685)		(274,981)
Payments received for rental revenue				1,415,889	1,415,889
Cash provided by operating activities	8,427,117	42,609,731	18,650,245	860,587	70,547,680
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Proceeds from issuance of bonds					
Principal paid on bonds				(430,000)	(430,000)
Interest paid on bonds		(22,126,319)	(73,667,417)	(494,734)	(96,288,470)
Payments for bond related expense	(2,250)	(2,567,381)	(2,859,537)	(3,000)	(5,432,168)
Payments for bond issuance costs			(322,903)		(322,903)
Transfer in from State Board of Regents	743,556				743,556
Cash provided by (used in) noncapital financing activities	741,306	(24,693,700)	(76,849,857)	(927,734)	(101,729,985)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(14,438)	(165,433)	(488,135)	(379,490)	(1,047,496)
Cash used in capital and related financing activities	(14,438)	(165,433)	(488,135)	(379,490)	(1,047,496)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from maturing investments	272,337	111,741,385	488,977,451	1,211,124	602,202,297
Interest received on investments	1,215,086	6,036,485	24,844,021	15,261	32,110,853
Purchases of investments	(74,845)	(137,315,036)	(460,823,300)	(927,164)	(599,140,345)
Cash provided by (used in) investing activities	1,412,578	(19,537,166)	52,998,172	299,221	35,172,805
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
	10,566,563	(1,786,568)	(5,689,575)	(147,416)	2,943,004
CASH AND CASH EQUIVALENTS – Beginning of Year	11,227,467	6,028,857	22,054,618	427,512	39,738,454
CASH AND CASH EQUIVALENTS – End of Year	\$ 21,794,030	\$ 4,242,289	\$ 16,365,043	\$ 280,096	\$ 42,681,458

(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, 2007

(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	\$ 417,210	\$ 9,070,713	\$ 5,503,442	\$ 125,230	\$ 15,116,595
Adjustments to reconcile income to net cash provided by operating activities					
Amortization and depreciation	3,115	321,205	443,878	339,715	1,107,913
Interest expense for noncapital and capital financing		21,997,345	73,978,851	487,829	96,464,025
Interest revenue from nonoperating investing activities	(1,215,137)	(6,225,482)	(25,751,785)	(15,261)	(33,207,665)
Bond related expense	2,250	2,186,076	2,873,974	1,750	5,064,050
State Financial Assistance appropriations	9,137,745				9,137,745
State Financial Assistance distributions	(9,006,152)				(9,006,152)
Change in assets/liabilities:					
Student loans receivable	6,757,431	10,297,085	(38,477,395)		(21,422,879)
Borrower interest receivable	47,595	66,147	(2,863,455)		(2,749,713)
Special allowance receivable	257,659	1,285,934	1,902,931		3,446,524
Other receivables	(23,118)		(12,561)		(35,679)
Prepaid expenses		(5,846)	557		(5,289)
Federal default fee	1,948,766				1,948,766
Accounts payable and payable to affiliate and arbitrage	99,753	3,616,554	1,051,808	(78,676)	4,689,439
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 8,427,117	\$ 42,609,731	\$ 18,650,245	\$ 860,587	\$ 70,547,680