



**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 Year Ended June 30, 2009

Report No. 09-17

*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 Year Ended June 30, 2009

Report No. 09-17

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM
AN ENTERPRISE FUND OF THE STATE OF UTAH
FOR THE YEAR ENDED JUNE 30, 2009

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| INDEPENDENT STATE AUDITOR'S REPORT | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3 |
| FINANCIAL STATEMENTS: | |
| Statement of Net Assets | 11 |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets | 12 |
| Statement of Cash Flows | 13 |
| Notes to Financial Statements | 15 |
| SUPPLEMENTAL SCHEDULES | 40 |



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 year ended June 30, 2009, 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 audit. The prior year partial comparative information has been derived from the Program's 2008 financial statements, and in our report dated October 27, 2008, we expressed an unqualified opinion on the basic financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Program and do not purport to, and do not, present fairly the financial position of the State of Utah as of June 30, 2009, and the changes in its financial position and cash flows for the year 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, 2009, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2009 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the Program's financial statements. The accompanying supplemental schedules on pages 41 through 44 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 audit of the financial statements and, in our opinion, based on our audit, 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 10 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.



Auston G. Johnson, CPA
Utah State Auditor
October 28, 2009

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, 2009 with selected comparative information for the year ended June 30, 2008. 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, 2009, with assets totaling \$2.9 billion and total liabilities of \$2.6 billion. Net assets, which represent the residual interest in the Program's assets after liabilities are deducted, decreased by \$7.2 million to \$248.8 million at June 30, 2009.

The Program purchased or originated student loans totaling \$576 million during the year ended June 30, 2009.

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
- 2008 Revenue Bond Fund
- Office Facility Bond Fund

STATE BOARD OF REGENTS OF THE STATE OF UTAH

STUDENT LOAN PURCHASE PROGRAM

Management's Discussion and Analysis

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

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

The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents information showing how the Program's net assets changed during the fiscal years ended June 30, 2009 and 2008.

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 on student loans and investment income. Significant Program expenses include: Interest expense; bond related fees; special allowance on student loans; 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, 2009 and 2008 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, 2009 and 2008 is shown below:

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

Management's Discussion and Analysis

| | <u>2009</u> | <u>2008</u> |
|--|-----------------------|-----------------------|
| Assets | | |
| Cash and funds held by Trustee and Custodian | \$ 349,215,929 | \$ 387,970,322 |
| Student loans receivable | 2,395,482,141 | 2,040,613,191 |
| Interest and special allowance receivable | 37,170,972 | 33,244,733 |
| Other receivables | 762,813 | 423,130 |
| Prepaid and deferred expenses | 62,860,543 | 25,033,940 |
| Capital assets | 11,076,939 | 11,584,748 |
| Total Assets | <u>2,856,569,337</u> | <u>2,498,870,064</u> |
| Liabilities | | |
| Accounts payable and accrued expenses | 4,055,533 | 3,504,183 |
| Special allowance | 9,005,542 | - |
| Participation line of credit | 297,381,324 | - |
| Accrued interest payable | 4,211,864 | 8,172,431 |
| Bonds payable - Current | 268,112,895 | 5,357,895 |
| Bonds payable - Noncurrent | 1,967,245,777 | 2,159,861,672 |
| Estimated interest arbitrage rebate - Current | 44,492 | 607,542 |
| Estimated interest arbitrage rebate - Noncurrent | 57,738,118 | 65,336,864 |
| Total Liabilities | <u>2,607,795,545</u> | <u>2,242,840,587</u> |
| Net Assets | | |
| Invested in capital assets, net of related debt | 2,020,267 | 2,060,181 |
| Restricted | 176,962,189 | 181,147,314 |
| Unrestricted | 69,791,336 | 72,821,982 |
| Total Net Assets | <u>\$ 248,773,792</u> | <u>\$ 256,029,477</u> |

Financial Analysis

Total Assets – Total assets as of June 30, 2009 were \$2.86 billion; an increase of \$357.7 million (14.3%) compared to June 30, 2008. The increase was due to a \$354.9 million (17.4%) increase in student loans receivable. The Program purchased or originated \$576 million in student loans during the year ended June 30, 2009, an increase of \$88.4 million (18.1%) over the prior year.

Total Liabilities – Total liabilities increased \$365 million (16.3%) compared to June 30, 2008. The largest increase was due to the participation line of credit in the amount of \$297.4 million. The participation line of credit is payable to the U.S. Department of Education for purchasing 100% participation interest in qualifying student loans under the Loan Participation Purchase Program. Bonds payable increased \$70 million (3.2%) in fiscal year 2009 from \$2.17 billion in fiscal year 2008 to \$2.24 billion. The Program issued \$191.5 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

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM
Management's Discussion and Analysis

loans. The Program also paid \$121.4 million in principal on student loan revenue bonds during the fiscal year.

Net Assets – Net assets of the Program decreased \$7.2 million (2.8%) during the year ended June 30, 2009 to \$248.8 million from a beginning balance of \$256 million. The reduction of Net Assets is the result of reduced yield on student loans, coupled with increased borrowing costs. 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 Fund Net Assets

The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents the Program's results of operations and are summarized below for the years ended June 30, 2009 and 2008.

| | <u>2009</u> | <u>2008</u> |
|---|-----------------------|-----------------------|
| Operating Revenues | | |
| Interest and special allowance on student loans | \$ 77,159,532 | \$ 106,020,964 |
| Investment income | 6,994,487 | 22,981,777 |
| Other revenue | 4,431,707 | 3,407,845 |
| Total operating revenues | <u>88,585,726</u> | <u>132,410,586</u> |
| Operating Expenses | | |
| Interest expense | 62,838,620 | 98,154,234 |
| Bond related expense | 4,982,341 | 4,786,465 |
| Special allowance | 10,423,323 | - |
| Student loan servicing expense | 9,243,770 | 8,809,221 |
| Administrative and operating expense | 10,792,238 | 8,840,711 |
| Financial Assistance grants | 540,000 | 720,000 |
| Federal default fee | 2,346,643 | 2,182,594 |
| Student loan principal reductions | 2,089,314 | 4,480,017 |
| Provision for interest arbitrage rebate | (7,554,254) | (6,333,767) |
| Total operating expenses | <u>95,701,995</u> | <u>121,639,475</u> |
| Operating income (loss) | <u>(7,116,269)</u> | <u>10,771,111</u> |
| Nonoperating Revenues (Expenses) | | |
| State Financial Assistance appropriations | 10,932,200 | 11,457,216 |
| State Financial Assistance distributions | (11,071,616) | (11,820,815) |
| Total nonoperating revenues (expenses) | <u>(139,416)</u> | <u>(363,599)</u> |
| Changes in Net Assets | <u>(7,255,685)</u> | <u>10,407,512</u> |
| Net Assets – Beginning of Year | <u>256,029,477</u> | <u>245,621,965</u> |
| Net Assets – End of Year | <u>\$ 248,773,792</u> | <u>\$ 256,029,477</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 \$88.6 million in total operating revenues during the year ended June 30, 2009; a decrease of \$43.8 million (33.1%) over the previous fiscal year. The largest component of the decrease was a reduction in revenue from special allowance on student loans, which decreased from \$27.9 million in revenue from the prior fiscal year to \$10.4 million in expense in fiscal year 2009. This decrease was 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%. Another factor in the reduced revenue was the decline of investment income by \$16 million (69.6%) from the prior fiscal year. This decrease was due to the reduction of cash and funds held by Trustee and a decrease in short term interest rates.

Total Operating Expenses – The Program's total operating expenses for the fiscal year ended June 30, 2009 decreased \$25.9 million (21.3%) from the prior fiscal year. The largest component of the decrease was a reduction in the amount of interest expense from \$98.2 million in fiscal year 2008 to \$62.8 million in fiscal year 2009, a decrease of \$35.3 million (36%). The decrease was due to a reduction in the average interest rates for both taxable and tax exempt bonds. The average taxable bond rate declined from 4.40% in fiscal year 2008 to 2.24% in fiscal year 2009 and the average tax exempt bond rate declined from 4.73% to 3.39% for the same period.

Total Operating Loss – The Program's operating loss was \$7.1 million during the year ended June 30, 2009. Net interest margins (a ratio of investment and student loan interest income to bond interest expense) increased in fiscal year 2009 to 133.92% compared to 131.43% during fiscal year 2008. The Program had a negative return on Net Assets of 2.82% in fiscal year 2009 compared to a positive return of 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 2009, the Program received \$10,932,200 in appropriations from the State of Utah and distributed financial aid in the form of grants and scholarships totaling \$11,071,616.

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 increased \$18.5 million. The Program experienced a cash outflow of \$339.4 million from operating activities; a cash inflow from noncapital financing activities of \$293.7 million; a cash outflow from capital and related financing activities of \$65,000; and a cash inflow of \$64.3 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 implemented two programs to assist lenders in obtaining financing for student loans during the 2009-2010 academic year. 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 Commitment 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.

STATE BOARD OF REGENTS OF THE STATE OF UTAH

STUDENT LOAN PURCHASE PROGRAM

Management's Discussion and Analysis

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 Program anticipates it will participate in the Loan Participation Purchase Commitment Program during the 2010 fiscal year until it terminates on June 30, 2010.

The Loan Purchase Commitment Program

Under the Loan Purchase Commitment 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.

On September 23, 2009, the Program sold eligible student loans to ED with a principal and accrued interest balance of \$429,596,475, under the Loan Purchase Commitment Program as authorized by the "Ensuring Continued Access to Student Loans Act of 2008" (Pub. L. No. 110-227). At the date of sale, the ownership and servicing of the loans transfers to ED.

On September 17, 2009, the House of Representatives passed H.R. 3221 the Student Aid and Fiscal Responsibility Act which terminates the authority of FFEL lenders to make or insure new loans after June 30, 2010. Subsequent to this date the legislation directs ED to originate all federally guaranteed student loans from the United States Treasury. Similar legislation is currently under consideration in the United States Senate. If passed, legislation from the Senate would need to be reconciled with H.R. 3221 before it would be enacted. The outcome of the legislation is unknown at this time.

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, 2009, the Program had drawn \$334,600,000 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

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

Management's Discussion and Analysis

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, 2009 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 Accounting, 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, 2009

| | <u>2009</u> | <u>For Comparison Only 2008</u> |
|--|------------------------------|---|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents (Note 2) | \$ 59,046,293 | \$ 40,580,810 |
| Funds held by Trustee (Notes 2 and 3) | 204,200,197 | 269,259,564 |
| Funds held by Custodian (Note 6) | 1,161,260 | - |
| Receivables | | |
| Student loans receivable (Notes 4 and 6) | 458,636,477 | 66,160,444 |
| Interest receivable - student loans (Notes 4 and 6) | 37,170,972 | 31,167,148 |
| Special allowance (Note 1) | - | 2,077,585 |
| Interest receivable - investments | 6,576 | 8,726 |
| Other receivables | 756,237 | 414,404 |
| Prepaid expenses | 1,733,753 | 874,557 |
| Student loan fees (Note 1) | 7,802,117 | 7,001,267 |
| Deferred federal default fee (Note 1) | 2,104,674 | 2,346,104 |
| Deferred bond issuance costs (Note 7) | 570,954 | 591,486 |
| Total Current Assets | <u>773,189,510</u> | <u>420,482,095</u> |
| Noncurrent Assets | | |
| Funds held by Trustee (Notes 2 and 3) | 84,808,179 | 78,129,948 |
| Student loans receivable (Notes 4 and 6) | 1,936,845,664 | 1,939,244,104 |
| Student loan fees (Note 1) | 30,836,260 | 28,207,376 |
| Deferred federal default fee (Note 1) | 6,250,956 | 8,356,169 |
| Deferred bond issuance costs, less accumulated amortization of \$4,179,007 (Note 7) | 13,561,829 | 12,865,624 |
| Capital assets, less accumulated depreciation of \$2,513,631 (Note 5) | 11,076,939 | 11,584,748 |
| Total Noncurrent Assets | <u>2,083,379,827</u> | <u>2,078,387,969</u> |
| TOTAL ASSETS | <u>2,856,569,337</u> | <u>2,498,870,064</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable | 2,694,276 | 2,295,419 |
| Special allowance (Note 1) | 9,005,542 | - |
| Payable to affiliate (Note 11) | 628,332 | 367,480 |
| Compensated absences (Note 8) | 268,279 | 231,418 |
| Other liabilities | 268,619 | 456,857 |
| Participation line of credit (Note 6) | 297,381,324 | - |
| Accrued interest payable (Note 7) | 4,211,864 | 8,172,431 |
| Bonds payable (Notes 7 and 8) | 268,112,895 | 5,357,895 |
| Estimated interest arbitrage rebate (Notes 8 and 12) | 44,492 | 607,542 |
| Total Current Liabilities | <u>582,615,623</u> | <u>17,489,042</u> |
| Noncurrent Liabilities | | |
| Compensated absences (Note 8) | 196,027 | 153,009 |
| Bonds payable, net of unamortized premiums of \$36,672 (Notes 7 and 8) | 1,967,245,777 | 2,159,861,672 |
| Estimated interest arbitrage rebate (Notes 8 and 12) | 57,738,118 | 65,336,864 |
| Total Noncurrent Liabilities | <u>2,025,179,922</u> | <u>2,225,351,545</u> |
| TOTAL LIABILITIES | <u>2,607,795,545</u> | <u>2,242,840,587</u> |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 2,020,267 | 2,060,181 |
| Restricted | 176,962,189 | 181,147,314 |
| Unrestricted (Note 10) | 69,791,336 | 72,821,982 |
| TOTAL NET ASSETS | <u>\$ 248,773,792</u> | <u>\$ 256,029,477</u> |

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 Year Ended June 30, 2009

| | 2009 | For Comparison Only 2008 |
|---|----------------|---|
| OPERATING REVENUES | | |
| Interest on student loans (Notes 4 and 6) | \$ 77,159,532 | \$ 78,093,758 |
| Special allowance (Note 1) | - | 27,927,206 |
| Investment income (Notes 2 and 3) | 6,994,487 | 22,981,777 |
| Lender Services revenue | 504,776 | 416,941 |
| Billings for internal services | 2,304,576 | 1,456,172 |
| Rental revenue (Note 11) | 1,622,355 | 1,534,732 |
| Total operating revenues | 88,585,726 | 132,410,586 |
| OPERATING EXPENSES | | |
| Interest expense (Note 7) | 62,838,620 | 98,154,234 |
| Participation yield (Note 6) | 695,319 | - |
| Bond related expense (Note 7) | 4,982,341 | 4,786,465 |
| Special allowance (Note 1) | 10,423,323 | - |
| Student loan servicing expense (Note 9) | 9,243,770 | 8,809,221 |
| General and administrative expense (Note 11) | 4,350,410 | 3,319,409 |
| Operations expense (Note 11) | 3,815,667 | 3,980,899 |
| Depreciation expense (Note 5) | 536,481 | 546,948 |
| Student loan principal reductions | 2,089,314 | 4,480,017 |
| Financial Assistance administrative expense | 360,368 | 443,028 |
| Financial Assistance grants | 540,000 | 720,000 |
| Federal default fee (Note 1) | 2,346,643 | 2,182,594 |
| Provision for interest arbitrage rebate (Note 11) | (7,554,254) | (6,333,767) |
| Uninsured claims expense (Note 4) | 1,033,993 | 550,427 |
| Total operating expenses | 95,701,995 | 121,639,475 |
| OPERATING INCOME (LOSS) | (7,116,269) | 10,771,111 |
| NONOPERATING REVENUES (EXPENSES) | | |
| State Financial Assistance appropriations (Note 14) | 10,932,200 | 11,457,216 |
| State Financial Assistance distributions (Note 14) | (11,071,616) | (11,820,815) |
| Total nonoperating revenues (expenses) | (139,416) | (363,599) |
| CHANGES IN NET ASSETS | (7,255,685) | 10,407,512 |
| NET ASSETS – Beginning of Year | 256,029,477 | 245,621,965 |
| NET ASSETS – End of Year | \$ 248,773,792 | \$ 256,029,477 |

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 Year Ended June 30, 2009

| | <u>2009</u> | <u>For Comparison Only 2008</u> |
|---|----------------------|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Principal received on student loans | \$ 199,763,129 | \$ 229,501,155 |
| Interest received on student loans | 53,847,534 | 57,684,730 |
| Special allowance payments received | 659,194 | 36,818,549 |
| Student loan disbursements received from lenders | 454,685,540 | 347,664,299 |
| Student loan disbursements sent to schools | (457,722,557) | (347,647,977) |
| Payments received for lenders | 21,868,509 | 30,534,831 |
| Payments sent to lenders | (22,566,753) | (33,320,550) |
| Appropriations received for Financial Assistance | 10,932,200 | 11,457,216 |
| Financial Assistance distributions | (11,431,616) | (12,540,815) |
| Payments received for Lender Services | 521,802 | 423,473 |
| Payments received for internal services | 2,313,543 | 1,400,837 |
| Proceeds from loan sales | 99,670,000 | - |
| Payments for loan purchases | (548,634,171) | (452,313,812) |
| Payments for loan originations | (126,992,088) | (35,287,986) |
| Payments for loan servicing | (6,841,988) | (7,610,755) |
| Payments for general and administrative expenses | (6,513,626) | (4,421,479) |
| Payments for computer services expense | (864,466) | (816,010) |
| Payments for operations expense | (3,133,220) | (3,730,442) |
| Payments for interest arbitrage | (607,542) | (208,847) |
| Payments received for rental revenue | 1,635,536 | 1,509,267 |
| Cash used in operating activities | <u>(339,411,040)</u> | <u>(180,904,316)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Proceeds from Loan Participation Purchase Program | 298,624,191 | - |
| Payments for Loan Participation Purchase Program | (1,647,465) | - |
| Proceeds from issuance of bonds | 191,500,000 | 99,670,000 |
| Principal paid on bonds | (121,358,000) | (72,145,000) |
| Interest paid on bonds | (66,191,752) | (98,470,815) |
| Payments for bond related expense | (5,956,564) | (4,611,150) |
| Payments for bond issuance costs | (1,286,003) | (1,181,970) |
| Cash used in noncapital financing activities | <u>293,684,407</u> | <u>(76,738,935)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition of capital assets | (65,181) | (546,933) |
| Cash used in capital and related financing activities | <u>(65,181)</u> | <u>(546,933)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from maturing investments | 771,070,793 | 743,795,465 |
| Interest received on investments | 7,061,855 | 22,984,090 |
| Purchases of investments | (713,875,351) | (510,690,019) |
| Cash provided by investing activities | <u>64,257,297</u> | <u>256,089,536</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 18,465,483 | (2,100,648) |
| CASH AND CASH EQUIVALENTS – Beginning of Year | <u>40,580,810</u> | <u>42,681,458</u> |
| CASH AND CASH EQUIVALENTS – End of Year | <u>\$ 59,046,293</u> | <u>\$ 40,580,810</u> |

(continued next page)

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

Statement of Cash Flows
For the Year Ended June 30, 2009

(continued)

| | 2009 | For Comparison Only 2008 |
|--|-------------------------|---|
| RECONCILIATION OF OPERATING INCOME TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | |
| Operating income (loss) | \$ (7,116,269) | \$ 10,771,111 |
| Adjustments to reconcile income to net cash provided by operating activities | | |
| Amortization and depreciation | 1,143,914 | 1,182,922 |
| Interest expense for noncapital and capital financing | 62,926,506 | 97,518,261 |
| Interest revenue from nonoperating investing activities | (6,994,487) | (22,981,777) |
| Bond related expense | 4,982,341 | 4,786,465 |
| State Financial Assistance appropriations | 10,932,200 | 11,457,216 |
| State Financial Assistance distributions | (11,071,616) | (11,820,815) |
| Change in assets/liabilities | | |
| Student loans receivable | (390,077,593) | (254,761,100) |
| Borrower interest receivable | (6,003,824) | (9,421,190) |
| Special allowance | 11,083,127 | 8,891,340 |
| Other receivables | (341,833) | (96,893) |
| Prepaid expenses | (24,706) | (67,598) |
| Student loan fees | (3,429,734) | (11,553,749) |
| Federal default fee | 2,346,643 | 2,182,594 |
| Accounts payable, payable to affiliate, and arbitrage | (7,765,709) | (6,991,103) |
| NET CASH USED IN OPERATING ACTIVITIES | \$ (339,411,040) | \$ (180,904,316) |

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 Year Ended June 30, 2009

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. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the Program's general policy to use restricted resources first. 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; and 2005 Series W and X. Proceeds are used to pay bond issuance costs, originate or purchase eligible student loans, and establish trustee funds as required by the General Indenture and Supplemental Indentures. Principal and interest payments on student loans purchased with bond proceeds, special allowance payments, and other revenues are deposited in this fund and are used for student loan purchases, debt service of the bonds, and operating expenses in accordance with the provisions of the General Indenture and Supplemental Indentures. All net assets of this bond fund are reported as restricted net assets.
- 1993 Revenue Bond Fund – Proceeds from revenue bond issuances under the General Student Loan Program Indenture dated August 1, 1993 and Supplemental Indentures are recorded in this fund. Outstanding issuances include Series 1993 A; Series 1997 E; Series 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;

STATE BOARD OF REGENTS OF THE STATE OF UTAH

STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2009

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 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.

- 2008 Revenue Bond Fund – Proceeds from revenue bond issuance under the General Student Loan Program Indenture dated December 1, 2008, and Supplemental Indentures are recorded in this fund. Outstanding issuances include Series 2008 A. 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.
- 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.

STATE BOARD OF REGENTS OF THE STATE OF UTAH

STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2009

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.

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.

Under the 2005 Higher Education Reconciliation Act Amendments, for certain loans first disbursed on or after April 1, 2006, if the interest on such loan at the stated interest rate is higher than the special allowance support level (average 3-month commercial paper rate plus a percentage determined by the U.S. Department of Education) to such loan including Special Allowance Payments, the holder of the loan must repay the difference to the United States Government at least annually.

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

STATE BOARD OF REGENTS OF THE STATE OF UTAH

STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2009

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 basic financial statements include certain prior year summarized comparative information but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Certain reclassifications have been made to the prior year comparative information to conform with the current year presentation. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2008, from which the summarized information was derived.

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 (*Utah Code*, Title 51, Chapter 7) that relate to the deposit and investment of public funds.

The Program follows the requirements of the Money Management Act (the Act) 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:

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

Notes to the Financial Statements
For the Year Ended June 30, 2009

- 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.

At June 30, 2009, 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 | \$ 79,700,492 | \$ 79,700,492 | \$ - | \$ - |
| Public Treasurers’ Investment Fund | 267,059,961 | 267,059,961 | - | - |
| Repurchase Agreements | 1,612,422 | 1,612,422 | - | - |
| U.S. Government Securities | <u>843,054</u> | <u>-</u> | <u>-</u> | <u>\$ 843,054</u> |
| Total Investments | <u>\$ 349,215,929</u> | <u>\$ 348,372,875</u> | <u>\$ -</u> | <u>\$ 843,054</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 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.

STATE BOARD OF REGENTS OF THE STATE OF UTAH

STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2009

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 Money Management Act as previously discussed. At June 30, 2009, the Program had \$76,000,404 invested in mutual funds with a AAA rating and \$270,760,049 invested in mutual funds and the Public Treasurer’s Investment Fund that were 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 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, 2009, the Program’s repurchase agreements, totaling \$1,612,422, were uninsured, uncollateralized, 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.

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.

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

Notes to the Financial Statements
For the Year Ended June 30, 2009

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, 2009:

Short-Term Note Fund \$ 7,293

1988 Revenue Bond Fund:

| | |
|-------------------------------------|-----------------------------|
| Revenue Account | \$ 23,058,122 |
| Loan Account | 160,936 |
| Rebate Account | <u>33,924,341</u> |
| Total 1988 Revenue Bond Fund | \$ <u>57,143,399</u> |

1993 Revenue Bond Fund:

| | |
|-------------------------------------|------------------------------|
| Revenue Account | \$ 54,932,764 |
| Loan Account | 61,007,374 |
| Reserve Account | 10,964,979 |
| Rebate Account | <u>30,343,859</u> |
| Total 1993 Revenue Bond Fund | \$ <u>157,248,976</u> |

2008 Revenue Bond Fund:

| | |
|-------------------------------------|-----------------------------|
| Revenue Account | \$ 20,718,902 |
| Loan Account | 44,312,648 |
| Reserve Account | <u>9,575,000</u> |
| Total 2008 Revenue Bond Fund | \$ <u>74,606,550</u> |

Office Facility Bond Fund:

| | |
|--|------------------------|
| Debt Service Account | \$ <u>2,158</u> |
| Total Office Facility Bond Fund | \$ <u>2,158</u> |

Grand Total \$ 289,008,376

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

Notes to the Financial Statements
For the Year Ended June 30, 2009

4. STUDENT LOANS RECEIVABLE

Student loans receivable carry variable interest rates or have fixed rates ranging from 0.63% 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, 2009:

| | Short-Term Note Fund | 1988 Revenue Bond Fund | 1993 Revenue Bond Fund | 2008 Revenue Bond Fund | Total |
|-----------------------------------|---------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|-------------------------|
| Student and Deferment | \$ 227,955,353 | \$ 122,805,713 | \$ 487,413,039 | \$ 101,005,672 | \$ 939,179,777 |
| Repayment & Forbearance | 72,445,328 | 391,851,677 | 972,320,070 | 23,404,139 | 1,460,021,214 |
| Student Loan Receivable Allowance | <u>(238,563)</u> | <u>(1,313,697)</u> | <u>(1,975,193)</u> | <u>(191,397)</u> | <u>(3,718,850)</u> |
| Total | <u>\$ 300,162,118</u> | <u>\$ 513,343,693</u> | <u>\$ 1,457,757,916</u> | <u>\$ 124,218,414</u> | <u>\$ 2,395,482,141</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, 2009, the Program has established an uninsured claims allowance for 98% insured loans totaling \$2,418,850. 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 Year Ended June 30, 2009

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> |
|------------------------------------|------------------------------|---------------------|--------------------|---------------------------|
| Description: | | | | |
| Buildings | \$ 12,559,682 | \$ 16,504 | \$ - | \$ 12,576,186 |
| Furniture and equipment | 400,060 | - | (174,167) | 225,893 |
| Computer equipment | 740,377 | 12,168 | - | 752,545 |
| Capitalized software | <u>35,946</u> | <u>-</u> | <u>-</u> | <u>35,946</u> |
| Totals at historical cost | <u>13,736,065</u> | <u>28,672</u> | <u>(174,167)</u> | <u>13,590,570</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (1,681,015) | (344,610) | - | (2,025,625) |
| Furniture and equipment | (222,832) | (61,017) | 174,167 | (109,682) |
| Computer equipment | (234,210) | (124,332) | - | (358,542) |
| Capitalized software | <u>(13,260)</u> | <u>(6,522)</u> | <u>-</u> | <u>(19,782)</u> |
| Total accumulated depreciation | <u>(2,151,317)</u> | <u>(536,481)</u> | <u>174,167</u> | <u>(2,513,631)</u> |
| Capital assets, net | <u>\$ 11,584,748</u> | <u>\$ (507,809)</u> | <u>\$ -</u> | <u>\$ 11,076,939</u> |

6. PARTICIPATION LINE OF CREDIT

In March 2009, the Program began participating in the U.S. Department of Education (ED) Loan Participation Purchase Program, which was created under the “Ensuring Continued Access to Student Loans Act of 2008” (Pub. L. No. 110-227). The program was created to assist lenders in obtaining financing for student loans during the 2008-2009 and 2009-2010 academic years.

Under the Loan Participation Purchase Program, ED may purchase a 100% participation interest in student loans disbursed after May 1, 2008. ED advances to the lender a line of credit equal to the principal amount of the student loan. The pledged loans are serviced internally by the Program and administered by a custodian. The Program has pledged the collections from \$299,348,623 of participated loans to repay the line of credit from ED of \$297,381,324. Monthly interest cost on the line of credit is equal to the Commercial Paper rate plus .50%. Interest is payable monthly to ED. The Loan Participation Purchase Program for the 2008-2009 academic year ended on September 30, 2009. At that time, the loans were sold to ED.

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

Notes to the Financial Statements
For the Year Ended June 30, 2009

7. 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; and for 2005 Series W and X, dated February 1, 2005. The bonds are special obligation bonds of the Board and are secured, as provided in the indentures, by all assets of the 1988 Revenue Bond Fund and the revenues and receipts derived from such assets.

Bonds payable for the 1988 Revenue Bond Fund consisted of the following at June 30, 2009:

| | |
|--|---------------|
| 1988 Series C, Variable Rate Bonds, interest adjusted weekly, maturing November 1, 2013* | \$ 19,500,000 |
| 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 March 14, 2015* | 77,454,000 |
| 1996 Series Q, Variable Rate Bonds, interest adjusted weekly, maturing between June 18, 2016 and November 1, 2031* | 47,749,000 |
| 1997 Series R, Variable Rate Bonds, interest adjusted weekly, maturing March 14, 2015* | 50,041,000 |
| 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 between March 14, 2015 and April 7, 2015* | 87,658,000 |

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

Notes to the Financial Statements
For the Year Ended June 30, 2009

| | |
|--|-----------------------|
| 2005 Series X, Variable Rate Bonds, interest adjusted weekly, maturing between March 11, 2015 and November 1, 2044* | <u>57,900,000</u> |
| Total | <u>\$ 482,902,000</u> |

*In February 2009, each bond series noted above with an asterisk was downgraded to a Fitch rating of F1, and a Moody's Investor Service rating of Baa1.

Debt service requirements to maturity on the 1988 revenue bond issue as of June 30, 2009, are summarized below:

| <u>Fiscal Year</u> | <u>Principal Amount</u> | <u>Interest Amount</u> | <u>Total</u> |
|--------------------|-------------------------|------------------------|-----------------------|
| 2010 | \$ 37,600,000 | \$ 16,142,655 | \$ 53,742,655 |
| 2011 | - | 15,873,815 | 15,873,815 |
| 2012 | - | 15,873,815 | 15,873,815 |
| 2013 | - | 15,873,815 | 15,873,815 |
| 2014 | 19,500,000 | 15,288,815 | 34,788,815 |
| 2015-2019 | 298,767,000 | 20,034,807 | 318,801,807 |
| 2020-2024 | - | 9,419,250 | 9,419,250 |
| 2025-2029 | 20,500,000 | 8,698,880 | 29,198,880 |
| 2030-2034 | 21,185,000 | 5,257,825 | 26,442,825 |
| 2035-2039 | 49,500,000 | 594,488 | 50,094,488 |
| 2040-2044 | 35,000,000 | 255,000 | 35,255,000 |
| 2045 | <u>850,000</u> | <u>17,000</u> | <u>867,000</u> |
| Total | <u>\$ 482,902,000</u> | <u>\$ 123,330,165</u> | <u>\$ 606,232,165</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, 2009 has been used to calculate the interest amount. Actual results could differ from these estimates.

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

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

Notes to the Financial Statements
For the Year Ended June 30, 2009

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.

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, 2009 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 fiscal year ended June 30, 2009 ranged between 0% and 14%.

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 \$19,799,178 expiring November 20, 2013 to support the 1988 Series C bonds of \$19,500,000, the amount of \$83,098,593 expiring November 16, 2025 to support the 1995 Series L bonds of \$77,454,000, the amount of \$104,916,614 expiring April 29, 2025 to support the 1996 Series Q and 1997 Series R bonds of \$97,790,000, and the amount of \$152,945,597 expiring February 11, 2024 to support the 2005 Series W and X bonds of \$145,558,000.

STATE BOARD OF REGENTS OF THE STATE OF UTAH

STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2009

As of June 30, 2009, the Program had drawn \$334,600,000 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 fiscal year ended June 30, 2009 ranged between 3.25% 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 total bonds held in the liquidity facility as of June 30, 2009 was \$318,267,000.

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 \$482,902,000 of outstanding student loan revenue bonds which are payable through 2044. 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 \$142,549,785 and \$20,316,127, 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.

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

Notes to the Financial Statements
For the Year Ended June 30, 2009

Bonds payable for the 1993 Revenue Bond Fund consisted of the following at June 30, 2009:

| | |
|---|---------------|
| 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 |
| 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, 4.55%, maturing May 1, 2010 | 2,675,000 |

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

Notes to the Financial Statements
For the Year Ended June 30, 2009

| | |
|---|-------------------------|
| Series 2002 V, Class II, Variable Rate Bonds, interest adjusted each 35 day period, maturing November 1, 2036 | 65,000,000 |
| Series 2002 W, Class IV, Variable Rate Bonds, interest adjusted each 35 day period, maturing November 1, 2036 | 9,250,000 |
| Series 2002 X, Class II, Variable Rate Bonds, interest adjusted each 35 day period, maturing November 1, 2009 | 35,850,000 |
| Series 2003 Y, Class II, Variable Rate Bonds, interest adjusted each 35 day period, maturing November 1, 2037 | 83,900,000 |
| Series 2004 Z, Class II, Variable Rate Bonds, interest adjusted each 35 day period, maturing November 1, 2038 | 83,100,000 |
| 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>\$ 1,551,900,000</u> |

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

Notes to the Financial Statements
For the Year Ended June 30, 2009

Debt service requirements to maturity on the 1993 revenue bond issue as of June 30, 2009, are summarized below:

| <u>Fiscal Year</u> | <u>Principal Amount</u> | <u>Interest Amount</u> | <u>Total</u> |
|--------------------|-------------------------|------------------------|------------------------|
| 2010 | \$ 38,525,000 | \$ 7,907,670 | \$ 46,432,670 |
| 2011 | - | 7,707,895 | 7,707,895 |
| 2012 | - | 7,707,895 | 7,707,895 |
| 2013 | - | 7,707,895 | 7,707,895 |
| 2014 | - | 7,707,895 | 7,707,895 |
| 2015-2019 | - | 38,539,473 | 38,539,473 |
| 2020-2024 | 35,000,000 | 37,197,806 | 72,197,806 |
| 2025-2029 | 80,000,000 | 28,098,973 | 108,098,973 |
| 2030-2034 | 179,000,000 | 26,564,338 | 205,564,338 |
| 2035-2039 | 410,600,000 | 17,781,298 | 428,381,298 |
| 2040-2044 | 273,775,000 | 7,075,940 | 280,850,940 |
| 2045-2046 | <u>535,000,000</u> | <u>991,292</u> | <u>535,991,292</u> |
| Total | <u>\$ 1,551,900,000</u> | <u>\$ 194,988,370</u> | <u>\$1,746,888,370</u> |

Substantially all of the Program's student loan revenue bonds under the 1993 Revenue Bond Fund bear an adjustable rate of interest. To estimate the interest component of the debt service requirement for the adjustable rate bond series, the applicable interest rate in effect at June 30, 2009 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

STATE BOARD OF REGENTS OF THE STATE OF UTAH

STUDENT LOAN PURCHASE PROGRAM

Notes to the Financial Statements
For the Year Ended June 30, 2009

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, 2009 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 fiscal year ended June 30, 2009 ranged between 0% and 14.7%.

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.

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, 2009 the Board had not drawn any funds under the letter of credit.

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 \$1,551,900,000 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 \$43,591,983 and \$37,637,525, respectively.

2008 Revenue Bond Fund – The Program has outstanding student loan revenue bonds under the authority of the General Indenture for Series 2008 A dated December 1, 2008. The bonds are special obligation bonds of the Board and are secured, as provided in the

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

Notes to the Financial Statements
For the Year Ended June 30, 2009

indentures, by all assets of the 2008 Revenue Bond Fund and the revenues and receipts derived from such assets.

Bonds payable for the 2008 Revenue Bond Fund consisted of the following at June 30, 2009:

| | |
|---|-----------------------|
| Series 2008 A, Variable Rate Bonds, interest adjusted weekly, stated maturity of November 1, 2042 | \$ 99,670,000 |
| Series 2008 A, Variable Rate Bonds, interest adjusted weekly, stated maturity of November 1, 2048 | <u>91,830,000</u> |
| Total | <u>\$ 191,500,000</u> |

Debt service requirements to maturity on the Series 2008 A revenue bond as of June 30, 2009, are summarized below:

| <u>Fiscal Year</u> | <u>Principal Amount</u> | <u>Interest Amount</u> | <u>Total</u> |
|--------------------|-------------------------|------------------------|-----------------------|
| 2010 | \$ <u>191,500,000</u> | \$ <u>368,638</u> | \$ <u>191,868,638</u> |
| Total | \$ <u>191,500,000</u> | \$ <u>368,638</u> | \$ <u>191,868,638</u> |

The Program has in place a letter of credit expiring December 15, 2009 in the amount of \$204,406,576 which supports the Series 2008 A bonds of \$191,500,000. The letter of credit expires within one year of June 30, 2009, as a result, the Series 2008 A bonds have been classified as a current liability.

The Series 2008 A bonds bear an adjustable rate of interest. To estimate the interest component of the debt service requirement, the applicable interest rate in effect at June 30, 2009 has been used to calculate the interest amount. Actual results could differ from these estimates.

The Series 2008 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 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 Year Ended June 30, 2009

The Series 2008 A bonds are subject to mandatory sinking fund redemption at a price of 100% of the principal amount thereof plus accrued interest to the redemption date on the dates and in the principal amounts as follows:

| Mandatory Sinking Fund <u>Redemption Date</u> | <u>Principal Amount</u> |
|--|-------------------------|
| November 1, 2042 | \$99,670,000 |
| November 1, 2048* | 91,830,000 |

*Stated Maturity

The bonds issued under the 2008 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 \$191,500,000 of outstanding student loan revenue bonds which are payable through 2009. The total principal and interest remaining to be paid on the bonds is discussed above. Interest paid for the current year and total net loss before interest expense were \$485,449 and \$393,087, respectively.

On December 16, 2008, the Program issued \$191,500,000 of variable rate Series 2008A student loan revenue bonds at par. The Program used \$99,670,000 of the proceeds to refund, in total, the variable rate 2007 Series Y student loan revenue bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1.15 million. This difference reported as deferred bond issuance costs, will be amortized through the year 2042 using the straight line method.

The Program completed the refunding to manage its interest costs and to replace the supporting liquidity facility. The variable rate refunding issue has no stated minimum rate and a maximum rate of 12% per annum. The range of potential savings from the refunding will vary depending on the actual interest costs incurred over the life of the Series 2008 A bond. Based upon a minimum rate of 0% the Program would have no reduction in cash flow and no economic gain (the difference between the present values of the old debt and new debt service payments). At the maximum rate of 12% the Program could have a reduction in cash flow of \$67.5 million with an economic gain of \$16.1 million.

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

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

Notes to the Financial Statements
For the Year Ended June 30, 2009

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, 2009:

| | |
|---|---------------------|
| Revenue Bonds Series 2002 (Office Facility Project), Fixed Rate Bonds, 4.25% to 5.25%, maturing annually February 1, 2010 through February 1, 2022. | \$ 6,061,672 |
| Revenue Bonds Series 2004 (Office Facility Project), Fixed Rate Bonds, 4.0% to 5.0%, maturing annually February 1, 2010 through February 1, 2024. | <u>2,995,000</u> |
| Total | <u>\$ 9,056,672</u> |

Debt service requirements to maturity on the Office Facility Bond issue as of June 30, 2009 are summarized below:

| <u>Fiscal Year</u> | <u>Principal Amount</u> | <u>Interest Amount</u> | <u>Total</u> |
|--------------------------|-------------------------|------------------------|----------------------|
| 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 | 585,000 | 342,510 | 927,510 |
| 2015-2019 | 3,365,000 | 1,270,003 | 4,635,003 |
| 2020-2024 | 2,985,000 | 373,722 | 3,358,722 |
| Plus Unamortized Premium | <u>36,672</u> | <u>-</u> | <u>36,672</u> |
| Total | <u>\$ 9,056,672</u> | <u>\$ 3,603,150</u> | <u>\$ 12,659,822</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.

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

Notes to the Financial Statements
For the Year Ended June 30, 2009

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

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

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

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

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

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.

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

Notes to the Financial Statements
For the Year Ended June 30, 2009

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 \$9,056,672 of outstanding 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 \$922,535 and \$713,592, respectively.

8. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the fiscal year ended June 30, 2009 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 | \$ 384,427 | \$ 311,297 | \$ (231,418) | \$ 464,306 | \$ 268,279 |
| Bonds payable, net of premiums and discounts | 2,165,219,567 | 191,500,000 | (121,360,895) | 2,235,358,672 | 268,112,895 |
| Estimated interest arbitrage rebate | <u>65,944,406</u> | <u>-</u> | <u>(8,161,796)</u> | <u>57,782,610</u> | <u>44,492</u> |
| Total long-term Liabilities | <u>\$ 2,231,548,400</u> | <u>\$ 191,811,297</u> | <u>\$ (129,754,109)</u> | <u>\$ 2,293,605,588</u> | <u>\$ 268,524,666</u> |

9. 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 with the existing outside service

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

Notes to the Financial Statements
For the Year Ended June 30, 2009

organization. The Program services approximately 77% of its portfolio internally and 23% with its outside service organization.

10. DESIGNATED AND RESTRICTED NET ASSETS

The Program has designated \$69,000,000 of the Short-Term Note Net Assets for specific purposes. The specific purposes for which these funds are designated and amounts applicable to each are as follows: \$8,000,000 to meet future collateral requirements; \$42,000,000 for future operating and servicing expenses; and \$19,000,000 for liquidity needs.

The 1988, 1993 and 2008 Revenue Bond Fund net assets are restricted by the general and supplemental indentures (see Note 1).

11. RELATED PARTY TRANSACTIONS

The Program reimburses the University of Utah for payroll, benefits, and certain administrative expenses. The Program incurred \$8,214,801 of such expenses for the fiscal year ended June 30, 2009. Of this amount, \$390,717 was payable at June 30, 2009.

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 \$42,130,503 for the fiscal year ended June 30, 2009.

For the fiscal year ended June 30, 2009, the Program charged rental income of \$751,502 to the Board, the Student Loan Guarantee Program, and the Utah Educational Savings Plan Trust. Of this amount, \$12,287 was a receivable at June 30, 2009.

12. 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, 2009, the estimated liability for non-purpose interest arbitrage rebate was \$1,562,082.

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

Notes to the Financial Statements
For the Year Ended June 30, 2009

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, 2009, the estimated liability for yield reduction payments was \$56,220,528.

13. COMMITMENTS

The Program has entered into forward purchase agreements with fourteen eligible student loan lenders. The agreements have expiration dates ranging from June 30, 2009 to April 1, 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, 2009, the Program purchased \$448,964,171 of FFELP loans from student loan lenders. As of June 30, 2009, outstanding student loan principal subject to the forward purchase agreements is approximately \$173,315,000.

The Program has committed to fully fund eligible student loans guaranteed and originated during the year. As of June 30, 2009, the estimated commitment to fund undisbursed student loans was \$13,023,778.

14. STUDENT FINANCIAL ASSISTANCE

The Program has administrative responsibility for certain need based grant and scholarship programs. During the fiscal year ended June 30, 2009, the Program received \$10,932,200 in appropriations from the State of Utah and distributed financial aid in the form of grants and scholarships totaling \$11,071,616.

15. RISK MANAGEMENT

As a State entity, the Program is self-insured through the Utah State Risk Management Fund (the Fund). The Program pays an annual premium for participation in the self-insurance fund. Through the Fund, the Program has both property and liability coverage. The Fund provides property coverage through a combination of self-insurance and private carriers. The Fund provides liability coverage through self-insurance and private carriers up to \$10,000,000 per occurrence.

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

Notes to the Financial Statements
For the Year Ended June 30, 2009

16. SUBSEQUENT EVENT – REVOLVING LINE OF CREDIT

Subsequent to June 30, 2009, the Program entered into a \$200 million revolving line of credit. The line of credit will be used as a short term financing vehicle to originate or purchase eligible student loans. The initial term is for 364 days with an option to renew for an additional 364 days. The interest rate is 125 basis points (.0125%) over the 30 day London Interbank Offered Rate (LIBOR) with a minimum rate of not less than 1.75%.

17. SUBSEQUENT EVENT – LOAN PURCHASE COMMITMENT PROGRAM

Subsequent to June 30, 2009, the Program sold eligible student loans to ED under a Master Loan Sales Agreement (MLSA) as authorized by the “Ensuring Continued Access to Student Loans Act of 2008” (Pub. L. No. 110-227). Under this agreement, the Program may sell student loans to ED for a purchase price equal to the principal and accrued interest, reimbursement of the 1% lender origination fee, and payment of a \$75 administrative fee per loan. At the date of sale, the ownership and servicing of the loans transfers to ED. On September 23, 2009, the Program sold loans to ED with a principal and accrued interest balance of \$429,596,475.

18. SUBSEQUENT EVENT – BOND REMARKETING ACTIVITY

Subsequent to June 30, 2009, certain bonds with the Program’s 1988 Revenue Bond Fund were remarketed to investors or tendered to the liquidity provider. As of the date of the report, total bonds from the 1988 Revenue Bond Fund held in the liquidity facility amounted to \$338,787,000.

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, 2009

| | Short-Term Note Fund | 1988 Revenue Bond Fund | 1993 Revenue Bond Fund | 2008 Revenue Bond Fund | Office Facility Bond Fund | Total |
|---|-----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| ASSETS | | | | | | |
| Current Assets | | | | | | |
| Cash and cash equivalents | \$ 49,430,898 | \$ 1,996,859 | \$ 6,592,021 | \$ 526,152 | \$ 500,363 | \$ 59,046,293 |
| Funds held by Trustee | 7,293 | 23,219,058 | 115,940,138 | 65,031,550 | 2,158 | 204,200,197 |
| Funds held by Custodian | 1,161,260 | - | - | - | - | 1,161,260 |
| Receivables | | | | | | |
| Student loans receivable | 300,162,118 | 17,453,465 | 135,539,598 | 5,481,296 | - | 458,636,477 |
| Interest receivable - student loans | 5,812,867 | 5,664,414 | 23,528,118 | 2,165,573 | - | 37,170,972 |
| Interest receivable - investments | - | - | 6,576 | - | - | 6,576 |
| Other receivables | 630,150 | 260 | 113,540 | - | 12,287 | 756,237 |
| Due from/(to) related funds | (1,459,860) | 376,732 | (674,021) | 1,725,442 | 31,707 | - |
| Prepaid expenses | 1,688 | 584,430 | 273,025 | 872,110 | 2,500 | 1,733,753 |
| Student loan fees | 749,221 | 1,210,653 | 5,802,895 | 39,348 | - | 7,802,117 |
| Deferred federal default fee | 2,104,674 | - | - | - | - | 2,104,674 |
| Deferred bond issuance costs | - | 186,532 | 306,842 | 66,216 | 11,364 | 570,954 |
| Total Current Assets | <u>358,600,309</u> | <u>50,692,403</u> | <u>287,428,732</u> | <u>75,907,687</u> | <u>560,379</u> | <u>773,189,510</u> |
| Noncurrent Assets | | | | | | |
| Funds held by Trustee | - | 33,924,341 | 41,308,838 | 9,575,000 | - | 84,808,179 |
| Student loans receivable | - | 495,890,228 | 1,322,218,318 | 118,737,118 | - | 1,936,845,664 |
| Student loan fees | 5,266,529 | 4,089,152 | 21,287,408 | 193,171 | - | 30,836,260 |
| Deferred federal default fee | 6,250,956 | - | - | - | - | 6,250,956 |
| Deferred bond issuance costs, less accumulated amortization of \$4,179,007 | - | 2,465,269 | 8,651,526 | 2,334,558 | 110,476 | 13,561,829 |
| Capital assets, less accumulated depreciation of \$2,513,631 | 9,386 | 118,546 | 398,444 | - | 10,550,563 | 11,076,939 |
| Total Noncurrent Assets | <u>11,526,871</u> | <u>536,487,536</u> | <u>1,393,864,534</u> | <u>130,839,847</u> | <u>10,661,039</u> | <u>2,083,379,827</u> |
| TOTAL ASSETS | <u>370,127,180</u> | <u>587,179,939</u> | <u>1,681,293,266</u> | <u>206,747,534</u> | <u>11,221,418</u> | <u>2,856,569,337</u> |
| LIABILITIES | | | | | | |
| Current Liabilities | | | | | | |
| Accounts payable | 305,294 | 583,961 | 1,181,467 | 614,449 | 9,105 | 2,694,276 |
| Special allowance | 2,291,673 | 1,001,673 | 5,070,432 | 641,764 | - | 9,005,542 |
| Payable to affiliate | 71,820 | 101,694 | 403,772 | 51,046 | - | 628,332 |
| Compensated absences | 4,465 | 93,435 | 171,610 | (1,231) | - | 268,279 |
| Other liabilities | 268,619 | - | - | - | - | 268,619 |
| Participation line of credit | 297,381,324 | - | - | - | - | 297,381,324 |
| Accrued interest payable | - | 2,541,279 | 1,335,964 | 151,731 | 182,890 | 4,211,864 |
| Bonds payable | - | 37,600,000 | 38,525,000 | 191,500,000 | 487,895 | 268,112,895 |
| Estimated interest arbitrage rebate | - | 44,492 | - | - | - | 44,492 |
| Total Current Liabilities | <u>300,323,195</u> | <u>41,966,534</u> | <u>46,688,245</u> | <u>192,957,759</u> | <u>679,890</u> | <u>582,615,623</u> |
| Noncurrent Liabilities | | | | | | |
| Compensated absences | 3,263 | 68,270 | 125,393 | (899) | - | 196,027 |
| Bonds payable, net of unamortized premiums of \$36,672 | - | 445,302,000 | 1,513,375,000 | - | 8,568,777 | 1,967,245,777 |
| Estimated interest arbitrage rebate | - | 29,288,049 | 28,450,069 | - | - | 57,738,118 |
| Total Noncurrent Liabilities | <u>3,263</u> | <u>474,658,319</u> | <u>1,541,950,462</u> | <u>(899)</u> | <u>8,568,777</u> | <u>2,025,179,922</u> |
| TOTAL LIABILITIES | <u>300,326,458</u> | <u>516,624,853</u> | <u>1,588,638,707</u> | <u>192,956,860</u> | <u>9,248,667</u> | <u>2,607,795,545</u> |
| NET ASSETS | | | | | | |
| Invested in capital assets, net of related debt | 9,386 | 118,546 | 398,444 | - | 1,493,891 | 2,020,267 |
| Restricted | - | 70,436,540 | 92,256,115 | 13,790,674 | 478,860 | 176,962,189 |
| Unrestricted | 69,791,336 | - | - | - | - | 69,791,336 |
| TOTAL NET ASSETS | <u>\$ 69,800,722</u> | <u>\$ 70,555,086</u> | <u>\$ 92,654,559</u> | <u>\$ 13,790,674</u> | <u>\$ 1,972,751</u> | <u>\$ 248,773,792</u> |

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, 2009

| | Short-Term | 1988 | 1993 | 2008 | Office Facility | |
|---|----------------------|----------------------|----------------------|----------------------|---------------------|-----------------------|
| | Note Fund | Revenue Bond Fund | Revenue Bond Fund | Revenue Bond Fund | Bond Fund | Total |
| OPERATING REVENUES | | | | | | |
| Interest on student loans | \$ 3,344,923 | \$ 17,835,099 | \$ 53,450,074 | \$ 2,529,436 | \$ - | \$ 77,159,532 |
| Investment income | 695,286 | 1,665,808 | 4,301,545 | 324,354 | 7,494 | 6,994,487 |
| Lender Services revenue | 8,950 | 106,248 | 372,435 | 17,143 | - | 504,776 |
| Billings for internal services | 71,764 | 470,402 | 1,675,011 | 87,399 | - | 2,304,576 |
| Rental revenue | - | - | - | - | 1,622,355 | 1,622,355 |
| Total operating revenues | 4,120,923 | 20,077,557 | 59,799,065 | 2,958,332 | 1,629,849 | 88,585,726 |
| OPERATING EXPENSES | | | | | | |
| Interest expense | - | 25,327,794 | 36,376,767 | 675,806 | 458,253 | 62,838,620 |
| Participation yield | 695,319 | - | - | - | - | 695,319 |
| Bond related expense | 2,790 | 1,419,835 | 2,219,417 | 1,337,299 | 3,000 | 4,982,341 |
| Special allowance | 2,268,250 | 155,616 | 6,693,280 | 1,306,177 | - | 10,423,323 |
| Student loan servicing expense | 239,272 | 2,172,234 | 6,587,430 | 244,834 | - | 9,243,770 |
| General and administrative expense | 134,342 | 768,197 | 2,726,613 | 152,611 | 568,647 | 4,350,410 |
| Operations expense | 220,926 | 765,608 | 2,697,267 | 131,866 | - | 3,815,667 |
| Depreciation expense | 3,530 | 43,276 | 145,065 | - | 344,610 | 536,481 |
| Student loan principal reductions | 1,205 | 69,349 | 2,054,027 | (35,267) | - | 2,089,314 |
| Financial Assistance administrative expense | 10,934 | 73,711 | 262,277 | 13,446 | - | 360,368 |
| Financial Assistance grants | 540,000 | - | - | - | - | 540,000 |
| Federal default fee | 2,346,643 | - | - | - | - | 2,346,643 |
| Provision for interest arbitrage rebate | - | (5,755,231) | (1,799,023) | - | - | (7,554,254) |
| Uninsured claims expense | 209,518 | 48,835 | 575,187 | 200,453 | - | 1,033,993 |
| Total operating expenses | 6,672,729 | 25,089,224 | 58,538,307 | 4,027,225 | 1,374,510 | 95,701,995 |
| OPERATING INCOME (LOSS) | (2,551,806) | (5,011,667) | 1,260,758 | (1,068,893) | 255,339 | (7,116,269) |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| State Financial Assistance appropriations | 10,932,200 | - | - | - | - | 10,932,200 |
| State Financial Assistance distributions | (11,071,616) | - | - | - | - | (11,071,616) |
| Total nonoperating revenues (expenses) | (139,416) | - | - | - | - | (139,416) |
| Transfers - Intrafund | (342,812) | (14,745,296) | 228,541 | 14,859,567 | - | - |
| CHANGES IN NET ASSETS | (3,034,034) | (19,756,963) | 1,489,299 | 13,790,674 | 255,339 | (7,255,685) |
| NET ASSETS – Beginning of Year | 72,834,756 | 90,312,049 | 91,165,260 | - | 1,717,412 | 256,029,477 |
| NET ASSETS – End of Year | \$ 69,800,722 | \$ 70,555,086 | \$ 92,654,559 | \$ 13,790,674 | \$ 1,972,751 | \$ 248,773,792 |

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM
Combining Statement of Cash Flows
For the Year Ended June 30, 2009

| | Short-Term Note Fund | 1988 Revenue Bond Fund | 1993 Revenue Bond Fund | 2008 Revenue Bond Fund | Office Facility Bond Fund | Total |
|---|-------------------------|------------------------------|------------------------------|------------------------------|------------------------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Principal received on student loans | \$ 4,603,212 | \$ 48,691,756 | \$ 141,329,202 | \$ 5,138,959 | \$ - | \$ 199,763,129 |
| Interest received on student loans | 557,277 | 12,874,178 | 39,290,909 | 1,125,170 | - | 53,847,534 |
| Special allowance payments received | 242,947 | 2,074,350 | (874,032) | (784,071) | - | 659,194 |
| Student loan disbursements received from lenders | 454,685,540 | - | - | - | - | 454,685,540 |
| Student loan disbursements sent to schools | (457,722,557) | - | - | - | - | (457,722,557) |
| Payments received for lenders | 21,868,509 | - | - | - | - | 21,868,509 |
| Payments sent to lenders | (22,566,753) | - | - | - | - | (22,566,753) |
| Appropriations received for Financial Assistance | 10,932,200 | - | - | - | - | 10,932,200 |
| Financial Assistance distributions | (11,431,616) | - | - | - | - | (11,431,616) |
| Payments received for Lender Services | 25,976 | 106,248 | 372,435 | 17,143 | - | 521,802 |
| Payments received for internal services | 80,731 | 470,402 | 1,675,011 | 87,399 | - | 2,313,543 |
| Proceeds from loan sales | - | 99,670,000 | - | - | - | 99,670,000 |
| Payments for loan purchases | (208,102,939) | (74,911,670) | (116,497,139) | (149,122,423) | - | (548,634,171) |
| Payments for loan originations | - | (5,239,990) | (87,005,104) | (34,746,994) | - | (126,992,088) |
| Payments for loan servicing | (141,628) | (1,685,193) | (4,893,135) | (122,032) | - | (6,841,988) |
| Payments for general and administrative expenses | (145,588) | (1,247,908) | (4,304,395) | (212,611) | (603,124) | (6,513,626) |
| Payments for computer services expense | (30,825) | (142,273) | (660,131) | (31,237) | - | (864,466) |
| Payments for operations expense | (200,011) | (626,370) | (2,213,385) | (93,454) | - | (3,133,220) |
| Payments for interest arbitrage | - | - | (607,542) | - | - | (607,542) |
| Payments received for rental revenue | - | - | - | - | 1,635,536 | 1,635,536 |
| Cash provided by (used in) operating activities | (207,345,525) | 80,033,530 | (34,387,306) | (178,744,151) | 1,032,412 | (339,411,040) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| Equity transfer | (342,813) | (247,229) | 228,542 | 361,500 | - | - |
| Proceeds from Loan Participation Purchase Program | 232,313,807 | 726,520 | 5,991 | 65,577,873 | - | 298,624,191 |
| Payments for Loan Participation Purchase Program | (1,647,465) | - | - | - | - | (1,647,465) |
| Proceeds from issuance of bonds | - | - | - | 191,500,000 | - | 191,500,000 |
| Principal paid on bonds | - | (116,003,000) | (4,890,000) | - | (465,000) | (121,358,000) |
| Interest paid on bonds | - | (26,546,785) | (38,701,983) | (485,449) | (457,535) | (66,191,752) |
| Payments for bond related expense | (2,790) | (1,504,057) | (2,334,588) | (2,112,129) | (3,000) | (5,956,564) |
| Payments for bond issuance costs | - | - | 3,294 | (1,289,297) | - | (1,286,003) |
| Cash provided by (used in) noncapital financing activities | 230,320,739 | (143,574,551) | (45,688,744) | 253,552,498 | (925,535) | 293,684,407 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Acquisition of capital assets | (601) | (10,886) | (37,189) | - | (16,505) | (65,181) |
| Cash used in capital and related financing activities | (601) | (10,886) | (37,189) | - | (16,505) | (65,181) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Proceeds from maturing investments | 1,636,059 | 237,658,596 | 341,359,294 | 189,494,309 | 922,535 | 771,070,793 |
| Interest received on investments | 678,611 | 1,668,818 | 4,314,981 | 391,952 | 7,493 | 7,061,855 |
| Purchases of investments | (2,750,725) | (176,811,578) | (269,223,203) | (264,168,456) | (921,389) | (713,875,351) |
| Cash provided by (used in) investing activities | (436,055) | 62,515,836 | 76,451,072 | (74,282,195) | 8,639 | 64,257,297 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | | | |
| | 22,538,558 | (1,036,071) | (3,662,167) | 526,152 | 99,011 | 18,465,483 |
| CASH AND CASH EQUIVALENTS – Beginning of Year | 26,892,340 | 3,032,930 | 10,254,188 | - | 401,352 | 40,580,810 |
| CASH AND CASH EQUIVALENTS – End of Year | \$ 49,430,898 | \$ 1,996,859 | \$ 6,592,021 | \$ 526,152 | \$ 500,363 | \$ 59,046,293 |

(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, 2009

(continued)

| | Short-Term Note Fund | 1988 Revenue Bond Fund | 1993 Revenue Bond Fund | 2008 Revenue Bond Fund | Office Facility Bond Fund | Total |
|--|---------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|--------------------------------------|-------------------------|
| RECONCILIATION OF OPERATING INCOME TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | | | | | |
| Operating income (loss) | \$ (2,551,806) | \$ (5,011,667) | \$ 1,260,758 | \$ (1,068,893) | \$ 255,339 | \$ (7,116,269) |
| Adjustments to reconcile income to net cash provided by operating activities | | | | | | |
| Amortization and depreciation | 3,530 | 292,294 | 456,386 | 38,626 | 353,078 | 1,143,914 |
| Interest expense for noncapital and capital financing | 695,319 | 25,078,776 | 36,065,445 | 637,180 | 449,786 | 62,926,506 |
| Interest revenue from nonoperating investing activities | (695,286) | (1,665,808) | (4,301,545) | (324,354) | (7,494) | (6,994,487) |
| Bond related expense | 2,790 | 1,419,835 | 2,219,417 | 1,337,299 | 3,000 | 4,982,341 |
| State Financial Assistance appropriations | 10,932,200 | - | - | - | - | 10,932,200 |
| State Financial Assistance distributions | (11,071,616) | - | - | - | - | (11,071,616) |
| Change in assets/liabilities: | | | | | | |
| Student loans receivable | (265,428,799) | 75,829,877 | (76,260,257) | (124,218,414) | - | (390,077,593) |
| Transfer of student loans | 66,310,384 | (14,074,484) | (5,991) | (52,229,909) | - | - |
| Borrower interest receivable | (5,510,954) | 583,933 | 1,088,770 | (2,165,573) | - | (6,003,824) |
| Special allowance | 2,390,154 | 2,231,960 | 5,819,249 | 641,764 | - | 11,083,127 |
| Other receivables | (323,621) | (260) | (31,130) | - | 13,178 | (341,833) |
| Prepaid expenses | - | 29,246 | (53,952) | - | - | (24,706) |
| Student loan fees | (5,734,234) | 745,584 | 1,791,435 | (232,519) | - | (3,429,734) |
| Federal default fee | 2,346,643 | - | - | - | - | 2,346,643 |
| Accounts payable, payable to affiliate and arbitrage | 1,289,771 | (5,425,756) | (2,435,891) | (1,159,358) | (34,475) | (7,765,709) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | \$ (207,345,525) | \$ 80,033,530 | \$ (34,387,306) | \$ (178,744,151) | \$ 1,032,412 | \$ (339,411,040) |