State of Utah

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 1998

STATE OF UTAH
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

CONSTITUTIONAL OFFICERS OF THE STATE OF UTAH

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Olene Walker	Lt. Governor
Auston G. Johnson, CPA	State Auditor
Edward T. Alter, CPA	State Treasurer
Jan Graham	Attorney General
Lane Beattie	President of the Senate
Martin R. Stephens	Speaker of the House
Michael D. Zimmerman	Chief Justice, Supreme Court

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Kim S. Thorne, CPA	Director, Division of Finance
Lynne N. Koga, CPA	Director, Office of Planning and Budget
John Massey	Legislative Fiscal Analyst
Wayne Welsh, CPA	Legislative Auditor General
Richard V. Strong	Director, Legislative Research and General Counsel

ACKNOWLEDGMENTS

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Special appreciation is given to all of the budget and accounting officers throughout the State whose extra time and effort made this report possible.

STATE OF UTAH

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 1998

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INDEPENDENT STATE AUDITOR'S REPORT

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

We have audited the accompanying general-purpose financial statements of the State of Utah as of and for the year ended June 30, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of Utah Public Employees Group Insurance, which represents 26 percent of the assets and 55 percent of the operating revenues of the internal service funds; the Utah State Retirement Office, which represents 79 percent of the assets of the trust and agency funds; the Workers' Compensation Fund of Utah, which represents 36 percent of the assets and 70 percent of the operating revenues of the proprietary component unit funds; and the College of Eastern Utah, Dixie College, Salt Lake Community College, Southern Utah University, Utah Valley State College, Weber State University, Utah State University's research foundation, and the University of Utah's hospital, foundations, and institutes, which combined represent 30 percent of the assets and 40 percent of the revenues and other additions of the college and university component unit funds. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those agencies, funds, and component units, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Utah as of June 30, 1998, and the results of its operations, the cash flows of its proprietary fund types and nonexpendable trust fund, the changes in net assets of its pension trust funds and investment trust fund, and the changes in fund balances and current funds revenues, expenditures, and other changes of the college and university funds for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 2 to the general-purpose financial statements, the State changed its method of accounting and financial reporting for investments and deferred compensation plans.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements of the State of Utah taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the State of Utah. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

The statistical data listed in the table of contents were not audited by us and, accordingly, we express no opinion thereon.

In accordance with *Government Auditing Standards*, our report on the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants is issued under separate cover in the *Single Audit Report*.

November 13, 1998 UTAH STATE AUDITOR

STATE OF UTAH

GENERAL PURPOSE FINANCIAL STATEMENTS

STATE OF UTAH

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

June 30, 1998 (Expressed in Thousands)

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Capital Projects	Debt Service	Enterprise	Internal Service
Assets						
Cash and Cash Equivalents (Note 3)	$ 117,054	$ 193,648	$ 32,570	$ 17,482	$ 60,484	$ 104,303
Investments (Notes 1, 3, 15)	163,356	425,604	62,801	11,805	92,570	161,104
Receivables: (Note 1)						
Accounts (Note 15)	221,462	119,013	16	26	9,297	11,930
Notes/Mortgages	169,095	9,838	—	—	655,796	307,400
Accrued Interest	1,624	—	—	—	13,809	10,457
Accrued Taxes	182,881	161,950	—	—	—	—
Unbilled	—	5,519	—	—	—	—
Due From Other Funds (Note 5)	24,441	59,923	3,151	52	2,081	12,477
Due From Component Units (Note 5)	—	—	19,126	—	—	—
Due From Primary Government (Note 5)	—	—	—	—	—	—
Advances to Other Funds	23,437	203	—	—	160	—
Inventories	870	9,594	—	—	11,661	2,446
Prepaid Items	—	—	—	—	788	1,081
Deferred Charges	—	—	—	—	3,370	—
Deferred Compensation Plan Assets (Note 16)	—	—	—	—	—	—
Fixed Assets — net, where applicable, of accumulated depreciation (Note 1, 6)	—	—	—	—	31,127	60,877
Amount Available in Debt Service Fund	—	—	—	—	—	—
Resources to be Provided in Future Years For:						
Retirement of General Obligation Bonds	—	—	—	—	—	—
Other General Long-Term Obligations	—	—	—	—	—	—
Total Assets	$ 904,220	$ 985,292	$ 117,664	$ 29,365	$ 881,143	$ 672,075
Liabilities, Equity, and Other Credits						
Liabilities:						
Vouchers Payable	$ 147,412	$ 120,676	$ —	$ —	$ 11,201	$ 12,458
Contracts Payable	—	—	18,484	—	543	—
Accrued Liabilities	40,793	10,500	—	21,487	30,146	3,219
Securities Lending Liability (Note 3)	—	—	—	—	—	32,526
Deposits	—	—	—	—	—	—
Due to Other Funds (Note 5)	10,281	83,228	1,493	311	6,591	26,223
Due to Component Units (Note 5)	—	—	—	—	—	152
Due to Primary Government (Note 5)	—	—	—	—	—	—
Due to Other Individuals or Groups	—	—	—	—	—	—
Due to Other Taxing Units	—	—	—	—	—	—
Deferred Revenue	29,242	16,268	5,822	—	5,525	918
Advances From Other Funds	—	—	—	—	—	23,801
Policy Claim Liabilities	—	—	—	—	—	87,829
Policyholder Dividends Payable	—	—	—	—	—	—
Notes Payable (Note 8)	—	—	—	—	—	325
General Obligation Bonds Payable (Note 8)	—	—	—	—	—	—
Revenue Bonds Payable (Note 8)	—	—	—	—	625,647	8,715
Leave/Postemployment Benefits (Notes 1, 8)	156,792	45,967	—	—	—	—
Deferred Compensation Plan Liability (Note 16)	—	—	—	—	—	—
Total Liabilities	384,520	276,639	25,799	21,798	679,653	196,166
Equity and Other Credits:						
Contributed Working Capital	—	—	—	—	50,423	294,779
Investment in Fixed Assets	—	—	—	—	—	—
Net Unrealized Gains on Investments	—	—	—	—	—	—
Retained Earnings	—	—	—	—	151,067	181,130
Fund Balances:						
Reserved (Note 9)	371,354	519,237	113,209	7,187	—	—
Unreserved Designated (Note 9)	138,938	153,629	—	380	—	—
Unreserved Undesignated	9,408	35,787	(21,344)	—	—	—
Total Equity and Other Credits	519,700	708,653	91,865	7,567	201,490	475,909
Total Liabilities, Equity, and Other Credits	$ 904,220	$ 985,292	$ 117,664	$ 29,365	$ 881,143	$ 672,075

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

Fiduciary Fund Types	Account Groups		Total (Memorandum Only)		Component Units		Total (Memorandum Only)	
			Primary Government				Reporting Entity	
Trust and Agency	General Fixed Assets	General Long-Term Obligation	June 30, 1998	June 30, 1997	College and University	Proprietary Funds	June 30, 1998	June 30, 1997
$ 1,034,965	$ —	$ —	$ 1,560,506	$ 2,636,917	$ 46,533	$ 68,509	$ 1,675,548	$ 2,720,431
14,472,184	—	—	15,389,424	11,629,187	924,965	1,065,562	17,379,951	13,327,551
114,428	—	—	476,172	351,354	216,613	9,790	702,575	595,925
—	—	—	1,142,129	1,040,201	71,302	840,376	2,053,807	1,926,620
29,482	—	—	55,372	64,659	7,786	23,057	86,215	91,637
8,873	—	—	353,704	313,383	—	—	353,704	313,383
—	—	—	5,519	4,294	—	—	5,519	4,294
27,600	—	—	129,725	99,303	—	—	129,725	112,099
—	—	—	19,126	8,841	—	—	19,126	8,841
—	—	—	0	0	152	—	152	200
—	—	—	23,800	180	—	—	23,800	180
—	—	—	24,571	25,461	23,999	5	48,575	48,986
—	—	—	1,869	1,192	13,181	1,841	16,891	14,458
—	—	—	3,370	3,649	—	24,834	28,204	25,490
2,699	—	—	2,699	171,248	14,823	—	17,522	188,879
8,840	1,326,742	—	1,427,586	1,320,922	2,414,588	14,775	3,856,949	3,517,430
—	—	7,567	7,567	13,891	—	—	7,567	13,891
—	—	1,201,930	1,201,930	366,723	—	—	1,201,930	366,723
—	—	237,819	237,819	248,370	—	—	237,819	248,370
$ 15,699,071	$ 1,326,742	$ 1,447,316	$ 22,062,888	$ 18,299,775	$ 3,733,942	$ 2,048,749	$ 27,845,579	$ 23,525,388
$ 38,209	$ —	$ —	$ 329,956	$ 286,365	$ 65,977	$ 8,584	$ 404,517	$ 368,104
—	—	29,431	48,458	47,886	37,633	—	86,091	84,016
—	—	—	106,145	67,899	40,518	36,143	182,806	131,920
1,223,260	—	—	1,255,786	1,301,730	—	—	1,255,786	1,301,730
41	—	—	41	60	29,508	18,709	48,258	43,465
1,598	—	—	129,725	99,303	—	—	129,725	112,099
—	—	—	152	200	—	—	152	200
—	—	—	0	0	19,126	—	19,126	8,841
24,509	—	—	24,509	23,849	5,188	—	29,697	28,398
58,407	—	—	58,407	2,003,173	—	—	58,407	2,003,173
308	—	—	58,083	52,989	19,474	6,986	84,543	80,367
—	—	—	23,801	180	—	—	23,801	180
316,821	—	—	404,650	396,782	—	463,137	867,787	842,951
—	—	—	0	0	—	40,497	40,497	17,646
—	—	—	325	0	10,453	2,518	13,296	10,651
—	—	1,202,310	1,202,310	367,160	—	—	1,202,310	367,160
—	—	215,575	849,937	834,623	208,326	1,100,924	2,159,187	2,015,804
—	—	—	202,759	191,092	42,882	—	245,641	229,354
2,699	—	—	2,699	171,248	14,823	—	17,522	188,879
1,665,852	0	1,447,316	4,697,743	5,844,539	493,908	1,677,498	6,869,149	7,834,938
—	—	—	345,202	331,521	—	3,948	349,150	335,470
—	1,326,742	—	1,326,742	1,236,414	2,159,907	—	3,486,649	3,208,988
—	—	—	0	0	—	5,391	5,391	28,708
—	—	—	332,197	305,954	—	361,912	694,109	584,366
14,293,284	—	—	15,304,271	10,652,491	676,730	—	15,981,001	11,192,346
—	—	—	292,947	218,797	375,818	—	668,765	603,228
(260,065)	—	—	(236,214)	(289,941)	27,579	—	(208,635)	(262,656)
14,033,219	1,326,742	0	17,365,145	12,455,236	3,240,034	371,251	20,976,430	15,690,450
$ 15,699,071	$ 1,326,742	$ 1,447,316	$ 22,062,888	$ 18,299,775	$ 3,733,942	$ 2,048,749	$ 27,845,579	$ 23,525,388

STATE OF UTAH

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

For the Fiscal Year Ended June 30, 1998 (Expressed in Thousands)

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
Revenues:				
Unrestricted:				
Sales Tax	$ 1,251,379	$ 8,654	$ —	$ —
Individual Income Tax	—	1,377,494	—	—
Corporate Tax	—	196,275	—	—
Motor and Special Fuel Tax	—	290,086	—	—
Licenses, Permits, and Fees	14,422	69,572	—	—
Investment Income	15,411	27,622	—	—
Miscellaneous Taxes and Other	162,483	485	—	—
Total Unrestricted	1,443,695	1,970,188	0	0
Restricted:				
Restricted Sales Tax	9,911	17,905	—	—
Federal Contracts and Grants	1,037,649	345,099	—	—
Departmental Collections	144,097	30,131	—	—
Aeronautics	—	22,762	—	—
Federal Mineral Lease	33,485	—	—	—
Intergovernmental Revenues	—	—	72,366	—
Investment Income	13,227	51	4,969	502
Premiums/Employer Taxes	—	—	—	—
Restricted Taxes (Note 1)	12,661	28,038	—	—
Miscellaneous	47,342	28,277	250	10,299
Total Restricted	1,298,372	472,263	77,585	10,801
Total Revenues	2,742,067	2,442,451	77,585	10,801
Expenditures:				
Current:				
General Government	230,030	—	—	—
Human Services	300,310	—	—	—
Corrections	143,808	—	—	—
Health and Environmental Quality	845,137	—	—	—
Higher Education	18,770	—	—	—
Natural Resources	88,529	—	—	—
Business, Labor, and Agriculture	42,180	243	—	—
Community and Economic Development	70,446	2,401	—	—
Employment and Family Services	285,602	—	—	—
Public Education	—	1,676,668	—	—
Transportation and Public Safety	87,703	1,038,522	—	—
Trust Administration and Distributions	—	—	—	—
Leave/Postemployment Benefits	21,641	(76)	—	—
Capital Outlay	—	—	200,912	—
Debt Service:				
Principal Retirement	—	—	—	75,150
Interest and Other Charges	—	—	—	55,925
Total Expenditures	2,134,156	2,717,758	200,912	131,075
Excess Revenues Over (Under) Expenditures	607,911	(275,307)	(123,327)	(120,274)
Other Financing Sources (Uses):				
Proceeds of Revenue Bonds/Contracts	954	—	—	—
Proceeds of General Obligation Bonds	8,761	851,084	58,234	—
Proceeds of Refunding Bonds	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—
Operating Transfers In (Note 12)	176,856	161,146	53,776	113,851
Operating Transfers Out (Note 12)	(219,312)	(238,296)	(3,929)	—
Operating Transfers to Component Units (Note 12)	(463,272)	—	—	—
Total Other Financing Sources (Uses)	(496,013)	773,934	108,081	113,851
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	111,898	498,627	(15,246)	(6,423)
Beginning Fund Balances	416,539	210,026	107,164	13,891
Adjustments To Beginning Fund Balances (Note 2)	(485)	—	(53)	99
Beginning Fund Balances as Adjusted	416,054	210,026	107,111	13,990
Residual Equity Transfers (Note 12)	(8,252)	—	—	—
Ending Fund Balances	$ 519,700	$ 708,653	$ 91,865	$ 7,567

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

Fiduciary Fund Types	Total (Memorandum Only)	
Expendable Trust	June 30, 1998	June 30, 1997
$ —	$ 1,260,033	$ 1,259,961
—	1,377,494	1,237,332
—	196,275	191,991
—	290,086	214,758
—	83,994	64,486
—	43,033	20,811
—	162,968	129,747
0	3,413,883	3,119,086
—	27,816	0
7,397	1,390,145	1,322,575
—	174,228	163,763
—	22,762	24,890
—	33,485	34,111
—	72,366	38,731
81,645	100,394	61,846
110,332	110,332	109,736
—	40,699	3,316
57,509	143,677	188,497
256,883	2,115,904	1,947,465
256,883	5,529,787	5,066,551
12,590	242,620	259,434
20,144	320,454	525,714
—	143,808	136,711
21,996	867,133	833,786
131	18,901	24,036
1,150	89,679	94,600
5,770	48,193	43,569
1,798	74,645	87,854
89,081	374,683	82,038
315	1,676,983	1,651,574
—	1,126,225	669,014
16,402	16,402	0
—	21,565	31,659
—	200,912	182,129
—	75,150	70,190
—	55,925	30,461
169,377	5,353,278	4,722,769
87,506	176,509	343,782
—	954	54,315
—	918,079	20,103
—	0	5,472
—	0	(5,468)
705	506,334	387,782
(13,597)	(475,134)	(361,123)
—	(463,272)	(442,909)
(12,892)	486,961	(341,828)
74,614	663,470	1,954
369,044	1,116,664	1,127,061
171,503	171,064	0
540,547	1,287,728	1,127,061
(2,583)	(10,835)	(12,351)
$ 612,578	$ 1,940,363	$ 1,116,664

STATE OF UTAH

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — BUDGET AND ACTUAL (BUDGETARY BASIS) GENERAL FUND, SPECIAL REVENUE FUNDS, AND DEBT SERVICE FUND

For the Fiscal Year Ended June 30, 1998 (Expressed in Thousands)

	General Fund		
	Budget	**Actual**	**Variance Favorable (Unfavorable)**
Revenues:			
Unrestricted:			
Sales Tax	$ 1,280,027	$ 1,251,769	$ (28,258)
Individual Income Tax	—	—	0
Corporate Tax	—	—	0
Motor and Special Fuel Tax	—	—	0
Licenses, Permits, and Fees	15,510	14,431	(1,079)
Investment Income	15,000	15,741	741
Miscellaneous Taxes and Other	147,155	162,483	15,328
Total Unrestricted	1,457,692	1,444,424	(13,268)
Restricted:			
Restricted Sales Tax	9,911	9,911	0
Federal Contracts and Grants	1,055,815	1,055,815	0
Departmental Collections	152,864	152,893	29
Higher Education Dedicated Credits	162,206	162,206	0
Aeronautics	—	—	0
Federal Mineral Lease	31,500	33,485	1,985
Investment Income	11,143	13,227	2,084
Restricted Taxes	12,661	12,661	0
Miscellaneous	213,348	214,174	826
Total Restricted	1,649,448	1,654,372	4,924
Total Revenues	3,107,140	3,098,796	(8,344)
Intrafund Eliminations		(356,729)	
Total Revenues GAAP Basis		2,742,067	
Expenditures:			
Current:			
General Government	246,748	233,598	13,150
Human Services	441,673	434,546	7,127
Corrections	147,012	144,323	2,689
Health and Environmental Quality	903,700	887,566	16,134
Higher Education	643,998	643,343	655
Natural Resources	107,148	91,924	15,224
Business, Labor, and Agriculture	49,307	42,529	6,778
Community and Economic Development	86,515	71,398	15,117
Employment and Family Services	289,714	288,927	787
Public Education	—	—	0
Transportation and Public Safety	89,588	88,137	1,451
Leave/Postemployment Benefits	21,641	21,641	0
Debt Service:			
Principal Retirement	—	—	0
Interest and Other Charges	—	—	0
Total Expenditures	3,027,044	2,947,932	79,112
Higher Education and Trust Appropriated Expenditures Included as Transfers	457,047	(457,047)	
Intrafund Eliminations		(356,729)	
Total Expenditures GAAP Basis		2,134,156	
Excess Revenues Over (Under) Expenditures	537,143	607,911	70,768
Other Financing Sources (Uses):			
Proceeds of Revenue Bonds/Contracts	954	954	0
Proceeds of General Obligation Bonds	8,761	8,761	0
Operating Transfers In (Note 12)	176,856	176,856	0
Operating Transfers Out (Note 12)	(219,312)	(219,312)	0
Operating Transfers to Component Units (Note 12)	(463,272)	(463,272)	0
Total Other Financing Sources (Uses)	(496,013)	(496,013)	0
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	41,130	111,898	70,768
Beginning Fund Balances	416,539	416,539	0
Adjustments to Beginning Fund Balances (Note 2)	(485)	(485)	0
Beginning Fund Balances as Adjusted	416,054	416,054	0
Residual Equity Transfers (Note 12)	(8,252)	(8,252)	0
Ending Fund Balances	$ 448,932	$ 519,700	$ 70,768

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

Special Revenue Funds			Debt Service Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$ 8,677	$ 8,654	$ (23)	$ —	$ —	$ 0
1,323,274	1,377,494	54,220	—	—	0
187,914	196,275	8,361	—	—	0
297,950	290,086	(7,864)	—	—	0
67,292	69,572	2,280	—	—	0
18,041	27,622	9,581	—	—	0
3,304	485	(2,819)	—	—	0
1,906,452	1,970,188	63,736	0	0	0
17,905	17,905	0	—	—	0
345,099	345,099	0	—	—	0
49,917	50,437	520	—	—	0
—	—	0	—	—	0
22,762	22,762	0	—	—	0
—	—	0	—	—	0
51	51	0	502	502	0
28,038	28,038	0	—	—	0
33,597	33,597	0	10,299	10,299	0
497,369	497,889	520	10,801	10,801	0
2,403,821	2,468,077	64,256	10,801	10,801	0
	(25,626)			—	
	2,442,451			10,801	
—	—	0	—	—	0
—	—	0	—	—	0
—	—	0	—	—	0
—	—	0	—	—	0
—	—	0	—	—	0
—	—	0	—	—	0
243	243	0	—	—	0
—	—	0	—	—	0
2,684	2,401	283	—	—	0
1,723,208	1,685,714	37,494	—	—	0
1,163,796	1,055,102	108,694	—	—	0
(76)	(76)	0	—	—	0
—	—	0	75,150	75,150	0
—	—	0	55,925	55,925	0
2,889,855	2,743,384	146,471	131,075	131,075	0
	(25,626)			—	
	2,717,758			131,075	
(486,034)	(275,307)	210,727	(120,274)	(120,274)	0
—	—	0	—	—	0
851,084	851,084	0	—	—	0
161,146	161,146	0	113,851	113,851	0
(238,564)	(238,296)	268	—	—	0
—	—	0	—	—	0
773,666	773,934	268	113,851	113,851	0
287,632	498,627	210,995	(6,423)	(6,423)	0
210,026	210,026	0	13,891	13,891	0
—	—	0	99	99	0
210,026	210,026	0	13,990	13,990	0
—	—	0	—	—	0
$ 497,658	$ 708,653	$ 210,995	$ 7,567	$ 7,567	$ 0

STATE OF UTAH

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS/FUND BALANCES — ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUND, AND DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 1998 (Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types
	Enterprise	Internal Service	Non-expendable Trust
Operating Revenues:			
Investment Earnings	$ 8,633	$ 14,344	$ 29,091
Liquor:			
Sales	102,876	—	—
Licenses, Permits, and Fees	1,026	—	—
Charges for Services/Premiums/Royalties	26,230	294,891	12,547
Interest on Notes/Mortgages	49,238	7,009	—
Federal Reinsurance and Allowances	29,490	—	—
Miscellaneous	582	—	—
Total Operating Revenues	218,075	316,244	41,638
Cost of Goods Sold	74,595	—	—
Gross Profit	143,480	316,244	41,638
Operating Expenses:			
Administration	39,315	30,457	—
Materials and Services for Resale	—	41,120	—
Grants	539	—	—
Payments on Loan Guarantees	22,522	—	—
Rentals and Leases	1,038	3,175	—
Maintenance	482	11,296	—
Interest	32,439	587	—
Depreciation	1,300	17,469	—
Benefit Claims	—	162,840	—
Policyholder Dividends	—	6,254	—
Supplies and Other Miscellaneous	922	33,166	—
Total Operating Expenses	98,557	306,364	0
Total Operating Income (Loss)	44,923	9,880	41,638
Non-Operating Income (Expenses):			
Investment Earnings	1,434	—	—
Federal Grants/Returns	(14,019)	207	—
Gain (Loss) on Sale of Fixed Assets	(5)	193	8,092
Tax Revenues	2,040	9,811	—
Other (Expenses)	—	—	—
Total Non-Operating Income (Expenses)	(10,550)	10,211	8,092
Income (Loss) Before Operating Transfers	34,373	20,091	49,730
Operating Transfers In (Note 12)	61	522	—
Operating Transfers From Primary Government (Note 12)	—	—	—
Operating Transfers Out (Note 12)	(26,706)	(5,077)	—
Net Income (Loss)	7,728	15,536	49,730
Beginning Retained Earnings/Fund Balances	140,415	165,539	132,833
Adjustment to Beginning Retained Earnings/ Fund Balances (Note 2)	341	55	23,699
Beginning Retained Earnings/Fund Balances as Adjusted	140,756	165,594	156,532
Residual Equity Transfers (Note 12)	2,583	—	—
Ending Retained Earnings/Fund Balances	$ 151,067	$ 181,130	$ 206,262

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

Total (Memorandum Only)		Proprietary Fund Types	Total (Memorandum Only)	
Primary Government		Component	Reporting Entity	
June 30, 1998	June 30, 1997	Units	June 30, 1998	June 30, 1997
$ 52,068	$ 30,630	$ 117,501	$ 169,569	$ 100,192
102,876	95,937	—	102,876	95,937
1,026	768	—	1,026	768
333,668	303,419	119,952	453,620	435,972
56,247	49,931	62,685	118,932	110,869
29,490	26,194	—	29,490	26,194
582	463	2,196	2,778	2,872
575,957	507,342	302,334	878,291	772,804
74,595	68,976	—	74,595	68,976
501,362	438,366	302,334	803,696	703,828
69,772	61,252	29,361	99,133	85,445
41,120	40,818	—	41,120	40,818
539	218	—	539	218
22,522	19,577	—	22,522	19,577
4,213	3,671	—	4,213	3,671
11,778	10,517	541	12,319	11,059
33,026	29,605	65,559	98,585	93,760
18,769	17,822	2,909	21,678	21,415
162,840	160,641	90,503	253,343	269,757
6,254	1,704	40,000	46,254	18,916
34,088	32,198	712	34,800	32,997
404,921	378,023	229,585	634,506	597,633
96,441	60,343	72,749	169,190	106,195
1,434	1,357	637	2,071	1,921
(13,812)	397	70	(13,742)	1,135
8,280	765	—	8,280	765
11,851	1,402	—	11,851	1,402
0	0	(484)	(484)	(694)
7,753	3,921	223	7,976	4,529
104,194	64,264	72,972	177,166	110,724
583	622	—	583	622
0	0	6,270	6,270	2,726
(31,783)	(27,281)	—	(31,783)	(27,281)
72,994	37,605	79,242	152,236	86,791
438,787	400,584	278,412	717,199	629,810
24,095	0	4,258	28,353	0
462,882	400,584	282,670	745,552	629,810
2,583	598	—	2,583	598
$ 538,459	$ 438,787	$ 361,912	$ 900,371	$ 717,199

STATE OF UTAH

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUND, AND DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 1998 (Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types
	Enterprise	Internal Service	Non-expendable Trust
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Receipts from Customers/Loan Interest/Fees/Premiums/Royalties	$ 183,724	$ 185,466	$ 10,993
Receipts from Loan Maturities	116,726	13,091	—
Receipts of Federal Reinsurance and Allowances	31,337	—	—
Receipts from State Customers	8,958	109,936	—
Student Loan Disbursements Received from Lenders	170,981	—	—
Student Loan Disbursements Sent to Schools	(171,101)	—	—
Payments to Suppliers/Claims/Grants	(91,847)	(244,713)	—
Disbursements for Loans Receivable	(174,328)	(22,232)	—
Payments on Loan Guarantees	(23,754)	—	—
Payments for Employee Services and Benefits	(20,862)	(30,144)	—
Payments to State Suppliers	(531)	(9,923)	7
Payments of Sales, School Lunch, and Premium Taxes	(17,378)	—	—
Payments of Policyholder Dividends	—	—	—
Net Cash Provided (Used) by Operating Activities	11,925	1,481	11,000
Cash Flows from Noncapital Financing Activities:			
Borrowings Under Revolving Loans	2,717	7,518	—
Repayments Under Revolving Loans	(3,878)	(16,070)	—
Receipts from Bonds, Notes, Advances, and Deposits	90,900	24,120	—
Payments of Bonds, Notes, Advances, Deposits, and Retained Earnings	(73,470)	(11,160)	—
Interest Paid on Bonds, Notes, and Financing Costs	(34,133)	(604)	—
Other Noncapital Financing Revenues	2,040	8,871	—
Operating Transfers In from Other Funds	61	522	—
Operating Transfers In from Primary Government	—	—	—
Operating Transfers Out to Other Funds	(26,706)	(5,077)	—
Equity Transfers In from Other Funds	2,583	7,258	—
Equity Transfers Out to Other Funds	(878)	(534)	—
Net Cash Provided (Used) by Noncapital Financing Activities	(40,764)	14,844	0
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Bond and Note Debt Issuance/Grants	5,001	—	—
Proceeds from Disposition of Capital Assets	19	1,841	8,092
Principal Paid on Debt and Contract Maturities	(349)	—	—
Acquisition and Construction of Capital Assets	(8,277)	(23,180)	(237)
Interest Paid on Bonds, Notes, and Capital Leases	(454)	—	—
Contributed Capital Transfers In from Other Funds	2,406	—	—
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,654)	(21,339)	7,855
Cash Flows from Investing Activities:			
Proceeds from the Sale and Maturity of Investments	293,787	26,140	6,931
Receipts of Interest and Dividends from Investments	9,573	13,153	52,790
Payments to Purchase Investments	(274,111)	(27,668)	(8,083)
Net Cash Provided (Used) by Investing Activities	29,249	11,625	51,638
Net Increase (Decrease) in Cash and Cash Equivalents	(1,244)	6,611	70,493
Beginning Cash and Cash Equivalents	61,728	97,692	72,008
Ending Cash and Cash Equivalents	$ 60,484	$ 104,303	$ 142,501

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

Total (Memorandum Only)		Proprietary Fund Types	Total (Memorandum Only)	
Primary Government		Component	Reporting Entity	
June 30, 1998	June 30, 1997	Units	June 30, 1998	June 30, 1997
$ 380,183	$ 351,631	$ 175,457	$ 555,640	$ 543,293
129,817	116,328	188,193	318,010	238,040
31,337	26,155	—	31,337	26,155
118,894	117,436	5,202	124,096	122,119
170,981	156,389	—	170,981	156,389
(171,101)	(156,329)	—	(171,101)	(156,329)
(336,560)	(315,177)	(76,179)	(412,739)	(390,100)
(196,560)	(169,082)	(209,547)	(406,107)	(338,845)
(23,754)	(18,631)	—	(23,754)	(18,631)
(51,006)	(44,289)	(21,505)	(72,511)	(63,511)
(10,447)	(20,329)	—	(10,447)	(20,329)
(17,378)	(16,700)	(9,094)	(26,472)	(24,159)
0	0	(15,203)	(15,203)	(29,789)
24,406	27,402	37,324	61,730	44,303
10,235	40,591	843	11,078	41,026
(19,948)	(33,502)	(163)	(20,111)	(33,580)
115,020	72,795	324,350	439,370	319,840
(84,630)	(22,545)	(270,533)	(355,163)	(369,864)
(34,737)	(30,957)	(65,417)	(100,154)	(109,858)
10,911	2,011	136	11,047	2,933
583	622	—	583	622
0	0	6,270	6,270	2,725
(31,783)	(27,281)	—	(31,783)	(27,281)
9,841	13,456	—	9,841	13,456
(1,412)	(1,857)	—	(1,412)	(1,857)
(25,920)	13,333	(4,514)	(30,434)	(161,838)
5,001	988	—	5,001	988
9,952	8,349	38	9,990	8,483
(349)	(283)	(74)	(423)	(509)
(31,694)	(27,496)	(2,309)	(34,003)	(31,193)
(454)	(280)	(4)	(458)	(299)
2,406	753	—	2,406	753
(15,138)	(17,969)	(2,349)	(17,487)	(21,777)
326,858	325,790	946,046	1,272,904	913,351
75,516	31,642	57,498	133,014	88,015
(309,862)	(315,160)	(994,747)	(1,304,609)	(809,412)
92,512	42,272	8,797	101,309	191,954
75,860	65,038	39,258	115,118	52,642
231,428	166,390	29,251	260,679	208,037
$ 307,288	$ 231,428	$ 68,509	$ 375,797	$ 260,679

Continues

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUND, AND DISCRETELY PRESENTED COMPONENT UNITS

Continued

For the Fiscal Year Ended June 30, 1998 (Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types
	Enterprise	Internal Service	Non-expendable Trust
Reconciliation of Total Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Total Operating Income (Loss)	$ 44,923	$ 9,880	$ 41,638
Adjustments to Reconcile Total Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Not Requiring Cash	1,300	17,469	—
Provision for Uncollectible Accounts	—	—	—
Interest Expense for Noncapital and Capital Financing	31,828	587	—
Revenue from Non-Operating Investment and Other Activities	(2,884)	(14,365)	(29,091)
Miscellaneous Gains, Losses, and Other Items Not Requiring Cash	2,625	2	—
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable/Due From Other Funds	558	(5,636)	(1,602)
(Increase) Decrease in Accrued Interest/Notes Receivable	(68,068)	(10,084)	48
(Increase) Decrease in Inventories	(849)	196	—
(Increase) Decrease in Prepaid Items	47	(293)	—
(Decrease) Increase in Vouchers Payable/Accrued Liabilities/ Due to Other Funds/Dividends Payable	2,821	2,255	7
(Decrease) Increase in Deferred Revenue/Deposits	(376)	(212)	—
(Decrease) Increase in Policy Claim Liabilities	—	1,357	—
(Decrease) Increase in Notes Payable	—	325	—
Net Cash Provided (Used) by Operating Activities	$ 11,925	$ 1,481	$ 11,000
Noncash Investing, Capital, and Financing Activities:			
Contributed Capital Transfer for Deficit Retained Earnings	$ —	$ —	$ —
Contributed Capital/Operating Assets Transferred In (Out)	5,429	—	—
Total Noncash Investing, Capital, and Financing Activities	$ 5,429	$ 0	$ 0

Reconciliation of Cash and Cash Equivalents to the Combined Balance Sheet:

	Trust and Agency	Component Units
Nonexpendable Trust	$ 142,501	$ —
Proprietary Component Units	—	68,509
Other Trust and Agency	892,464	—
Other Component Units	—	46,533
Total Cash and Cash Equivalents per Combined Balance Sheet	$ 1,034,965	$ 115,042

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

Total (Memorandum Only) Primary Government June 30, 1998	Total (Memorandum Only) Primary Government June 30, 1997	Proprietary Fund Types Component Units	Total (Memorandum Only) Reporting Entity June 30, 1998	Total (Memorandum Only) Reporting Entity June 30, 1997
$ 96,441	$ 60,343	$ 72,749	$ 169,190	$ 106,195
18,769	17,822	2,909	21,678	21,415
0	0	1,286	1,286	936
32,415	29,593	61,734	94,149	90,511
(46,340)	(25,000)	(115,677)	(162,017)	(94,054)
2,627	1,786	2,247	4,874	3,501
(6,680)	559	518	(6,162)	6,656
(78,104)	(57,911)	(23,201)	(101,305)	(107,792)
(653)	(1,022)	—	(653)	(1,019)
(246)	(503)	(551)	(797)	(1,024)
5,083	319	23,933	29,016	(13,360)
(588)	(154)	(5,591)	(6,179)	(3,805)
1,357	1,570	16,968	18,325	36,143
325	0	—	325	0
$ 24,406	$ 27,402	$ 37,324	$ 61,730	$ 44,303
$ 0	$ 598	$ —	$ 0	$ 598
5,429	(593)	—	5,429	(593)
$ 5,429	$ 5	$ 0	$ 5,429	$ 5

STATE OF UTAH

STATEMENT OF CHANGES IN NET ASSETS
DEFINED BENEFIT PENSION PLANS, OTHER PENSION TRUST FUNDS, AND INVESTMENT TRUST FUND

For the Fiscal Year Ended June 30, 1998 (Expressed in Thousands)

	Contributory System	Non-contributory System	Public Safety System	Fire-fighters System
Additions:				
Contributions:				
Member	$ 8,546	$ 7,366	$ 4,579	$ 8,359
Employer	10,651	345,294	35,090	3,224
Court Fees and Fire Insurance Premiums	—	—	—	4,552
Pool Participant Deposits	—	—	—	—
Total Contributions and Deposits	19,197	352,660	39,669	16,135
Investment Income:				
Net Appreciation (Depreciation) in Fair Value of Investments	—	—	—	—
Allocation of Appreciation (Depreciation) in Fair Value of Investments	104,169	818,013	103,548	44,971
Short-Term Interest	—	—	—	—
Bond Interest	—	—	—	—
Equity Dividends	—	—	—	—
Real Estate	—	—	—	—
Mortgage Loans	—	—	—	—
Securities Lending	—	—	—	—
Investment Contracts	—	—	—	—
Investment Trust Earnings	—	—	—	—
Allocation of Investment Earnings	29,117	229,194	28,942	12,570
Total Investment Income	133,286	1,047,207	132,490	57,541
Less Investment Advisor Fees	—	—	—	—
Less Investment Administrative Expenses	—	—	—	—
Net Investment Income	133,286	1,047,207	132,490	57,541
Total Additions	152,483	1,399,867	172,159	73,676
Deductions:				
Retirement Benefits	39,784	159,169	25,741	10,836
Cost of Living Benefits	20,085	27,093	4,347	2,510
Additional Retirement Benefits	4,015	—	884	975
Refunds	56,701	5,388	800	395
Earnings Distribution	—	—	—	—
Administrative Expenses	794	6,323	792	331
Pool Participant Withdrawals	—	—	—	—
Total Deductions	121,379	197,973	32,564	15,047
Net Increase (Decrease) From Operations	31,104	1,201,894	139,595	58,629
Fund Balances/Net Assets Held in Trust for Pension Benefits and External Investment Fund Participants — Beginning of Year	912,390	6,510,470	831,262	362,555
Adjustment to Beginning of Year (Note 2)	—	—	—	—
Fund Balances/Net Assets Held in Trust for Pension Benefits and External Investment Fund Participants — Beginning of Year as Adjusted	912,390	6,510,470	831,262	362,555
Fund Balances/Net Assets Held in Trust for Pension Benefits and External Investment Fund Participants — End of Year	$ 943,494	$ 7,712,364	$ 970,857	$ 421,184

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

Judges System	Governors and Legislative Pension Plan	Deferred Compensation 401(k) Plan	Retirement Investment Fund	Public Treasurer's Investment Fund
$ 701	$ —	$ 115,606	$ —	$ —
1,840	15	—	—	—
1,901	—	—	—	—
—	—	—	—	3,606,335
4,442	15	115,606	0	3,606,335
—	—	77,963	1,083,288	1,454
6,982	1,157	—	(1,078,840)	—
—	—	145	25,344	—
—	—	—	146,396	—
—	—	22,914	77,071	—
—	—	—	68,058	—
—	—	—	378	—
—	—	—	2,703	—
—	—	17,624	—	—
—	—	—	—	139,326
1,951	324	—	(302,098)	—
8,933	1,481	118,646	22,300	140,780
—	—	412	13,253	—
—	—	—	1,926	135
8,933	1,481	118,234	7,121	140,645
13,375	1,496	233,840	7,121	3,746,980
2,216	399	—	—	—
474	120	—	—	—
—	—	—	—	—
88	1	44,746	—	—
—	—	—	1,582	137,250
55	6	1,446	—	—
—	—	—	—	3,326,851
2,833	526	46,192	1,582	3,464,101
10,542	970	187,648	5,539	282,879
55,757	9,561	615,343	34,512	1,965,142
—	—	—	—	(1,413)
55,757	9,561	615,343	34,512	1,963,729
$ 66,299	$ 10,531	$ 802,991	$ 40,051	$ 2,246,608

STATE OF UTAH

COMBINED STATEMENT OF CHANGES IN FUND BALANCES
COMPONENT UNITS — COLLEGE AND UNIVERSITY FUNDS

For the Fiscal Year Ended June 30, 1998 and 1997 (Expressed in Thousands)

	June 30, 1998	June 30, 1997
Revenues and Other Additions:		
Unrestricted Educational and General Revenues	$ 474,774	$ 448,121
Auxiliary Enterprises Revenues	121,439	119,714
Hospital Sales and Services	293,332	279,913
Foundations and Institutes	107,562	86,762
Tuition and Fees — Restricted	25,732	24,330
Private Gifts, Grants, and Contracts	174,664	129,879
Governmental Grants and Contracts	331,892	342,114
Federal Appropriations	4,168	3,866
Investment and Endowment Income	65,110	27,634
Interest on Loans Receivable	1,640	1,210
Expended for Plant Facilities (including $63,782 from current funds)	250,601	176,956
Bond Proceeds	6,600	247
Retirement of Indebtedness (including $282 from current funds)	42,218	14,333
Other	13,126	11,163
Total Revenues and Other Additions	1,912,858	1,666,242
Expenditures and Other Deductions:		
Educational and General Expenditures	1,266,173	1,180,226
Auxiliary Enterprises Expenditures	122,276	120,820
Hospital Expenditures	284,629	254,538
Foundations and Institutes	91,667	74,238
Indirect Costs Recovered	48,526	45,519
Refunded to Grantors	47	13
Loan Cancellations and Write-Offs	850	829
Administrative and Collection Costs	111	395
Expended for Plant Facilities (including noncapitalized expenditures of $5,973)	192,792	124,625
Retirement of Indebtedness	41,936	14,025
Interest on Indebtedness	10,700	9,455
Increase in Debt	275	1,456
Disposal of Plant Facilities	31,767	70,406
Other	11,382	1,072
Total Expenditures and Other Deductions	2,103,131	1,897,617
Transfers Among Funds:		
Operating Transfers In from Primary Government (Note 12)	457,002	440,183
Net Increase (Decrease) in Fund Balances	266,729	208,808
Beginning Fund Balances	2,924,145	2,715,337
Adjustments to Beginning Fund Balances (Note 2)	49,160	—
Adjusted Beginning Fund Balances	2,973,305	2,715,337
Ending Fund Balances	$ 3,240,034	$ 2,924,145

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

STATE OF UTAH

COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES COMPONENT UNITS — COLLEGE AND UNIVERSITY FUNDS

For the Fiscal Year Ended June 30, 1998 (Expressed in Thousands)

	Total Unrestricted	Total Restricted	Total Current Funds June 30, 1998	Total Current Funds June 30, 1997
Revenues:				
Educational and General:				
Tuition and Fees	$ 202,338	$ 15,305	$ 217,643	$ 202,731
Federal Appropriations	—	3,786	3,786	3,765
Governmental Grants and Contracts	51,347	233,161	284,508	263,326
Private Gifts, Grants, and Contracts	2,334	92,902	95,236	81,627
Investment and Endowment Income	21,531	14,770	36,301	32,764
Sales and Services of Educational Departments	189,490	1,309	190,799	185,223
Other	7,734	8,514	16,248	15,599
Total Educational and General Revenues	474,774	369,747	844,521	785,035
Hospital Sales and Services	293,332	—	293,332	279,913
Auxiliary Enterprises Revenues	121,439	—	121,439	119,714
Total Revenues	889,545	369,747	1,259,292	1,184,662
Expenditures and Mandatory Transfers:				
Educational and General:				
Instruction	323,176	62,356	385,532	369,610
Research	31,279	180,105	211,384	191,303
Public Service	153,967	81,105	235,072	216,247
Academic Support	82,433	19,730	102,163	92,686
Student Services	53,829	11,953	65,782	60,846
Institution Support	101,399	8,990	110,389	102,460
Operation and Maintenance of Plant	72,124	4,141	76,265	72,843
Student Aid	22,527	57,833	80,360	74,061
Total Educational and General Expenditures	840,734	426,213	1,266,947	1,180,056
Hospital Expenditures	284,474	155	284,629	254,538
Auxiliary Enterprises Expenditures	120,541	1,735	122,276	120,820
Mandatory Transfers, net Out (In)	26,004	(1,532)	24,472	21,345
Total Expenditures and Mandatory Transfers	1,271,753	426,571	1,698,324	1,576,759
Other Transfers and Additions (Deductions):				
Excess of Restricted Receipts Over (Under) Transfers to Revenues	—	10,115	10,115	24,121
Refunded to Grantors	—	(46)	(46)	(12)
Nonmandatory Transfers, net	(19,628)	(8,236)	(27,864)	(30,990)
Operating Transfers from Primary Government (Note 12)	398,642	58,360	457,002	440,183
Other	(6)	(225)	(231)	(864)
Total Other Transfers and Additions	379,008	59,968	438,976	432,438
Net Increase (Decrease) in Fund Balances	$ (3,200)	$ 3,144	$ (56)	$ 40,341

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

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STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 1998

Index to the Notes To The Combined Financial Statements

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 1998

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Utah have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

The accompanying financial statements present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the cash flows of the proprietary and nonexpendable trust funds. The financial statements are presented as of June 30, 1998, for the year then ended. The financial statements include the various departments, agencies, and other organizational units governed by the Utah State Legislature and/or Constitutional Officers of the State of Utah.

A. **Reporting Entity**

For financial reporting purposes, the State of Utah has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The State has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and either (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State.

As required by generally accepted accounting principles, these financial statements include the State of Utah (Primary Government) and its component units. Complete financial statements of the individual component units, which issued separate financial statements as noted below, can be obtained from their respective administrative offices or from the Utah State Auditor's Office, 211 State Capital, Salt Lake City, UT 84114.

The following state agencies and funds had separately issued financial statements and were audited by the Utah State Auditor's Office, or by other independent auditors:

- Applied Technology Centers (Special Revenue Fund) — There are five applied technology centers in the State which offer vocational education in various subjects. They are: Bridgerland, Davis, Ogden-Weber, Sevier Valley, and Uintah Basin. The Centers receive annual state appropriations for their operations and are included as an integral part of the Uniform School Fund. The individual Centers were audited by other independent auditors, and individual reports, dated from August 20, 1998, to September 24, 1998, have been previously issued under separate cover.

- Student Assistance Programs (Enterprise Fund) — This fund presents combined information from two student assistance programs: the Higher Education Assistance Authority, which guarantees repayment of eligible student loans; and the State Board of Regents Student Loan Purchase Program, which makes loans to and purchases loans of eligible students. The programs are funded from bond proceeds, loan fees, interest, and federal allowances. Both programs are administered by the State Board of Regents. The Regents are appointed by the Governor, subject to Senate approval. The Board of Regent's operations and administrative expenses are subject to legislative and executive control. Their reports, dated September 11, 1998, have been previously issued under separate cover.

- Utah Dairy Commission (Enterprise Fund) — The Commission is an independent state agency which promotes and advertises dairy products. It also conducts research and provides nutritional education about dairy products. The Commission's voting membership is comprised of representatives from the dairy industry, and its funding is from an assessment imposed on all milk produced and sold through commercial channels in the State. The Commission was audited by other independent auditors for the period ended December 31, 1997, and their report, dated June 11, 1998, has been previously issued under separate cover.

- Utah Public Employees Group Insurance (Internal Service Fund) — This fund provides health and life insurance and is financed by employee and employer contributions from the State and other participating political subdivisions. The Fund is administered by the State Retirement Office, which is subject to legislative and executive control. The Fund was audited by other independent auditors and their report, dated August 28, 1998, has been previously issued under separate cover.

- Utah State Retirement Office (Pension Trust Funds) — The State Retirement Office administers pension funds for various public employee retirement systems of the State and its political subdivisions. The Office is subject to state legislative and executive controls. The Governor, with Senate approval, appoints the Administrative Board. The administrative expenses are subject to legislative budget controls. The funds were audited by other independent auditors for the period ended December 31, 1997, and their report, dated February 27, 1998, has been previously issued under separate cover.

Blended Component Units

Blended component units are entities which are legally separate from the State but which are so intertwined with the State that they are, in substance, the same as the State. They are reported as part of the State and blended into the appropriate funds.

- Utah State Building Ownership Authority (various fund types and account groups) — The Utah State Building Ownership Authority was created by the Legislature as a body politic and corporate for the purpose of financing, owning, leasing, operating, or encumbering facilities to meet the needs of state government. It is comprised of seven members who are appointed by the Governor.

Discrete Component Units

Discrete component units are entities which are legally separate from the State but which are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The component units columns of the combined financial statements include the financial data of these entities.

- Utah Housing Finance Agency (Proprietary Fund Type) — This agency is a body politic and corporate, composed of nine members. Three of the members are state officials and six members are citizens appointed by the Governor. The Agency issues bonds to provide capital for housing and home mortgages, especially for low and moderate income families. Operations are financed from bond proceeds and from mortgage and investment interest and fees. Their report, dated September 3, 1998, has been previously issued under separate cover.

- Workers' Compensation Fund of Utah (Proprietary Fund Type) — The Workers' Compensation Fund is a nonprofit quasi-governmental corporation. It provides workers' compensation insurance to private and public employers and is financed through member (employer) premiums. The Fund is governed by a board of directors appointed by the Governor. Administrative operations and budgets are reviewed by the Governor and Legislature. The Fund is reported for the period ended December 31, 1997, and was audited by other independent auditors. Their report, dated February 24, 1998, has been previously issued under separate cover.

- Utah Technology Finance Corporation (Proprietary Fund Type) — This is a nonprofit organization which encourages and assists in the development, promotion, and growth of technological and small businesses throughout the State. The Corporation receives state appropriations for working capital. The board of trustees is appointed by the Governor and approved by the Senate. Their report, dated August 28, 1998, has been previously issued under separate cover.

- Comprehensive Health Insurance Pool (Proprietary Fund Type) — The Pool is a nonprofit quasi-governmental entity established within the State Insurance Department. It provides access to health insurance coverage for residents of the State who are denied adequate health insurance and are considered uninsurable. The Pool is governed by a board which is appointed by the Governor with the advice and consent of the Senate. The Pool is reported for the period ended December 31, 1997, and their report, dated April 10, 1998, has been previously issued under separate cover.

- Heber Valley Historic Railroad Authority (Proprietary Fund Type) — The Authority is an independent state agency which maintains and operates a scenic and historic railroad in and around the Heber Valley. The Authority consists of three members appointed by the Governor and approved by the Senate; the executive director of the Department of Transportation, and three local government officials from the Heber Valley. Their compilation report, dated September 16, 1998, has been previously issued under separate cover.

- Utah Science Center Authority (Proprietary Fund Type) — The Authority is an independent state agency created to provide a means to foster the development of science, arts, tourism, and cultural and educational facilities in order to further the welfare of the citizens of the State and its economic growth. The Authority consists of six members appointed by the Governor with consent of the Senate; and one member each from the State Board of Regents, the State Board of Education, Salt Lake City Corporation, Salt Lake County legislative body, State Department of Community and Economic Development, the Board of Travel Development, and three members from the Hansen Planetarium Board. The Authority's activity through June 30, 1998, is included in this report.

- Utah State Fair Corporation (Proprietary Fund Type) — This is a nonprofit public corporation created by the Legislature on July 1, 1995; the functions were previously accounted for in the Department of Community and Economic Development. The Corporation operates the State Fair Park and conducts the Utah State Fair and other various expositions and entertainment events. It is governed by a board of directors appointed by the Governor and approved by the Senate. It receives state appropriations for operations and working capital. Their report, dated August 21, 1998, has been previously issued under separate cover.

- Colleges and Universities (College and University Funds) — The University of Utah, Utah State University, Weber State University, Southern Utah University, Salt Lake Community College, Utah Valley State College, Dixie College, College of Eastern Utah, and Snow College are individually presented in the College and University funds. Each college and university is governed by a board of trustees. Each board of trustees is comprised of individuals appointed by the Governor and approved by the Senate; the president of the institution's alumni association; and the president of the institution's associated students. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants. The colleges and universities were audited by the State Auditor or other independent auditors, and individual reports, dated from September 23, 1998, to October 22, 1998, have been previously issued under separate cover.

Entities such as the local school districts and local authorities of various kinds which may meet only one of the criteria for inclusion in this report, have not been included. (The State's support of the public education system is reported in the Uniform School Fund, a Special Revenue Fund.)

B. **Fund Accounting**

Financial activities are recorded in individual funds classified by type, each of which is deemed to be a separate accounting entity. The financial position and operations of each fund are accounted for in separate self-balancing accounts which represent the fund's assets, liabilities, fund balances, equities, revenues, expenses, and expenditures.

The State uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The financial activities of the State of Utah are classified in three fund categories, two account groups, and component units, as described below. The fund categories include governmental funds, proprietary funds, and fiduciary funds. Account groups are composed of general fixed assets and general long-term obligations.

1. The State's governmental funds are used to account for the State's general activities and include:

   The General Fund is the principal operating fund of the State. It is used to account for all financial resources which are not accounted for in other funds. The services accounted for in the General Fund include: general government, public safety, judicial, corrections, public health and welfare, business licensing and regulation, and higher education. Resources obtained from federal grants and used for services provided by General Fund entities, consistent with applicable legal requirements, are recorded in the General Fund.

   The Special Revenue Funds (Uniform School Fund, Transportation Fund, Centennial Highway Fund, Sports Authority Fund, and Consumer Education Fund) are used to account for specific revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue Funds include transactions related to the Offices of Education and Rehabilitation, the Department of Transportation, the Utah Sports Authority, and the Department of Commerce Securities Division and Consumer Protection Division.

   The Capital Projects Fund accounts for resources obtained and used for the acquisition, construction, or improvement of certain capital facilities (except those financed by proprietary funds). Such resources are derived principally from proceeds of general obligation bond issues, revenue bonds, and operating transfers from the State's General Fund. The State enters into long-term contracts for the construction of major capital projects and records the commitments as encumbrances. (See Note 6.)

   The Debt Service Fund accounts for resources obtained and used for the payment of interest and principal on general long-term debt obligations and on general revenue bonds which are funded from general governmental fund operations.

2. The proprietary funds include:

   The Enterprise Funds account for operations similar to a private business enterprise. They are also used to account for operations where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The intent of the State is that the cost of providing the goods or services to the general public on a continuing basis should be financed primarily through user charges.

   The Internal Service Funds are a variety of independent operations that provide goods and/or services to other state departments or other political subdivisions on a cost reimbursement basis. The largest funds are the Water Resources, Employees Group Insurance, and Permanent Community Impact Loan Funds. The Water Resources Loan Fund provides loans to local governments, water districts, and other entities for upgrading water storage facilities and related structures. The Employees Group Insurance Fund offers several health insurance programs to state and local government employees. The Community Impact Loan Fund provides loans to local governments to alleviate social, economic, and public financial impacts resulting from the development of the State's natural resources. Grants authorized by the Permanent Community Impact Fund Board amounting to $9.677 million were transferred to and expended in the General Fund during the year. Also the Risk Management Fund provides a broad range of property and liability insurance coverage to most state agencies and to several voluntarily participating school districts.

3. The fiduciary funds account for assets held by the State in a trustee capacity or as an agent for other individuals, other governmental units, or other funds. Fiduciary funds are comprised of:

   The Pension Trust Funds account for the transactions, assets, liabilities, and fund equity of the State Retirement Systems.

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

   The Nonexpendable Trust Fund accounts for the transactions, assets, liabilities, and fund equity of the School and Institutional Trust Lands. The Trust Lands Fund was created from the federal *Enabling Act* land grants and the sale of such lands. The Fund's principal is nonexpendable, whereas the earnings on the principal are used to increase the Fund's principal and to support education in the State.

   The Expendable Trust Funds account for assets received and expended by the State as trustee, and include the following funds: Unemployment Compensation Trust, Deferred Compensation 457 Plan, Employers' Reinsurance Trust, Utah Navajo Trust, and miscellaneous small deposits and trusts held in a trustee capacity that are consolidated into the Restricted Trust Fund.

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

4. Account groups consist of the following:

   The General Fixed Assets Account Group is used to account for land, buildings, and equipment of the governmental fund types. Fixed assets of the Pension Trust Funds, proprietary fund types, and colleges and universities are accounted for separately in their respective funds.

   The General Long-Term Obligation Account Group accounts for the State's unmatured long-term obligations related to general obligation bonds, revenue bonds, and capital lease obligations. Long-term obligations of the proprietary funds, trust funds, and the college and university funds are accounted for in their respective funds.

5. The component units include College and University Funds and other proprietary type organizations which are legally separate from the State but are considered part of the reporting entity. The presentation of the underlying fund types of the individual component units reported in the discrete columns are available from each respective component unit's separately issued financial statements.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using the flow of current financial resources measurement focus. Operating statements of these funds present increases in spendable resources as revenues and other financing sources, and decreases in spendable financial resources as expenditures and other financing uses.

The nonexpendable trust fund, pension trust funds, and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund equity (i.e., net assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

All governmental funds, expendable trust funds, and agency funds are maintained and reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and related current assets are recognized when measurable and when available to finance operations during the year or to liquidate liabilities existing at the end of the year. Principal revenue sources susceptible to accrual under the modified accrual basis of accounting include: sales taxes, income taxes, other taxpayer-assessed taxes, federal revenues, departmental collections, and investment income. Expenditures are recorded when the fund liabilities are incurred. Modifications to the accrual basis of accounting include:

- Inventories of materials and supplies in the General Fund and Special Revenue Funds are recorded as expenditures when purchased, except for the following which are recorded as expenditures when consumed: food stamp inventories in the General Fund, inventories of applied technology centers in the Uniform School Fund (Special Revenue Funds), and inventories in the Transportation Fund (Special Revenue Funds).

- Prepaid expenses are not recorded.

- Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the Debt Service Fund for payments of interest to be made early in the following year.

The accounts of the Enterprise, Internal Service, Nonexpendable Trust, Pension Trust, Investment Trust Fund, and Proprietary Type Component Unit Funds are reported using the accrual basis of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

The following proprietary funds apply all Governmental Accounting Standards Board (GASB) pronouncements and all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, in the accounting and reporting of their operations: Enterprise Funds — Alcoholic Beverage Control, Utah Correctional Industries, State Trust Lands Administration, Agriculture Loan Fund, Utah Dairy Commission, Clean Fuels Vehicle Loan Fund, Petroleum Storage Tank Loan Fund, Waste Tire Recycling Loan Fund, and Revitalization Programs; Internal Service Funds — Water Resources Loan Fund, Information Technology Fund, Community Impact Loan Fund, General Services Fund, Fleet Operations, Human Services/Internal Service Fund, Office of Education/Internal Service Fund, Natural Resources/Internal Service Fund, Risk Management Fund, Property Management Fund, and State Debt Collection; Component Units — Housing Finance Agency, Comprehensive Health Insurance Pool, Utah Science Center Authority, and Utah State Fair Corporation.

The following proprietary funds apply all GASB pronouncements and all applicable FASB pronouncements in the accounting and reporting of their operations: Enterprise Funds — Student Assistance Programs; Internal Service Funds — Employees Group Insurance Fund; Component Units — Workers' Compensation Fund, Technology Finance Corporation, and Heber Valley Historic Railroad Authority.

The Component Unit College and University Funds are accounted for on the accrual basis of accounting, with the following exceptions:

- Depreciation expense related to plant fund assets is not recorded.

- Revenues and expenditures of an academic term encompassing more than one fiscal year are reported solely in the fiscal year in which the program is predominantly conducted.

The presentation of component units is not meant to be a consolidation since transactions within the state entity have not been eliminated, nor have fixed assets or long-term debt been reported in the applicable state account groups. However, appropriations to the component units are recorded as operating transfers out of the General Fund and as operating transfers into the component unit organization.

D. Budgeting and Budgetary Control

The state budgets are adopted on the modified accrual basis of accounting except for certain intrafund revenues and expenditures that are recognized for budgetary purposes. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, includes this variation from GAAP and is, therefore, prepared on a budgetary basis. The total variance from GAAP consists of the elimination of the intrafund activity and appropriations to colleges and universities which are identified in the combined statement mentioned above.

The Legislature enacts annual budgets for the General Fund, Special Revenue Funds, and the Debt Service Fund through passage of the *Appropriations Act.* Capital Projects Fund appropriations are for projects that may extend over several fiscal years.

Unexpended balances at yearend may: 1) lapse to unrestricted balances and be available for future appropriation; 2) lapse to restricted balances and be available for future appropriation restricted for specific purposes as defined by statute; or 3) be nonlapsing, which means balances are reported as reservations of fund balance. The nonlapsing balances are considered automatically reappropriated as authorized by statute, by the *Appropriations Act*, or by limited encumbrances.

Legal Compliance — Budgets

In September of each year, all agencies of the government submit requests for appropriations to the Governor's Office of Planning and Budget so that a budget may be prepared. The budget is prepared by fund, function, and activity and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

In January and February, the proposed budget is presented to the Legislature. The Legislature reviews the budget, makes changes, and prepares the annual *Appropriations Act*. The Legislature passes the *Appropriations Act* by a simple majority vote. The *Appropriations Act* becomes the State's authorized operating budget upon the Governor's signature. The appropriations may not exceed the available funding for the fiscal year.

Budgetary control is maintained at the functional or organizational level, as identified by numbered line items in the *Appropriations Act.* Budgets may be modified if federal funding or revenue specifically dedicated for a line item exceeds original estimates in the *Appropriations Act*. If funding sources are not sufficient to cover the appropriation, the Governor is required to reduce the budget by the amount of the deficiency. Any other changes to the budget must be approved by the Legislature in a supplemental appropriation. During the fiscal year, supplemental appropriations of $28.718 million were provided to enhance various programs. The supplemental appropriations were possible because of increases in unrestricted revenue and unreserved fund balances from prior years.

The departments which spend more than the authorized amount must submit a report explaining the overspending to the State Board of Examiners. The Board will recommend corrective action, which may include a request to the Legislature for a supplemental appropriation to cover the deficit. If a supplemental appropriation is not approved by the Legislature, the department must cover the overspending with the subsequent year's budget. The State Courts Administrator's budget for juror and witness fees was overexpended by $155 thousand and will be funded with future appropriations. All other appropriated budgets of the State were within their authorized spending levels.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is used in the Capital Projects Fund as detailed in Note 6. Generally, state law prohibits the use of current fiscal year appropriations to cover outstanding encumbrances at fiscal yearend in the General Fund or Special Revenue Funds. However, the one exception to this rule is if a purchase order for equipment is issued prior to May 1 and delivery is expected, but unfulfilled, by June 30. If these conditions are met, the outstanding encumbrance can be carried as a nonlapsing appropriation.

These nonlapsing appropriations for qualified outstanding encumbrances at fiscal yearend are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during subsequent years.

All other encumbrances outstanding at fiscal yearend may be canceled or may be re-encumbered and honored with subsequent year appropriations.

E. Cash and Cash Equivalents and Investments

Cash and investment management in the State is administered by the State Treasurer in accordance with the Money Management Act, Chapter 51–7, *Utah Code Annotated, 1953*, as amended. The Act specifies the investments that may be made, which are only high-grade securities and, therefore, there is very little credit risk except in the most unusual and unforseen circumstances. The investments include variable rate corporate notes and obligations of U.S. government agencies which base their rates on standard quoted money market indexes that have a direct correlation to the federal funds rate and, therefore, there is very little market risk because the investments follow the normal swings of interest rates. The Pension Trust Funds, Deferred Compensation 457 Plan (Expendable Trust Fund), Workers' Compensation Fund, Utah Housing Finance Agency, and Utah Public Employees Group Insurance are exempt from the Act; however, they are governed statutorily by the prudent man rule. The Pension Trust Funds are invested in domestic and international equities and fixed income, corporate and government bonds, short-term securities, real estate and real estate mortgages, joint ventures, and venture capital.

- Cash and Cash Equivalents — Cash equivalents are reported at fair value. All interest revenue is allocated to the General Fund unless state law or trust agreements require allocations of interest to other funds. Funds authorized to receive interest earnings are segregated into separate investment pools, and interest is allocated based on cash balances in the pool.

  Cash and Cash Equivalents, as reported on the balance sheet, are under the control of the State Treasurer or other administrative bodies as determined by law. All cash deposited with the State Treasurer by state entities is maintained by the Treasurer in various pooled investment funds. The State Treasurer invests the deposited cash, including the cash float, in short-term securities and other investments.

  Cash equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date. The Student Loan Purchase Program (Enterprise Fund) uses a trustee for their long-term investing needs, and they consider any cash and cash equivalents held by their trustee as investments. Utah Housing Finance Agency (Component Units – Proprietary Funds) considers only cash deposits, including certificates of deposits with maturities generally less than 90 days, to be cash equivalents.

- Investments, as reported on the balance sheet, include investments which are not considered cash equivalents. These investments may be restricted by law or other legal instruments. Investments are under the control of the State Treasurer or other administrative bodies as determined by law. Investments are presented at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers at current exchange rates, as available. For investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, have determined the fair values for the individual investments. Investments held as security deposits which are not held for investment purposes are carried at cost. The Utah Retirement System (Trust and Agency Funds) mortgages are valued on an amortized cost basis which approximates market or fair value, and the fair value of real estate investments has been estimated based on independent appraisals.

The State Unemployment Insurance Trust Fund moneys are required by the Social Security Act to be invested in the U.S. Department of Treasury, Bureau of Public Debt Unemployment Trust Fund which is not registered with the SEC. The balance in this pool is on a fair value basis.

The investments for College and University Funds (Component Unit) include $7.831 million of revenue bonds issued by the Utah Housing Finance Agency (Component Unit) and $9 thousand of revenue bonds issued by other colleges and universities. The investments for the Workers' Compensation Fund include $1.884 million of revenue bonds issued by the Colleges and Universities and $5.457 million of revenue bonds issued by the Utah Housing Finance Agency. The investments for component units include $226.150 million managed in the primary government's Public Treasurer's Investment Fund.

- Colleges and Universities — Certain funds are held in trust by external fiscal agents, selected by the donors. The agents distribute net income earned by such funds to the college or university named as beneficiary, where it is recorded as revenue when received. These funds are not recorded on the financial records of the college or university. The fair value of funds held in trust at June 30, 1998, was $49.973 million.

F. **Receivables**

- Accounts Receivable in the governmental fund types consist mainly of amounts due from the federal government where collection is reasonably assured. Accordingly, no allowance for uncollectible accounts has been established. Amounts included in the Unemployment Compensation Expendable Trust Fund consist largely of delinquent employer contributions and benefit overpayments, and are shown net of an allowance for doubtful accounts of $4.294 million. Pension Trust Funds receivables consist of amounts due on investment contracts and on employee and employer contributions. Collection of these receivables is reasonably assured; therefore, no allowance for uncollectible accounts has been established.

- Accounts Receivable and Notes Receivable reported in the College and University Funds (Component Units) are shown net of an allowance for doubtful accounts of $34.355 million and $957 thousand, respectively. Gifts and pledges are recognized when collected. It is not practical to estimate the net realizable value of these amounts prior to collection. Uncollected pledges at June 30, 1998, were $120.745 million, of which $28.537 million is due within one year and $92.208 million is due thereafter. Accounts Receivable in the Workers' Compensation Fund (Component Units) consist of premiums in the course of being collected, and are shown net of an allowance for doubtful accounts of $2.723 million.

- Notes/Mortgages Receivable are primarily long-term loans for local governments and agricultural development, home mortgages, and individual student loans. The interest rates on the loans vary but are generally lower than market rates and, in some cases, are noninterest bearing. Student loans in the Student Assistance Programs of the Enterprise Funds are fixed and variable rate federally insured loans. Student loans are insured at 98 percent of their principal balance and, accordingly, an allowance of $1.303 million has been made for potential loan losses. Loans receivable in Utah Technology Finance Corporation are reported net of a provision for loan losses of $2.133 million. Mortgages receivable of the Utah Housing Finance Agency are insured against loss or are guaranteed by private mortgage companies or governmental agencies. Because of these guarantees, no provisions for possible loan losses have been provided.

- Accrued Taxes are receivables for taxpayer-assessed taxes for the reporting period ending June 30 which are due to the State by July 31 and paid shortly thereafter. At June 30, 1998 the receivable decreased $562 thousand in the Transportation Fund (Special Revenue Fund), causing a negative revenue on the operating statements in Restricted Taxes.

- Receivables Unbilled represent an amount equal to costs incurred by the Department of Transportation on highway construction projects which are eligible for reimbursement from the federal government upon modification of the related project contracts. When federal funds are available for recovery of the costs, the receivables will be billed.

G. **Advances to Other Funds**

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

H. **Inter/Intrafund Transactions**

Interfund Transactions — The composition of the State's interfund receivables and payables at June 30, 1998, is presented in Note 5. The State has three types of interfund transactions, as follows:

- Services rendered and employee benefit contributions — These transactions are accounted for as revenues, expenditures, or expenses in the funds involved.

- Operating appropriations/subsidies — These are accounted for as operating transfers in the funds involved.

- Equity and working capital contributions — These are accounted for as residual equity transfers (additions to or deductions from beginning governmental fund balances or proprietary fund retained earnings or contributed capital).

Intrafund Transactions — Intrafund transactions, as a result of contracts between departments and/or agencies within the same fund, are considered expenditures by the contractor and revenues by the contractee for budgetary purposes. However, in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances, intrafund revenues and expenditures have been eliminated. The amount of the eliminations by fund is reflected in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual.

I. Inventories

Inventories of materials and supplies are determined both by physical counts and through perpetual inventory systems. Proprietary funds and College and University Funds inventories are valued at the lower of cost or market. Methods include first-in-first-out (FIFO), last-in-first-out (LIFO), average cost, weighted average, weighted moving average, and retail inventory method.

Governmental fund inventories are recorded as expenditures when purchased except for the following which are recorded as expenditures when consumed: inventories for the Transportation Fund; inventories for applied technology centers in the Uniform School Fund; and food stamps coupon inventories in the General Fund. Transportation Fund inventories are valued using a weighted average cost. Applied technology center inventories are valued at cost, average cost, or lower of cost or market, using FIFO and retail methods. Food stamps are valued at coupon value and any unexpended balances at fiscal yearend are also reported as deferred revenues.

J. Fixed Assets

Fixed assets used in governmental-type operations (general fixed assets) are recorded as expenditures in the governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Interest expense for fixed asset construction in the Enterprise Funds and in some colleges and universities is capitalized. All other interest expense incurred during construction of capital facilities is considered immaterial and is not capitalized. Public domain (“infrastructure”) general fixed assets are normally immovable and of value only to the State. Infrastructure, which includes roads, bridges, dikes, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, is not capitalized by the primary government or its proprietary fund type component units. Colleges and universities capitalize infrastructures as buildings and improvements.

- Land is stated at cost or estimated cost at the time of acquisition. Donated land is valued at its estimated fair market value at the donation date. The majority of land in the Nonexpendable Trust Fund was acquired under the federal *Enabling Act of 1894*. At June 30, 1998, the total land held by the trust fund is 3.714 million acres, and the majority of this land is included for reporting purposes at the assigned value of approximately one dollar per acre. The University of Utah (College and University Funds) has valued all land acquired through federal grants at three thousand dollars per acre.

- Buildings and other fixed assets are recorded at historical cost or at estimated historical cost where historical cost is not available. Donated fixed assets are valued at their estimated fair value at the date of donation.

- Assets in the General Fixed Assets Account Group and in the College and University Funds – Plant Funds are not depreciated. Foundations and institutes’ assets, which are included in the College and University Funds, are stated net of accumulated depreciation of $9.938 million. Buildings and equipment in the foundations and institutes, and proprietary and fiduciary fund types are depreciated on a straight-line basis over their estimated useful lives, which extends to 40 years on buildings and 3 to 12 years on equipment. Automotive equipment in the Internal Service Funds is depreciated using a straight-line basis over an estimated life of 5 years.

K. Deferred Charges

The amounts reported as deferred charges represent issuance costs on bonds amortized over the life of the issue using the bonds-outstanding method or straight-line method, which approximates the interest method.

L. Accrued Liabilities

Accrued liabilities include the liability for employee payrolls and liabilities accruing over time where demand for payment is due shortly after fiscal yearend. It also includes an estimate of the State’s liability in a lawsuit with the federal retirees. Interest accrued on general long-term debt due shortly after fiscal yearend is also reported in the Debt Service Fund as accrued liabilities.

The *Tax Reform Act of 1986* requires governmental entities issuing tax-exempt bonds to refund to the U.S. Treasury interest earnings on bond proceeds in excess of the yield on those bonds. Governmental entities must comply with arbitrage rebate requirements in order for their bonds to maintain tax-exempt status. Entities are required to remit arbitrage rebate payments to the federal government at least once every five years over the life of the bonds. Some State of Utah bonds may be exempt from the rebate requirements if they meet certain statutory exceptions per the regulations. In the Debt Service Fund and the Housing Finance Agency Fund (Component Unit), the arbitrage liability is treated as a reduction of interest revenues. At June 30, 1998, the State's total estimated arbitrage rebate liabilities in these funds were $2.52 million and $3.2 million, respectively. In the Student Assistance Programs Fund (Enterprise Fund), the arbitrage liability is treated as a current expense. At June 30, 1998, the total estimated arbitrage rebate liability in this fund was $10.7 million, of which $8.2 million represents yield reduction payments.

M. **Deferred Revenue**

Deferred revenue is principally federal funds received in advance of the authorized expenditure. Special Revenue Funds' deferred revenues include amounts expended by the Transportation Fund on federally participating construction projects which are eligible for reimbursement but for which the funds are not available until a modified project agreement is submitted. These amounts will be billed to the federal government and recorded as revenue in future periods as funds become available. College and University Funds' deferred revenue consists primarily of summer school tuition and fees which will be recognized during the next fiscal year. Deferred revenue for the Student Assistance Programs Fund (Enterprise Fund) is primarily guarantee fees which are recognized as income over a period of ten years using the sum-of-the-years-digits method.

N. **Contractor Retention**

Construction contracts awarded by the Department of Transportation (Special Revenue Fund) and those in the Capital Projects Fund usually include provisions to withhold a percentage of the payments until the project reaches a certain stage of completion. Utah law allows the departments to deposit these funds in an escrow account at the contractor's trustee bank at the time the expenditure is recognized. The State controls only the release of these funds; the assets in the accounts are considered the property of the contractor. Therefore, no assets and liabilities for these escrow accounts have been included in the financial statements in either the Transportation Fund or the Capital Projects Fund. At June 30, 1998, $12.627 million from the Department of Transportation and $7.488 million from the Capital Projects Fund were being held in contractor escrow accounts.

O. **Policy Claim Liabilities**

The liabilities are for insurance claims incurred prior to the reporting date and are based on actuarial estimates.

P. **Grants**

Federal grants and assistance awards made on the basis of entitlement periods are recorded as revenues when entitlement occurs. All federal reimbursement-type grants in governmental and college and university funds are recorded as revenues when the related expenditures are incurred.

Federal grants include nonmonetary transactions for food and other commodities and for food stamps. Unexpended balances of food stamps at fiscal yearend are reported in the General Fund as inventory and deferred revenue. Commodities revenue and expenditures are valued at their federally reported value. Commodity inventories at yearend are immaterial. For the fiscal year ended June 30, 1998, the State reported revenue and expenditures of $53.147 million for food stamps and $3.603 million for commodities in the General Fund, and $8.295 million for commodities in the Uniform School Fund (Special Revenue Fund).

Q. **Bond Discounts/Issuance Costs**

In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method or straight-line method, which approximates the effective interest method. Bond discounts in the College and University Funds are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method.

R. **Fund Equity**

Contributed capital is recorded in proprietary funds that have received capital grants, contributions from the public, or working capital transfers from other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

S. **Retirement and Employee Benefit Costs**

Most state employees participate in the State Retirement Systems. Contributions collected for the State Retirement Systems and the retirement benefits paid are both accounted for in the Pension Trust Funds. All costs for pension, health, and federal social security benefits in governmental fund types are reported as personnel service expenditures in the appropriate fund. Benefit costs applicable to proprietary fund types are reflected as expenses in the proprietary funds.

T. **Compensated Absences**

Employees' vacation leave is accrued at a rate of four hours every two weeks for the first five years of employment, and grows to a rate of six hours every two weeks after ten years of employment. There is no requirement to use vacation leave, but a maximum of 40 days may be carried forward at the beginning of each calendar year. Vacation leave is expended when earned.

Employees earn sick leave at a rate of four hours for each two week period, with no limit to the amount that can be accumulated. The State does not reimburse employees for unused sick leave upon termination except employees eligible for retirement. Sick leave is expended when used. At retirement, the State will pay an employee up to 25 percent of the employee's accumulated sick leave and will pay for premiums to maintain health and life insurance coverage for up to five years or until the employee turns age 65, whichever comes first. An estimate of the liability for this retirement benefit has been recorded in the operating funds of the State.

In fiscal year 1994, the State implemented compensated absences and postemployment benefit pools within the General Fund and Special Revenue Funds. The pools hold assets to fully fund the liability for vacation leave and postemployment benefits. The pools' liabilities were funded with a one-time increase in fund equity from the accrual of taxpayer-assessed taxes. The pool is also funded with an accrual of the federal receivables for the federal share of the liability. The ongoing payments from the pools are provided by charges to agency budgets as benefits are earned. Vacation leave taken as time off is paid from current budgets when used. Payment of leave balances at termination and payment of postemployment benefits are made from the compensated absences and postemployment benefit pools.

The General Fund and Special Revenue Funds account for their liability for compensated absences and postemployment benefits within their own funds. Certain proprietary funds and expendable trust funds of the primary government have transferred their liability for vacation leave and postemployment benefits, along with related assets to fund the liability, to the General Fund Compensated Absences and Postemployment Benefit Pool. In fiscal year 1998 the new Department of Workforce Services consolidated with the Department of Employment Security. As a result, the federal liability for employment security was moved into the General Fund Compensated Absences and Postemployment Benefit pool. The federal share of the liability for compensated absences and postemployment benefits was funded with an accrual of federal receivables.

The total liability for vacation leave and postemployment benefits at June 30, 1998, was $202.759 million, of which $156.792 million was reported in the General Fund, $17.084 million was reported in the Uniform School Fund, and $28.883 million was reported in the Transportation Fund.

Compensatory time for overtime worked may be earned up to a maximum of 80 hours. Any overtime exceeding 80 hours is paid when earned. Compensatory time is expended when earned.

College and universities' vacation and sick leave earnings policies vary slightly among institutions and from the above. Vacation leave is expended when earned and sick leave is expended when used. At June 30, 1998, the total liability for unused vacation leave in the College and University Funds was $33.980 million.

U. **Long-Term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligation Account Group. Long-term liabilities expected to be financed from proprietary funds, trust funds, and college and university funds operations are accounted for in those funds. The amounts reported in the Combined Balance Sheet for the General Long-Term Obligation Account Group include: $1.202 billion general obligation bonds, which will be paid from the General Fund and Special Revenue Fund appropriations as the bonds mature; $209.18 million building lease revenue bonds, which will be repaid from rent payments from state agencies; $6.395 million revolving loan revenue bonds, which are secured by notes receivable in the General Fund's Water Security Enhancement Revolving Loan Programs and will be paid from the collection of loans receivable; and $29.431 million of obligations under capital lease commitments. (See Notes 7 and 8.)

V. **Totals (Memorandum Only)**

Total columns (Memorandum Only) have been added to certain statements for the primary government and the reporting entity. The total columns include interfund activity and are not comparable to consolidated financial statements, but are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. The primary government includes all funds, organizations, account groups, agencies, boards, commissions, and authorities that are not legally separate from the State. The reporting entity includes the primary government and all of its component units.

NOTE 2. BEGINNING FUND BALANCE/EQUITY ADJUSTMENTS AND OTHER CHANGES

Beginning Fund Balance/Equity Adjustments

Statement 31 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* was implemented for all reporting entities except for Workers' Compensation Fund (Component Unit) which is reported for the period ended December 31, 1997. This statement requires that governments value and report applicable investments at fair value in the various balance sheets; it also requires that the changes in fair value of investments be reported in the various operating statements. The cumulative effect of valuing investments at fair value is reported as an adjustment to beginning fund balances and retained earnings resulting in an increase of $22.244 million for all primary government funds and an increase of $53.418 million for all component units. Information was not available to restate prior periods. The standard also requires that external investment pools be reported as investment trust funds. The State Treasurer's Investment Pool, which was previously reported as an agency fund, is now reported as an investment trust fund.

The State implemented Statement 32 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,* in fiscal year 1998. The Utah State Retirement Office's administered 457 Plan complied with the requirements of IRC Section 457, subsection (g) prior to June 30, 1998. GASB Statement 32 requires that 457 plans which meet the applicable criteria for inclusion in the government's fiduciary funds be reported as an expendable trust fund. This resulted in an adjustment to beginning fund balance in the Deferred Compensation Plans Expendable Trust Fund of $171.502 million, of which $1.922 million previously reported in college and universities, component units; and $169.58 million was a deduction in the Salary Deferral 457 Plan Agency Fund.

Statement 32 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,* was not implemented for outside 457 plans held by colleges and universities component units and the State of Utah Office of Education. These outside 457 plans are not held in a trustee capacity and there is no fiduciary accountability. These plans were not amended to comply with the requirements of IRC Section 457, subsection (g) until after June 30, 1998. The amounts for these plans are still reported as deferred compensation plan assets in the college and university component units and agency funds.

Transfer of Funds

The Federal Employees' Settlement Fund (Special Revenue) was terminated on July 1, 1997. The fund had no fund balance. The assets and offsetting liabilities were transferred to the General Fund.

The 1997 Legislature required the School and Institutional Trust Lands Administration to reclassify its management operations from a restricted expendable trust fund to an enterprise fund. This resulted in the transfer of $2.583 million in current assets and $2.583 million of fund equity to the State Trust Lands Administration enterprise fund. Fixed assets with a cost of $5.601 million which were previously reported in the general fixed assets account group were also transferred to the State Trust Lands Administration enterprise fund. In addition, accumulated depreciation of $172 thousand was also recorded.

NOTE 3. DEPOSITS AND INVESTMENTS

Listed below is a summary of the deposit and investment portfolio that represents the Cash and Cash Equivalents, Investments, and Deferred Compensation Plan Assets on the June 30, 1998, balance sheet. Investing is governed by the prudent man rule, in accordance with the Money Management Act, Chapter 51–7, *Utah Code Annotated, 1953,* as amended. Except certain repurchase agreements, all securities purchased or held and all evidence of deposits and investments must be in the custody of the State, or may be held by an agent in the State's name. Investment transactions may be conducted only through qualified depositories, or certified dealers, or directly with issuers of investment securities.

A. **Deposits**

At June 30, 1998, the carrying amount of the State's deposits for the primary government was $79.669 million and $54.691 million for the component units. At June 30, 1998, the bank balance was $166.424 million and $73.092 million for the primary government and component units, respectively. Of the bank balance for the primary government, $4.17 million was covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held by the State's agent in the name of the State. Of the bank balance for the component units, $3.072 million was covered by the FDIC or by collateral held by the State's agent in the name of the State. The remaining deposits for the primary government and component units were uninsured and uncollateralized and were held by various financial institutions. The State of Utah does not require collateral on deposits. However, the State Commissioner of Financial Institutions monitors financial institutions monthly and establishes limits for the deposit of public money at individual financial institutions.

B. **Investments**

Statutes authorize the State to invest in negotiable and nonnegotiable certificates of deposit; repurchase and reverse repurchase agreements; commercial paper; bankers' acceptances; obligations of the U.S. Treasury and certain agencies of the U.S. Government; corporate obligations; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; shares or certificates in open-end managed money market mutual funds; and various other investments. Authorized investments are subject to certain restrictions. Certain state agencies and component units are also allowed by statute to invest in investment contracts, equity securities, real estate, and other investments. In addition to investments authorized by statute, bond proceeds are invested in other investments in accordance with the applicable bond resolutions. Investment types for Pension Trust Funds are not restricted by state statute and are presented at fair value.

The following table provides information about the credit and market risks associated with the State's investments. Category 1 includes investments that are insured or registered, or for which the securities are held by the State or its agent in the State's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the State's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the State's name.

Credit and Market Risks of Investments — Primary Government
(Expressed in Thousands)

	Category				
	1	2	3	Carrying Amount	Fair Value
Repurchase Agreements	$ —	$ 592	$ 183,700	$ 184,292	$ 184,292
U.S. Government Securities	594,400	7,685	—	602,085	602,404
Negotiable Certificates of Deposit	75,207	—	—	75,207	75,207
Commercial Paper	84,213	—	—	84,213	84,213
Corporate Bonds and Notes	4,557,622	—	—	4,557,622	4,557,622
Equity Securities	3,878,482	—	—	3,878,482	3,878,482
Total	$ 9,189,924	$ 8,277	$ 183,700	9,381,901	9,382,220
Mutual and Escrow Funds				3,383,699	3,383,699
Investment Contracts				195,719	195,719
Investment in U.S. Treasury Investment Pool				586,818	586,818
Component Units Investment in Primary Government's Investment Pool				(226,150)	(226,150)
Real Estate				125,463	125,463
Real Estate Mortgages				512,086	512,086
Real Estate Joint Ventures				424,102	424,102
Investments Held by Broker-Dealers Under Securities Lending Program:					
U.S. Government Securities				470,977	470,977
Equity Securities				588,443	588,443
Corporate Bonds and Notes				174,116	174,116
Securities Lending Short-Term Collateral Investment Pool				1,255,786	1,255,786
Total Investment				$ 16,872,960	$ 16,873,279

The Pension Trust Fund owns approximately 60 percent of the investments that are in Category 1.

Credit and Market Risks of Investments — Component Units
(Expressed in Thousands)

	Category 1	Category 2	Category 3	Carrying Amount	Fair Value
Repurchase Agreements	$ —	$ —	$ 51,716	$ 51,716	$ 51,716
U. S. Government Securities	775,408	35,136	52,801	863,345	876,987
Negotiable Certificates of Deposit	9,074	—	—	9,074	9,074
Corporate Bonds and Notes	101,071	491	3,389	104,951	107,170
Equity Securities	49,690	793	18,140	68,623	68,623
Municipal and Public Utility Bonds	62,227	1,247	1,805	65,279	65,472
Total	$ 997,470	$ 37,667	$ 127,851	1,162,988	1,179,042
Mutual and Escrow Funds				414,300	414,300
Investment Contracts				255,482	255,482
Investment in Primary Government's Investment Pool				226,150	226,150
Real Estate				6,781	6,781
Total Investments				$ 2,065,701	$ 2,081,755

C. **Securities Lending**

The Utah Retirement System (Trust and Agency Funds) and the Utah Public Employees Group Insurance Program (Internal Service Funds) participate in security lending programs as authorized by their Boards. The types of securities lent are U.S. government securities, equity securities, and corporate bonds and notes. Under these programs, securities are transferred to an independent broker or dealer in exchange for collateral in the form of cash, government securities, and irrevocable bank letters of credit equal to 102 percent of the market value of the domestic securities on loan and 105 percent of the market value of the international securities on loan, with a simultaneous agreement to return the collateral for the same securities in the future. There are no restrictions on the amount of loans that can be made. For both state entities, their custodial agent is the agent for its securities lending program. Securities under loan are maintained in both state entities' financial records and are presented as unclassified in the preceding summary of custodial risk. Corresponding assets and liabilities for collateral received which can be pledged or sold without a borrower default are recorded at the fair value. At yearend Utah Public Employees Group Insurance Program held $15.806 million of collateral which cannot be pledged or sold without a borrower default and which is not recorded as assets and liabilities.

At yearend neither the Utah Retirement System nor Utah Public Employees Group Insurance Program had any credit risk exposure to borrowers because the collateral exceeded the amount borrowed. The securities on loan at yearend for the entities were $1.186 billion and $47.59 million, respectively, and the collateral received for those securities on loan was $1.223 billion and $48.332 million, respectively, with carrying amount and fair value being the same. Under the terms of the lending agreement, both state entities are indemnified against loss should the lending agent be unable to recover borrowed securities and distributions due to borrower insolvency or failure of the lending agent to properly evaluate the creditworthiness of the borrower. In addition, they are indemnified against loss should the lending agent fail to demand adequate and appropriate collateral on a timely basis. All securities loaned can be terminated on demand by either state entity or the borrower. Cash collateral is invested in the lending agent's short-term investment pool. The short-term investment pool guidelines specify that a minimum of 20 percent of the invested cash collateral is to be available each business day and that the dollar weighted average maturity of holdings should not exceed 60 days. The relationship between the maturities of the short-term investment pool and each of the state entities' loans is affected by the maturities of the securities loans made by other entities that use the agent's pool. This cannot be determined by the state entities.

NOTE 4. INVESTMENT POOL

The Utah State Treasurer's office operates the Public Treasurer's Investment Fund (PTIF) investment pool. The PTIF is available for investment of funds administered by any Utah public treasurer. Participation is not required and no minimum balance or minimum/maximum transaction is required. State agencies and funds that are authorized to earn interest also invest in the PTIF as an internal investment pool. No separate report as an external investment pool has been issued for the PTIF.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Chapter 51–7, *Utah Code Annotated, 1953,* as amended. The Act establishes the Money Management Council which oversees the activities of the State Treasurer and the PTIF. The Act details the investments that are authorized which are high-grade securities and, therefore, there is very little credit risk except in the most unusual and unforseen circumstances. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participant's share to the total funds in the PTIF based on the participant's average daily balance of each participant's balance. The PTIF allocates income and issues statements on a monthly basis. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor that enables them to adjust their statement balance to fair value.

PTIF condensed financial statements, inclusive of external and internal participants for the fiscal year ended June 30, 1998, are as follows:

Public Treasurer's Investment Fund
Statement of Net Assets
June 30, 1998
(*Expressed in Thousands*)

Assets	
Cash and Cash Equivalents	$ 238,580
Investments	3,476,680
Interest Receivable	28,130
Net Assets	$ 3,743,390
Net Assets Consist of:	
External Participant Account Balances	$ 2,241,938
Internal Participant Account Balances:	
Primary Government	1,271,832
Component Units	224,923
Undistributed Reserves and Unrealized Gains/Losses	4,697
Net Assets	$ 3,743,390
Participant Account Balance Net Asset Valuation Factor	1.000018

Public Treasurer's Investment Fund
Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 1998
(*Expressed in Thousands*)

Additions	
Pool Participant Deposits	$ 5,564,986
Investment Income:	
Investment Earnings	212,396
Fair Value Increases	2,213
Total Investment Income	214,609
Less Administrative Expenses	135
Net Investment Income	214,474
Total Additions	5,779,460
Deductions	
Pool Participant Withdrawals	4,804,431
Earnings Distributions	210,319
Total Deductions	5,014,750
Net Increase From Operations	764,710
Net Assets	
Beginning of Year	2,980,826
Adjustment to Beginning Net Assets	(2,146)
Beginning Net Assets as Adjusted	2,978,680
Net Assets — End of Year	$ 3,743,390

The adjustment to beginning net assets was the result of implementing Statement 31 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Deposits and Investments

The following disclosure of deposits and investments is for the Public Treasurer's Investment Fund, which includes external and internal participants. These assets are also included in Note 3, disclosure of deposits and investments for the state entity as a whole. Information on the type of deposits and investments and how they are held is disclosed in Note 3. At June 30, 1998, the PTIF investments included certificates of deposit of $110.507 million that qualify as deposits. Of this amount, $600 thousand was covered by the Federal Deposit Insurance Corporation (FDIC) and $109.907 million was uninsured and uncollateralized and was held by various financial institutions. The following schedule provides information about the credit and market risks associated with the State's investments. Category 1 includes investments that are insured or registered, or for which the securities are held by the State or its agent in the State's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the State's name.

Public Treasurer's Investment Fund
Credit and Market Risks of Investments
June 30, 1998
(*Expressed in Thousands*)

	Category 1	Category 3	Fair Value
Negotiable Certificates of Deposit	$ 75,102	$ —	$ 75,102
Repurchase Agreements	—	55,000	55,000
U.S. Government Securities	471,326	—	471,326
Commercial Paper	66,089	—	66,089
Corporate Bonds and Notes	2,937,236	—	2,937,236
Total Investments	$ 3,549,753	$ 55,000	$ 3,604,753

Public Treasurer's Investment Fund Portfolio Statistics:

June 30, 1998	Range of Yields	Weighted Average Maturity
Certificates of Deposit	5.56% – 5.98%	11 days
Repurchase Agreements	6.00%	1 day
U.S. Government Securities	5.60% – 6.04%	437 days
Commercial Paper	6.27% – 6.35%	1 day
Corporate Bonds and Notes	5.39% – 5.91%	39 days

June 30, 1998	Weighted Average Yield	Average Adjusted Maturity
Total Investment Fund	5.61%	86 days

NOTE 5. DUE FROM/TO OTHER FUNDS

At June 30, 1998
(Expressed in Thousands)

	Interfund Receivables	Interfund Payables
General Fund	$ 24,441	$ 10,281
Special Revenue Funds:		
Uniform School	2,549	274
Transportation	48,384	38,946
Centennial Highway	8,585	43,488
Sports Authority	405	473
Consumer Education	—	47
Capital Projects Fund	22,277	1,493
Debt Service Fund	52	311
Enterprise Funds:		
Alcoholic Beverage Control	246	5,873
Utah Correctional Industries	1,808	590
State Trust Lands Administration	2	103
Agriculture Loan Fund	5	8
Clean Fuel/Private	20	—
Revitalization Programs	—	17
Internal Service Funds:		
Water Resources Loan Fund	43	—
Information Technology	5,025	7,729
Group Insurance	—	152
Community Impact Loan Fund	—	17
General Services	1,318	1,370
Fleet Operations	4,188	8,311
Human Services/Internal Service	230	163
Office of Education/Internal Service	287	48
Natural Resources/Internal Service	543	2,072
Administrative Services/Risk Management	274	6,124
Property Management	567	366
State Debt Collection	2	23
Trust and Agency Funds:		
Nonexpendable Trust	17	7
Expendable Trust:		
Unemployment Compensation Trust	—	952
Employers' Reinsurance Trust	—	4
Utah Navajo Trust	2	80
Restricted Trust	29	555
Agency:		
County and Local Collections	27,467	—
Deposits, Suspense, and Miscellaneous	85	—
Component Units:		
College and University Funds:		
University of Utah	152	16,113
Utah State University	—	932
Weber State University	—	331
Southern Utah University	—	52
Salt Lake Community College	—	417
Utah Valley State College	—	874
College of Eastern Utah	—	407
Total	$ 149,003	$ 149,003

NOTE 6. FIXED ASSETS

Changes in the General Fixed Assets Account Group
(Expressed in Thousands)

	Balance July 1, 1997	Additions	Retirements	Balance June 30, 1998
General Fixed Assets:				
Land	$ 117,459	$ 11,181	$ 839	$ 127,801
Buildings and Improvements	662,688	193,857	14,298	842,247
Machinery and Equipment	237,156	63,013	24,377	275,792
Construction-In-Progress	219,111	63,183	201,392	80,902
Total General Fixed Assets	$ 1,236,414	$ 331,234	$ 240,906	$ 1,326,742

At June 30, 1998, fixed assets for Enterprise Funds, Internal Service Funds, Trust Funds, and Component Units consist of the following amounts (expressed in thousands):

	Primary Government			Component Units	
	Enterprise Funds	Internal Service Funds	Trust Funds	Colleges and Universities	Proprietary Funds
Land	$ 9,194	$ —	$ 5,017	$ 44,402	$ 2,770
Buildings and Improvements	18,093	5,986	3,864	1,405,000	8,546
Machinery and Equipment	8,514	137,201	4,101	803,635	11,910
Accumulated Depreciation	(8,342)	(83,453)	(4,142)	(9,938)	(8,451)
Construction-In-Progress	3,668	1,143	—	171,489	—
Total Fixed Assets	$ 31,127	$ 60,877	$ 8,840	$ 2,414,588	$ 14,775

Investment in General Fixed Assets by Source
(Expressed in Thousands)

	1997	1998
General Fund	$ 733,912	$ 913,456
Special Revenue Funds:		
Uniform School Fund	88,117	102,507
Transportation Fund	170,684	178,840
Sports Authority Fund	23,381	49,781
Capital Projects Fund	219,111	80,902
Utah Navajo Trust Fund	1,209	1,256
Total Investment in General Fixed Assets	$ 1,236,414	$ 1,326,742

Construction-In-Progress retirements are transferred as additions to land and buildings. These additions represent land of $7.566 million and buildings of $193.826 million. If Construction-In-Progress expenditures are in excess of current authorization, deficits will be funded from additional appropriations for phased funded projects, from additional funding from a participating agency, or from the capital projects contingency funds. Construction-In-Progress, in the Capital Projects Fund, at June 30, 1998, consisted of the following:

Capital Projects Fund
Construction-In-Progress
(Expressed in Thousands)

Project	Description	Amount Authorized	Amount Expended	Balance Authorized
94178	U of U Huntsman Cancer Institute	$ 15,877	$ 15,877	$ 0
96014	State Library Visually Handicapped Bldg	14,563	7,668	6,895
96006	Gunnison Prison, Phase I 192 Bed	14,292	12,686	1,606
96027	State Hospital Forensics Facility..	14,204	3,428	10,776
96011	Davis County Regional Courts Expansion	11,678	4,707	6,971
97025	Youth Corrections, Region One Facility	8,854	410	8,444
94042	Davis ATC Multipurpose Addition	6,746	4,876	1,870
96012	Washington County Courthouse	4,448	4,262	186
96016	DOT Traffic Operation Center	4,031	3,586	445
93016	Deaf and Blind Classrooms	3,481	3,367	114
94062	DOT District 2, New Complex	3,262	3,206	56
—	All Others	25,338	16,829	8,509
	Total	$ 126,774	$ 80,902	$ 45,872

The State had long-term construction project commitments totaling $100.96 million at June 30, 1998. The following construction projects have remaining commitments and represent reservations of fund balance in the Capital Projects Fund:

Capital Projects Fund
Construction Project Commitments
(Expressed in Thousands)

Project	Description	Remaining Construction Commitment
96013	USU Widtsoe Hall Chemistry Building Replacement	$ 22,486
96167	University of Utah New Fine Arts Museum	11,613
96027	State Hospital Forensic Facility	8,551
95013	Weber State University Browning Center Remodel	8,407
96156	University of Utah Student Housing	6,657
94029	University of Utah Gardner Hall Renovation & Concert Hall Addition	5,674
95018	University of Utah Rice-Eccles Stadium Renovation	5,175
96011	Davis County Courts Facility	3,929
96016	DOT Traffic Operations Center	3,854
96014	New State Library/Visually Handicapped Facility	3,069
95022	CEU Student Center	1,811
96041	State Capitol Grand Stairs, Gold Room, Other Improvements	1,733
97043	Office of Rehabilitation Industries for the Blind, Office Remodeling	1,070
96165	UVSC Technology Building Design	1,069
97021	Antelope Island State Park, East Road Development	937
—	All Others	14,925
	Total Commitments	$ 100,960

NOTE 7. LEASE COMMITMENTS

The State leases office buildings and office and computer equipment. Although the lease terms vary, most leases are subject to annual appropriations from the State Legislature to continue the lease obligations. If a legislative appropriation is reasonably assured, leases are considered noncancellable for financial reporting purposes and are reported in the General Long-Term Obligation Account Group or in the appropriate proprietary or college and university fund types described below.

Assets acquired through capital leasing are valued at the inception of the lease at either the lower of fair market value or the present value of the future minimum lease payments. Capital lease obligations for the proprietary fund types are reported in those funds as long-term obligations. The related assets and depreciation of these assets are included in the proprietary funds. Capital leases for the College and University Funds are reported in those funds along with the related assets. Capital lease obligations for the governmental type funds are reported in the General Long-Term Obligation Account Group, and the related assets are reported in the General Fixed Assets Account Group.

General government capital lease payments of $1.002 million in principal and $2.299 million in interest for the fiscal year ended June 30, 1998, are reported as an expenditure by governmental function.

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

The total operating lease expenditures for fiscal year 1998 were $29.097 million for the primary government, and $13.481 million for component units. For fiscal year 1997, the total operating lease expenditures were $25.737 million for the primary government, and $12.764 million for component units. Future minimum lease commitments for noncancellable operating leases and capital leases as of June 30, 1998, were as follows:

Future Minimum Lease Commitments
(Expressed in Thousands)

	Operating Leases			Capital Leases			
				Primary Government		Component Units	
Fiscal Year	Primary Government	Component Units	Total	Long-Term Obligation Account Group	Enterprise Funds	College and University Funds	Total
1999	$ 14,026	$ 14,422	$ 28,448	$ 3,183	$ 179	$ 7,550	$ 10,912
2000	12,260	13,401	25,661	3,186	178	6,939	10,303
2001	10,023	11,004	21,027	3,186	109	5,667	8,962
2002	7,592	9,680	17,272	3,188	83	4,168	7,439
2003	5,524	8,287	13,811	3,205	83	2,855	6,143
2004–2008 . . .	9,521	29,319	38,840	15,540	20	4,627	20,187
2009–2013 . . .	1,462	2,333	3,795	10,425	—	6,905	17,330
2014–2018 . . .	1,028	2,286	3,314	7,810	—	10,068	17,878
2019–2023 . . .	253	2,225	2,478	941	—	5,658	6,599
2024–2028 . . .	110	2,156	2,266	423	—	—	423
2029–2033 . . .	—	2,111	2,111	—	—	—	—
2034–2038 . . .	—	2,111	2,111	—	—	—	—
Total Future Minimum Lease Payments . .	$ 61,799	$ 99,335	$ 161,134	51,087	652	54,437	106,176
Less Amounts Representing Interest				21,656	109	18,088	39,853
Present Value of Future Minimum Lease Payments				$ 29,431	$ 543	$ 36,349	$ 66,323

Changes in Capital Lease Long-Term Obligations
(Expressed in Thousands)

	Primary Government		Component Units	
	Long-Term Obligation Account Group	Alcoholic Beverage Control Proprietary Fund	College and University Funds	Total
Balance at July 1, 1997	$ 30,720	$ 702	$ 35,003	$ 66,425
Increase in Lease Obligations	1,477	—	9,370	10,847
Decrease in Lease Obligations	(2,766)	(159)	(8,024)	(10,949)
Balance at June 30, 1998	$ 29,431	$ 543	$ 36,349	$ 66,323

NOTE 8. BONDS AND NOTES PAYABLE

A. **General Obligation Bonds**

The State issues general obligation bonds to provide funds for acquisition, construction, and renovation of major capital facilities, highways, and water management for governmental activities. In addition, general obligation bonds have been issued to refund general obligation bonds, revenue bonds, and capitalized leases. General obligation bonds are secured by the full faith and credit of the State. Debt service requirements are provided by legislative appropriation from the State's general tax revenues. As of June 30, 1998, the State had $78 million of authorized but unissued general obligation building bonds. In July 1998, the State issued $55 million of building bonds and converted $210 million of highway short-term general obligation bond anticipation notes into $210 million long-term general obligation bonds. The remaining $23 million of unissued building bonds are scheduled to be issued in July 1999.

During fiscal year 98, the State issued $260 million Series 1997AB and $240 million Series 1998AB Bond Anticipation Notes (BAN) to fund a portion of the costs associated with various highway construction projects. The notes are not callable prior to maturity, will mature no later than 270 days from the date of issuance, and may be rolled over. Each note bears interest from its date of issuance at a rate determined on the date of issuance (not to exceed 12 percent), and interest is payable at maturity. Current interest rates average 3.70 percent per annum.

To provide liquidity for payment of principal and interest on the 97AB BAN, the State has entered into two substantially identical credit agreements with the Toronto-Dominion Bank of Canada, each dated July 10, 1997, with respect to each series of notes. The commitment under each agreement is $130 million, and both agreements expire on July 10, 2000. On July 1, 1998, the State issued $210 million of general obligation bonds to retire a portion of the 97AB BAN (see Note 19, Subsequent Events). The State currently expects to retire the remaining $50 million of 97AB BAN with federal highway monies on or before July 10, 2000.

To provide liquidity for payment of principal and interest on the 98AB BAN, the State has entered into two substantially identical credit agreements with the Toronto-Dominion Bank of Canada, each dated May 7, 1998, with respect to each series of notes. The commitment under each agreement is $120 million, and both agreements expire on May 7, 1999. Subsequent to June 30, 1998, the agreement was extended to May 7, 2001. The State currently expects to retire the 98AB BAN with general obligation bonds on or before May 2, 2003.

General Obligation Bonds Payable presented in the General Long-Term Obligation Account Group consist of the following:

General Obligation Bonds Payable
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30,1998
1991 FG Capital Facility Issue	12/15/91	1998	5.50%	$ 47,935	47,935
1992 AB Capital Facility Issue	07/01/92	1993–1998	4.50% to 5.00%	$ 85,000	24,275
1993 AB Capital Facility Issue	07/01/93	1999	4.40%	$ 70,000	70,000
1994 ABCDEF Capital Facility Issue . .	07/01/94	1995–2000	4.60% to 4.70%	$ 94,745	90,100
1995 AB Capital Facility Issue	07/01/95	2001	6.00%	$ 45,000	45,000
1996 Capital Facility Issue	07/01/96	2002	5.00%	$ 20,000	20,000
1997 ABCDE Capital Facility Issue . . .	07/01/97	2002–2013	4.80% to 5.50%	$ 200,000	200,000
1997 F Capital Facility Issue	08/01/97	2002–2013	5.00% to 5.50%	$ 205,000	205,000
1997 AB Bond Anticipation Notes	07/10/97	2000	variable	$ 260,000	260,000
1998 AB Bond Anticipation Notes	05/07/98	up to 2003	variable	$ 240,000	240,000
Total General Obligation Bonds Payable					$ 1,202,310

General Obligation Bond Issues
Debt Service Requirements to Maturity
For Fiscal Years Ended June 30
(Expressed in Thousands)

	Principal					
Fiscal Year	1991 FG Capital Facility	1992 AB Capital Facility	1993 AB Capital Facility	1994 A–F Capital Facility	1995 AB Capital Facility	1996 Capital Facility
1999	47,935	24,275	—	1,575	—	—
2000	—	—	70,000	7,200	—	—
2001	—	—	—	81,325	—	—
2002	—	—	—	—	45,000	—
2003	—	—	—	—	—	20,000
2004-2008 .	—	—	—	—	—	—
2009-2013 .	—	—	—	—	—	—
Total . .	$ 47,935	$ 24,275	$ 70,000	$ 90,100	$ 45,000	$ 20,000

Continues Below

	Principal						
Fiscal Year	1997A-E Capital Facility	1997F Capital Facility	1997AB Bond Anticipation Notes	1998AB Bond Anticipation Notes	Total Principal Amount Required	Interest Amount Required	Total Amount Required
1999	—	—	210,000	—	283,785	46,047	329,832
2000	—	—	—	—	77,200	39,429	116,629
2001	—	—	50,000	240,000	371,325	32,464	403,789
2002	8,250	12,625	—	—	65,875	21,091	86,966
2003	33,700	13,325	—	—	67,025	17,572	84,597
2004-2008 .	91,175	78,375	—	—	169,550	56,685	226,235
2009-2013 .	66,875	100,675	—	—	167,550	17,598	185,148
Total . .	$ 200,000	$ 205,000	$ 260,000	$ 240,000	$1,202,310	$ 230,886	$1,433,196

Changes in General Obligation Bonds
(Expressed in Thousands)

Balance at July 1, 1998	$ 367,160
New Bonds Issued:	
1997 ABCDE Capital Facility	200,000
1997 F Capital Facility	205,000
1997 AB Bond Anticipation Notes	260,000
1998 AB Bond Anticipation Notes	240,000
Bonds Retired	(69,850)
Balance at June 30, 1998	$ 1,202,310

B. **Revenue Bonds**

Revenue bonds payable consist of those issued by the Utah Housing Finance Agency, the Utah State Board of Regents Student Loan Purchase Program, the Utah State Building Ownership Authority, the State, and the various colleges and universities. These bonds are not considered general obligations of the State.

The Utah Housing Finance Agency bonds were issued to provide sources of capital for housing persons of low or moderate income. The bonds are secured by mortgages, and repayments are made from the mortgage proceeds. Outstanding bonds payable are reported in the component units. Of the total reported bonds payable, $1.724 million represents deferred interest on revenue bonds outstanding.

The Utah State Board of Regents Student Loan Purchase Program bonds were issued to provide funds for student loans and are secured by all assets of the Board of Regents Revenue Bond Fund and by the revenues and receipts derived from such assets. Outstanding bonds payable are reported in the Enterprise Funds. An unused irrevocable direct-pay letter of credit expiring November 15, 1999, in the amount of $37.428 million issued by the Student Loan Marketing Association supports the Series 1993 A bonds. The Utah State Building Ownership Authority has issued a refunding bond for bonds previously issued to construct facilities leased to the Department of Employment Security. The bond is secured by the facilities, and repayment is made from lease income. The outstanding bond payable is reported in the General Long-Term Obligation Account Group.

The Utah State Building Ownership Authority has issued bonds for the purchase and construction of facilities to be leased to state agencies. The bonds are secured by the facilities, and repayment is made from lease income. The outstanding bond payable at June 30, 1998, is reported in the General Long-Term Obligation Account Group, except for $9.615 million which is reported in Alcoholic Beverage Control (Enterprise Fund).

The State has issued revolving loan recapitalization program bonds to provide capital for the State's revolving loan programs, and subsequently has refunded one of the bonds. The bonds are secured by and repayment is made from the collection of the revolving loan programs' notes receivables. Of the bonds payable outstanding at June 30, 1998, $6.395 million are reported in the General Long-Term Obligation Account Group and $8.715 million in the Internal Service Funds.

The colleges and universities issue bonds for various purposes, including: student housing, special events centers, and student unions. The bonds are secured by the related assets, student building fees, and other income of certain college activities. Outstanding bonds payable are reported in the College and University Funds.

Revenue Bonds Payable presented on the Combined Balance Sheet consist of the following:

Revenue Bonds Payable — Primary Government
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 1998
1988 and 1993 Board of Regents Student Loan Indentures	1988–1997	1992–2031	4.45% to 7.6% and variable	$ 799,060	$ 615,840
1992 A Revolving Loan Recapitalization Program	04/15/92	1993–2004	4.0% to 6.6%	$ 5,065	2,965
1992 B Revolving Loan Recapitalization Program	06/01/92	1993–2004	3.4% to 6.3%	$ 9,935	5,750
1992 A Utah State Building Ownership Authority Refunding	07/15/92	1993–2011	5.30% to 5.75%	$ 26,200	21,680
1992 B Utah State Building Ownership Authority	07/15/92	1994–2011	4.3% to 6.0%	$ 1,380	1,175
1993 A Utah State Building Ownership Authority	12/01/93	1995–2013	4.5% to 5.2%	$ 6,230	5,330
1993 B Utah State Building Ownership Authority	12/01/93	1995–2014	4.5% to 5.2%	$ 8,160	7,080
1994 A Utah State Building Ownership Authority	09/01/94	1995–2018	5.0% to 6.25%	$ 30,915	27,095
1995 A Utah State Building Ownership Authority	07/01/95	1996–2018	5.0% to 5.75%	$ 93,000	92,000
1995 Water Refunding	10/04/95	1996–2005	5.125%	$ 8,430	6,395
1996 A Utah State Building Ownership Authority	07/01/96	1997–2019	5.5% to 6.0%	$ 44,725	43,410
1996 B Utah State Building Ownership Authority	11/01/96	1999–2013	5.0% to 5.4%	$ 16,875	16,875
1997 A Utah State Building Ownership Authority	12/01/97	1999–2018	4.6% to 5.125%	$ 4,150	4,150
Total Revenue Bonds Outstanding					849,745
Student Loan Purchase Program Plus Unamortized Premiums					192
Total Revenue Bonds Payable					$ 849,937

Revenue Bonds Payable — Component Units
(Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 1998
1977–1998 Utah Housing Finance Agency Issues	1977–1998	1979–2036	3.0% to 10.75%	$ 3,668,178	$ 1,099,200
Colleges and Universities Revenue Bonds	1987–1998	2000–2027	2.75% to 8.49%	$ 242,774	208,730
Total Revenue Bonds Outstanding					1,307,930
Utah Housing Finance Agency Deferred Interest Payable					1,724
Colleges and Universities Less Unamortized Discounts					(404)
Total Revenue Bonds Payable					$ 1,309,250

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 1998

Revenue Bond Issues — Primary Government
Debt Service Requirements to Maturity
For Fiscal Years Ended June 30
(Expressed in Thousands)

	Principal							
Fiscal Year	Student Loan Programs	1992 A Revolving Loan Recap Program	1992 B Revolving Loan Recap Program	1992 A Utah State Building Ownership Authority	1992 B Utah State Building Ownership Authority	1993 A Utah State Building Ownership Authority	1993 B Utah State Building Ownership Authority	1994 A Utah State Building Ownership Authority
1999	20,375	420	825	1,055	55	250	300	1,400
2000	28,975	450	875	1,115	60	260	315	1,470
2001	57,685	475	925	1,175	65	270	330	1,540
2002	12,540	505	980	1,240	65	285	345	1,620
2003	13,550	540	1,040	1,310	70	300	360	1,710
2004-2008 . .	99,215	575	1,105	7,760	425	1,730	2,090	7,090
2009-2013 . .	19,500	—	—	8,025	435	2,235	2,705	7,140
2014-2018 . .	44,345	—	—	—	—	—	635	5,125
2019-2023 . .	3,600	—	—	—	—	—	—	—
2024-2028 . .	215,000	—	—	—	—	—	—	—
2029-2033 . .	101,055	—	—	—	—	—	—	—
Total . .	$ 615,840	$ 2,965	$ 5,750	$ 21,680	$ 1,175	$ 5,330	$ 7,080	$ 27,095

Continues Below

	Principal							
Fiscal Year	1995 A Utah State Building Ownership Authority	1995 Water Refunding	1996 A Utah State Building Ownership Authority	1996 B Utah State Building Ownership Authority	1997A Utah State Building Ownership Authority	Total Principal Required	Total Interest	Total Amount Required
1999	2,825	780	890	800	65	30,040	42,961	73,001
2000	2,965	820	1,390	820	135	39,650	40,814	80,464
2001	3,125	865	1,470	860	140	68,925	37,880	106,805
2002	3,275	910	1,540	900	145	24,350	35,868	60,218
2003	3,450	955	1,630	945	155	26,015	34,409	60,424
2004-2008 . .	19,800	2,065	9,585	5,485	895	157,820	144,695	302,515
2009-2013 . .	25,630	—	11,450	7,065	1,140	85,325	107,315	192,640
2014-2018 . .	30,930	—	12,915	—	1,475	95,425	81,337	176,762
2019-2023 . .	—	—	2,540	—	—	6,140	68,800	74,940
2024-2028 . .	—	—	—	—	—	215,000	47,859	262,859
2029-2033 . .	—	—	—	—	—	101,055	12,921	113,976
Total	$ 92,000	$ 6,395	43,410	$ 16,875	$ 4,150	$ 849,745	$ 654,859	$ 1,504,604

Revenue Bond Issues — Component Units
Debt Service Requirements to Maturity
For Fiscal Years Ended June 30
(Expressed in Thousands)

Fiscal Year	Principal: Housing Finance Agency	Principal: Colleges and Universities	Total Principal Required	Total Interest	Total Amount Required
1999	166,476	9,933	176,409	70,214	246,623
2000	20,226	9,390	29,616	67,978	97,594
2001	23,421	9,187	32,608	66,300	98,908
2002	25,011	9,704	34,715	64,449	99,164
2003	26,415	10,722	37,137	62,397	99,534
2004–2008	144,425	58,473	202,898	278,235	481,133
2009–2013	154,806	54,564	209,370	216,144	425,514
2014–2018	169,786	18,307	188,093	155,354	343,447
2019–2023	184,991	12,355	197,346	95,574	292,920
2024–2028	167,152	16,095	183,247	32,914	216,161
2029–2033	15,445	—	15,445	1,321	16,766
2034–2038	1,046	—	1,046	35	1,081
Total	$ 1,099,200	$ 208,730	$ 1,307,930	$ 1,110,915	$ 2,418,845

Changes in Revenue Bonds Outstanding
(Expressed in Thousands)

	Primary Government: Proprietary Funds	Primary Government: General Long-Term Obligation	Primary Government: Total Primary Government	Component Units	Total Revenue Bonds Outstanding
Balance at July 1, 1997	$ 613,955	$ 220,480	$ 834,435	$ 1,178,953	$ 2,013,388
New Bonds Issued:					
Student Loan Programs	90,900	—	90,900	—	90,900
Utah State Building Ownership Authority	4,150	—	4,150	—	4,150
Utah Housing Finance Agency	—	—	—	324,350	324,350
Colleges and Universities	—	—	—	116,126	116,126
Bonds Retired	(74,835)	(4,905)	(79,740)	(311,499)	(391,239)
Balance at June 30, 1998	$ 634,170	$ 215,575	$ 849,745	$ 1,307,930	$ 2,157,675

C. **Conduit Debt Obligations**

In 1985, the State Board of Regents authorized the University of Utah to issue Variable Rate Demand Industrial Development Bonds for the University Park Hotel, a limited partnership separate from the University. The bonds are payable solely from revenues of the University Park Hotel. The bonds do not constitute a debt or pledge of the faith and credit of the University of Utah or the State and, accordingly, have not been reported in the accompanying financial statements. At June 30, 1998, $8.495 million of Variable Rate Demand Industrial Development Bonds are outstanding.

D. **Defeased Bonds**

In prior years, Utah Housing Finance Agency (Component Unit) defeased certain revenue bonds by placing a portion of the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in Utah Housing Finance Agency's balance sheet. At June 30, 1998, $5.355 million of bonds outstanding are considered defeased.

In prior years, the State defeased certain revenue bonds by placing the proceeds of new bonds and other monies available for debt service in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the General Long-Term Obligation Account Group. At June 30, 1998, $26.850 million of revenue bonds outstanding are considered defeased.

In December 1997, the University of Utah issued $24.615 million in Hospital Revenue Refunding Bonds to advance refund $24.085 million of outstanding Hospital Project Series 1991 bonds. The excess bond reserves were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the series 1991 bonds which were advance refunded, and to fund a reserve for the new bonds of $2.544 million. The advance refunding of the series 1991 bonds has resulted in a reduction of the university's aggregate debt service payments of approximately $1.525 million over the next nine years and a present value economic gain of approximately $238 thousand.

In July 1997, Weber State University defeased the 1988 Student Facilities System Refunding Revenue Bonds which had an outstanding balance or $3.405 million, which were scheduled to mature in 2007 and carried an interest rate between 5.75% to 8.10%. The defeasance was funded by the issuance of 1997A Student Facilities System Revenue Refunding Bonds for $3.665 million, which fully mature in the year 2007 and carry an interest rate between 4.15% to 4.95%. This refinancing resulted in an economic gain of approximately $750 thousand, and a financial statement loss of approximately $260 thousand. Issuance costs were not significant. The 1998 bonds were called and repaid in October 1997.

In May 1998, Weber State University defeased the 1992 Student Facilities System Refunding Revenue Bonds which had an outstanding commitment of $4.825 million, which were scheduled to mature in 2010 and carried an interest rate between 4.75% to 7.0%. The defeasance was funded by the issuance of 1998A Student Facilities System Revenue Refunding Bonds for $5.05 million which fully mature in the year 2010 and carry an interest rate between 3.85% to 4.80%. The proceeds of the new bonds were placed in an irrevocable trust to provide for future debt service payments on the old bonds or repay the bonds when they are called. This refinancing resulted in an economic gain of approximately $760 thousand and a financial statement loss of approximately $225 thousand. Issuance costs were not significant.

On April 13, 1998, the Salt Lake Community College advance refunded $5.29 million of outstanding Auxiliary System and Student Fee Revenue Bonds Series 1992B with the issuance of $6.6 million Auxiliary System and Student Fee Revenue Refunding Bonds Series 1998. The net proceeds of $5.7 million were deposited in an irrevocable trust with an escrow agent. This escrow account will provide for the payment of all future debt service on the advance refunded 1992B bonds. The more favorable interest rates on the refunding bonds will result in a net future value savings of $503.7 thousand over the next 14 years and provided the College an economic value gain of $256.5 thousand.

In prior years, colleges and universities (Component Units) defeased certain revenue bonds by placing the proceeds of new bonds and various bond reserves in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the colleges and universities balance sheet. At June 30, 1998, $59.799 million of college and university bonds outstanding are considered defeased.

E. **Notes Payable**

The balance of notes payable of $12.971 million is comprised of $2.481 million in notes issued by Technology Finance Corporation (Component Units – Proprietary Fund), $37 thousand in notes issued by the Heber Valley Historic Railroad Authority (Component Units – Proprietary Fund), and $10.453 million in notes issued by the College and University Funds (Component Units) for the purchase of buildings and equipment. The notes bear various interest rates and will be repaid over the next 30 years. They are secured by the related assets.

Changes in Notes Payable
Component Units
(Expressed in Thousands)

	Colleges and Universities	Proprietary Funds
Balance at July 1, 1997	$ 8,681	$ 1,970
Additions	3,027	843
Deletions	(1,255)	(295)
Balance at June 30, 1998	$ 10,453	$ 2,518

Notes Payable Debt Service Requirements to Maturity
Component Units
For Fiscal Years Ending June 30
(Expressed in Thousands)

Fiscal Year	Colleges and Universities Principal Required	Proprietary Funds Principal Required	Total Principal Required	Interest	Total Amount Required
1999	$ 2,994	$ 209	$ 3,203	$ 598	$ 3,801
2000	1,381	164	1,545	399	1,944
2001	1,055	169	1,224	320	1,544
2002	774	174	948	268	1,216
2003	646	179	825	217	1,042
2004–2008	1,384	351	1,735	762	2,497
2009–2013	696	355	1,051	517	1,568
2014–2018	586	373	959	359	1,318
2019–2023	516	392	908	460	1,368
2024–2028	362	152	514	58	572
2029–2033	59	—	59	2	61
Total	$ 10,453	$ 2,518	$ 12,971	$ 3,960	$ 16,931

F. **Contracts Payable**

Contracts Payable in the General Long-Term Obligation Account Group are for capital leases. Lease obligations are detailed in Note 7. Component Unit Contracts Payable include $1.284 million in life annuity contracts.

G. **Leave/Postemployment Benefits Obligations**

Changes in Leave/Postemployment Benefits Obligations
(Expressed in Thousands)

	General Fund	Special Revenue Funds: Uniform School	Special Revenue Funds: Transportation	General Long-Term Obligation Account Group	Total
Balance at July 1, 1997	$ 134,991	$ 17,019	$ 28,458	$ 10,624	$ 191,092
Increase (Decrease) in Accrued Leave Benefits	8,470	136	688	(2,628)	6,666
Increase (Decrease) in Postemployment Benefits	13,331	(71)	(263)	(7,996)	5,001
Balance at June 30, 1998	$ 156,792	$ 17,084	$ 28,883	$ 0	$ 202,759

NOTE 9. FUND BALANCES — RESERVED AND DESIGNATED

The State's reserved fund balances represent: 1) those portions of fund balance that are not available for appropriation or expenditure, which include loans receivable; or 2) fund balances that are legally segregated for a specific future use, which include reserves for encumbrances in the Capital Projects Fund, limited encumbrances in the General and Special Revenue Funds as explained in Note 1, continuing appropriation or nonlapsing funds, assets legally restricted for other purposes, and assets restricted by bond agreements. A summary of the nature and purpose of these reserves by fund type at June 30, 1998, follows (expressed in thousands):

A. **General Fund — Reserved**

Nonlapsing Appropriations for:	
Community and Economic Development	$ 8,429
Natural Resources – Parks and Recreation	7,255
Business, Labor, and Agriculture	5,951
Natural Resources – Except Parks	5,576
Environmental Quality	5,398
Department of Human Services	4,953
Tax Commission	4,652
Administrative Services	3,017
Department of Corrections	2,689
Department of Health	2,490
Legislature	1,842
Governor's Office	1,365
Judicial Council	1,332
Miscellaneous Other	2,409
Total Nonlapsing	57,358
Restricted by Law for:	
Water Pollution Loans	146,482
Safe Drinking Water Loans	40,905
Housing Development Loans	27,414
Medicaid Restricted	19,772
Oil Overcharge Funds	11,376
Wildlife Resources Restricted	9,497
DWS Special Administration	4,583
Natural Resources – Except Wildlife	4,496
Industrial Assistance	3,717
Public Safety Accounts	3,494
Nursing Facilities	2,957
Environmental Quality	2,666
Tax Commission	2,612
Youth Victim Restitution	1,405
Wildlife Resources Lifetime Trust and Other	1,401
Thrifts Restricted	1,319
Financial Institutions	1,149
Advances to Internal Service Funds	23,437
Miscellaneous Other	5,314
Total Restricted	313,996
Total General Fund Reserved	$ 371,354

General Fund — Unreserved/Designated

Budget/Revenue Deficit (Rainy Day Reserve Account)	$ 88,465
Net Accrued Taxes	30,370
Designated for Fiscal Year 1999 Appropriation	20,103
Total General Fund Designated	$ 138,938

B. **Special Revenue Funds — Reserved**

Uniform School Fund Nonlapsing Appropriations for:		
Minimum School Program	$	30,301
State Office of Education		6,053
Deaf and Blind School		996
Total Nonlapsing		37,350
Uniform School Fund Restricted by Law for:		
Applied Technology Centers		2,277
School Building Loans Programs		10,099
Advance to Internal Service Funds		203
Miscellaneous Programs		495
Total Restricted		13,074
Total Uniform School Fund Reserved	$	50,424
Transportation Fund Nonlapsing Appropriations for:		
Sidewalk Construction	$	1,166
Miscellaneous Programs		14
Total Nonlapsing		1,180
Transportation Fund Restricted by Law for:		
Corridor Preservation		3,191
Uninsured Motorist		1,698
Aeronautical Programs		2,993
Miscellaneous Programs		898
Total Restricted		8,780
Total Transportation Fund Reserved	$	9,960
Centennial Highway Fund:		
Restricted by Law for Construction	$	458,853
Total Special Revenue Funds Reserved	$	519,237

Special Revenue Funds — Unreserved/Designated

Uniform School Fund Net Accrued Taxes	$	117,572
Uniform School Fund Designated for Fiscal Year 1999 Appropriations		27,911
Transportation Fund Net Accrued Taxes		8,146
Total Special Revenue Funds Designated	$	153,629

C. **Capital Projects Fund**

Of the $113.209 million reserved fund balance, $100.960 million is for outstanding encumbrances on various capital projects, $11.933 million is for lease revenue bond restrictions on proceeds that are currently not committed under contract, and $316 thousand is reserved by statute for planning of construction projects. Appropriations and bond proceeds available in the next fiscal year will fund the deficit unreserved undesignated balance of $21.344 million.

D. **Debt Service Fund**

The $7.187 million reserved for the Debt Service Fund represents reserve funds and pledged funds required by bond agreements.

E. **Trust and Agency Funds**

The $14.293 billion reserved for the Trust and Agency Funds represents:

Pension Benefits:		
Employee Deferred Compensation	$	802,129
Insurance, Administration, and Reserves		40,913
Reserved for Employees' Pension Benefits		10,124,729
Total Pension Benefits		10,967,771
Investment Trust:		
Fund Balance Reserved for External Investment Pool Participants		2,246,608
Nonexpendable Trust:		
Trust Lands		206,262
Expendable Trust:		
Unemployment Compensation Benefits		586,781
Deferred Compensation 457 Plan		194,542
Utah Navajo Trust		10,954
Restricted Various		80,366
Total Expendable Trust		872,643
Total Trust and Agency Funds Reserved	$	14,293,284

F. **Internal Service Funds**

The $181.130 million in retained earnings includes $84.434 million of claims contingency reserves for Employees Group Insurance Fund and $1.791 million of bond reserves for Water Resources Loan Fund.

G. **Enterprise Funds**

Reserved Retained Earnings:	
Student Assistance Programs for Financing and Bond Agreements	$ 62,861
Unreserved Retained Earnings:	
Student Assistance Programs	$ 70,281
Utah Correctional Industries	1,062
State Trust Lands Administration	5,097
Agriculture Loan Fund	7,689
Utah Dairy Commission	1,009
Clean Fuels Vehicle Loan Fund	225
Petroleum Storage Tank Loan Fund	273
Waste Tire Recycling Loan Fund	147
Revitalization Programs	2,423
Total Enterprise Funds Unreserved	88,206
Total Enterprise Funds Retained Earnings	$ 151,067

H. **Component Units — Proprietary Type Funds**

Reserved Retained Earnings:	
Housing Finance Agency for Bond Agreements	$ 99,115
Technology Finance Corporation – Federal	7,360
Total Reserved	106,475
Unreserved Retained Earnings:	
Housing Finance Agency	40,010
Workers' Compensation	204,546
Technology Finance Corporation	3,018
Comprehensive Health Insurance	5,908
Heber Valley Historic Railroad Authority	1,113
Utah Science Center Authority	116
Utah State Fair Corporation	726
Total Unreserved	255,437
Total Component Units Proprietary Type Funds Retained Earnings	$ 361,912

I. **Component Units — Colleges and Universities**

Reserved for:	
University of Utah	$ 426,614
Utah State University	107,315
Weber State University	44,806
Southern Utah University	14,867
Salt Lake Community College	15,450
Utah Valley State College	15,282
Dixie College	16,448
College of Eastern Utah	16,249
Snow College	19,699
Total Reserved	$ 676,730
Unreserved Designated for:	
University of Utah	$ 313,309
Utah State University	24,081
Weber State University	1,817
Southern Utah University	6,027
Salt Lake Community College	22,832
Utah Valley State College	51
Dixie College	2,647
Snow College	5,054
Total Unreserved Designated	$ 375,818
Unreserved Undesignated for:	
Weber State University	13,030
Salt Lake Community College	4,444
Utah Valley State College	6,798
Dixie College	2,113
College of Eastern Utah	(805)
Snow College	1,999
Total Unreserved Undesignated	$ 27,579

NOTE 10. DEFICIT FUND BALANCES/RETAINED EARNINGS

Funds reporting a deficit fund balance or retained earnings position at June 30, 1998, are (expressed in thousands):

Internal Service Funds:	
Office of Education	$ 17
Human Services	$ 174
Natural Resources	$ 2,338
General Services	$ 654
Expendable Trust Funds:	
Employers' Reinsurance Trust	$ 260,065

The Internal Service Funds plan to increase their rates to cover these deficits.

The deficit in the Employers' Reinsurance Fund represents the unfunded portion of the actuarial estimate of claims incurred. The Employers' Reinsurance Fund claims are funded from taxes on workers' compensation insurance. The Legislature has set tax rates and modified benefits to keep current revenues at a level sufficient to cover current cash disbursements. State law limits the State's liability to the cash or assets in the Employers' Reinsurance Fund only. State law also limits the Fund's liability to claims resulting from industrial accidents or occupational diseases occurring on or before June 30, 1994. For claims resulting from accidents or diseases on or after July 1, 1994, the employer or its insurance carrier is liable for resulting liabilities.

NOTE 11. CHANGES IN CONTRIBUTED CAPITAL ACCOUNTS AND FUND EQUITY UNREALIZED INVESTMENT GAINS

For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

		Additions	Deletions	
	Beginning Balance July 1, 1997	Contributed Capital Transfers In	Contributed Capital Transfers Out	Ending Balance June 30, 1998
Enterprise Funds:				
Alcoholic Beverage Control	$ 12,276	$ 2,406	$ 878	$ 13,804
Utah Correctional Industries	3,103	—	—	3,103
State Trust Lands Administration	0	5,429	—	5,429
Agriculture Loan Fund	20,037	—	—	20,037
Clean Fuels Vehicle Loan Fund	1,650	—	—	1,650
Petroleum Storage Tank Loan Fund	5,000	—	—	5,000
Waste Tire Recycling Loan Fund	1,000	—	—	1,000
Revitalization Programs	400	—	—	400
Total Enterprise Funds	$ 43,466	$ 7,835	$ 878	$ 50,423
Internal Service Funds:				
Water Resources Loan Fund	$ 161,318	$ 1,653	$ —	$ 162,971
Information Technology	8,263	—	—	8,263
Community Impact Loan Fund	101,019	5,071	—	106,090
General Services	12,846	—	10,212	2,634
Fleet Operations	0	10,212	—	10,212
Human Services	581	—	—	581
Office of Education	143	—	—	143
Natural Resources	2,919	—	—	2,919
Risk Management	766	—	—	766
Property Management	200	—	—	200
Total Internal Service Funds	$ 288,055	$ 16,936	$ 10,212	$ 294,779
Component Units – Proprietary Type Funds:				
Technology Finance Corporation	$ 3,192	$ —	$ —	$ 3,192
Utah State Fair Corporation	756	—	—	756
Total Component Units – Proprietary Type Funds	$ 3,948	$ 0	$ 0	$ 3,948

Workers' Compensation (Component Units – Proprietary Type Fund) net unrealized gains on investments began with a balance of $28.708 million and had $45.018 million increases and $68.335 million decreases during the year, ending with a balance of $5.391 million.

NOTE 12. OPERATING AND RESIDUAL EQUITY TRANSFERS

Operating transfers among funds occur when one fund collects revenue and transfers the assets to another fund for expenditure. The transfers occur only after being legally authorized by the Legislature through statute or an *Appropriation Act*. For the fiscal year ended June 30, 1998, the operating transfers by fund are as follows:

Operating Transfers
(Expressed in Thousands)

		Special Revenue Funds								
	General Fund	Uniform School Fund	Trans-portation Fund	Centennial Highway Fund	Capital Projects Fund	Debt Service Fund	Enterprise Funds	Internal Service Funds	Expendable Trust Funds	Total Transfers Out
Transfers Out:										
General Fund	$ —	$ 1,159	$ 12,995	$ 78,000	$ 45,599	$ 80,331	$ 61	$ 522	$ 645	$ 219,312
Special Revenue Funds:										
Uniform School Fund	113,666	—	—	—	1,000	6,012	—	—	—	120,678
Transportation Fund	23,847	—	—	61,938	3,177	—	—	—	—	88,962
Sports Authority Fund	126	—	—	—	—	—	—	—	—	126
Consumer Education Fund	164	—	—	—	—	—	—	—	—	164
Centennial Highway Fund	—	—	—	—	4,000	24,366	—	—	—	28,366
Capital Projects Fund	787	—	—	—	—	3,142	—	—	—	3,929
Enterprise Funds	26,646	—	—	—	—	—	—	—	60	26,706
Internal Service Funds	5,077	—	—	—	—	—	—	—	—	5,077
Expendable Trust Funds	6,543	7,054	—	—	—	—	—	—	—	13,597
Total Transfers In	$ 176,856	$ 8,213	$ 12,995	$ 139,938	$ 53,776	$ 113,851	$ 61	$ 522	$ 705	$ 506,917

In addition, the General Fund transferred $6.270 million and $457.002 million to the component units' Proprietary Funds and to Colleges and Universities, respectively.

Residual equity transfers occur when nonroutine transfers are made from one fund to another. These transfers are usually made to provide for working capital. However, fixed assets with a cost of $5.601 million which were previously reported in the general fixed assets account group were also transferred to the State Trust Lands Administration enterprise fund when that agency was reclassified from a restricted expendable trust fund. Accumulated depreciation of $172 thousand was also recorded.

For the fiscal year ended June 30, 1998, the residual equity transfers by fund are as follows:

Residual Equity Transfers
(Expressed in Thousands)

	General Fund	Enterprise Fund	Internal Service Fund	Total Transfers
Transfers Out:				
General Fund	$ —	$ 2,406	$ 6,724	$ 9,130
Enterprise Funds	878	—	—	878
Expendable Trust Funds	—	2,583	—	2,583
Total Transfers In	$ 878	$ 4,989	$ 6,724	$ 12,591

NOTE 13. SEGMENT INFORMATION FOR ENTERPRISE FUNDS AND COMPONENT UNITS

A. The State of Utah has ten enterprise funds and seven proprietary-type component units which are described below:

Enterprise funds:

- Alcoholic Beverage Control — The Alcoholic Beverage Control Commission administers the *Alcoholic Beverage Control Act* with financing from operations which include the sale of liquor products.

- Student Assistance Programs — This is made up of two separate student assistance programs administered by the Utah State Board of Regents. The two programs are the Utah Higher Education Assistance Authority, which guarantees repayment of eligible student loans; and the Student Loan Purchase Program, which makes loans to and purchases loans of eligible students. The programs are funded from bond proceeds, loan fees, interest, and federal allowances.

- Utah Correctional Industries — The Correctional Industries provides employment for prisoners at the Utah State Prison. It is funded by charges for services and the sale of goods produced.

- State Trust Land Administration — The Administration manages the assets of the State School and Institutional Trust Lands, nonexpendable trust fund.

- Agriculture Loan Fund — The Fund issues farm loans for soil and water conservation projects and for the rehabilitation of rural areas within the State.

- Utah Dairy Commission — The Dairy Commission promotes dairy products through advertising, research, and nutritional education. It is funded by collections from milk producers.

- Clean Fuels Vehicle Loan Fund — The Fund provides loans to government and private fleets for the conversion of their vehicles to clean fuel.

- Petroleum Storage Tank Loan Fund — The Fund provides loans to private business to repair, replace, upgrade, or close petroleum storage tanks to prevent leakage.

- Waste Tire Recycling Loan Fund — The Fund provides loans to private business to promote waste tire recycling in the State.

- Revitalization Programs — This is made up of two Revitalization Programs, the Uintah Basin Revitalization Fund and the San Juan Navajo Revitalization Fund. The Fund makes grants and loans to county agencies, the Ute Indian Tribe, and the Navajo Nation to benefit the citizens of the Uintah Basin and San Juan County for the social and economic impacts of mineral resource development. Funding is from appropriations, oil and gas severance taxes, and interest earnings.

Proprietary type component units:

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

- Workers' Compensation Fund of Utah — The Fund provides workers' compensation insurance to private and public employers and is financed through employer premiums.

- Utah Technology Finance Corporation — The Corporation is a corporate body created to encourage and assist small and emerging businesses involved in innovation and high technology in the State. The Corporation is operated from grants, earnings, and state appropriations.

- Comprehensive Health Insurance Pool — The Pool provides access to health insurance coverage for residents of the State who are denied adequate health insurance and are considered uninsurable.

- Heber Valley Historic Railroad Authority — The Authority operates and maintains a scenic and historic railway in Wasatch County.

- Utah Science Center Authority — The Authority provides a means to foster the development of science, arts, tourism, and cultural and educational facilities within the State.

- Utah State Fair Corporation — The nonprofit Corporation operates the State Fair Park and conducts the Utah State Fair and other various expositions and entertainment events.

Colleges and Universities component units:

- College and University Funds account for the operations of institutions of higher education.

B. Various bond resolutions place restrictions on the use of certain assets. As of June 30, 1998, restrictions have been placed on $55.815 million of Housing Finance Agency assets and $690.507 million of Student Loan Purchase Program assets.

C. Segment information for the fiscal year ended June 30, 1998, is as follows:

Enterprise Funds
Segment Information
(Expressed in Thousands)

	Alcoholic Beverage Control	Student Assistance Programs	Utah Correctional Industries	State Trust Lands Administration	Agriculture Loan Fund	Utah Dairy Commission	Clean Fuels Vehicle Loan Fund	Petroleum Storage Tank Loan Fund	Waste Tire Recycling Loan Fund	Revitalization Programs	Total
Operating Revenue . .	$ 103,892	$ 91,690	$ 12,508	$ 6,335	$ 1,084	$ 2,124	$ 89	$ 258	$ 49	$ 46	$ 218,075
Operating Expenses:											
Depreciation	873	255	101	60	1	10	—	—	—	—	1,300
Other	76,717	75,579	12,476	4,058	241	2,161	61	—	—	559	171,852
Operating Income (Loss)	26,302	15,856	(69)	2,217	842	(47)	28	258	49	(513)	44,923
Operating Transfers In (Out)	(26,297)	(61)	—	—	(225)	—	61	(123)	—	—	(26,645)
Tax Revenues	—	—	—	—	500	—	—	—	—	1,540	2,040
Non-Operating Income (Loss)	(5)	(12,609)	—	(44)	—	68	—	—	—	—	(12,590)
Net Income (Loss) . . .	$ 0	$ 3,186	$ (69)	$ 2,173	$ 1,117	$ 21	$ 89	$ 135	$ 49	$ 1,027	$ 7,728
Current Assets	$ 12,100	$ 265,409	$ 4,762	$ 4,870	$ 11,995	$ 1,069	$ 1,608	$ 4,341	$ 797	$ 2,840	$ 309,791
Current Liabilities . . .	11,988	31,445	1,647	403	20	163	3	—	—	17	45,686
Net Working Capital	$ 112	$ 233,964	$ 3,115	$ 4,467	$ 11,975	$ 906	$ 1,605	$ 4,341	$ 797	$ 2,823	$ 264,105
Total Assets	$ 35,543	$ 788,803	$ 5,812	$ 10,929	$ 27,746	$ 1,172	$ 1,878	$ 5,273	$ 1,147	$ 2,840	$ 881,143
Total Liabilities	21,739	655,661	1,647	403	20	163	3	—	—	17	679,653
Fund Equity	$ 13,804	$ 133,142	$ 4,165	$ 10,526	$ 27,726	$ 1,009	$ 1,875	$ 5,273	$ 1,147	$ 2,823	$ 201,490
Long-Term Liabilities	$ 9,751	$ 624,216	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 633,967
Current Capital Contributions	$ 1,528	$ —	$ —	$ 8,012	$ —	$ —	$ —	$ —	$ —	$ —	$ 9,540
Fixed Assets July 1, 1997	$ 22,456	$ 940	$ 2,825	$ —	$ 7	$ 201	$ —	$ —	$ —	$ —	$ 26,429
Additions	7,165	206	341	6,291	—	6	—	—	—	—	14,009
Deletions	(331)	—	(638)	—	—	—	—	—	—	—	(969)
Fixed Assets June 30, 1998	$ 29,290	$ 1,146	$ 2,528	$ 6,291	$ 7	$ 207	$ —	$ —	$ —	$ —	$ 39,469

Component Units — Proprietary Type Funds
Segment Information
(Expressed in Thousands)

	Housing Finance Agency	Workers' Compensation	Technology Finance Corporation	Comprehensive Health Insurance	Heber Valley Historic Railroad Authority	Utah Science Center Authority	Utah State Fair Corporation	Total
Operating Revenue	$ 82,453	$ 212,765	$ 1,194	$ 1,953	$ 597	$ 61	$ 3,311	$ 302,334
Operating Expenses:								
Depreciation	211	2,459	114	—	62	15	48	2,909
Other	71,279	145,692	1,688	3,824	597	95	3,501	226,676
Operating Income (Loss)	10,963	64,614	(608)	(1,871)	(62)	(49)	(238)	72,749
Operating Transfers from Primary Government	—	—	1,000	5,000	—	—	270	6,270
Federal Grants	—	—	70	—	—	—	—	70
Other Non-Operating Income (Loss)	—	—	(299)	291	106	3	52	153
Net Income (Loss)	$ 10,963	$ 64,614	$ 163	$ 3,420	$ 44	$ (46)	$ 84	$ 79,242
Current Assets	$ 340,386	$ 517,142	$ 9,725	$ 7,131	$ 39	$ 69	$ 1,381	$ 875,873
Due From Primary Government	—	—	—	—	—	—	—	—
Current Liabilities	198,635	116,931	353	1,223	71	13	246	317,472
Net Working Capital	$ 141,751	$ 400,211	$ 9,372	$ 5,908	$ (32)	$ 56	$ 1,135	$ 558,401
Total Assets	$ 1,276,304	$ 746,041	$ 16,232	$ 7,131	$ 1,184	$ 129	$ 1,728	$ 2,048,749
Total Liabilities	1,137,179	536,104	2,662	1,223	71	13	246	1,677,498
Fund Equity	$ 139,125	$ 209,937	$ 13,570	$ 5,908	$ 1,113	$ 116	$ 1,482	$ 371,251
Long-Term Liabilities	$ 938,544	$ 419,173	$ 2,309	$ —	$ —	$ —	$ —	$ 1,360,026
Current Capital Contributions	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 0
Fixed Assets July 1, 1997	$ 2,090	$ 17,729	$ 1,150	$ —	$ 1,345	$ 97	$ 1,211	$ 23,622
Additions	421	1,653	86	—	56	6	135	2,357
Deletions	(262)	(2,333)	(101)	—	(4)	—	(53)	(2,753)
Fixed Assets June 30, 1998	$ 2,249	$ 17,049	$ 1,135	$ —	$ 1,397	$ 103	$ 1,293	$ 23,226

Component Units — College and Universities
Segment Information
(Expressed in Thousands)

	University of Utah	Utah State University	Weber State University	Southern Utah University	Salt Lake Community College	Utah Valley State College	Dixie College	College of Eastern Utah	Snow College	Total
Revenues and Other Additions	$ 1,272,788	$ 287,832	$ 90,875	$ 49,360	$ 79,512	$ 71,601	$ 23,541	$ 23,986	$ 13,363	$ 1,912,858
Expenditures and Other Deductions	(1,305,888)	(331,209)	(123,036)	(61,101)	(113,008)	(87,522)	(29,260)	(31,178)	(20,929)	(2,103,131)
Operating Transfers from Primary Government	177,629	106,701	47,572	20,978	44,586	27,360	12,031	10,042	10,103	457,002
Net Increase (Decrease) in Fund Balances	144,529	63,324	15,411	9,237	11,090	11,439	6,312	2,850	2,537	266,729
Fund Balances – July 1, 1997 (as restated) . . .	1,738,147	428,045	224,997	112,107	155,641	126,660	69,327	59,190	59,191	2,973,305
Fund Balances – June 30, 1998	$ 1,882,676	$ 491,369	$ 240,408	$ 121,344	$ 166,731	$ 138,099	$ 75,639	$ 62,040	$ 61,728	$ 3,240,034
Total Assets	$ 2,183,737	$ 583,711	$ 261,323	$ 138,368	$ 192,253	$ 159,318	$ 82,490	$ 69,630	$ 63,112	$ 3,733,942
Total Liabilities	$ 301,061	$ 92,342	$ 20,915	$ 17,024	$ 25,522	$ 21,219	$ 6,851	$ 7,590	$ 1,384	$ 493,908
Total Fixed Assets	$ 1,294,948	$ 395,397	$ 190,364	$ 110,835	$ 138,891	$ 124,570	$ 57,497	$ 50,958	$ 51,128	$ 2,414,588
Current Funds:										
Revenues	$ 825,295	$ 198,284	$ 59,827	$ 33,644	$ 50,767	$ 53,214	$ 14,647	$ 12,905	$ 10,709	$ 1,259,292
Expenditures	(983,677)	(295,719)	(105,039)	(52,452)	(89,915)	(78,089)	(25,151)	(23,656)	(20,431)	(1,674,129)
Excess Restricted Receipts Over Transfers to Revenues	6,447	3,664	257	109	(294)	(65)	178	(232)	51	10,115
Mandatory Transfers Out	(20,638)	(2,782)	—	(447)	(180)	—	(18)	(255)	(152)	(24,472)
Nonmandatory Transfers Out . .	(13,943)	(5,358)	(1,463)	148	(4,366)	(1,182)	(1,903)	331	(128)	(27,864)
Operating Transfers from Primary Government	177,629	106,701	47,572	20,978	44,586	27,360	12,031	10,042	10,103	457,002
Net Increase (Decrease) in Fund Balances	$ (8,887)	$ 4,790	$ 1,154	$ 1,980	$ 598	$ 1,238	$ (216)	$ (865)	$ 152	$ (56)

NOTE 14. LITIGATION, CONTINGENCIES, AND COMMITMENTS

A. **Litigation**

- The State is involved in various legal actions arising in the ordinary course of business. The State is vigorously contesting all of these matters, but as of this date it is not possible to determine the outcome of these proceedings. In the opinion of the Attorney General and management, the ultimate disposition of these matters will not have a material adverse effect on the State's financial position.

- Among the legal proceedings is a suit filed by the Navajo Indians who allege the State of Utah has mismanaged Navajo Trust Fund monies. The plaintiffs are seeking an accounting of the legitimacy of the fund's receipts, disbursements, and damages. There is no way to estimate the outcome of this case, since this is a case of first impression and there is no similar case law available to help predict the outcome. However, if the State were ultimately held liable, the range of liability could be up to $50 million plus interest and attorneys' fees.

- A suit has recently been filed by the United Mine Workers of America and others, with respect to lands which are alleged to have been conveyed by the Federal government to the State of Utah to build and maintain a hospital for miners. The plaintiffs seek certification of the suit as a class action, a declaration that a separate hospital for disabled miners is required and that the proceeds received from the lands must be separately maintained. It also seeks a full accounting of all assets, together with an order requiring the State to establish a hospital to be maintained for disabled miners. It is not possible at this time to estimate the outcome or the financial impact an adverse ruling would have upon the State.

B. **Contingencies**

- Financial and compliance audits (Single Audit) of federal grants, contracts, and agreements were conducted under the provisions of the Federal Office of Management and Budget's circulars. As a result of the audits, identified questioned costs are immaterial. Other audit findings on noncompliance cannot be estimated as to the potential liability. The Single Audit for the fiscal year ended June 30, 1998, is in process and management expects proposed disallowances to be immaterial.

- Management's estimated liability for the Underground Petroleum Storage Tank Fund (Expendable Trust Fund) is highly sensitive to change based on the short period of historical data and the uncertainties in estimating costs. Since it is not possible to determine the occurrence date of a leak in an underground storage tank, it is not possible to estimate the number and the associated costs of leaks that have not been detected.

  Federal regulations which will take effect December 22, 1998, require all tanks to be constructed of corrosion resistant materials, or to be "cathodically protected" to prevent corrosion. It is expected that in the next two years, as tank owners inspect their tanks for compliance with the new regulations, many future claims will be filed. These future claims, per the actuarial report, will increase the costs over the next two years significantly to approximately $18.305 million.

- The State is totally self-insured against liability claims and up to $2.5 million in property claims. According to an actuarial study and other known factors, $27.511 million exists as either incurred but unfiled or unpaid claims. This amount is reported as a liability of the Administrative Services Risk Management Fund (Internal Service Fund).

- The Utah School Bond Guaranty Act (*Utah Code Annotated, 1953*, as amended, Sections 53A–28–101 to 402), which took effect on January 1, 1997, pledges the full faith, credit, and unlimited taxing power of the State to guaranty full and timely payment of the principal and interest on general obligation bonds issued by qualifying local school boards. The primary purpose of the Guaranty Act is to reduce borrowing costs for local school boards by providing credit enhancement for Guaranteed Bonds.

  In the event a school board is unable to make the scheduled debt service payments on its Guaranteed Bonds, the State is required to make such payments in a timely manner. For this purpose, the State may use any available monies, may use short-term borrowing from the State Permanent School Fund (Trust Lands Nonexpendable Trust Fund), or may issue short-term general obligation notes. The local school board remains liable to the State for any such payments on Guaranteed Bonds. Reimbursements to the State may be obtained by intercepting payment of State funds intended for the local school board. The State may also compel the local school board to levy a tax sufficient to reimburse the State for any guaranty payments.

  The State Superintendent of Public Instruction is charged with monitoring the financial condition of local school boards and reporting, at least annually, its conclusions to the Governor, the Legislature, and the State Treasurer. The State Superintendent must report immediately any circumstances which suggest a local school board may not be able to pay its debt service obligations when due.

  The State does not expect that it will be required to advance monies for the payment of debt service on Guaranteed Bonds for any significant period of time.

  As of June 30, 1998, the State has guaranteed approximately $453.325 million principal amount of Guaranteed Bonds and estimates an additional $215.410 million principal amount of such bonds may be guaranteed during calendar year 1998. The State cannot predict how many bonds may be guaranteed in future years, but no limitation is currently imposed by the Guaranty Act.

C. **Commitments**

- At June 30, 1998, the General Fund had loan and grant commitments of approximately $51.720 million ($48.780 million in loans, $2.940 million in grants).
- The State Retirement Systems (Pension Trust Fund) Investment Fund has at December 31, 1997, committed to fund certain venture capital partnerships and real estate projects for an amount of $1.088 billion. Funding of $539 million has been provided, leaving an unfunded commitment of $549 million as of December 31, 1997.
- As of June 30, 1998, the Utah Housing Finance Agency (Component Unit, Proprietary Fund Type) has committed to purchase mortgages under the Single-Family Mortgage Purchase Program in the amount of $22.910 million.
- At June 30, 1998, the Internal Service Funds had loan and grant commitments of approximately $32.317 million ($19.591 million in loans, $12.726 million in grants).
- At June 30, 1998, the Enterprise Funds had loan commitments of $144.7 thousand.
- At June 30, 1998, the Utah Higher Education Assistance Authority (Student Assistance Program, Enterprise Fund) had guaranteed student loans outstanding with an original principal amount of approximately $1.129 billion.
- At June 30, 1998, the Department of Transportation had construction and other contract commitments of $995.831 million, of which $882.542 million is for I-15 reconstruction and $113.289 million is for other Transportation Fund (Special Revenue Fund) projects. These commitments will be funded with bonded debt and future appropriations.

D. **Year 2000 Disclosures**

The State has many electronic data processing systems, applications, and equipment that are used to deliver services to the public and internally. Many electronic data processing systems and equipment have shortcomings related to the Year 2000 that may adversely affect their operations. Many programs, if not corrected, will not be able to distinguish the year 2000 from the year 1900. This may cause the programs to process data inaccurately or to stop processing data altogether. The State of Utah has been aware of this risk for several years and has been taking action to correct the problems since the early 1990's.

The State has appointed a Year 2000 (Y2K) coordinator and has developed a plan to identify computer systems and electronic equipment that is not Y2K compliant. The plan also requires monthly reporting of the progress in correcting Y2K noncompliant systems. The State has inventoried all systems, identified mission critical systems, and assessed them for Y2K compliance. Budgets and corrective actions plans have been completed. Most mission critical systems are targeted to be Year 2000 compliant by March of 1999, with the remainder targeted to be compliant by July 1, 1999. This will require completing remediation and testing of mission critical systems.

Many non-mission critical systems are Y2K compliant, while others are being addressed as resources allow. Embedded electronic equipment has been assessed for Y2K compliance and is in the process of being brought into compliance. Embedded electronic equipment in state buildings is being corrected through the equipment manufacturers and state testing and remediation.

The State's efforts to become Y2K compliant extends beyond its own internal systems. The State is actively working with vendors, suppliers, and other business partners to be certain that their systems and processes will not adversely affect the State of Utah.

The legislature has appropriated $6 million of special funding to state agencies for conversion of systems for Y2K compliance. A similar amount of additional funding will be requested. The majority of the conversion effort is being completed with agency internal data processing resources. Major system upgrades that included Y2K compliance did not separate Y2K costs.

The State's discrete component units are responsible for assessing and modifying their systems for Y2K compliance.

The State's colleges and universities (Component Units) have inventoried their systems. They are in the process of assessment and remediation. The systems that provide administrative support functions have received vendor-provided Y2K compliant upgrades and the majority have been installed. Systems that provide departmental education and research support are in various stages of the correction process which includes: upgrading old desktop computers, networks, and embedded chips in various equipment. This process will require significant funding from either legislative appropriations or from within existing college and university budgets. Funding to complete replacement and repair of mission critical systems will be requested in the 1999 legislative session.

NOTE 15. PENSION PLANS

Eligible employees of the State are covered by one of the following retirement plans:

A. **Utah State Retirement Systems**

The Utah State Retirement Systems (Systems) were established by Chapter 49 of *Utah Code Annotated, 1953,* as amended. The Utah State Retirement Office administers the Systems and Plans under the direction of the Utah Retirement Board (Board), which consists of the State Treasurer and six members appointed by the Governor. The Board has a separate accounting system and prepares a separately issued financial report covering all retirement systems and deferred compensation plans administered by it. The Systems and Plans maintain records and accounts and prepare separately issued financial statements using fund accounting principles and the accrual basis of accounting, under which expenses, including benefits and refunds, are recorded when the liability is incurred and revenues, including contributions, are recorded in the accounting period in which they are earned and become measurable. The Board's accounting system reports on a calendar yearend. The December 31, 1997, financial report has been included in this Comprehensive Annual Financial Report as a Pension Trust Fund for the PERS. The Deferred Compensation 457 Plan is reported as an expendable trust fund. Copies of the separately issued financial report that include financial statements and required supplemental information may be obtained by writing to Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102, or by calling 1-800-365-8772.

The Systems are comprised of the following groups of plans covering substantially all employees of the State, public education, and other political subdivisions of the State:

- The Public Employees Contributory Retirement System (Contributory System); the Public Employees Noncontributory Retirement System (Noncontributory System); and the Firefighters Retirement System, which are defined-benefit multiple-employer, cost-sharing, public employee retirement systems;
- The Public Safety Retirement System, which is a defined-benefit mixed cost-sharing and agent, multiple-employer retirement system;
- The Judges Retirement System and the Governors and Legislative Pension Plan, which are defined-benefit single-employer public employee retirement systems; and
- The 401(k) and 457 which are defined-contribution plans.

Retirement benefits are specified by Chapter 49 of *Utah Code Annotated, 1953*, as amended. The Retirement Systems are defined-benefit plans in which the benefits are based on age and/or years of service and highest average salary. Various plan options within the Systems may be selected by retiring members. Some of the options require actuarial reductions based on attained age, age of spouse, and similar actuarial factors. A brief summary of eligibility for and benefits of the Systems is provided in the following table:

Summary of Eligibility and Benefits

	Contributory System	Noncontributory System	Public Safety System	Firefighters System	Judges System
Highest Average Salary	Highest 5 Years	Highest 3 Years	Highest 3 Years		Highest 2 Years
Years of Service Required and/or Age Eligible for Benefit	30 years any age 20 years age 60 10 years age 62 4 years age 65	30 years any age *25 years any age 20 years age 60 10 years age 62 4 years age 65	20 years any age 10 years age 60 4 years age 65		25 years any age *20 years age 55 10 years age 62 6 years age 70
Benefit Percent per Year of Service	1.10% to June 1967 1.25% July 1967 to June 1975 2.00% July 1975 to present	2.00% per year	2.50% per year up to 20 years 2.00% per year over 20 years		5.00% first 10 years 2.25% second 10 years 1.00% over 20 years

*****With full actuarial reductions

Former governors at age 65 receive $980 per month per term, limited to two terms. Legislators receive a benefit actuarially reduced at age 62 with ten or more years of service, or an unreduced benefit at age 65 with four or more years of service at the rate of $22 per month per year of service. Both the governors' and legislators' benefits are adjusted based on the Consumer Price Index (CPI), limited to 4 percent of the base benefit per year.

Death benefits for active and retired employees are in accordance with retirement statutes. Upon termination of employment, members of the Systems may leave their retirement account intact for future benefits based on vesting qualification, or withdraw the accumulated funds in their individual member account and forfeit service credits and rights to future benefits upon which the contributions were based.

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salaries and wages as authorized by statute and specified by the Board. Employee contributions may be paid in part or in whole by the employer. Contributions in some Systems are also augmented by fees, insurance premium taxes, or legislative appropriations. Below is a summary of plan participants.

Participants
December 31, 1997

	Contributory System	Non-contributory System	Public Safety System	Fire-fighters System	Judges System	Governors and Legislative Pension Plan
Number of participating:						
Employers	209	344	116	33	1	1
Members:						
Active	4,522	75,599	6,041	1,281	102	90
Terminated vested	1,464	11,957	634	48	1	86
Retirees and beneficiaries:						
Service benefits	9,513	13,223	1,877	646	73	210
Disability benefits	240	—	55	64	—	—

Employer contribution rates consist of *(1)* an amount for normal cost (the estimated amount necessary to finance benefits earned by the members during the current service year) and *(2)* an amount for amortization of the unfunded actuarial accrued liability over a period representing the remainder of the original 30 year amortization period. These rates are determined using the entry age actuarial cost method with a supplemental present value.

The following schedule summarizes contribution rates in effect as of December 31, 1997:

Contribution Rates as a Percent of Covered Payroll

System	Member	Employer	Other
Contributory	6.00%	6.50–9.67%	—
Noncontributory	—	10.51–14.16%	—
Public Safety:			
Contributory	10.5 – 13.74%	5.62–21.82%	—
Noncontributory	—	17.09–33.68%	—
Firefighters:			
Group A	13.31%	0.0%	8.19%
Group B	16.71%	6.43%	8.19%
Judges	—	20.21%	24.11%
Governors and Legislative	—	—	—

The following table presents the State of Utah's actuarially determined employer contributions required and paid to the State Retirement Systems. These amounts are equal to the annual pension costs for each of the stated years and all of these amounts were paid for each year. Accordingly, the net pension obligation (NPO) at the end of each year was zero. For the Governors and Legislative Pension Plan, there has been no annual pension cost, required contributions, or NPO because the plan was overfunded for each of these years.

State of Utah's Employer Contributions
Required and Paid
For Fiscal Years Ended June 30
(Expressed in Thousands)

	Contributory System	Non-contributory System	Public Safety System	Fire-fighters System	Judges System	Total All Systems
Primary Government:						
1998	$ 5,082	$ 67,040	$ 16,106	$ 58	$ 1,899	$ 90,185
1997	$ 5,202	$ 61,782	$ 13,865	$ 44	$ 1,721	$ 82,614
1996	$ 6,554	$ 51,530	$ 12,772	$ 38	$ 1,501	$ 72,395
1995	$ 11,838	$ 45,131	$ 10,599	$ 40	$ 1,291	$ 68,899
1994	$ 10,681	$ 37,502	$ 8,590	$ 44	$ 986	$ 57,803
Component Units:						
Colleges and Universities:						
1998	$ 2,478	$ 29,214	$ 344	$ —	$ —	$ 32,036
1997	$ 2,548	$ 29,694	$ 318	$ —	$ —	$ 32,560
1996	$ 3,066	$ 25,751	$ 97	$ —	$ —	$ 28,914
1995	$ 4,556	$ 22,457	$ 65	$ —	$ —	$ 27,078
1994	$ 4,260	$ 19,388	$ 48	$ —	$ —	$ 23,696
Proprietary Type Funds:						
1998	$ 130	$ 1,989	$ —	$ —	$ —	$ 2,119
1997	$ 122	$ 1,756	$ —	$ —	$ —	$ 1,878
1996	$ 149	$ 1,297	$ —	$ —	$ —	$ 1,446
1995	$ 152	$ 950	$ —	$ —	$ —	$ 1,102
1994	$ 149	$ 823	$ —	$ —	$ —	$ 972
Total Primary Government and Component Units:						
1998	$ 7,690	$ 98,243	$ 16,450	$ 58	$ 1,899	$ 124,340
1997	$ 7,872	$ 93,232	$ 14,183	$ 44	$ 1,721	$ 117,052
1996	$ 9,769	$ 78,578	$ 12,869	$ 38	$ 1,501	$ 102,755
1995	$ 16,546	$ 68,538	$ 10,664	$ 40	$ 1,291	$ 97,079
1994	$ 15,090	$ 57,713	$ 8,638	$ 44	$ 986	$ 82,471

401(k) and 457 Defined-Contribution Plans

The 401(k) Plan and 457 Plan administered by the Retirement Board in which the State participates are defined-contribution plans. These Plans are available as supplemental plans to the basic retirement benefits of the retirement systems for employees of employers which have adopted the 401(k) and 457 Plans. Voluntary contributions may be made into the Plans subject to Plan and Internal Revenue Code limitations. Employer contributions may be made into the Plans at rates determined by the employers. There are 285 employers participating in the 401(k) Plan and 153 employers participating in the 457 Plan. There are 104,844 employees and retirees of those employers who are members of the 401(k) Plan and 8,788 who are members of the 457 Plan.

After termination of employment, benefits are paid out to individuals in lump sum, or as periodic benefit payments, at the option of the participant based on individual account balances. The 401(k) and 457 Deferred Compensation Plans account balances are fully vested to the participants at time of deposit. Investments of the plans are reported at fair value. No single investment of the Plan constitutes 5 percent or more of the total plan assets.

Employees of the State are eligible to participate in the deferred compensation 401(k) Plan. The State and participating employers are required to contribute to employees who participate in the noncontributory retirement plan. The State contributes 1.5 percent of eligible employees' salaries which amount vests immediately. The amounts contributed to the 401(k) Plan during the year ended June 30, 1998, by employees and employers are as follows: for Primary Government, $22.703 million and $7.506 million; for Component Units – Colleges and Universities, $1.596 million and $3.050 million; for Component Units – Proprietary, $736 thousand and $213 thousand; and the combined total for all is $25.035 million and $10.769 million, respectively.

Pension Plan Receivables and Investments

Investments are presented at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers at current exchange rates, as available. Many factors are considered in arriving at that value. Corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Mortgages have been valued on an amortized cost basis which approximates market or fair value. The fair value of real estate investments has been estimated based on independent appraisals. For investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, have determined the fair value for the individual investments. Approximately 11 percent of the net assets held in trust for the pension benefits are invested in bonds of the U.S. Government and its instrumentalities. The Systems have no investments of any commercial or industrial organization whose market value equals 5 percent or more of the Systems' net assets available for benefits. The Principal Components of the receivables and investment categories are presented below.

Pension Receivables and Investments

(Expressed in Thousands)

	Contributory System	Non-contributory System	Public Safety System	Fire-fighters System	Judges System	Governors and Legislative Pension Plan	Retirement Investment Fund	Total December 31, 1997
Receivables:								
Member Contributions	$ 437	$ —	$ 196	$ 364	$ 1	$ —	$ —	$ 998
Employer Contributions	623	18,080	1,664	1,879	406	—	—	22,652
Investments	—	—	—	—	—	—	79,592	79,592
Total Receivables	$ 1,060	$ 18,080	$ 1,860	$ 2,243	$ 407	$ 0	$ 79,592	$ 103,242
Investments:								
Bonds	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,406,441	$ 2,406,441
Equity Investments	—	—	—	—	—	—	7,232,103	7,232,103
Venture Capital	—	—	—	—	—	—	493,988	493,988
Real Estate	—	—	—	—	—	—	1,056,026	1,056,026
Mortgage Loans	—	—	—	—	—	—	3,969	3,969
Equity in Investment Fund	942,432	7,694,248	968,983	418,939	65,891	10,530	(10,101,023)	0
Total Investments	$ 942,432	$ 7,694,248	$ 968,983	$ 418,939	$ 65,891	$ 10,530	$ 1,091,504	$ 11,192,527

Actuarial Methods And Assumptions

The latest actuarial valuation and study was dated January 1, 1997. The actuarial accrued liability and schedule of funding progress is presented by the retirement systems in their separately presented financial reports based on the report generated by that study conducted by Watson Wyatt & Company. The actuarial value of assets for that date is based on a smoothed expected investment income rate. Investment income in excess or shortfall of the expected 8 percent return on fair value is smoothed over a five-year period with 20 percent of a year's excess or shortfall being recognized each year, beginning with the current year. Below are listed the various actuarial methods and significant assumptions used to determine the annual required contributions, together with the actuarial accrued liability and funding ratios for five valuation dates.

	Contributory	Noncontributory	Public Safety	Firefighters	Judges	Governors and Legislative
Valuation Date	1/1/97	1/1/97	1/1/97	1/1/97	1/1/97	1/1/97
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Dollar Amount
Remaining Amortization Period	Open Group 23 Years Closed Period	Open Group 23 Years Closed Period	Open Group 23 Years Closed Period	Open Group 23 Years Closed Period	Open Group 23 Years Closed Period	Open Group 23 Years Closed Period
Asset Valuation Method	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market
Actuarial Assumptions:						
Investment rate of return	8%	8%	8%	8%	8%	8%
Projected salary increases	4.25–14.75%	4.25–14.75%	4.25–10.25%	4.25–13.25%	5.50%	none
Inflation rate	4.00%	4.00%	4.00%	4.00%	4.00%	none
Post-retirement cost-of-living adjustment (Note below)	4.00%	4.00%	2.50%	4.00%	4.00%	4.00%
Funding Progress – Actuarial Accrued Liability (In thousands):						
January 1, 1994	$ 1,099,162	$ 4,624,515	$ 627,358	$ 279,084	$ 45,631	$ 6,116
January 1,1995	$ 1,176,222	$ 5,205,873	$ 691,107	$ 307,459	$ 49,830	$ 6,606
January 1, 1996	$ 992,374	$ 6,032,412	$ 771,150	$ 333,432	$ 55,952	$ 6,853
January 1, 1997	$ 868,723	$ 6,917,958	$ 866,504	$ 362,411	$ 60,055	$ 7,020
December 31, 1997	$ 883,376	$ 7,532,404	$ 937,083	$ 390,256	$ 65,873	$ 7,060
Funding Ratios:						
January 1, 1994	82.9%	87.3%	88.5%	87.2%	77.8%	125.6%
January 1, 1995	82.0%	84.0%	86.4%	85.1%	77.7%	118.1%
January 1, 1996	85.9%	85.1%	87.0%	88.1%	79.2%	119.4%
January 1, 1997	89.0%	86.3%	87.1%	90.9%	84.5%	123.0%
December 31, 1997	94.3%	91.6%	92.5%	96.4%	90.1%	132.0%

Note: All post retirement cost-of-living adjustments are noncompounding and are based on the original benefit, except for Judges which is a compounding benefit. The cost-of-living adjustments are also limited to the actual CPI increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

B. **Teachers Insurance and Annuity Association**

The Teachers Insurance and Annuity Association and/or College Retirement Equities Fund (TIAA–CREF), privately administered defined-contribution retirement plans, provide individual retirement fund contracts for each eligible participating employee. Eligible employees consist mainly of state college/university and applied technology center faculty. Benefits to retired employees are generally based on the value of the individual contracts and the estimated life expectancy of the employee at retirement and are fully vested from the date of employment. The total current year required contribution and the amount paid is 14.2 percent of the employee's annual salary. Most of the employers contribute both the employer and the employee share of 7.1 percent. The State has no further liability once annual contributions are made.

The following table presents the State of Utah's actual employer contributions to the TIAA–CREF retirement system:

State of Utah's Employer Contributions
For the Years Ended June 30, 1997 and 1998
(Expressed in Thousands)

	Contribution Required and Paid 1997	Contribution Required and Paid 1998
Primary Government	$ 522	$ 561
Component Units:		
College and University	55,838	59,491
Total	$ 56,360	$ 60,052

C. **Travelers Insurance Retirement Plan**

There are 168 employees of the Department of Workforce Services (General Fund) participating in the Travelers Insurance Plan, which is a deposit fund administered retirement plan. The employer payments are fully funded through federal revenues from the U.S. Department of Labor.

The contribution is 12.09 percent of the employee's annual salary, of which 3.05 percent is paid by the employee, 3.95 percent is paid by the employer for the employee, and 5.09 percent is paid by the employer. The employer is also contributing to prior service costs. Retirement benefits are computed using salary, age, and years of service.

According to the latest periodic actuarial valuation on January 1, 1998, the present value of future retirement benefits is $157,961 million, and the unfunded liability is $12.983 million. Net assets available for benefits are $139.020 million. The unfunded liability represents cost-of-living increases on benefits. The average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7.50 percent for 1998 and 1997.

The State of Utah's actual current year employer contributions, including prior year service costs, to the Travelers Retirement Plan from the General Fund in fiscal years ended June 30, 1998 and 1997, were $1.909 million and $2.591 million, respectively.

NOTE 16. DEFERRED COMPENSATION 457 PLAN

As of June 30, 1998, there are three colleges and universities and the Office of Education that have deferred compensation plans available to employees that are administered by a third party which have not yet been amended to comply with the requirements of IRC Section 457, subsection (g). Deferred compensation plans permit employees to defer a portion of their salary until future years. The amounts for these three colleges and universities total $14.823 million and are reported in the college and university financial statements. The amount in the Office of Education's plan totals $2.699 million and is reported in the State's Agency Funds.

There are no funding requirements in the deferred compensation plans other than the deposit of deferred compensation or voluntary contributions for the employee by the employer. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All compensation deferred under the plans, as well as assets acquired and income earned by the plans, is held as agency funds for the respective employers and does not belong to the member participants until the funds are distributed to them. Until that time, the funds remain assets of the respective employers and are available to the general creditors of these employers. Participants' rights under the plans are equal to those of general creditors of the respective employers in an amount equal to the fair value of the deferred account for each participant.

It is the opinion of the State's legal counsel that the State and the colleges and universities have no liability for losses under the plans but do have the duty to exercise the due care that would be required of an ordinary prudent investor. The State and the colleges and universities believe that it is unlikely that they will use the plans' assets to satisfy the claims of general creditors in the future.

NOTE 17. POSTEMPLOYMENT BENEFITS

At the option of the individual state departments, employees may be offered a retirement incentive program, as set forth in Section 67–19–14(2) of the *Utah Code Annotated, 1953*, as amended. In order to qualify, the employee must be eligible to receive retirement benefits. Upon retirement most employees, including those age 65 and over, may be paid for 25 percent of unused accumulated sick leave at the employee's current rate of pay. In addition, the employee may receive health and life insurance coverage up to age 65, but not to exceed five years. If the employee has not reached age 65 after the five-year limitation is reached, they may exchange one sick leave day in excess of 60 days, after the 25 percent payout, for one month of paid health and life insurance coverage. As of June 30, 1998, there were 1,028 individuals on the program. The insurance coverage is paid 100 percent by the State.

The State has estimated a liability for current employees who will eventually retire in addition to an estimated liability for employees who have already retired. The liability for postemployment benefits and compensated absences of $202.759 million is fully funded from accrued taxes, with the ongoing payments being charged to state agencies as benefits are earned. For the year ended June 30, 1998, the postemployment benefits portion of the cumulative liability was $123.323 million. In fiscal year 1998, $18.491 million in expenditures were recognized.

All employers who participate in the State Retirement Systems are eligible to participate in the Public Employees Long-Term Disability Program per Section 49–9–203 of the *Utah Code Annotated, 1953*, as amended. Employees of those state agencies who participate in the program and meet long-term disability eligibility receive benefits for the duration of their disability up to the time they are eligible for retirement or until age 65. Benefits begin after a three month waiting period and are paid 100 percent by the program. As of June 30, 1998, there are 278 state employees receiving benefits. The program is funded by paying premiums to the Employees Group Insurance Fund (Internal Service Fund), where assets are set aside for future payments. For the year ended June 30, 1998, the State paid $3.035 million in premiums and the program has $64.445 million in assets.

The colleges and universities offer early retirement incentives, as approved by their boards of trustees, which may provide health, dental, and life insurance; incentive pay or stipends; or long-term disability. Eligibility requirements differ, depending on the college or university. In general, the employee must be at least 55–60 years of age with a minimum of 15–20 years of service. Some of the colleges and universities also require that the sum of the employee's age and years of service be at least 75. The employee may receive these benefits up to age 65 but not to exceed 5–10 years. The ranges for incentive and stipend pay are from 14.28 percent to 30 percent of the employee's salary upon retirement. The benefits are funded on a pay-as-you-go basis. As of June 30, 1998, there are 410 individuals participating in the programs, and $4.221 million was expended during the year.

NOTE 18. RISK MANAGEMENT AND INSURANCE

It is the policy of the State of Utah to periodically assess the proper combination of commercial insurance and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished by the State through the Risk Management and Employees Group Insurance Funds (Internal Service Funds). The Risk Management Fund manages the general property and liability risk of the State, and the Employees Group Insurance Fund manages the health insurance programs of the State. The University of Utah and Utah State University (Colleges and Universities – Component Units) each maintain self-insurance funds to manage health care. The University of Utah also maintains self-insurance funds to manage auto/physical damage, and malpractice liabilities.

The State has determined that the risk funds can economically and effectively manage the State's risks internally and have set aside assets for claim settlement. The risks are covered through reserves and commercial insurance for excessive losses. The State has not had any losses or settlements that exceeded the commercial excess insurance coverages for any of the last three years. The risk funds service all claims for risk of loss to which the State is exposed, including general liability, property and casualty, group medical and dental, and some environmental claims. They also service the general risk claims for many local school districts and local health departments within the State. All funds, agencies, and public authorities of the State may participate in the State's Risk Management and Employees Group Insurance Funds. The risk funds allocate the cost of providing claims servicing, claims payment, and commercial insurance by charging a "premium" to each agency, public authority, or employee, based on each organization's estimated current year liability and property values. The liability is determined using an independent actuarial study based on past, current, and estimated loss experiences.

Risk Management and Employees Group Insurance Fund claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities are affected by complex factors including inflation, changes in legal doctrines, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. An annual actuarial study is also performed, and estimated liabilities are determined to 80 percent certainty.

The State covers its workers' compensation risk by purchasing insurance from The Workers' Compensation Fund of Utah (Component Units – Proprietary Funds). The University of Utah and Utah State University report claim liabilities if it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The University of Utah and the University Hospital have a "claims made" umbrella malpractice insurance policy in an amount considered adequate by its respective administrations for catastrophic malpractice liabilities in excess of the trusts' fund balances. Amounts for the current year are included below.

The following table presents the changes in claims liabilities balances (short- and long-term combined) during fiscal years ended June 30, 1997, and June 30, 1998:

Changes in Claims Liabilities
(Expressed in Thousands)

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Risk Management:				
1997	$ 36,334	$ 3,502	$ 3,565	$ 36,271
1998	$ 36,271	$ 5,632	$ 5,672	$ 36,231
Employees Group Insurance:				
1997	$ 48,945	$ 155,301	$ 154,274	$ 49,972
1998	$ 49,972	$ 155,697	$ 154,071	$ 51,598
College and University Self-Insurance:				
1997	$ 10,473	$ 55,839	$ 54,321	$ 11,991
1998	$ 11,991	$ 63,416	$ 59,935	$ 15,472

The Workers' Compensation Fund of Utah (Component Units – Proprietary Funds) cedes reinsurance to other insurance companies to limit the exposure arising from large losses. It retains liability on the first $2 million of each loss, while reinsurers are liable between $2 million and $10 million on individual claims (up to an annual aggregate of $10 million) and up to $55 million on occurrences involving multiple claimants.

NOTE 19. SUBSEQUENT EVENTS

On July 1, 1998, the State issued $265 million of general obligation bonds: $55 million will be used for building projects, and $210 million will be used to retire a portion of the 1997AB Bond Anticipation Notes issued in 1997 for highway construction projects. The building bonds mature from the year 2001 to 2003 and carry an interest rate of 5.0 percent. The highway bonds mature from the year 2001 to 2012 and carry an interest rate of 5.0 percent.

On July 1, 1998, the State Building Ownership Authority issued $25.710 million of lease revenue bonds. The proceeds will be used to construct and purchase a number of buildings throughout the State for use by various state agencies. The bonds will mature from the year 1999 to 2020 and carry interest rates which range from 3.75 percent to 4.9 percent.

On July 1, 1998, the State Building Ownership Authority issued $23.091 million capital appreciation lease revenue bonds. The proceeds will be used to construct a portion of a student housing project at the University of Utah which, when completed, will also serve as the Athlete's Village for the 2002 Winter Olympic Games. The bonds mature on May 15, 2005, and have an approximate yield to maturity of 4.65 percent. The Salt Lake Olympic Organizing Committee has pledged certain of its own revenues from the 2002

Winter Games as collateral for payment of all principal of and interest on the bonds when such becomes due in the year 2005.

On August 15, 1998, the State Building Ownership Authority issued $105.100 million of lease revenue refunding bonds. The proceeds will be used to advance refund $105.615 million of outstanding lease revenue bonds series 94A, 95A and 96A. The refunding bonds mature from the year 2000 to 2019 and carry interest rates which range from 3.8 percent to 5.5 percent.

Subsequent to June 30, 1998, the Utah Housing Finance Agency also issued $50 million Single-Family Mortgage Purchase Bonds, 1998 Series E and Series F, maturing in 2005 through 2030, at interest rates of 3.65 percent to 5.84 percent.

Subsequent to June 30, 1998, the Board of Regents Student Loan Purchase Program issued Student Loan Revenue Bonds under the authority of the 1993 Revenue Bonds General Indenture, Third Supplemental Indenture in the amount of $109.875 million, dated August 15, 1998. The bonds are special obligation bonds of the Board and are secured, as provided by the indentures, by all assets of the 1993 Revenue Bond Fund and revenues and receipts derived from such assets.

On July 1, 1998, Employees Group Insurance (Internal Service Fund) reported that the Utah Local Governments Trust (the Trust) has elected to become self-insured and consequently will no longer be participating in the Fund. The Trust will continue to use Employees Group Insurance as a Third Party Administrator to process all their claims. In association with this change in the relationship, Employees Group Insurance will remit all related reserves back to the Trust. As of August 28, 1998, Employees Group Insurance has remitted approximately $1.2 million to the Trust. However, the final settlement with the Trust has not been made.

On July 8, 1998, Dixie College refunded the Student Activity Center bonds with a $2.815 million bond payable through May 1, 2010, at interest rates of 3.7 percent to 4.85 percent.

On August 3, 1998, Southern Utah University entered into a Real Estate Purchase Agreement with the Iron County School District to purchase approximately 16 acres located directly north of the existing campus. The purchase price for the property is $8.0 million (4.6 million at date of agreement and installments of 1.7 million each on July 31, 1999, and July 31, 2000). The property is intended to be used for construction of a new physical education building and relocation of other academic programs. Iron County School District (Cedar Middle School) will continue to use the property during the payment period.

Subsequent to June 30, 1998, the University of Utah acquired from Medical Partners, Inc., and PacifiCare, a medical group practice and related buildings, equipment, inventory, accounts, receivable, goodwill, and existing contractual relationships between PacifiCare and certain of its members for approximately $37.266 million.

On July 1, 1998, the University of Utah issued $120.24 million of Auxiliary and Campus Facilities System Revenue and Refunding Bonds, Series 1998A. The Proceeds will be used for the construction of new student housing complexes. The complexes will serve as the athlete's village during the 2002 Winter Olympic Games. The proceeds will also be used to advance refund a portion of the Auxiliary and Campus Facilities Revenue Bonds, Series 1997A in the amount of approximately $17.0 million.

The University of Utah also received approval from the Utah State Legislature to issue revenue bonds in the amount of $18.5 million for two parking structures, $5.1 million for expansion of the Eccles Broadcast Center, and $23.3 million for the acquisition, construction, and remodeling of several healthcare facilities.