

Closing Agreement Program with respect to selected student loan revenue bonds identified as covered bonds in the agreement. The agreement provides that the interest on the covered bonds will remain excluded from gross income of the holders of the bonds and interest on the bonds will not become taxable. The agreement also provides that the Board has no ongoing excess yield liability with respect to the covered bonds. Other arbitrage liabilities are immaterial.

→ Compensated Absences and Postemployment Benefits

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

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

At retirement, for participating agencies, an employee receives 25 percent of the value of all unused accumulated sick leave as a mandatory employer contribution into a 401(k) account. Each day of remaining sick leave earned prior to January 1, 2006, may be used to participate in the State Employee Other Postemployment Benefit Plan (State Employee OPEB Plan, a single-employer defined benefit healthcare plan) to purchase health and life insurance coverage or Medicare supplemental insurance. Any remaining sick leave earned on or after January 1, 2006 but before January 4, 2014, is converted to a value (based on the higher of the employee's rate of pay at retirement or the average pay rate of retirees in the previous year) and placed in a Health Reimbursement Arrangement administered by Utah Retirement Systems. The Annual Required Contribution (ARC) needed to fund current and future liabilities of the State Employee OPEB Plan is provided by charges to agency budgets. The ARC is deposited and payments of postemployment health and life insurance benefits to retirees are made from the State Post-Retirement Benefits Trust Fund. See Note 17 for additional information about the State Employee OPEB Plan administered as an irrevocable trust.

The State of Utah also administers the Elected Official OPEB Plan, a single-employer defined benefit healthcare plan from an irrevocable trust. Only governors and legislators (elected official) that retire after January 1, 1998 and have four or more years of service can elect to receive and apply for this benefit. To qualify for health coverage, an elected official must be between 62 and 65 years of age and either be an active member at the time of

retirement or have continued health coverage with the program until the date of eligibility. In addition, to qualify for health coverage, an elected official must have service prior to January 1, 2012. To qualify for Medicare supplemental coverage an elected official must be at least 65 years of age. In addition, the elected official must retire under Chapter 19, *Utah Governors' and Legislators' Retirement Act*, and have service prior to July 1, 2013. The State will pay a portion or all the health benefit costs for the elected official and spouse based on years of service. See Note 17 for additional information.

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

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

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

Deferred Inflows of Resources

In the government-wide statements business-type activities column, the Student Assistance Programs (major enterprise fund), deferred inflows of resources is the fair value of a hedging derivative instrument for an interest rate exchange (swap) agreement. In the component units column, the discrete component unit Utah Housing Corporation (major component unit) deferred inflows of resources is fair value of various interest swap contracts and forward sales contracts.

Net Position/Fund Balances

The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources is "Net Position" on the government-wide, proprietary fund, and fiduciary fund financial statements and "Fund Balance" on the governmental fund financial statements.

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted balances represent those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature, such as an appropriation or legislation. Assigned fund balance is constrained by the

State of Utah

Statement of Net Position

June 30, 2013

(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 1,440,501	\$ 1,089,892	\$ 2,530,393	\$ 959,503
Investments	944,035	20,087	964,122	2,532,578
Taxes Receivable, net	979,456	2,629	982,085	—
Accounts and Interest Receivable, net	664,329	189,847	854,176	488,555
Amounts Due From:				
Component Units	60,070	—	60,070	—
Primary Government	—	—	—	643
Prepaid Items	76,708	2,268	78,976	19,687
Inventories	19,552	32,896	52,448	72,809
Internal Balances	10,642	(10,642)	—	—
Restricted Investments	1,607,995	122,713	1,730,708	762,755
Restricted Receivables	—	—	—	60,708
Notes/Loans/Mortgages/Pledges Receivable, net	25,115	2,534,879	2,559,994	1,019,649
Capital Lease Payments Receivable, net	103,620	—	103,620	—
Pledged Loans Receivables	—	152,832	152,832	—
Other Assets	88,937	17,633	106,570	102,453
Capital Assets:				
Land and Other Non-depreciable Assets	1,696,373	22,687	1,719,060	268,809
Infrastructure	13,014,337	—	13,014,337	—
Construction in Progress	567,262	—	567,262	242,085
Buildings, Equipment, and Other Depreciable Assets	2,637,551	111,060	2,748,611	6,827,583
Less Accumulated Depreciation	(1,161,051)	(36,523)	(1,197,574)	(2,993,761)
Total Capital Assets	16,754,472	97,224	16,851,696	4,344,716
Total Assets	22,775,432	4,252,258	27,027,690	10,364,056
DEFERRED OUTFLOWS OF RESOURCES				
Fair Value of Interest Rate Swap Agreements	—	—	—	25,373
Total Deferred Outflows of Resources	0	0	0	25,373
LIABILITIES				
Accounts Payable and Accrued Liabilities	967,795	33,171	1,000,966	408,804
Amounts Due to:				
Component Units	634	9	643	—
Primary Government	—	—	—	60,070
Securities Lending	—	—	—	28,856
Unearned Revenue	176,348	4,840	181,188	106,559
Deposits	—	195	195	107,307
→ Long-term Liabilities (Note 10)				
Due Within One Year	496,346	197,884	694,230	298,258
Due in More Than One Year	3,368,230	1,238,113	4,606,343	2,257,822
Total Liabilities	5,009,353	1,474,212	6,483,565	3,267,676
DEFERRED INFLOWS OF RESOURCES				
Fair Value of Interest Rate Swap Agreements	—	18,624	18,624	—
Fair Value of Forward Sales Contracts	—	—	—	24,353
Total Deferred Inflows of Resources	0	18,624	18,624	24,353
NET POSITION				
Net Investment in Capital Assets	13,481,005	14,012	13,495,017	3,321,650
Restricted for:				
Transportation	158,879	—	158,879	—
Public Education - Expendable	1,172,449	—	1,172,449	—
Public Education - Nonexpendable	1,690,261	—	1,690,261	—
Higher Education - Expendable	—	—	—	837,481
Higher Education - Nonexpendable	—	—	—	700,460
Capital Projects	1,731	—	1,731	—
Debt Service	—	168,617	168,617	159,693
Unemployment Compensation and Insurance Programs ..	4,117	675,521	679,638	194,761
Loan Programs	—	807,231	807,231	—
Other Purposes - Expendable	82,545	—	82,545	724
Unrestricted	1,175,092	1,094,041	2,269,133	1,882,631
Total Net Position	\$ 17,766,079	\$ 2,759,422	\$ 20,525,501	\$ 7,097,400

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

NOTE 10. LONG-TERM LIABILITIES

A. Changes in Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013, are presented in the following table. As referenced below, certain long-term liabilities are discussed in other Notes to the Financial Statements.

	Long-term Liabilities (Expressed in Thousands)			Ending Balance	Amounts Due Within One Year
	Beginning Balance	Additions	Reductions		
Governmental Activities					
General Obligation Bonds.....	\$ 3,487,680	\$ 37,350	\$ (299,595)	\$ 3,225,435	\$ 314,855
State Building Ownership Authority					
Lease Revenue Bonds.....	210,384	20,855	(32,754)	198,485	14,897
Net Unamortized Premiums.....	200,979	8,360	(49,457)	159,882	42,400
Deferred Amounts on Refunding.....	(26,248)	(1,840)	5,542	(22,546)	(5,352)
Capital Leases (Note 9).....	24,270	2,824	(3,881)	23,213	1,419
Contracts/Notes Payable.....	446	9,335	(23)	9,758	3,775
→ Compensated Absences (Note 1) *.....	185,701	86,176	(86,166)	185,711	86,121
Claims *.....	44,700	17,312	(13,822)	48,190	18,405
Pollution Remediation Obligation **.....	6,640	—	(418)	6,222	589
Net OPEB Obligation (Note 17) *.....	5,439	1,797	(2,030)	5,206	—
Settlement Obligations ***.....	34,007	7,650	(16,637)	25,020	19,237
Total Governmental Long-term Liabilities.....	\$ 4,173,998	\$ 189,819	\$ (499,241)	\$ 3,864,576	\$ 496,346
Business-type Activities					
Student Assistance Revenue Bonds.....	\$ 930,422	\$ 518,700	\$ (208,715)	\$ 1,240,407	\$ 165,151
State Building Ownership Authority					
Lease Revenue Bonds.....	88,161	6,455	(10,821)	83,795	4,688
Water Loan Recapitalization Revenue Bonds.....	61,205	—	(4,660)	56,545	4,745
Net Unamortized Premiums.....	16,917	1,266	(5,040)	13,143	4,832
Deferred Amounts on Refunding.....	25,445	(658)	(1,374)	23,413	1,692
Contracts/Notes Payable.....	552,423	—	(552,423)	—	—
Claims and Uninsured Liabilities.....	17,866	343,842	(343,014)	18,694	16,776
Arbitrage Liability (Note 1).....	10,000	—	(10,000)	—	—
Total Business-type Long-term Liabilities.....	\$ 1,702,439	\$ 869,605	\$ (1,136,047)	\$ 1,435,997	\$ 197,884
Component Units					
Revenue Bonds.....	\$ 1,977,746	\$ 699,168	\$ (756,365)	\$ 1,920,549	\$ 124,499
Net Unamortized Premiums/(Discounts).....	9,784	215	(600)	9,399	386
Deferred Amounts on Refunding.....	—	(74,744)	2,281	(72,463)	(3,692)
Capital Leases/Contracts					
Payable (Notes 9 and 10) ****.....	142,671	6,836	(10,614)	138,893	7,522
Notes Payable ****.....	209,175	119,148	(34,327)	293,996	43,777
Claims.....	135,719	515,234	(524,127)	126,826	61,938
Leave/Termination Benefits (Note 1).....	114,259	60,088	(50,409)	123,938	63,424
Capital Assets Held for Others.....	—	14,942	—	14,942	404
Total Component Unit Long-term Liabilities.....	\$ 2,589,354	\$ 1,340,887	\$ (1,374,161)	\$ 2,556,080	\$ 298,258

* Compensated absences of governmental activities are liquidated in the General Fund, Education Fund, or Transportation Fund according to the applicable employing state agency. Claims liabilities of governmental activities are liquidated in the Risk Management Internal Service Fund. Net OPEB obligation of governmental activities is liquidated in the General Fund.

** Under the federal Superfund law, the State is responsible for sharing remediation costs at sites where the Environmental Protection Agency expends Superfund trust monies for cleanup. Currently there are seven sites in various stages of cleanup, from initial assessment to cleanup activities. The pollution remediation liabilities associated with these sites were measured using the actual contract cost, where no changes in cost are expected, or the expected cash flow technique. Liability estimates are subject to change due to price increases or reductions, technology, or changes in applicable laws or regulations governing the remediation efforts. The State does not anticipate recovering reimbursements from the parties who caused the pollution.

*** Under the terms of the Final Settlement Agreement, the State agreed to pay \$26 million to the Utah Navajo Royalties Holding Fund (private purpose trust fund) plus \$7 million in court and legal fees. \$13.5 million of this liability was paid during the current fiscal year and \$6 million in prior fiscal years. The State has additional claims totaling \$11.5 million, some that need approval by the Governor, and approval and funding by the Legislature.

**** In the component units beginning balance column above, *capital leases/contracts payable*, was decreased by \$52.865 million with an offsetting increase of \$52.865 million to *notes payable* due to a change in financing arrangements for certain equipment.