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

Financial Statements
and
Government Auditing Standards Report
For the Year Ended June 30, 2013

Report No. 13-14

OFFICE OF THE
UTAH STATE AUDITOR

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM
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Financial Statements
and
Government Auditing Standards Report
For the Year Ended June 30, 2013

Report No. 13-14

AUDIT TEAM:
Van Christensen, CPA, Audit Director
Scott Parke, CPA, Audit In-Charge

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

AN ENTERPRISE FUND OF THE STATE OF UTAH
FOR THE YEAR ENDED JUNE 30, 2013

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OFFICE OF THE
UTAH STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

To the Utah State Board of Regents,
The UHEAA Audit Committee
and
David L. Buhler, Commissioner of Higher Education

Report on the Financial Statements

We have audited the accompanying financial statements of the State Board of Regents of the State of Utah Student Loan Purchase Program (the Program), an enterprise fund of the State of Utah, as of and for the year ended June 30, 2013, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Utah State Capitol Complex, East Office Building, Suite E310 • P.O. Box 142310 • Salt Lake City, Utah 84114-2310 • Tel: (801) 538-1025 • Fax: (801) 538-1383

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Program, as of June 30, 2013, the changes in financial position thereof and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the State Board of Regents of the State of Utah Student Loan Purchase Program, an enterprise fund of the State of Utah, and do not purport to, and do not, present fairly the financial position of the State of Utah, as of June 30, 2013, the changes in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Also, as discussed in Note 13, in 2013 the Program adopted the provisions of GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and GASB 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Program's financial statements. The accompanying supplemental schedules on pages 37 through 40 are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 26, 2013 on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Program's internal control over financial reporting and compliance.

Office of the Utah State Auditor

Office of the Utah State Auditor
September 26, 2013

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

Management's Discussion and Analysis
For the Year Ended June 30, 2013

Introduction

The following discussion and analysis provides an overview of the financial position and activity of the State Board of Regents of the State of Utah Student Loan Purchase Program (the Program) for the year ended June 30, 2013 with selected comparative information for the year ended June 30, 2012. This discussion and analysis has been prepared by management and should be read in conjunction with the financial statements and footnotes which follow this section.

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

Financial Highlights

The Program's net position decreased during the fiscal year ended June 30, 2013, with assets totaling $1.6 billion and total liabilities of $1.3 billion. Net position, which represents the residual interest in the Program's assets and deferred outflow of resources after liabilities and deferred inflow of resources are deducted, increased by $2.3 million to $299 million at June 30, 2013.

Using the Financial Statements

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

Each of the financial statements includes combined information for the following funds:

- Short Term Note Fund
- 1988 Revenue Bond Fund
- 1993 Revenue Bond Fund
- 2011 Revenue Bond Fund
- 2012 Revenue Bond Fund
- Conduit
- Office Facility Bond Fund

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

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

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Program’s net position changed during the fiscal year ended June 30, 2013.

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

Significant sources of the Program’s revenues include: Interest on student loans and servicing revenue. Significant Program expenses include: Interest expense; bond related fees; special allowance on student loans; servicing fees and administrative and operating costs.

Statement of Net Position

The Statement of Net Position presents the financial position of the Program at the end of the fiscal year and includes all assets and liabilities of the Program. The difference between total assets and total liabilities is net position and is one indicator of the current financial condition of the Program.

A summarized comparison of the Program’s assets, deferred outflow of resources, liabilities, deferred inflow of resources, and net position at June 30, 2013 and 2012 is shown below:

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

Management's Discussion and Analysis
For the Year Ended June 30, 2013

	2013	2012	
ASSETS			
Cash and funds held by Trustee and Conduit Administrator	$ 167,684,899	$ 235,531,566	
Student loans receivable	1,385,627,873	1,583,885,475	*
Interest receivable	16,946,059	20,852,994	
Due from counterparty	1,644,046	1,525,165	
Other receivables	1,264,434	2,299,419	
Prepaid and deferred expenses	288,226	17,980,445	*
Derivative instrument -interest rate swap	18,624,408	39,620,728	
Capital assets	10,605,365	11,243,447	
Total Assets	1,602,685,310	1,912,939,239	
DEFFERRED OUTFLOW OF RESOURCES			
Deferred federal default fee	1,961,823	3,075,237	
Total Deferred Outflow of Resources	1,961,823	3,075,237	
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	3,860,106	3,005,593	
Special allowance	4,979,125	5,826,029	
Accrued interest payable	3,470,273	3,825,939	
Bonds and notes payable	169,140,619	22,297,669	
Total Current Liabilities	181,450,123	34,955,230	
Long-Term Liabilities			
Compensated absences	328,988	390,519	
Bonds and notes payable	1,080,536,917	947,281,899	
Funding notes payable	-	552,423,348	
Estimated interest arbitrage rebate	-	10,000,000	
Total Long-Term Liabilities	1,080,865,905	1,510,095,766	
Total Liabilities	1,262,316,028	1,545,050,996	
DEFFERRED INFLOW OF RESOURCES			
Deferred inflow - interest rate swap	18,624,408	39,620,728	
Deferred inflow - gain on bond purchases	24,663,994	26,552,887	
Total Deferred Inflow of Resources	43,288,402	66,173,615	
NET POSITION			
Net investment in capital assets	3,632,042	3,587,267	
Restricted	230,983,125	264,756,339	
Unrestricted	64,427,536	62,999,146	
Total Net Position	$ 299,042,703	$ 331,342,752	

* Does not include the effects of GASB 65 (see Note 13)

Financial Analysis

Total Assets – Total assets as of June 30, 2013 were $1.6 billion; a decrease of $310.2 million (16.2%) compared to June 30, 2012. The decrease was due to a $198.3 million (12.5%) reduction in student loans receivable; a $67.8 million (28.8%) reduction in cash and cash equivalents and funds held by Trustee and Conduit Administrator; a $21 million (53.0%) reduction in fair value of the derivative instrument – interest rate swap; and a $17.7 million (98.4%) reduction in prepaid and deferred expenses related to the implementation of new accounting standards (see Note 13 for more information). The Program received $229 million in principal payments on student loans during the year ended June 30, 2013, a decrease of $28 million (10.9%) over the prior year.

Total Liabilities – Total liabilities decreased $282.7 million (18.3%) compared to June 30, 2012. The decrease was primarily due to a $272.3 million (17.9%) decrease in the bonds and notes payable and funding notes payable categories. The Program issued $518.7 million in student loan backed notes during the fiscal year and proceeds from the notes were used to refund outstanding funding notes. The Program paid $761.1 million in principal on student loan revenue bonds, and funding notes during the fiscal year.

Net Position – Net position of the Program increased $2.3 million during the year ended June 30, 2013 to $299 million from an adjusted beginning balance of $296.8 million. A majority of the net position balance is contained within the individual bond funds. The use of these funds is restricted in accordance with the provisions of the applicable bond indentures.

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

Management's Discussion and Analysis
For the Year Ended June 30, 2013

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the Program's results of operations and is summarized below for the years ended June 30, 2013 and 2012.

	2013	2012	
Operating Revenues			
Interest on student loans	$ 49,177,362	$ 52,663,748	
Federal loan servicing revenue	2,759,453	2,335,058	
Investment income	762,605	865,479	
Other revenue	3,807,271	3,805,173	
Federal grant	-	5,043	
Total operating revenues	56,506,691	59,674,501	
Operating Expenses			
Interest expense	13,688,539	13,632,828	*
Bond and financing related expense	2,381,771	5,244,916	*
Special allowance	19,997,698	24,959,782	
Student loan servicing expense	8,274,021	8,163,047	
Administrative and operating expense	5,469,303	5,636,054	
Federal loan servicing expense	5,157,038	3,409,005	
Federal default fee	1,113,414	1,423,140	
Student loan principal reductions	-	849,831	
Provision for interest arbitrage rebate	(2,150,493)	(1,967,954)	
Total operating expenses	53,931,291	61,350,649	
Operating income (loss)	2,575,400	(1,676,148)	
Nonoperating Revenues			
Gain on bond purchases	-	7,913,067	
Total nonoperating revenues	-	7,913,067	
Transfer to Student Financial Aid	-	(4,140,412)	
Transfer to Utah System of Higher Education	(325,303)	(263,509)	
Change in Net Position	2,250,097	1,832,998	
Net Position, as previously reported June 30, 2012	331,342,752	-	
Cumulative effect on prior years of application of new accounting guidance	(34,550,146)	-	
Net Position – Beginning of Year, as adjusted	296,792,606	329,509,754	
Net Position – End of Year	$ 299,042,703	$ 331,342,752	

* Does not include the effects of GASB 65 (see Note 13)

Financial Analysis

Total Operating Revenues – The Program earned $56.5 million in total operating revenues during the year ended June 30, 2013, a decrease of $3.2 million (5.3%) over the previous fiscal year. The largest component of the decrease came from interest on student loans, which decreased $3.5 million (6.6%) from the prior fiscal year. This decrease was due to a reduction in the portfolio balance of 12.5%.

Total Operating Expenses – The Program's total operating expenses for the fiscal year ended June 30, 2013 decreased $7.4 million (12.1%) from the prior fiscal year. The decrease was due to a reduction in special allowance of $5 million (19.9%) and a reduction in bond and financing related expenses of $2.9 million (54.6%) during the fiscal year.

Operating Income – The Program's operating income was $2.6 million during the year ended June 30, 2013. Net interest margins (a ratio of investment and student loan interest income, minus special allowance, to bond interest expense) increased in fiscal year 2013 to 218.7% compared to 209.6% during fiscal year 2012. The Program had a positive return on Net Position of 0.9% in fiscal year 2013 compared to a negative return of 0.5% in fiscal year 2012.

Major Financing and Long-Term Debt Activity

On October 1, 2012, the program issued Student Loan Backed Notes, Series 2012-1 (taxable), in the amount of $518,700,000. The issue was made available to refund certain outstanding obligations of the Board. The 2012-1 Notes are secured by and are payable solely from the trust estate created by the Indenture.

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

The Program is not aware of any additional facts, decisions or conditions that are expected to have a significant effect on the financial position or results of operations.

Congress will periodically reauthorize the Higher Education Act and could enact changes that have a substantial impact on the Program. In addition, the U.S. Department of Education, under the Higher Education Act rule making process, can impose or modify regulations that can have a substantial impact on the Program.

Requests for Information

This financial report is designed to provide a general overview of the State Board of Regents of the State of Utah Student Loan Purchase Program's finances for any interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Associate Executive Director for Accounting and Finance
Utah Higher Education Assistance Authority
Board of Regents Building, The Gateway
60 South 400 West
Salt Lake City, Utah 84101-1284

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

Statement of Net Position
June 30, 2013

ASSETS	
Current Assets	
Cash and cash equivalents (Note 2)	$ 44,972,470
Funds held by Trustee (Notes 2 and 3)	72,750,599
Receivables	
Student loans (Note 4)	187,417,131
Interest - student loans (Note 4)	16,946,059
Due from counterparty (Note 6)	1,644,046
Other receivables	1,264,434
Prepaid expenses	288,226
Total Current Assets	325,282,965
Noncurrent Assets	
Funds held by Trustee (Notes 2 and 3)	49,961,830
Student loans receivable (Note 4)	1,198,210,742
Derivative instrument - interest rate swap (Note 6)	18,624,408
Capital assets, less accumulated depreciation of $5,102,857 (Note 5)	10,605,365
Total Noncurrent Assets	1,277,402,345
TOTAL ASSETS	1,602,685,310
DEFERRED OUTFLOW OF RESOURCES	
Deferred federal default fee (Note 1)	1,961,823
TOTAL DEFERRED OUTFLOW OF RESOURCES	1,961,823
LIABILITIES	
Current Liabilities	
Accounts payable	2,702,247
Special allowance (Note 1)	4,979,125
Payable to affiliate (Note 10)	361,289
Compensated absences and benefits (Note 7)	417,705
Other liabilities	378,865
Accrued interest payable (Note 6)	3,470,273
Bonds and notes payable (Notes 6 and 7)	169,140,619
Total Current Liabilities	181,450,123
Noncurrent Liabilities	
Compensated absences and benefits (Note 7)	328,988
Bonds and notes payable, net of unamortized premiums and discounts of $9,270,857 (Notes 6 and 7)	1,080,536,917
Total Noncurrent Liabilities	1,080,865,905
TOTAL LIABILITIES	1,262,316,028
DEFERRED INFLOW OF RESOURCES	
Deferred inflow - interest rate swap (Note 6)	18,624,408
Deferred inflow - gain on bond purchases	24,663,994
TOTAL DEFERRED INFLOW OF RESOURCES	43,288,402
NET POSITION	
Net investment in capital assets	3,632,042
Restricted	230,983,125
Unrestricted (Note 9)	64,427,536
TOTAL NET POSITION	$ 299,042,703

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

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

Statement of Revenue, Expenses, and Changes in Net Position
For the Year Ended June 30, 2013

OPERATING REVENUES	
Interest on student loans (Note 4)	$ 49,177,362
Federal loan servicing revenue	2,759,453
Investment income (Notes 2 and 3)	762,605
Other revenue (Note 10)	3,807,271
Total Operating Revenues	56,506,691
OPERATING EXPENSES	
Interest expense (Note 6)	13,688,539
Bond and financing related expense (Note 6)	2,381,771
Special allowance (Note 1)	19,997,698
Student loan servicing expense (Note 8)	8,274,021
General and administrative expense (Note 10)	4,361,761
Federal loan servicing expense	5,157,038
Depreciation expense (Note 5)	767,448
Federal default fee (Note 1)	1,113,414
Provision for interest arbitrage rebate (Note 11)	(2,150,493)
Uninsured claims expense (Note 4)	158,144
Unrealized loss on investments	181,950
Total Operating Expenses	53,931,291
OPERATING INCOME	2,575,400
Transfer to Utah System of Higher Education	(325,303)
CHANGE IN NET POSITION	2,250,097
NET POSITION, as previously reported June 30, 2012	331,342,752
Cumulative effect on prior years of application of new accounting guidance (Note 13)	(34,550,146)
ADJUSTED NET POSITION − July 1, 2012	296,792,606
NET POSITION − End of Year	$ 299,042,703

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

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

Statement of Cash Flows

For the Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Principal received on student loans	$ 228,933,733
Interest received on student loans	31,812,343
Special allowance payments	(20,844,601)
Borrower payments due to related funds	(506,519)
Payments received for internal services	1,907,920
Net payments for loan purchases	(26,442,618)
Payments for student loan servicing expense	(5,240,245)
Payments for general and administrative expense	(7,873,125)
Payments for federal loan servicing expense	(3,206,586)
Payments received for federal loan servicing revenue	3,774,565
Payments received for rental revenue	1,829,856
Payment for arbitrage	(7,849,507)
Cash provided by operating activities	196,295,216
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer to Utah System of Higher Education	(250,000)
Proceeds from issuance of bonds and notes	518,700,000
Principal paid on bonds and notes	(208,715,321)
Principal paid on funding notes	(552,423,348)
Interest paid on bonds and funding notes	(15,746,878)
Payments for bond related expense	(2,760,930)
Payments for bond issuance costs	(3,638,926)
Cash used in noncapital financing activities	(264,835,403)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(202,332)
Cash used in capital and related financing activities	(202,332)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from maturing investments	881,936,696
Interest received on investments	592,112
Purchases of investments	(813,094,213)
Cash provided by investing activities	69,434,595
NET INCREASE IN CASH AND CASH EQUIVALENTS	692,076
CASH AND CASH EQUIVALENTS − Beginning of Year	44,280,394
CASH AND CASH EQUIVALENTS − End of Year	$ 44,972,470

(continued next page)

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

Statement of Cash Flows
For the Year Ended June 30, 2013

(continued)

RECONCILIATION OF OPERATING INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 2,575,400
Adjustments to reconcile income to net cash provided by operating activities	
Amortization and depreciation	(2,566,373)
Interest expense for noncapital and capital financing	17,022,360
Arbitrage payment from general funds	(7,849,507)
Interest revenue from nonoperating investing activities	(762,605)
Unrealized loss on investments	181,950
Bond related expense	2,381,771
Change in assets/liabilities	
Student loans receivable, as adjusted (Note 13)	181,092,659
Borrower interest receivable	3,906,935
Special allowance	(846,904)
Other receivables	1,034,985
Prepaid expenses	81,335
Federal default fee	1,113,414
Arbitrage liability	(10,000,000)
Accounts payable and payable to affiliate	8,929,796
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 196,295,216

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Fund Accounting – The Program maintains accounting records under the fund accounting concept. The funds are separate sets of self-balancing accounts set up in accordance with the authorizing acts and bond indentures. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the Program's general policy to use restricted resources first. The following funds are administered by the Program:

- Short-Term Note Fund – Unencumbered funds generated by various financing facilities and transfers authorized by the State Board of Regents of the State of Utah (the Board) in accordance with bond indenture provisions are maintained in this fund. The Program utilizes a portion of these funds to purchase student loans. Payments, including principal and interest on student loans held by this fund, are deposited in this fund and are used to purchase student loans and pay operating expenses. Program funds designated to meet future collateral and operating requirements and other Program needs are held as investments.

- 1988 Revenue Bond Fund – Proceeds from revenue bond issuances under the General Student Loan Program Indenture dated July 15, 1988, and Supplemental Indentures are recorded in this fund. Outstanding issuances include Series 2000 T Bonds. Proceeds are used to pay bond issuance costs, and establish trustee funds as required by the General Indenture and Supplemental Indentures. Principal and interest payments on student loans purchased with bond proceeds, and other revenues are deposited in this fund and are used for debt service of the bonds, and operating expenses in accordance with the provisions of the General Indenture and Supplemental Indentures. The net position of this bond is reported as restricted.

- 1993 Revenue Bond Fund – Proceeds from revenue bond issuances under the General Student Loan Program Indenture dated August 1, 1993 and Supplemental Indentures are recorded in this fund. Outstanding issuances include Series 1999 O, Series 2001 R, Series 2001 S, Series 2006 DD, and Series 2010 EE Bonds, and Series 2011-1 Notes. Proceeds are used to pay bond issuance costs, and establish trustee funds as required by the General Indenture. Principal and interest payments on student loans purchased with bond proceeds, and other revenues are deposited in this fund and are used for debt service of the bonds, and operating expenses in accordance with the provisions of the General Indenture. The net position of this bond is reported as restricted.

- 2011 Revenue Bond Fund – Proceeds from revenue bond issuance under the General Student Loan Program Indenture dated September 1, 2011, and Supplemental Indentures are recorded in this fund. Outstanding issuances include Series 2011 A Bonds. Proceeds are used to pay bond issuance costs, refund outstanding revenue bonds, and establish trustee funds as required by the General Indenture and Supplemental Indentures. Principal and interest payments on student loans purchased with bond proceeds, and other revenues are deposited in this fund and are used for debt service of the bonds, and operating expenses in accordance with the provisions of the General Indenture and Supplemental Indentures. The net position of this bond is reported as restricted.

- 2012 Revenue Bond Fund – Proceeds from revenue bond issuance under the General Student Loan Program Indenture dated October 1, 2012 are recorded in this fund. Outstanding issuances include Series 2012-1 Notes. Proceeds are used to retire outstanding funding notes, and establish trustee funds as required by the General Indenture. Principal and interest payments on student loans purchased with bond proceeds, and other revenues are deposited in this fund and are used for debt service of the bonds, and operating expenses in accordance with the provisions of the General Indenture. The net position of this bond is reported as restricted.

- Conduit – Proceeds from the issuance of a long term asset-backed commercial paper conduit funding note dated June 9, 2010 were recorded in this fund. Principal and interest payments on student loans pledged to the Conduit, and other revenues were deposited in this fund and were used to pay servicing fees, ratable financing costs and other operating expenses in accordance with the provisions of the Funding Note Purchase Agreement. On October 18, 2012 the outstanding funding notes in the Conduit were retired with proceeds of the Series 2012-1 Notes (see Note 6). This fund had no net position at June 30, 2013.

- Office Facility Bond Fund – Proceeds from the revenue bond issuance under the State Board of Regents Revenue Refunding Bonds Indenture dated May 1, 2012 are recorded in this fund. Proceeds are used to pay cost of issuance and refund outstanding revenue bonds. Funds within the Board of Regents budget that would otherwise be expended for rent will be deposited in this fund and will be used for debt service of the bonds and operating expenses, in accordance with the provisions of the General Indenture.

Basis of Accounting – The Program follows all applicable Governmental Accounting Standards Board pronouncements. Also, the accounting and reporting policies of the Program conform with generally accepted accounting principles and follow the accrual basis of accounting. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. The Program's funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the Program are included on the Statement of Net Position.

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

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

Special Allowance – Federal legislation provides for a special allowance payment for lenders participating in the Student Loan Guarantee Program. The amount of special allowance that is payable on an eligible loan is determined by multiplying the average daily balance of principal and capitalized interest on the loan by the applicable special allowance rate. The rates for special allowance payments are based on formulas that differ according to the type of the loan, the date the loan was first disbursed, the interest rate, and the type of funds used to finance such loan. The rate of special allowance payments is based on the bond equivalent 91 day T-Bill rate or the 90 day commercial paper index, depending on the characteristics of the loan.

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

Capital Assets – Capital assets are stated at cost – net of accumulated depreciation. The Program capitalizes assets that exceed a $5,000 threshold and have an estimated useful life greater than one year. Depreciation is provided over the estimated useful lives, ranging from three to ten years for furniture, equipment, and software and forty years for buildings.

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

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

Statement of Cash Flows – For purposes of the Statement of Cash Flows, cash and cash equivalents include checking accounts and short-term investments in the Utah Public Treasurers' Investment Fund, excluding those held by the Trustee, and the Conduit Administrator.

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

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

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) that relate to the deposit and investment of public funds.

The Program follows the requirements of the Money Management Act (the Act) in handling its depository and investment transactions. The Act requires the depositing of Program funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Money Management Council.

Investments – The Money Management Act also defines the types of securities authorized as appropriate investments for the Program and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. The Money Management Act authorizes the Program to invest in:

- Negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories.
- Repurchase and reverse repurchase agreements.
- Commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations.
- Bankers' acceptances.
- Obligations of the United States Treasury, including bills, notes, and bonds.

- Obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and Student Loan Marketing Association (Sallie Mae).
- Bonds, notes, and other evidence of indebtedness of political subdivisions of the State.
- Fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations.
- Shares or certificates in a money market mutual fund as defined in the Act.
- The Utah Public Treasurers' Investment Fund.

At June 30, 2013, the Program's investments and the related maturities are listed below:

		Investment Maturities (in years)		
Investments	Fair Value	Less than one year	1 to 5 years	Over 10 years
Mutual Funds	$ 70,969,172	$ 70,969,172	$ -	$ -
Public Treasurers' Investment Fund	93,494,235	93,494,235	-	-
Repurchase Agreements	81	81	-	-
U.S. Government Securities	797,166	-	-	797,166
Total Investments	$ 165,260,654	$ 164,463,488	$ -	$ 797,166

Interest Rate Risk – The risk that changes in interest rates will adversely affect the fair value of an investment. The Program's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity for certain allowed investments. Details can be obtained by reading *Utah Code* Section 51-7-11. At June 30, 2013, the Program's investments in the PTIF had an average maturity of less than one year.

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Program's policy for reducing its exposure to credit risk is to comply with the Utah Money Management Act as previously discussed. At June 30, 2013, the Program had $70,969,172 invested in mutual funds with a AAA rating and $93,494,235 invested in the Public Treasurers' Investment Fund that were not rated by any nationally recognized statistical rating organization registered with the Securities and Exchange Commission (SEC).

Custodial Credit Risk (Investments) – The risk that, in the event of a failure of the counterparty, the Program may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Program follows the requirements of the Money Management Act regarding custodial credit risk. However, the Program does not have a formal investment policy for custodial credit risk that further limits custodial arrangements from what is required by the Money Management Act in regards to custody of the Program's investments. At June 30, 2013, the Program's repurchase agreements, totaling $81, were uninsured, uncollateralized, and held by the counterparty.

Custodial Credit Risk (Deposits) – The risk that, in the event of a bank failure, the Program's deposits may not be returned to it. The Program follows the requirements of the Money Management Act regarding custodial credit risk. However, the Program does not have a formal deposit policy for custodial credit risk beyond what is required by the Money Management Act. As of June 30, 2013, $967,528 of the Program's bank balances of $1,217,528 was uninsured.

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

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

STATE BOARD OF REGENTS OF THE STATE OF UTAH
STUDENT LOAN PURCHASE PROGRAM
Notes to the Financial Statements
For the Year Ended June 30, 2013

3. REVENUE BOND FUNDS

The bond indenture agreements require that certain trust funds be established. The following is a summary of cash and investments held by the respective revenue bond funds at June 30, 2013:

1988 Revenue Bond Fund:	
Revenue Account	$ 49,322,387
Loan Account	161,744
Rebate Account	630,179
Total 1988 Revenue Bond Fund	$ 50,114,310
1993 Revenue Bond Fund:	
Revenue Account	$ 42,336,400
Reserve Account	4,629,614
Operating Account	439,075
Total 1993 Revenue Bond Fund	$ 47,405,089
2011 Revenue Bond Fund:	
Revenue Account	$ 3,778,103
Reserve Account	805,500
Operating Account	55,696
Excess Interest Account	9,372,970
Total 2011 Revenue Bond Fund	$ 14,012,269
2012 Revenue Bond Fund:	
Capitalized Interest Account	$ 990,750
Collection Account	6,447,723
Special Allowance Rebate Account	1,709,316
Reserve Account	1,188,438
Total 2012 Revenue Bond Fund	$ 10,336,227
Office Facility Bond Fund:	
Revenue Account	$ 22,728
Debt Service Account	821,806
Total Office Facility Bond Fund	$ 844,534
Grand Total	$ 122,712,429

4. STUDENT LOANS RECEIVABLE

Student loans receivable carry variable interest rates or have fixed rates ranging from 0% to 12%. The loans are made to students enrolled or accepted for enrollment at an eligible institution of higher education on at least a half-time basis. Six to twelve months after termination of at least a half-time academic work load, the borrower is required to commence repayment on the loan. Monthly repayment amounts and the length of the repayment period are determined by the amount to be repaid; however, the maximum length of repayment is ten years for Stafford loans and up to thirty years for consolidation loans from the due date of the first payment, exclusive of authorized periods of deferments and forbearance.

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

The following is a summary of the status of student loans receivable at June 30, 2013:

	Short-Term Note Fund	1988 Revenue Bond Fund	1993 Revenue Bond Fund	2011 Revenue Bond Fund	2012 Revenue Bond Fund	Total
Student and Deferment	$ 1,942,714	$ 1,416,574	$ 75,294,383	$ 13,250,293	$ 107,773,247	$ 199,677,211
Repayment and Forbearance	16,954,998	17,208,249	673,452,236	113,658,073	368,059,162	1,189,332,718
Student Loan Receivable Allowance	(15,418)	(966,903)	(1,515,451)	(134,568)	(749,716)	(3,382,056)
Total	$ 18,882,294	$ 17,657,920	$ 747,231,168	$ 126,773,798	$ 475,082,693	$ 1,385,627,873

Insurance on student loans is paid at a 98% rate for loans which were first disbursed on or after October 1, 1993. At June 30, 2013, the Program has established a student loan receivable allowance of $3,382,056.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Buildings	$ 12,778,172	$ -	$ -	$ 12,778,172
Furniture and equipment	225,893	-	-	225,893
Computer equipment and software	2,574,791	129,366	-	2,704,157
Totals at historical cost	15,578,856	129,366	-	15,708,222
Less accumulated depreciation for:				
Buildings	(3,082,372)	(351,130)	-	(3,433,502)
Furniture and equipment	(212,778)	(13,115)	-	(225,893)
Computer equipment and software	(1,040,259)	(403,203)	-	(1,443,462)
Total accumulated depreciation	(4,335,409)	(767,448)	-	(5,102,857)
Capital Assets, net	$ 11,243,447	$ (638,082)	$ -	$ 10,605,365

6. BONDS AND NOTES PAYABLE

1988 Revenue Bond Fund – The Program has outstanding student loan revenue bonds under the authority of the 1988 General Indenture. The bonds are limited obligation bonds of the Board and are secured, as provided in the indentures, by all assets of the 1988 Revenue Bond Fund and the revenues and receipts derived from such assets.

Bonds payable for the 1988 Revenue Bond Fund consisted of the following at June 30, 2013:

Issue	Maturity Date	Interest Rate Type	Balance
2000 Series T	5/1/2035	Auction – 35 days	$ 5,100,000

Debt service requirements to maturity on the 1988 revenue bond issue as of June 30, 2013 are summarized below:

Fiscal Year	Principal Amount	Interest Amount
2014	$ -	$ 12,495
2015	-	12,495
2016	-	12,495
2017	-	12,495
2018	-	12,495
2019-2023	-	62,475
2024-2028	-	62,475
2029-2033	-	62,475
2034-2035	5,100,000	22,908
Total	$ 5,100,000	$ 272,808

The debt service interest rate requirements are calculated using the interest rate in effect at June 30, 2013. Actual results could differ from these estimates.

All of the outstanding student loan revenue bonds in the 1988 Revenue Bond Fund are subject to redemption at the option of the Board in whole or in part on any date at a redemption price equal to the principal amount plus accrued interest, if any, to the redemption date.

As of June 30, 2013 there were insufficient clearing bids on all of the Program's bonds in which interest rates are set by auction procedure (ARCs). Interest on these bonds will be calculated at the maximum rate. In general, for a tax exempt bond, the maximum rate is indexed to either the After Tax Equivalent Rate or the S&P Municipal Bond 7-Day Intermediate Grade Index, subject to a 14% maximum. The tax-exempt maximum rate for the year ended June 30, 2013 ranged from 0.04% to 0.63%.

The bonds issued under the 1988 Trust Estate are limited obligations of the Board secured by and payable solely from the Trust Estate established by the Indenture. The bonds were issued to finance eligible student loans. The Trust Estate consists of: student loans acquired under the indenture, all proceeds of the bonds and net revenues in the funds and accounts, and any other property pledged to the Trust Estate. The Board has pledged these assets and net revenues to repay $5,100,000 of outstanding student loan revenue bonds which are payable through 2035. Interest paid for the current year and total net loss before interest expense for the current year were $22,495 and $549,836, respectively.

1993 Revenue Bond Fund – The Program has outstanding student loan revenue bonds under the authority of the 1993 General Indenture. The bonds are limited obligation bonds of the Board and are secured, as provided in the indentures, by all assets of the 1993 Revenue Bond Fund and the revenues and receipts derived from such assets.

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

The indenture provides that a periodic analysis of cash receipts must be performed. Cash receipts remaining after the payment of bond costs, program related expenses, and administrative expenses must be used to reduce bond principal.

Bonds and notes payable for the 1993 Revenue Bond Fund consisted of the following at June 30, 2013:

Issue	Final Maturity Date	Class (Priority)	Interest Rate Type	Balance
1999 Series O	11/1/2038	II	Auction – 28 days	$ 10,000,000
2001 Series R	11/1/2040	II	Auction – 28 days	3,500,000
2001 Series S	5/1/2041	II	Auction – 28 days	8,100,000
2006 Series DD	5/1/2046	II	Auction – 28 days	17,500,000
2010 Series EE	11/1/2030	I	Fixed	364,150,000
2011-1	5/31/2035	I	3-Month LIBOR plus spread	249,711,000
Total				$ 652,961,000

Debt service forecasts to maturity on the 1993 revenue bond issue as of June 30, 2013, are summarized below:

Fiscal Year	Principal Amount	Interest Amount
2014	$ 75,567,245	$ 19,113,054
2015	64,551,015	17,773,870
2016	63,915,180	16,256,343
2017	63,075,256	14,476,967
2018	56,773,202	12,445,686
2019-2023	212,180,119	36,314,939
2024-2028	116,898,983	4,921,607
Total	$ 652,961,000	$ 121,302,466

The debt service interest rate requirements are calculated using the interest rate in effect at June 30, 2013. Actual results could differ from these estimates.

All of the outstanding student loan revenue bonds in the 1993 Revenue Bond Fund are subject to optional redemption on any date at a redemption price of par plus accrued interest, if any.

The Series 2010 EE-2 Bonds maturing on November 1, 2026 and November 1, 2030 are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount thereof (without premium) and accrued interest to the redemption date, on the dates and in the principal amounts set forth below:

Redemption Date (November 1)	Amount
2025	$ 3,700,000
2026*	13,200,000
2028	10,800,000
2029	6,500,000
2030*	5,900,000
Total	$ 40,100,000

*Maturity

As of June 30, 2013 there were insufficient clearing bids on all of the Program's bonds in which interest rates are set by auction procedure (ARCs). Interest on these bonds will be calculated at the maximum rate. In general, the maximum rate is indexed to either the average 30-day T-bill or the 30-day LIBOR, subject to an 18% maximum. The taxable maximum rate during the year ended June 30, 2013 ranged from 0% to 13.81%.

The bonds issued under the 1993 Trust Estate are limited obligations of the Board secured by and payable solely from the Trust Estate established by the Indenture. The bonds were issued to finance eligible student loans. The Trust Estate consists of student loans acquired under the indenture, all proceeds of the bonds and net revenues in the funds and accounts, and any other property pledged to the Trust Estate. The Board has pledged these assets and net revenues to repay $652,961,000 of outstanding student loan revenue bonds which are payable through 2046. Principal and interest paid for the current year and total net revenues before interest expense were $144,064,696 and $9,978,390, respectively.

Derivative Instrument – On December 30, 2010 the Board issued the Series 2010 EE Bonds for the purpose of refinancing certain outstanding bonds in the 1988 and 1993 indentures. As part of this issuance, the Board entered into an interest rate exchange (swap) agreement relating to the Board's student loan revenue bonds, Series 2010 EE (the "Series 2010 Bonds") on December 21, 2010. The purpose of the swap is to create a variable rate cost of funds for the Series 2010 Bonds that will be lower than the variable rate cost achievable in the cash bond market. The Board accounts for the swap agreement as a fair value hedging derivative instrument and recognizes changes in fair values on the statement of net position as an asset or liability with a related deferred inflow or outflow of resources respectively. The terms of the swap agreement include:

Trade Date:	December 21, 2010
Effective Date:	December 30, 2010
Termination Date:	November 1, 2030
Initial Notional Amount:	$364,150,000
Board Pays Floating:	3-Month LIBOR + 1.64905%
Counterparty Pays Fixed:	Stepped fixed rates ranging from 4.664% to 5.000%
Payment Dates:	The 1st day of May and November

Changes in the fair value of the swap agreement and the ending fair value of the swap agreement are summarized below:

Derivative	Fair Value at 6/30/2012	Change in Fair Value	Fair Value at 6/30/2013
Interest Rate Exchange	$ 39,620,728	$ (20,996,320)	$ 18,624,408

The projected net cash flows of the swap agreement are summarized below:

Fiscal Year	Counterparty Swap Payment To	Counterparty Swap Payment From	Counterparty Swap Payment Net	Interest Payments to Bondholders	Total Payments
2014	$ (6,759,050)	$ 16,465,283	$ 9,706,233	$ (16,465,283)	$ (6,759,050)
2015	(6,371,233)	15,659,283	9,288,050	(15,659,283)	(6,371,233)
2016	(5,857,352)	14,591,283	8,733,931	(14,591,283)	(5,857,352)
2017	(5,120,852)	13,060,617	7,939,765	(13,060,617)	(5,120,852)
2018	(4,333,670)	11,224,650	6,890,980	(11,224,650)	(4,333,670)
2019-2023	(12,778,069)	33,195,825	20,417,756	(33,195,825)	(12,778,069)
2024-2026	(1,577,797)	4,098,920	2,521,123	(4,098,920)	(1,577,797)
Total	$ (42,798,023)	$ 108,295,861	$ 65,497,838	$ (108,295,861)	$ (42,798,023)

Swaps are not normally valued through exchange-type markets with easily accessible quotation systems and procedures. The fair market value was calculated using information obtained from generally recognized sources with respect to quotations, reporting of specific transactions and market conditions and based on accepted industry standards and methodologies.

- <u>Credit Risk</u> – The risk of a change in the credit quality or credit rating of the Board and/or its counterparty. The counterparty's long-term ratings are "Aa3", "AA-" and "AA/AA-" by Moody's Investors Service, Standard & Poor's, and Fitch Ratings, respectively.

  The Board is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the Board's policy to require counterparty collateral posting provisions in its non-exchange-traded hedging derivative instruments. These terms require full collateralization of the fair value of hedging derivative instruments in asset positions (net of the effect of applicable netting arrangements) should the counterparties' short-term and long-term credit ratings fall below "A-1" and "A," respectively, as issued by Standard & Poor's or below "Prime-1" and "A2," respectively, as issued by Moody's Investors Service. Collateral posted is to be in the form of cash, U.S. Treasury securities or agency securities held by a third-party custodian. The Board has never failed to access collateral when required.

  It is the Board's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

- Interest Rate Risk – The risk that the debt service costs associated with variable rate debt increases and negatively affects coverage ratios and cash flow margins. The Board is exposed to interest rate risk; as the 3-month LIBOR rate increases, the net payment on the swap agreement increases.

- Basis Risk – The risk that arises when variable rates or prices of a swap agreement and a hedged item are based on different interest rate indexes. Because the swap agreement requires the Board to pay a variable rate to the counterparty and is receiving a fixed rate payment in return, basis risk is not applicable.

- Termination Risk – The risk that the swap must be terminated prior to its stated final cash flow date. Purposes for termination include the deterioration of the Board's own credit, and the inability of the Board to obtain a replacement transaction with substantially similar terms. In such a circumstance, the Board would owe, or be owed, a termination payment. No termination events related to the swap agreement have occurred as of June 30, 2013.

- Rollover Risk – The risk that the maturity of the swap contract is not coterminous with the maturity of the related bonds. The swap agreement and the underlying bonds have a final maturity date of November 1, 2030.

2011 Revenue Bond Fund – The Program has outstanding student loan revenue bonds under the authority of the 2011 General Indenture. The bonds are limited obligation bonds of the Board and are secured, as provided in the indentures, by all assets of the 2011 Revenue Bond Fund and the revenues and receipts derived from such assets.

The indenture provides that a periodic analysis of cash receipts must be performed. Cash receipts remaining after the payment of bond costs, program related expenses, and administrative expenses must be used to reduce bond principal.

Bonds payable for the 2011 Revenue Bond Fund consisted of the following at June 30, 2013:

Issue	Final Maturity Date	Interest Rate Type	Balance
2011 Series A	11/1/2045	Variable	$ 107,400,000

Variable rates are determined weekly by a remarketing agent.

Debt Service requirements to maturity on the Series 2011 A Revenue Bond as of June 30, 2013, are summarized below:

Fiscal Year	Principal Amount	Interest Amount
2014	$ 19,834,839	$ 79,253
2015	15,950,228	64,642
2016	13,487,788	52,649
2017	11,206,214	42,662
2018	9,292,626	34,355
2019-2023	27,603,545	88,834
2024-2026	10,024,760	12,238
Total	$ 107,400,000	$ 374,633

The debt service interest rate requirements are calculated using the interest rate in effect at June 30, 2013. Actual results could differ from these estimates.

The Series 2011 A Bonds are subject to redemption at the option of the Board in whole or in part on any date at a redemption price equal to the principal amount plus accrued interest, if any, to the redemption date as described in the indenture.

The Series 2011 A Bonds maturing on November 1, 2045 are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount thereof and accrued interest to the redemption date, on the dates and in the principal amounts set forth below:

Redemption Date	Principal Amount
November 1, 2024	$ 2,000,000
November 1, 2025	5,000,000
November 1, 2033	20,030,000
May 1, 2035	20,000,000
November 1, 2035	23,960,000
November 1, 2045*	36,410,000
Total	$ 107,400,000

*Maturity

The 2011 A Bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days' notice and delivery to the Program's remarketing agent. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100% of the principal amount plus accrued interest by adjusting the interest rate.

Under an irrevocable letter of credit, the trustee or the remarketing agent is entitled to draw an amount sufficient to pay the purchase price of bonds delivered to it. The letter of credit is valid through September 19, 2014 and carries an interest rate of LIBOR plus 1.25%.

If the remarketing agent is unable to resell any bonds that are "put" within 90 days of the "put" date, the Program has a take out agreement with the letter of credit provider to pay off the bonds over a five-year period bearing an adjustable interest rate equal to the LIBOR rate plus 2.15%. The take out agreement expires September 19, 2014. If the take out agreement were to be exercised because the entire issue of $107,400,000 of demand bonds was "put" and not resold, the Program would be required to pay $23,116,727 a year for 5 years under the installment loan agreement assuming a 2.84% interest rate. As of June 30, 2013, there were no draws on the line of credit.

The bonds issued under the 2011 Trust Estate are special limited obligations of the Board secured by and payable solely from the Trust Estate established by the Indenture. The bonds were issued to refinance eligible student loans and to refund outstanding bonds of the Board. The Trust Estate consists of student loans acquired under the indenture, all proceeds of the bonds and net revenues in the funds and accounts, and any other property pledged to the Trust Estate. The Board has pledged these assets and net revenues to repay $107,400,000 of outstanding student loan revenue bonds which are payable through 2045. Principal and interest paid for the current year and total net revenue before interest expense for the current year were $25,341,135 and $3,123,191, respectively.

2012 Revenue Bond Fund – The Program has outstanding student loan backed notes under the authority of the 2012 General Indenture. The notes are limited obligations of the Board and are secured, as provided in the indentures, by all assets of the 2012 Revenue Bond Fund and the revenues and receipts derived from such assets.

The indenture provides that a periodic analysis of cash receipts must be performed. Cash receipts remaining after the payment of bond costs, program related expenses, and administrative expenses must be used to reduce bond principal.

Notes payable for the 2012 Revenue Bond Fund consisted of the following at June 30, 2013:

Issue	Final Maturity Date	Interest Rate Type	Balance
2012-1	12/26/2031	1-Month LIBOR plus 0.75%	$ 468,305,679

Debt Service requirements to maturity on the Series 2012-1 Notes as of June 30, 2013, are summarized below:

Fiscal Year	Principal Amount	Interest Amount
2014	$ 69,143,756	$ 4,114,277
2015	60,750,195	3,494,664
2016	52,633,704	2,957,863
2017	45,597,823	2,492,693
2018	39,493,079	2,089,786
2019-2023	131,022,820	6,058,622
2024-2028	63,904,653	1,535,188
2029	5,759,649	20,818
Total	$ 468,305,679	$ 22,763,911

The debt service interest rate requirements are calculated using the interest rate in effect at June 30, 2013. Actual results could differ from these estimates.

The Series 2012-1 Notes are subject to an optional prepayment of the notes when the Student Loan Pool Balance is 10% or less than the initial Student Loan Pool Balance.

The notes issued under the 2012 Trust Estate are special limited obligations of the Board secured by and payable solely from the Trust Estate established by the Indenture. The notes were issued to refinance eligible student loans and retire outstanding funding notes of the Board. The Trust Estate consists of student loans acquired under the indenture, all proceeds of the bonds and net revenues in the funds and accounts, and any other property pledged to the Trust Estate. The Board has pledged these assets and net revenues to repay $468,305,679 of outstanding student loan backed notes which are payable through 2032. Principal and interest paid for the current year and total net revenue before interest expense were $53,782,086 and $2,661,592, respectively.

Conduit – On October 18, 2012, the Program issued $518,700,000 of LIBOR-Indexed Series 2012-1 Student Loan Backed Notes from the 2012 Trust Estate for the purpose of refunding the Program's outstanding funding notes under the Conduit. The Board used $495,834,988 of the proceeds from the financing to retire the notes.

The Program completed the refunding to manage its interest costs. Since variable rate debt was refunded with new variable rate debt, the change in cash flows and the economic gain or loss cannot be directly calculated and will vary depending on the actual interest costs incurred over the life of the 2012-1 Notes.

Office Facility Bond Fund – The Program has issued revenue refunding bonds under the authority of the general indenture dated May 1, 2012 (Series 2012 Bonds). The bonds are special limited obligation bonds of the Board payable primarily from (i) funds of the Board budgeted on an annual basis (including from sources and in the amounts that the Board has, prior to the issuance of the Bonds and acquisition of the Building, used to pay rent for office space) and (ii) other legally available moneys of the Board, including certain revenues and reserves of the Program.

Bonds payable for the Office Facility Bond Fund consisted of the following at June 30, 2013:

Issue	Maturity Date	Interest Rate	Balance
Series 2012	2/1/2014 - 2/1/2024	2.0% - 5.0%	$ 6,640,000

Debt service requirements to maturity on the Office Facility Bond issue as of June 30, 2013 are summarized below:

Fiscal Year	Principal Amount	Interest Amount
2014	$ 605,000	$ 207,438
2015	630,000	177,188
2016	655,000	151,988
2017	670,000	138,888
2018	685,000	125,488
2019-2023	3,145,000	366,076
2024	250,000	12,500
Total	$ 6,640,000	$ 1,179,566

The Series 2012 Bonds are not subject to redemption prior to maturity.

The bonds issued under the Office Facility Bond Fund are limited obligations of the Board secured solely by a pledge of the proceeds from the sale of the bonds and the moneys and revenues in the fund and accounts held by the Trustee under the Indenture. No other money, revenue or income of the Board is pledged to the repayment of the Office Facility Bonds. The bonds were issued to refund the Series 2002 and Series 2004 Bonds. The Board has pledged these assets and net revenues to repay $6,640,000 of outstanding Office Facility Bonds which are payable through 2024. Principal and interest paid for the current fiscal year and total net revenues before interest expense were $833,807 and $789,122, respectively.

7. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds and notes payable	$ 930,422,000	$ 518,700,000	$ (208,715,321)	$ 1,240,406,679	$165,150,840
Unamortized premiums and discounts	12,604,680	479,296	(3,813,119)	9,270,857	3,989,779
Net bonds and notes payable	943,026,680	519,179,296	(212,528,440)	1,249,677,536	169,140,619
Compensated absences and early retirement benefits	806,559	360,759	(420,625)	746,693	417,705
Funding notes payable	552,423,348	-	(552,423,348)	-	-
Estimated interest arbitrage rebate	10,000,000	-	(10,000,000)	-	-
Total long-term liabilities	$ 1,506,256,587	$ 519,540,055	$ (775,372,413)	$ 1,250,424,229	$169,558,324

8. LOAN SERVICING

The Program had a loan servicing agreement with an outside service organization which ended May 15, 2013, at which time the Program transferred the loans at the servicer to its in-house servicing organization. Under the terms of the agreement, the servicer provided the Program loan processing and servicing. The agreement required the Program to pay conversion fees for loans placed on the service and monthly processing fees based upon the number of accounts serviced on a month to month basis. Approximately 24% of the Program’s loan portfolio was serviced by the outside service organization until May 15, 2013.

9. DESIGNATED AND RESTRICTED NET POSITION

The Program has designated $64,000,000 of the Short-Term Note Fund Net Position for specific purposes. The specific purposes for which these funds are designated and amounts applicable to each are as follows: $8,000,000 reserve for bond refinancing, and $56,000,000 for loan repurchases, private student financial aid and future operating expenses.

The Revenue Bond Fund net positions are restricted in total by the general and supplemental indentures (see Note 1).

10. RELATED PARTY TRANSACTIONS

The Program reimburses the University of Utah for payroll, benefits, and certain administrative expenses. The Program incurred $8,468,073 of such expenses for the year ended June 30, 2013. Of this amount, $361,289 was payable at June 30, 2013.

The Student Loan Guarantee Program (SLGP), another program of the Board, guarantees student loans held by the Program. Claim payments received from the SLGP amounted to $42,470,549 for the year ended June 30, 2013. As of June 30, 2013, SLGP owed $1,576,785 in defaulted loan claims to the Program. This amount is included in the Student Loan Receivables on the Statement of Net Position.

For the year ended June 30, 2013, the Program charged the Board, the SLGP, and the Utah Educational Savings Plan for rent and other services, totaling $710,501. Of this amount, $34,535 was a receivable at June 30, 2013.

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

In accordance with the Internal Revenue Code of 1986, as amended (the Code), the Program is required to pay to the United States Treasury certain amounts related to the Program's tax-exempt bond issues. The estimated amount of non-purpose arbitrage payable represents the excess of amounts earned on taxable investments (other than educational loans) over the interest cost of the tax-exempt borrowing, plus income attributable to the excess. Rebate payments are due every fifth year during the life of each bond issue and when the bonds are retired. At June 30, 2013, there was no liability for non-purpose interest arbitrage rebate.

The Code and the related Treasury Regulations also require the Program to keep the yield to the Program on student loans within a designated percentage of the interest cost of the related tax-exempt borrowing. One method of reducing this yield is to make yield reduction payments to the United States Treasury. Estimated yield reduction payments may be made by the end of the tenth year and every fifth year thereafter during the life of each bond issue and when the bonds are retired. At June 30, 2013, there was no liability for yield reduction payments.

On March 20, 2012 the Internal Revenue Service ("IRS") announced a Voluntary Closing Agreement Program ("VCAP") with respect to certain student loan revenue bonds ("Announcement 2012-14"). The Board submitted an application pursuant to the VCAP and Announcement 2012-14 and has negotiated a closing agreement (agreement) with the IRS for selected 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 solely as a result of issues identified in Announcement 2012-14. The agreement also provides that the Board has no ongoing excess yield liability with respect to the covered bonds.

12. RISK MANAGEMENT

As a State entity, the Program participates in the Utah State Risk Management Fund (the Fund). The Program pays an annual premium for participation in the Fund. Through the Fund, the Program has both property and liability coverage.

The Fund provides property coverage through a combination of self-insurance and private carriers. The Fund provides liability coverage through self-insurance and private carriers up to $10,000,000 per occurrence.

13. EFFECTS OF NEW ACCOUNTING STANDARDS

In fiscal year 2013 the Program adopted Statement 65 of the Governmental Accounting Standard Board. On the Statement of Net Position, this adoption resulted in the immediate recognition (expense) of $10.2 million of Unamortized Loan Origination Fees, $6.7 million of Unamortized Premiums and Transfer Fees, and $17.6 million of Deferred Bond Issuance Costs from the Program's Assets and $34.5 million from the Program's Beginning Net Position. It also resulted in the reclassification of $24.4 million of deferred gains on bond purchases from Bonds and Notes Payable to Deferred Inflow - Gain on Bond Purchases.

SUPPLEMENTAL SCHEDULES

Combining Financial Statements

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

Combining Statement of Net Position
June 30, 2013

	Short-Term Note Fund	1988 Revenue Bond Fund	1993 Revenue Bond Fund	2011 Revenue Bond Fund	2012 Revenue Bond Fund	Office Facility Bond Fund	Total
ASSETS							
Current Assets							
Cash and cash equivalents	$ 43,001,723	$ 10,354	$ 601,943	$ 158,035	$ 558,276	$ 642,139	$ 44,972,470
Funds held by Trustee	-	152,480	47,405,089	14,012,269	10,336,227	844,534	72,750,599
Receivables							
Student loans	3,228,802	1,507,228	87,752,839	16,406,245	78,522,017	-	187,417,131
Interest - student loans	128,024	153,494	6,589,703	1,311,348	8,763,490	-	16,946,059
Due from counterparty	-	-	1,644,046	-	-	-	1,644,046
Other receivables	1,223,323	-	6,576	-	-	34,535	1,264,434
Due from/(to) related funds	2,979,415	(3,044,583)	29,624	(44,934)	84,993	(4,515)	-
Prepaid expenses	241,526	35,033	11,667	-	-	-	288,226
Total Current Assets	50,802,813	(1,185,994)	144,041,487	31,842,963	98,265,003	1,516,693	325,282,965
Noncurrent Assets							
Funds held by Trustee	-	49,961,830	-	-	-	-	49,961,830
Student loans receivable	15,653,492	16,150,692	659,478,329	110,367,553	396,560,676	-	1,198,210,742
Derivative instrument - interest rate swap	-	-	18,624,408	-	-	-	18,624,408
Capital assets, less accumulated depreciation of $5,102,857	1,260,695	-	-	-	-	9,344,670	10,605,365
Total Noncurrent Assets	16,914,187	66,112,522	678,102,737	110,367,553	396,560,676	9,344,670	1,277,402,345
TOTAL ASSETS	67,717,000	64,926,528	822,144,224	142,210,516	494,825,679	10,861,363	1,602,685,310
DEFERRED OUTFLOW OF RESOURCES							
Deferred federal default fee	1,961,823	-	-	-	-	-	1,961,823
TOTAL DEFERRED OUTFLOW OF RESOURCES	1,961,823	-	-	-	-	-	1,961,823
LIABILITIES							
Current Liabilities							
Accounts payable	2,493,061	-	-	197,098	-	12,088	2,702,247
Special allowance	31,616	14,309	1,181,268	187,032	3,564,900	-	4,979,125
Payable to affiliate	357,714	-	-	-	-	3,575	361,289
Compensated absences and benefits	411,362	-	-	-	-	6,343	417,705
Other liabilities	378,865	-	-	-	-	-	378,865
Accrued interest payable	-	2,964	3,280,761	26,512	73,604	86,432	3,470,273
Bonds and notes payable	-	-	79,481,863	19,834,839	69,143,756	680,161	169,140,619
Total Current Liabilities	3,672,618	17,273	83,943,892	20,245,481	72,782,260	788,599	181,450,123
Noncurrent Liabilities							
Compensated absences and benefits	317,974	-	-	-	-	11,014	328,988
Bonds and notes payable, net of unamortized premiums and discounts of $9,270,857	-	5,100,000	582,416,671	87,565,161	399,161,923	6,293,162	1,080,536,917
Total Noncurrent Liabilities	317,974	5,100,000	582,416,671	87,565,161	399,161,923	6,304,176	1,080,865,905
TOTAL LIABILITIES	3,990,592	5,117,273	666,360,563	107,810,642	471,944,183	7,092,775	1,262,316,028
DEFERRED INFLOW OF RESOURCES							
Deferred inflow - interest rate swap	-	-	18,624,408	-	-	-	18,624,408
Deferred inflow - gain on bond purchases	-	1,436,632	23,227,362				24,663,994
TOTAL DEFERRED INFLOW OF RESOURCES	-	1,436,632	41,851,770	-	-	-	43,288,402
NET POSITION							
Net investment in capital assets	1,260,695	-	-	-	-	2,371,347	3,632,042
Restricted	-	58,372,623	113,931,891	34,399,874	22,881,496	1,397,241	230,983,125
Unrestricted	64,427,536	-	-	-	-	-	64,427,536
TOTAL NET POSITION	$ 65,688,231	$ 58,372,623	$ 113,931,891	$ 34,399,874	$ 22,881,496	$ 3,768,588	$ 299,042,703

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

Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2013

	Short-Term Note Fund	1988 Revenue Bond Fund	1993 Revenue Bond Fund	2011 Revenue Bond Fund	2012 Revenue Bond Fund	Conduit	Office Facility Bond Fund	Total
OPERATING REVENUES								
Interest on student loans	$ 836,892	$ 392,256	$ 19,363,595	$ 3,996,797	$17,195,634	$ 7,392,188	$ -	$ 49,177,362
Federal loan servicing revenue	2,759,453	-	-	-	-	-	-	2,759,453
Investment income	247,427	376,190	80,387	4,888	960	44,203	8,550	762,605
Other revenue	525,129	10,153	484,755	119,782	495,458	323,040	1,848,954	3,807,271
Total Operating Revenues	4,368,901	778,599	19,928,737	4,121,467	17,692,052	7,759,431	1,857,504	56,506,691
OPERATING EXPENSES								
Interest expense	3,629,426	(51,038)	5,928,594	200,034	3,461,367	312,416	207,740	13,688,539
Bond and financing related expense	101,012	57,645	190,601	1,248,092	-	780,721	3,700	2,381,771
Special allowance	118,278	52,417	4,544,054	737,413	10,050,305	4,495,231	-	19,997,698
Student loan servicing expense	(507,215)	945,464	3,676,061	802,771	2,446,610	910,330	-	8,274,021
General and administrative expense	(312,467)	109,076	1,293,511	316,653	1,557,361	683,821	713,806	4,361,761
Federal loan servicing expense	5,157,038	-	-	-	-	-	-	5,157,038
Depreciation expense	289,918	16,788	74,354	5,272	14,114	15,872	351,130	767,448
Federal default fee	1,113,414	-	-	-	-	-	-	1,113,414
Provision for interest arbitrage rebate	-	(19,139)	-	(2,131,354)	-	-	-	(2,150,493)
Uninsured claims expense	60,382	279	138,689	18,167	962,070	(1,021,443)	-	158,144
Unrealized loss (gain) on investments	73,241	165,905	33,077	1,262	-	(91,281)	(254)	181,950
Total Operating Expenses	9,723,027	1,277,397	15,878,941	1,198,310	18,491,827	6,085,667	1,276,122	53,931,291
OPERATING INCOME (LOSS)	(5,354,126)	(498,798)	4,049,796	2,923,157	(799,775)	1,673,764	581,382	2,575,400
Transfer to Utah System of Higher Education	(325,303)	-	-	-	-	-	-	(325,303)
Transfers - Intrafund	7,331,832	(1,479,272)	(7,354,243)	6,713,564	23,681,271	(28,923,152)	30,000	-
CHANGES IN NET POSITION	1,652,403	(1,978,070)	(3,304,447)	9,636,721	22,881,496	(27,249,388)	611,382	2,250,097
NET POSITION, as previously reported June 30, 2012	64,142,559	60,717,257	140,170,936	30,971,718	-	32,032,623	3,307,659	331,342,752
Cumulative effect on prior years of application of new accounting guidance	(106,731)	(366,564)	(22,934,598)	(6,208,565)	-	(4,783,235)	(150,453)	(34,550,146)
ADJUSTED NET POSITION − July 1, 2012	64,035,828	60,350,693	117,236,338	24,763,153	-	27,249,388	3,157,206	296,792,606
NET POSITION − End of Year	$ 65,688,231	$ 58,372,623	$113,931,891	$34,399,874	$22,881,496	$ -	$3,768,588	$ 299,042,703

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

Combining Statement of Cash Flows
For the Year Ended June 30, 2013

	Short-Term Note Fund	1988 Revenue Bond Fund	1993 Revenue Bond Fund	2011 Revenue Bond Fund	2012 Revenue Bond Fund	Conduit	Office Facility Bond Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES								
Principal received on student loans	$ 6,923,450	$ 2,419,532	$ 100,600,651	$ 20,907,611	$ 58,891,514	$ 39,190,975	$ -	$ 228,933,733
Interest received on student loans	825,146	(363,183)	12,129,490	2,445,507	10,045,503	6,729,880	-	31,812,343
Special allowance payments	(446,601)	(384,978)	(4,674,025)	(768,690)	(6,628,483)	(7,941,824)	-	(20,844,601)
Borrower payments due to related funds	(506,519)	-	-	-	-	-	-	(506,519)
Payments received for internal services	474,732	10,153	484,755	119,782	495,458	323,040	-	1,907,920
Proceeds from loan sales/Payments for loan purchases	(14,940,359)	-	-	-	(513,402,498)	501,900,239	-	(26,442,618)
Payments for student loan servicing expense	2,453,335	(939,148)	(3,348,567)	(708,572)	(2,001,218)	(696,075)	-	(5,240,245)
Payments for general and administrative expense	(1,467,142)	(168,688)	(1,954,329)	(401,669)	(1,973,146)	(1,203,116)	(705,035)	(7,873,125)
Payments for federal loan servicing expense	(3,206,586)	-	-	-	-	-	-	(3,206,586)
Payments received for federal loan servicing revenue	3,774,565	-	-	-	-	-	-	3,774,565
Payments received for rental revenue	-	-	-	-	-	-	1,829,856	1,829,856
Payment for arbitrage	(7,849,507)	-	-	-	-	-	-	(7,849,507)
Cash provided by (used in) operating activities	(13,965,486)	573,688	103,237,975	21,593,969	(454,572,870)	538,303,119	1,124,821	196,295,216
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Equity transfer	32,995,362	(22,065,112)	12,288,115	(626,735)	784,078	(23,405,708)	30,000	-
Transfer to Utah System of Higher Education	(250,000)	-	-	-	-	-	-	(250,000)
Proceeds from issuance of bonds and notes	-	-	-	-	518,700,000	-	-	518,700,000
Principal paid on bonds and notes	-	-	(132,546,000)	(25,120,000)	(50,394,321)	-	(655,000)	(208,715,321)
Principal paid on funding notes	-	-	-	-	-	(552,423,348)	-	(552,423,348)
Interest paid on bonds and funding notes	-	(22,495)	(11,518,696)	(221,135)	(3,387,765)	(417,980)	(178,807)	(15,746,878)
Payments for bond related expense	(102,537)	(56,369)	(181,639)	(1,398,571)	-	(1,018,114)	(3,700)	(2,760,930)
Payments for bond issuance costs	(3,629,426)	-	-	-	-	-	(9,500)	(3,638,926)
Cash provided by (used in) noncapital financing activities	29,013,399	(22,143,976)	(131,958,220)	(27,366,441)	465,701,992	(577,265,150)	(817,007)	(264,835,403)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Acquisition of capital assets	(78,139)	(886)	(42,597)	(10,611)	-	(70,099)	-	(202,332)
Cash used in capital and related financing activities	(78,139)	(886)	(42,597)	(10,611)	-	(70,099)	-	(202,332)
CASH FLOWS FROM INVESTING ACTIVITIES								
Proceeds from maturing investments	227,135	22,307,427	168,368,645	29,806,480	575,396,152	84,985,206	845,651	881,936,696
Interest received on investments	174,172	210,285	58,782	3,626	960	135,484	8,803	592,112
Purchases of investments	(18,671)	(3,321,791)	(145,893,805)	(24,148,254)	(585,967,958)	(52,916,315)	(827,419)	(813,094,213)
Cash provided by (used in) investing activities	382,636	19,195,921	22,533,622	5,661,852	(10,570,846)	32,204,375	27,035	69,434,595
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,352,410	(2,375,253)	(6,229,220)	(121,231)	558,276	(6,827,755)	334,849	692,076
CASH AND CASH EQUIVALENTS − Beginning of Year	27,649,313	2,385,607	6,831,163	279,266	-	6,827,755	307,290	44,280,394
CASH AND CASH EQUIVALENTS − End of Year	$ 43,001,723	$ 10,354	$ 601,943	$ 158,035	$ 558,276	$ -	$ 642,139	$ 44,972,470

(continued next page)

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

Combining Statement of Cash Flows
For the Year Ended June 30, 2013

(continued)

	Short-Term Note Fund	1988 Revenue Bond Fund	1993 Revenue Bond Fund	2011 Revenue Bond Fund	2012 Revenue Bond Fund	Conduit	Office Facility Bond Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES								
Operating income (loss)	$ (5,354,126)	$ (498,798)	$ 4,049,796	$ 2,923,157	$ (799,775)	$ 1,673,764	$ 581,382	$ 2,575,400
Adjustments to reconcile income (loss) to net cash provided by operating activities								
Amortization and depreciation	289,918	16,788	(3,231,612)	5,272	14,114	15,872	323,275	(2,566,373)
Interest expense for noncapital and capital financing	3,629,426	(51,038)	9,234,560	200,034	3,461,367	312,416	235,595	17,022,360
Arbitrage payment from general funds	(7,849,507)	-	-	-	-	-	-	(7,849,507)
Interest revenue from nonoperating investing activities	(247,427)	(376,190)	(80,387)	(4,888)	(960)	(44,203)	(8,550)	(762,605)
Unrealized loss (gain) on investments	73,241	165,905	33,077	1,262	-	(91,281)	(254)	181,950
Bond related expense	101,012	57,645	190,601	1,248,092	-	780,721	3,700	2,381,771
Change in assets/liabilities:								
Student loans receivable, as adjusted	7,687,504	2,282,223	92,627,121	18,709,178	(475,082,693)	534,869,326	-	181,092,659
Transfer of student loans	(16,720,209)	-	-	-	22,860,677	(6,140,468)	-	-
Borrower interest receivable	459,253	(26,118)	1,128,742	219,481	(8,763,490)	10,889,067	-	3,906,935
Special allowance	(787,564)	(888)	(142,619)	(34,140)	3,564,900	(3,446,593)	-	(846,904)
Other receivables	875,424	-	190,712	-	-	46	(31,197)	1,034,985
Prepaid expenses	(76,725)	-	133,977	-	-	24,083	-	81,335
Federal default fee	1,113,414	-	-	-	-	-	-	1,113,414
Change in arbitrage liability	-	(627,030)	-	(9,372,970)	-	-	-	(10,000,000)
Accounts payable and payable to affiliate	2,840,880	(368,811)	(895,993)	7,699,491	172,990	(539,631)	20,870	8,929,796
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (13,965,486)	$ 573,688	$ 103,237,975	$ 21,593,969	$ (454,572,870)	$ 538,303,119	$ 1,124,821	$ 196,295,216

OFFICE OF THE
UTAH STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Utah State Board of Regents,
The UHEAA Audit Committee
and
David L. Buhler, Commissioner of Higher Education

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State Board of Regents of the State of Utah Student Loan Purchase Program (the Program), an enterprise fund of the State of Utah administered by the Utah Higher Education Assistance Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Program's financial statements, and have issued our report thereon dated September 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Program's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or to detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Office of the Utah State Auditor

Office of the Utah State Auditor
September 26, 2013