

STATE OF
IDAHO

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
JUNE 30, 2002



Harvested potatoes in Bliss

Idaho is a diverse agricultural state. Known for its famous potatoes, Idaho also grew 70 percent of the Austrian Winter peas and 20 percent of the barley produced in the United States in 2001. Idaho ranks sixth in the production of sweet cherries and fourth for prunes and fresh plums. Other crops include mint, lentils, onions, and sugar beets.

Source: Idaho Agricultural Statistics Service



Potato field in Bliss

Cover photograph: Cherries in a Caldwell orchard

Photographs throughout Comprehensive Annual Financial Report courtesy of Idaho Department of Agriculture.

IDAHO COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR
ENDED JUNE 30, 2002**



**DIRK KEMPTHORNE
GOVERNOR
J.D. WILLIAMS
STATE CONTROLLER**

PREPARED BY THE OFFICE OF THE STATE CONTROLLER

STATE OF IDAHO

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Thanks and appreciation to the Bureaus of Accounting Operations; System Administration, especially Merideth Hackney and Kel Hausken; Accounting Customer Resource; and Application Development in the Office of the State Controller.

Special appreciation to all fiscal and accounting personnel throughout the State whose efforts to contribute accurate, timely financial data for their agencies made this report possible.

STATE OF IDAHO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

TABLE OF CONTENTS

INTRODUCTORY SECTION

| | |
|---|------|
| State Controller's Letter of Transmittal..... | vi |
| Certificate of Achievement for Excellence in Financial Reporting..... | xi |
| Idaho State Government Organization Chart | xii |
| Elected Officials of the State of Idaho | xiii |

FINANCIAL SECTION

| | |
|--|---|
| Independent Auditor's Report | 2 |
| Management's Discussion and Analysis | 5 |

BASIC FINANCIAL STATEMENTS

| | |
|---|----|
| Government-Wide Financial Statements | |
| Statement of Net Assets..... | 14 |
| Statement of Activities | 16 |
| Governmental Fund Financial Statements | |
| Narrative..... | 19 |
| Balance Sheet | 20 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets | 23 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances | 24 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities..... | 26 |
| Proprietary Fund Financial Statements | |
| Narrative..... | 27 |
| Statement of Net Assets..... | 28 |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets | 30 |
| Statement of Cash Flows | 32 |
| Fiduciary Fund Financial Statements | |
| Narrative..... | 35 |
| Statement of Fiduciary Net Assets | 36 |
| Statement of Changes in Fiduciary Net Assets | 37 |
| Index for Notes to the Financial Statements | 38 |
| Notes to the Financial Statements | 39 |

REQUIRED SUPPLEMENTARY INFORMATION

| | |
|--|----|
| Budgetary Comparison Schedule – General Fund and Major Special Revenue Funds | 78 |
| Note to Required Supplementary Information – Budgetary Reporting | 80 |
| Infrastructure – Modified Approach Reporting | 81 |
| Schedules of Funding Progress..... | 83 |
| Schedules of Employer Contributions | 84 |
| Retirement Actuarial Information | 85 |

COMBINING FINANCIAL STATEMENTS

| | |
|---|----|
| Nonmajor Special Revenue Funds | |
| Narrative..... | 89 |
| Balance Sheet | 90 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances | 92 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual | 94 |
| Permanent Funds | |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual | 99 |

TABLE OF CONTENTS

| | |
|---|-----|
| Nonmajor Enterprise Funds | |
| Narrative..... | 103 |
| Statement of Net Assets..... | 104 |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets | 105 |
| Statement of Cash Flows | 106 |
| Internal Service Funds | |
| Narrative..... | 107 |
| Statement of Net Assets..... | 108 |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets | 109 |
| Statement of Cash Flows | 110 |
| Pension (and Other Employee Benefit) Trust Funds | |
| Narrative..... | 113 |
| Statement of Fiduciary Net Assets | 114 |
| Statement of Changes in Fiduciary Net Assets | 116 |
| Agency Funds | |
| Narrative..... | 117 |
| Statement of Assets and Liabilities | 118 |
| Statement of Changes in Assets and Liabilities..... | 119 |

STATISTICAL SECTION

| | | |
|----------|--|-----|
| Schedule | 1 - Revenues by Source..... | 123 |
| Schedule | 2 - Expenditures by Function | 123 |
| Schedule | 3 - Property Taxes by Taxing District and Category of Property | 124 |
| Schedule | 4 - State Sales Tax Revenues | 125 |
| Schedule | 5 - Total Resident Population and Components of Change | 125 |
| Schedule | 6 - Residential Building Activity | 125 |
| Schedule | 7 - Domestic Financial Institutions Deposits | 126 |
| Schedule | 8 - Ten Largest Private Employers in Idaho | 126 |
| Schedule | 9 - Employment Comparison | 126 |
| Schedule | 10 - Labor Force and Employment by Sector | 127 |
| Schedule | 11 - Average Annual Wage..... | 128 |
| Schedule | 12 - Personal Income Comparison | 128 |
| Schedule | 13 - Personal Income by Component..... | 129 |
| Schedule | 14 - Per Capita Personal Income Comparison..... | 130 |
| Schedule | 15 - Full-Time Equivalent Positions – State Employees..... | 130 |
| Schedule | 16 - Public School Enrollment Grades K-12..... | 131 |
| Schedule | 17 - Public Higher Education Enrollment..... | 131 |
| Schedule | 18 - Number of Teachers, Average Salary, and Number of High School Graduates..... | 132 |
| Schedule | 19 - FY 2001-2002 School District Information..... | 132 |
| Schedule | 20 - Idaho's Rank in the Nation's Agriculture | 133 |
| Schedule | 21 - Expenditure and Inmate Population Growth..... | 134 |
| Schedule | 22 - Idaho's Gross Domestic Product | 134 |
| Schedule | 23 - Idaho's Tax Ranking Among the 50 States and D.C. | 135 |
| Schedule | 24 - Revenue from the Lottery | 135 |
| Schedule | 25 - Assets, Liabilities, and Fund Balances – General Fund Accounts..... | 136 |
| Schedule | 26 - Revenues, Expenditures, and Changes in Fund Balances – General Fund Accounts..... | 138 |
| Schedule | 27 - Miscellaneous Statistics..... | 140 |

Introductory Section



Field of onion seed near Kuna

In calendar year 2001, Idaho produced 4,992,000 cwt.* onions making Idaho third among states (excluding California).

Source: Idaho Agricultural Statistics Service

*cwt. is equal to 100 pounds or 1/20 ton



Harvested onions awaiting transport



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December 19, 2002

To: The Honorable Dirk Kempthorne, Governor
Members of the Legislature
Citizens of the State of Idaho

As required by *Idaho Code*, Section 67-1001, I am pleased to transmit the Comprehensive Annual Financial Report (CAFR) to you for the fiscal year ended June 30, 2002. This report represents Idaho's continued commitment to sound and effective fiscal management and to responsible financial reporting based on recognized standards. This CAFR, which includes the State's independently audited basic financial statements, will provide you and the financial community with the information necessary to assess Idaho's financial position, results of operations, and management of its financial resources.

Responsibility for both the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures, rests with the Office of the State Controller. As the State's Chief Fiscal Officer, I am confident the data presented is accurate in all material respects. It is presented in a manner that fairly sets forth the financial position and results of state operations. It is prepared in accordance with generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) and includes recommendations of the Government Finance Officers Association. All disclosures necessary to enable the reader to gain a reasonable understanding of the State's financial position and results of operations have been included.

The State's management has established and maintained an internal control structure in order to ensure that the financial statements are free from material misstatement and that the State's assets are adequately protected from loss, theft, or misuse. In 1994, the formalized Statewide Management Control System (MCS) was developed to provide reasonable assurance that these organizational objectives are met. The MCS includes both financial and administrative controls and provides a framework for managers to work within their own organizational

structures to promote efficient and effective operations in the State. Because the cost of internal controls should not outweigh their benefits, the framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement.

In accordance with *Idaho Code*, Section 67-429, the Legislative Audit staff of the State Legislature audited the State's basic financial statements for the fiscal year ended June 30, 2002, in order to provide reasonable assurance that the CAFR is free of material misstatement. The audit was conducted in accordance with generally accepted governmental auditing standards, and the auditor's opinion is included as the first component of the Financial Section of this report. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the CAFR; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the State of Idaho's basic financial statements for the fiscal year ended June 30, 2002, are fairly presented in conformity with GAAP.

In addition, the Legislative Audit staff has the responsibility for conducting statewide audits under the federal Single Audit Act of 1984 and related OMB Circular A-133 in order to meet the special needs of federal grantor agencies. The State issues a separate Single Audit Report.

GASB Statement No. 34 requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement the



MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

The State of Idaho was admitted into the Union as the 43rd state in 1890. It covers 84,437 square miles bordered on the south by Utah and Nevada, on the east by Wyoming and Montana, on the west by Washington and Oregon, and on the north by Canada. Idaho has a population of 1,321,006. State government is divided into three branches. The Executive Branch is comprised of the Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General, and the Superintendent of Public Instruction. The Legislative Branch is comprised of two houses, a 35-member Senate, and a 70-member House of Representatives. The Judicial Branch is presided over by the Supreme Court, which is led by the Chief Justice, elected by the four other Justices.

The State provides services such as education, health and human services, highway maintenance and construction, public safety and correction, natural resource management, and economic development programs. In addition to general government activities, component units that are part of this report include Idaho State Building Authority, Idaho Life and Health Insurance Guaranty Association, and Petroleum Clean Water Trust Fund.

The annual budgetary process serves as the foundation for the State's financial planning and control. In September of each year, State agencies submit to the Governor's Office and the Legislature's Budget and Policy Analysis staff requests for appropriations for operating expenditures, special outlays, and specific purposes. The Governor's budget recommendations are presented to the Legislature within the first five days of each regular legislative session, which begins in January. The budget is generally appropriated by agency, fund, program, and object. Legal level of budgetary control generally is the same as appropriations.

All claims presented for payment must be certified by the appropriate department that the expenditure is for a purpose intended by law and a sufficient existing and unexpended appropriation balance is available. Budgetary controls are incorporated into the Statewide Accounting and Reporting System to ensure expenditures do not exceed authorized appropriations. The budgetary process is further described in Note 1 and Required Supplemental Information.

ECONOMIC CONDITION AND OUTLOOK

Idaho's economy continued to experience the effects of the recession during 2002. It is estimated that Idaho nonfarm employment will decline 1 percent in 2002, Idaho personal income will rise just 4.6 percent, and population will increase 1.2 percent. In comparison, in 2001 nonfarm employment expanded 1.6 percent, personal income rose 3.9 percent, and population grew 1.7 percent. Although the slow growth has been disappointing, it has been growth nonetheless. The outlook calls for nonfarm employment to accelerate slightly through 2005, but remain below 2.5 percent each year. Idaho nominal personal income is expected to rise 5.1 percent in both 2003 and 2004 and 5.5 percent in 2005. Population growth is expected to slow due to economic conditions, averaging around 1.1 percent through 2005.

Idaho's high-tech firms continued to be hit hard during 2002. The closing of Jabil Circuit will idle an estimated 500 high-tech employees by the end of the year. The closure is another setback during one of the high-tech sector's most challenging periods. The ex-Jabil Circuit employees will join the ranks of the approximately 4,000 other Idaho high-tech employees that have lost jobs during the current U.S. business investment downturn. Idaho's lumber and wood products sector employment is expected to continue to decrease due to lack of available timber. According to federal records, harvests from Idaho national forests fell an astounding 78 percent over the past decade. The toll of this dwindling supply has been high. For example, jobs were lost when the former Boise Cascade mills in Cascade and Emmett ceased operations. Idaho lumber and wood products employment is forecast to go from 11,489 in 2001 to 9,882 in 2005.

Highlights of Idaho's recent economic performance include the following:

- Personal income grew 3.9 percent in 2001 and is estimated to have grown 4.6 percent in 2002.
- Per capita income grew 2.2 percent in 2001 and is estimated to have grown 3.3 percent in 2002.
- Real (inflation-adjusted) personal income grew 1.8 percent in 2001 and is estimated to have grown 3.0 percent in 2002.
- Real (inflation-adjusted) per capita personal income grew by 0.2 percent in 2001 and is estimated to have grown by 1.8 percent in 2002.
- Population grew by 1.7 percent in 2001 and is estimated to have grown by 1.2 percent in 2002.

- Net migration was 10,645 in 2001 and is estimated at 4,603 in 2002.

Idaho's economic outlook is expected to improve slightly in 2004 and 2005. The Gem State's total nonfarm employment growth is expected to average 1.5 percent in 2003 and 2.1 percent in 2004. Most of the State's employment growth will continue to come from the constantly evolving services-producing sector.

Personal income growth in Idaho is expected to increase to 5.1 percent in 2003 and remain there in 2004, which is an increase from 2001's growth of 3.9 percent.

Population growth for 2003 is expected to be 1.1 percent, a continuing decrease from 2001's rate of 1.7 percent and 2002's estimated rate of 1.2 percent. This is a little higher than the U.S. population growth of 0.9 percent. Idaho's population growth is expected to remain at 1.1 percent in 2004. Not surprisingly, net migration also slows from the recent rate of about 4,603 to around 3,345 in 2003.

MAJOR INITIATIVES

Education

Idaho's emphasis on its youth and their education was continued by the fifty-sixth Legislature. The fiscal year 2002 General Fund budget for public school support (grades K through 12) saw an increase of 4.1 percent. The total appropriation, including dedicated funds, was \$969.5 million, a 4.2 percent increase overall.

This appropriation provided funding for a 5.5 percent increase in base salaries for public school teachers, from \$22,000 in FY 2001 to \$23,210 in FY 2003. It also provided \$8 million to begin the implementation of Achievement Standards and full funding for all statutorily required programs.

Other educational programs were also given appropriation increases. Colleges and universities received a 9.7 percent General Fund increase and a 9.5 percent increase in all funds over 2001 levels. All maintenance of current operations increases were fully funded. In addition, \$5.1 million was appropriated to fund faculty pay increases and hire new faculty in high-demand programs. One-time funding in the amount of \$2 million was appropriated to upgrade and replace science and technology equipment. Also, \$1.8 million was appropriated for the Idaho Technology Incentive Grant Program to encourage higher education faculty to

increase the use of technology in the teaching and learning process and foster distance-learning efforts between the universities.

Health and Human Services

During fiscal year 2002, the Department of Health and Welfare received \$32.8 million in additional General Fund money. This is an increase of 10.4 percent over fiscal year 2001. The lion's share of this amount was appropriated to cover costs associated with the State's Medicaid program. Some of the increase in Medicaid expenditures can be attributed to an estimated increase of 68.9 percent in caseload from 1999 to 2002, going from 85,750 in 1999 to a projected 144,800 in 2002. In addition, spending associated with pharmaceuticals, long-term care, mental health, and developmental disabilities have been rising faster than most other states. In an effort to control the spiraling costs in Medicaid, the Department continues designing a regional comprehensive utilization management plan for mental health and developmental disabilities services, the two fastest growing areas in the Medicaid budget.

Other priority areas in Health and Social Services include enhancing childhood immunizations, developing a grant program for the Community Resource Workers program, and expanding community-based mental health services for seriously emotionally disturbed (SED) children.

Commerce

The Joint Finance Appropriations Committee approved \$3.9 million in enhancements for rural Idaho. This included \$3 million for an Idaho Rural Community Block Grant Program that is designed to ease the financial burden to Idaho cities and counties for public facility construction. Matched by other funding sources, the dollars will help rural communities construct the infrastructure necessary to support job creation projects.

Local Government

The Idaho Bond Bank Authority was created to purchase municipal bonds and to issue bonds payable from, or secured by, municipal bonds. The Act creating the Authority pledged sales tax revenues of the State as a source of security for municipal bonds. This will enable municipalities, including school districts and cities, to take advantage of economies of scale thereby reducing the expenses related with issuing bonds normally borne by those paying principal, interest, and other costs associated with the bonds.

FINANCIAL SECTION

Cash Management and Investments

The State Treasurer is responsible for investing the State's cash, (except for certain organizations within the State's reporting entity having independent powers to manage and invest their own cash). The State Treasurer is allowed to invest in investment grade ("A" rating or higher) securities ranging from U.S. Treasury Bills to domestic corporate bonds. The State Treasurer also manages an investment pool for local governments' cash balances under the same legal provisions. Cash management and investments are discussed more fully in Notes 1 and 2 to the basic financial statements.

Risk Management

The State maintains a combination of commercial and self-insurance to cover the risk of losses to which it may be exposed. The Risk Management fund manages property and general liability risk. It self-insures general liability up to \$500,000 per claim and property damage claims up to \$250,000 per claim. Commercial insurance is purchased for property and general liability risks not self-insured. The Group Insurance fund manages life, health, and disability insurance programs. While the State purchases commercial insurance to cover losses for these programs, claims that exceed 100 percent of the annual carrier premiums are paid by the State, up to 109 percent of the medical premium and 110 percent for dental and life insurance. The insurance carrier then assumes the risk of loss for claims above these amounts. Risk Management is discussed more fully in Note 8.

Pension and Other Postemployment Benefits

The Public Employee Retirement System of Idaho (PERSI) administers a multiple-employer defined benefit retirement plan to provide retirement benefits for public employees in the State of Idaho. Benefits are funded from members, employers, and earnings from investments. The funding policy provides for periodic employer contributions at actuarially determined rates that are adequate to accumulate sufficient assets to pay benefits when due. An actuarial valuation is performed annually. PERSI amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for PERSI permitted under *Idaho Code*, Section 59-1322, is 25 years. On an actuarial basis, the assets held currently fund 84.9 percent of the liability for all PERSI employers. The funding ratio for FY 2000, prior to the market decline was 116.5 percent.

The State also funds or partially funds postemployment benefits relating to health, disability, and life insurance.

Postretirement health insurance benefits are advance funded with employer contributions on an actuarially determined basis. Postretirement health insurance premiums are paid from the retiree's sick leave account.

Additional information on the State's pension arrangements and postemployment benefits can be found in Notes 6 and 7 to the basic financial statements.

AWARDS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Idaho for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001. This is the fifth consecutive year that the State of Idaho achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. We are committed to this ongoing effort and intend to maintain a highly qualified and professional staff to make Idaho's certification possible.

In addition, the State also received GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for its Citizens' Report for the fiscal year ended June 30, 2001. This is the fourth year the State received this prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report with contents that conform to program standards of creativity, presentation, understandability, and reader appeal.

One of the State's agencies, the Public Employee Retirement System of Idaho (PERSI), has prepared a Comprehensive Annual Financial Report for the system for the last eleven years. PERSI should be recognized for this major accomplishment.

ACKNOWLEDGEMENTS

The State Controller's Office takes great pride in the preparation of this comprehensive report. It is an honor

to recognize our staff for their extraordinary diligence and excellence in preparing the CAFR. The professionalism, dedication, and extra effort put forth by all the individuals involved has been exemplary.

Sincere appreciation is extended to Governor Dirk Kempthorne for his support in preparing this report. His support makes it possible to prepare a complete and accurate report of the State's financial position and results of operations. This report allows managers in the State to adequately plan for Idaho's future in order to maintain a strong financial position. It also reflects the commitment and efforts of the Division of Financial Management staff led by Brian Whitlock. The State's chief economist, Michael H. Ferguson, provided information contained in the economic condition and outlook portion of this letter.

Sincere appreciation is extended to the budget and accounting officers throughout state government for their major efforts in providing timely information necessary

to complete this report. In addition, the strong support of the Legislature and particularly the Joint Finance Appropriation Committee has made this cornerstone of accountability available to our citizens.

In addition, the auditing staff at Legislative Services led by Ray Ineck must be recognized for true dedication and professionalism. Their independent and critical review of this CAFR has truly served the citizens of Idaho. Legislative Services deserves much of the credit for our success and in being able to submit this report on a timely basis.

Finally, as Idaho's State Controller-elect and the current Acting State Controller, I gratefully acknowledge J.D. Williams, who retired as Idaho's State Controller on October 31, 2002. J.D.'s contributions to Idaho have been significant, not only during his 14-year tenure as State Controller, but also during his prior years of public service as a deputy attorney general, prosecutor, and mayor.

Respectfully submitted,

A handwritten signature in black ink that reads "Keith Johnson". The signature is written in a cursive, flowing style.

Keith L. Johnson
Acting Idaho State Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Idaho

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



William Patrick Rote
President

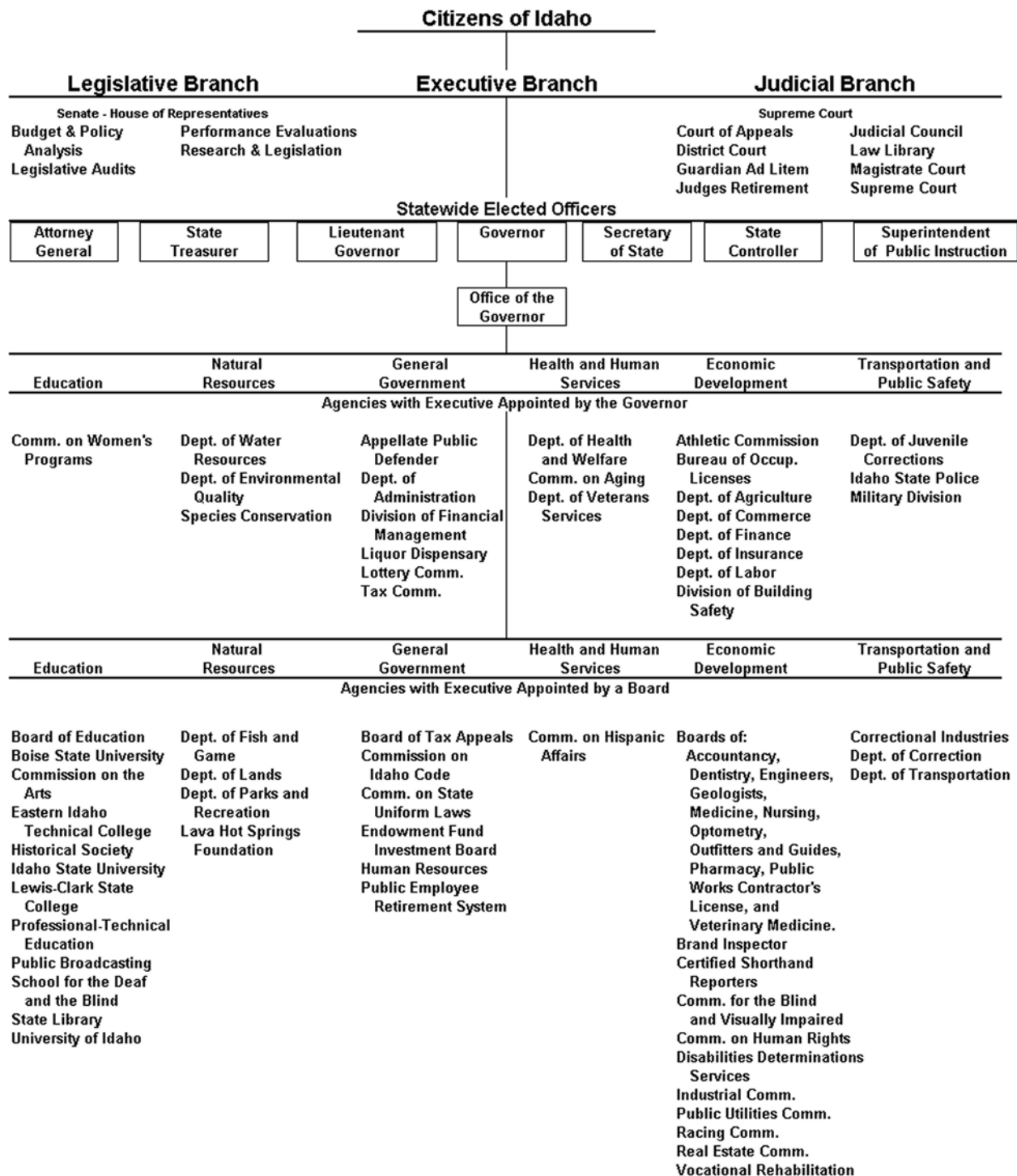
Jeffrey L. Esser
Executive Director



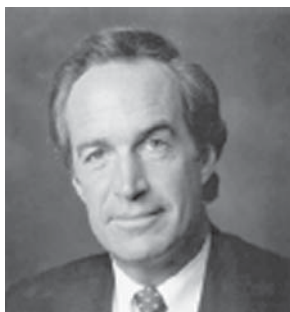
2001-2002 Organization Chart

Idaho State Government

State agencies based on gubernatorial appointment authority



Elected Officials of the State of Idaho



DIRK KEMPTHORNE
Governor



PETE T. CENNARUSA
Secretary of State



JACK RIGGS
Lieutenant Governor



J. D. WILLIAMS
State Controller



RON CRANE
State Treasurer



ALAN G. LANCE
Attorney General



MARILYN HOWARD
Superintendent of
Public Instruction



BRUCE NEWCOMB
Speaker, Idaho House of
Representatives



LINDA COPPLE TROUT
Chief Justice,
Idaho Supreme Court



BOB GEDDES
President, Pro Tempore
Idaho State Senate



Financial Section



Kentucky Bluegrass Seed



Curing Kentucky Bluegrass in Kootenai County

Idaho has become a major producer of Kentucky Bluegrass seed. In calendar year 2002, Idaho grew 30,000 acres in Nez Perce County, 11,000 acres in Latah County, 7,500 acres in Kootenai County, 300 acres in Boundary County, and 30,000 acres on the Coeur d'Alene Reservation.

Source: North Idaho Farmers Association



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December 19, 2002

Independent Auditor's Report

Honorable Dirk Kempthorne, Governor
Honorable Members of the Legislature
Keith Johnson, Acting State Controller

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the State of Idaho as of and for the year ended June 30, 2002, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Endowment Fund Investment Board, State Lottery Commission, Public Employees Retirement System of Idaho, University of Idaho, Idaho State University, Boise State University, Lewis and Clark State College, Eastern Idaho Technical College, Idaho Life and Health Insurance Guaranty Association, Petroleum Clean Water Trust Fund, and Idaho Building Authority. Those financial statements reflect total assets and revenues of the government-wide financial statements and total assets and revenues of the fund financial statements as follows:

| <u>Government-Wide Financial Statements</u> | <u>Percent of Assets</u> | <u>Percent of Revenues</u> |
|--|--------------------------|----------------------------|
| Primary Government - Governmental Activities | 15.0% | 0.1% |
| Primary Government - Business-Type Activities | 67.8% | 71.6% |
| Aggregate Discretely Presented Component Units | 100% | 100% |
| <u>Fund Financial Statements:</u> | <u>Percent of Assets</u> | <u>Percent of Revenues</u> |
| Governmental Funds | | |
| Public School Endowment - Major Fund | 100% | 100% |
| Pooled Endowment - Major Fund | 100% | 100% |
| Proprietary Funds | | |
| College and Universities - Major Fund | 100% | 100% |
| State Lottery - Major Fund | 100% | 100% |
| Aggregate Remaining Fund Information | 79.8% | 2.4% |

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Serving Idaho's Citizen Legislature

Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those agencies and component units, is based on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component unit, the Idaho Life and Health Insurance Guaranty Association, were not audited in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, are not covered by our reports in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Idaho as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the basic financial statements, the State adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*.

The management's discussion and analysis on pages 5 through 12, budgetary comparison schedule and corresponding notes on pages 78 through 80, information about infrastructure assets reported using the modified approach on pages 81 through 82, and information about the retirement funds on pages 83 through 85, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Page 3
December 19, 2002

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining financial statements as listed in the accompanying table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion thereon.

In accordance with *Government Auditing Standards*, we have issued our report dated December 19, 2002, on our consideration of the State of Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit. That report is issued under separate cover in the State's *Single Audit Report*.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Thomas Haddock", is written over a light gray rectangular background.

Thomas Haddock, CPA
Legislative Audits

TH/rmt

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the State of Idaho's financial performance provides an overview and analysis of the State's financial activities for the fiscal year ended June 30, 2002. Please read it in conjunction with the transmittal letter, which can be found preceding this narrative, and the State's financial statements, which follow.

Because this is the first year the State implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, this discussion and analysis provides few comparisons with the previous year. However, in future years, comparisons will be more meaningful and will go further in explaining the State's financial position and results of operations.

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

Government-Wide Highlights

The assets of the State exceed its liabilities for the fiscal year ended June 30, 2002, by \$6 billion (reported as net assets). Of this amount, \$610.8 million (unrestricted net assets) may be used to meet the State's ongoing obligations to citizens and creditors.

In fiscal year 2002, the State's total net assets decreased by \$297.2 million. Net assets of governmental activities decreased by \$320.6 million, while net assets of business-type activities increased by \$23.4 million.

Fund Highlights

As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$1.4 billion, with \$773.6 million reserved for specific purposes and \$589.5 million unreserved. This includes the General Fund's unreserved fund balance of \$324.3 million.

Long-Term Debt

The State's long-term debt increased \$83 million during the current fiscal year. The key factor in this increase was the issuance of revenue bonds by the Idaho State Building Authority and the colleges and universities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements, which comprise the following three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes additional required supplementary information and other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. They report information about the State as a whole and present a long-term view of the State's finances using accounting methods similar to those used in the private sector. The statements are prepared using the flow of economic resource measurement focus and accrual basis of accounting. The current year's revenues and expenses are recorded as transactions occur rather than when cash is received or paid.

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

The *Statement of Activities* presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs,

regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (such as uncollected taxes and earned but unused vacation leave). It reports expenses and revenues in a format that focuses on the net cost of each function, allowing you to see which functions of the State rely on the general revenues of the State and which functions contribute to the revenues of the State.

The government-wide financial statements are divided into the following three categories:

Governmental activities encompass most of the State's basic services, such as general government, public safety and correction, health and human services, education, economic development, natural resources, and transportation. Revenues from taxes and federal grants finance most of these activities.

Business-type activities account for operations that function in a manner similar to private business, where the cost of providing goods or services is primarily financed through user charges. These activities include college and universities, unemployment benefit payments, and lottery ticket sales.

Discretely presented component units are organizations legally separate from but financially accountable to the State, or their relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. The discretely presented component units include the Petroleum Clean Water Trust Fund and the Idaho Life and Health Insurance Guaranty Association.

Fund Financial Statements

The fund financial statements provide detailed information about the State's most significant funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to demonstrate compliance with finance-related legal requirements. The State's funds are divided into the following three categories:

Governmental funds account for most of the State's basic services and provide a detailed short-term view of the State's general government operations. They account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Governmental funds include the General Fund, special revenue funds, and permanent funds.

Proprietary funds account for activities similar to for-profit enterprises, where the determination of net income is necessary for sound financial administration. Enterprise funds report activities that provide supplies or services to the general public; internal service funds report activities that provide supplies and services for the State's programs and activities. Internal service funds are reported as governmental activities on the government-wide statements since their services predominantly benefit the State. Proprietary funds provide the same type of information as the government-wide financial statements, only in greater detail. Like the government-wide statements, proprietary fund financial statements use the accrual basis of accounting.

Fiduciary funds account for resources held for the benefit of parties outside the State. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the State's programs. These funds are reported using the accrual basis of accounting.

This report includes two schedules in the governmental fund financial statements that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (accrual accounting) on the appropriate government-wide statements. By comparing the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, you may better understand the long-term impact of the State's near-term financing decisions.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the fiduciary fund financial statements.

Additional Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes a budgetary comparison schedule reconciling the statutory operating activities for budgetary purposes to the generally accepted accounting principles operating activities and fund balances, as presented in the governmental fund financial statements; condition and maintenance data regarding the State's infrastructure that is reported using the modified basis; and schedules of funding progress and employer contributions in funding the State's obligation to provide pension benefits to its employees.

Other Supplementary Information

Combining financial statements are presented after the required supplementary information to provide more detail for nonmajor special revenue, proprietary, and fiduciary funds. The total columns of these combining financial statements tie to the applicable combined fund financial statement.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE**Net Assets**

Net assets measure the difference between what the State owns (assets) versus what the State owes (liabilities). Net assets may serve over time as a useful indicator of the State's financial position. The State's assets exceed liabilities by \$6 billion.

Net Assets as of June 30, 2002

| | Governmental Activities | Business-Type Activities | Total Primary Government |
|-----------------------------|------------------------------------|-------------------------------------|-------------------------------------|
| Current and Other Assets | \$1,861,985,251 | \$962,293,849 | \$2,824,279,100 |
| Capital Assets | 3,578,447,366 | 608,846,677 | 4,187,294,043 |
| Total Assets | 5,440,432,617 | 1,571,140,526 | 7,011,573,143 |
| Long-Term Liabilities | 241,066,925 | 383,891,917 | 624,958,842 |
| Other Liabilities | 339,215,394 | 76,660,133 | 415,875,527 |
| Total Liabilities | 580,282,319 | 460,552,050 | 1,040,834,369 |
| Net Assets: | | | |
| Invested in Capital Assets, | | | |
| Net of Related Debt | 3,467,060,739 | 392,357,651 | 3,859,418,390 |
| Restricted | 1,005,081,656 | 495,446,470 | 1,500,528,126 |
| Unrestricted | 388,007,903 | 222,784,355 | 610,792,258 |
| Total Net Assets | \$4,860,150,298 | \$1,110,588,476 | \$5,970,738,774 |

The largest component (64.6 percent) of the State's net assets reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery and equipment), net of accumulated depreciation and less any related debt outstanding that was needed to acquire or construct the assets. Restricted net assets are the next largest component, comprising 25 percent. These resources are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The remaining portion, unrestricted net assets, may be used at the State's discretion, but often have limitations on use based on state statutes.

Changes in Net Assets

The State's overall financial position worsened during the fiscal year, as evidenced by the \$297.2 million decrease in net assets. Key elements of this decrease include a 25.6 percent decrease (\$302 million) in individual and corporate income taxes due to a structural reduction in the tax base and the national recession. In addition, estate taxes decreased by 81 percent (\$34 million). Modestly dampening the effect of the downturn in income and estate taxes were tobacco tax and wine tax revenues (respectively experiencing a 19.5 percent and 19.2 percent increase). Another factor indicating further deterioration of the State's financial position was the reduction in value of the investments held by the State. The decrease in fair value in investments for the permanent funds amounted to \$112.8 million. The effect of this explains the negative amount in the Operating Grants and Contributions column for the Natural Resources function in the Statement of Activities.

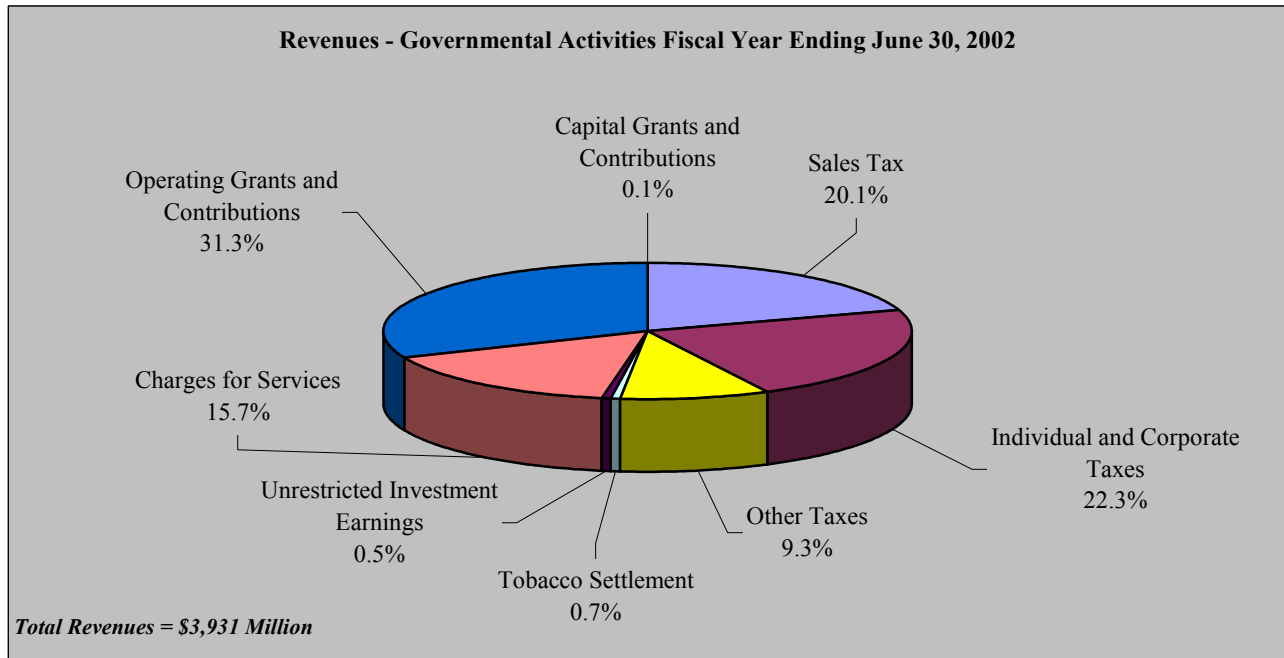
The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during the fiscal year:

**Changes in Net Assets
for Fiscal Year Ending June 30, 2002**

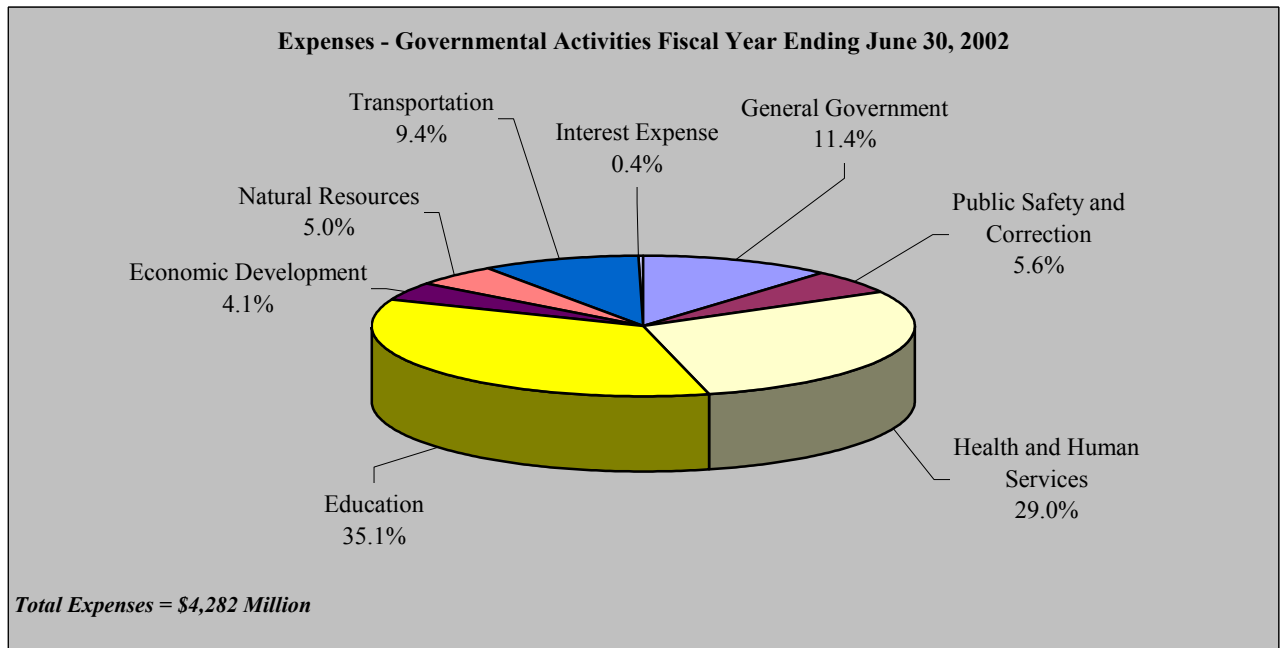
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total Primary Government</u> |
|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|
| Revenues | | | |
| Program Revenues | | | |
| Charges for Services | \$618,586,343 | \$527,370,333 | \$1,145,956,676 |
| Operating Grants and Contributions | 1,230,062,636 | 174,574,327 | 1,404,636,963 |
| Capital Grants and Contributions | 3,564,384 | 42,488,173 | 46,052,557 |
| General Revenues | | | |
| Sales Tax | 789,110,444 | | 789,110,444 |
| Individual and Corporate Taxes | 877,593,969 | | 877,593,969 |
| Other Taxes | 364,434,089 | | 364,434,089 |
| Tobacco Settlement | 26,602,063 | | 26,602,063 |
| Unrestricted Investment Earnings | 21,007,455 | | 21,007,455 |
| Other | | 301,883,256 | 301,883,256 |
| Total Revenues | <u>3,930,961,383</u> | <u>1,046,316,089</u> | <u>4,977,277,472</u> |
| Expenses | | | |
| General Government | 486,809,250 | | 486,809,250 |
| Public Safety and Correction | 239,336,244 | | 239,336,244 |
| Health and Human Services | 1,242,565,831 | | 1,242,565,831 |
| Education | 1,504,029,794 | | 1,504,029,794 |
| Economic Development | 176,399,358 | | 176,399,358 |
| Natural Resources | 215,537,602 | | 215,537,602 |
| Transportation | 401,068,723 | | 401,068,723 |
| Interest Expense | 16,651,918 | | 16,651,918 |
| College and University | | 665,907,454 | 665,907,454 |
| Unemployment Compensation | | 182,342,999 | 182,342,999 |
| State Lottery | | 71,848,147 | 71,848,147 |
| Nonmajor Enterprise Funds | | 72,015,310 | 72,015,310 |
| Total Expenses | <u>4,282,398,720</u> | <u>992,113,910</u> | <u>5,274,512,630</u> |
| Increase (Decrease) in Net | | | |
| Assets before Transfers | (351,437,337) | 54,202,179 | (297,235,158) |
| Transfers | 30,779,120 | (30,779,120) | |
| Change in Net Assets | (320,658,217) | 23,423,059 | (297,235,158) |
| Net Assets, Beginning | | | |
| of Year, as Restated | 5,180,808,515 | 1,087,165,417 | 6,267,973,932 |
| Net Assets, End of Year | <u>\$4,860,150,298</u> | <u>\$1,110,588,476</u> | <u>\$5,970,738,774</u> |

Governmental Activities:

The following chart depicts revenues of the governmental activities for the fiscal year:



The following chart depicts expenses of the governmental activities for the fiscal year:



Business-Type Activities:

Business-type activities increased the State's net assets by \$23.4 million. The largest changes were seen in the following funds:

- College and University net assets increased by \$29.6 million mainly due to increases of capital contributions, gifts, grants, tuition rates, and enrollment. Operating expenses were offset by increases in state aid.
- The nonmajor enterprise funds saw an increase in net assets of \$23.8 million primarily due to an increase in federal grants received by the State for lending to municipalities to make improvements to wastewater and drinking water systems.
- State Lottery saw an increase in net assets of \$8.9 million primarily due to an increase in ticket sales of \$10.2 million.
- Unemployment Compensation saw a decrease in net assets of \$38.9 million due to increasing unemployment benefit payments from \$122.9 million in fiscal year 2001 to \$182.3 million in fiscal year 2002. However, the impact on net assets was lessened by the increase in operating revenues during the year.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$1.4 billion. Less than one half (\$589.5 million or 43.2 percent) of this total amount constitutes unreserved fund balance, which is available for appropriation for the general purposes of the funds, but may be limited by state statutes. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been reserved for various commitments, such as liquidation of purchase orders and contracts of the prior period and permanent trusts held for education.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unreserved fund balance was \$324.3 million and reserved fund balance was \$40.3 million. Total fund balance diminished \$273.3 million (42.8 percent) during the fiscal year, primarily as a result of lower tax collections and slowing of the economy.

Health and Welfare's fund balance improved by 56.5 percent from 2001's deficit fund balance of \$14.8 million to a deficit of \$6.4 million in fiscal year 2002. Although expenditures increased by \$97.9 million, the majority of which can be attributed to an increase in Medicaid costs, additional revenue was received from federal grants, transfers from the General Fund, and Medicaid receipts, primarily drug rebates and audit settlements.

Transportation's fund balance decreased by 21.2 percent, from \$136.3 million to \$107.5 million, primarily due to a \$27.6 million reduction in tax revenue. This decline in revenue was due to the repeal of the weight/distance tax, which changed to an annual registration fee. The fund saw a one-time spike in revenue during fiscal year 2001 because Transportation was collecting both the tax and the annual registration fee since this was the year of change. In fiscal year 2002, Transportation's revenues were comparable to years prior to fiscal year 2001.

Proprietary Funds

Proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. These funds are discussed in Business-Type Activities, above.

GENERAL FUND BUDGETARY HIGHLIGHTS

The variations between the original budget and the final budget in the expenditures section of the budgetary comparison schedule are minor, \$26.2 million, or less than a 2 percent decrease in original expenditure appropriations. The original budget amount represents the original appropriation, prior year reappropriations, and continuous appropriations. The final budget amount includes the original budget plus supplemental (positive or negative) appropriations, Governor's

holdbacks, Board of Examiners reductions, object transfers, actual transfers, and receipts to the appropriation. The variation between the final budget and actual spending is a favorable \$249.4 million (or 10.5 percent). This was primarily due to conservative fiscal policy as a result of the poor economy. Fiscal year 2002 was dominated by a recession-driven revenue shortfall of \$155 million in general funds.

Although it is anticipated that the General Fund will experience reduced revenues in the next fiscal year, corresponding reductions in spending and other measures will help ensure a balanced budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2002, the State had \$4.2 billion (net of accumulated depreciation) invested in a broad range of capital assets (see the table below). Depreciation charges for this fiscal year totaled \$73.2 million.

Capital Assets as of June 30, 2002
(net of depreciation)

| | Governmental Activities | Business-type Activities | Total Primary Government |
|-----------------------------------|------------------------------------|-------------------------------------|-------------------------------------|
| Land | \$156,948,548 | \$24,885,980 | \$181,834,528 |
| Buildings and Improvements | 233,283,442 | 454,175,267 | 687,458,709 |
| Improvements Other Than Buildings | 14,497,751 | 5,527,978 | 20,025,729 |
| Machinery, Equipment, and Other | 113,983,196 | 91,210,786 | 205,193,982 |
| Infrastructure | 2,672,916,555 | | 2,672,916,555 |
| Construction in Progress | 386,817,874 | 33,046,666 | 419,864,540 |
| Total | \$3,578,447,366 | \$608,846,677 | \$4,187,294,043 |

This amount represents a net increase (including additions and deductions) of \$181 million, or 4.5 percent, over the adjusted ending balance of fiscal year 2001. This year's major additions include \$185 million spent for infrastructure assets, which includes the following: construction in progress (\$130 million), roadways (\$39 million), bridges (\$11 million), and right of ways (\$5 million).

Reporting infrastructure on the financial statements is new for fiscal year 2002. The State uses the traditional method of depreciation for its 1,646 bridges and 45 rest areas or ports of entry. As allowed by GASB Statement No. 34, the State has adopted the modified approach for reporting roads. Under this alternative method, certain maintenance and preservation costs are expensed and depreciation expense is not reported. Approximately 11,800 lane miles of roads are accounted for under the modified approach. The State manages its roadway network using its Pavement Management System to monitor road surface condition. The pavement surface condition rating is a numerical condition scale ranging from 0.0 (extremely poor) to 5.0 (perfect). A roadway surface is considered very poor under this approach at less than 2.0. The State has consistently improved the assessed condition of road surfaces over the past five years. The State's established condition level is to have no more than 18 percent of road surfaces in poor or very poor condition. The latest condition assessment rating showed that the State had 82 percent of its road surfaces in good or fair condition up from 77 percent in condition assessment year 1997. During fiscal year 2002, the State spent \$57.3 million to maintain Idaho's road surfaces and achieve the level of 82 percent of road surfaces in good or fair condition. The estimate to achieve this level was \$62 million.

The majority of construction commitments will be paid from the Transportation fund (\$276 million), most of which is for infrastructure; the General Fund (\$113 million) to complete state buildings and other assets; and the College and University fund (\$33 million) to complete buildings. More detailed information about the State's capital assets is presented in Notes 1 and 5 of the financial statements and in required supplementary information.

Long-Term Debt

Article VIII, Section 1, of the *Idaho Constitution* amended in 1998, specifies that the Legislature shall not create any debts or liabilities, except in extreme emergencies, unless authorized by law and then approved by the people at a general election. This does not apply to liabilities incurred for ordinary operating expenses, nor debts or liabilities that are repaid by the end of the fiscal year. The debts or liabilities of independent public bodies corporate and politic created by law and which have no power to levy taxes or obligate the General Fund of the State are not debts or liabilities of the State of Idaho.

At fiscal year-end 2002, the State had \$380.9 million in bonds and notes outstanding versus \$297.9 million the prior year, an increase of 27.9 percent. New debt resulted from the University of Idaho, Boise State University, and the Idaho State Building Authority issuing revenue bonds in the amounts of \$40.8 million, \$38.1 million, and \$16.1 million respectively, for various projects.

The credit rating for the State of Idaho did not change during the year. Although the State has no general obligation debt outstanding, Moody's, an investor rating service, has assigned the State an issuer rating of Aa3 with a stable outlook. Moody's top rating is Aaa, bonds rated Aa differ from Aaa only in that the revenue sources for double-A rated bonds are slightly less secure than the revenue sources for triple-A bonds. Per Moody, Idaho's credit quality is based on its expanding and multifaceted economy, cautious financial management, a track record of conservative cash flow projections, and a diverse General Fund tax base. In addition, the State's conservative debt policies have led to modest debt levels, well below that of most states. More detailed information about the State's long-term debt is presented in the notes to the financial statements.

ECONOMIC FACTS AND NEXT YEAR'S BUDGETS AND RATES

Downturns in the U.S. economy, which began during fiscal year 2001, continued to impact the State during fiscal year 2002. The Legislative session (for fiscal year 2003) enacted permanent base reductions for all state agencies and institutions varying from 2.5 percent to 14.9 percent. In addition, inflationary increases were not funded. The fiscal year 2003 General Fund appropriation is 1.3 percent lower than the final fiscal year 2002 appropriation. This is the first time that a General Fund budget for the coming year was lower than the current fiscal year. The number of full-time state employees was also reduced by approximately 227 positions from the fiscal year 2002 level.

On August 30, 2002, the Governor held a press conference to announce plans to manage the expected revenue shortfall of \$168 million for fiscal year 2003 through spending reductions, use of budget reserves, and the deferment of capital improvement and maintenance projects, such as the following:

- Holdback of \$25 million (3.5 percent) of state agency funds, excluding public schools and higher education,
- Use of the Budget Stabilization fund, \$25 million; the Millennium fund, \$65 million; and the Risk Management fund surplus, \$5 million,
- Deferral of maintenance projects, \$35 million, and Permanent Building fund projects, \$13 million.

Revenue results from August through November 2002 have exceeded projections such that the total expected shortfall may be up to \$30 million less than estimated. Final legislation designed to address the 2003 shortfall is dependent on future revenue results and the actions of the 2003 legislature, convening in January 2003.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to show the State's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the State Controller: 700 West State Street, P.O. Box 83720 Boise, ID 83720-0011, (208) 334-3150.

Basic Financial Statements



Inspecting mature barley

Twenty percent of all the barley produced in the U.S. is from Idaho. With a production volume of 50,250,000 bushels in calendar 2001, Idaho ranked second among states.

Source: Idaho Agricultural Statistics Service



Harvesting a barley field in the Wood River area

State of Idaho

Statement of Net Assets
June 30, 2002

| | Primary Government | | |
|---|------------------------------------|-------------------------------------|------------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Cash Equity with Treasurer | \$460,221,652 | \$120,840,255 | \$581,061,907 |
| Cash and Cash Equivalents | 39,930,175 | 264,203,015 | 304,133,190 |
| Investments | 903,362,248 | 344,240,310 | 1,247,602,558 |
| Accounts Receivable, Net | 26,458,989 | 84,237,929 | 110,696,918 |
| Taxes Receivable, Net | 241,419,185 | | 241,419,185 |
| Internal Balances | (4,489,734) | 4,489,734 | |
| Due from Other Entities | 149,867,127 | | 149,867,127 |
| Advance to Primary Government | | | |
| Inventory | 23,618,008 | 13,970,569 | 37,588,577 |
| Loans and Notes Receivable, Net | 9,429,069 | 109,936,012 | 119,365,081 |
| Other Assets | 12,168,532 | 20,376,025 | 32,544,557 |
| Capital Assets: | | | |
| Nondepreciable | 2,902,532,382 | 57,932,646 | 2,960,465,028 |
| Depreciable, Net | 675,914,982 | 550,914,031 | 1,226,829,013 |
| Total Assets | \$5,440,432,615 | \$1,571,140,526 | \$7,011,573,141 |
| LIABILITIES | | | |
| Accounts Payable | \$101,306,091 | \$27,753,743 | \$129,059,834 |
| Medicaid Payable | 106,820,584 | | 106,820,584 |
| Due to Other Entities | 10,006 | | 10,006 |
| Advance from Component Unit | 7,000,000 | | 7,000,000 |
| Deferred Revenue | 29,935,604 | 11,033,614 | 40,969,218 |
| Deposits | 10,660,006 | 3,550,563 | 14,210,569 |
| Other Accrued Liabilities | 83,483,103 | 34,322,213 | 117,805,316 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 69,953,542 | 42,282,222 | 112,235,764 |
| Due in More Than One Year | 171,113,383 | 341,609,695 | 512,723,078 |
| Total Liabilities | 580,282,319 | 460,552,050 | 1,040,834,369 |
| NET ASSETS | | | |
| Invested in Capital Assets, Net of Related Debt | 3,467,060,739 | 392,357,651 | 3,859,418,390 |
| Restricted for: | | | |
| Claims and Judgments | 27,663,786 | | 27,663,786 |
| Debt Service | 51,761,517 | | 51,761,517 |
| Transportation | 131,566,776 | | 131,566,776 |
| Regulatory | 36,081,400 | | 36,081,400 |
| Natural Resources and Fish and Game | 54,041,464 | | 54,041,464 |
| Health and Human Services | 4,268,136 | | 4,268,136 |
| Unemployment Compensation | | 318,680,542 | 318,680,542 |
| Permanent Trust - Expendable | 15,853,270 | 41,619,714 | 57,472,984 |
| Permanent Trust - Nonexpendable | 647,942,890 | 70,176,411 | 718,119,301 |
| Other Purposes | 35,902,417 | 64,969,803 | 100,872,220 |
| Unrestricted | 388,007,903 | 222,784,355 | 610,792,258 |
| Total Net Assets | 4,860,150,298 | 1,110,588,476 | 5,970,738,774 |
| Total Liabilities and Net Assets | \$5,440,432,617 | \$1,571,140,526 | \$7,011,573,143 |

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

| Component Units | |
|--|---------------------------------------|
| Petroleum Clean Water Trust Fund | Life and Health Insurance Guaranty |
| \$2,257,370 | \$2,494,587 |
| 29,998,205 | 6,150,390 |
| 205,869 | |
| 8,000,000 | |
| | 44,135 |
| | 2,209 |
| \$40,461,444 | \$8,691,321 |
| | \$522,130 |
| | 5,263 |
| \$86,297 | |
| 2,363,193 | 48,000 |
| 4,887,086 | |
| 7,336,576 | 575,393 |
| | 2,209 |
| 33,124,868 | 8,113,719 |
| 33,124,868 | 8,115,928 |
| \$40,461,444 | \$8,691,321 |

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

State of Idaho

**Statement of Activities
For the Fiscal Year Ended June 30, 2002**

| | | Program Revenues | | |
|------------------------------------|------------------------|----------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| | Expenses | | | |
| FUNCTIONS | | | | |
| Primary Government | | | | |
| Governmental Activities | | | | |
| General Government | \$486,809,250 | \$218,738,750 | \$29,400,998 | |
| Public Safety and Correction | 239,336,244 | 19,978,889 | 18,653,324 | \$3,448,762 |
| Health and Human Services | 1,242,565,831 | 57,702,283 | 817,812,841 | |
| Education | 1,504,029,794 | 8,204,738 | 154,117,360 | |
| Economic Development | 176,399,356 | 77,172,212 | 60,426,524 | 36,464 |
| Natural Resources | 215,537,602 | 115,256,411 | (41,651,547) | 79,158 |
| Transportation | 401,068,723 | 121,533,060 | 191,303,136 | |
| Interest Expense | 16,651,918 | | | |
| Total Governmental Activities | 4,282,398,718 | 618,586,343 | 1,230,062,636 | 3,564,384 |
| Business-Type Activities | | | | |
| College and University | 665,907,454 | 192,388,295 | 158,735,606 | 42,488,173 |
| Unemployment Compensation | 182,342,999 | 153,031,294 | 746,163 | |
| State Lottery | 71,848,147 | 95,766,684 | | |
| Nonmajor Enterprise Funds | 72,015,310 | 86,184,060 | 15,092,558 | |
| Total Business-Type Activities | 992,113,910 | 527,370,333 | 174,574,327 | 42,488,173 |
| Total Primary Government | \$5,274,512,628 | \$1,145,956,676 | \$1,404,636,963 | \$46,052,557 |
| Component Units | | | | |
| Petroleum Clean Water Trust Fund | \$3,623,595 | \$2,856,412 | | |
| Life and Health Insurance Guaranty | 851,168 | 916,058 | | |
| Total Component Units | \$4,474,763 | \$3,772,470 | | |

General Revenues

Sales Tax
Individual and Corporate Taxes
Other Taxes
Tobacco Settlement
Unrestricted Investment Earnings
State Aid to Colleges/Universities

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Year, as Restated

Net Assets - End of Year

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

| Net (Expense) Revenue and Changes in Net Assets | | | | |
|---|--------------------------|-----------------|----------------------------------|------------------------------------|
| Primary Government | | | Component Units | |
| Governmental Activities | Business-Type Activities | Total | Petroleum Clean Water Trust Fund | Life and Health Insurance Guaranty |
| (\$238,669,502) | | (\$238,669,502) | | |
| (197,255,269) | | (197,255,269) | | |
| (367,050,707) | | (367,050,707) | | |
| (1,341,707,696) | | (1,341,707,696) | | |
| (38,764,156) | | (38,764,156) | | |
| (141,853,580) | | (141,853,580) | | |
| (88,232,527) | | (88,232,527) | | |
| (16,651,918) | | (16,651,918) | | |
| (2,430,185,355) | | (2,430,185,355) | | |
| | (\$272,295,380) | (272,295,380) | | |
| | (28,565,542) | (28,565,542) | | |
| | 23,918,537 | 23,918,537 | | |
| | 29,261,308 | 29,261,308 | | |
| | (247,681,077) | (247,681,077) | | |
| (2,430,185,355) | (247,681,077) | (2,677,866,432) | | |
| | | | (\$767,183) | \$64,890 |
| | | | (767,183) | 64,890 |
| 789,110,444 | | 789,110,444 | | |
| 877,593,969 | | 877,593,969 | | |
| 364,434,089 | | 364,434,089 | | |
| 26,602,063 | | 26,602,063 | | |
| 21,007,455 | | 21,007,455 | | |
| | 301,883,256 | 301,883,256 | | |
| 30,779,120 | (30,779,120) | | | |
| 2,109,527,140 | 271,104,136 | 2,380,631,276 | | |
| (320,658,215) | 23,423,059 | (297,235,156) | (767,183) | 64,890 |
| 5,180,808,515 | 1,087,165,417 | 6,267,973,932 | 33,892,051 | 8,051,038 |
| \$4,860,150,300 | \$1,110,588,476 | \$5,970,738,776 | \$33,124,868 | \$8,115,928 |

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



MAJOR GOVERNMENTAL FUNDS account for the State's operating and financing activities. The following provides a brief description of the major governmental funds.

The GENERAL FUND accounts for all financial resources except those required to be accounted for in other funds.

The HEALTH AND WELFARE FUND accounts for revenues and expenditures associated with administering public assistance, medical care, foster care, child support enforcement, and other relief to the eligible citizens of Idaho. Funding is provided from the General Fund, federal grants, dedicated user fees, and various other sources.

The TRANSPORTATION FUND accounts for revenues and expenditures associated with highway construction and maintenance. Funding is provided from motor vehicle related taxes and user fees, as well as various federal highway administration funds.

The PUBLIC SCHOOL ENDOWMENT FUND accounts for lands granted to the State by the federal government, known as public school endowment land, and the sale or lease of such lands. The principal in the fund is perpetual with the earnings used to support education.

The POOLED ENDOWMENT FUND accounts for the administration and investment of monies held for the benefit of certain State of Idaho institutions.

Nonmajor Governmental Funds are discussed on page 89.

State of Idaho
Balance Sheet
Governmental Funds
June 30, 2002

| | General | Health and Welfare | Transportation | Public School Endowment |
|--|----------------------|-----------------------|----------------------|----------------------------|
| ASSETS | | | | |
| Cash Equity with Treasurer | \$145,354,615 | \$21,218,476 | \$66,653,671 | \$32,827 |
| Cash and Cash Equivalents | 3,019,726 | 3,103,041 | 1,312,894 | 8,706,565 |
| Investments | 107,748,711 | 818,630 | 55,148,265 | 457,869,970 |
| Accounts Receivable, Net | 302,794 | 11,558,950 | 5,163,276 | 2,375,518 |
| Taxes Receivable, Net | 219,588,068 | 140,003 | 19,836,257 | |
| Due from/Advance to Other Funds | 405,199 | | 12,876 | |
| Due from Other Entities | | 92,077,122 | 30,256,339 | |
| Inventory | 669,758 | 667,281 | 14,755,865 | |
| Loans and Notes Receivable, Net | 563,689 | | | |
| Other Assets | 2,463,596 | 672,797 | 768,288 | 2,752,817 |
| Total Assets | \$480,116,156 | \$130,256,300 | \$193,907,731 | \$471,737,697 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts Payable | \$11,887,281 | \$11,367,416 | \$53,280,841 | \$3,540,422 |
| Medicaid Payable | | 106,820,584 | | |
| Due to/Advance from Other Funds | 2,237,345 | 1,434,525 | 701,583 | |
| Due to Other Entities | | | | |
| Advance from Component Unit | | | 7,000,000 | |
| Deferred Revenue | 75,355,385 | 6,151,472 | 15,274,987 | |
| Deposits | 836,177 | 2,282,368 | 52,500 | |
| Other Accrued Liabilities | 25,214,797 | 8,645,582 | 10,131,480 | 23,837,500 |
| Total Liabilities | 115,530,985 | 136,701,947 | 86,441,391 | 27,377,922 |
| Fund Balances | | | | |
| Reserved for: | | | | |
| Bond Retirement | | | | |
| Encumbrances | 37,740,278 | 1,244,693 | 14,891,133 | |
| Inventory and Prepaid Items | 1,705,812 | 1,330,792 | 14,892,498 | 150,842 |
| Advances/Loans and Notes Receivable | 865,188 | | | |
| Permanent Trusts | | | | 444,176,106 |
| Unreserved, Reported in: | | | | |
| General Fund | 324,273,893 | | | |
| Special Revenue Funds | | (9,021,132) | 77,682,709 | |
| Permanent Funds | | | | 32,827 |
| Total Fund Balances | 364,585,171 | (6,445,647) | 107,466,340 | 444,359,775 |
| Total Liabilities and Fund Balances | \$480,116,156 | \$130,256,300 | \$193,907,731 | \$471,737,697 |

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

| Pooled Endowment | Nonmajor Special Revenue | Total |
|-----------------------------|-------------------------------------|------------------------|
| | \$164,998,352 | \$398,257,941 |
| \$6,854,010 | 32,363,669 | 55,359,905 |
| 211,927,344 | 37,023,375 | 870,536,295 |
| 752,802 | 5,979,074 | 26,132,414 |
| | 1,854,857 | 241,419,185 |
| | 1,997,316 | 2,415,391 |
| | 27,533,666 | 149,867,127 |
| | 6,768,878 | 22,861,782 |
| | 8,865,380 | 9,429,069 |
| 1,308,893 | 2,704,448 | 10,670,839 |
| \$220,843,049 | \$290,089,015 | \$1,786,949,948 |

| | | |
|------------------|-------------------|--------------------|
| \$1,373,837 | \$18,431,310 | \$99,881,107 |
| | | 106,820,584 |
| | 3,409,544 | 7,782,997 |
| | 10,006 | 10,006 |
| | | 7,000,000 |
| | 13,745,882 | 110,527,726 |
| | 7,488,961 | 10,660,006 |
| | 13,376,519 | 81,205,878 |
| 1,373,837 | 56,462,222 | 423,888,304 |

| | | |
|----------------------|----------------------|------------------------|
| | 4,763,984 | 4,763,984 |
| | 14,094,695 | 67,970,799 |
| 71,351 | 8,442,748 | 26,594,043 |
| | 9,823,884 | 10,689,072 |
| 219,397,861 | | 663,573,967 |
| | | 324,273,893 |
| | 196,501,482 | 265,163,059 |
| | | 32,827 |
| 219,469,212 | 233,626,793 | 1,363,061,644 |
| \$220,843,049 | \$290,089,015 | \$1,786,949,948 |



State of Idaho

**Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Assets
June 30, 2002**

Total Fund Balances - Governmental Funds \$1,363,061,644

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of the following:

| | | |
|-----------------------------------|----------------------|--|
| Land | \$156,948,548 | |
| Buildings and Improvements | 407,583,939 | |
| Improvements Other Than Buildings | 21,008,960 | |
| Machinery, Equipment, and Other | 258,026,092 | |
| Infrastructure | 2,780,060,935 | |
| Construction in Progress | 386,758,369 | |
| Accumulated Depreciation | (435,725,730) | |
| Total Capital Assets | <u>3,574,661,113</u> | |

Some of the State's revenue will be collected after year-end but is not available soon enough to pay for the current period's expenditures and therefore is deferred in the funds. 88,207,239

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. 34,815,600

Bonds issue costs are reported as current expenditures in the funds. However, these costs are deferred on the Statement of Net Assets. 317,309

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of the following:

| | | |
|------------------------------|----------------------|--|
| Capital Leases Payable | (3,657,362) | |
| Compensated Absences Payable | (39,976,276) | |
| Bonds and Notes Payable | (105,801,905) | |
| Accrued Interest on Bonds | (1,613,463) | |
| Other Long-Term Liabilities | (49,863,603) | |
| Total Long-Term Liabilities | <u>(200,912,609)</u> | |

Net Assets - Governmental Activities \$4,860,150,296

State of Idaho
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2002

| | General | Health and Welfare | Transportation | Public School Endowment |
|---|----------------------|-----------------------|----------------------|----------------------------|
| REVENUES | | | | |
| Sales Tax | \$772,871,110 | | | |
| Individual and Corporate Taxes | 889,745,712 | | | |
| Other Taxes | 38,912,356 | \$1,592,973 | \$208,489,163 | |
| Licenses, Permits, and Fees | 13,157,672 | 3,454,608 | 100,241,326 | |
| Sale of Goods and Services | 15,115,625 | 58,637,236 | 3,900,740 | \$38,773,448 |
| Grants and Contributions | 6,892,479 | 817,316,993 | 191,303,136 | |
| Investment Income | 23,715,932 | 115,760 | 6,413,035 | (63,083,735) |
| Tobacco Settlement | 26,602,063 | | | |
| Other Income | 19,561,372 | 32,158 | 7,837,602 | 32,544 |
| Total Revenues | 1,806,574,321 | 881,149,728 | 518,185,002 | (24,277,743) |
| EXPENDITURES | | | | |
| General Government | 238,061,319 | | | |
| Public Safety and Correction | 179,558,576 | | | |
| Health and Human Services | 19,001,386 | 1,216,516,857 | | |
| Education | 1,327,261,806 | | | |
| Economic Development | 21,129,943 | | | |
| Natural Resources | 30,402,459 | | | 13,102,306 |
| Transportation | | | 277,923,970 | |
| Capital Outlay | 58,318,956 | 3,011,074 | 254,321,957 | |
| Total Expenditures | 1,873,734,445 | 1,219,527,931 | 532,245,927 | 13,102,306 |
| Revenues Over (Under) Expenditures | (67,160,124) | (338,378,203) | (14,060,925) | (37,380,049) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bonds and Notes Issued | | | | |
| Discount on Bonds Issued | | | | |
| Capital Lease Acquisitions | 8,538 | | | |
| Transfers In | 155,383,873 | 346,736,795 | | |
| Transfers Out | (361,509,010) | | (14,780,327) | (46,189,564) |
| Total Other Financing Sources (Uses) | (206,116,599) | 346,736,795 | (14,780,327) | (46,189,564) |
| Net Change in Fund Balances | (273,276,723) | 8,358,592 | (28,841,252) | (83,569,613) |
| Fund Balances - Beginning of Year, as Restated | 637,861,894 | (14,804,239) | 136,307,592 | 527,929,388 |
| Fund Balances - End of Year | \$364,585,171 | (\$6,445,647) | \$107,466,340 | \$444,359,775 |

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

| Pooled | Nonmajor | |
|------------------|------------------------|-----------------|
| Endowment | Special Revenue | Total |
| | \$5,157,429 | \$778,028,539 |
| | | 889,745,712 |
| | 113,551,423 | 362,545,915 |
| | 95,879,448 | 212,733,054 |
| \$17,709,308 | 39,083,238 | 173,219,595 |
| | 314,961,068 | 1,330,473,676 |
| (30,435,881) | 10,959,491 | (52,315,398) |
| | | 26,602,063 |
| | 19,177,678 | 46,641,354 |
| (12,726,573) | 598,769,775 | 3,767,674,510 |
| | 53,577,128 | 291,638,447 |
| | 51,689,668 | 231,248,244 |
| | 45,574 | 1,235,563,817 |
| | 160,579,327 | 1,487,841,133 |
| | 161,407,698 | 182,537,641 |
| 5,474,892 | 124,081,476 | 173,061,133 |
| | | 277,923,970 |
| | 37,737,388 | 353,389,375 |
| 5,474,892 | 589,118,259 | 4,233,203,760 |
| (18,201,465) | 9,651,516 | (465,529,250) |
| | 16,140,000 | 16,140,000 |
| | (144,336) | (144,336) |
| | | 8,538 |
| | 45,664,186 | 547,784,854 |
| (21,965,000) | (71,941,164) | (516,385,065) |
| (21,965,000) | (10,281,314) | 47,403,991 |
| (40,166,465) | (629,798) | (418,125,259) |
| 259,635,677 | 234,256,591 | 1,781,186,903 |
| \$219,469,212 | \$233,626,793 | \$1,363,061,644 |

State of Idaho

**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances -- Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2002**

| | | | |
|--|---------------|--|-------------------------------|
| Net Change in Fund Balances - Governmental Funds | | | (\$418,125,259) |
| Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, these costs are allocated as depreciation expense. Capital outlays exceeded depreciation expense in the current year by the following amount: | | | |
| Capital Outlay | \$169,682,730 | | |
| Depreciation Expense | (35,546,302) | | |
| | | | 134,136,428 |
| Miscellaneous transactions involving capital assets such as sales (gain/loss) and donations are reported in the Statement of Activities but only proceeds from sales are reported in the governmental funds. | | | (762,299) |
| Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. (FY01 taxes receivable were greater than FY02.) | | | (50,678) |
| Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. In the current year, the following proceeds were received: | | | |
| Bond Proceeds | (16,140,000) | | |
| Discount on Bonds Issued | 144,336 | | |
| | | | (15,995,664) |
| Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of: | | | |
| Capital Leases | 159,406 | | |
| Bond Principal | 6,615,000 | | |
| Bond Issue Costs | 327,123 | | |
| | | | 7,101,529 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. In the current year, these amounts consist of: | | | |
| Accrued Interest | (504,273) | | |
| Compensated Absences | 814,522 | | |
| Other Long-Term Liabilities | (24,664,122) | | |
| | | | (24,353,873) |
| Internal service funds are reported separately from governmental funds in the fund statements. In the government-wide statements, internal service funds are included with governmental activities. | | | (2,608,401) |
| Change in Net Assets - Governmental Activities | | | <u><u>(\$320,658,217)</u></u> |

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

MAJOR PROPRIETARY FUNDS account for the operations of state agencies that provide goods or services to the general public and finance their operations through user charges. The following provides a brief description of the major proprietary funds.

The COLLEGE AND UNIVERSITY FUND accounts for the financial position and operations of the State's colleges and universities.

The UNEMPLOYMENT COMPENSATION FUND pays unemployment claims to eligible recipients and is funded through employer contributions, employer reimbursements, and federal grants.

The STATE LOTTERY was established by the Legislature in 1988. The State Lottery's purpose is to adopt rules and regulations governing the establishment and operation of lottery games, ensure its integrity, and to maximize the net income of the lottery for the benefit of the State. Annually the State Lottery's surplus net income is distributed evenly between state buildings and public schools.

Nonmajor Enterprise Funds are discussed on page 103.

State of Idaho
Statement of Net Assets
Proprietary Funds
June 30, 2002

| | Business-Type Activities--Enterprise Funds | | | |
|---|---|----------------------------------|----------------------|----------------------------------|
| | College and University | Unemployment Compensation | State Lottery | Nonmajor Enterprise Funds |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash Equity with Treasurer | \$24,145,402 | \$2,977,604 | \$16,035,467 | \$9,101,733 |
| Cash and Cash Equivalents | 63,345,398 | 200,453,531 | 404,086 | |
| Investments | 723,343 | 6,668,994 | 9,181,000 | |
| Accounts Receivable, Net | 44,785,419 | 38,221,292 | 780,536 | 450,682 |
| Due from Other Funds | 4,264,897 | | | 278,032 |
| Inventory | 4,762,952 | | 794,162 | 8,413,455 |
| Loans and Notes Receivable, Net | 3,264,583 | | | 4,403,417 |
| Other Current Assets | 8,191,628 | 936,398 | 149,658 | 1,935,134 |
| Total Current Assets | 153,483,622 | 249,257,819 | 27,344,909 | 24,582,453 |
| Noncurrent Assets | | | | |
| Restricted Cash and Cash Equivalents | 3,610,246 | | | 64,969,803 |
| Investments | 177,907,846 | 75,340,631 | 74,418,496 | |
| Loans and Notes Receivable, Net | 20,337,698 | | | 81,930,314 |
| Other Long-Term Assets | 9,163,207 | | | |
| Capital Assets, Net | 595,590,488 | | 3,299,907 | 9,956,282 |
| Total Noncurrent Assets | 806,609,485 | 75,340,631 | 77,718,403 | 156,856,399 |
| Total Assets | \$960,093,107 | \$324,598,450 | \$105,063,312 | \$181,438,852 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts Payable | \$16,387,038 | \$5,917,908 | \$918,147 | \$4,530,650 |
| Due to Other Funds | 45,448 | | | 7,747 |
| Deferred Revenue | 10,994,261 | | | 39,353 |
| Deposits | 3,550,563 | | | |
| Other Accrued Liabilities | 33,054,909 | | 126,420 | 1,140,884 |
| Capital Leases Payable | 1,406,132 | | 450,123 | 347,490 |
| Compensated Absences Payable | 20,756,954 | | 177,252 | 498,257 |
| Bonds and Notes Payable | 7,698,933 | | | 40,000 |
| Grand Prizes Payable | | | 10,907,081 | |
| Policy Claim Liabilities | | | | |
| Total Current Liabilities | 93,894,238 | 5,917,908 | 12,579,023 | 6,604,381 |
| Noncurrent Liabilities | | | | |
| Capital Leases Payable | 7,171,785 | | | 1,702,744 |
| Bonds and Notes Payable | 262,243,941 | | | 4,925,000 |
| Grand Prizes Payable | | | 65,566,225 | |
| Policy Claim Liabilities | | | | |
| Total Noncurrent Liabilities | 269,415,726 | | 65,566,225 | 6,627,744 |
| Total Liabilities | 363,309,964 | 5,917,908 | 78,145,248 | 13,232,125 |
| NET ASSETS | | | | |
| Investment in Capital Assets, Net of Related Debt | 386,566,820 | | 2,849,784 | 2,941,047 |
| Restricted for: | | | | |
| Claims and Judgments | | | | |
| Unemployment Compensation | | 318,680,542 | | |
| Permanent Trust-Expendable | 41,619,714 | | | |
| Permanent Trust-Nonexpendable | 70,176,411 | | | |
| Other Purposes | | | | 64,969,803 |
| Unrestricted | 98,420,198 | | 24,068,280 | 100,295,877 |
| Total Net Assets | 596,783,143 | 318,680,542 | 26,918,064 | 168,206,727 |
| Total Liabilities and Net Assets | \$960,093,107 | \$324,598,450 | \$105,063,312 | \$181,438,852 |

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

| Governmental Activities Internal | |
|---|----------------------|
| Total | Service Funds |
| \$52,260,206 | \$45,751,761 |
| 264,203,015 | 782,220 |
| 16,573,337 | 2,669,395 |
| 84,237,929 | 326,576 |
| 4,542,929 | 893,638 |
| 13,970,569 | 756,226 |
| 7,668,000 | |
| 11,212,818 | 1,180,384 |
| 454,668,803 | 52,360,200 |
| 68,580,049 | |
| 327,666,973 | 30,156,558 |
| 102,268,012 | |
| 9,163,207 | |
| 608,846,677 | 3,786,251 |
| 1,116,524,918 | 33,942,809 |
| \$1,571,193,721 | \$86,303,009 |
| \$27,753,743 | \$1,424,984 |
| 53,195 | 15,766 |
| 11,033,614 | 7,615,121 |
| 3,550,563 | |
| 34,322,213 | 663,759 |
| 2,203,745 | 181,569 |
| 21,432,463 | 659,193 |
| 7,738,933 | |
| 10,907,081 | 8,686,729 |
| 118,995,550 | 19,247,121 |
| 8,874,529 | 282,400 |
| 267,168,941 | |
| 65,566,225 | 31,957,888 |
| 341,609,695 | 32,240,288 |
| 460,605,245 | 51,487,409 |
| 392,357,651 | 3,322,281 |
| | 15,386,168 |
| 318,680,542 | |
| 41,619,714 | |
| 70,176,411 | |
| 64,969,803 | |
| 222,784,355 | 16,107,151 |
| 1,110,588,476 | 34,815,600 |
| \$1,571,193,721 | \$86,303,009 |

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

State of Idaho

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2002

| | Business-Type Activities--Enterprise Funds | | | |
|---|---|--------------------------------------|--------------------------|--------------------------------------|
| | College and University | Unemployment Compensation | State Lottery | Nonmajor Enterprise Funds |
| OPERATING REVENUES | | | | |
| Assessments | | \$105,683,247 | | |
| Licenses, Permits, and Fees (net scholarship allowances of \$36,124,812) | \$100,202,586 | | | \$22,864 |
| Sale of Goods and Services | 71,749,256 | 32,922,588 | \$92,671,287 | 83,390,102 |
| Grants and Contributions | 138,903,363 | 746,163 | | 15,092,558 |
| Other Income | 12,100,980 | | | 122,569 |
| Total Operating Revenues | 322,956,185 | 139,351,998 | 92,671,287 | 98,628,093 |
| OPERATING EXPENSES | | | | |
| Personnel Costs | 413,574,408 | | 2,220,012 | 8,623,378 |
| Services and Supplies | 149,380,451 | | 14,355,856 | 46,970,810 |
| Benefits, Awards, and Premiums | 35,489,045 | 182,342,999 | 53,102,131 | |
| Depreciation | 33,582,949 | | 1,711,556 | 576,923 |
| Other Expenses | 22,702,333 | | 458,592 | 14,790,169 |
| Total Operating Expenses | 654,729,186 | 182,342,999 | 71,848,147 | 70,961,280 |
| Operating Income (Loss) | (331,773,001) | (42,991,001) | 20,823,140 | 27,666,813 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Appropriated General Education Revenues | 301,883,256 | | | |
| Gifts | 19,832,243 | | | |
| Investment Income | 8,335,473 | 14,423,642 | 3,095,397 | 2,521,158 |
| Interest Expense | (10,821,514) | | | (1,049,541) |
| Other Nonoperating Revenues (Expenses) | (356,754) | 1,817 | | 122,878 |
| Total Nonoperating Revenues (Expenses) | 318,872,704 | 14,425,459 | 3,095,397 | 1,594,495 |
| Income (Loss) Before Contributions and Transfers | (12,900,297) | (28,565,542) | 23,918,537 | 29,261,308 |
| Capital Contributions | 42,488,173 | | | |
| Transfers In | | 37,604 | | 2,860,000 |
| Transfers Out | | (10,381,724) | (15,000,000) | (8,295,000) |
| Change in Net Assets | 29,587,876 | (38,909,662) | 8,918,537 | 23,826,308 |
| Total Net Assets - Beginning of Year, as Restated | 567,195,267 | 357,590,204 | 17,999,527 | 144,380,419 |
| Total Net Assets - End of Year | \$596,783,143 | \$318,680,542 | \$26,918,064 | \$168,206,727 |

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

| Governmental Activities | |
|------------------------------------|-----------------------------------|
| Total | Internal Service Funds |
| \$105,683,247 | |
| 100,225,450 | |
| 280,733,233 | \$150,177,807 |
| 154,742,084 | 332,983 |
| 12,223,549 | 2,723,605 |
| 653,607,563 | 153,234,395 |
| 424,417,798 | 9,549,862 |
| 210,707,117 | 14,578,738 |
| 270,934,175 | 131,563,107 |
| 35,871,428 | 1,751,751 |
| 37,951,094 | 2,144,581 |
| 979,881,612 | 159,588,039 |
| (326,274,049) | (6,353,644) |
| 301,883,256 | |
| 19,832,243 | |
| 28,375,670 | 4,410,490 |
| (11,871,055) | (48,066) |
| (232,059) | 3,488 |
| 337,988,055 | 4,365,912 |
| 11,714,006 | (1,987,732) |
| 42,488,173 | |
| 2,897,604 | 16,914 |
| (33,676,724) | (637,583) |
| 23,423,059 | (2,608,401) |
| 1,087,165,417 | 37,424,001 |
| \$1,110,588,476 | \$34,815,600 |

State of Idaho

**Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2002**

| | Business-Type | |
|--|------------------------|---------------------------|
| | College and University | Unemployment Compensation |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from Assessments | | \$104,388,112 |
| Receipts from Customers | \$164,203,309 | 33,743,544 |
| Receipts from Other Funds | 20,617,825 | |
| Receipts from Grants and Contributions | 139,024,821 | 1,585,511 |
| Payments to Suppliers | (142,932,438) | |
| Payments to Employees for Services | (412,829,316) | |
| Payments to Other Funds | (22,043,557) | |
| Payments for Benefits, Awards, and Claims | (32,046,761) | (180,097,308) |
| Other Receipts (Payments) | (1,264,018) | |
| Net Cash Provided (Used) by Operating Activities | (287,270,135) | (40,380,141) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| State Appropriations Received | 303,726,979 | |
| Gifts, Grants, and Endowments Received | 20,433,958 | |
| Transfers In | | 37,604 |
| Transfers Out | | (10,381,724) |
| Agency Funds Received | 163,412,893 | |
| Agency Funds Disbursed | (163,012,922) | |
| Interest Paid | | |
| Other Receipts (Payments) | (746,482) | |
| Net Cash Provided (Used) by Noncapital Financing Activities | 323,814,426 | (10,344,120) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Capital Grants and Contributions | 6,113,414 | |
| Bonds Issued | 83,963,724 | |
| Payment of Bonds | (23,524,814) | |
| Capital Lease Payments | | |
| Proceeds from Disposition of Capital Assets | 266,896 | |
| Acquisition and Construction of Capital Assets | (49,556,558) | |
| Net Cash Provided (Used) by Capital and Related Financing Activities | 17,262,662 | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Receipt of Interest and Dividends | 10,082,038 | 15,478,252 |
| Purchase of Investments | (211,201,599) | (12,000,000) |
| Redemption of Investments | 158,503,347 | |
| Net Cash Provided (Used) by Investing Activities | (42,616,214) | 3,478,252 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 11,190,739 | (47,246,009) |
| Beginning Cash, Cash Equivalents, and Cash Equity with Treasurer | 79,910,307 | 250,677,144 |
| Ending Cash, Cash Equivalents, and Cash Equity with Treasurer | \$91,101,046 | \$203,431,135 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | |
| Operating Income (Loss) | (\$331,773,001) | (\$42,991,001) |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation | 33,582,949 | |
| Maintenance Costs Paid by Dept. of Public Works | 1,402,351 | |
| Investments | | 1,857,865 |
| Net Changes in Assets and Liabilities: | | |
| Accounts Receivable/Due from Other Funds | (4,620,730) | (1,411,049) |
| Inventory | (781,013) | |
| Notes Receivable | (273,205) | |
| Other Current Assets | 1,218,158 | 96,367 |
| Accounts Payable/Due to Other Funds | 11,391,931 | 2,067,677 |
| Deferred Revenue | 3,501,821 | |
| Compensated Absences | (850,805) | |
| Grand Prizes Payable/Policy Claim Liabilities | | |
| Other Accrued Liabilities | (68,591) | |
| Net Cash Provided (Used) by Operating Activities | (287,270,135) | (40,380,141) |

Noncash Transactions: Investments decreased in fair value by \$3,522,445 for Colleges, \$956,427 for Unemployment Compensation, \$126,425 for internal service funds, and increased by \$2,876,175 for Lottery. Colleges acquired \$31,425,710 in assets from donations and \$3,154,623 through incurrence of debt. Equipment was disposed at a loss of \$427,357 for Colleges, \$14,405 for Lottery, \$4,489 for Liquor Dispensary.

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

| Activities--Enterprise Funds | | | Governmental Activities |
|------------------------------|---------------------------|-----------------|-------------------------|
| State Lottery | Nonmajor Enterprise Funds | Total | Internal Service Funds |
| | | \$104,388,112 | |
| \$92,659,189 | \$80,147,607 | 370,753,649 | \$33,370,694 |
| | 5,248,645 | 25,866,470 | 122,146,410 |
| | 15,152,115 | 155,762,447 | 332,983 |
| (14,753,772) | (76,790,766) | (234,476,976) | (15,265,054) |
| (2,239,165) | (8,564,476) | (423,632,957) | (9,560,711) |
| | (311,499) | (22,355,056) | (1,608,401) |
| (53,776,798) | (11,428) | (265,932,295) | (129,398,876) |
| | (11,648,883) | (12,912,901) | |
| 21,889,454 | 3,221,315 | (302,539,507) | 17,045 |
| | | 303,726,979 | |
| | | 20,433,958 | |
| | 2,860,000 | 2,897,604 | 16,914 |
| (15,000,000) | (8,295,000) | (33,676,724) | (637,583) |
| | | 163,412,893 | |
| | | (163,012,922) | |
| | (680,448) | (680,448) | (16,438) |
| | | (746,482) | |
| (15,000,000) | (6,115,448) | 292,354,858 | (637,107) |
| | | 6,113,414 | |
| | | 83,963,724 | |
| | (25,000) | (23,549,814) | |
| (969,315) | (39,508) | (1,008,823) | (145,002) |
| | 127,367 | 394,263 | 8,589 |
| (631,641) | (588,556) | (50,776,755) | (1,057,300) |
| (1,600,956) | (525,697) | 15,136,009 | (1,193,713) |
| 184,289 | 3,669,279 | 29,413,858 | 4,168,566 |
| | | (223,201,599) | (33,734,598) |
| | | 158,503,347 | |
| 184,289 | 3,669,279 | (35,284,394) | (29,566,032) |
| 5,472,787 | 249,449 | (30,333,034) | (31,379,807) |
| 10,966,766 | 73,822,087 | 415,376,304 | 77,913,788 |
| \$16,439,553 | \$74,071,536 | \$385,043,270 | \$46,533,981 |
| \$20,823,140 | \$27,666,813 | (\$326,274,049) | (\$6,353,644) |
| 1,711,556 | 576,923 | 35,871,428 | 1,751,751 |
| | | 1,402,351 | |
| | (1,517,215) | 340,650 | 1,150,570 |
| (12,098) | 279,458 | (5,764,419) | 1,680,965 |
| (94,626) | (84,898) | (960,537) | (158,438) |
| | (25,851,093) | (26,124,298) | |
| 27,096 | 578,920 | 1,920,541 | 258,936 |
| 128,206 | 1,050,482 | 14,638,296 | (1,022,425) |
| | 8,910 | 3,510,731 | 340,982 |
| (19,541) | 1,753 | (868,593) | (12,035) |
| (674,667) | | (674,667) | 2,386,180 |
| 388 | 511,262 | 443,059 | (5,797) |
| \$21,889,454 | \$3,221,315 | (\$302,539,507) | \$17,045 |

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



FIDUCIARY FUNDS account for assets held by the State acting in the capacity as trustee. The following provides a brief description of the State's fiduciary funds.

The **PENSION TRUST FUNDS** account for transactions, assets, liabilities, and net assets available for plan benefits of the State's retirement systems.

The **JOINT EXERCISE OF POWERS** is an investment trust fund that accounts for the investments managed by the State's Treasurer's Office for external participants.

Agency Funds are discussed on page 117.

State of Idaho
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2002

| | Pension Trust Funds | Joint Exercise of Powers | Agency Funds |
|---------------------------------------|--------------------------------|-------------------------------------|-------------------------|
| ASSETS | | | |
| Cash Equity with Treasurer | \$2,904,689 | \$304,732,209 | \$2,667,438 |
| Cash and Cash Equivalents | 79,386 | | 1,042,040 |
| Investments: | | | |
| Pooled Short Term | 185,389,240 | | |
| Fixed Income Investments | 1,668,690,962 | 218,896,453 | 155,830,904 |
| Marketable Securities | 4,096,194,063 | | |
| Mutual Funds and Private Equities | 222,605,917 | | |
| Mortgages and Real Estate | 340,018,410 | 674,472,864 | |
| Other Investments | | | 7,288,009 |
| Receivables: | | | |
| Investments Sold | 926,386,992 | | |
| Contributions | 10,423,941 | | |
| Interest and Dividends | 32,378,535 | 3,533,603 | 79,919 |
| Other Receivables | 902,306 | | |
| Other Assets | 21,538,485 | | |
| Capital Assets, Net | 7,388,436 | | |
| Total Assets | 7,514,901,362 | 1,201,635,129 | 166,908,310 |
| LIABILITIES | | | |
| Accounts Payable | 1,156,649 | | |
| Due to Other Entities | | | 397,659 |
| Deposits | | | 162,813,011 |
| Investments Purchased | 987,595,173 | | |
| Other Accrued Liabilities | 5,307,741 | 697,345 | 3,697,640 |
| Total Liabilities | 994,059,563 | 697,345 | \$166,908,310 |
| NET ASSETS | | | |
| Held in Trust for: | | | |
| Employee Pension Benefits | 6,396,746,529 | | |
| Postemployment Healthcare Benefits | 124,095,270 | | |
| External Investment Pool Participants | | 1,200,937,784 | |
| Total Net Assets | \$6,520,841,799 | \$1,200,937,784 | |

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

State of Idaho
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2002

| | Pension Trust Funds | Joint Exercise of Powers |
|--|--------------------------------|-------------------------------------|
| ADDITIONS | | |
| Contributions: | | |
| Member | \$135,888,905 | |
| Employer | 220,691,983 | |
| Transfers In from Other Plans | 36,812,117 | |
| Pool Participant Deposits | | \$2,446,418,881 |
| Total Contributions | 393,393,005 | 2,446,418,881 |
| Investment Income: | | |
| Net Increase (Decrease) in Fair Value of Investments | (672,730,205) | (9,227,920) |
| Interest, Dividends, and Other | 189,549,819 | 45,300,573 |
| Less: Investment Expense | (26,686,740) | (225,628) |
| Net Investment Income | (509,867,126) | 35,847,025 |
| Miscellaneous Income | 1,629,742 | |
| Total Additions | (114,844,379) | 2,482,265,906 |
| DEDUCTIONS | | |
| Benefits and Refunds Paid to Plan Members | 295,807,797 | |
| Transfers Out to Other Plans | 36,812,117 | |
| Administrative Expense | 7,048,630 | |
| Earnings Distribution | | 46,016,564 |
| Pool Participant Withdrawals | | 2,198,307,849 |
| Total Deductions | 339,668,544 | 2,244,324,413 |
| Change in Net Assets Held in Trust for: | | |
| Employee Pension Benefits | (453,686,070) | |
| Employee Postemployment Healthcare Benefits | (826,853) | |
| External Investment Pool Participants | | 237,941,493 |
| Net Assets - Beginning of Year, as Restated | 6,975,354,722 | 962,996,291 |
| Net Assets - End of Year | \$6,520,841,799 | \$1,200,937,784 |

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

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002

INDEX

| | | |
|----------|---|----|
| Note 1. | Summary of Significant Accounting Policies | |
| | A. Reporting Entity | 39 |
| | B. Government-Wide and Fund Financial Statements..... | 40 |
| | C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation.. | 42 |
| | D. Budgeting and Budgetary Control | 43 |
| | E. Assets and Liabilities | 44 |
| | F. Fund Equity..... | 46 |
| | G. Newly Issued Accounting Pronouncement | 46 |
| Note 2. | Deposits and Investments | |
| | A. Deposits | 46 |
| | B. Investments | 47 |
| Note 3. | External Investment Pool | 50 |
| Note 4. | Interfund Accounts and Transfers | |
| | A. Due from/Advance to and Due to/Advance from Other Funds | 53 |
| | B. Interfund Transfers | 53 |
| Note 5. | Capital Assets | 54 |
| Note 6. | Retirement Plans | |
| | A. Public Employee Retirement Fund and Firemen's Retirement Fund | 56 |
| | B. Defined Contribution Retirement Plan | 58 |
| | C. Judges' Retirement Fund | 59 |
| | D. College and University Optional Retirement Plan..... | 60 |
| | E. Department of Labor Retirement Plan | 61 |
| Note 7. | Postemployment Benefits | |
| | A. Postemployment Benefits Other Than Pensions | 62 |
| | B. Postemployment Healthcare Benefits | 63 |
| Note 8. | Risk Management | 64 |
| Note 9. | Leases | |
| | A. State as Lessee | 65 |
| | B. State as Lessor | 66 |
| Note 10. | Short-Term Debt | 67 |
| Note 11. | Bonds/Notes/Other Long-Term Liabilities | |
| | A. Revenue Bonds | 68 |
| | B. Advance Refundings..... | 69 |
| | C. Notes Payable | 69 |
| | D. Grand Prize Obligations..... | 70 |
| | E. Claims and Judgments | 70 |
| | F. Compensated Absences | 71 |
| | G. Changes in Long-Term Liabilities | 72 |
| | H. Conduit Debt..... | 72 |
| Note 12. | Fund Equity | |
| | A. Beginning Fund Balance/Net Asset Restatements | 73 |
| | B. Fund Deficit | 74 |
| Note 13. | Litigation, Contingencies, and Commitments | |
| | A. Litigation and Contingencies | 74 |
| | B. Commitments..... | 75 |
| Note 14. | Subsequent Events..... | 76 |

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Idaho have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the standard-setting body for governmental accounting and financial reporting principles.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*. These statements establish new financial reporting requirements for state and local governments and public colleges and universities throughout the United States. They require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in prior years is affected. The State implemented these standards during the fiscal year ended June 30, 2002.

Other GASB Statements implemented in conjunction with GASB Statements No. 34 and No. 35 include Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, and Statement No. 38, *Certain Financial Statement Note Disclosures*.

The financial statements are presented as of and for the year ended June 30, 2002, except for the State Bar (presented in the Regulatory special revenue fund) whose statements are as of and for the fiscal year ended December 31, 2001; the Idaho Dairy Products Commission (presented in the Agriculture and Natural Resources special revenue fund) whose statements are as of and for the fiscal year ended December 31, 2001; the Idaho Potato Commission (presented in the Agriculture and Natural Resources special revenue fund) whose statements are as of and for the year ended August 31, 2002; the Petroleum Clean Water Trust Fund and the Idaho Life and Health Insurance Guaranty Association (discretely presented component units) whose financial statements are as of and for the year ended December 31, 2001.

A. Reporting Entity

The State of Idaho is governed under the constitution of 1890, as amended. The legislative power is vested in a 35-member senate and a 70-member house of representatives; executive power is vested in the governor; and the judicial power is vested in a supreme court, court of appeals, and district courts.

For financial reporting purposes, the State of Idaho's reporting entity includes the primary government and its component units. The primary government includes all funds, departments, agencies, boards, commissions, colleges and universities, and authorities that are considered an integral part of the State. The State also considered potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. As defined by GASB Statement No. 14, *The Financial Reporting Entity*, financial accountability exists, generally, if the State appoints a voting majority of the organization's governing board and (1) the State is able to impose its will on the organization, or (2) if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

Blended Component Unit

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

Idaho State Building Authority. The Idaho State Building Authority was created by *Idaho Code*, Title 67, Chapter 64, to finance and construct facilities, such as office buildings and parking garages, to be used and leased by the State. GASB Statement No. 14 requires the Idaho State Building Authority to be presented as a blended component unit because the Board is appointed by the Governor; the Authority relies entirely on the State's leasing agreements, resulting in a significant financial benefit/burden relationship; and the Authority provides services entirely to the State of Idaho. The Idaho State Building Authority is presented as a blended component unit in a special revenue fund.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002**

Discretely Presented Component Units

Discretely presented component units are legally separate from the State but are financially accountable to the State, or their relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. These component units are reported in a separate column to emphasize that they are legally separate from the primary government.

Life and Health Insurance Guaranty. The Idaho Life and Health Insurance Guaranty Association is a nonprofit organization authorized by the *Idaho Life and Health Insurance Guaranty Association Act* of 1977, *Idaho Code*, Title 41, Chapter 43. The Act was passed to provide a mechanism for the payment of covered claims under certain insurance policies when an insurer becomes insolvent. All insurance companies that sell direct and supplemental life, disability policies, and annuity contracts are required to be members of the Association as a condition of their authority to transact business in Idaho. The Board members are selected by member insurers; however, the director of Insurance has veto power and may dismiss management at will. Insurers may offset assessments against their premium taxes (thereby reducing tax revenues to the State). This imposes a potential direct financial burden on the State. The Association is presented discretely as an enterprise fund.

Petroleum Clean Water Trust Fund. The Petroleum Clean Water Trust Fund (PCWTF) was created by the Idaho Legislature in *Idaho Code*, Title 41, Chapter 49, to provide pollution liability insurance for eligible owners and operators of petroleum storage tanks. The PCWTF is subject to the direction and supervision of the manager of the State Insurance Fund. The State approves and may modify the PCWTF's annual budget and thereby has the ability to impose its will on the PCWTF. The PCWTF is presented discretely as an enterprise fund.

Complete financial statements for the component units may be obtained from their respective administrative offices, as follows:

Idaho State Building Authority
P.O. Box 2802
Boise, ID 83701

Idaho Life and Health Insurance Guaranty Association
P.O. Box 7367
Boise, ID 83707

Petroleum Clean Water Trust Fund
P.O. Box 83720
Boise, ID 83720-0044

Related Organizations

State Insurance Fund. The State Insurance Fund was created by *Idaho Code*, Title 72, Chapter 9. Board members are appointed by the Governor, but there is no ability for the State to impose its will on the organization and there is no financial benefit/burden relationship. Therefore, the State Insurance Fund is considered a related organization of the State of Idaho.

Idaho Housing and Finance Association. The Idaho Housing and Finance Association (IHFA) was created by *Idaho Code*, Title 67, Chapter 62. Board members are appointed by the Governor, but there is no ability for the State to impose its will on the organization and there is no significant financial benefit/burden relationship. Therefore, the IHFA is considered a related organization of the State of Idaho.

B. Government-Wide and Fund Financial Statements

Government-Wide Statements

The Statement of Net Assets and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Internal service funds are included with governmental activities in the government-wide statements and are included with the proprietary funds in the fund statements. Interfund receivables and payables have been eliminated from the Statement of Net Assets and interfund activity has been eliminated from the Statement of Activities, except for the residual amounts due between governmental and business-type activities.

Statement of Net Assets

The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are displayed in the following three categories:

Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation and reduced by outstanding related debt.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002**

Restricted Net Assets result when constraints placed on net assets use are imposed by third parties, through constitutional provisions, or enabling legislation. The State does not have a policy regarding the preferred first usage of unrestricted or restricted net assets. Expense allocation decisions are made on a program-by-program basis when both restricted and unrestricted net assets are available. Restricted net asset balances will fluctuate as related accounting transactions occur.

Unrestricted Net Assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets may have constraints or designations placed upon them by management, but they can be unilaterally removed.

Statement of Activities

The Statement of Activities demonstrates the degree to which the direct expenses of governmental functions, business-type activities, and component units are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific governmental function, business-type activity, or component unit. Revenues are broken out by program and general designations. Program revenues display the extent to which programs are self-funded. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, activity, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenue sources that are not attributable to specific programs are shown as general revenues.

State agencies share the cost of some centralized services. These administrative overhead charges are reported as direct program expenses of each of the various functions. Certain indirect costs are paid by the general government function and are not allocated to the other governmental functions.

Fund Statements

The financial activities of the State are recorded in individual funds to report the financial position and results of the operations of the State. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Reimbursements are eliminated in the financial statements to reduce the grossing-up effect of internal transactions. Reimbursements are repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements include phone billings, federal grant pass-throughs from one state agency to another, and the allocation of central human resource costs to all agencies.

Separate fund financial statements are presented for the governmental, proprietary, and fiduciary funds, even though fiduciary funds are excluded from the government-wide statements. The emphasis in the fund statements is on *major* funds. Major governmental and business-type funds are reported as separate columns in the fund statements. The remaining governmental and business-type funds are considered to be nonmajor funds and are consolidated in a nonmajor funds column (on the combined fund statements). The nonmajor funds are displayed individually in combining schedules.

The State reports the following major governmental funds:

The *General Fund* is the State's primary operating fund. It accounts for services that include general government, public safety and correction, health and human services, education (other than those reported in the university funds), economic development, and natural resources. The *General Fund* includes all financial resources of the general government except those required to be accounted for in another fund.

The *Health and Welfare* fund accounts for resources used for medical care, foster care, and other relief for eligible citizens of Idaho.

The *Transportation* fund accounts for resources used for highway construction and maintenance.

The *Public School Endowment* and *Pooled Endowment* funds account for land grants and the sale or lease of such lands received from the federal *Enabling Act*.

The State reports the following major proprietary funds:

The *College and University* fund accounts for resources used by the State's system of higher education.

The *Unemployment Compensation* fund accounts for resources used to provide unemployment benefits to eligible unemployed workers.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002**

The *State Lottery* fund accounts for the operations of the State's lottery.

Additionally, the State reports the following fund types:

Governmental Fund Types

Special Revenue Funds account for financial resources obtained from specific revenue sources that are legally restricted to expenditures for specified purposes.

Permanent Funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used.

Proprietary Fund Types

Enterprise Funds account for governmental operations that function in a manner similar to private business enterprises where the intent is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Funds account for a variety of independent operations that render services and/or provide goods to other state agencies or governmental units on a cost-reimbursement basis. Internal Service fund activities of the State include: property, liability, and other types of insurance; data processing services; and other services (such as facilities rentals).

Operating and nonoperating revenues and expenses are presented separately on the operating statements and statements of cash flows. Operating transactions occur if they directly result from the provision of goods or services to customers, or are otherwise directly related to the principal and usual activity of the fund. All other revenues and expenses are reported as nonoperating.

Fiduciary Fund Types

Pension Trust Funds account for resources held in trust for the members and beneficiaries of the State's defined benefit pension plans, defined contribution plans, and other postemployment benefits.

The *Investment Trust Fund* accounts for the investments related to external participants in the Joint Exercise of Powers trust fund.

Agency Funds account for resources collected or held by the State, acting in a custodial capacity, for distribution to other governmental units or designated beneficiaries.

Reconciling Government-Wide Statements to the Fund Statements

The governmental fund statements include a reconciliation between the fund statements and the government-wide statements. Differences that make a reconciliation necessary include the two differing measurement focuses and bases of accounting between the statements and the inclusion of internal service funds with governmental activities on the governmental-wide statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Significant revenue sources susceptible to accrual include sales taxes, individual and corporate taxes, motor fuels taxes, and federal grants. Licenses, permits, fees, and other miscellaneous revenues, which are derived from an underlying transaction, are recognized when received since they are normally only measurable at that time. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded when paid.

Proprietary funds, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities*

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002**

That Use Proprietary Fund Accounting, are required to apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures. In addition, a proprietary activity may apply all FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements. The State has elected not to follow FASB pronouncements issued after November 30, 1989, for proprietary funds.

D. Budgeting and Budgetary Control

Budget Policies and Procedures

Budgets are adopted in accordance with *Idaho Code*, Title 67, Chapters 35 and 36. In September of each year, State agencies submit requests for appropriations to the Governor's Office, Division of Financial Management, so an Executive Budget may be prepared. The budget is generally prepared by agency, fund, program, and object and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year. Legal level of budgetary control is generally maintained at the same level of detail as appropriated. Appropriated funds include the General Fund, special revenue funds, enterprise funds, internal service funds, earnings of the permanent funds, and pension trust funds. The appropriated funds are either appropriated annually or on a continuous basis. For those funds appropriated on a continuous basis, appropriation equals expenditures to the extent of available cash. Unexpended appropriation balances generally lapse at fiscal year-end unless reappropriated by the Legislature.

The Governor's budget recommendations are presented to the Legislature within the first five days of each regular legislative session, which begins in January. The Joint Finance and Appropriations Committee reviews the Governor's recommended budget, makes amendments, and prepares the annual appropriation bills for submission to both houses of the Legislature. A simple majority vote by both houses of the Legislature is required to pass the appropriation bills. The appropriation bills become the State's authorized operating budget upon the Governor's signature, or if allowed, become law without the Governor's signature.

Agencies may request additional (positive supplemental) appropriations for the current year, which may be

granted under authority of the Legislature. If it is anticipated expenditures may exceed available cash, the State Board of Examiners may authorize reduction of a portion of the General Fund appropriation. The Governor may issue an executive order for temporary reduction of spending authority. When this occurs, it is recorded in the accounting system as a negative supplemental appropriation. Net supplemental appropriations made during the year totaled a negative \$47,357,412.

Limitations exist regarding the extent to which management may modify an appropriation. At no time, without legislative authority, may an appropriation be transferred from one fund to another. The following adjustments may be made, with the appropriate approval:

Idaho Code, Section 67-3511(1), allows agencies to transfer spending authority between objects within a fund and program, with the exception of personnel costs. Appropriations for personnel costs may be transferred to other objects, but appropriations for other costs may not be transferred to personnel. Per *Idaho Code*, Section 67-3511(3), appropriations for capital outlay may not be used for any other purpose, but appropriations for other objects may be transferred to capital outlay. The Board of Examiners must approve object transfers.

Idaho Code, Section 67-3511(2), allows agencies to transfer spending authority from one program to another within an agency, provided the transfer is not more than 10 percent cumulative change from the appropriated amount for any program affected by the transfer. The Division of Financial Management and the Board of Examiners must approve these transfers. The Legislature must approve transfers above 10 percent cumulative change.

Should any change occur that is not within the described limitations, legal compliance is not achieved. The State issues a separate Legal Basis Financial Report, which demonstrates legal compliance with the budget. A copy of this report may be obtained by contacting the Office of the State Controller, P.O. Box 83720, Boise, Idaho, 83720-0011, or may be viewed online at www.sco.state.id.us (look under "Library," then "Publication," and then "Annual Financial Reports").

Encumbrances

The State utilizes encumbrance accounting for budgetary control purposes. Obligations incurred for goods or services that have not been received may be recorded to reserve that portion of the applicable fund balance. Encumbrances may be carried over to the next fiscal year

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002**

as a revision to the budgetary appropriation with the approval of the Division of Financial Management.

E. Assets and Liabilities

Cash Equity with Treasurer

Cash Equity with Treasurer represents each fund's interest in an internal investment pool maintained by the State. The State Treasurer is the investment officer for the monies on deposit in the State Treasury. *Idaho Code*, Sections 67-1210 and 67-1210A, governs investment policies of the State Treasurer. All earnings not otherwise allocated are General Fund revenue.

Cash and Cash Equivalents

Cash and Cash Equivalents consist of bank accounts, petty cash, and short-term investments. Cash equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

Investments

The State Treasurer handles investments of state funds and funds of other qualified entities within the State, in accordance with *Idaho Code*, Title 67, Chapter 12. Allowable investments consist of investment grade ("A" rating or higher) securities ranging from U.S. Treasury Bills to domestic corporate bonds.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the State reports certain investments at fair value rather than at cost and the external portion of the State's external investment pool is reported in an investment trust fund at fair value.

The Public Employee Retirement System of Idaho is permitted to make investments in accordance with the *Idaho Uniform Prudent Investor Act*, Sections 68-501 through 68-514 of the *Idaho Code*.

The State held mortgage-backed securities (derivative like financial instruments) as part of its Long-Term Investment account, during fiscal year 2002. The securities were held to optimize investment yields. These securities are reported at fair market value on the balance sheet (see Note 2). The exposure associated with these securities is considered minimal. Agency pass-through securities are considered above AAA quality bonds as they are issued by quasi-government organizations. Legal risks are negligible.

Receivables, Net

Receivables in the General Fund consist primarily of sales and income taxes. Special revenue fund receivables consist primarily of public assistance and gas taxes. Proprietary fund receivables occur as part of the ordinary course of business. Fiduciary fund receivables consist primarily of investments sold in the pension trust funds. The receivables are disaggregated on the financial statements.

Due from/Advances to and Due to/Advances from Other Funds

Due from/to other funds consist of short-term receivables and payables for activities occurring between individual funds within the State, for goods provided or services rendered. Advances to/from other funds consist of long-term interfund loans. Loans that occur between the primary government and component units are classified as advance to primary government and advance from component unit. See Note 4 for interfund activity schedules.

Due from Other Entities

Due from other entities are comprised mainly of federal grant revenues receivable.

Inventory

Inventory consists of materials and supplies which will be consumed within a year. Governmental and proprietary fund-type inventories of supplies and materials are valued at cost, which approximates market, generally using the first-in, first-out method. The consumption method of inventory accounting is used.

Other Assets

Other assets include prepaid expenses, advances to sub-grantees, interest receivable, assets in liquidation, and other miscellaneous items. Prepaid expenses represent amounts paid in the current period for services which will benefit future periods. Prepaids are accounted for using the consumption method.

Capital Assets, Net

Capital assets include infrastructure (roads and bridges), land, buildings and improvements, construction in progress, improvements other than buildings, machinery and equipment, and other capital assets. Assets with a cost of \$5,000 or more and a useful life of more than one year are capitalized. The costs of normal repairs and

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002**

maintenance that do not add to the asset's utility or materially extend an asset's useful life are not capitalized. Interest expense related to fixed asset construction is capitalized for proprietary funds but not governmental funds.

Capital assets are recorded at cost or estimated historical cost, if actual cost is not available. Donated capital assets are recorded at the estimated fair value at the date of donation and revenue is recognized. In cases where historical cost is not available, assets are valued using comparables indexed forward or backward with the consumer price index. Federal grant land is valued at one dollar per acre.

All capital assets, with the exception of roads, right of ways, land, construction in progress, and arts and historical treasures are depreciated. For all depreciable major asset classes, depreciation is calculated on a straight-line basis over their estimated useful lives, as follows:

| <u>Assets</u> | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings | 30 - 50 |
| Improvements Other Than Buildings | 5 - 50 |
| Machinery, Equipment, and Other | 3 - 40 |
| Bridges | 75 |

Roads and right of ways are not depreciated but rather are accounted for under the modified approach. The modified approach recognizes that this class of infrastructure will be indefinitely maintained at a certain condition level, and as such does not have a limited life-span. Costs to maintain the roads at the set condition levels are expensed rather than capitalized, unless the roads' service potential is increased or additions are made. The State's Transportation Department has the responsibility for determining and assessing the condition levels, maintaining the inventory of roads, and making annual estimates of costs to maintain the roads.

Art and historical treasures are not capitalized or depreciated. Their value is difficult to estimate because such collections have numerous items acquired over long periods of time, or the original cost is below the capitalization threshold of \$5,000 but the intrinsic value is high. Examples of art and historical treasures include historical artifacts, historical documents, rare books, paintings, portraits, State Capitol related artifacts, furnishings, films, statues, monuments, and the like.

Payables, Net

Payables in the General Fund consist primarily of revenue sharing and tax refunds. Accounts payable in the special revenue funds relate primarily to public assistance (the largest being Medicaid). The largest enterprise fund payable is for unemployment benefits. The Public Employee Retirement System of Idaho investment purchases comprise the primary fiduciary fund payable. All fund types have generic vendor payables.

Deferred Revenue

Deferred revenue is recognized when revenue is received prior to being earned. In the governmental fund statements, deferred revenue is also recognized when revenue is earned but not available.

Deposits

Deposits consist of cash or other assets held for an individual or entity until certain conditions of an agreement are met, at which time the asset is returned to the owner. Occasionally, the owner will default on the conditions and the asset held as a deposit becomes the property of the State and is recorded as revenue at that time.

Other Liabilities

Other liabilities consist of payroll payable, contingent liabilities, unclaimed property, and other accrued liabilities.

Long-Term Liabilities

Government-wide and proprietary financial statements report long-term obligations as liabilities, with the portion payable within twelve months designated separately from the portion payable in more than twelve months. Long-term liabilities contain the following:

Capital Leases Payable consist of lease contracts entered into by the State that are in substance a purchase.

Compensated Absences Payable include vacation and compensatory time earned but not paid.

Bonds and Notes Payable consist of notes and bonds issued for the construction or acquisition of facilities and for funding various projects. Bond premiums and discounts, as well as issuance costs, are deferred

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2002

and amortized over the life of the loan. See Note 11 for further explanation.

Grand Prizes Payable consist of the State Lottery prize obligations.

Policy Claim Liabilities include amounts for probable claims that have been incurred and the amount of the loss has been reasonably estimated.

Other Long-Term Liabilities consist of claims, judgments, and arbitrage rebates.

F. Fund Equity

Fund equity represents the difference between fund assets and fund liabilities. The governmental fund equity is called fund balance, while the government-wide, proprietary, and fiduciary fund equity is called net assets.

Reservations of fund balance and restricted net assets identify assets that are not available for appropriation for expenditures or are legally segregated for a specific future use.

G. Newly Issued Accounting Pronouncement

The Government Accounting Standards Board issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. Statement No. 39 amends Statement No. 14, *The Financial Reporting Entity*. Management has not yet determined the impact this standard will have on the State's financial statements. This new accounting standard may impact the State's revenue and expenditure/expense recognition and assets, liabilities, and fund equity reporting. The requirements of this statement are effective for the fiscal year ending June 30, 2004, with earlier implementation encouraged.

NOTE 2. DEPOSITS AND INVESTMENTS

A. Deposits

Cash and Cash Equivalents are deposited with eight financial institutions and are carried at cost. *Idaho Code* does not require collateralization of deposits. The State Treasurer controls the receipt and disbursement of agencies' cash except for the following: Petroleum Clean Water Trust Fund and the Idaho Life and Health Guaranty Association (discretely presented component units); the Idaho State Building Authority (a blended component unit); Endowment Funds (permanent funds); the State Bar, the Potato Commission, the Dairy Commission, and the Wheat Commission (nonmajor special revenue funds); the State Lottery and some of the college and universities (enterprise funds); and the Public Employees Retirement System of Idaho (a fiduciary fund).

Deposits are categorized into the following three categories of credit risk:

1. Deposits which are fully insured or collateralized with securities held by the State or its agent in the State's name;
2. Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the State's name; or
3. Deposits which are not collateralized or are collateralized by the pledging financial institution or the pledging institution's trust department or agent, but not in the State's name.

The following summary presents the State's deposits, as of June 30, 2002 (*in thousands*):

| Primary Government and Fiduciary Funds: | Category 1 | Category 2 | Category 3 | Total |
|--|------------|------------|------------|-----------|
| Cash, Cash Equivalents, and Cash Equity with Treasurer | \$652,803 | \$65,619 | \$10,242 | \$728,664 |

Reconciliation of Risk Categorized Cash to Cash per Financial Statements for Primary Government and Fiduciary Funds

| | |
|--|--------------------|
| Cash, Cash Equivalents, and Cash Equity with Treasurer per Risk Categorization (Bank Balance) | \$728,664 |
| Less: Outstanding Warrants | (72,142) |
| Investment Deposits Included with Cash and Cash Equivalents for Note Disclosure Purposes | (6,989) |
| Plus: Timing Difference | 938 |
| Idle Pool Cash Included with Investments for Note Disclosure Purposes | 546,150 |
| Cash, Cash Equivalents, and Cash Equity with Treasurer per Financial Statements (Book Balance) | <u>\$1,196,621</u> |

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002

The following summary presents the State's deposits as reported on the Statement of Net Assets and Statement of Fiduciary Net Assets (*in thousands*):

| | Governmental Activities | Business-Type Activities | Fiduciary Funds | Total |
|----------------------------|------------------------------------|-------------------------------------|----------------------------|--------------------|
| Cash Equity with Treasurer | \$460,222 | \$120,840 | \$310,304 | \$891,366 |
| Cash and Cash Equivalents | 39,930 | 264,203 | 1,122 | 305,255 |
| Total | \$500,152 | \$385,043 | \$311,426 | \$1,196,621 |

The following summary presents the Discretely Presented Component Units' deposits, as of June 30, 2002 (*in thousands*):

| Discretely Presented Component Units | Category 1 | Category 2 | Category 3 | Total |
|---|-------------------|-------------------|-------------------|----------------|
| Cash, Cash Equivalents, and Cash Equity with Treasurer | \$3,958 | \$2,395 | | \$6,353 |
| Reconciliation of Risk Categorized Cash to Cash per Financial Statements for Component Units | | | | |
| Cash, Cash Equivalents, and Cash Equity with Treasurer per Risk Categorization (Bank Balance) | | | | \$6,353 |
| Less: Investment Deposits included with Cash and Cash Equivalents for Note Disclosure Purposes | | | | (1,601) |
| Cash, Cash Equivalents, and Cash Equity with Treasurer per Financial Statement (Book Balance) | | | | \$4,752 |

B. Investments

The State's investments are classified in three categories of credit risk to give an indication of the level of risk assumed by the State as of the year-end. The three categories of credit risk include the following:

1. Investments that are insured or registered or for which the securities are held by the State or its agent in the State's name;
2. Uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the State's name; or

3. Uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the State's name.

Some investments are made directly by an agency rather than by the State Treasurer. Only a few agencies are authorized to make such investments and then only for specific programs. All investments are valued in accordance with GASB 31, as described in Note 1.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002**

The following summary identifies the level of credit risk assumed by the State and the total fair value of State investments at fiscal year-end (*in thousands*):

| Primary Government and Fiduciary Funds <u>Investments</u> | Credit Risk Categories | | | Fair Value |
|--|---------------------------|-------------------------|-------------------------|---------------------------|
| | 1 | 2 | 3 | |
| Repurchase Agreements | | \$35,793 | | \$35,793 |
| U.S. Government Obligations | \$833,317 | 141,240 | | 974,557 |
| U.S. Agency Obligations | 482,665 | | \$153,304 | 635,969 |
| Mortgage-Backed Securities | 140,653 | | | 140,653 |
| Marketable Securities | 4,550,847 | 98,486 | 10,111 | 4,659,444 |
| Corporate Bonds | 1,852,624 | 150,142 | 13,202 | 2,015,968 |
| Other | 22,454 | | | 22,454 |
| Risk Classified Investments | <u>\$7,882,560</u> | <u>\$425,661</u> | <u>\$176,617</u> | <u>8,484,838</u> |
| <u>Investments Not Subject to Classification Due to Their Nature</u> | | | | |
| Pooled Short Term Investment Fund | | | | 185,389 |
| Idaho Commercial Mortgages | | | | 306,568 |
| Real Estate | | | | 33,450 |
| Private Equity | | | | 135,982 |
| Mutual Fund Holdings | | | | 86,624 |
| Index Fund and Fixed Income Fund Holdings in Agency Fund | | | | 123,299 |
| Total Non-Classified Investments | | | | <u>871,312</u> |
| Total Investments | | | | <u>\$9,356,150</u> |

Reconciliation of Primary Government and Fiduciary Funds Risk Categorized Investments to Investments per Financial Statements

| | |
|--|---------------------------|
| Investments per Risk Categorization | \$9,356,150 |
| Less: Idle Pool Cash Included with Investments for Note Disclosure Purposes | (546,150) |
| Plus: Investment deposits Included with Cash and Cash Equivalents for Note Disclosure Purposes | 6,989 |
| Investments per Financial Statements | <u>\$8,816,989</u> |

The following summary presents the State's investments as reported on the Statement of Net Assets and Statement of Fiduciary Net Assets (*in thousands*):

| | Governmental Activities | Business-Type Activities | Fiduciary Funds | Total |
|-------------|------------------------------------|-------------------------------------|----------------------------|--------------|
| Investments | \$903,362 | 344,240 | 7,569,387 | \$8,816,989 |

The following summary presents the Discretely Presented Component Units' investments, as of June 30, 2002 (*in thousands*):

| Discretely Presented Component Units <u>Investments</u> | Credit Risk Categories | | | Fair Value |
|---|------------------------|----------|----------|------------------------|
| | 1 | 2 | 3 | |
| U.S. Government Obligations | \$4,549 | | | \$4,549 |
| U.S. Agency Obligations | 29,998 | | | 29,998 |
| Total Investments | <u>\$34,547</u> | | | <u>\$34,547</u> |
| Reconciliation of Discretely Presented Component Unit Risk Categorized Investments to Investments per Financial Statements | | | | |
| Investments per Risk Categorization | | | | \$34,547 |
| Investment deposits included with Cash and Cash Equivalents for Note Disclosure Purposes | | | | 1,601 |
| Investments per Financial Statements | | | | <u>\$36,148</u> |

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002

Repurchase Agreements: Repurchase agreements are purchases of securities with simultaneous agreements to resell those same securities in the future at the same price plus a contract rate of interest. These investments are made throughout the year for short periods of time.

Securities Lending Agreements: Security lending agreements are transfers of securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The State Treasurer participates in securities lending programs with both the External Investment Pool and Idle Pool funds. *Idaho Code*, Section 67-1210, authorizes the State Treasurer to invest excess funds, other than endowment funds. The Treasurer's securities custodian manages the securities lending program. During the year, the custodian loaned U.S. government securities, equity securities, and corporate bonds or notes for collateral for cash and government securities. The investments are collateralized at 102 percent of the market and restated to the market value on a daily basis. There are no restrictions on the amount of loans that can be made. Either the State or the borrower can cancel all securities loaned upon demand.

The cash collateral received is invested by the custodian and held in a separate account in the name of the State Treasurer. Cash is only reinvested in repurchase agreements with terms equally matching the actual securities lent. The Treasurer is indemnified for loss due to default on the part of the borrowers and failure to maintain the daily mark-to-market on the loans. At year-end, the State Treasurer had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. There were no loaned securities as of June 30, 2002.

In accordance with *Idaho Code*, Section 57-722, the Endowment Board engages in securities lending activities, whereby certain securities (U.S. government securities and government issues) are loaned to specific entities. The securities borrower will pay a stated premium to the Endowment Board that will be remitted monthly. At the time the securities are loaned, cash or other collateral is received by the Investment Board. Securities lending collateral is comprised of certain U.S. government issued or U.S. government agency securities and is received valued at the required margin of 102 percent of the market value of the securities loaned. The securities lending agreement requires daily monitoring of the market value of the securities loaned and collateral received with additional collateral obtained as necessary to meet margin requirements.

The Endowment Board is indemnified for fraudulent or negligent acts performed by the trustee (Key Trust Company National Association dba Victory Capital Management), and should loaned securities not be returned as specified, the Trustees would be required to make the Endowment Board whole. As such, credit risk exposure is limited under these transactions. As of June 30, 2002, the fair value of the loaned securities are as follows:

| | |
|----------------------------------|---------------|
| Public School Endowment Fund | \$164,182,548 |
| Pooled Endowment Fund | \$82,857,991 |
| Capitol Permanent Endowment Fund | \$1,882,546 |

Other Investing Activities: The Public Employee Retirement System of Idaho (the System) purchases forward contracts for certain international investments and United States agency-guaranteed collateralized mortgage obligations for the purpose of enhancing liquidity, reducing transaction or other costs, or partially hedging an existing exposure. The System does not incur any costs for forward contracts until the settlement date. Future potential obligations for the forward contracts are not recognized until the contract expiration date.

The System has entered into forward foreign exchange contracts to purchase or sell currency at various dates in the future at a specific price. The value of foreign currency to be purchased or sold fluctuates continuously. As such, it is possible that the foreign currency market price at the specified time to purchase or sell may be lower than the price at which the System is committed to buy or sell. The System could sell the forward contract at a loss, or if it were to continue to hold the contract, the System may make a termination payment to the counterparty to cancel its obligation under the contract and then buy the currency on the open market. The System is also exposed to the failure of the counterparty to fulfill the contract. The terms of the contract include provisions for recovering the cost in excess of the guaranteed price from the counterparty should the System have to purchase currency on the open market. Unrealized losses of \$6,852,738 at June 30, 2002, were recognized, which represents the loss that would occur from executing forward foreign exchange contracts at June 30, 2002.

The Endowment Board engages in sales (writing) of call options, in accordance with investment laws, to increase yield for certain securities that are owned. These options are usually outstanding for periods of one week to one month and the Endowment Board receives cash for the sale of the call. During the time the options are

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002**

outstanding, the Endowment Board is exposed to market risk, or the risk of changes in interest rates. As interest rates decrease and bond prices increase to or above the exercise price as specified in the option, the security could be called, and the Endowment Board would be forced to sell the security at the call price, giving up the potential yield on the security. If the bond is called, and the Endowment Board does not want to lose the security, they will buy back the call option at a loss. For the year ended June 30, 2002, the Endowment Board had not recognized any gains on the sale of covered call options. At year-end the Endowment Board had no outstanding call options.

The Endowment Board also invests in collateralized mortgage obligations. These securities are based on cash flows from principal and interest payments on underlying mortgages. Therefore, they are sensitive to prepayments

by mortgagees, which may result from a decline in interest rates.

The Idaho Millennium Fund, which is made up of the tobacco settlement receipts, is reported as part of the General Fund. The receipts are not legally restricted in how they can be used and in accordance with *Idaho Code*, Section 67-1801, the State Treasurer is granted the authority to separately invest the assets as authorized by the standards of the *Idaho Uniform Prudent Investor Act*, Chapter 5, Title 68.

Boise State University also invests in interest-only U.S. Treasury strips (a derivative) to maximize yields. These investments are based on cash flows from interest payments on underlying U.S. Treasury Securities. The underlying securities are guaranteed by the U.S. Government and do not present the same level of risk as do other forms of derivatives.

NOTE 3. EXTERNAL INVESTMENT POOL

Overview of the State Treasurer's Authority

Idaho Code, Section 67-2328, authorizing the Joint Exercise of Powers trust fund, permits the State Treasurer to sponsor an investment pool. Other Idaho governmental entities (cities, counties, school districts, etc.) can voluntarily place excess funds in the investment pool to earn higher interest rates. The Joint Exercise of Powers trust fund is also referred to as the Local Government Investment Pool (Pool). The State Treasurer may also invest State money in the Joint Exercise of Powers trust fund. The Treasurer's Office must operate and invest the funds according to its state investment policy for the benefit of the participants. The Pool is not registered with the Securities and Exchange Commission or any other regulatory body.

Investments are converted to fair value at June 30 in accordance with GASB Statement 31. Fair value is defined as the market value (bid) if the investment is traded on a recognized exchange or the value of the investment in a current transaction with a willing buyer other than a forced liquidation sale. Investments were valued through a quoted market price. The Pool operates and reports to participants on an amortized cost basis. Specifically, the Pool distributes earnings to the participants monthly based on their relative participation during the month. Distributed earnings are calculated

based on (1) realized gains and losses calculated on an amortized cost basis; (2) interest income; (3) amortization of discounts and premiums on a straight-line basis; and (4) administrative expenses. This method differs from the fair value method used to value investments in these financial statements because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair value of the Pool's investments. Thus the participant's share of the Pool is not based on fair value. The Treasurer does not provide any legally binding guarantees to support the value of shares to the participants. No separate reports of the external investment pool have been issued. The assets in these notes will not agree to the asset amounts included in the combining financial statements for the Joint Exercise of Powers trust fund because GASB Statement 31 requires that only the external portion of the investment pool assets be reported in that fund. The internal portion of assets must be reported in the applicable individual fund or component unit.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002**

The following schedule summarizes the investments for the external investment pool at June 30, 2002:

| Summary of Fair Value (in thousands) | | | | |
|---|---------------------------|-----------------------|---------------------------|-----------------|
| Security | Amortized Cost | Fair Value | Purchase Yield | Maturity |
| Commercial Paper* | \$275,538 | \$275,537 | 1.972% - 2.658% | 07/02 - 09/02 |
| Corporate Bonds | 140,159 | 141,454 | 1.369% - 7.050% | 07/02 - 07/04 |
| Repurchase Agreements* | 29,730 | 29,730 | 1.880% | 07/02 |
| United States Treasury Notes | 80,785 | 81,989 | 1.267% - 4.516% | 11/02 - 12/03 |
| Federal Farm Credit Bank | 40,051 | 40,377 | .830% - 4.733% | 11/02 - 02/04 |
| Federal Home Loan Bank | 190,081 | 191,867 | 2.200% - 5.247% | 11/02 - 12/05 |
| Federal Home Loan Mortgage Corp. | 80,955 | 81,162 | 2.252% - 4.138% | 11/03 - 09/06 |
| Federal National Mortgage Assoc. | 373,279 | 375,076 | 1.792% - 5.500% | 07/02 - 06/06 |
| Certificates of Deposit* | 4,500 | 4,500 | 2.200% - 5.250% | 07/02 - 01/03 |
| Cash* | 200 | 200 | 0.000% | |
| Purchase Accrued Interest* | 1,094 | 1,094 | 0.000% | 08/02 - 12/02 |
| Total | \$1,216,372 | \$1,222,986 | | |

*Represents Cash and Cash Equivalents

All investments for the Joint Exercise of Powers trust fund are entirely insured or collateralized with securities held by the fund or by its agent in the fund's name. Deposits are not insured or otherwise guaranteed by the State of Idaho.

The administrative costs associated with the Joint Exercise of Powers are paid to the State Treasurer's Office on a monthly basis by a transfer from the Joint Exercise of Powers to the State Treasurer's operating fund.

Calculation of Change in Fair Value

The State uses the aggregate method for determining the increase (decrease) in fair value of the investments in the Joint Exercise of Powers trust fund. Below is a schedule showing the increase in the fair value of investments during fiscal year 2002 (*in thousands*):

| | |
|--|------------------|
| Fair Value at June 30, 2002 | \$1,222,986 |
| Add: Proceeds of Investments Sold in FY 02 | 9,972,626 |
| Less: Cost of Investments Purchased in FY 02 | (10,230,421) |
| Fair Value at June 30, 2001 | (974,617) |
| Change in Fair Value of Investments During FY 02 | (\$9,426) |

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2002

The Joint Exercise of Powers trust fund condensed financial statements, inclusive of external and internal participants, for the fiscal year ended June 30, 2002, are as follows:

Joint Exercise of Powers Trust Fund

Statement of Net Assets

June 30, 2002

(in thousands)

| | |
|--|---------------------------|
| Assets | |
| Investments at Fair Value | \$911,925 |
| Cash and Cash Equivalents | 311,061 |
| Interest Receivable to the Pool | 3,607 |
| Total Assets | <u>1,226,593</u> |
| Liabilities | |
| Distributions Payable | 712 |
| Total Liabilities | <u>712</u> |
| Net Assets Held in Trust for Pool Participants | <u>\$1,225,881</u> |
| Net assets consist of: | |
| External Participant Units Outstanding (\$1.00 par) | \$1,191,429 |
| Internal Participant Units Outstanding (\$1.00 par) | 24,943 |
| Undistributed and Unrealized Gains (Losses) | 9,509 |
| Total Participant Units Outstanding (\$1.00 par) | <u>1,225,881</u> |
| Net Assets Held in Trust for Pool Participants | <u>\$1,225,881</u> |
| Participant Net Asset Value, Offering Price and Redemption | |
| Price per Share (\$1,225,881/\$1,216,372) | <u><u>\$1.01</u></u> |

Joint Exercise of Powers Trust Fund

Statement of Operations and Changes in Net Assets

June 30, 2002

(in thousands)

| | |
|---|---------------------------|
| Investment Income | |
| Interest Income | \$46,178 |
| Net Increase (Decrease) in Fair Value of Investments | <u>(9,426)</u> |
| Total Investment Income | <u>36,752</u> |
| Expenses | |
| Administrative Fees | <u>(229)</u> |
| Net Investment Income (Net Increase in Net Assets as a Result of Operations) | <u>36,523</u> |
| Distributions to Participants | |
| Distributions Paid and Payable | <u>(47,047)</u> |
| Share Transactions at Net Asset Value of \$1.00 per Share | |
| Pooled Participant Deposits | \$2,491,259 |
| Pooled Participant Withdrawals | <u>(2,238,603)</u> |
| Net Increase (Decrease) in Net Assets and Shares Resulting From | |
| Share Transactions | <u>252,656</u> |
| Total Increase (Decrease) in Net Assets | <u>242,132</u> |
| Net Assets Held in Trust for Pool Participants | |
| Beginning of Period | <u>983,749</u> |
| End of Period | <u>\$1,225,881</u> |

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002**

NOTE 4. INTERFUND ACCOUNTS AND TRANSFERS

A. Due from/Advance to and Due to/Advance from Other Funds

Interfund balances at June 30, 2002, consist of the following:

| Due To | Due From | | | | | | | Total |
|--------------------------|--------------------|--------------------|------------------|--------------------------|------------------------|---------------------|------------------|--------------------|
| | General Fund | Health and Welfare | Transportation | Nonmajor Special Revenue | College and University | Nonmajor Enterprise | Internal Service | |
| General Fund | | \$5,270 | | \$85,539 | \$6,081 | \$3,500 | \$3,310 | \$103,700 |
| Transportation | \$5,884 | | | 6,992 | | | | 12,876 |
| Nonmajor Special Revenue | 49,553 | 558,148 | \$390,752 | 40,359 | | | | 1,038,812 |
| College and University | 1,926,614 | 437,135 | 151,144 | 1,741,925 | | | 8,079 | 4,264,897 |
| Nonmajor Enterprise | 39,348 | 11,242 | 124,179 | 86,054 | 12,962 | 4,247 | | 278,032 |
| Internal Service | 215,946 | 422,730 | 35,508 | 188,672 | 26,405 | | 4,377 | 893,638 |
| Total | \$2,237,345 | \$1,434,525 | \$701,583 | \$2,149,541 | \$45,448 | \$7,747 | \$15,766 | \$6,591,955 |

Interfund advances at June 30, 2002, consist of the following:

| Advance From | Advance To | |
|--------------------------|--------------------------|--------------------|
| | Nonmajor Special Revenue | Total |
| General Fund | \$301,499 | \$301,499 |
| Nonmajor Special Revenue | 958,504 | 958,504 |
| Total | \$1,260,003 | \$1,260,003 |

Advances to/from between discretely presented component units and the primary government consist of a receivable of the Petroleum Clean Water Trust Fund for \$8,000,000 and a primary government payable of

\$7,000,000. The inequality between the receivable and payable arose because the Petroleum Clean Water Trust Fund reports using a fiscal year-end date of December 31.

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2002, are as follows:

| Transfers Out | Transfers In | | | | | | Total |
|---------------------------|----------------------|----------------------|--------------------------|---------------------------|---------------------|------------------|----------------------|
| | General Fund | Health and Welfare | Nonmajor Special Revenue | Unemployment Compensation | Nonmajor Enterprise | Internal Service | |
| General Fund | | \$344,886,795 | \$16,545,301 | | \$60,000 | \$16,914 | \$361,509,010 |
| Transportation | | | 14,780,327 | | | | 14,780,327 |
| Public School Endowment | \$46,189,564 | | | | | | 46,189,564 |
| Pooled Endowment | 21,965,000 | | | | | | 21,965,000 |
| Nonmajor Special Revenue | 65,146,726 | | 3,956,834 | \$37,604 | 2,800,000 | | 71,941,164 |
| Unemployment Compensation | | | 10,381,724 | | | | 10,381,724 |
| State Lottery | 15,000,000 | | | | | | 15,000,000 |
| Nonmajor Enterprise | 6,445,000 | 1,850,000 | | | | | 8,295,000 |
| Internal Service | 637,583 | | | | | | 637,583 |
| Total | \$155,383,873 | \$346,736,795 | \$45,664,186 | \$37,604 | \$2,860,000 | \$16,914 | \$550,699,372 |

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002**

Interfund transfers are primarily performed for two reasons: 1) Taxes, fees, penalties, earnings, and other revenues are transferred from the agencies that initially collect them (such as the Tax Commission) to the General Fund and other funds as dictated by state law, and 2) Revenues are transferred from the fund that is statutorily required to collect them to the fund that is directed, by budgetary authorization, to spend them.

During fiscal year 2002, the following transfer was made that was not routine in nature or was inconsistent with the activities of the fund making the transfer: \$22,000,000 from the Capitol Endowment Fund (reported as a Miscellaneous nonmajor special revenue fund) to the General Fund to address budgetary shortfalls.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2002, is as follows:

Primary Government

| | Balances at July 1, 2001 As Adjusted | Increases | Decreases | Balances at June 30, 2002 |
|---|--|----------------------|------------------------|------------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$149,962,788 | \$6,986,132 | (\$372) | \$156,948,548 |
| Construction in Progress | 318,641,468 | 166,072,766 | (97,896,360) | 386,817,874 |
| Infrastructure | 2,320,806,331 | 44,225,489 | (6,265,860) | 2,358,765,960 |
| Total capital assets, not being depreciated | 2,789,410,587 | 217,284,387 | (104,162,592) | 2,902,532,382 |
| Capital assets, being depreciated: | | | | |
| Buildings and Improvements | 391,859,605 | 18,902,283 | (2,113,860) | 408,648,028 |
| Improvements Other Than Buildings | 17,881,710 | 3,127,250 | | 21,008,960 |
| Machinery, Equipment, and Other | 253,671,493 | 38,931,375 | (22,086,220) | 270,516,648 |
| Infrastructure | 410,144,153 | 11,204,726 | (53,904) | 421,294,975 |
| Total capital assets being depreciated | 1,073,556,961 | 72,165,634 | (24,253,984) | 1,121,468,611 |
| Less accumulated depreciation for: | | | | |
| Buildings and Improvements | (167,291,831) | (8,765,810) | 693,055 | (175,364,586) |
| Improvements Other Than Buildings | (5,597,633) | (915,468) | 1,892 | (6,511,209) |
| Machinery, Equipment, and Other | (142,850,957) | (21,936,055) | 8,253,560 | (156,533,452) |
| Infrastructure | (101,463,660) | (5,680,720) | | (107,144,380) |
| Total accumulated depreciation | (417,204,081) | (37,298,053) | 8,948,507 | (445,553,627) |
| Total capital assets, being depreciated, net | 656,352,880 | 34,867,581 | (15,305,477) | 675,914,984 |
| Governmental activities capital assets, net | \$3,445,763,467 | \$252,151,968 | (\$119,468,069) | \$3,578,447,366 |

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002**

| | Balances at July 1, 2001 As Adjusted | Increases | Decreases | Balances at June 30, 2002 |
|---|--|---------------------|-----------------------|------------------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$23,281,065 | \$1,970,206 | (\$365,291) | \$24,885,980 |
| Construction in Progress | 43,385,168 | 22,469,803 | (32,808,305) | 33,046,666 |
| Total capital assets, not being depreciated | 66,666,233 | 24,440,009 | (33,173,596) | 57,932,646 |
| Capital assets, being depreciated: | | | | |
| Buildings and Improvements | 613,942,375 | 69,867,848 | (119,678) | 683,690,545 |
| Improvements Other Than Buildings | 5,971,973 | 132,244 | (5,940) | 6,098,277 |
| Machinery, Equipment, and Other | 238,989,223 | 23,386,087 | (8,905,872) | 253,469,438 |
| Total capital assets being depreciated | 858,903,571 | 93,386,179 | (9,031,490) | 943,258,260 |
| Less accumulated depreciation for: | | | | |
| Buildings and Improvements | (212,221,089) | (17,413,867) | 119,678 | (229,515,278) |
| Improvements Other Than Buildings | (414,012) | (159,316) | 3,029 | (570,299) |
| Machinery, Equipment, and Other | (152,327,848) | (18,298,245) | 8,367,441 | (162,258,652) |
| Total accumulated depreciation | (364,962,949) | (35,871,428) | 8,490,148 | (392,344,229) |
| Total capital assets, being depreciated, net | 493,940,622 | 57,514,751 | (541,342) | 550,914,031 |
| Business-type activities capital assets, net | \$560,606,855 | \$81,954,760 | (\$33,714,938) | \$608,846,677 |

Depreciation expense was charged to functions of the primary government as follows:

| | |
|---|---------------------|
| Governmental activities: | |
| General Government | \$5,383,084 |
| Public Safety and Correction | 6,866,574 |
| Health and Human Services | 141,787 |
| Education | 1,274,159 |
| Economic Development | 3,729,049 |
| Natural Resources | 5,213,541 |
| Transportation | 12,938,108 |
| In addition, depreciation on capital assets held by the State's internal service funds is charged to the general government function based on asset usage | 1,751,751 |
| Total depreciation expense-governmental activities | \$37,298,053 |
| Business-type activities: | |
| College and University | \$33,582,949 |
| State Lottery | 1,711,556 |
| Nonmajor Enterprise Funds | 576,923 |
| Total depreciation expense-business-type activities | \$35,871,428 |

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002**

| Discretely presented component units: | Balances at July 1, 2001 | | Balances at June 30, 2002 | |
|--|-----------------------------|----------------|------------------------------|-----------------|
| | As Adjusted | Increases | Decreases | |
| Capital assets, being depreciated: | | | | |
| Machinery, Equipment, and Other | \$12,391 | \$2,000 | | \$14,391 |
| Total capital assets being depreciated | <u>12,391</u> | <u>2,000</u> | | <u>14,391</u> |
| Less accumulated depreciation for: | | | | |
| Machinery, Equipment, and Other | (10,931) | (1,251) | | (12,182) |
| Total accumulated depreciation | <u>(10,931)</u> | <u>(1,251)</u> | | <u>(12,182)</u> |
| Total capital assets, being depreciated, net | <u>1,460</u> | <u>749</u> | | <u>2,209</u> |
| Component Unit activities capital assets, net | <u>\$1,460</u> | <u>\$749</u> | | <u>\$2,209</u> |

NOTE 6. RETIREMENT PLANS

Summary of Plans

The Public Employee Retirement System of Idaho (the System) administers the Public Employee Retirement Fund Base Plan (PERSI), the Firemen's Retirement Fund (FRF), and the Defined Contribution Retirement Plan. A retirement board, appointed by the Governor and confirmed by the State Senate, manages the System, which includes selecting the funding agents and establishing funding policy. The Idaho Judicial Department, under the direction of the Idaho Supreme Court, administers the Judges' Retirement Fund. The Teachers' Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) administers an Optional Retirement Plan (ORP) for the colleges and universities. The Idaho Department of Labor administers a closed retirement plan for employees of the Idaho Department of Labor hired prior to October 1, 1980. Each of these plans is discussed individually below.

A. Public Employee Retirement Fund and Firemen's Retirement Fund

Plan Description

Organization and Purpose

PERSI and FRF are cost-sharing, multiple-employer defined benefit retirement plans. Statutes governing PERSI are *Idaho Code*, Title 59, Chapter 13 and Title 50, Chapter 15. Statutes governing FRF are *Idaho Code*, Title 72, Chapter 14.

Membership

State agencies, school districts, cities, counties, highway districts, water and sewer districts, and other political subdivisions contribute to PERSI and FRF. Participation

in PERSI is mandatory for State employees who normally work 20 or more hours a week for five or more consecutive months. As of June 30, 2002, the number of participating employer units in PERSI was 659 and actual benefit recipients and members in PERSI were:

| | |
|--|---------------|
| Retirees and Beneficiaries/Vested Terminated | |
| Employees | 31,348 |
| Current Active Employees | <u>62,376</u> |
| Total | <u>93,724</u> |

For FRF, as of June 30, 2002, there were 23 participating employer units, all consisting of fire departments, in the System. Total employee membership showed 558 retired members or beneficiaries collecting benefits from the FRF and 81 active members. The FRF covers a closed group of firefighters who were hired before October 1, 1980, and who receive benefits in addition to those provided under PERSI.

The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employee Retirement System of Idaho, P.O. Box 83720, Boise, ID 83720-0078.

Benefits

The benefit structure for both PERSI and FRF is based on members' years of service, age, and highest average salary. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members are eligible for retirement benefits upon attainment of the age specified for their employment classification or a combination of age plus

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002**

service. The annual service retirement allowance for each month of credited service is 2 percent (2.3 percent police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The benefit payments for both PERSI and FRF are calculated using a benefit formula adopted by the Idaho Legislature. PERSI is required to provide a 1 percent minimum cost of living increase per year provided the Consumer Price Index increases 1 percent or more. The Retirement Board has the authority to provide higher PERSI cost of living increases to a maximum of the Consumer Price Index movement or 6 percent, whichever is less; however, any amount above the 1 percent minimum is subject to approval by the Idaho Legislature. The cost of living increase for the FRF is based on the increase in the statewide average firefighters' wage.

Summary of Significant Accounting Policies

The System's basic financial statements of the pension funds are prepared on the accrual basis of accounting. For the financial statements of the pension funds, employee and employer contributions are recognized as revenues in the period in which employee services are performed, investment income is recognized when earned, and benefit payments, refunds, and other expenses are recorded when incurred. The pension funds are accounted for on a flow of economic resources measurement focus. The System adheres to GASB Statement 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*.

The System's investments are presented at fair value. Purchases and sales are recorded at the trade date. Investments held by PERSI and FRF are commingled. The fair value of investments is based on published market prices and quotations from major investment brokers when available. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investments has been estimated based on independent appraisals. Short-term investments are reported at market value when published market prices and quotations are available or at cost plus accrued interest, which approximate market value.

Funding Policy

Contributions and Vesting

The System's funding policy for PERSI and FRF is determined by the Board within limitations, as defined

by Idaho law. The funding policy provides for periodic employer contributions at actuarially determined rates, that expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the Entry Age Actuarial Cost Method for PERSI and a modified aggregate funding method for FRF. Under the Entry Age Actuarial Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. FRF amortizes the difference between the FRF benefits not provided by PERSI and the FRF assets over the earnings of all firemen. PERSI amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. FRF amortizes any unfunded liability based on a level dollar amount. The maximum amortization period for PERSI permitted under *Idaho Code*, Section 59-1322, is 25 years. The maximum amortization period for FRF permitted under *Idaho Code*, Section 59-1394, is 50 years. The payroll for employees covered by PERSI and the FRF was approximately \$2,009,000,000 and \$35,000,000, respectively.

PERSI employer contributions required and paid were \$69,584,530, \$44,091,652, and \$62,369,887 for the years ended June 30, 2002, 2001, and 2000, respectively. During 2001, PERSI implemented a gain sharing program, whereby employers received a total credit of \$20,100,500 to be used toward their contributions; this made actual contributions of \$64,192,152 for 2001.

Actuarial valuations of PERSI and FRF are performed annually. The last valuation of PERSI and FRF was performed as of July 1, 2002.

Normal cost is 13.65 percent of covered payroll and the amount available to amortize the unfunded actuarial liability is 2.17 percent of covered payroll for PERSI. There is no normal cost associated with FRF and all contributions to FRF are available to reduce the unfunded actuarial liability.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2002

The contribution rates for the year ended June 30, 2002, are as follows:

| Employee Group | Employer | Employee |
|--------------------------------------|----------|----------|
| PERSI | | |
| General | 9.77% | 5.86% |
| Police and Fire | 10.01% | 7.21% |
| ORP Employees of Higher Education | | |
| Colleges and Universities | 3.03% | N/A |
| Junior Colleges | 3.83% | N/A |

FRF employer and employee contribution rates for firemen hired before October 1, 1980, are 25.89 percent and 4.24 percent, respectively, in addition to PERSI Police and Fire rates shown above. The employer contribution rate for firemen hired after October 1, 1980, is 17.24 percent, in addition to PERSI Police and Fire rates shown above.

After five years of credited service (five months for elected or appointed officials), members become fully vested in retirement benefits earned to date. Upon termination of employment, accumulated member contributions plus interest, accrued at 4.82 percent (12.86 percent prior to January 1, 2002) compounded monthly per annum, are refundable. Withdrawal of such accumulated contributions results in forfeiture of the member's accrued benefit; however, state law does include provisions for reinstatement of forfeited service upon repayment of the accumulated contributions plus interest.

Funding

Contributions from members, employers, and earnings from investments, fund PERSI and FRF benefits. Additional FRF funding is obtained from receipts from a state fire insurance premium tax. Member and employer contributions are a percentage of applicable member compensation. As defined by State law, member contribution rates are a percentage of the employer contribution rate. Employer contribution rates are recommended by periodic actuarial valuations and are subject to the approval of the Retirement Board and set forth in state statute. Valuations are based on actuarial assumptions, the benefit formulas, and employee groups of PERSI and FRF. Costs of administering the plans are financed through the contributions and investment earnings of the System.

B. Defined Contribution Retirement Plan

The PERSI Choice and the Idaho Super Saver make up the State's Defined Contribution Retirement Plan.

Statutes governing the PERSI Choice and the Idaho Super Saver are *Idaho Code*, Title 59, Chapter 13. Participants direct their investment mix without restriction and may elect to change their salary deferral every pay period.

PERSI Choice

Plan Description

Organization and Purpose

The PERSI Choice Plan is made up of a qualified 401(k) component and a 414(k) component. The assets of the PERSI Choice are commingled. The 401(k) portion of the PERSI Choice is open to all active PERSI Base Plan members and was established February 1, 2001. On May 1, 2001, the PERSI Choice became open to voluntary employer matching contributions at rates determined by the employers.

The System entered into a contract with Mellon HR Solutions, the PERSI Choice record keeper, for services relating to eleven investment options, which are mutual or collective funds and include the PERSI Total Return Fund, seven equity funds, two fixed income funds, and a stable value fund. Participants may allocate their assets in 1 percent increments among these options; however, if no allocation preference is indicated, a default investment election to the PERSI Total Return Fund is made.

Membership

The PERSI Choice has 659 employer units eligible to have participating employees. As of June 30, 2002, there were 51,542 participants in the PERSI Choice.

Benefits

The 414(k) portion of the PERSI Choice was established for gain sharing allocations from PERSI. The gain sharing amount (if any) is based on funding levels in the PERSI Base Plan. Eligibility for gain sharing requires twelve months of active PERSI membership as defined in Idaho Statutes and PERSI rules. On February 1, 2001, all eligible PERSI Base Plan members who were active as of June 30, 2000, and eligible to receive gain sharing contributions, received an allocation.

Summary of Significant Accounting Policies

The significant accounting policies are the same as PERSI's.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002**

Funding Policy

Contributions

Beginning July 1, 2001, employees may make tax-deferred contributions of 1 to 23 percent of their gross salary. Employers and participants contributed \$5,290,488 and \$9,608,354, respectively, during the year ended June 30, 2002.

Funding

The administrative expenses of the PERSI Choice, most of which are paid to Mellon HR Solutions, are funded by PERSI.

Idaho Super Saver–401(k)

Plan Description

Organization and Purpose

The Idaho Super Saver–401(k) was a qualified 401(k) open to all employees of the State of Idaho. The Idaho Super Saver was organized to provide investment management services to state employees. Because of the addition of the PERSI Choice, the Idaho Super Saver–401(k) was eliminated. In October 2001, this 401(k) plan was merged into the PERSI Choice Plan.

The System entered into a contract with Zurich Scudder, Inc. (Scudder), the Idaho Super Saver custodian and record keeper, for services relating to nine investment options managed by Scudder. These options include a U.S. Treasury Money Mutual Fund, an Income Mutual Fund, a Balanced Mutual Fund, and six equity mutual funds.

Membership

As of September 30, 2001, the Idaho Super Saver had 99 employer units with 2,977 participating employees in the 401(k).

Benefits

Benefits depend solely on amounts contributed to the Idaho Super Saver plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the 401(k) contracts. Distributions are allowed for the following: termination of employment, disability, financial hardship, retirement, and death. The financial hardship withdrawal is allowed only for the purposes of paying for college education, extraordinary medical expenses, avoiding eviction, or purchasing a primary home. Employees will be required to pay a 10 percent IRS penalty for “early withdrawal,” if they are under the age of 59½ in addition to regular income taxes.

Summary of Significant Accounting Policies

The significant accounting policies are the same as PERSI’s.

Funding Policy

Contributions

Through September 2001, the Idaho Super Saver allowed participants to make tax-deferred contributions of 1 to 23 percent of their gross salary. Participants contributed \$1,662,156 during the year ended June 30, 2002. There are no employer contributions.

Funding

The administrative expenses of the 401(k), most of which are paid to Scudder, are funded by the participants.

C. Judges’ Retirement Fund

Plan Description

Organization and Purpose

The Judges’ Retirement Fund (JRF) is a single-employer defined benefit retirement plan, which provides retirement benefits for Justices of the Supreme Court, Court of Appeals Judges, and District Court Judges, hereinafter referred to as “members.” The Idaho Judicial Department, under the direction of the Idaho Supreme Court, administers the JRF. The JRF is guided by the *Prudent Man Investment Act* and the *Idaho Code*, Sections 68-501 through 68-506, *Idaho Code*, Title 1, Chapter 20, and *Idaho Code*, Section 59-1301, and is empowered in its sole discretion to limit, control, and designate the types and amounts of investments.

The Judges’ Retirement Fund issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Idaho Supreme Court, P.O. Box 83720, Boise, ID 83720-0101.

Membership

As of June 30, 2002, the JRF had 59 retired members or beneficiaries collecting benefits, 9 terminated members entitled to but not yet receiving benefits, and 48 active members.

Benefits

The benefit structure is based on members’ years of service and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members. The benefit payments for the JRF are calculated using a benefit formula adopted by the Idaho

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2002

Legislature, effective July 1, 2000. Members serving prior to but not on July 1, 2000, are paid under option A. Members serving on or after July 1, 2000, may choose between two benefit payment options. Both options are based upon compensation of the highest office in which the member served, with benefits accumulating as follows: for the first 10 years of service, benefits are credited at 5 percent per year of members' compensation. For the remaining years of service, benefits are credited at 2.5 percent per year of members' compensation. The maximum benefit is 75 percent of compensation. Surviving spouses will be entitled to benefits equal to 50 percent of the members' calculated benefit. In addition to above benefits, option B offers benefits accumulated at 2.5 percent per year for senior judges with 5 years of service.

Summary of Significant Accounting Policies

The JRF's financial statements are prepared using the accrual basis of accounting. Member and department contributions are recognized as revenues in the period in which the member's services are performed. Investment income and filing fees are recognized when earned. Benefit payments and refunds are recognized when the obligation is due and payable in accordance with terms of the plan. Other expenditures are recognized when the obligation is incurred.

The JRF's investments are presented at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers when available. Short-term investments are reported at market value when published market prices and quotations are available, or at cost plus accrued interest, which approximate market value. Purchases and sales are recorded at the trade date.

Funding Policy

Contributions and Vesting

Members and the Judicial Department contribute to the JRF during their first 20 years of employment. Member and department contributions are a percentage of member compensation as defined by State law. Contributions provide for department and member contributions at 7 percent and 6 percent, respectively, of annual covered payroll. The payroll for members covered by the JRF was approximately \$4,193,420 for the year ended June 30, 2002. In addition, specified court filing fees in civil court actions are dedicated to the JRF.

The funding status and required contribution levels are reviewed periodically by an actuary using the Entry Age

Actuarial Cost Method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. Actuarial valuations of the JRF are generally performed biennially. Based on the most recent actuarial valuation as of July 1, 2002, the Annual Required Contributions (ARC) were \$1,794,457. Total contributions to the pension plan for the fiscal year ended June 30, 2002, amounted to \$2,036,844, of which \$1,492,527 was received from filing fees, and \$293,094 and \$251,223 were made by the Judicial Department and its justices and judges, respectively. A net pension obligation (NPO) of \$18,452 was created due to the annual pension cost exceeding the employer's contributions. There were no prior NPOs.

The State's APC and NPO to JRF for the current year and two preceding years are as follows:

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation (NPO) |
|-----------------------|---------------------------------|-------------------------------------|------------------------------------|
| 6/30/00 | \$1,631,000 | 100.0% | \$0 |
| 6/30/01 | | No valuation | |
| 6/30/02 | \$1,794,457 | 98.9% | \$18,452 |

Members become fully vested in their retirement benefits after four years of credited service. If a member terminates from the retirement plan prior to four years of service, the member's contributions plus 6.5 percent per annum will be returned. Members are eligible for retirement benefits upon attainment of age 65 or after 20 years of service.

Funding

The JRF's benefits are funded by contributions from members and the Judicial Department, earnings from investments, and court filing fees. Costs of administering the JRF are financed through the contributions and investment earnings of the JRF.

D. College and University Optional Retirement Plan

Plan Description

Organization and Purpose

Effective July 1, 1990, the Idaho State Legislature authorized the Idaho State Board of Education to establish an Optional Retirement Plan (ORP), a defined contribution plan, for college and university faculty and exempt employees. Statutes governing this plan are

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002**

Idaho Code, Sections 33-107A and 33-107B. Vendor options include Teachers' Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company. The Plan is administered by TIAA-CREF and they may be reached at (800) 842-2009.

Membership

New faculty and exempt employees hired July 1, 1990, or thereafter, automatically enroll in the ORP and select their vendor option. Faculty and exempt employees hired before July 1, 1990, had a one-time opportunity to enroll in the ORP.

Funding Policy

Contributions and Vesting

The employee contribution requirement for the ORP is based on a percentage of total payroll. Employer contributions are determined by the State of Idaho. Although enrollees in the ORP no longer belong to PERSI, the employer is required to contribute 3.03 percent of the annual covered payroll to PERSI through July 1, 2015. During the year ended June 30, 2002, this supplemental funding payment made to PERSI was \$4,487,198.

The contribution requirement and amount paid for the year ended June 30, 2002, was \$21,715,335, which consisted of \$11,409,376 from the universities and \$10,305,959 from employees. These contributions represented approximately 7.72 percent and 6.97 percent of covered payroll.

Participants are immediately fully vested in the ORP. Retirement benefits are available either as a lump sum or any portion thereof upon attaining 55 years of age (62 years of age for University of Idaho).

E. Department of Labor Retirement Plan

Plan Description

Organization and Purpose

This stand-alone, insured retirement plan provides retirement benefits for employees (and their beneficiaries) of the Idaho Department of Labor hired prior to October 1, 1980. The authorities under which benefits are provided and may be amended are *Idaho Code*, Section 72-1335 and U.S. Department of Labor Rules and Regulations. The Labor Retirement Plan is

administered by the Department of Labor, which may be reached at (208) 332-3570 ext. 3228.

Membership

There are 101 current participating employees of the Idaho Department of Labor and 393 retired former employees or beneficiaries receiving benefits in the Labor Retirement Plan.

Benefits

The retirement benefit payments are calculated using a benefit formula established by the Plan. This monthly benefit is payable for life, through an annuity purchased by Prudential Investments, with 120 payments guaranteed. An annuity is purchased for each retired employee. Once an annuity is purchased, the State has no further liability. Prudential Investments has guaranteed to pay for benefits in the event of Prudential's insolvency. At September 30, 2001, (the last actuarial valuation date), there was no unfunded liability. The normal service retirement allowance is the average annual salary for the highest three consecutive years times two percent for each year of credited service.

According to the latest periodic actuarial valuation on September 30, 2001, the present value of future retirement benefits was \$122,182,000. The average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7 percent for 2001. Net assets available for benefits (at fair value) are \$146,317,000.

Funding Policy

Contributions

Until August 1999, the employee contributed a portion of the normal cost contribution rate, 7 percent. The 7 percent employee contribution was required by the Plan and was therefore made even though it was not actuarially needed to finance future benefits. In August 1999, the United States Department of Labor approved a plan change to allow the Plan Actuary to determine the employee contribution rate. Employee contributions were then suspended through September 30, 2001, consistent with the most recent actuarial valuations. This valuation certified that the total contribution rate should remain at zero through September 30, 2003. The total employer contribution for fiscal year 2002, was zero. The employer payments have been fully funded by federal revenues from the U.S. Department of Labor.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002**

NOTE 7. POSTEMPLOYMENT BENEFITS

The State funds or partially funds the following postemployment benefits relating to health, disability, and life insurance. The authority establishing the benefits and obligations to contribute is found in *Idaho Code*, Sections 67-5760 and 67-5761.

A. Postemployment Benefits Other Than Pensions

Retirees Health Insurance Subsidy

A retired officer or employee of a state agency, department, or institution, including state officials and elected officials, who is eligible to retire under the Public Employee Retirement System of Idaho (the System) and whose unreduced System monthly benefit at the time of retirement would meet or exceed the monthly cost of single retiree health insurance coverage, may elect to have the State's retiree health insurance coverage for themselves and eligible dependents. To be eligible, state employees must enroll within sixty days of the date of their retirement and must have ten or more years (20,800 or more hours) of credited state service in a state-sponsored retirement system. If the date of enrollment is deferred beyond the original date of retirement, employees' monthly retirement benefit amount must equal or exceed the single retiree premium at the time of the deferred enrollment.

The retiree coverage is different than that for active employees. The retiree pays the majority of the premium cost (unless they are participating in the sick leave fund described later). However, the retiree plan costs are "subsidized" by the active employee plan. The State contributes seven dollars per active non-retired employee per month and the active employees contribute an equal amount, which goes to a reserve to offset the monthly costs of the retirees' benefit. Other than an aging population, there are no significant matters that affect comparability of the State's costs from one year to the next. For 2002, the State's monthly contribution towards the monthly premium of \$96,112 was approximately 4.2 percent of the total annual State and employee contribution of \$2,306,696. The State's annual contribution towards the retiree premium cost was approximately \$1,153,348. A total of 2,994 retired employees were eligible to receive benefits, as of June 30, 2002. The Legislature has not set aside any assets to pay future benefits. The benefits are pay-as-you-go.

Long-term Disability

Long-term disability benefits are available for disabled employees, generally up to a maximum age of 70. Disabled employees are defined as being unable to perform each of the substantial and material duties of the job for which they were hired for the first 30 months of disability, or any job thereafter for which they are reasonably qualified by experience, education, or training. Additionally, to qualify for long-term disability, the waiting period of the later of 26 weeks of continuous total disability or exhaustion of accrued sick leave must be met. The gross benefit equals 60 percent of monthly salary or \$3,000 (whichever is smaller). The State pays 100 percent of the cost of the program.

Each fiscal year, the present value of benefits for disabilities incurred in that fiscal year is funded. In addition, funding for disabilities incurred in prior fiscal years is adjusted to reflect unanticipated changes in number of claimants or benefit levels. Significant actuarial assumptions include an interest rate of 6.5 percent and a standard disability termination table. Plan assets are valued at cost and as of June 30, 2002, the net assets available for future payments were \$16,048,280. The actuarial accrued liability for disabilities incurred in fiscal year 2002 and all prior years was \$16,190,000 as of June 30, 2002, and the unfunded liability was \$141,720. The actuarial accrued liability was \$25,310,000 on an undiscounted basis.

The State's actuarially required contribution for the period was 0.505 percent of payroll, and actual contributions for the period were 0.505 percent of payroll. As of June 30, 2002, there were 295 disabled employees receiving this benefit.

Payment of Life Insurance Premiums for Disabled Employees

The State pays 100 percent of the cost of basic life and dependent life coverage for disabled employees, generally up to a maximum age of 70. Disabled employees are defined as being unable to perform each of the substantial and material duties of the job for which they were hired for the first 30 months of disability, or any job thereafter for which they are reasonably qualified by experience, education, or training.

Each fiscal year, the present value of benefits for disabilities incurred in that fiscal year is funded. In addition, funding for disabilities incurred in prior fiscal

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2002

years is adjusted to reflect unanticipated changes in number of claimants or benefit levels. Significant actuarial assumptions include an interest rate of 6.5 percent and a standard waiver of premium life table. Plan assets are valued at cost and as of June 30, 2002, the net assets available for future payments were \$4,688,664. The actuarial accrued liability for disabilities incurred in fiscal year 2002 and all prior fiscal years was \$5,500,000 as of June 30, 2002, and the unfunded liability was \$811,336. The actuarial accrued liability was \$7,920,000 on an undiscounted basis.

The funding for these reserves is built into the premiums paid by the State to the life insurance carrier. As of June 30, 2002, there were 508 disabled employees receiving this benefit.

Payment of Health Insurance Premiums for Disabled Employees

For up to 30 months following the date of disability, the State pays 100 percent of the State's share of medical/dental premiums while the employee remains disabled. The employee is required to pay the normal contribution, if any, for these benefits.

Each fiscal year, the present value of benefits for disabilities incurred in that fiscal year is funded. In addition, funding for disabilities incurred in prior fiscal years is adjusted to reflect unanticipated changes in number of claimants or benefit levels. Significant actuarial assumptions include a standard disability termination table and a medical trend rate of 15 percent, and a discount rate of 4 percent. Plan assets are valued at cost, and as of June 30, 2002, the net assets available for future payments were \$470,273. The actuarial accrued liability for disabilities incurred in fiscal year 2002 and all prior fiscal years was \$1,100,000 as of June 30, 2002, and the unfunded actuarial accrued liability was \$629,727. The actuarial accrued liability was \$1,140,000 on an undiscounted basis.

The State's actuarially required contribution for the period was \$3.20 per employee per month, and actual contributions for the period were \$3.20 per employee per month. As of June 30, 2002, there were 200 disabled employees receiving this benefit.

B. Postemployment Healthcare Benefits Administered by Defined Benefit Pension Plan

Sick Leave/Insurance Reserve Fund

School districts and state agencies provide for the payment of certain postretirement health insurance premiums. This postretirement benefit is not part of a defined benefit plan but is a separate, statutorily provided benefit available to retirees based on unused accumulated sick leave at their retirement date.

The Public Employee Retirement System of Idaho (the System) acts as an agent for this fund on behalf of the employers. The employers finance the program by remitting a percentage of payroll to the System to cover future insurance premiums. Employers are responsible for any unfunded benefit obligations. The Sick Leave/Insurance Reserve fund assets are valued at market value.

Statutes governing this program are *Idaho Code*, Sections 67-5339, 33-1216, and 33-1228, which provide for the transferring of amounts from the Sick Leave/Insurance Reserve fund to a retiree's sick leave account for the payment of postretirement health benefits as may be maintained by the employer. The sick leave amount available for benefits is based on the following:

School District Retirees – one-half of their sick leave balance and rate of compensation at retirement.

State Retirees – one-half of their sick leave balance and rate of compensation at retirement, up to the maximum described below:

| Credited Hours of State Service | Maximum Allowable Sick Leave Hours |
|---|---------------------------------------|
| 0 - 10,400 (0 -5 years of service) | 420 |
| 10,401 - 20,800 (5 -10 years of service) | 480 |
| 20,801 - 31,200 (10 -15 years of service) | 540 |
| 31,201+ (15 years of service or more) | 600 |

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2002

Presented below is pertinent actuarial information from the most recent actuarial valuation dated July 1, 2001:

| | <u>State</u> | <u>School Districts</u> | <u>Total</u> |
|---------------------------------|--------------|-------------------------|---------------|
| Active Participants | 45,477 | 16,899 | 62,376 |
| Contributions Required and Paid | \$8,617,674 | \$8,167,392 | \$16,785,066 |
| Rate of Contribution | 0.65% | 1.15% | |
| Total Net Assets Available for | | | |
| Future Payments | \$47,300,000 | \$77,600,000 | \$124,900,000 |
| Unfunded Actuarial Liability | \$16,100,000 | \$27,700,000 | \$43,800,000 |
| Actuarially Accrued Liability | \$63,400,000 | \$105,300,000 | \$168,700,000 |

Postretirement health insurance benefits are advance-funded with employer contributions on an actuarially determined basis, using the Entry Age Actuarial Cost

Method. Postretirement health insurance premiums are paid from the retiree's sick leave account until the account balance is exhausted.

NOTE 8. RISK MANAGEMENT

The State maintains a combination of commercial and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished through the Risk Management and Group Insurance funds (internal service funds) and various outside entity insurance providers.

The Risk Management fund manages property and general liability risk. The fund also finances and accounts for other risks not covered by Group Insurance and various outside entity insurance providers. General liability claims are self-insured up to the *Idaho Tort Claims Act* maximum of \$500,000 for each claim. Property damage claims are self-insured for up to \$250,000 per claim, not to exceed \$750,000 annually. Comprehensive collision and physical damage to covered vehicles are self-insured for replacement cost. The State purchases commercial insurance for claims not self-insured by the above coverages and for all other identified risks of loss, including workers' compensation insurance.

The Group Insurance fund is used to account for and finance life, health, and disability insurance programs. Long-term disability benefits within Group Insurance are partially insured through others but the majority is self-insured. The liability for self-insurance claims has been actuarially determined. Policy claim liabilities are presented in the Group Insurance fund and are composed of the liability for self-insured claims and the amounts required to fund premium payments of life and health coverage for disabled employees. Life, short-term disability, and health insurance programs are experience

rated and fully insured. However, when the claims exceed 100 percent of the annual premium paid to the insurer, the State is responsible for up to an additional 9 percent of the annual premiums for medical, 10 percent for dental, and 10 percent of the annual premiums for the life coverage. The insurance carrier assumes the risk of loss for claims above the contractual ceilings. The amount the State is responsible for is accounted for and presented as reserved retained earnings in the Group Insurance fund. The State also maintains program and premium stabilization balances in the event they exhaust reserved equity. These amounts are included in unreserved retained earnings in the Group Insurance fund.

All state entities may participate in the Risk Management and Group Insurance programs. Payments are made to the Risk Management fund based on actuarial estimates, loss experience, exposure, and asset value covered. Payments made to the Group Insurance fund are based on actuarial estimates of the amounts needed to pay for negotiated coverage and projected claims experience. For fiscal years 2000 and 2001, claim settlements for both funds did not exceed insurance coverage; however, during fiscal year 2002, medical claim settlements exceeded insurance coverage by \$7,127,853.

The liabilities for the Risk Management and Group Insurance funds are based on the requirements of GASB Statement 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, and GASB Statement 30, *Risk Financing Omnibus*, which requires that a liability for claims be reported if information prior

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2002

to the issuance of the financial statements indicates that it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities for Risk Management include claim adjustment costs and any anticipated subrogation receipts. At fiscal year-end, \$20,119,804 of

unpaid claim liabilities for Risk Management are presented at their present value of \$17,848,146 using a 4.5 percent discount interest rate. Unpaid claim liabilities of \$34,376,471 for Group Insurance are presented at their present value of \$22,796,471 using a 6.5 percent discount rate.

The following table presents changes in policy claim liabilities for the fiscal years ending June 30, 2001, and June 30, 2002:

| Fiscal Year | Beginning Balance | Current Year Claims and Changes in Estimate | Claims Payments | Ending Balance |
|--------------------|----------------------|--|--------------------|-------------------|
| Risk Management | | | | |
| 2001 | \$13,169,212 | \$7,768,958 | (\$3,425,775) | \$17,512,395 |
| 2002 | \$17,512,395 | \$4,230,127 | (\$3,894,376) | \$17,848,146 |
| Group Insurance | | | | |
| 2001 | \$15,080,000 | \$5,666,042 | | \$20,746,042 |
| 2002 | \$20,746,042 | \$2,050,429 | | \$22,796,471 |

The State records its premium liability using discounted amounts provided by actuaries. The discounted

liabilities take into account anticipated investment income.

NOTE 9. LEASES

A. State as Lessee

The State leases office buildings, vehicles, and office/computer equipment. Although the lease terms vary, most leases are subject to annual appropriations from the State Legislature to continue the lease obligations. If a legislative appropriation is reasonably assured, leases are considered noncancelable for financial reporting purposes. Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures.

Operating Leases

Operating leases are leases for which the State will not gain title to the asset; therefore, the lease agreements are not reflected as assets in the State's balance sheet. Operating leases contain various renewal options, as well

as some purchase options. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred. The total operating lease expenditures/expenses for fiscal year 2002 were \$23,082,561 for primary government and \$42,027 for component units.

Capital Leases

Capital leases are leases the State has entered into that are, in substance, a purchase. At the date of acquisition, the assets are valued on the balance sheet at the present value of the future minimum lease payments. Capital lease assets and obligations are recorded in the respective funds as capital assets and long-term obligations. Interest expense for capital leases is not capitalized.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002**

Future minimum lease commitments for noncancelable operating and capital leases as of June 30, 2002, are as follows:

| Fiscal Year | Operating Leases | | | Capital Leases | | |
|--|---------------------|-----------------|------------------------|-------------------------|--------------------------|----------------------|
| | Primary Government | Component Units | Total Operating Leases | Governmental Activities | Business-Type Activities | Total Capital Leases |
| 2003 | \$18,361,039 | \$8,112 | \$18,369,151 | \$742,050 | \$2,677,941 | \$3,419,991 |
| 2004 | 15,570,599 | 12,560 | 15,583,159 | 742,050 | 2,006,207 | 2,748,257 |
| 2005 | 12,788,701 | | 12,788,701 | 740,171 | 1,724,614 | 2,464,785 |
| 2006 | 10,416,168 | | 10,416,168 | 708,013 | 1,171,866 | 1,879,879 |
| 2007 | 8,975,130 | | 8,975,130 | 529,283 | 1,118,228 | 1,647,511 |
| 2008 - 2012 | 15,550,851 | | 15,550,851 | 2,313,418 | 4,742,763 | 7,056,181 |
| 2013 - 2017 | 6,219,520 | | 6,219,520 | 1,506,404 | 3,878,105 | 5,384,509 |
| 2018 - 2022 | 6,432,818 | | 6,432,818 | 857,720 | 202,703 | 1,060,423 |
| 2023 - 2027 | | | | 917,561 | | 917,561 |
| 2028 - 2032 | | | | 774,455 | | 774,455 |
| Total Payments | \$94,314,826 | \$20,672 | \$94,335,498 | 9,831,125 | 17,522,427 | 27,353,552 |
| Less Imputed Interest | | | | (5,709,794) | (6,444,153) | (12,153,947) |
| Total Present Value of Minimum Lease Payments | | | | \$4,121,331 | \$11,078,274 | \$15,199,605 |

The schedule below is an analysis of assets under capital leases as of June 30, 2002:

| | Capital Assets Under Capital Leases | | |
|-----------------------------------|-------------------------------------|--------------------------|-------------------------------------|
| | Governmental Activities | Business-Type Activities | Capital Assets Under Capital Leases |
| Land | \$321,482 | | \$321,482 |
| Buildings and Improvements | 3,000,114 | \$8,880,444 | 11,880,558 |
| Improvements Other Than Buildings | 1,031,411 | | 1,031,411 |
| Machinery, Equipment, and Other | 938,056 | 8,455,678 | 9,393,734 |
| Total Capital Leases | \$5,291,063 | \$17,336,122 | \$22,627,185 |

B. State as Lessor

Non-state parties rent land and buildings from the State under operating leases from the Departments of Health and Welfare, Juvenile Corrections, Lands, Parks and Recreation, the Historical Society, and the Lava Hot Springs Foundation. At June 30, 2002, the State leased the following:

| Asset Class | Fair Market Value at Date of Acquisition |
|-----------------------------------|--|
| Land | \$2,046,523 |
| Buildings and Improvements | 112,314 |
| Improvements Other Than Buildings | 6,987 |
| Total | \$2,165,824 |

The Department of Lands participates in a Zero Service Lease. A Zero Service Lease is an operating lease, which the lessee pays the State a market rent for use of the real property with no other services provided by the State. The lessee bears the responsibility for actual operating costs associated with the services necessary to operate the property, with the exception of property damage and casualty insurance which the State maintains as part of the State's risk management program. The actual cost of operating the property does not affect the market rent under the lease. The market rent paid by the lessee is established by an independent appraisal.

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002

The following is a schedule of minimum future rentals for operating leases as of June 30, 2002:

| Fiscal Year | |
|-------------------------------------|----------------------|
| Ending | |
| June 30 | Total |
| 2003 | \$6,660,045 |
| 2004 | 7,115,687 |
| 2005 | 7,506,101 |
| 2006 | 7,920,171 |
| 2007 | 8,410,859 |
| 2008 - 2012 | 44,555,276 |
| 2013 - 2017 | 44,374,611 |
| 2018 - 2022 | 44,340,414 |
| Total minimum future rentals | \$170,883,164 |

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease

contracts. Contingent rentals amounted to \$12,856 in fiscal year 2002.

NOTE 10. SHORT-TERM DEBT

Idaho Code, Title 63, Chapter 32, authorizes the State Treasurer, on approval of the State Board of Examiners, to borrow money in anticipation of income or revenue from taxes. The State uses external tax anticipation notes (TAN) to cover the shortfall between General Fund revenues and disbursements during the year. General Fund revenues are received in relatively uneven amounts throughout the fiscal year due to various factors regarding the timing of receipts, such as the collection of individual income taxes in April, large sales tax receipts in January as a result of holiday shopping, and quarterly

collections of corporate income tax. During fiscal year 2002, the State anticipated that it would receive 42.38 percent of General Fund revenues in the first six months; however, disbursements during the same period were expected to account for 57.38 percent of total expenditures. These disbursements were made up primarily of public school aid and Health and Welfare expenditures. External tax anticipation notes sold on the open market were issued on July 2, 2001, and redeemed on June 28, 2002.

TAN activity for the year ended June 30, 2002, is as follows:

| | Beginning | | | Ending |
|---------------------------------|------------------|---------------|-----------------|----------------|
| | Balance | Issued | Redeemed | Balance |
| External Tax Anticipation Notes | \$0 | \$250,000,000 | \$250,000,000 | \$0 |

The University of Idaho has an unsecured non-revolving line of credit with a bank for the purchase of real property, equipment, and other capital expenditures. The University may borrow at a variable or a fixed rate based on the five year U.S. Government Treasury Note Index

less 1.35 percent. The minimum interest rate is 5.0 percent and the interest is due semiannually on any outstanding balance. The maximum available line is \$378,994 with \$740,613 in outstanding borrowings at June 30, 2002.

Line of credit activity for the year ended June 30, 2002 is as follows:

| | Beginning | | | Ending |
|----------------|------------------|-----------------|--------------|----------------|
| | Balance | Payments | Draws | Balance |
| Line of Credit | \$816,519 | \$325,906 | \$250,000 | \$740,613 |

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 11. BONDS/NOTES/OTHER LONG-TERM LIABILITIES

A. Revenue Bonds

Revenue bonds have been issued for both governmental and business-type activities.

The Idaho State Building Authority, a blended component unit reported as a nonmajor special revenue fund within governmental activities, issues notes and bonds to finance construction or acquisitions of facilities for lease to the State subject to prior legislative approval. Idaho State Building Authority Bonds are direct obligations of the Authority, payable from and secured by a pledge of lease revenues and other funds and reserves held under bond resolutions. The Authority has surety bonds in amounts up to the reserve requirements for all outstanding bonds. No amounts were outstanding at June 30, 2002, under these surety bonds. In accordance with GASB Statement 34, the Authority has not reported bond issuance costs and related amortization prior to July 1, 2001.

The State's colleges and universities, reported as a business-type activity, issued a number of bonds for the purpose of funding various projects. University bonds are secured by various revenue sources and student fees.

The Idaho Water Resource Board, reported as a business-type activity Loan fund, is authorized to issue

and sell revenue bonds under provisions in *Idaho Code*, Sections 42-1739 through 42-1749. Bonds issued in 1999 for the Dworshak Hydroelectric project and the revenues that the board shall derive from this project are pledged in order to pay its costs of planning, financing, acquisition, construction, operation, and maintenance of the water project. These bonds are not considered general obligations of the State.

The bonds are secured by an irrevocable direct pay letter of credit with the trustee bank to secure the bonds. The letter of credit permits the trustee to draw an amount sufficient to pay the principal payment plus 210 days' interest. The letter of credit that will expire on May 1, 2006, may be removed under certain conditions described in the bond indenture, and may be renewed when it expires. The amount available is dependent upon the principal and ranges between \$51,387 in 2003 and \$48,895 in 2006. The letter of credit has never been used.

An amount equal to the current year's debt service payment is accumulating in the Loan fund for debt service payment in the event the pipeline to the generation plant is out of service and no power can be generated.

Revenue bonds outstanding at year-end are as follows (*in thousands*):

| Bond Description | Interest Rate | Amount |
|------------------------------------|------------------|------------------|
| Building Authority | 0.000% to 5.900% | \$106,825 |
| College and University | 3.625% to 6.500% | 256,545 |
| Loan Fund | 6.500% to 7.750% | 4,965 |
| Total Revenue Bonds Payable | | \$368,335 |

Revenue bond debt service requirements to maturity are as follows (*in thousands*):

| Fiscal Year Ending June 30 | Governmental Activities | | Business-Type Activities | | | |
|-------------------------------|-------------------------|-----------------|--------------------------|------------------|----------------|----------------|
| | Building Authority | | College and University | | Loan Fund | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2003 | \$6,585 | \$4,655 | \$7,055 | \$13,532 | \$40 | \$369 |
| 2004 | 5,835 | 4,414 | 7,250 | 13,221 | 60 | 366 |
| 2005 | 6,065 | 4,186 | 7,855 | 12,603 | 80 | 363 |
| 2006 | 6,295 | 3,947 | 8,650 | 12,231 | 100 | 357 |
| 2007 | 6,540 | 3,697 | 9,270 | 11,832 | 125 | 351 |
| 2008 - 2012 | 23,250 | 14,861 | 49,640 | 52,060 | 1,070 | 1,587 |
| 2013 - 2017 | 15,815 | 10,753 | 51,935 | 38,723 | 2,170 | 1,051 |
| 2018 - 2022 | 19,100 | 6,481 | 48,475 | 25,146 | 1,320 | 157 |
| 2023 - 2027 | 17,340 | 1,649 | 33,415 | 13,415 | | |
| 2028 - 2032 | | | 17,355 | 6,573 | | |
| 2033 - 2037 | | | 7,775 | 3,429 | | |
| 2038 - 2042 | | | 7,870 | 1,090 | | |
| Total | \$106,825 | \$54,643 | \$256,545 | \$203,855 | \$4,965 | \$4,601 |

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002**

B. Advance Refundings

In prior years, the Idaho State Building Authority has defeased several bonds by placing governmental securities into irrevocable trusts that are sufficient to provide for all future debt service payments on those bonds. Consequently, the related liability was appropriately removed from the financial statements in the year of defeasance. The remaining outstanding debt payable by the trust as of June 30, 2002 for each defeased bond issue follows:

| Bond Issue | Amount Defeased | Remaining Liability |
|-------------------|----------------------------|--------------------------------|
| 1978 Series A | \$15,284,300 | \$7,500,000 |
| 1992 Series D | 1,820,000 | 1,820,000 |
| 1992 Series E | 5,090,000 | 5,090,000 |

During the current period, Boise State University issued \$38,255,000 of Student Union Housing and System refunding and improvement bonds. Proceeds of the 2002 bonds, totaling \$2,460,000, were combined with other sources to refund \$4,245,000 outstanding from the 1992 Series Student Union and Housing System Refunding and Revenue bonds. The aggregate difference in debt service between the refunding debt and the refunded debt is \$1,811,811 and the net present value of savings due to refunding was \$264,160.

In prior years, the State's colleges and universities have defeased \$23,185,000 of bonds by refunding prior issues with a portion of current issues. Sufficient proceeds are invested in governmental securities and placed in escrow to assure timely payments of the maturities of those prior issues. Neither the debt nor the escrowed assets are reflected in the financial statements.

C. Notes Payable

Notes outstanding at year end are as follows (*in thousands*):

| Note Description | Interest Rates | Balance at June 30, 2002 |
|-------------------------|---------------------------|-------------------------------------|
| College and University | 2.35% to 7.62% | \$12,594 |

Note debt service requirements to maturity are as follows (*in thousands*):

| Fiscal Year Ending June 30 | Business-Type Activities | |
|---|---------------------------------|-----------------|
| | College and University | |
| | Principal | Interest |
| 2003 | \$685 | \$493 |
| 2004 | 1,042 | 456 |
| 2005 | 1,183 | 410 |
| 2006 | 1,205 | 365 |
| 2007 | 1,162 | 318 |
| 2008 - 2012 | 5,583 | 1,465 |
| 2013 - 2017 | 1,721 | 208 |
| 2018 - 2022 | 13 | 1 |
| Total | \$12,594 | \$3,716 |

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2002

D. Grand Prize Obligations

The State Lottery, reported as a business-type activity, participates in a Multi-State Lottery Association. The

following sets forth the remaining payments required under the grand prize obligations (*in thousands*):

| Fiscal Year | | |
|----------------------|------------------|-----------------|
| Ending | | Imputed |
| June 30 | Principal | Interest |
| 2003 | \$5,999 | \$3,182 |
| 2004 | 5,999 | 3,182 |
| 2005 | 5,999 | 3,182 |
| 2006 | 5,999 | 3,182 |
| 2007 | 5,999 | 3,182 |
| 2008-2012 | 29,165 | 15,472 |
| 2013-2017 | 12,405 | 6,580 |
| | 71,565 | 37,962 |
| Less Current Portion | (5,999) | (3,182) |
| Total | \$65,566 | \$34,780 |

E. Claims and Judgments

Claims and Judgments are payable on behalf of the State and its agencies for various legal proceedings and claims. In general, the State records liabilities for material claims and judgments when they are considered probable and estimable. The State has recorded the following claims and judgments:

The *Idaho State Building Authority*, reported as a nonmajor special revenue fund, has determined that, based upon currently available information concerning bond proceeds' interest earnings, an arbitrage amount of \$167,232 exists. This amount is estimated utilizing current interest earnings information and will require 90 percent payment to the Internal Revenue Service in April 2003.

The *American Trucking Association Settlement Fund*, reported as a Transportation special revenue fund, was established by the Idaho Legislature to fund payment of a \$27,000,000 court-approved settlement. In April 2000, a lawsuit by the American Trucking Association (ATA) *et al.* versus the State of Idaho resulted in this agreement. Of the initial \$27,000,000, the remaining balance is \$4,918,108. Monthly payments will be made until the balance is paid in full during fiscal year 2003.

The *Idaho Transportation Department State Highway Fund*, reported as a Transportation special revenue fund, experiences contractor claims for reimbursement of additional/extraordinary expenses incurred for the performance of construction contract requirements. The State has recorded an estimated liability of \$9,665,391 for contractor claims.

The *Department of Agriculture Commodity Indemnity Account*, reported as an Agriculture and Natural Resources nonmajor special revenue fund, secures producers who have placed commodities in the hands of others for commodity distribution. In the event the distributor should fail to perform or commits fraud, the Commodity Indemnity Account reimburses the producer up to 90 percent of their initial investment. Due to a distributor's warehouse failure, an estimated \$1,500,000 in claims has been recorded, which are expected to be paid during December.

The *Department of Environmental Quality (DEQ)*, reported as an Agriculture and Natural Resources nonmajor special revenue fund, entered into a contract with the Environmental Protection Agency (EPA) in April 1995 for the purpose of environmental remediation within the Bunker Hill Superfund Site. Federal Superfund law requires the State match 10 percent of federal funds spent on actual remediation work and that the State meet all costs of future site operational and maintenance costs. The June 17, 2002, amended remediation cost estimate is \$129,574,000. The State's share is \$12,957,400. The State has already matched \$9,662,980, leaving a liability of \$3,294,420. The work is estimated to be complete in calendar year 2003 or 2004.

Currently, the State anticipates 500 acres of unremediated land will be transferred to the State in 2003. The land's value has not been established, but is

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002**

estimated to be insignificant due to the access, topography, and unremediated condition of the land.

In August 2002 the federal government, Idaho, Washington, and tribal officials signed a memorandum of agreement to create the Coeur d'Alene Basin Commission that will direct clean up of the Coeur d'Alene Basin in Idaho. The EPA issued a record of decision in September 2002. The State and Federal Government have not negotiated or signed the State Superfund contract, but expect to do so in the near future. The current estimate of the liability is \$360 million. Idaho's estimated liability is \$30.3 million for remediation costs. Washington State will match the remainder of the liability. The present value of operational and maintenance costs and institutional control program costs is currently estimated at \$41 million. Work is estimated to begin in 2003 and take 30 years to complete. Environmental liability estimates are subject to amendment. The State does not anticipate any recovery from other parties for the Coeur d'Alene Basin project.

The *State Lottery*, reported as a business-type activity, sponsors various instant games and Idaho on-line games in addition to the multi-state on-line games. In accordance with *Idaho Code*, Title 67, Chapter 74, at least 45 percent of the State Lottery revenues must be returned to players in the form of prizes. The outstanding liability for these prizes, at June 30, 2002, was \$1,726,081. Prizes may be claimed for a period of 180 days after the drawing for on-line games or 180 days from the declaration of the end of game for instant games. Unclaimed prizes are offset against that fiscal year's prize expense. Offset to prize expense for the year ended June 30, 2002 was \$1,210,816. This offset also includes unclaimed prizes for the multi-state on-line games reported under grand prize obligations.

F. Compensated Absences

Idaho's compensated absences policy permits employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. Employees earn vacation based on hours worked and compensatory time based on hours worked in excess of forty hours per week. Upon termination of employment, an employee is paid for unused vacation time and administrative leave. All employees covered by the Fair Labor Standards Act are paid compensatory balances at termination.

A liability is accrued for all vacation pay and compensatory time when incurred in the government-wide, proprietary, and fiduciary fund financial statements. The liability is based on the pay rate in effect at the balance sheet date. Idaho does not accumulate a liability for sick leave since the government does not have a policy to pay any amounts when employees separate from service. Upon retirement, 50 percent of an employee's unused sick leave value (not to exceed 600 hours) is transferred to the Public Employee Retirement System of Idaho to purchase health insurance for the retiree. Also included in compensated absences is a \$6,021,467 liability for one-time special termination benefits associated with the University of Idaho's Voluntary Separation and Retirement Opportunities Program. The value of sick leave balances accumulated to pay retiree health insurance benefits are reported in a trust fund and are not included as part of the compensated absence liability. The State assumes a first-in, first-out flow for compensated absences balances. Presentation of compensated absences requires the use of certain estimates and calculations based on current year activity and historical data.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002**

G. Changes in Long-Term Liabilities

The changes in long-term liabilities for the fiscal year ended June 30, 2002, are summarized as follows:

| Long-Term Liabilities | Balances at July 1, 2001 As Adjusted | Increases | Reductions | Balances at June 30, 2002 | Amounts Due Within One Year |
|-------------------------------------|---|----------------------|-----------------------|--------------------------------------|--|
| Governmental Activities: | | | | | |
| Revenue Bonds | \$97,300,000 | \$16,140,000 | (\$6,615,000) | \$106,825,000 | \$6,585,000 |
| Less Deferred Amount | | | | | |
| Issuance Discount | (1,200,031) | 172,326 | 4,610 | (1,023,095) | (6,147) |
| Total Bonds Payable | 96,099,969 | 16,312,326 | (6,610,390) | 105,801,905 | 6,578,853 |
| Compensated Absences | 41,462,976 | 38,482,123 | (39,309,630) | 40,635,469 | 40,635,469 |
| Policy Claim Liabilities | 38,258,437 | 6,280,556 | (3,894,376) | 40,644,617 | 8,686,729 |
| Claims and Judgments | 25,199,480 | 44,774,358 | (20,128,687) | 49,845,151 | 13,311,351 |
| Capital Leases | 4,417,201 | 8,538 | (304,408) | 4,121,331 | 741,140 |
| Net Pension Obligation | | 18,452 | | 18,452 | |
| Total Governmental Activity | \$205,438,063 | \$105,876,353 | (\$70,247,491) | \$241,066,925 | \$69,953,542 |
| Business-Type Activities: | | | | | |
| Revenue Bonds | \$192,901,097 | \$79,102,483 | (\$10,493,580) | \$261,510,000 | \$7,095,000 |
| Bond Premium | 562,412 | 241,044 | | 803,456 | |
| Total Bonds Payable | 193,463,509 | 79,343,527 | (10,493,580) | 262,313,456 | 7,095,000 |
| Grand Prize Annuities Payable | 78,772,789 | 5,155,436 | (9,181,000) | 74,747,225 | 9,181,000 |
| Notes Payable | 7,746,571 | 5,720,674 | (872,827) | 12,594,418 | 643,933 |
| Compensated Absences | 14,614,052 | 20,160,374 | (13,341,963) | 21,432,463 | 21,432,463 |
| Claims and Judgments | | 1,726,081 | | 1,726,081 | 1,726,081 |
| Capital Leases | 11,561,688 | 941,099 | (1,424,513) | 11,078,274 | 2,203,745 |
| Total Business-Type Activity | \$306,158,609 | \$113,047,191 | (\$35,313,883) | \$383,891,917 | \$42,282,222 |

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for internal service funds are included as part of the above totals for governmental activities. At year-end, \$659,193 of compensated absences, \$40,644,617 of policy claim liabilities, and \$463,969 of capital leases are included in the above amounts for internal service funds' liabilities.

The compensated absences liability attributable to governmental activities will be liquidated by the General Fund, special revenue, and internal service funds. In the past, approximately 30 percent has been paid by the general fund, 69 percent by special revenue funds, and the remainder by internal service funds and various other governmental funds. Primarily, the same funds that have been used in prior years will be used to liquidate the following other governmental activity long term liabilities: policy claim liabilities will be liquidated through the State's Group Insurance and Risk Management funds; and claims and judgments will be liquidated by the special revenue funds indicated within the notes. This is the first year Idaho has incurred a net pension obligation, which will be liquidated by the General Fund.

H. Conduit Debt

The Idaho Water Resource Board (the Board), a separate entity established by *Idaho Code* within the Department of Water Resources, has issued Water Resource Development Revenue Bonds for the promotion, construction, rehabilitation, and repair of water projects it deems to be in the public interest. The bonds are secured by the property financed and are payable solely from revenue of the projects. Upon payment of the bonds, ownership of the acquired facilities transfers to the entity served by the bond issuance. Such bonds do not constitute a debt or obligation of the State of Idaho or any political subdivision, or agency thereof, nor of the Board except to the extent of the revenues pledged under the indenture. Accordingly, these bonds are not reported in the accompanying financial statements. Conduit debt obligations do not include Water Resource Board bonds issued for the Dworshak Dam project that are disclosed elsewhere in this note and are reported in the financial statements. As of June 30, 2002, there were six series of Water Resource Bonds outstanding that qualified as conduit debt, with an aggregate principal amount payable of \$79,183,000.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002**

NOTE 12. FUND EQUITY

A. Beginning Fund Balance/Net Asset Restatements

During the fiscal year, the State implemented several new accounting standards issued by GASB. As a result of the adoption of these standards, fund reclassifications and adjustments to beginning fund equity were required. The

following schedule reconciles June 30, 2001, fund balances/net assets as previously reported, to beginning fund balances/net assets, as restated:

| | June 30, 2001 as Previously Reported | Fund Reclassifications | Prior Period Adjustments | Correction of Errors | June 30, 2001 as Restated |
|--|--|---------------------------|--------------------------------|-------------------------|------------------------------|
| GOVERNMENTAL FUNDS | | | | | |
| Major Funds: | | | | | |
| General Fund | \$609,849,131 | \$5,833,453 | \$22,179,310 | | \$637,861,894 |
| Health and Welfare | (18,031,583) | | 3,227,344 | | (14,804,239) |
| Transportation | 134,242,620 | | 2,064,972 | | 136,307,592 |
| Public School Endowment | | 554,388,013 | (26,458,625) | | 527,929,388 |
| Pooled Endowments | | 260,357,958 | (722,281) | | 259,635,677 |
| Nonmajor Funds: | | | | | |
| Agriculture and Natural Resources | 72,186,201 | | 1,950,499 | | 74,136,700 |
| Regulatory | 36,621,360 | | 491,456 | | 37,112,816 |
| Fish and Game | 26,637,418 | | 694,786 | \$6,778,384 | 34,110,588 |
| Federal | 8,040,743 | | 2,584,487 | | 10,625,230 |
| Miscellaneous | 56,102,811 | 15,784,950 | 1,138,810 | | 73,026,571 |
| Idaho State Building Authority | 5,244,686 | | | | 5,244,686 |
| Total Nonmajor Governmental Funds | 204,833,219 | 15,784,950 | 6,860,038 | 6,778,384 | 234,256,591 |
| Total Governmental Funds | 930,893,387 | 836,364,374 | 7,150,758 | 6,778,384 | 1,781,186,903 |
| PROPRIETARY FUNDS | | | | | |
| Major Funds: | | | | | |
| College and University | | 1,004,176,652 | (436,981,385) | | 567,195,267 |
| Unemployment Compensation | | 345,675,242 | 11,914,962 | | 357,590,204 |
| State Lottery | 17,999,527 | | | | 17,999,527 |
| Nonmajor Funds: | | | | | |
| Loan Fund | 137,146,276 | (5,833,453) | | | 131,312,823 |
| Liquor Dispensary | 8,238,586 | | | | 8,238,586 |
| Correctional Industries | 4,829,010 | | | | 4,829,010 |
| Total Nonmajor Proprietary Funds | 150,213,872 | (5,833,453) | | | 144,380,419 |
| Internal Service Funds | 37,424,001 | | | | 37,424,001 |
| Total Proprietary Funds | 205,637,400 | 1,344,018,441 | (425,066,423) | | 1,124,589,418 |
| FIDUCIARY FUNDS | | | | | |
| Pension Trust Funds | 6,850,432,599 | | 124,922,123 | | 6,975,354,722 |
| Investment Trust Fund- | | | | | |
| Joint Exercise of Powers | 962,996,291 | | | | 962,996,291 |
| Expendable Trust Fund- | | | | | |
| Unemployment Compensation | 361,460,192 | (361,460,192) | | | |
| Nonexpendable Trust Funds | 814,745,971 | (814,745,971) | | | |
| Total Fiduciary Funds | 8,989,635,053 | (1,176,206,163) | 124,922,123 | | 7,938,351,013 |
| College and University Funds | 1,004,176,652 | (1,004,176,652) | | | |
| TOTAL PRIMARY GOVERNMENT | \$11,130,342,492 | \$0 | (\$292,993,542) | \$6,778,384 | \$10,844,127,334 |

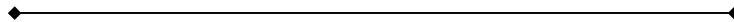
**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002**

| | June 30, 2001 as Previously Reported | Fund Reclassifications | Prior Period Adjustments | Correction of Errors | June 30, 2001 as Restated |
|---|--|---------------------------|--------------------------------|-------------------------|------------------------------|
| DISCRETELY PRESENTED COMPONENT UNITS | | | | | |
| Idaho Housing and Finance | \$161,302,000 | | (\$161,302,000) | | |
| Petroleum Clean Water Trust Fund | 33,892,051 | | | | \$33,892,051 |
| Life and Health Insurance Guaranty | 8,051,038 | | | | 8,051,038 |
| Total Discretely Presented Component Units | \$203,245,089 | | (\$161,302,000) | | \$41,943,089 |

B. Fund Deficit

At June 30, 2002, the Health and Welfare special revenue fund reported a deficit fund balance in the amount of \$6,445,647. The fund accounts for revenues and expenditures associated with administering public

assistance, medical care, foster care, child support enforcement, and other relief to eligible citizens of Idaho. The deficit is the result of recorded accrual expenditures over current grant revenue.



NOTE 13. LITIGATION, CONTINGENCIES, AND COMMITMENTS

A. Litigation and Contingencies

In *ISEEO, et al. v. Evans, et al.*, the plaintiffs allege that the current public school system does not provide a “thorough” education as required by the *Idaho Constitution*. Plaintiffs allege that approximately \$700 million to \$1 billion in construction expenditures will be needed to bring public schools up to standards. The case has been dismissed three times by the district court and appealed three times to the Supreme Court. The Supreme Court has remanded the case back to the district court, each time providing additional directions. The district court most recently determined that the funding system does not provide constitutionally adequate facilities in some circumstances, and indicated the court would take some unspecified action if the next session of the legislature does not address the court’s concerns. At the time of the 2000 trial, the State vigorously contested the allegations that Idaho’s system of financing public schools did not provide the means for providing a thorough education. Based upon remedial legislation passed in the 2000 session and after, the State asserts that the current system of financing public education provides the districts with resources to meet district court concerns, but some districts are not properly using those resources and may not be providing a thorough education with regard to educational facilities.

If the plaintiffs were ultimately successful in obtaining a declaratory judgment that the remedial legislation has not facilitated a thorough education, and that judgment was upheld on appeal, the Legislature would need to address

the declaratory judgment by providing the districts the means to obtain additional revenues.

As the result of a November 1998 Master Settlement Agreement between the five largest tobacco manufacturers and 46 states, Idaho expects to receive approximately \$25 million to \$30 million per year over the next 22 years. The annual payments are to be received into perpetuity, subject to numerous adjustments. The State received \$26,602,063 during fiscal year 2002. Too many contingencies are associated with the calculation of the annual payments for the State to record an account receivable.

The State has a contingent liability for guarantee of qualified bond issuances. *Idaho Code*, Title 33, Chapter 53, requires the State to guarantee the bonds of any school district qualified by the State Treasurer. Sales tax is pledged to guarantee full and timely payment for any qualified, defaulted bonds. As of June 30, 2002, the principal amount of qualified bonds outstanding to school districts was \$63,000,000 and the interest amount was \$91,843,681.

The Public School Permanent Endowment Fund incurred losses of \$45,970,606 in fiscal year 2001 and \$71,547,593 in fiscal year 2002. Losses in fiscal year 2003 (through November 2002), total \$24,230,574. *Idaho Code*, Title 57, Chapter 7, requires these losses be made up from the earnings reserve funds or, if those

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002**

funds are insufficient, through legislative appropriation. The losses must be made up within four years and may be made up through market value increases. However, market value increases may be insufficient to recover all of the losses, in which case, the statute would require legislative appropriation to fund the remainder of the losses.

A case brought against the State by Indian tribes for reimbursement of past fuel taxes paid is pending. The liability to the State could range from \$5,000,000 to \$12,000,000.

The State is also a defendant in numerous legal proceedings pertaining to matters incidental to the performance of governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contracts, condemnation proceedings, and other alleged violations of state and federal laws. It is not possible, at the present time, to estimate the ultimate outcome or liability, if any, of the State in respect to the various proceedings; however, it is believed that any ultimate liability resulting from these suits will not have a material adverse effect on the financial condition of the State.

Revenue from federal grants includes amounts for the recovery of overhead and other costs. The State may be required to make refunds of federal reimbursements as a result of audits. The opinion of the State is that these refunds, if any, will not have a significant effect on the financial position of the State.

Primary Government

A contingent liability exists for the Department of Insurance (Regulatory nonmajor special revenue fund), regarding investment premium tax credits, premium tax refunds, and retaliatory taxes on foreign insurers. This contingent liability has not changed status (with the exception of the amount of the potential liability) from the prior year. Last year's estimated range of \$20,636,000 to \$38,067,000 has changed to \$22,794,000 to \$42,635,000.

The Idaho Transportation Department (Transportation special revenue fund) faces a potential liability of \$27,615,403 for unpaid contractual claims. Historically, 35 percent of contractual claims are paid. A probable cost of \$9,665,391 has been recognized as a liability, with a remaining contingent liability of \$17,950,012.

Component Unit

Idaho Life and Health Insurance Guaranty Association has not assessed or accrued for all potential shortfalls for several insolvent insurers. The total liability relating to these insolvencies is not yet determined. However, management's best estimate of future unrecorded shortfalls at this time is \$3,790,000 for Executive Life. Assessments for the shortfalls will be made in future periods as amounts become due, if necessary.

B. Commitments

Primary Government

The Department of Administration (General Fund) estimates there will be approximately \$112,901,596 of additional costs to complete state buildings and other assets currently under construction. Idaho Transportation Department (Transportation special revenue fund) has a total of \$275,907,533 in outstanding commitments for construction projects underway at year-end, of which \$274,234,593 is for infrastructure.

The colleges and universities estimate costs to complete property authorized or under construction at June 30, 2002, total \$33,046,666.

On June 25, 2002, the Commissioners of the State Lottery (enterprise fund) approved a total transfer of \$18,000,000 to the School District Building Fund and the State Permanent Building Fund. The transfers were made in July and August 2002.

The Department of Correction (General Fund) has entered into a three-year contract with Corrections Corporation of America to operate a 1,250 plus bed prison. The contract went into effect July 2000. Cost per inmate is \$38.74 per day, with a potential cost at full occupancy of \$17,675,125, for the remaining full year of the contract. The Department has a contract until September 30, 2003, with Prison Health Services, Inc., for approximately \$14,041,250.

The Department of Environmental Quality (Loan nonmajor enterprise fund) administers two revolving loan funds. The funds provide a financing source for the construction of publicly owned wastewater and drinking water treatment facilities. As of June 30, 2002, the Clean Water Loan Fund had loan commitments of \$14,210,500 that are funded with approximately 83 percent federal funds and 17 percent state matching dollars. The Drinking Water Loan Fund had \$9,929,809 of loan commitments that are funded with approximately 80 percent federal funds and 20 percent state matching

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2002**

dollars. The Department of Environmental Quality also has various contracts with commitments totaling \$3,805,597.

The Dairy Products Commission (Agriculture and Natural Resources nonmajor special revenue fund) annually commits to participate in a national advertising pool administered by Dairy Management, Inc. By contractual agreement, the Commission's 2002 advertising pool commitment will not exceed \$5,660,000.

The Idaho Department of Parks and Recreation (reported as an Agriculture and Natural Resources nonmajor special revenue fund) is a party in a land sale contract with a promise to pay \$3,600,000 to the Nature Conservancy. Currently, the Idaho Department of Parks and Recreation (IDPR) has approximately \$1,300,000 in

equity. In the event payment is not made, IDPR and the Nature Conservancy will hold undivided ownership interest in the real property.

The State Lottery has contracted with GTECH, Inc., to pay 2.99 percent of gross, weekly on-line ticket sales plus \$16,000 per week and \$75 per instant ticket vending machine placed in service per month for ongoing facilities management services. The State Lottery paid \$1,585,364 to GTECH, Inc., for the fiscal year ended June 30, 2002.

The Idaho State Building Authority signed a contract in fiscal year 2002 for approximately \$8,600,000 with Contractors Northwest, Inc., for construction of the new State School and Hospital in Nampa. Of this amount, approximately \$1,055,000 is unexpended as of June 30, 2002.

NOTE 14. SUBSEQUENT EVENTS

Subsequent to June 30, 2002, the State experienced a continuing economic downturn that resulted in fiscal year 2003 revenue projections being reduced. On August 30, 2002, the Governor held a press conference to announce plans to manage the expected shortfall of \$168 million. The plans include the following:

- Ordering a 3.5 percent (\$25 million) holdback of appropriated general funds (excluding education);
- Utilizing the surplus monies in the Budget Stabilization fund (reported as part of the General Fund), \$25 million; Risk Management fund, \$5 million; and Millennium fund (reported as part of the General Fund), \$65 million; and,
- Deferring state building maintenance projects, \$35 million, and Permanent Building fund (reported as part of the General Fund) projects, \$13 million.

Revenue results from August through November 2002 have exceeded projections such that the total expected

shortfall may be up to \$30 million less than estimated. Final legislation designed to address the 2003 shortfall is dependent on future revenue results and the actions of the 2003 legislature, convening in January 2003.

The PERSI Board met on November 26, 2002, and decided to raise the PERSI contribution rate by 3 percent of pay. The increases will be phased in with a 1 percent of pay increase in fiscal year 2005 and additional 1 percent of pay increases in fiscal years 2006 and 2007. *Idaho Code*, Title 59, Chapter 13, specifies contribution rates for employees and employers. Current contribution rates are displayed in Note 6. In fiscal year 2005, for general employees and teachers, the employer contribution share will increase to 10.39 percent and the employee share will increase to 6.23 percent. In fiscal year 2005, for police and firefighters, the employer contribution share will increase to 10.63 percent and the employee share will increase to 7.65 percent.

Required Supplementary Information

Idaho ranks number one among states by producing 70 percent of the total U.S. production of Austrian Winter Peas and second for the production of Wrinkled Seed Peas. Idaho also produces 27 percent of lentils, 7 percent of dry edible beans, and 5 percent of alfalfa hay produced in the U.S.

Source: Idaho Agricultural Statistics Service



Crop of peas in the Winchester area



Field of Lentils

State of Idaho

Required Supplementary Information
Budgetary Comparison Schedule
General Fund and Major Special Revenue Funds
For the Fiscal Year Ended June 30, 2002

| | General | | | |
|--|------------------------|------------------------|---|----------------------------------|
| | Original Budget | Final Budget | Actual Amounts Budgetary Basis | Variance with Final Budget |
| REVENUES | | | | |
| Sales Tax | \$786,823,567 | \$786,823,567 | \$786,823,567 | - |
| Individual and Corporate Taxes | 1,144,414,808 | 1,144,414,808 | 1,144,414,808 | - |
| Other Taxes | 42,808,540 | 42,808,540 | 42,808,540 | - |
| Licenses, Permits, and Fees | 18,281,373 | 18,281,373 | 18,281,373 | - |
| Sale of Goods and Services | 940,641 | 940,641 | 940,641 | - |
| Grants and Contributions | 6,628,192 | 6,628,192 | 6,628,192 | - |
| Investment Income | 34,376,302 | 34,376,302 | 34,376,302 | - |
| Tobacco Settlement | 26,602,063 | 26,602,063 | 26,602,063 | - |
| Other Income | 6,012,982 | 6,012,982 | 6,012,982 | - |
| Total Revenues | 2,066,888,468 | 2,066,888,468 | 2,066,888,468 | |
| EXPENDITURES | | | | |
| General Government | 707,978,304 | 716,020,967 | 522,828,763 | \$193,192,204 |
| Public Safety and Correction | 202,939,444 | 195,995,375 | 191,261,689 | 4,733,686 |
| Health and Human Services | 19,989,664 | 19,589,679 | 19,244,589 | 345,090 |
| Education | 1,398,675,113 | 1,364,005,242 | 1,348,218,652 | 15,786,590 |
| Economic Development | 24,805,017 | 25,859,184 | 21,922,827 | 3,936,357 |
| Natural Resources | 57,912,452 | 64,660,488 | 33,211,568 | 31,448,920 |
| Total Expenditures | \$2,412,299,994 | \$2,386,130,935 | 2,136,688,088 | \$249,442,847 |
| Revenues Over (Under) Expenditures | | | (69,799,620) | |
| OTHER FINANCING SOURCES (USES) | | | | |
| Capital Lease Acquisitions | | | 8,538 | |
| Transfers In | | | 155,383,873 | |
| Transfers Out | | | (361,509,010) | |
| Total Other Financing Sources (Uses) | | | (206,116,599) | |
| Revenues and Other Financing Sources Over (Under) | | | | |
| Expenditures and Other Financing Uses | | | (275,916,219) | |
| Reconciling Items | | | | |
| Changes Affected by Accrued Revenues | | | (260,314,147) | |
| Changes Affected by Accrued Expenditures | | | 262,953,643 | |
| Fund Balances - Beginning of Year, as Restated | | | 637,861,894 | |
| Fund Balances - End of Year | | | \$364,585,171 | |

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

| Health and Welfare | | | | Transportation | | | |
|--|-----------------|--------------------------------|----------------------------|-----------------|---------------|--------------------------------|----------------------------|
| Original Budget | Final Budget | Actual Amounts Budgetary Basis | Variance with Final Budget | Original Budget | Final Budget | Actual Amounts Budgetary Basis | Variance with Final Budget |
| \$1,601,849 | \$1,601,849 | \$1,601,849 | - | \$207,819,661 | \$207,819,661 | \$207,819,661 | - |
| 3,454,049 | 3,454,049 | 3,454,049 | - | 99,939,447 | 99,939,447 | 99,939,447 | - |
| 57,188,943 | 57,188,943 | 57,188,943 | - | 1,169,922 | 1,169,922 | 1,169,922 | - |
| 745,884,436 | 745,884,436 | 745,884,436 | - | 183,362,452 | 183,362,452 | 183,362,452 | - |
| 122,017 | 122,017 | 122,017 | - | 7,502,906 | 7,502,906 | 7,502,906 | - |
| 10,143,702 | 10,143,702 | 10,143,702 | - | 7,075,502 | 7,075,502 | 7,075,502 | - |
| 818,394,996 | 818,394,996 | 818,394,996 | | 506,869,890 | 506,869,890 | 506,869,890 | |
| 1,181,039,625 1,178,440,342 1,154,495,402 \$23,944,940 | | | | 691,346,228 | 694,403,522 | 519,395,551 | \$175,007,971 |
| \$1,181,039,625 | \$1,178,440,342 | 1,154,495,402 | \$23,944,940 | \$691,346,228 | \$694,403,522 | 519,395,551 | \$175,007,971 |
| | | (336,100,406) | | | | (12,525,661) | |
| | | 346,736,795 | | | | (14,780,327) | |
| | | 346,736,795 | | | | (14,780,327) | |
| | | 10,636,389 | | | | (27,305,988) | |
| | | 62,754,732 | | | | 11,315,112 | |
| | | (65,032,529) | | | | (12,850,376) | |
| | | (14,804,239) | | | | 136,307,592 | |
| | | (\$6,445,647) | | | | \$107,466,340 | |

Required Supplementary Information
Note to Required Supplementary Information - Budgetary Reporting
For the Fiscal Year Ended June 30, 2002

Budgetary Basis of Accounting

The State's legal budget is prepared using cash basis records. Encumbrances are allowed for budgetary control purposes. Revenues are generally recognized when cash is received. Expenditures are recorded when the related cash disbursement occurs. The Budgetary Comparison Schedule is prepared on the budgetary basis and includes this variation from GAAP. The reconciliation at the bottom of the budget and actual

statement shows the difference between the budgetary basis and GAAP.

The State does not adopt a revenue budget. For financial reporting purposes, the budget and actual statement reflects budgeted revenues as being equal to actual revenues.

**Required Supplementary Information
Infrastructure – Modified Approach Reporting
For the Fiscal Year Ended June 30, 2002**

Under GASB 34, governments are allowed an alternative to depreciation for their infrastructure assets, referred to as the modified approach. Using the modified approach, states report maintenance and preservation expenses and do not report depreciation expense on qualifying assets. In order to use the modified approach, the government must manage the infrastructure assets using an asset management system and maintain those assets at established condition levels. The asset management system shall meet the following requirements:

- Maintain an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Annually estimate the cost to maintain and preserve the assets at the condition level established.
- Document the condition level at which the assets are being actually preserved and maintained.

The State of Idaho has chosen to use the modified approach in reporting the roadway network, which consists of approximately 11,800 lane miles.

Measurement Scale

The Idaho Transportation Department (ITD) determines the condition of the State's roadway surfaces by use of the Pavement Management System. The roadway surface condition is determined using two pavement-condition data elements, road roughness and pavement distress, collected as follows:

Road Roughness – Roughness is a primary indicator of pavement serviceability; or the ability of a pavement to meet the demands and expectations of motorists. In Idaho, the public's perception of the state highway system is very important. For that reason, a roughness index (RI) was adopted that correlates the longitudinal profile of the road surface to an index based upon the public's perception of road roughness. The RI ranges from 0.0 to 5.0 (0.0 being extremely rough and 5.0 being smooth).

A South Dakota type Profilometer is currently used by ITD to obtain pavement roughness. This instrument uses laser sensors and personal computers to collect and store road-profile information. The vehicle stores profile and rutting measurements at one foot intervals traveling at highway speeds, and is mounted in a van operated by the Planning Services Section. Longitudinal profiles of all pavement management sections (PMS) statewide are obtained annually.

Pavement Distress (Cracking) – Pavement distress, or cracking, is another important indicator of pavement condition. The video-inspection vehicle used to collect profile information also collects pavement video of the entire state highway system each year. The pavement management engineer then uses this video or actual field observations to determine the type, extent, and severity of cracking within each PMS. Based on this input a cracking index (CI) is calculated for each section. The CI is a rating very similar to the RI with 5.0 corresponding to a section with little or no cracking and 0.0 representing a section with severe cracking.

Required Supplementary Information
Infrastructure – Modified Approach Reporting
For the Fiscal Year Ended June 30, 2002

Pavement surface condition assessment is dependent upon functional classification and is divided into two categories: interstates and arterials, and collectors. Pavement surface condition is determined by applying the lower of the cracking index or roughness index to the measurement ranges shown in the following table:

| Pavement Condition | Interstates and Arterials | Collectors |
|--------------------|--|------------------------|
| | Lower Index of Cracking (CI) or Roughness (RI) | |
| Good | (CI or RI) > 3.0 | (CI or RI) > 3.0 |
| Fair | >=2.5 (CI or RI) <=3.0 | >=2.0 (CI or RI) <=3.0 |
| Poor | >=2.0 (CI or RI) <2.5 | >=1.5 (CI or RI) <2.0 |
| Very Poor | (CI or RI) <2.0 | (CI or RI) <1.5 |

Established Condition Level

No more than 18% of the pavements shall be in poor or very poor condition.

Assessed Conditions

Most Recent Three Complete Condition Assessments
Percentage of Total Lane Miles per Pavement Condition

| | 2001 | | 2000 | | 1999 | |
|------------|--------|-----|--------|-----|--------|-----|
| Good | 7,094 | 60% | 6,833 | 58% | 6,201 | 53% |
| Fair | 2,610 | 22% | 2,777 | 24% | 3,243 | 28% |
| Poor | 1,255 | 11% | 1,176 | 10% | 1,254 | 11% |
| Very Poor | 820 | 7% | 970 | 8% | 1,062 | 9% |
| Total Lane | 11,779 | | 11,756 | | 11,760 | |

Estimated and Actual Costs to Maintain

The information below reflects the State's estimate of spending necessary to preserve and maintain the roads at, or above, the established condition level presented above, and the actual amount spent during the past five fiscal years:

| | FY2003 | FY2002 | FY2001 | FY2000 | FY1999 | FY1998 |
|-----------|--------------|--------------|--------------|--------------|--------------|--------------|
| Estimated | \$63,922,000 | \$62,000,000 | \$61,543,539 | \$60,312,668 | \$59,106,415 | \$57,924,287 |
| Actual | | \$57,259,654 | \$68,277,884 | \$69,267,561 | \$57,254,828 | \$55,853,834 |

Spending in fiscal year 2002 was less than estimated; however, the condition level for the year did not fall below management's goal. Consideration of past years' spending in conjunction with the assessment results demonstrates that the State has maintained the desired roadway pavement condition level.

State of Idaho
Required Supplementary Information
Schedules of Funding Progress
For the Fiscal Years 1997 - 2002

| Actuarial Valuation Date | (1) Actuarial Market Value of Assets | (2) Accrued Liability (AAL) Entry Age | (3) PV of Future ORP Contributions | (4) Unfunded AAL (UAAL) (2) – (1) – (3) | (5) Funded Ratios (1) : (2 – 3) | (6) Annual Covered Payroll | (7) UAAL as a Percentage of Covered Payroll (4) : (6) |
|---|---|--|---|--|--|---|--|
| PERSI Plan (dollars in millions) | | | | | | | |
| 7/1/97 | \$4,609.8 | \$4,801.9 | \$63.2 | \$128.9 | 97.3% | \$1,575.5 | 8.2% |
| 7/1/98 | 5,488.2 | 5,060.0 | 65.7 | (493.9) | 109.9 | 1,627.7 | (30.3) |
| 7/1/99 | 6,171.9 | 5,536.8 | 68.9 | (704.0) | 112.9 | 1,733.5 | (40.6) |
| 7/1/00 | 7,032.9 | 6,105.1 | 70.5 | (998.3) | 116.5 | 1,827.2 | (54.6) |
| 7/1/01 | 6,492.8 | 6,751.3 | 72.2 | 186.3 | 97.2 | 1,975.3 | 9.4 |
| 7/1/02 | 6,062.1 | 7,209.5 | 71.7 | 1,075.7 | 84.9 | 2,047.1 | 52.5 |

Firemen's Retirement Fund (dollars in millions)

| | | | | | | | |
|--------|---------|---------|--|---------|-------|--------|--------|
| 7/1/97 | \$132.1 | \$246.7 | | \$114.6 | 53.5% | \$24.6 | 465.9% |
| 7/1/98 | 179.0 | 284.0 | | 105.0 | 63.0 | 28.0 | 375.0 |
| 7/1/99 | 179.0 | 284.0 | | 105.0 | 63.0 | 28.0 | 375.0 |
| 7/1/00 | 217.8 | 293.4 | | 75.6 | 74.2 | 30.8 | 245.5 |
| 7/1/01 | 200.4 | 316.2 | | 115.8 | 63.4 | 32.9 | 352.0 |
| 7/1/02 | 181.5 | 300.3 | | 118.8 | 60.4 | 34.4 | 345.3 |

FRF actuarial valuations were performed biennially through July 1, 1999, and annually thereafter.

Judges' Retirement Fund (dollars in millions)

| | | | | | | | |
|--------|--------|--------|--|--------------|--------|-------|-------|
| 7/1/97 | \$39.7 | \$29.5 | | \$(10.2) | 134.7% | \$3.6 | 0.0% |
| 7/1/98 | | | | no valuation | | | |
| 7/1/99 | 60.8 | 34.6 | | (26.2) | 175.8 | 4.0 | 0.0 |
| 7/1/00 | 58.4 | 54.7 | | (3.7) | 106.8 | 4.4 | 0.0 |
| 7/1/01 | | | | no valuation | | | |
| 7/1/02 | 46.9 | 63.1 | | 16.2 | 74.3 | 4.6 | 352.0 |

JRF actuarial valuations are performed biennially.

Required Supplementary Information
Schedules of Employer Contributions
For the Fiscal Years 1997 - 2002

PERSI Plan
Employer Contributions (*dollars in millions*)

| <u>Year Ended June 30</u> | <u>Total Employer Contributions</u> | <u>Annual Required Contribution</u> | <u>Percentage Contributions</u> |
|--|--|--|--|
| 1997 | \$185.9 | \$185.9 | 100.0% |
| 1998 | 172.3 | 172.3 | 100.0 |
| 1999 | 173.1 | 173.1 | 100.0 |
| 2000 | 182.9 | 155.7 | 117.5 |
| 2001 | 197.9 | 152.2 | 130.0 |
| 2002 | 205.5 | 155.1 | 132.5 |

Firemen's Retirement Fund
Employer Contributions (*dollars in millions*)

| <u>Year Ended June 30</u> | <u>Total Employer Contributions</u> | <u>Annual Required Contribution</u> | <u>Percentage Contributions</u> |
|--|--|--|--|
| 1997 | \$7.50 | \$9.50 | 79.2% |
| 1998 | 8.00 | 9.50 | 84.7 |
| 1999 | 8.60 | 8.60 | 99.1 |
| 2000 | 8.70 | 8.60 | 100.4 |
| 2001 | 9.20 | 6.30 | 147.3 |
| 2002 | 9.60 | 9.30 | 102.2 |

FRF actuarial valuations were performed biennially through July 1, 1999, and annually thereafter.

Judges' Retirement Fund
Employer Contributions (*dollars in millions*)

| <u>Year Ended June 30</u> | <u>Annual Required Contribution</u> | <u>Annual Required Contribution</u> | <u>Percentage Contributions</u> |
|--|--|--|--|
| 1997 | \$1.49 | 41.4% | 100.0% |
| 1998 | | no valuation | |
| 1999 | 1.54 | 39.0 | 100.0 |
| 2000 | 1.63 | 37.0 | 100.0 |
| 2001 | | no valuation | |
| 2002 | 1.80 | 38.9 | 98.9 |

JRF's actuarial valuations are performed biennially.

Required Supplementary Information
Retirement Actuarial Information
For the Fiscal Year Ended June 30, 2002

The required supplementary information presented in this report was determined as part of the actuarial valuations as of the dates indicated. The following tables present the notes to the required supplementary information, which contain additional information as of the latest actuarial valuations:

1. Actuarial Information – The PERSI Plan and Firemen’s Retirement Fund

| | <u>PERSI Plan</u> | <u>FRF</u> |
|---|---------------------------------------|--------------------------|
| Valuation date | July 1, 2002 | July 1, 2002 |
| Actuarial cost method | Entry Age Actuarial Cost | Entry Age Actuarial Cost |
| Amortization method | Level Percentage of Projected Payroll | Level Dollar Amount |
| Remaining amortization period under the open approach | 25 years - Open | 34 years - Closed |
| Asset valuation method | Market Value | Market Value |
| Actuarial assumptions: | | |
| Investment rate of return | 8.00% | 8.00% |
| Projected salary increases | 5.5% - 11.8% | 4.75% |
| - Includes salary inflation | 4.75% | 4.75% |
| Postretirement benefit increase | 1.00% | 4.75% |
| Inflation rate | 4.00% | 4.00% |

2. Actuarial Information – Judges’ Retirement Fund

| | |
|---|---------------------------------------|
| Valuation date | July 1, 2002 |
| Actuarial cost method | Entry Age Actuarial Cost |
| Amortization method | Level Percentage of Projected Payroll |
| Remaining amortization period under the open approach | Not Applicable |
| Asset valuation method | Market Value |
| Actuarial assumptions: | |
| Investment rate of return | 7.50% |
| Projected salary increases | 4.00% |
| Postretirement benefit increase | 4.00% |
| Inflation rate | N/A |



Combining Financial Statements



Nampa sugar beet field

Idaho harvested 4,636,000 tons of sugar beets in calendar year 2001, ranking it second among the states.

Source: Idaho Agricultural Statistics Service



Mound of harvested sugar beets in Nampa



NONMAJOR SPECIAL REVENUE FUNDS account for specific revenues designated to finance specific functions of government. The following provides a brief description of the nonmajor special revenue funds.

The AGRICULTURE AND NATURAL RESOURCES FUND accounts for revenues and expenditures associated with the maintenance, preservation, and regulation of the State's parks, water, air, and agricultural resources. Funding is provided from dedicated user fees, sale of services or goods, and various other sources

The REGULATORY FUND accounts for revenues and expenditures associated with various professional licensing and monitoring functions. The major source of funding is license fees.

The FISH AND GAME FUND accounts for revenues and expenditures associated with enforcing and administering the fish and game laws in Idaho and to perpetuate and manage the State's wildlife resources. Funding is provided from dedicated user fees and federal grants.

The FEDERAL FUND accounts for a portion of the revenues and expenditures associated with federal grants received by the State. Federal grants are also included in the Fish and Game Fund, Health and Welfare Fund, and Transportation Fund.

The MISCELLANEOUS FUND accounts for revenues, expenditures, and other financial activities associated with general government services where the major source of funding is provided by fees, sale of services or goods, or other income restricted to expenditure for specific purposes.

The IDAHO STATE BUILDING AUTHORITY accounts for construction and financing of facilities, such as office buildings and parking garages to be used by the State. The Building Authority is a blended component unit.

State of Idaho
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2002

| | Agriculture and Natural Resources | Regulatory | Fish and Game | Federal |
|--|--|---------------------|--------------------------|---------------------|
| ASSETS | | | | |
| Cash Equity with Treasurer | \$56,000,333 | \$35,248,453 | \$7,991,225 | \$10,448,688 |
| Cash and Cash Equivalents | 6,464,675 | 5,790,004 | 381,029 | |
| Investments | 6,087,248 | 332,322 | 15,989,919 | |
| Accounts Receivable, Net | 3,234,897 | 87,786 | 83,313 | 256,590 |
| Taxes Receivable, Net | 886,521 | | | |
| Due from/Advance to Other Funds | 856,174 | 44,680 | | 414,363 |
| Due from Other Entities | 1,902,857 | | 5,132,580 | 20,498,229 |
| Inventory | 575,107 | 7,827 | 5,924,742 | 65,993 |
| Loans and Notes Receivable, Net | 8,310,791 | 96,804 | 457,785 | |
| Other Assets | 1,575,842 | 43,481 | 200,219 | 351,548 |
| Total Assets | \$85,894,445 | \$41,651,357 | \$36,160,812 | \$32,035,411 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts Payable | \$2,360,590 | \$135,638 | \$2,011,610 | \$11,814,595 |
| Due to/Advance from Other Funds | 426,240 | 26,277 | 93,770 | 2,769,181 |
| Due to Other Entities | 10,006 | | | |
| Deferred Revenue | 6,360,200 | 806,492 | 47,725 | 4,185,840 |
| Deposits | 2,487,501 | 4,877,505 | 5,000 | |
| Other Accrued Liabilities | 2,849,854 | 1,621,224 | 2,581,856 | 3,937,120 |
| Total Liabilities | 14,494,391 | 7,467,136 | 4,739,961 | 22,706,736 |
| Fund Balances | | | | |
| Reserved for: | | | | |
| Bond Retirement | | | | |
| Encumbrances | 7,100,335 | 54,218 | 2,908,411 | 2,987,044 |
| Inventory and Prepaid Items | 1,471,072 | 47,379 | 5,924,742 | 406,066 |
| Advances/Loans and Notes Receivable | 8,846,791 | 96,804 | 457,785 | |
| Unreserved, Reported in: | | | | |
| Special Revenue Funds | 53,981,856 | 33,985,820 | 22,129,913 | 5,935,565 |
| Total Fund Balances | 71,400,054 | 34,184,221 | 31,420,851 | 9,328,675 |
| Total Liabilities and Fund Balances | \$85,894,445 | \$41,651,357 | \$36,160,812 | \$32,035,411 |

| Miscellaneous | Building Authority | Total |
|---------------------|--------------------|----------------------|
| \$55,309,653 | | \$164,998,352 |
| 12,422,020 | \$7,305,941 | 32,363,669 |
| 14,613,886 | | 37,023,375 |
| 2,316,488 | | 5,979,074 |
| 968,336 | | 1,854,857 |
| 682,099 | | 1,997,316 |
| | | 27,533,666 |
| 195,209 | | 6,768,878 |
| | | 8,865,380 |
| 524,674 | 8,684 | 2,704,448 |
| <u>\$87,032,365</u> | <u>\$7,314,625</u> | <u>\$290,089,015</u> |

| | | |
|------------------|----------------|-------------------|
| \$1,486,408 | \$622,469 | \$18,431,310 |
| 94,076 | | 3,409,544 |
| | | 10,006 |
| 2,345,625 | | 13,745,882 |
| 118,955 | | 7,488,961 |
| 2,386,465 | | 13,376,519 |
| <u>6,431,529</u> | <u>622,469</u> | <u>56,462,222</u> |

| | | |
|---------------------|--------------------|----------------------|
| | 4,763,984 | 4,763,984 |
| 1,044,687 | | 14,094,695 |
| 593,489 | | 8,442,748 |
| 422,504 | | 9,823,884 |
| 78,540,156 | 1,928,172 | 196,501,482 |
| <u>80,600,836</u> | <u>6,692,156</u> | <u>233,626,793</u> |
| <u>\$87,032,365</u> | <u>\$7,314,625</u> | <u>\$290,089,015</u> |

State of Idaho
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2002

| | Agriculture and Natural Resources | Regulatory | Fish and Game | Federal |
|---|--|---------------------|--------------------------|--------------------|
| REVENUES | | | | |
| Sales Tax | \$5,157,429 | | | |
| Other Taxes | 24,707,540 | \$66,529,277 | | |
| Licenses, Permits, and Fees | 25,690,960 | 32,369,115 | \$29,912,076 | \$12,437 |
| Sale of Goods and Services | 2,823,807 | 757,245 | 276,980 | 2,866,825 |
| Grants and Contributions | 19,721,761 | 12,400 | 25,121,987 | 263,173,783 |
| Investment Income | 2,654,198 | 379,799 | 1,267,881 | 131,968 |
| Other Income | 3,951,580 | 597,684 | 3,314,509 | 105,200 |
| Total Revenues | 84,707,275 | 100,645,520 | 59,893,433 | 266,290,213 |
| EXPENDITURES | | | | |
| General Government | 232,031 | 4,685,092 | | 29,095,129 |
| Public Safety and Correction | 62,348 | 2,668,751 | | 14,577,752 |
| Health and Human Services | | 29,775 | | |
| Education | | | | 148,724,370 |
| Economic Development | 32,352,919 | 34,741,689 | 100,000 | 66,335,351 |
| Natural Resources | 61,158,661 | 651,197 | 55,220,614 | 5,462,967 |
| Capital Outlay | 6,499,042 | 1,627,827 | 7,262,556 | 4,257,895 |
| Total Expenditures | 100,305,001 | 44,404,331 | 62,583,170 | 268,453,464 |
| Revenues Over (Under) Expenditures | (15,597,726) | 56,241,189 | (2,689,737) | (2,163,251) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bonds and Notes Issued | | | | |
| Discount on Bonds Issued | | | | |
| Transfers In | 17,569,155 | | | 1,788,213 |
| Transfers Out | (4,708,075) | (59,169,784) | | (921,517) |
| Total Other Financing Sources (Uses) | 12,861,080 | (59,169,784) | | 866,696 |
| Net Change in Fund Balances | (2,736,646) | (2,928,595) | (2,689,737) | (1,296,555) |
| Fund Balances - Beginning of Year, as Restated | 74,136,700 | 37,112,816 | 34,110,588 | 10,625,230 |
| Fund Balances - End of Year | \$71,400,054 | \$34,184,221 | \$31,420,851 | \$9,328,675 |

| Miscellaneous | Building Authority | Total |
|---------------|--------------------|---------------|
| | | \$5,157,429 |
| \$22,314,606 | | 113,551,423 |
| 7,894,860 | | 95,879,448 |
| 21,495,551 | \$10,862,830 | 39,083,238 |
| 6,931,137 | | 314,961,068 |
| 6,186,420 | 339,225 | 10,959,491 |
| 11,208,705 | | 19,177,678 |
| 76,031,279 | 11,202,055 | 598,769,775 |
| | | |
| 7,869,797 | 11,695,079 | 53,577,128 |
| 34,380,817 | | 51,689,668 |
| 15,799 | | 45,574 |
| 11,854,957 | | 160,579,327 |
| 27,877,739 | | 161,407,698 |
| 1,588,037 | | 124,081,476 |
| 4,034,898 | 14,055,170 | 37,737,388 |
| 87,622,044 | 25,750,249 | 589,118,259 |
| (11,590,765) | (14,548,194) | 9,651,516 |
| | | |
| | 16,140,000 | 16,140,000 |
| | (144,336) | (144,336) |
| 26,306,818 | | 45,664,186 |
| (7,141,788) | | (71,941,164) |
| 19,165,030 | 15,995,664 | (10,281,314) |
| | | |
| 7,574,265 | 1,447,470 | (629,798) |
| | | |
| 73,026,571 | 5,244,686 | 234,256,591 |
| | | |
| \$80,600,836 | \$6,692,156 | \$233,626,793 |

State of Idaho

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2002

| | Agriculture and Natural Resources | | | |
|--|-----------------------------------|----------------------|---|----------------------------------|
| | Original Budget | Final Budget | Actual Amounts Budgetary Basis | Variance with Final Budget |
| REVENUES | | | | |
| Sales Tax | \$4,800,516 | \$4,800,516 | \$4,800,516 | - |
| Other Taxes | 25,178,428 | 25,178,428 | 25,178,428 | - |
| Licenses, Permits, and Fees | 25,904,738 | 25,904,738 | 25,904,738 | - |
| Sale of Goods and Services | 2,804,575 | 2,804,575 | 2,804,575 | - |
| Grants and Contributions | 18,598,362 | 18,598,362 | 18,598,362 | - |
| Investment Income | 2,307,913 | 2,307,913 | 2,307,913 | - |
| Other Income | 3,966,397 | 3,966,397 | 3,966,397 | - |
| Total Revenues | 83,560,929 | 83,560,929 | 83,560,929 | |
| EXPENDITURES | | | | |
| General Government | 763,600 | 891,560 | 785,728 | \$105,832 |
| Public Safety and Correction | 241,393 | 241,393 | 76,140 | 165,253 |
| Health and Human Services | | | | |
| Education | 4,472,493 | 4,472,493 | 1,079,903 | 3,392,590 |
| Economic Development | 37,564,163 | 37,570,864 | 32,932,736 | 4,638,128 |
| Natural Resources | 86,858,375 | 88,844,068 | 65,766,802 | 23,077,266 |
| Total Expenditures | \$129,900,024 | \$132,020,378 | 100,641,309 | \$31,379,069 |
| Revenues Over (Under) Expenditures | | | (17,080,380) | |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bonds and Notes Issued | | | | |
| Discount on Bonds Issued | | | | |
| Transfers In | | | 17,569,155 | |
| Transfers Out | | | (4,708,075) | |
| Total Other Financing Sources (Uses) | | | 12,861,080 | |
| Revenues and Other Financing Sources Over (Under) | | | | |
| Expenditures and Other Financing Uses | | | (4,219,300) | |
| Reconciling Items | | | | |
| Changes Affected by Accrued Revenues | | | 1,146,346 | |
| Changes Affected by Accrued Expenditures | | | 336,308 | |
| Fund Balances - Beginning of Year, as Restated | | | 74,136,700 | |
| Fund Balances - End of Year | | | \$71,400,054 | |

| Regulatory | | | | Fish and Game | | | |
|-----------------|--------------|--------------------------------|----------------------------|-----------------|--------------|--------------------------------|----------------------------|
| Original Budget | Final Budget | Actual Amounts Budgetary Basis | Variance with Final Budget | Original Budget | Final Budget | Actual Amounts Budgetary Basis | Variance with Final Budget |
| \$66,517,082 | \$66,517,082 | \$66,517,082 | - | | | | |
| 32,828,075 | 32,828,075 | 32,828,075 | - | \$29,696,858 | \$29,696,858 | \$29,696,858 | - |
| 656,106 | 656,106 | 656,106 | - | 302,345 | 302,345 | 302,345 | - |
| 12,400 | 12,400 | 12,400 | - | 23,450,604 | 23,450,604 | 23,450,604 | - |
| 379,799 | 379,799 | 379,799 | - | 1,587,846 | 1,587,846 | 1,587,846 | - |
| 607,350 | 607,350 | 607,350 | - | 2,872,580 | 2,872,580 | 2,872,580 | - |
| 101,000,812 | 101,000,812 | 101,000,812 | | 57,910,233 | 57,910,233 | 57,910,233 | |
| 1,551,299 | 1,551,299 | 1,551,299 | - | | | | |
| 3,863,108 | 3,875,899 | 3,374,183 | \$501,716 | | | | |
| 243,293 | 243,293 | 174,877 | 68,416 | | | | |
| 2,813 | 2,813 | 2,803 | 10 | 4,616,014 | 4,616,014 | 1,768,510 | \$2,847,504 |
| 38,393,699 | 38,435,311 | 35,713,556 | 2,721,755 | 100,000 | 100,000 | 100,000 | - |
| 752,500 | 752,520 | 642,804 | 109,716 | 62,836,200 | 67,472,621 | 58,991,075 | 8,481,546 |
| \$44,806,712 | \$44,861,135 | 41,459,522 | \$3,401,613 | \$67,552,214 | \$72,188,635 | 60,859,585 | \$11,329,050 |
| | | 59,541,290 | | | | (2,949,352) | |
| | | (59,169,784) | | | | | |
| | | (59,169,784) | | | | | |
| | | 371,506 | | | | (2,949,352) | |
| | | (355,292) | | | | 1,983,200 | |
| | | (2,944,809) | | | | (1,723,585) | |
| | | 37,112,816 | | | | 34,110,588 | |
| | | \$34,184,221 | | | | \$31,420,851 | |

| Federal | | | | Miscellaneous | | | |
|--------------------|-----------------|---|----------------------------------|--------------------|-----------------|---|----------------------------------|
| Original Budget | Final Budget | Actual Amounts Budgetary Basis | Variance with Final Budget | Original Budget | Final Budget | Actual Amounts Budgetary Basis | Variance with Final Budget |
| | | | | \$19,350,944 | \$19,350,944 | \$19,350,944 | - |
| \$12,437 | \$12,437 | \$12,437 | - | 7,707,459 | 7,707,459 | 7,707,459 | - |
| 2,397,086 | 2,397,086 | 2,397,086 | - | 15,940,076 | 15,940,076 | 15,940,076 | - |
| 261,149,995 | 261,149,995 | 261,149,995 | - | 6,260,524 | 6,260,524 | 6,260,524 | - |
| 131,968 | 131,968 | 131,968 | - | 7,358,215 | 7,358,215 | 7,358,215 | - |
| 37,870 | 37,870 | 37,870 | - | 11,106,540 | 11,106,540 | 11,106,540 | - |
| 263,729,356 | 263,729,356 | 263,729,356 | | 67,723,758 | 67,723,758 | 67,723,758 | |
| 31,132,124 | 33,518,242 | 28,955,892 | \$4,562,350 | 8,347,492 | 8,366,202 | 8,056,095 | \$310,107 |
| 18,249,049 | 20,637,178 | 16,682,726 | 3,954,452 | 41,973,336 | 42,321,754 | 37,216,747 | 5,105,007 |
| 702,436 | 702,436 | 153,474 | 548,962 | 501,932 | 501,932 | 133,845 | 368,087 |
| 144,280,032 | 148,381,813 | 144,937,876 | 3,443,937 | 8,292,665 | 18,702,285 | 12,026,940 | 6,675,345 |
| 75,927,835 | 79,047,001 | 68,051,726 | 10,995,275 | 33,057,827 | 33,215,310 | 28,933,536 | 4,281,774 |
| 12,208,083 | 13,677,277 | 5,626,584 | 8,050,693 | 3,284,242 | 3,284,581 | 1,611,835 | 1,672,746 |
| \$282,499,559 | \$295,963,947 | 264,408,278 | \$31,555,669 | \$95,457,494 | \$106,392,064 | 87,978,998 | \$18,413,066 |
| | | (678,922) | | | | (20,255,240) | |
| | | 1,788,213 | | | | 26,306,818 | |
| | | (921,517) | | | | (7,141,788) | |
| | | 866,696 | | | | 19,165,030 | |
| | | 187,774 | | | | (1,090,210) | |
| | | 2,560,857 | | | | 8,307,521 | |
| | | (4,045,186) | | | | 356,954 | |
| | | 10,625,230 | | | | 73,026,571 | |
| | | \$9,328,675 | | | | \$80,600,836 | |

| Building Authority | | | | Total | | | |
|--------------------|--------------|--------------------------------|----------------------------|-----------------|---------------|--------------------------------|----------------------------|
| Original Budget | Final Budget | Actual Amounts Budgetary Basis | Variance with Final Budget | Original Budget | Final Budget | Actual Amounts Budgetary Basis | Variance with Final Budget |
| | | | | \$4,800,516 | \$4,800,516 | \$4,800,516 | - |
| | | | | 111,046,454 | 111,046,454 | 111,046,454 | - |
| | | | | 96,149,567 | 96,149,567 | 96,149,567 | - |
| \$10,862,830 | \$10,862,830 | \$10,862,830 | - | 32,963,018 | 32,963,018 | 32,963,018 | - |
| | | | | 309,471,885 | 309,471,885 | 309,471,885 | - |
| 339,225 | 339,225 | 339,225 | - | 12,104,966 | 12,104,966 | 12,104,966 | - |
| | | | | 18,590,737 | 18,590,737 | 18,590,737 | - |
| 11,202,055 | 11,202,055 | 11,202,055 | | 585,127,143 | 585,127,143 | 585,127,143 | |
| 25,750,249 | 25,750,249 | 25,750,249 | - | 67,544,764 | 70,077,552 | 65,099,263 | \$4,978,289 |
| | | | | 64,326,886 | 67,076,224 | 57,349,796 | 9,726,428 |
| | | | | 1,447,661 | 1,447,661 | 462,196 | 985,465 |
| | | | | 161,664,017 | 176,175,418 | 159,816,032 | 16,359,386 |
| | | | | 185,043,524 | 188,368,486 | 165,731,554 | 22,636,932 |
| | | | | 165,939,400 | 174,031,067 | 132,639,100 | 41,391,967 |
| \$25,750,249 | \$25,750,249 | 25,750,249 | | \$645,966,252 | \$677,176,408 | 581,097,941 | \$96,078,467 |
| | | (14,548,194) | | | | 4,029,202 | |
| | | 16,140,000 | | | | 16,140,000 | |
| | | (144,336) | | | | (144,336) | |
| | | | | | | 45,664,186 | |
| | | | | | | (71,941,164) | |
| | | 15,995,664 | | | | (10,281,314) | |
| | | 1,447,470 | | | | (6,252,112) | |
| | | | | | | 13,642,632 | |
| | | | | | | (8,020,318) | |
| | | 5,244,686 | | | | 234,256,591 | |
| | | \$6,692,156 | | | | \$233,626,793 | |

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Permanent Funds
For the Fiscal Year Ended June 30, 2002

continued

| | Public School Endowment | | | |
|--|--------------------------------|-------------------------|---|---|
| | Original Budget | Final Budget | Actual Amounts Budgetary Basis | Variance with Final Budget |
| REVENUES | | | | |
| Sale of Goods and Services | \$38,773,448 | \$38,773,448 | \$38,773,448 | - |
| Investment Income | (63,083,735) | (63,083,735) | (63,083,735) | - |
| Other Income | 32,544 | 32,544 | 32,544 | - |
| Total Revenues | (24,277,743) | (24,277,743) | (24,277,743) | |
| EXPENDITURES | | | | |
| Natural Resources | 12,747,355 | 12,753,981 | 11,273,039 | \$1,480,942 |
| Total Expenditures | \$12,747,355 | \$12,753,981 | 11,273,039 | \$1,480,942 |
| Revenues Over (Under) Expenditures | | | (35,550,782) | |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | | | (46,189,564) | |
| Total Other Financing Sources (Uses) | | | (46,189,564) | |
| Revenues and Other Financing Sources Over (Under) | | | | |
| Expenditures and Other Financing Uses | | | (81,740,346) | |
| Reconciling Items | | | | |
| Changes Affected by Accrued Expenditures | | | (1,829,267) | |
| Fund Balances - Beginning of Year, as Restated | | | 527,929,388 | |
| Fund Balances - End of Year | | | \$444,359,775 | |

State of Idaho

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Permanent Funds
For the Fiscal Year Ended June 30, 2002

| | Pooled Endowment | | | |
|--|----------------------------|-------------------------|---|---|
| | Original Budget | Final Budget | Actual Amounts Budgetary Basis | Variance with Final Budget |
| REVENUES | | | | |
| Sale of Goods and Services | \$17,709,308 | \$17,709,308 | \$17,709,308 | - |
| Investment Income | (30,435,881) | (30,435,881) | (30,435,881) | - |
| Other Income | | | | - |
| Total Revenues | (12,726,573) | (12,726,573) | (12,726,573) | |
| EXPENDITURES | | | | |
| Natural Resources | 5,209,372 | 5,209,372 | 4,604,480 | \$604,892 |
| Total Expenditures | \$5,209,372 | \$5,209,372 | 4,604,480 | \$604,892 |
| Revenues Over (Under) Expenditures | | | (17,331,053) | |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | | | (21,965,000) | |
| Total Other Financing Sources (Uses) | | | (21,965,000) | |
| Revenues and Other Financing Sources Over (Under) | | | | |
| Expenditures and Other Financing Uses | | | (39,296,053) | |
| Reconciling Items | | | | |
| Changes Affected by Accrued Expenditures | | | (870,412) | |
| Fund Balances - Beginning of Year, as Restated | | | 259,635,677 | |
| Fund Balances - End of Year | | | \$219,469,212 | |



NONMAJOR ENTERPRISE FUNDS account for the operation of state agencies that provide goods or services to the general public and finance their operations through user charges. The following provides a brief description of the nonmajor enterprise funds.

The LOAN FUND provides loans to Idaho municipalities to make improvements to their wastewater and drinking water systems. Funds are loaned to cities and counties for construction and improvement projects. As the loans are paid back to the State, new loans are made to other cities and counties.

The CORRECTIONAL INDUSTRIES provides employment for inmates of the Department of Correction. Correctional Industries manufactures and sells a variety of items, including license plates, furniture, highway signs, printing services, dairy and meat products, and other miscellaneous products and services.

The LIQUOR DISPENSARY'S purpose is to conduct, license, and regulate the sale of alcoholic beverages. Funding is provided through the sale of products. A portion of the surplus from the Fund is transferred to the State's General Fund, and other funds as dictated by *Idaho Code*. The balance, after the above authorized transfers, is then distributed 40 percent to counties and 60 percent to cities.

State of Idaho
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2002

| | Loan | Liquor Dispensary | Correctional Industries | Total |
|---|----------------------|------------------------------|------------------------------------|----------------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash Equity with Treasurer | \$1,009,459 | \$6,412,771 | \$1,679,503 | \$9,101,733 |
| Accounts Receivable, Net | | 57,961 | 392,721 | 450,682 |
| Due from Other Funds | | | 278,032 | 278,032 |
| Inventory | | 7,055,857 | 1,357,598 | 8,413,455 |
| Loans and Notes Receivable, Net | 4,403,417 | | | 4,403,417 |
| Other Current Assets | 1,798,146 | 126,612 | 10,376 | 1,935,134 |
| Total Current Assets | 7,211,022 | 13,653,201 | 3,718,230 | 24,582,453 |
| Noncurrent Assets | | | | |
| Restricted Cash and Cash Equivalents | 64,969,803 | | | 64,969,803 |
| Loans and Notes Receivable, Net | 81,930,314 | | | 81,930,314 |
| Capital Assets, Net | 5,196,090 | 3,043,309 | 1,716,883 | 9,956,282 |
| Total Noncurrent Assets | 152,096,207 | 3,043,309 | 1,716,883 | 156,856,399 |
| Total Assets | \$159,307,229 | \$16,696,510 | \$5,435,113 | \$181,438,852 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts Payable | | \$4,361,817 | \$168,833 | \$4,530,650 |
| Due to Other Funds | | 4,247 | 3,500 | 7,747 |
| Deferred Revenue | | 39,353 | | 39,353 |
| Other Accrued Liabilities | \$369,280 | 388,576 | 383,028 | 1,140,884 |
| Capital Leases Payable | | 347,490 | | 347,490 |
| Compensated Absences Payable | 129 | 498,128 | | 498,257 |
| Bonds and Notes Payable | 40,000 | | | 40,000 |
| Total Current Liabilities | 409,409 | 5,639,611 | 555,361 | 6,604,381 |
| Noncurrent Liabilities | | | | |
| Capital Leases Payable | | 1,702,744 | | 1,702,744 |
| Bonds and Notes Payable | 4,925,000 | | | 4,925,000 |
| Total Noncurrent Liabilities | 4,925,000 | 1,702,744 | | 6,627,744 |
| Total Liabilities | 5,334,409 | 7,342,355 | 555,361 | 13,232,125 |
| NET ASSETS | | | | |
| Investment in Capital Assets, Net of Related Debt | 231,090 | 993,074 | 1,716,883 | 2,941,047 |
| Restricted for: | | | | |
| Other Purposes | 64,969,803 | | | 64,969,803 |
| Unrestricted | 88,771,927 | 8,361,081 | 3,162,869 | 100,295,877 |
| Total Net Assets | 153,972,820 | 9,354,155 | 4,879,752 | 168,206,727 |
| Total Liabilities and Net Assets | \$159,307,229 | \$16,696,510 | \$5,435,113 | \$181,438,852 |

State of Idaho
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2002

| | Loan | Liquor Dispensary | Correctional Industries | Total |
|--|----------------------|------------------------------|------------------------------------|----------------------|
| OPERATING REVENUES | | | | |
| Licenses, Permits, and Fees | \$21,364 | \$1,500 | | \$22,864 |
| Sale of Goods and Services | 3,918,912 | 73,643,163 | \$5,828,027 | 83,390,102 |
| Grants and Contributions | 15,092,558 | | | 15,092,558 |
| Other Income | 36,151 | 7,554 | 78,864 | 122,569 |
| Total Operating Revenues | 19,068,985 | 73,652,217 | 5,906,891 | 98,628,093 |
| OPERATING EXPENSES | | | | |
| Personnel Costs | 3,034 | 6,360,319 | 2,260,025 | 8,623,378 |
| Services and Supplies | 429,522 | 43,020,363 | 3,520,925 | 46,970,810 |
| Depreciation | 137,040 | 169,522 | 270,361 | 576,923 |
| Other Expenses | 59,709 | 14,728,948 | 1,512 | 14,790,169 |
| Total Operating Expenses | 629,305 | 64,279,152 | 6,052,823 | 70,961,280 |
| Operating Income (Loss) | 18,439,680 | 9,373,065 | (145,932) | 27,666,813 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment Income | 2,100,128 | 346,968 | 74,062 | 2,521,158 |
| Interest Expense | (739,811) | (309,730) | | (1,049,541) |
| Other Nonoperating Revenues (Expenses) | | 266 | 122,612 | 122,878 |
| Total Nonoperating Revenues (Expenses) | 1,360,317 | 37,504 | 196,674 | 1,594,495 |
| Income (Loss) Before Transfers | 19,799,997 | 9,410,569 | 50,742 | 29,261,308 |
| Transfers In | 2,860,000 | | | 2,860,000 |
| Transfers Out | | (8,295,000) | | (8,295,000) |
| Change in Net Assets | 22,659,997 | 1,115,569 | 50,742 | 23,826,308 |
| Total Net Assets - Beginning of Year, as Restated | 131,312,823 | 8,238,586 | 4,829,010 | 144,380,419 |
| Total Net Assets - End of Year | \$153,972,820 | \$9,354,155 | \$4,879,752 | \$168,206,727 |

State of Idaho

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2002**

| | Loan | Liquor Dispensary | Correctional Industries | Total |
|--|----------------------|------------------------------|------------------------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from Customers | \$5,557,686 | \$73,653,297 | \$936,624 | \$80,147,607 |
| Receipts from Other Funds | | | 5,248,645 | 5,248,645 |
| Receipts from Grants and Contributions | 15,152,115 | | | 15,152,115 |
| Payments to Suppliers | (28,587,821) | (44,959,605) | (3,243,340) | (76,790,766) |
| Payments to Employees for Services | (2,978) | (6,325,112) | (2,236,386) | (8,564,476) |
| Payments to Other Funds | (10,668) | (207,679) | (93,152) | (311,499) |
| Payments for Benefits, Awards, and Claims | (11,428) | | | (11,428) |
| Other Receipts (Payments) | (50,592) | (11,598,291) | | (11,648,883) |
| Net Cash Provided (Used) by Operating Activities | (7,953,686) | 10,562,610 | 612,391 | 3,221,315 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Transfers In | 2,860,000 | | | 2,860,000 |
| Transfers Out | | (8,295,000) | | (8,295,000) |
| Interest Paid | (370,718) | (309,730) | | (680,448) |
| Net Cash Provided (Used) by Noncapital Financing Activities | 2,489,282 | (8,604,730) | | (6,115,448) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Payment of Bonds | (25,000) | | | (25,000) |
| Capital Lease Payments | | (39,508) | | (39,508) |
| Proceeds from Disposition of Capital Assets | | 4,755 | 122,612 | 127,367 |
| Acquisition and Construction of Capital Assets | | (238,151) | (350,405) | (588,556) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (25,000) | (272,904) | (227,793) | (525,697) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Receipt of Interest and Dividends | 3,248,249 | 346,968 | 74,062 | 3,669,279 |
| Net Cash Provided (Used) by Investing Activities | 3,248,249 | 346,968 | 74,062 | 3,669,279 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (2,241,155) | 2,031,944 | 458,660 | 249,449 |
| Beginning Cash, Cash Equivalents, and Cash Equity with Treasurer | 68,220,417 | 4,380,827 | 1,220,843 | 73,822,087 |
| Ending Cash, Cash Equivalents, and Cash Equity with Treasurer | \$65,979,262 | \$6,412,771 | \$1,679,503 | \$74,071,536 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | | | |
| Operating Income (Loss) | \$18,439,680 | \$9,373,065 | (\$145,932) | \$27,666,813 |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | | | | |
| Depreciation | 137,040 | 169,522 | 270,361 | 576,923 |
| Investments | (1,517,215) | | | (1,517,215) |
| Net Changes in Assets and Liabilities: | | | | |
| Accounts Receivable/Due from Other Funds | | 1,080 | 278,378 | 279,458 |
| Inventory | | (220,413) | 135,515 | (84,898) |
| Notes Receivable | (25,851,093) | | | (25,851,093) |
| Other Current Assets | 569,341 | (3,681) | 13,260 | 578,920 |
| Accounts Payable/Due to Other Funds | (100,588) | 1,198,920 | (47,850) | 1,050,482 |
| Deferred Revenue | | 8,910 | | 8,910 |
| Compensated Absences | 27 | 1,726 | | 1,753 |
| Other Accrued Liabilities | 369,122 | 33,481 | 108,659 | 511,262 |
| Net Cash Provided (Used) by Operating Activities | (\$7,953,686) | \$10,562,610 | \$612,391 | \$3,221,315 |

Noncash Transactions: Equipment was disposed at a loss of \$4,489 for Liquor Dispensary.

INTERNAL SERVICE FUNDS account for the operation of state agencies, which provide goods or services to other state agencies and other governmental units on a cost reimbursement basis. The following provides a brief description of operations included in the internal service funds.

The GROUP INSURANCE FUND administers the Group Insurance Act by providing health insurance to all state employees and optional coverage for dependents and retirees. The Fund also provides life insurance and short and long-term disability coverage.

The RISK MANAGEMENT FUND accounts for insurance coverage and loss prevention to all state agencies. Coverage is provided using an optimal combination of self-insurance and private excess insurance.

The GENERAL SERVICES FUND accounts for statewide auditing, human resources, treasury services, surplus property redistribution and sale, copying services, purchasing, mail services for state agencies, and voice and data communication services.

The DATA PROCESSING SERVICES FUND accounts for data processing services provided by the Office of the State Controller to the various state agencies. In addition, the State Department of Education provides data processing services to local school districts and some state agencies.

State of Idaho
Combining Statement of Net Assets
Internal Service Funds
June 30, 2002

| | Group Insurance | Risk Management | General Services | Data Processing Services | Total |
|---|----------------------------|----------------------------|-----------------------------|---|---------------------|
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash Equity with Treasurer | \$27,794,939 | \$14,431,626 | \$2,831,538 | \$693,658 | \$45,751,761 |
| Cash and Cash Equivalents | 517,834 | 264,386 | | | 782,220 |
| Investments | 1,767,156 | 902,239 | | | 2,669,395 |
| Accounts Receivable, Net | | 354 | 326,222 | | 326,576 |
| Due from Other Funds | 16,527 | 37,900 | 311,877 | 527,334 | 893,638 |
| Inventory | | | 756,226 | | 756,226 |
| Other Current Assets | 243,844 | 124,506 | 137,865 | 674,169 | 1,180,384 |
| Total Current Assets | 30,340,300 | 15,761,011 | 4,363,728 | 1,895,161 | 52,360,200 |
| Noncurrent Assets | | | | | |
| Investments | 19,963,823 | 10,192,735 | | | 30,156,558 |
| Capital Assets, Net | 14,771 | | 2,800,225 | 971,255 | 3,786,251 |
| Total Noncurrent Assets | 19,978,594 | 10,192,735 | 2,800,225 | 971,255 | 33,942,809 |
| Total Assets | \$50,318,894 | \$25,953,746 | \$7,163,953 | \$2,866,416 | \$86,303,009 |
| LIABILITIES | | | | | |
| Current Liabilities | | | | | |
| Accounts Payable | \$977,774 | \$121,240 | \$317,872 | \$8,098 | \$1,424,984 |
| Due to Other Funds | 2,971 | 3,310 | 9,485 | | 15,766 |
| Deferred Revenue | 7,534,630 | | 68,843 | 11,648 | 7,615,121 |
| Other Accrued Liabilities | 13,598 | 23,450 | 424,119 | 202,592 | 663,759 |
| Capital Leases Payable | | | 181,569 | | 181,569 |
| Compensated Absences Payable | 11,976 | 17,493 | 428,260 | 201,464 | 659,193 |
| Policy Claim Liabilities | 3,366,471 | 5,320,258 | | | 8,686,729 |
| Total Current Liabilities | 11,907,420 | 5,485,751 | 1,430,148 | 423,802 | 19,247,121 |
| Noncurrent Liabilities | | | | | |
| Capital Leases Payable | | | 282,400 | | 282,400 |
| Policy Claim Liabilities | 19,430,000 | 12,527,888 | | | 31,957,888 |
| Total Noncurrent Liabilities | 19,430,000 | 12,527,888 | 282,400 | | 32,240,288 |
| Total Liabilities | 31,337,420 | 18,013,639 | 1,712,548 | 423,802 | 51,487,409 |
| NET ASSETS | | | | | |
| Investment in Capital Assets, Net of Related Debt | 14,771 | | 2,336,256 | 971,254 | 3,322,281 |
| Restricted for: | | | | | |
| Claims and Judgments | 15,386,168 | | | | 15,386,168 |
| Unrestricted | 3,580,535 | 7,940,107 | 3,115,149 | 1,471,360 | 16,107,151 |
| Total Net Assets | 18,981,474 | 7,940,107 | 5,451,405 | 2,442,614 | 34,815,600 |
| Total Liabilities and Net Assets | \$50,318,894 | \$25,953,746 | \$7,163,953 | \$2,866,416 | \$86,303,009 |

State of Idaho
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2002

| | Group Insurance | Risk Management | General Services | Data Processing Services | Total |
|---|----------------------------|----------------------------|-----------------------------|---|---------------------|
| OPERATING REVENUES | | | | | |
| Sale of Goods and Services | \$120,686,419 | \$6,689,574 | \$17,166,228 | \$5,635,586 | \$150,177,807 |
| Grants and Contributions | | | 332,983 | | 332,983 |
| Other Income | 2,509,974 | 1,812 | 211,819 | | 2,723,605 |
| Total Operating Revenues | 123,196,393 | 6,691,386 | 17,711,030 | 5,635,586 | 153,234,395 |
| OPERATING EXPENSES | | | | | |
| Personnel Costs | 239,555 | 382,813 | 5,500,060 | 3,427,434 | 9,549,862 |
| Services and Supplies | 365,761 | 1,719,291 | 10,203,682 | 2,290,004 | 14,578,738 |
| Benefits, Awards, and Premiums | 127,263,930 | 4,299,177 | | | 131,563,107 |
| Depreciation | 3,293 | | 1,097,579 | 650,879 | 1,751,751 |
| Other Expenses | 69,117 | 102,874 | 1,871,095 | 101,495 | 2,144,581 |
| Total Operating Expenses | 127,941,656 | 6,504,155 | 18,672,416 | 6,469,812 | 159,588,039 |
| Operating Income (Loss) | (4,745,263) | 187,231 | (961,386) | (834,226) | (6,353,644) |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Investment Income | 2,787,752 | 1,441,648 | 133,989 | 47,101 | 4,410,490 |
| Interest Expense | | | (48,066) | | (48,066) |
| Other Nonoperating Revenues (Expenses) | | | 3,488 | | 3,488 |
| Total Nonoperating Revenues (Expenses) | 2,787,752 | 1,441,648 | 89,411 | 47,101 | 4,365,912 |
| Income (Loss) Before Transfers | (1,957,511) | 1,628,879 | (871,975) | (787,125) | (1,987,732) |
| Transfers In | | | 16,914 | | 16,914 |
| Transfers Out | | | (637,583) | | (637,583) |
| Change in Net Assets | (1,957,511) | 1,628,879 | (1,492,644) | (787,125) | (2,608,401) |
| Total Net Assets - Beginning of Year | 20,938,985 | 6,311,228 | 6,944,049 | 3,229,739 | 37,424,001 |
| Total Net Assets - End of Year | \$18,981,474 | \$7,940,107 | \$5,451,405 | \$2,442,614 | \$34,815,600 |

State of Idaho
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2002

| | Group Insurance | Risk Management |
|--|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from Customers | \$30,199,766 | \$1,468,037 |
| Receipts from Other Funds | 93,864,340 | 5,757,757 |
| Receipts from Grants and Contributions | | |
| Payments to Suppliers | (249,786) | (1,668,077) |
| Payments to Employees for Services | (234,978) | (381,239) |
| Payments to Other Funds | (195,989) | (135,987) |
| Payments for Benefits, Awards, and Claims | (125,212,401) | (4,186,475) |
| Net Cash Provided (Used) by Operating Activities | (1,829,048) | 854,016 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Transfers In | | |
| Transfers Out | | |
| Interest Paid | | |
| Net Cash Provided (Used) by Noncapital Financing Activities | | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Capital Lease Payments | | |
| Proceeds from Disposition of Capital Assets | | |
| Acquisition and Construction of Capital Assets | | |
| Net Cash Provided (Used) by Capital and Related Financing Activities | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Receipt of Interest and Dividends | 2,627,602 | 1,359,874 |
| Purchase of Investments | (22,332,507) | (11,402,091) |
| Net Cash Provided (Used) by Investing Activities | (19,704,905) | (10,042,217) |
| Net Increase (Decrease) in Cash and Cash Equivalents | (21,533,953) | (9,188,201) |
| Beginning Cash, Cash Equivalents, and Cash Equity with Treasurer | 49,846,726 | 23,884,213 |
| Ending Cash, Cash Equivalents, and Cash Equity with Treasurer | \$28,312,773 | \$14,696,012 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | |
| Operating Income (Loss) | (\$4,745,263) | \$187,231 |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation | 3,293 | |
| Investments | 761,678 | 388,892 |
| Net Changes in Assets and Liabilities: | | |
| Accounts Receivable/Due from Other Funds | (16,527) | 270,022 |
| Inventory | | |
| Other Current Assets | (243,844) | (87,390) |
| Accounts Payable/Due to Other Funds | (9,801) | (242,064) |
| Deferred Revenue | 366,410 | |
| Compensated Absences | 2,254 | (673) |
| Grand Prizes Payable/Policy Claim Liabilities | 2,050,429 | 335,751 |
| Other Accrued Liabilities | 2,323 | 2,247 |
| Net Cash Provided (Used) by Operating Activities | (\$1,829,048) | \$854,016 |

Noncash Transactions: Investments decreased in fair value by \$83,694 for Group Insurance and \$42,731 for Risk Management.

| General Services | Data Processing Services | Total |
|-----------------------------|---|---------------|
| \$1,702,891 | | \$33,370,694 |
| 16,243,369 | \$6,280,944 | 122,146,410 |
| 332,983 | | 332,983 |
| (11,258,865) | (2,088,326) | (15,265,054) |
| (5,515,017) | (3,429,477) | (9,560,711) |
| (1,216,503) | (59,922) | (1,608,401) |
| | | (129,398,876) |
| 288,858 | 703,219 | 17,045 |
| 16,914 | | 16,914 |
| (637,583) | | (637,583) |
| (16,438) | | (16,438) |
| (637,107) | | (637,107) |
| (145,002) | | (145,002) |
| 8,589 | | 8,589 |
| (323,756) | (733,544) | (1,057,300) |
| (460,169) | (733,544) | (1,193,713) |
| 133,989 | 47,101 | 4,168,566 |
| | | (33,734,598) |
| 133,989 | 47,101 | (29,566,032) |
| (674,429) | 16,776 | (31,379,807) |
| 3,505,967 | 676,882 | 77,913,788 |
| \$2,831,538 | \$693,658 | \$46,533,981 |
| (\$961,386) | (\$834,226) | (\$6,353,644) |
| 1,097,579 | 650,879 | 1,751,751 |
| | | 1,150,570 |
| 793,801 | 633,669 | 1,680,965 |
| (158,438) | | (158,438) |
| 18,284 | 571,886 | 258,936 |
| (441,966) | (328,594) | (1,022,425) |
| (37,076) | 11,648 | 340,982 |
| (4,285) | (9,331) | (12,035) |
| | | 2,386,180 |
| (17,655) | 7,288 | (5,797) |
| \$288,858 | \$703,219 | \$17,045 |



PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS account for the receipt, investment, and disbursement of the various retirement funds.

The PERSI BASE PLAN is a qualified plan under Internal Revenue Code and provides retirement and disability benefits to the employees of affiliated employers. Benefits are funded by member and employer contributions and by earnings on investments.

The FIREMEN'S RETIREMENT FUND is a qualified plan under Internal Revenue Code and provides retirement and disability benefits to the employees of affiliated employers. Benefits are funded by member and employer contributions and by earnings on investments.

The DEFINED CONTRIBUTION RETIREMENT PLAN provides retirement benefits to members of the Defined Benefit Pension Trust Funds.

The JUDGES' RETIREMENT FUND provides payment of the annual compensation of retired justices and judges and the allowances to surviving spouses.

State of Idaho
**Combining Statement of Fiduciary Net Assets
Pension (and Other Employee Benefit) Trust Funds
June 30, 2002**

| | PERSI Base Plan | Firemen's Retirement Fund | Defined Contribution Retirement Plan |
|------------------------------------|----------------------------|--|---|
| ASSETS | | | |
| Cash Equity with Treasurer | \$2,682,534 | | |
| Cash and Cash Equivalents | | \$79,386 | |
| Investments: | | | |
| Pooled Short Term | 174,444,899 | 5,222,507 | |
| Fixed Income Investments | 1,610,049,609 | 46,567,093 | |
| Marketable Securities | 3,951,076,144 | 116,229,791 | |
| Mutual Funds and Private Equities | 132,029,218 | 3,952,672 | \$86,624,027 |
| Mortgages and Real Estate | 330,134,878 | 9,883,532 | |
| Receivables: | | | |
| Investments Sold | 899,538,547 | 26,848,445 | |
| Contributions | 9,819,140 | 559,545 | |
| Interest and Dividends | 31,204,864 | 931,369 | |
| Other Receivables | 779,826 | | |
| Other Assets | 21,538,485 | | |
| Capital Assets, Net | 7,388,436 | | |
| Total Assets | 7,170,686,580 | 210,274,340 | 86,624,027 |
| LIABILITIES | | | |
| Accounts Payable | 1,108,604 | | |
| Investments Purchased | 958,972,800 | 28,622,373 | |
| Other Accrued Liabilities | 5,161,139 | 146,602 | |
| Total Liabilities | 965,242,543 | 28,768,975 | |
| NET ASSETS | | | |
| Held in Trust for: | | | |
| Employee Pension Benefits | 6,081,348,767 | 181,505,365 | 86,624,027 |
| Postemployment Healthcare Benefits | 124,095,270 | | |
| Total Net Assets | \$6,205,444,037 | \$181,505,365 | \$86,624,027 |

| Judges' Retirement Fund | | Total |
|--|--|-----------------|
| \$222,155 | | \$2,904,689 |
| | | 79,386 |
| 5,721,834 | | 185,389,240 |
| 12,074,260 | | 1,668,690,962 |
| 28,888,128 | | 4,096,194,063 |
| | | 222,605,917 |
| | | 340,018,410 |
| | | 926,386,992 |
| 45,256 | | 10,423,941 |
| 242,302 | | 32,378,535 |
| 122,480 | | 902,306 |
| | | 21,538,485 |
| | | 7,388,436 |
| 47,316,415 | | 7,514,901,362 |
| | | |
| 48,045 | | 1,156,649 |
| | | 987,595,173 |
| | | 5,307,741 |
| 48,045 | | 994,059,563 |
| | | |
| 47,268,370 | | 6,396,746,529 |
| | | 124,095,270 |
| \$47,268,370 | | \$6,520,841,799 |

State of Idaho

**Combining Statement of Changes in Fiduciary Net Assets
Pension (and Other Employee Benefit) Trust Funds
For the Fiscal Year Ended June 30, 2002**

| | PERSI Base Plan | Firemen's Retirement Fund | Defined Contribution Retirement Plan | Judges' Retirement Fund | Total |
|--|----------------------------|--|---|--|------------------------|
| ADDITIONS | | | | | |
| Contributions: | | | | | |
| Member | \$124,140,214 | \$226,958 | \$11,270,510 | \$251,223 | \$135,888,905 |
| Employer | 205,560,096 | 9,548,305 | 5,290,488 | 293,094 | 220,691,983 |
| Transfers In from Other Plans | 5,725 | | 36,806,392 | | 36,812,117 |
| Total Contributions | 329,706,035 | 9,775,263 | 53,367,390 | 544,317 | 393,393,005 |
| Investment Income: | | | | | |
| Net Increase (Decrease) in Fair Value of Investments | (637,659,435) | (19,032,163) | (7,113,224) | (8,925,383) | (672,730,205) |
| Interest, Dividends, and Other | 182,186,228 | 5,452,097 | 481,776 | 1,429,718 | 189,549,819 |
| Less: Investment Expense | (25,686,761) | (766,670) | | (233,309) | (26,686,740) |
| Net Investment Income | (481,159,968) | (14,346,736) | (6,631,448) | (7,728,974) | (509,867,126) |
| Miscellaneous Income | 137,215 | | | 1,492,527 | 1,629,742 |
| Total Additions | (151,316,718) | (4,571,473) | 46,735,942 | (5,692,130) | (114,844,379) |
| DEDUCTIONS | | | | | |
| Benefits and Refunds Paid to Plan Members | 276,101,991 | 14,323,561 | 2,466,580 | 2,915,665 | 295,807,797 |
| Transfers Out to Other Plans | 19,962 | | 36,792,155 | | 36,812,117 |
| Administrative Expense | 6,931,446 | | 88,649 | 28,535 | 7,048,630 |
| Total Deductions | 283,053,399 | 14,323,561 | 39,347,384 | 2,944,200 | 339,668,544 |
| Change in Net Assets Held in Trust for: | | | | | |
| Employee Pension Benefits | (433,543,264) | (18,895,034) | 7,388,558 | (8,636,330) | (453,686,070) |
| Employee Postemployment Healthcare Benefits | (826,853) | | | | (826,853) |
| Net Assets - Beginning of Year, as Restated | 6,639,814,154 | 200,400,399 | 79,235,469 | 55,904,700 | 6,975,354,722 |
| Net Assets - End of Year | \$6,205,444,037 | \$181,505,365 | \$86,624,027 | \$47,268,370 | \$6,520,841,799 |

State of Idaho

AGENCY FUNDS account for the receipt and disbursement of various monies and property collected by the State, acting in the capacity of an agent, for distribution to other governmental units, organizations, or individuals.

OTHER CUSTODIAL accounts for the receipts and disbursements of monies collected by the State and distributed to other entities. This includes deposits of securities by banks and insurance companies doing business in the State.

PAYROLL accounts for state and federal withholding, social security taxes, and voluntary employee deductions related to the State's payroll.

*State of Idaho***Combining Statement of Assets and Liabilities****Agency Funds****June 30, 2002**

| | Custodial | Payroll | Total |
|----------------------------|----------------------|------------------|----------------------|
| ASSETS | | | |
| Cash Equity with Treasurer | \$2,331,255 | \$336,183 | \$2,667,438 |
| Cash and Cash Equivalents | 1,042,040 | | 1,042,040 |
| Investments: | | | |
| Fixed Income Investments | 155,830,904 | | 155,830,904 |
| Other Investments | 7,288,009 | | 7,288,009 |
| Receivables: | | | |
| Interest and Dividends | 79,919 | | 79,919 |
| Total Assets | \$166,572,127 | \$336,183 | \$166,908,310 |
| LIABILITIES | | | |
| Due to Other Entities | \$397,659 | | \$397,659 |
| Deposits | 162,813,011 | | 162,813,011 |
| Other Accrued Liabilities | 3,361,457 | \$336,183 | 3,697,640 |
| Total Liabilities | \$166,572,127 | \$336,183 | \$166,908,310 |

State of Idaho
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2002

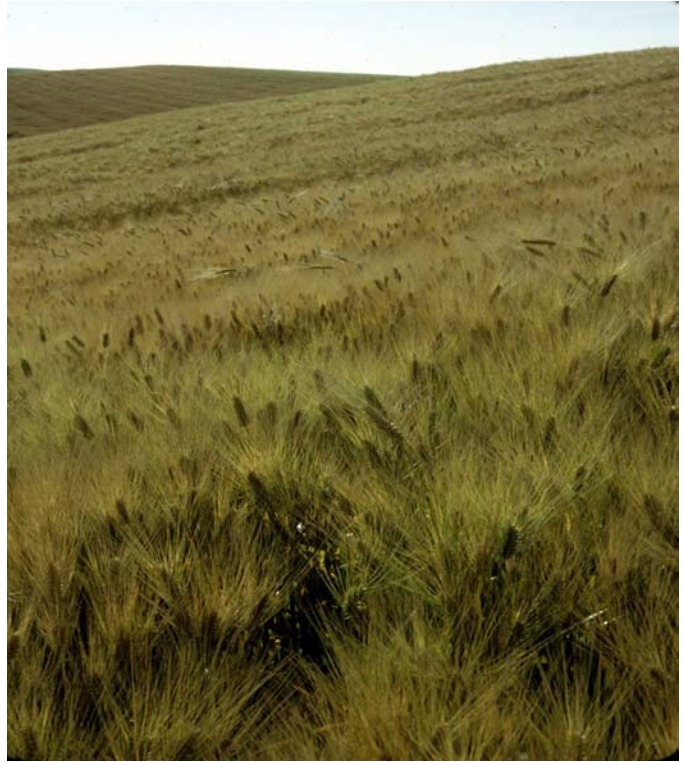
| | Balance July 1, 2001 | Additions | Deductions | Balance June 30, 2002 |
|---------------------------------|-------------------------|------------------------|------------------------|--------------------------|
| CUSTODIAL | | | | |
| Assets | | | | |
| Cash Equity with Treasurer | \$9,234,821 | \$365,184,559 | \$372,088,125 | \$2,331,255 |
| Cash and Cash Equivalents | 1,569,853 | 1,042,040 | 1,569,853 | 1,042,040 |
| Fixed Income Investments | 152,215,739 | 155,830,904 | 152,215,739 | 155,830,904 |
| Other Investments | 4,530,678 | 3,627,785 | 870,454 | 7,288,009 |
| Interest and Dividends | 79,208 | 139,130 | 138,419 | 79,919 |
| Total Assets | \$167,630,299 | \$525,824,418 | \$526,882,590 | \$166,572,127 |
| Liabilities | | | | |
| Due to Other Entities | \$1,131,238 | \$975,540 | \$1,709,119 | \$397,659 |
| Deposits | 156,840,866 | 158,225,205 | 152,253,060 | 162,813,011 |
| Other Accrued Liabilities | 9,658,195 | 23,016,338 | 29,313,076 | 3,361,457 |
| Total Liabilities | \$167,630,299 | \$182,217,083 | \$183,275,255 | \$166,572,127 |
| PAYROLL | | | | |
| Assets | | | | |
| Cash Equity with Treasurer | \$369,688 | \$1,125,138,892 | \$1,125,172,397 | \$336,183 |
| Total Assets | \$369,688 | \$1,125,138,892 | \$1,125,172,397 | \$336,183 |
| Liabilities | | | | |
| Other Accrued Liabilities | \$369,688 | \$1,127,348,245 | \$1,127,381,750 | \$336,183 |
| Total Liabilities | \$369,688 | \$1,127,348,245 | \$1,127,381,750 | \$336,183 |
| TOTAL - ALL AGENCY FUNDS | | | | |
| Assets | | | | |
| Cash Equity with Treasurer | \$9,604,509 | \$1,490,323,451 | \$1,497,260,522 | \$2,667,438 |
| Cash and Cash Equivalents | 1,569,853 | 1,042,040 | 1,569,853 | 1,042,040 |
| Fixed Income Investments | 152,215,739 | 155,830,904 | 152,215,739 | 155,830,904 |
| Other Investments | 4,530,678 | 3,627,785 | 870,454 | 7,288,009 |
| Interest and Dividends | 79,208 | 139,130 | 138,419 | 79,919 |
| Total Assets | \$167,999,987 | \$1,650,963,310 | \$1,652,054,987 | \$166,908,310 |
| Liabilities | | | | |
| Due to Other Entities | \$1,131,238 | \$975,540 | \$1,709,119 | \$397,659 |
| Deposits | 156,840,866 | 158,225,205 | 152,253,060 | 162,813,011 |
| Other Accrued Liabilities | 10,027,883 | 1,150,364,583 | 1,156,694,826 | 3,697,640 |
| Total Liabilities | \$167,999,987 | \$1,309,565,328 | \$1,310,657,005 | \$166,908,310 |



Statistical Section

Idaho grows several varieties of wheat. In calendar year 2001, Idaho produced 51,830,000 bushels of winter wheat, ranking it eighth among the states.

Source: Idaho Agricultural Statistics Service



Moscow wheat field



Wheat crop northwest of Bonners Ferry



Schedule 1 - Revenues by Source¹

General Governmental Revenues (*dollars in millions*)

Fiscal Years 1993-2002

| | % | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Sales Tax | 20.65% | \$778 | \$778 | \$762 | \$712 | \$664 | \$624 | \$605 | \$576 | \$542 | \$481 |
| Individual and Corporate Taxes | 23.62% | 890 | 1,171 | 1,104 | 1,109 | 1,053 | 971 | 948 | 877 | 774 | 693 |
| Other Taxes | 9.62% | 363 | 412 | 407 | 386 | 378 | 369 | 304 | 425 | 414 | 371 |
| Licenses, Permits, and Fees | 5.64% | 213 | 215 | 179 | 168 | 158 | 144 | 151 | 142 | 123 | 106 |
| Sale of Goods and Services | 4.60% | 173 | 113 | 107 | 97 | 79 | 55 | 49 | 50 | 50 | 35 |
| Grants and Contributions | 35.31% | 1,330 | 1,265 | 1,112 | 952 | 903 | 895 | 806 | 724 | 677 | 635 |
| Investment Income | (1.38)% | (52) | 97 | 102 | 103 | 98 | 80 | 72 | 63 | 22 | 24 |
| Other Income | 1.94% | 73 | 57 | 74 | 42 | 57 | 42 | 90 | 95 | 122 | 88 |
| Total Revenues | 100.00% | \$3,768 | \$4,108 | \$3,847 | \$3,569 | \$3,390 | \$3,180 | \$3,025 | \$2,952 | \$2,724 | \$2,433 |

¹GASB 34 was implemented in FY 2002 and now includes General, Health and Welfare, Transportation, Public School Endowment, Pooled Endowment, and Nonmajor Special Revenue funds.

This schedule was prepared on a budgetary basis for years prior to 1996 and on a GAAP basis for 1996-2002.

Schedule 2 - Expenditures by Function¹

General Governmental Expenditures (*dollars in millions*)

Fiscal Years 1993-2002

| | % | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| General Government | 6.89% | \$292 | \$254 | \$237 | \$379 | \$413 | \$383 | \$350 | \$358 | \$317 | \$301 |
| Public Safety and Correction | 5.46% | 231 | 260 | 218 | 215 | 194 | 175 | 156 | 129 | 105 | 96 |
| Health and Human Services | 29.19% | 1,236 | 1,124 | 949 | 868 | 809 | 767 | 731 | 638 | 566 | 564 |
| Education | 35.15% | 1,488 | 1,394 | 1,319 | 1,255 | 1,142 | 1,107 | 1,062 | 999 | 1,037 | 969 |
| Economic Development | 4.30% | 182 | 175 | 185 | 162 | 154 | 145 | 119 | 141 | 120 | 119 |
| Natural Resources | 4.09% | 173 | 147 | 142 | 137 | 124 | 124 | 127 | 140 | 114 | 102 |
| Transportation | 6.57% | 278 | 271 | 255 | 252 | 227 | 254 | 202 | 384 | 312 | 294 |
| Capital Outlay* | 8.35% | 353 | 401 | 351 | 324 | 267 | 259 | 251 | | | |
| Total Expenditures | 100.00% | \$4,233 | \$4,026 | \$3,656 | \$3,592 | \$3,330 | \$3,214 | \$2,998 | \$2,789 | \$2,571 | \$2,445 |

¹GASB 34 was implemented in FY 2002 and now includes General, Health and Welfare, Transportation, Public School Endowment, Pooled Endowment, and Nonmajor Special Revenue funds.

This schedule was prepared on a budgetary basis for years prior to 1996 and on a GAAP basis for 1996-2002.

*Classification structure changed in fiscal year 1996 and data from prior years for this classification is not available.

Schedule 3 - Property Taxes by Taxing District and Category of Property

The State of Idaho does not levy property taxes. Information is for other taxing entities within the State.

Property Taxes by Taxing District

Tax Levy Years 1992-2001 (*dollars in millions*)

| | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995* | 1994 | 1993 | 1992 |
|-------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| County | \$210.7 | \$212.3 | \$202.0 | \$188.8 | \$180.4 | \$172.7 | \$162.3 | \$155.3 | \$146.9 | \$134.9 |
| City | 210.7 | 193.9 | 179.5 | 169.0 | 159.2 | 149.1 | 136.8 | 127.3 | 116.5 | 109.6 |
| School | 408.1 | 391.9 | 369.3 | 346.6 | 327.7 | 301.2 | 277.0 | 285.3 | 253.1 | 233.9 |
| Roads/Highways | 51.9 | 50.0 | 47.4 | 44.8 | 42.3 | 40.6 | 38.8 | 36.2 | 34.2 | 33.5 |
| Community College | 7.3 | 10.0 | 9.7 | 9.3 | 9.0 | 9.8 | 9.5 | 9.4 | 8.7 | 7.4 |
| All Others | 59.8 | 56.2 | 52.2 | 48.5 | 45.1 | 41.6 | 39.8 | 38.1 | 33.8 | 30.2 |
| Total Tax | \$948.5 | \$914.3 | \$860.1 | \$807.0 | \$763.7 | \$715.0 | \$664.2 | \$651.6 | \$593.2 | \$549.5 |

Property Taxes by Category of Property

Tax Levy Years 1992-2001

| | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995* | 1994 | 1993 | 1992 |
|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Residential | 57.1% | 55.8% | 54.8% | 54.4% | 54.8% | 54.9% | 54.4% | 52.1% | 50.3% | 49.3% |
| Commercial/Industrial | 31.5% | 31.4% | 31.4% | 31.2% | 30.4% | 30.0% | 30.2% | 31.0% | 32.3% | 32.6% |
| Agricultural | 4.7% | 6.0% | 6.4% | 6.5% | 6.6% | 6.8% | 7.3% | 8.0% | 8.5% | 9.1% |
| Timber | 1.4% | 1.5% | 1.7% | 1.7% | 1.6% | 1.5% | 1.4% | 1.5% | 1.2% | 1.1% |
| Mining | 0.2% | 0.2% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | 0.2% | 0.4% | 0.4% |
| Operating | 5.1% | 5.1% | 5.4% | 5.9% | 6.3% | 6.5% | 6.4% | 7.2% | 7.3% | 7.5% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

| | | | | | | | | | | |
|--------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Urban | 63.2% | 62.1% | 60.8% | 60.8% | 60.3% | 60.6% | 59.7% | 58.9% | 59.4% | 59.1% |
| Rural | 36.8% | 37.9% | 39.2% | 39.2% | 39.7% | 39.4% | 40.3% | 41.1% | 40.6% | 40.9% |

| | | | | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| % Change Total Tax Collections | 3.8% | 6.3% | 6.6% | 5.7% | 6.8% | 7.6% | 1.9% | 9.8% | 8.0% | 9.3% |
| Amount Tax Collections (<i>in millions</i>) | \$948.5 | \$914.3 | \$860.1 | \$807.0 | \$763.7 | \$715.0 | \$664.2 | \$651.6 | \$593.2 | \$549.5 |
| Amount Market Value (<i>in billions</i>) | \$65.3 | \$62.0 | \$59.0 | \$55.5 | \$52.9 | \$48.8 | \$44.2 | \$38.7 | \$34.7 | \$31.5 |
| Average Tax Rate | 1.452% | 1.474% | 1.459% | 1.445% | 1.444% | 1.466% | 1.502% | 1.683% | 1.708% | 1.744% |

*HB156 became law in 1995. This included \$40.8M of school Maintenance and Operations (M&O) property tax relief as a result of reducing the maximum M&O tax rate from .4% to .3%. Also other local M&O taxing district budgets were capped at a 3% increase plus the previous year's M&O tax rate times the taxable value of any new construction. The school tax relief was paid by state tax collections.

Source: Associated Taxpayers of Idaho

Schedule 4 - State Sales Tax Revenues

Fiscal Years 1993-2002 (*dollars in millions*)

| | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| Total Sales | \$43,144 | \$43,069 | \$43,017 | \$38,350 | \$36,572 | \$34,900 | \$32,338 | \$29,615 | \$26,911 | \$24,866 |
| Nontaxable | 26,696 | 29,855 | 29,052 | 25,100 | 24,398 | 23,230 | 21,167 | 18,992 | 16,834 | 15,936 |
| Net Taxable | 16,448 | 13,214 | 13,965 | 13,250 | 12,174 | 11,670 | 11,171 | 10,623 | 10,077 | 8,930 |
| Use Tax | 1,017 | 997 | 947 | 844 | 795 | 764 | 802 | 768 | 670 | 654 |
| Total Taxable | \$17,465 | \$14,211 | \$14,912 | \$14,094 | \$12,969 | \$12,434 | \$11,973 | \$11,391 | \$10,747 | \$9,584 |
| Tax Due | \$872 | \$737 | \$745 | \$700 | \$652 | \$624 | \$600 | \$574 | \$540 | \$475 |

Source: Idaho State Tax Commission

Schedule 5 - Total Resident Population and Components of Change

Calendar Years 1993-2002

| | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Population (<i>in thousands</i>) | 1,336.1 | 1,320.7 | 1,299.1 | 1,275.7 | 1,252.3 | 1,228.4 | 1,203.2 | 1,177.0 | 1,144.9 | 1,108.6 |
| Population % Change | 1.2% | 1.7% | 1.8% | 1.9% | 1.9% | 2.1% | 2.2% | 2.8% | 3.3% | 3.4% |
| Births Number | 20.834 | 20.684 | 20.304 | 19.897 | 19.188 | 18.599 | 18.482 | 17.915 | 17.690 | 17.575 |
| Deaths Number | 9.942 | 9.811 | 9.538 | 9.488 | 9.105 | 8.953 | 8.679 | 8.553 | 8.478 | 8.277 |
| Net Migration Number | 4.603 | 10.645 | 12.659 | 12.974 | 13.836 | 15.583 | 16.417 | 22.652 | 27.115 | 27.168 |

Note: 2002 numbers are estimates.

Source: Division of Financial Management, Economic Analysis Bureau, Vol. XXIV, No. 4, October, 2002

Schedule 6 - Residential Building Activity

Housing Starts

Calendar Years 1993-2002

| | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|---------|--------|--------|
| Idaho | 11,725 | 12,269 | 11,536 | 10,350 | 10,117 | 8,865 | 9,220 | 9,363 | 12,766 | 11,457 |
| % Change | (4.4)% | 6.4% | 11.5% | 2.3% | 14.1% | (3.9)% | (1.5)% | (26.7)% | 11.4% | 19.5% |
| National (<i>in millions</i>) | 1.637 | 1.603 | 1.573 | 1.647 | 1.621 | 1.475 | 1.469 | 1.361 | 1.446 | 1.292 |
| % Change | 2.1% | 1.9% | (4.5)% | 1.6% | 9.9% | 0.4% | 7.9% | (5.9)% | 12.0% | 7.5% |

Note: 2002 numbers are estimates.

Source: Division of Financial Management, Economic Analysis Bureau, Vol. XXIV, No. 4, October, 2002

Schedule 7 - Domestic Financial Institutions Deposits

Calendar Years 1992-2001 (dollars in millions)

| Institution Type | No. of Branches | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 |
|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|
| Banks | 442 | \$9,489 | \$9,182 | \$8,825 | \$8,798 | \$8,576 | \$9,125 | \$8,991 | \$8,424 | \$7,847 | \$7,494 |
| Savings & Loans | 77 | 1,319 | 1,121 | 1,041 | 1,027 | 912 | 899 | 854 | 861 | 866 | 869 |
| Credit Unions | 88 | 1,621 | 1,433 | 1,366 | 1,202 | 1,191 | 1,130 | 1,005 | 967 | 913 | 871 |
| FDIC Savings Banks | 22 | 299 | 296 | 275 | 172 | 26 | | | | | |
| Total | 629 | \$12,728 | \$12,032 | \$11,507 | \$11,199 | \$10,705 | \$11,154 | \$10,850 | \$10,252 | \$9,626 | \$9,234 |

Source: 2002/Sheshunoff Information Services, Inc.

Schedule 8 - Ten Largest Private Employers in Idaho

As of June 30, 2002

| Major Idaho Employers | Employees |
|---------------------------------------|--------------|
| Albertsons, Inc. | 5,000-10,000 |
| Bechtel BWTX Idaho LLC | 5,000-10,000 |
| Micron Technology, Inc. | 5,000-10,000 |
| Hewlett-Packard Co. | 3,000-5,000 |
| J.R. Simplot Co. | 3,000-5,000 |
| St. Lukes Regional Medical Center | 3,000-5,000 |
| Wal-Mart Associates, Inc. | 3,000-5,000 |
| Brigham Young University Idaho | 2,000-3,000 |
| Potlatch Corporation | 2,000-3,000 |
| St. Alphonsus Regional Medical Center | 2,000-3,000 |

Source: Idaho Department of Labor, based on a 12 month average from 4/01 to 3/02.

Schedule 9 - Employment Comparison

Calendar Years 1992-2001

| | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 |
|-----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Idaho Civilian Labor Force | 682,228 | 657,712 | 655,300 | 653,056 | 633,600 | 619,304 | 601,194 | 591,463 | 547,678 | 531,994 |
| % Change | 3.7% | 0.4% | 0.3% | 3.1% | 2.3% | 3.0% | 1.6% | 8.0% | 2.9% | 4.6% |
| U.S. Civilian Labor Force | | | | | | | | | | |
| (in thousands) | 141,815 | 140,863 | 139,368 | 137,673 | 136,297 | 133,943 | 132,304 | 131,056 | 129,200 | 128,105 |
| % Change | 0.7% | 1.1% | 1.2% | 1.0% | 1.8% | 1.2% | 1.0% | 1.4% | 0.9% | 1.4% |
| Idaho Employment | 648,392 | 625,798 | 621,400 | 620,217 | 599,800 | 586,874 | 568,801 | 558,589 | 513,653 | 497,343 |
| % Change | 3.6% | 0.7% | 0.2% | 3.4% | 2.2% | 3.2% | 1.8% | 8.7% | 3.3% | 4.2% |
| U.S. Employment | | | | | | | | | | |
| (in thousands) | 135,073 | 135,208 | 133,488 | 131,463 | 129,558 | 126,708 | 124,900 | 123,060 | 120,259 | 118,492 |
| % Change | (0.1)% | 1.3% | 1.5% | 1.5% | 2.2% | 1.4% | 1.5% | 2.3% | 1.5% | 0.7% |

Source: Bureau of Labor Statistics, Idaho Department of Labor

Schedule 10 - Labor Force and Employment by Sector

Calendar Years 1992-2001

| | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Resident Civilian Labor Force and Employment in Idaho | | | | | | | | | | |
| Civilian Labor Force | 682,228 | 657,712 | 655,300 | 653,056 | 633,600 | 619,304 | 601,194 | 591,463 | 547,678 | 531,994 |
| Unemployment | 33,836 | 31,914 | 33,900 | 32,839 | 33,800 | 32,430 | 32,393 | 32,874 | 34,025 | 34,651 |
| Net Employment | 648,392 | 625,798 | 621,400 | 620,217 | 599,800 | 586,874 | 568,801 | 558,589 | 513,653 | 497,343 |
| Unemployment Percentage Rate | 5.0% | 4.9% | 5.2% | 5.0% | 5.3% | 5.2% | 5.4% | 5.6% | 6.2% | 6.5% |
| Nonagricultural Wage and Salary Workers Employed in Idaho | | | | | | | | | | |
| Goods Producing Industries | | | | | | | | | | |
| Mining | 2,036 | 2,425 | 2,579 | 2,902 | 3,068 | 3,067 | 2,725 | 2,423 | 2,198 | 2,603 |
| Construction | 37,251 | 36,432 | 34,881 | 32,228 | 31,870 | 30,615 | 29,642 | 29,017 | 24,699 | 22,153 |
| Manufacturing-Durable Goods | 46,272 | 47,916 | 47,137 | 47,171 | 45,567 | 44,063 | 42,111 | 40,615 | 37,482 | 34,775 |
| Manufacturing-Nondurable Goods | 29,006 | 29,253 | 28,984 | 28,941 | 29,012 | 28,831 | 28,907 | 31,256 | 31,759 | 30,963 |
| Total Goods Producing Industries | 114,565 | 116,026 | 113,581 | 111,242 | 109,517 | 106,576 | 103,385 | 103,311 | 96,138 | 90,494 |
| Service Producing Industries | | | | | | | | | | |
| Transportation, Comm., and Utilit. | 28,134 | 27,943 | 26,896 | 25,497 | 24,271 | 23,409 | 22,707 | 21,882 | 20,880 | 20,341 |
| Trade | 140,955 | 141,103 | 136,266 | 132,620 | 129,197 | 125,199 | 121,408 | 116,708 | 109,395 | 105,916 |
| Finance, Insurance, and Real Estate | 24,086 | 23,495 | 23,558 | 22,930 | 25,430 | 25,183 | 24,981 | 24,108 | 22,759 | 21,474 |
| Service | 150,366 | 145,038 | 135,782 | 128,782 | 122,515 | 116,019 | 110,130 | 102,853 | 97,234 | 90,399 |
| State and Local Government | 96,906 | 92,223 | 90,249 | 87,715 | 84,983 | 82,582 | 81,693 | 79,040 | 76,839 | 74,524 |
| Federal Government | 13,287 | 13,428 | 12,836 | 12,796 | 12,901 | 12,895 | 13,109 | 13,486 | 13,572 | 13,456 |
| Total Service Producing Industries | 453,734 | 443,230 | 425,587 | 410,340 | 399,297 | 385,287 | 374,028 | 358,077 | 340,679 | 326,110 |
| Nonfarm Wage & Salary Employment | 568,299 | 559,256 | 539,168 | 521,582 | 508,814 | 491,863 | 477,413 | 461,388 | 436,817 | 416,604 |

Source: Idaho Department of Labor

Schedule 11 - Average Annual Wage

Calendar Years 1993-2002

| | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|-----------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Idaho | \$29,736 | \$28,682 | \$28,668 | \$26,969 | \$25,826 | \$24,811 | \$24,110 | \$23,620 | \$22,723 | \$21,963 |
| % Change | 3.7% | 0.0% | 6.3% | 4.4% | 4.1% | 2.9% | 2.1% | 3.9% | 3.5% | 2.3% |
| National | \$38,405 | \$37,526 | \$36,717 | \$34,680 | \$33,316 | \$31,702 | \$30,325 | \$29,224 | \$28,358 | \$27,872 |
| % Change | 2.3% | 2.2% | 5.9% | 4.1% | 5.1% | 4.5% | 3.8% | 3.1% | 1.7% | 1.5% |

Note: 2002 numbers are estimates.

Source: Division of Financial Management, Economic Analysis Bureau, Vol. XXIV, No. 4, October, 2002

Schedule 12 - Personal Income Comparison Idaho vs. National

Calendar Years 1993-2002

| | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|---------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| In Current Dollars | | | | | | | | | | |
| Idaho (<i>in millions</i>) | \$34,009 | \$32,525 | \$31,314 | \$28,931 | \$27,066 | \$25,227 | \$24,174 | \$22,869 | \$21,399 | \$19,591 |
| % Change | 4.6% | 3.9% | 8.2% | 6.9% | 7.3% | 4.4% | 5.7% | 6.9% | 9.2% | 10.3% |
| National (<i>in billions</i>) | \$8,960 | \$8,685 | \$8,407 | \$7,786 | \$7,426 | \$6,937 | \$6,547 | \$6,201 | \$5,888 | \$5,481 |
| % Change | 3.2% | 3.3% | 8.0% | 4.9% | 7.0% | 6.0% | 5.6% | 5.3% | 7.4% | 4.1% |
| In 1996 Dollars | | | | | | | | | | |
| Idaho (<i>in millions</i>) | \$30,574 | \$29,686 | \$29,158 | \$27,622 | \$16,268 | \$24,745 | \$24,172 | \$23,359 | \$22,357 | \$19,080 |
| % Change | 3.0% | 1.8% | 5.6% | 5.2% | 6.2% | 2.4% | 3.5% | 4.5% | 17.2% | 7.4% |
| National (<i>in billions</i>) | \$8,055 | \$7,927 | \$7,828 | \$7,435 | \$7,208 | \$6,805 | \$6,547 | \$6,334 | \$6,152 | \$5,339 |
| % Change | 1.6% | 1.3% | 5.3% | 3.2% | 5.9% | 3.9% | 3.4% | 3.0% | 15.2% | 1.4% |

Note: 2002 numbers are estimates. 1993 is based on 1992 dollars.

Source: Division of Financial Management, Economic Analysis Bureau, Vol. XXIV, No. 4, October, 2002

Schedule 13 - Personal Income by Component

Calendar Years 1993-2002 (*dollars in millions*)

| | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|-------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Total Personal Income | \$34,009 | \$32,525 | \$31,314 | \$28,931 | \$27,066 | \$25,227 | \$24,174 | \$22,869 | \$21,399 | \$20,105 |
| % Change | 4.6% | 3.9% | 8.2% | 6.9% | 7.3% | 4.4% | 5.7% | 6.9% | 6.4% | 9.4% |
| Wage and Salaries | \$17,340 | \$16,861 | \$16,569 | \$15,041 | \$13,973 | \$13,109 | \$12,316 | \$11,725 | \$10,916 | \$9,991 |
| % Change | 2.8% | 1.8% | 10.2% | 7.6% | 6.6% | 6.4% | 5.0% | 7.4% | 9.3% | 7.3% |
| Farm Proprietors Income | \$715 | \$587 | \$432 | \$699 | \$580 | \$344 | \$585 | \$496 | \$410 | \$839 |
| % Change | 21.7 % | 35.9 % | (38.2)% | 20.5% | 68.5% | (41.1)% | 17.9% | 21.1% | (51.2)% | 39.3% |
| Nonfarm Proprietors Income | \$3,507 | \$3,334 | \$3,256 | \$3,040 | \$2,602 | \$2,408 | \$2,337 | \$2,264 | \$2,342 | \$2,139 |
| % Change | 5.2% | 2.4% | 7.1% | 16.8% | 8.1% | 3.0% | 3.2% | (3.3)% | 9.5% | 16.7% |
| Dividends, Rent, Interest | \$6,309 | \$6,197 | \$5,977 | \$5,479 | \$5,470 | \$5,044 | \$4,650 | \$4,377 | \$3,925 | \$3,554 |
| % Change | 1.8% | 3.7% | 9.1% | 0.2% | 8.4% | 8.5% | 6.2% | 11.5% | 10.4% | 5.6% |
| Other Labor Income | \$2,156 | \$1,997 | \$1,941 | \$1,801 | \$1,726 | \$1,681 | \$1,728 | \$1,714 | \$1,725 | \$1,591 |
| % Change | 8.0% | 2.9% | 7.8% | 4.3% | 2.6% | (2.7)% | 0.8% | (0.6)% | 8.4% | 12.5% |
| Government Transfers to Individuals | \$4,880 | \$4,383 | \$3,938 | \$3,680 | \$3,499 | \$3,394 | \$3,285 | \$3,012 | \$2,777 | \$2,626 |
| % Change | 11.3% | 11.3% | 7.0% | 5.2% | 3.1% | 3.3% | 9.1% | 8.5% | 5.8% | 7.5% |
| Contribution for Social Insurance | \$1,384 | \$1,320 | \$1,275 | \$1,181 | \$1,102 | \$1,045 | \$987 | \$949 | \$900 | \$817 |
| % Change | 4.9% | 3.5% | 7.9% | 7.2% | 5.5% | 5.8% | 4.0% | 5.5% | 10.2% | 8.0% |
| Residence Adjustment | \$486 | \$485 | \$476 | \$374 | \$321 | \$292 | \$260 | \$230 | \$204 | \$183 |
| % Change | 0.2% | 1.9% | 27.3% | 16.5% | 10.0% | 12.3% | 12.9% | 12.9% | 11.8% | 5.3% |

Note: 2002 numbers are estimates.

Source: Division of Financial Management, Economic Analysis Bureau, Vol. XXIV, No. 4, October, 2002

Schedule 14 - Per Capita Personal Income Comparison Idaho vs. National

Calendar Years 1993-2002

| | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|---------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| In Current Dollars | | | | | | | | | | |
| Idaho | \$25,452 | \$24,628 | \$24,102 | \$22,676 | \$21,611 | \$20,535 | \$20,091 | \$19,430 | \$18,688 | \$18,133 |
| % Change | 3.3% | 2.2% | 6.3% | 4.9% | 5.2% | 2.2% | 3.4% | 4.0% | 3.1% | 5.8% |
| National | \$31,115 | \$30,435 | \$29,736 | \$27,836 | \$26,852 | \$25,376 | \$24,239 | \$23,226 | \$22,316 | \$21,520 |
| % Change | 2.2% | 2.4% | 6.8% | 3.7% | 5.8% | 4.7% | 4.4% | 4.1% | 3.7% | 2.7% |
| In 1996 Dollars | | | | | | | | | | |
| Idaho | \$22,882 | \$22,478 | \$22,444 | \$21,652 | \$20,975 | \$20,143 | \$20,090 | \$19,846 | \$19,526 | \$19,330 |
| % Change | 1.8% | 0.2% | 3.7% | 3.2% | 4.1% | 0.3% | 1.2% | 1.6% | 1.0% | 3.3% |
| National | \$27,973 | \$27,779 | \$27,689 | \$26,580 | \$26,063 | \$24,893 | \$24,239 | \$23,725 | \$23,316 | \$22,941 |
| % Change | 0.7% | 0.3% | 4.2% | 2.0% | 4.7% | 2.7% | 2.2% | 1.8% | 1.6% | 0.4% |

Note: 2002 numbers are estimates.

Source: Division of Financial Management, Economic Analysis Bureau, Vol. XXIV, No. 4, October, 2002

Schedule 15 - Full-Time Equivalent Positions - State Employees

Fiscal Years 1993-2002

| | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| State Board of Education | 5,218 | 5,045 | 4,991 | 4,846 | 4,758 | 4,692 | 4,683 | 4,605 | 4,502 | 4,436 |
| Department of Health and Welfare | 3,092 | 3,038 | 3,629 | 3,627 | 3,621 | 3,623 | 3,657 | 4,105 | 4,073 | 3,856 |
| Idaho Transportation Department | 1,836 | 1,831 | 1,829 | 1,800 | 1,745 | 1,813 | 1,811 | 1,820 | 1,814 | 1,812 |
| Department of Correction | 1,465 | 1,383 | 1,354 | 1,362 | 1,312 | 1,109 | 1,150 | 1,078 | 1,046 | 922 |
| Executive Office of the Governor | 557 | 543 | 523 | 470 | 680 | 666 | 652 | 650 | 656 | 636 |
| Department of Fish and Game | 511 | 506 | 499 | 500 | 501 | 505 | 523 | 523 | 521 | 526 |
| Idaho State Police | 542 | 521 | 515 | 496 | 494 | 488 | 486 | 489 | 486 | 489 |
| Department of Revenue and Taxation | 420 | 420 | 419 | 419 | 378 | 378 | 376 | 375 | 372 | 370 |
| All Other | 3,291 | 3,155 | 2,483 | 2,537 | 2,473 | 2,408 | 2,368 | 2,160 | 2,123 | 2,095 |
| State Total | 16,932 | 16,442 | 16,242 | 16,057 | 15,962 | 15,682 | 15,706 | 15,805 | 15,593 | 15,142 |

Source: Executive Budget FY 2002, FY 2001, FY 2000, FY 1997, FY 1995, FY 1993

Schedule 16 - Public School Enrollment Grades K-12

Academic Years 1992/93-2001/02

| | 2001-02 | 2000-01 | 1999-00 | 1998-99 | 1997-98 | 1996-97 | 1995-96 | 1994-95 | 1993-94 | 1992-93 |
|-------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Elementary | 132,406 | 131,835 | 131,348 | 131,018 | 130,080 | 129,525 | 129,570 | 129,031 | 128,339 | 126,562 |
| Secondary | 114,009 | 113,174 | 113,878 | 113,605 | 114,323 | 115,727 | 113,627 | 111,417 | 108,435 | 105,106 |
| Total All Grades | 246,415 | 245,009 | 245,226 | 244,623 | 244,403 | 245,252 | 243,197 | 240,448 | 236,774 | 231,668 |

Starting in academic year 1997/98, the reporting date changed from the last Friday in September to the first Friday in November.

Source: Idaho Department of Education

Schedule 17 - Public Higher Education Enrollment

Student Headcount (Calendar Years 1993-2002)

| | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1995 | 1993 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Boise State University | 17,688 | 17,176 | 16,482 | 16,209 | 15,744 | 15,467 | 15,137 | 14,969 | 15,099 | 15,296 |
| Idaho State University | 13,352 | 13,663 | 13,037 | 12,650 | 12,232 | 11,870 | 12,139 | 12,027 | 11,875 | 10,781 |
| University of Idaho | 12,423 | 12,067 | 11,635 | 11,305 | 11,437 | 11,027 | 11,133 | 11,727 | 11,730 | 11,543 |
| Lewis-Clark State College | 2,967 | 2,952 | 2,696 | 2,815 | 2,972 | 3,008 | 2,967 | 3,118 | 3,330 | 3,226 |
| Total Colleges and Universities | 46,430 | 45,858 | 43,850 | 42,979 | 42,385 | 41,372 | 41,376 | 41,841 | 42,034 | 40,846 |
| College of Southern Idaho | 6,729 | 6,296 | 5,456 | 5,056 | 4,871 | 4,872 | 4,270 | 4,359 | 4,108 | 3,820 |
| North Idaho College | 4,179 | 4,102 | 3,981 | 3,894 | 3,469 | 3,597 | 3,610 | 3,276 | 3,317 | 3,339 |
| Total Community Colleges | 10,908 | 10,398 | 9,437 | 8,950 | 8,340 | 8,469 | 7,880 | 7,635 | 7,425 | 7,159 |
| Eastern Idaho Technical College | 702 | 598 | 595 | 653 | 601 | 540 | 374 | 409 | 368 | 297 |
| Total System | 58,040 | 56,854 | 53,882 | 52,582 | 51,326 | 50,381 | 49,630 | 49,885 | 49,827 | 48,302 |

Note: Total Headcount includes academic full-time, academic part-time, and vocational.

Source: Idaho State Board of Education

Schedule 18 - Number of Teachers, Average Salary, and Number of High School Graduates

Academic Years 1991-2000

| | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|--------|--------|--------|--------|--------|
| Number of Teachers¹ | | | | | | | | | | |
| Elementary | 7.0 | 6.8 | 6.8 | 6.7 | 6.6 | 6.5 | 6.3 | 6.2 | 6.1 | 6.1 |
| Secondary | 6.7 | 6.6 | 6.6 | 6.4 | 6.2 | 6.1 | 5.7 | 5.6 | 5.5 | 5.1 |
| Total | 13.7 | 13.4 | 13.4 | 13.1 | 12.8 | 12.6 | 12.0 | 11.8 | 11.6 | 11.2 |
| Average Annual Teacher's Salary² | | | | | | | | | | |
| Elementary | \$35.2 | \$34.2 | \$32.7 | \$31.8 | \$30.8 | \$29.7 | \$27.6 | \$26.8 | \$26.0 | \$25.0 |
| Secondary | \$35.1 | \$34.0 | \$32.8 | \$31.9 | \$31.0 | \$29.9 | \$27.9 | \$27.2 | \$26.8 | \$26.0 |
| All Teachers | \$35.2 | \$34.1 | \$32.8 | \$31.8 | \$30.9 | \$29.8 | \$27.8 | \$27.0 | \$26.4 | \$25.5 |
| Rank Among All States³ | 37 | 39 | 40 | 40 | 41 | 42 | 45 | 46 | 47 | 45 |
| Number of High School Graduates⁴ | 15.7 ^a | 15.7 ^a | 15.1 ^a | 15.6 ^a | 14.5 ^a | 14.2 | 13.3 | 13.0 | 12.7 | 12.0 |

¹In thousands

²In thousands of dollars

³Includes Washington D.C.

⁴Estimate

Source: Statistical Abstract of the United States 2001

Schedule 19 - FY 2001-2002 School District Information

| School District Size | Number of Districts | Total Enrollment | Student-Teacher Ratio | Expenditure Per Student* |
|-------------------------|---------------------|------------------|-----------------------|--------------------------|
| Over 5,000 Students | 11 | 126,717 | 18.8 | \$6,174 |
| 2,500 to 4,999 Students | 14 | 52,716 | 18.1 | \$6,237 |
| 1,000 to 2,499 Students | 28 | 42,864 | 17.5 | \$6,599 |
| 500 to 999 Students | 22 | 14,945 | 15.5 | \$7,686 |
| Less than 500 Students | 39 | 9,173 | 12.7 | \$9,110 |
| Statewide Total | 114 | 246,415 | 17.9 | \$6,463 |

Source: 2002 Idaho Fiscal Facts, Legislative Services Office

*State Department of Education Sources (Uses FY 2001 financial data as most current available.)

Schedule 20 - Idaho's Rank in the Nation's Agriculture

Calendar Year 2001

| Commodity | Rank Among States | Production | Unit | % of U.S. |
|--|-------------------|-------------|----------|-----------|
| Crops: | | | | |
| Potatoes | 1 | 127,980,000 | cwt. | 29% |
| Austrian Winter Peas | 1 | 68,000 | cwt. | 70% |
| Wrinkled Seed Peas | 2 | 202,000 | cwt. | 32% |
| Lentils | 2 | 795,000 | cwt. | 27% |
| Barley | 2 | 50,250,000 | bu. | 20% |
| Sugarbeets | 2 | 4,636,000 | ton | 18% |
| Dry Edible Peas | 3 | 460,000 | cwt. | 12% |
| All Mint | 3 | 1,383,000 | lb. | 16% |
| Hops | 3 | 4,609,300 | lb. | 7% |
| Onions (Summer Storage) ¹ | 3 | 4,992,000 | cwt. | 14% |
| Prunes and Plums (Fresh) ² | 4 | 3,000 | ton | 14% |
| Other Spring Wheat | 5 | 33,320,000 | bu. | 7% |
| Sweet Cherries | 6 | 1,400 | ton | 1% |
| Alfalfa Hay | 6 | 4,368,000 | ton | 5% |
| Dry Edible Beans | 6 | 1,424,000 | cwt. | 7% |
| All Wheat | 7 | 85,150,000 | bu. | 4% |
| Winter Wheat | 8 | 51,830,000 | bu. | 4% |
| Apples | 11 | 80,000,000 | lb. | 1% |
| All Hay | 11 | 4,938,000 | ton | 3% |
| Livestock and Livestock Products: | | | | |
| Foodsize Trout ³ | 1 | 39,500,000 | lb. | 69% |
| American Cheese | 4 | 470,945,000 | lb. | 13% |
| Milk Production | 6 | 7,757 | mil. lb. | 5% |
| Milk Cows ⁴ | 6 | 366,000 | head | 4% |
| Wool | 8 | 2,140,000 | lb. | 5% |
| All Sheep and Lambs ⁵ | 9 | 260,000 | head | 4% |
| Honey | 11 | 4,600,000 | lb. | 2% |
| All Cattle and Calves ⁵ | 15 | 1,990,000 | head | 2% |

¹Excludes California

²Includes only Idaho, Washington, Michigan, and Oregon - fresh basis.

³Foodsize fish are defined as being 12 inches long or longer.

⁴Average number during year; excluding heifers not yet fresh.

⁵January 1, 2002, inventory.

Source: Idaho Agricultural Statistics Service

Schedule 21 - Expenditure and Inmate Population Growth

Fiscal Years 1993-2002

| | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|------------------------------------|-----------|-----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Expenditures (in thousands) | \$120,159 | \$105,491 | \$93,452 | \$87,702 | \$82,045 | \$71,126 | \$64,409 | \$59,755 | \$47,991 | \$43,711 |
| % Change | 13.9% | 12.9% | 6.6% | 6.9% | 15.4% | 10.4% | 7.8% | 24.5% | 9.8% | 3.2% |
| Inmate Population | 5,802 | 5,452 | 5,002 | 4,404 | 3,957 | 3,959 | 3,496 | 3,150 | 2,788 | 2,419 |
| % Change | 6.4% | 9.0% | 13.6% | 11.3% | (0.1)% | 13.3% | 10.0% | 13.0% | 15.3% | 4.1% |

Source: 2002 Idaho Fiscal Facts

Schedule 22 - Idaho's Gross Domestic Product

Calendar Years 1993-2002 (dollars in billions)

| | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|----------------------------|----------|----------|---------|---------|---------|---------|---------|---------|---------|---------|
| Current Dollars | \$10,459 | \$10,082 | \$9,825 | \$9,274 | \$8,782 | \$8,318 | \$7,813 | \$7,401 | \$7,054 | \$6,642 |
| % Change | 3.7% | 2.6% | 5.9% | 5.6% | 5.6% | 6.5% | 5.6% | 4.9% | 6.2% | 5.1% |
| 1996 Chain-Weighted | \$9,431 | \$9,215 | \$9,191 | \$8,859 | \$8,509 | \$8,159 | \$7,813 | \$7,544 | \$7,348 | \$7,063 |
| % Change | 2.4% | 0.3% | 3.8% | 4.1% | 4.3% | 4.4% | 3.6% | 2.7% | 4.0% | 2.7% |

Note: 2002 numbers are estimates.

Source: Division of Financial Management, Economic Analysis Bureau, Vol. XXIV, No. 4, October, 2002

Schedule 23 - Idaho's Tax Ranking Among the 50 States and D.C.

Lower ranking equals higher taxes, with 1 being the highest and 51 being the lowest.

Fiscal Years 1991-1999

| Type of Tax | States w/Tax | Income Basis for Ranking | | | | | | | | | Per Capita Basis for Ranking | | | | | | | | |
|---------------------------|--------------|--------------------------|------|------|------|------|------|------|------|------|------------------------------|------|------|------|------|------|------|------|------|
| | | 1999* | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 | 1999* | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 |
| Property | 51 | 29 | 30 | 31 | 34 | 35 | 37 | 37 | 37 | 35 | 36 | 36 | 36 | 35 | 37 | 38 | 38 | 39 | 37 |
| Sales | 47 | 28 | 30 | 29 | 25 | 25 | 22 | 27 | 24 | 28 | 39 | 40 | 38 | 36 | 36 | 34 | 34 | 35 | 36 |
| Individual Income | 44 | 16 | 16 | 15 | 15 | 16 | 15 | 16 | 15 | 13 | 26 | 28 | 27 | 27 | 27 | 24 | 26 | 25 | 24 |
| Corporate Income | 47 | 31 | 23 | 13 | 10 | 15 | 21 | 25 | 24 | 26 | 36 | 25 | 21 | 15 | 18 | 24 | 28 | 24 | 28 |
| Motor Vehicle | 51 | 3 | 3 | 3 | 9 | 9 | 6 | 6 | 7 | 9 | 2 | 3 | 4 | 13 | 16 | 9 | 12 | 13 | 11 |
| Overall | 51 | 17 | 22 | 21 | 24 | 23 | 25 | 33 | 29 | 28 | 41 | 41 | 41 | 40 | 40 | 38 | 39 | 40 | 42 |
| Per Capita Income Ranking | | 46 | 46 | 45 | 42 | 40 | 40 | 40 | 45 | 45 | | | | | | | | | |

*1999 Most Current Year Available

Source: Idaho Tax Commission

Schedule 24 - Revenue from the Lottery

Fiscal Years 1993-2002

| | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Type of Ticket (in millions) | | | | | | | | | | |
| Scratch | \$56.3 | \$51.8 | \$57.3 | \$56.4 | \$58.8 | \$61.2 | \$63.7 | \$57.4 | \$42.2 | \$31.3 |
| On-Line | \$35.3 | \$28.6 | \$27.6 | \$32.5 | \$29.2 | \$23.8 | \$25.4 | \$28.8 | \$28.5 | \$24.3 |
| Break Open | \$1.1 | \$1.3 | \$1.6 | \$1.5 | \$1.6 | \$2.0 | \$2.0 | \$1.7 | \$1.4 | \$1.2 |
| Other Income (in millions) | \$3.1 | \$3.9 | \$0.6 | \$0.6 | \$0.5 | \$0.6 | \$0.5 | \$0.5 | \$0.4 | \$0.3 |
| Gross Revenue (in millions) | \$95.8 | \$85.6 | \$87.1 | \$91.0 | \$90.1 | \$87.6 | \$91.6 | \$88.4 | \$72.5 | \$57.1 |
| Less: | | | | | | | | | | |
| Prizes | \$53.1 | \$49.3 | \$51.0 | \$52.3 | \$52.4 | \$53.3 | \$55.2 | \$52.9 | \$41.3 | \$31.4 |
| Administration | \$18.8 | \$17.8 | \$17.9 | \$17.3 | \$17.1 | \$15.9 | \$16.6 | \$16.9 | \$15.6 | \$13.2 |
| Net Proceeds | \$23.9 | \$18.5 | \$18.2 | \$21.4 | \$20.6 | \$18.4 | \$19.8 | \$18.6 | \$15.6 | \$12.5 |

Source: Idaho State Lottery

*State of Idaho***Schedule 25 - Assets, Liabilities, and Fund Balances****General Fund Accounts****June 30, 2002**

| | State General Account | Permanent Building | Budget Reserve | Millennium | Income Earnings |
|--|-----------------------------|-----------------------|---------------------|---------------------|---------------------|
| ASSETS | | | | | |
| Cash Equity with Treasurer | \$22,017,371 | \$20,570,603 | \$53,090,033 | \$1,388,109 | \$11,995,563 |
| Cash and Cash Equivalents | | 2,701,713 | | | 318,013 |
| Investments | 67,080 | 45,321,742 | | 49,014,422 | 13,345,467 |
| Accounts Receivable, Net | 232,197 | 68,171 | | | |
| Taxes Receivable, Net | 178,243,694 | 1,195,114 | | | 360,699 |
| Due from/Advance to Other Funds | | 100,390 | | | |
| Inventory | 489,576 | | | | 128,594 |
| Loans and Notes Receivable, Net | 22,832 | | | | 540,857 |
| Other Assets | 1,024,579 | 1,282,511 | | | 156,506 |
| Total Assets | \$202,097,329 | \$71,240,244 | \$53,090,033 | \$50,402,531 | \$26,845,699 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$7,710,887 | \$3,632,634 | | \$295 | \$367,207 |
| Due to/Advance from Other Funds | 2,185,906 | 44,679 | | | 5,009 |
| Deferred Revenue | 57,572,614 | 4,573,191 | | | 76,846 |
| Deposits | 836,177 | | | | |
| Other Accrued Liabilities | 12,199,916 | 8,402,159 | | | 20,104 |
| Total Liabilities | 80,505,500 | 16,652,663 | | 295 | 469,166 |
| Fund Balances | | | | | |
| Reserved for: | | | | | |
| Encumbrances | 12,143,790 | 59,200 | | 53,883 | 25,347,653 |
| Inventory and Prepaid Items | 1,525,630 | | | | 128,594 |
| Advances/Loans and Notes Receivable | 22,832 | | | | 540,857 |
| Unreserved, Reported in: | | | | | |
| General Fund | 107,899,577 | 54,528,381 | \$53,090,033 | 50,348,353 | 359,429 |
| Total Fund Balances | 121,591,829 | 54,587,581 | 53,090,033 | 50,402,236 | 26,376,533 |
| Total Liabilities and Fund Balances | \$202,097,329 | \$71,240,244 | \$53,090,033 | \$50,402,531 | \$26,845,699 |

| Sales Tax | Income Tax Refunds | Catastrophic Health Care | Legislative | Warrant Deficiency | Miscellaneous | Total |
|------------------|-----------------------------------|-------------------------------------|--------------------|-------------------------------|----------------------|---------------|
| \$27,296,875 | \$1,748,982 | \$103,326 | \$2,637,171 | (\$1,071,221) | \$5,577,803 | \$145,354,615 |
| | | | | | | 3,019,726 |
| | | | | | | 107,748,711 |
| | | | | | 2,426 | 302,794 |
| 11,813,691 | 27,776,001 | | | | 198,869 | 219,588,068 |
| | | | | | 304,809 | 405,199 |
| | | | | 51,588 | | 669,758 |
| | | | | | | 563,689 |
| | | | | | | 2,463,596 |
| \$39,110,566 | \$29,524,983 | \$103,326 | \$2,637,171 | (\$1,019,633) | \$6,083,907 | \$480,116,156 |
| | | | | | | |
| | | | | \$174,647 | \$1,611 | \$11,887,281 |
| | | | | 1,184 | 567 | 2,237,345 |
| \$2,498,317 | \$10,614,530 | | | | 19,887 | 75,355,385 |
| | | | | | | 836,177 |
| | | \$47,927 | \$159,137 | 309,705 | 4,075,849 | 25,214,797 |
| 2,498,317 | 10,614,530 | 47,927 | 159,137 | 485,536 | 4,097,914 | 115,530,985 |
| | | | | | | |
| | | | | 1,407 | 134,345 | 37,740,278 |
| | | | | 51,588 | | 1,705,812 |
| | | | | | 301,499 | 865,188 |
| 36,612,249 | 18,910,453 | 55,399 | 2,478,034 | (1,558,164) | 1,550,149 | 324,273,893 |
| 36,612,249 | 18,910,453 | 55,399 | 2,478,034 | (1,505,169) | 1,985,993 | 364,585,171 |
| \$39,110,566 | \$29,524,983 | \$103,326 | \$2,637,171 | (\$1,019,633) | \$6,083,907 | \$480,116,156 |

*State of Idaho***Schedule 26 - Revenues, Expenditures, and Changes in Fund Balances****General Fund Accounts****For the Fiscal Year Ended June 30, 2002**

| | State General Account | Permanent Building | Budget Reserve | Millennium | Income Earnings |
|---|--------------------------------------|-------------------------------|---------------------------|---------------------|----------------------------|
| REVENUES | | | | | |
| Sales Tax | \$647,059,808 | \$4,862,416 | | | |
| Individual and Corporate Taxes | 882,732,810 | 5,478,305 | | | \$162,453 |
| Other Taxes | 26,588,866 | 7,773,409 | | | 4,549,514 |
| Licenses, Permits, and Fees | 8,889,593 | 4,899 | | | 1,077,711 |
| Sale of Goods and Services | 334,481 | 5,906,912 | | | 2,378,519 |
| Grants and Contributions | 659,130 | 1,531,652 | | \$483,888 | 37,037 |
| Investment Income | 21,007,455 | 9,857,003 | | (4,177,427) | (3,424,591) |
| Tobacco Settlement | | | | 26,602,063 | |
| Other Income | 2,292,731 | 6,181,350 | | 109 | 19,992 |
| Total Revenues | 1,589,564,874 | 41,595,946 | | 22,908,633 | 4,800,635 |
| EXPENDITURES | | | | | |
| General Government | 79,240,710 | 3,164,345 | | 601,500 | 5,413,406 |
| Public Safety and Correction | 176,161,625 | | | 319,917 | 2,443,272 |
| Health and Human Services | 95,889 | | | 1,834,016 | 3,109,230 |
| Education | 346,916,623 | | | | 972,012,875 |
| Economic Development | 19,341,493 | | | | 637,596 |
| Natural Resources | 23,078,397 | | | | |
| Capital Outlay | 24,547,462 | 32,085,990 | | 6,072 | 1,360,903 |
| Total Expenditures | 669,382,199 | 35,250,335 | | 2,761,505 | 984,977,282 |
| Revenues Over (Under) Expenditures | 920,182,675 | 6,345,611 | | 20,147,128 | (980,176,647) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Capital Lease Acquisitions | 8,538 | | | | |
| Transfers In | 206,291,832 | 11,452,926 | \$9,923,197 | | 979,000,165 |
| Transfers Out | (1,314,598,470) | (68,056,033) | (10,073,000) | (19,335,604) | (22,265,007) |
| Total Other Financing Sources (Uses) | (1,108,298,100) | (56,603,107) | (149,803) | (19,335,604) | 956,735,158 |
| Net Change in Fund Balances | (188,115,425) | (50,257,496) | (149,803) | 811,524 | (23,441,489) |
| Fund Balances - Beginning of Year, as Restated | 309,707,254 | 104,845,077 | 53,239,836 | 49,590,712 | 49,818,022 |
| Fund Balances - End of Year | \$121,591,829 | \$54,587,581 | \$53,090,033 | \$50,402,236 | \$26,376,533 |

| Sales Tax | Income Tax Refunds | Catastrophic Health Care | Legislative | Warrant Deficiency | Miscellaneous | General Account Transfer Eliminations | Total |
|---------------|--------------------------|-----------------------------|-------------|-----------------------|---------------|--|---------------|
| \$119,703,780 | \$558 | | | | \$1,244,548 | | \$772,871,110 |
| | 374 | | | | 1,371,770 | | 889,745,712 |
| | 567 | | | | | | 38,912,356 |
| | | | | \$91,640 | 3,093,829 | | 13,157,672 |
| | | | \$42,566 | 10,359 | 6,442,788 | | 15,115,625 |
| | | | | | 4,180,772 | | 6,892,479 |
| | | \$371,347 | | | 82,145 | | 23,715,932 |
| | | | | | | | 26,602,063 |
| | | 1,417,072 | | 1,312,003 | 8,338,115 | | 19,561,372 |
| 119,703,780 | 1,499 | 1,788,419 | 42,566 | 1,414,002 | 24,753,967 | | 1,806,574,321 |
| 119,345,050 | 11,111,008 | | 5,115,913 | 130,188 | 13,939,199 | | 238,061,319 |
| | | | | 139,200 | 494,562 | | 179,558,576 |
| | | 13,942,609 | | | 19,642 | | 19,001,386 |
| | | | | | 8,332,308 | | 1,327,261,806 |
| | | | | 195,960 | 954,894 | | 21,129,943 |
| | | | | 6,707,027 | 617,035 | | 30,402,459 |
| | | | 771 | | 317,758 | | 58,318,956 |
| 119,345,050 | 11,111,008 | 13,942,609 | 5,116,684 | 7,172,375 | 24,675,398 | | 1,873,734,445 |
| 358,730 | (11,109,509) | (12,154,190) | (5,074,118) | (5,758,373) | 78,569 | | (67,160,124) |
| | | | | | | | 8,538 |
| | 10,085,366 | 9,600,000 | 5,376,000 | 6,998,230 | 8,665,038 | (\$1,092,008,881) | 155,383,873 |
| | (1,860,846) | | | | (17,328,931) | 1,092,008,881 | (361,509,010) |
| | 8,224,520 | 9,600,000 | 5,376,000 | 6,998,230 | (8,663,893) | | (206,116,599) |
| 358,730 | (2,884,989) | (2,554,190) | 301,882 | 1,239,857 | (8,585,324) | | (273,276,723) |
| 36,253,519 | 21,795,442 | 2,609,589 | 2,176,152 | (2,745,026) | 10,571,317 | | 637,861,894 |
| \$36,612,249 | \$18,910,453 | \$55,399 | \$2,478,034 | (\$1,505,169) | \$1,985,993 | | \$364,585,171 |

Schedule 27 - Miscellaneous Statistics

State Capitol: Boise
 Admitted to the Union: July 3, 1890
 Nickname: The "Gem State"
 Motto: "Esto Perpetua" (Let It Be Perpetual)
 2001 Population: 1,321,006
 Highest Elevation Point:
 Mt. Borah; 12,662 Feet Above Sea Level
 Lowest Elevation Point:
 Snake River, Lewiston; 770 feet Above Sea Level
 Number of Lakes: More Than 2,000
 State Song: "Here We Have Idaho"
 State Insect: Monarch Butterfly
 State Fish: Cutthroat Trout
 State Bird: Mountain Bluebird
 State Horse: Appaloosa
 State Tree: Western White Pine
 State Gem Stone: Idaho Star Garnet
 State Flower: Syringa

Source: Idaho Blue Book, 2001-2002
 Idaho Department of Commerce (Population)

LAND AREA AND USE (in square miles)

| | |
|--------------------------------|--------|
| Total Area: | 84,437 |
| Land Area: | 83,557 |
| Water Area: | 880 |
| Federal Land: | 52,699 |
| Total Non-Federal Land: | 30,858 |
| Total Rural Land: | 78,768 |
| Agricultural Land: | 12,170 |
| Range Land: | 34,353 |
| Forest Land: | 32,245 |

Land Area and Use amounts were converted from square acres to square miles at 640 acres to the mile.

Source: Idaho Blue Book, 2001-2002

COMMUNITIES IN IDAHO WITH POPULATIONS OVER 10,000

| | |
|---------------|---------|
| Boise | 185,787 |
| Nampa | 51,867 |
| Pocatello | 51,466 |
| Idaho Falls | 50,730 |
| Meridian | 34,919 |
| Coeur d'Alene | 34,514 |
| Twin Falls | 34,469 |
| Lewiston | 30,904 |
| Caldwell | 25,967 |
| Moscow | 21,291 |
| Rexburg | 17,257 |
| Post Falls | 17,247 |
| Mountain Home | 11,143 |
| Eagle | 11,085 |
| Garden City | 10,624 |
| Blackfoot | 10,419 |

Source: U.S. Census Bureau, 2000

The Following Statistics are from Calendar Year 2000

| | |
|----------------------------|-------|
| Number of: | |
| Licensed Hospitals: | 49 |
| Optometrists: | 339 |
| Chiropractic Physicians: | 384 |
| Physicians: | 2,278 |
| Dentists: | 831 |
| Public Schools | |
| Elementary: | 373 |
| Secondary: | 276 |
| Non-Public Schools | |
| Elementary: | 52 |
| Secondary: | 26 |
| Colleges and Universities: | 11 |
| Public Libraries: | 152 |

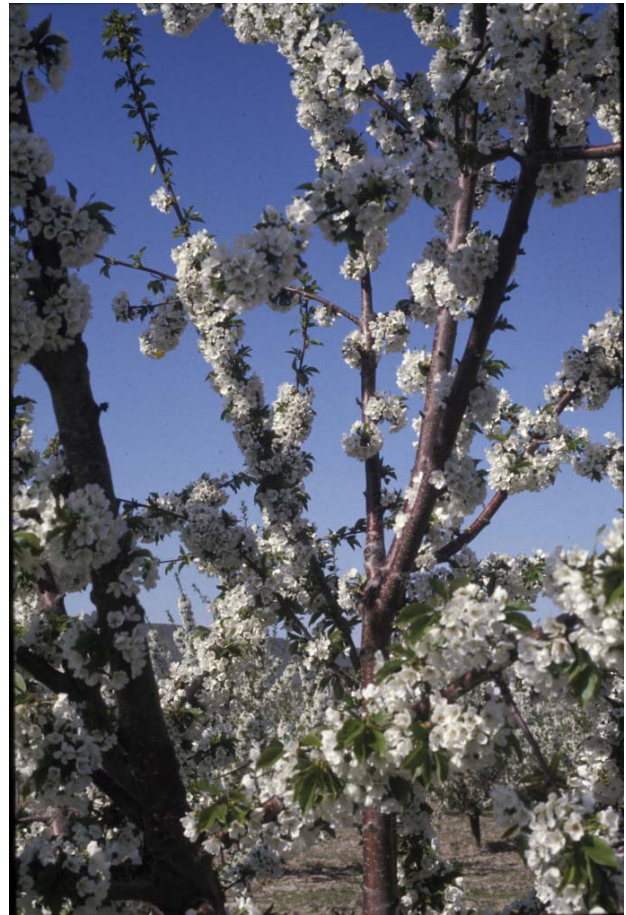
Source: Idaho Department of Commerce

In calendar year 2001, Idaho produced 1,400 tons of sweet cherries, ranking it sixth among states.

Source: Idaho Agricultural Statistics Service



Cherries ready for harvest in an orchard near Caldwell



Emmett cherry orchard in blossom

Idaho ranked fourth for producing 14 percent of the prunes and fresh plums in the U.S.

Source: Idaho Agricultural Statistics Service



Field of Hops in Bonners Ferry

In calendar year 2001, Idaho produced 1,383,000 pounds of mint and 4,609,300 pounds of hops, ranking Idaho third among states for each crop.

Source: Idaho Agricultural Statistics Service



Hops in Wilder