

# A Reader's Guide

## Understanding Idaho's Comprehensive Annual Financial Report (CAFR) For the Fiscal Year Ended June 30, 2005

A basic understanding of the State's financial statements is essential for anyone connected with public finance. This brief guide is designed to help you understand and relate to the information provided in the CAFR, as well as enhance your ability to make sound financial and economic decisions. Following the overview of the major components of the CAFR, we have provided specific examples of ways you can use the CAFR to look for answers to questions that may interest you. Finally, beginning on page 4 of this guide you will find illustrative financial statements with additional detail about interpreting the CAFR.

### What is the purpose of the State of Idaho's financial statements?

State government operations differ from private-sector businesses. While private-sector businesses focus on maximizing profits, governments focus on providing services. In most cases, the State does not bill citizens directly for services received. Instead, Idaho primarily finances services with taxes, federal grants, and other fees applied generally to the public. Because citizens have little choice in paying taxes, and it is not always clear how the services received relate to the taxes paid, state government has an important responsibility to demonstrate accountability to the public. Financial statements help provide this accountability.

### Government-Wide Financial Statements

The first two financial statements in the CAFR are the government-wide financial statements—the Statement of Net Assets (CAFR pages 14-15) and the Statement of Activities (CAFR pages 16-17). The government-wide statements provide comprehensive information about the entire government, including all of the governmental funds, proprietary funds, long-term debt, and capital assets. The government-wide statements do not include the fiduciary funds, which account for resources the government manages on behalf of others, and are not available to support the State's programs. The Statement of Net Assets contains information about what the State owns (assets), what the State owes (liabilities), and what is left after assets are used to satisfy liabilities (net assets). The Statement of Activities contains information about the costs of providing public services (expenses) and resources obtained to finance services (revenues) during the current fiscal year. These statements provide comprehensive financial information about the entire State, which includes the following:

- *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, and natural resources. 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 all or a significant portion of their costs are recovered through user fees and charges to external customers.
- *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 Idaho Housing and Finance Association, the Petroleum Clean Water Trust Fund, the Idaho Life and Health Insurance Guaranty Association, and the College and University Foundations.

### Fund Financial Statements

Fund financial statements provide a detailed look at the individual major funds of the State and total the remaining nonmajor governmental funds in a single column. Fund financial statements are comprised of the following:

- *Governmental funds* report the finances of the State's most basic services. Governmental funds focus on short-term assets and liabilities and do not include long-term assets and liabilities such as long-term debt or capital assets. The governmental fund financial statements include the Balance Sheet (CAFR pages 18-19) and the Statement of Revenues, Expenditures, and Changes in Fund Balances (CAFR pages 22-23). The governmental fund statements also include reconciliations that identify the differences between the fund and government-wide statements (CAFR pages 21 and 25).
- *Proprietary funds* report the activities the State operates like a business. These funds charge fees to the users of their services. Proprietary funds include enterprise and internal service funds. 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. Proprietary fund financial statements include the Statement of Net Assets (CAFR pages 26-27); Statement of Revenues, Expenses, and Changes in Fund Net Assets (CAFR pages 28-29); and Statement of Cash Flows (CAFR pages 30-31).

- *Fiduciary funds* account for resources the State manages or holds on behalf of others. These funds are not shown in government-wide financial statements because the resources of these funds are not available to support the State's programs. Fiduciary fund financial statements include the Statement of Fiduciary Net Assets (CAFR page 32) and the Statement of Changes in Fiduciary Net Assets (CAFR page 33).

### Notes to the Financial Statements

The notes to the financial statements (CAFR pages 36-90) provide a wide variety of detailed information about the government that is not included or readily apparent on the financial statements, such as the State's significant accounting methods and assumptions, major financial commitments, pension benefit costs, and long-term debt.

### Supporting Financial Statement Information

- *An Independent Auditor's Report* (CAFR pages 2-4) provides reasonable assurance about whether financial statements are free of material misstatement. After thorough evaluation, the auditor issues an opinion regarding the statements' conformity with accounting principals generally accepted in the United States. The State of Idaho's financial statements received an unqualified opinion, the best opinion that can be received, meaning the statements are fairly presented in all material respects.
- *Management's Discussion and Analysis* (MD&A on CAFR pages 5-12) gives an objective and easily read analysis of the State's financial activities based on currently known facts, decisions, or conditions. It presents short and long-term analyses of the State's activities and compares the current-year results with those of the prior year. It will help you determine whether the State's finances have improved or deteriorated during the year. It concludes with a description of currently known facts and decisions that are expected to have a significant effect on the State's future financial position and operations.

- *The Statistical Section* (CAFR pages 133-160) provides information that will help you understand the health of the State and the underlying economy. This section contains 10-year trend tables of financial, economic, and demographic data. The statistical section is often of interest to investors and creditors because the trends and non-financial factors it identifies can provide crucial insights to those assessing the State's creditworthiness.

### How You Can Use the Financial Statements

Now that you have a better understanding of the major components of the CAFR, we will show you how to use this report to analyze some of the issues that were important to Idahoans this past year, as follows:

- **Sales Tax Revenue** – Sales tax revenues of \$1,135.2 million for 2005, along with other state tax revenues, are presented on pages 16 and 17 of the CAFR. The temporary one-percent sales tax increase, which began in fiscal year 2003, expired on June 30, 2005. The Legislature approved a modest spending plan for fiscal year 2005, leaving the largest possible ending balance to help offset the impact from the sunset of the temporary sales tax increase. Management's Discussion and Analysis has information about sales tax revenues on CAFR page 10. Additional sales tax data may be found on Schedules 2, 4, 5 and 7 of the Statistical Section (CAFR pages 135, 138, 139, 140, 141 and 143).
- **Health and Human Services Spending** – Medicaid programs accounted for over half of the 2005 Health and Human Services \$1,600.7 million expenses. Medicaid assists those who are unable to pay for medical and dental services because of youth, old age, pregnancy, or disability. You can see Health and Human Services revenue and expenditures on CAFR pages 16, 17, and 22. The Health and Human Services budget is discussed in the transmittal letter in the CAFR on page viii and within Management's Discussion and Analysis on pages 8-10.
- **Education Spending** – Our policy makers debate education spending extensively each year. It's important to us all, and it hits home with our children. You can see on CAFR pages 16 and 17 that education expenses (for kindergarten through 12th grade only) were over \$1,331.8 million in fiscal year 2005. You can also see that colleges

and universities spent \$753.7 million in fiscal year 2005. Looking a bit further, you can see that colleges and universities generated revenues (over \$520.6 million--primarily from fees and federal grants) that offset their expenses, leaving net expenses of \$233.0 million, which were supported by general revenues. K through 12 education has less capacity to generate revenues, approximately \$221.9 million, leaving net expenses of \$1,109.9 million to be supported by general revenues. More detailed college and university financial statements can be found on CAFR pages 26-31.

- **Endowment Funds** – The Public School and Pooled Endowment Funds support education. These funds are called *permanent funds*, because the principal of these funds cannot be spent, only the earnings. The endowment funds' earnings go mostly to public schools and colleges and universities. The endowment funds are addressed in several parts of the CAFR, e.g., the transmittal letter page viii; the financial statements on pages 18-23; and the Notes to the Financial Statements on pages 40, 42, 44, 46, 47, 48, 50, 51, 53, 54, 56, 57, 58, 67, 87, and 88. Legislation passed in fiscal year 2001 required the General Fund to make up losses suffered by the Public School Endowment Fund. Legislation passed in 2004 extended the initial timeframe to make up losses from four to ten years. Greater detail about the legislation is on CAFR page 88.
- **PERSI** – If you are a public employer or public employee, you may be interested in the pension trust fund information (CAFR pages 32-33). At \$8,869.3 million, the Pension Trust fund balance is one of the largest balances in the financial

statements. The pension trust funds are part of the fiduciary funds found on pages 22 and 23 of this Reader's Guide. Fiduciary funds account for resources the State manages or hold on behalf of others, which are not available to support the State's programs; therefore the pension trust funds and other fiduciary funds will not be found on the government-wide statements. Additional detail about the pension trust funds can be found in the Notes to the Financial Statements (CAFR pages 70-75) or within the combining financial statements (CAFR pages 124-127).

- **Budgetary Compliance** – *Idaho Constitution, Article VII*, stipulates that agencies cannot spend more money than they have been appropriated, unless specifically authorized. Budgetary controls are incorporated into the statewide accounting and reporting system to ensure expenditures do not exceed authorized appropriations. You can compare Idaho's approved budget with the actual expenditures for the General, Health and Welfare, and Transportation funds on CAFR pages 92 and 93. Comparisons between budget and actual amounts for the nonmajor special revenue and permanent funds are on CAFR pages 104 to 111. More detailed budget information can also be found in the Required Supplementary Information on CAFR page 94 and in the Legal Basis Financial Report available online at [www.sco.state.id.us](http://www.sco.state.id.us). General Fund budgetary highlights can be found in the Management's Discussion and Analysis (CAFR page 10).

State of Idaho

Statement of Net Assets

June 30, 2005

(dollars in thousands)

The Statement of Net Assets reports what the government owns (assets), owes (liabilities), and what is left after assets are used to satisfy liabilities (net assets) at a specific point in time (June 30, the fiscal year-end).

Governmental Activities cover traditional activities of state government such as public safety, health and human services, and education. They are financed through taxes, federal grants, and fees.

Primary

Governmental Activities

Assets are presented in order of how readily they can be converted to cash. Cash is the most liquid; capital assets are least liquid.

Internal balances consist of short-term receivables and payables for activities occurring within the State.

Most capital assets are shown at their original purchase/construction cost, less annual depreciation charges accumulated over time. However, land and roadways are not depreciated. More information on capital assets and depreciation can be found in the Notes and Required Supplementary Information sections.

Liabilities are shown in order of maturity or when cash is expected to be used to pay them.

Unearned revenues are resources received that have not yet met the criteria for being recorded as revenues.

The Notes provide information about the major types of long-term liabilities, purpose of liability, beginning and ending balances, and how major categories of liabilities have changed during the previous year.

Constraints on the use of net assets that are externally imposed by creditors, grantors, contributors, or state law through the *Idaho Constitution* or legislation are listed separately as "restricted" to show that the assets are not available to support primary government programs.

Unrestricted net assets may be used at the State's discretion but often have limitations on use based on state statutes.

Total assets - total liabilities = total net assets  
\$7,326,427 - \$1,464,350 = \$5,862,077.

ASSETS

Cash with Treasurer	\$775,132
Cash and Cash Equivalents	17,944
Investments	966,583
Securities Lending Collateral	734,896
Accounts Receivable, Net	86,765
Taxes Receivable, Net	266,638
Internal Balances	(421)
Due from Other Entities	176,821
Inventories and Prepaid Items	39,516
Due from Primary Government	
Due from Component Unit	
Loans and Notes Receivable, Net	6,840
Other Assets	5,783
Restricted Assets:	
Cash and Cash Equivalents	48,021
Investments	20,968
Capital Assets:	
Nondepreciable	3,327,161
Depreciable, Net	853,780
<b>Total Assets</b>	<b>\$7,326,427</b>

LIABILITIES

Accounts Payable	\$120,926
Payroll and Related Liabilities	43,263
Medicaid Payable	137,079
Due to Other Entities	27,572
Unearned Revenue	34,500
Amounts Held in Trust for Others	6,078
Due to Primary Government	
Obligations Under Securities Lending	734,896
Other Accrued Liabilities	28,542
Long-Term Liabilities:	
Due Within One Year	63,747
Due in More Than One Year	267,747
<b>Total Liabilities</b>	<b>1,464,350</b>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	3,968,562
Restricted for:	
Claims and Judgments	42,389
Debt Service	9,855
Intergovernmental Revenue Sharing	48,997
Transportation	120,926
Regulatory	43,151
Natural Resources and Recreation	68,006
Unemployment Compensation	
Permanent Trust - Expendable	96,393
Permanent Trust - Nonexpendable	788,897
Other Purposes	72,463
Unrestricted	602,438
<b>Total Net Assets</b>	<b>5,862,077</b>
<b>Total Liabilities and Net Assets</b>	<b>\$7,326,427</b>

This statement can be found in the CAFR, pages 14 and 15.

Business-Type Activities provide services that primarily rely upon charging a fee directly to the users of the service such as Universities, State Lottery, and Unemployment Compensation.

Component units, which are legally separate from the State, are presented in a column separate from the Primary Government. These component units are either financially accountable to the State or their relationship with the State is such that their omission would cause the State's financial statements to be incomplete or misleading. For more information regarding component units, see CAFR page 38.

<b>Government</b>		
<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$84,789	\$859,921	
167,706	185,650	\$55,299
177,817	1,144,400	747,200
	734,896	
120,961	207,726	11,923
	266,638	
421		
	176,821	
13,581	53,097	1,150
		5,657
78,962	78,962	
139,168	146,008	1,004,770
13,067	18,850	20,008
100,098	148,119	13,724
26,081	47,049	874
128,966	3,456,127	21,532
629,210	1,482,990	16,726
<b>\$1,680,827</b>	<b>\$9,007,254</b>	<b>\$1,898,863</b>
\$21,313	\$142,239	\$872
40,708	83,971	
	137,079	
1,571	29,143	
16,385	50,885	2,378
2,591	8,669	14,874
		78,962
	734,896	
11,009	39,551	104,830
31,479	95,226	147,234
337,381	605,128	1,129,389
462,437	1,926,787	1,478,539
447,206	4,415,768	17,956
	42,389	
412	10,267	128,542
	48,997	
	120,926	
	43,151	
132,617	200,623	
229,646	229,646	
57,229	153,622	63,090
78,667	867,564	155,762
120,781	193,244	
151,832	754,270	54,974
1,218,390	7,080,467	420,324
<b>\$1,680,827</b>	<b>\$9,007,254</b>	<b>\$1,898,863</b>

*This statement can be found in the CAFR, pages 14 and 15.*

The Statement of Activities contains information about costs of providing services (expenses) and resources obtained to finance services (revenues) during the current fiscal year.

Program revenues display the extent to which programs are self-funded. Program revenues are categorized as charges for services, grants, and contributions. These categories show where the revenues come from to pay for programs. Program revenues reduce the net expense of functions/programs to the public.

*State of Idaho*

**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2005**  
*(dollars in thousands)*

**Program Revenues**

This column shows the full cost of the program.

**Expenses**

**Charges for Services**

**Operating Grants and Contributions**

**Capital Grants and Contributions**

**FUNCTIONS**

**Primary Government**

Governmental Activities

- General Government
- Public Safety and Correction
- Health and Human Services
- Education
- Economic Development
- Natural Resources
- Interest Expense
- Total Governmental Activities

Business-Type Activities

- College and University
- Unemployment Compensation
- Loan
- Nonmajor Enterprise Funds
- Total Business-Type Activities

**Total Primary Government**

**Component Units**

- Idaho Housing and Finance Association
- College and University Foundation
- Petroleum Clean Water Trust Fund
- Life and Health Insurance Guaranty
- Total Component Units**

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
General Government	\$609,348	\$302,554	\$45,798	\$50
Public Safety and Correction	229,158	22,201	17,240	501
Health and Human Services	1,600,692	88,585	1,076,537	
Education	1,331,795	7,560	212,337	1,965
Economic Development	616,149	203,550	331,738	2,687
Natural Resources	205,635	123,183	148,837	8
Interest Expense	18,175			
<b>Total Governmental Activities</b>	<b>4,610,952</b>	<b>747,633</b>	<b>1,832,487</b>	<b>5,211</b>
College and University	753,689	288,353	212,323	19,965
Unemployment Compensation	142,862	143,828	5,104	
Loan	654	8,508	10,622	
Nonmajor Enterprise Funds	174,896	213,705		
<b>Total Business-Type Activities</b>	<b>1,072,101</b>	<b>654,394</b>	<b>228,049</b>	<b>19,965</b>
<b>Total Primary Government</b>	<b>\$5,683,053</b>	<b>\$1,402,027</b>	<b>\$2,060,536</b>	<b>\$25,176</b>
Idaho Housing and Finance Association	\$78,304	\$79,524		
College and University Foundation	34,748	20,241	\$36,347	
Petroleum Clean Water Trust Fund	2,551	856		
Life and Health Insurance Guaranty	812	792		
<b>Total Component Units</b>	<b>\$116,415</b>	<b>\$101,413</b>	<b>\$36,347</b>	

Functions show the major programs for which the State spends resources.

An example of how this statement works: The total cost of the State's Health and Human Services activities was \$1,600 million. The State raised \$88 million from charges for services, and received \$1,076 million of operating grants and contributions, most in the form of federal aid. When program revenues are subtracted from expenses for Health and Human Services, a net expense of \$435 million is left. This is the portion of Health and Human Services costs financed with taxes and other general revenues, rather than being financed by the revenues generated by the services themselves.

General revenues include taxes and other revenues the State uses to finance the net costs of the functions above. General revenues are categorized to enhance comparability among financial statements for different years.

Transfers are shown separately from general revenues, allowing you to determine if common annual revenues were sufficient to cover net expenses.

**General Revenues**

- Sales Tax
- Individual and Corporate Taxes
- Fuel Tax
- Other Taxes
- Tobacco Settlement
- Permanent Endowment Contributions
- Unrestricted Investment Earnings
- Payments from State of Idaho

**Transfers**

**Total General Revenues and Transfers**

**Change in Net Assets**

**Net Assets - Beginning of Year, as Restated**

**Net Assets - End of Year**

*This statement can be found in the CAFR, pages 16 and 17.*

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
(\$260,946)		(\$260,946)	
(189,216)		(189,216)	
(435,570)		(435,570)	
(1,109,933)		(1,109,933)	
(78,174)		(78,174)	
66,393		66,393	
(18,175)		(18,175)	
(2,025,621)		(2,025,621)	
	(\$233,048)	(233,048)	
	6,070	6,070	
	18,476	18,476	
	38,809	38,809	
	(169,693)	(169,693)	
(2,025,621)	(169,693)	(2,195,314)	
			\$1,220
			21,840
			(1,695)
			(20)
			21,345
1,135,210		1,135,210	
1,167,799		1,167,799	
220,801		220,801	
185,375		185,375	
23,145		23,145	
			532
15,595		15,595	
			430
(255,219)	255,219		
2,492,706	255,219	2,747,925	962
467,085	85,526	552,611	22,307
5,394,992	1,132,864	6,527,856	398,017
\$5,862,077	\$1,218,390	\$7,080,467	\$420,324

Are programs self supporting?

The total is obtained by subtracting program revenues from expenses. A (negative) figure indicates the portion of program expenses not covered by program revenues; therefore, the program was financed with taxes and other general revenues, which are shown on the bottom half of this statement. A positive figure indicates that program revenues exceeded program expenses, making a net contribution to governmental revenues.

Did the State's financial position improve or deteriorate during the fiscal year? The change in net assets indicates whether sufficient resources were raised during the year to cover the costs. The net assets of governmental activities increased by \$467 million, and business-type activities net assets increased by \$85 million.

This statement can be found in the CAFR, pages 16 and 17.

*State of Idaho*

**Balance Sheet  
Governmental Funds  
June 30, 2005**

*(dollars in thousands)*

The governmental fund balance sheet serves a purpose similar to the Statement of Net Assets. This statement reports what is owned or controlled and what is owed by governmental funds. However, the focus is generally on short-term, rather than long-term, assets and liabilities.

**General**

**ASSETS**

Governmental funds present current financial resources which do not include capital assets or long-term debt. Current financial resources are generally turned into cash or consumed within a year.

Cash with Treasurer	\$423,938
Cash and Cash Equivalents	558
Investments	21,341
Securities Lending Collateral	641,055
Accounts Receivable, Net	13,113
Taxes Receivable, Net	239,469
Interfund Receivables	722
Due from Other Entities	76
Inventories and Prepaid Items	5,234
Loans and Notes Receivable, Net	
Other Assets	61
Restricted Assets:	
Cash and Cash Equivalents	64
Investments	

**Total Assets** \$1,345,631

**LIABILITIES AND FUND BALANCES**

**Liabilities**

Accounts Payable	\$19,920
Payroll and Related Liabilities	13,012
Medicaid Payable	
Interfund Payables	263
Due to Other Entities	12
Deferred Revenue	86,065
Amounts Held in Trust for Others	242
Obligations Under Securities Lending	641,055
Other Accrued Liabilities	12,058

**Total Liabilities** 772,627

**Fund Balances**

Reserved fund balances are the portion of a governmental fund's balance that is not available for spending in the subsequent year's budget or has restrictions on spending.

Reserved for:	
Bond Retirement	
Encumbrances	23,148
Inventories and Prepaid Items	5,234
Noncurrent Receivables	321
Permanent Trusts	
Other Purposes	
Unreserved, Reported in:	
General Fund	544,301
Special Revenue Funds	
Permanent Funds	

**Total Fund Balances** 573,004

**Total Liabilities and Fund Balances** \$1,345,631

*This statement can be found in the CAFR, pages 18 and 19.*

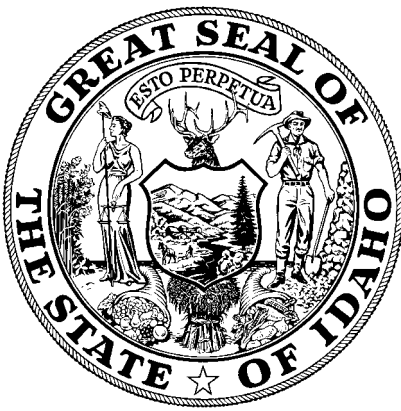


This statement presents the State's most significant or 'major' funds individually and aggregates nonmajor funds in a single column.

To see the detail of the different funds that make up Nonmajor Special Revenue, turn to the combining financial statements on CAFR pages 99-103.

Health and Welfare	Transportation	Public School Endowment	Pooled Endowment	Nonmajor Special Revenue	Total
\$34,040	\$71,723	\$91		\$169,431	\$699,223
7	2,479	1,982	\$957	10,176	16,159
	43,478	563,988	272,390	33,982	935,179
		63,279	30,562		734,896
12,681	2,626	34,811	16,175	7,034	86,440
155	24,143			2,871	266,638
4	33		129	2,735	3,623
119,876	23,624			33,245	176,821
4,293	14,497			11,285	35,309
	387			6,453	6,840
14	311	1,075	521	542	2,524
3,920	4,820			39,217	48,021
2,014				18,954	20,968
<b>\$177,004</b>	<b>\$188,121</b>	<b>\$665,226</b>	<b>\$320,734</b>	<b>\$335,925</b>	<b>\$3,032,641</b>
\$13,876	\$21,636	\$33,201	\$16,029	\$16,075	\$120,737
9,309	5,940			14,300	42,561
137,079					137,079
551	259			3,144	4,217
	27,548			12	27,572
8,878	6,964			15,586	117,493
3,155	117			2,564	6,078
		63,279	30,562		734,896
1,609	4,730			7,125	25,522
<b>174,457</b>	<b>67,194</b>	<b>96,480</b>	<b>46,591</b>	<b>58,806</b>	<b>1,216,155</b>
				9,855	9,855
1,143	13,010			16,768	54,069
4,293	14,497			11,285	35,309
	387			8,689	9,397
		537,181	251,716		788,897
5,005	4,703			32,858	42,566
					544,301
(7,894)	88,330			197,664	278,100
		31,565	22,427		53,992
2,547	120,927	568,746	274,143	277,119	1,816,486
<b>\$177,004</b>	<b>\$188,121</b>	<b>\$665,226</b>	<b>\$320,734</b>	<b>\$335,925</b>	<b>\$3,032,641</b>

*This statement can be found in the CAFR, pages 18 and 19.*



State of Idaho

**Reconciliation of the Governmental Funds Balance Sheet**

**To the Statement of Net Assets  
June 30, 2005**

This reconciliation shows the reasons that total fund balances on the governmental fund Balance Sheet differ from total net assets for governmental activities on the government-wide Statement of Net Assets.

(dollars in thousands)

**Total Fund Balances - Governmental Funds**

\$1,816,486

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	\$900,100	<div style="border: 1px solid black; padding: 5px;"> <p>The largest difference between the government-wide and governmental fund statements is that fund statements do not report capital assets, such as land, buildings, etc.</p> </div>
Construction in Progress	647,061	
Infrastructure	2,274,216	
Historical Art and Collections	72	
Buildings and Improvements	554,100	
Improvements Other than Buildings	41,263	
Machinery, Equipment, and Other	290,099	
Accumulated Depreciation	(529,791)	
<b>Total Capital Assets</b>	<b>4,177,120</b>	

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. 93,835

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. 67,560

Bond issue costs are reported as current expenditures in the funds. However, these costs are deferred on the Statement of Net Assets. 3,034

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	(8,636)	<div style="border: 1px solid black; padding: 5px;"> <p>The governmental fund balance sheet does not report long-term liabilities; the government-wide Statement of Net Assets does.</p> </div>
Compensated Absences Payable	(42,435)	
Bonds and Notes Payable	(204,256)	
Accrued Interest on Bonds	(3,020)	
Claims and Judgments	(36,990)	
Other Long-Term Liabilities	(621)	
<b>Total Long-Term Liabilities</b>	<b>(295,958)</b>	

**Net Assets - Governmental Activities**

\$5,862,077

The governmental funds total fund balance of \$1,816 million (see CAFR page 19) reconciles to the \$5,862 million total of the governmental activities net assets reported on government-wide Statement of Net Assets (see CAFR page 14). The difference between these numbers can be seen on this reconciliation which primarily shows that the governmental funds report short-term financial information, whereas the government-wide statements report both short-term and long-term information.

*This reconciliation can be found in the CAFR, page 21.*

This statement and other similar operating statements (such as the Statement of Activities) contain information for the fiscal year; by contrast, balance sheets and net asset statements contain data as of a single point in time--the end of the fiscal year.

State of Idaho

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds**

**For the Fiscal Year Ended June 30, 2005**

(dollars in thousands)

This statement shows the flow of short-term resources into and out of the State. In governmental funds, revenues are included only if cash is received during the year or within 60 days of the end of the fiscal year. Revenues are reported by major source, such as sales tax or individual income taxes.

**REVENUES**

Sales Tax  
Individual and Corporate Taxes  
Other Taxes  
Licenses, Permits, and Fees  
Sale of Goods and Services  
Grants and Contributions  
Investment Income  
Tobacco Settlement  
Other Income

**Total Revenues**

	<b>General</b>	<b>Health and Welfare</b>	<b>Transportation</b>
Sales Tax	\$1,132,338		
Individual and Corporate Taxes	1,176,903		
Other Taxes	63,058	\$1,681	\$214,022
Licenses, Permits, and Fees	18,217	4,261	109,392
Sale of Goods and Services	76,549	78,785	4,666
Grants and Contributions	2,035	1,075,835	250,071
Investment Income	19,030	105	4,187
Tobacco Settlement	23,151		
Other Income	22,794	5,853	1,617
<b>Total Revenues</b>	<b>2,534,075</b>	<b>1,166,520</b>	<b>583,955</b>

Expenditures generally are recorded when the State has received the goods or services and payment is due and payable. The expenditures are listed by major functional category.

**EXPENDITURES**

Current:

General Government  
Public Safety and Correction  
Health and Human Services  
Education  
Economic Development  
Natural Resources  
Capital Outlay  
Intergovernmental Revenue Sharing  
Debt Service  
Principal Retirement  
Interest and Other Charges

**Total Expenditures**

**Revenues Over (Under) Expenditures**

General Government	110,464		
Public Safety and Correction	186,764		
Health and Human Services	22,093	1,539,672	
Education	1,114,798		
Economic Development	18,108		154,196
Natural Resources	25,368		
Capital Outlay	91,028	3,444	299,206
Intergovernmental Revenue Sharing	162,709	39,405	123,798
Debt Service			
Principal Retirement	152		2,000
Interest and Other Charges	8,091		
<b>Total Expenditures</b>	<b>1,739,575</b>	<b>1,582,521</b>	<b>579,200</b>
<b>Revenues Over (Under) Expenditures</b>	<b>794,500</b>	<b>(416,001)</b>	<b>4,755</b>

Capital Outlay shows the purchase, construction, and improvement of capital assets. This amount is different than that of the government-wide statements, which adds the cost to the capital account on the Statement of Net Assets and subtracts the cost over the useful life of the asset in the form of depreciation expense.

**OTHER FINANCING SOURCES (USES)**

Bonds and Notes Issued  
Capital Lease Acquisitions  
Sale of Capital Assets  
Transfers In  
Transfers Out  
**Total Other Financing Sources (Uses)**

**Net Change in Fund Balances**

**Fund Balances - Beginning of Year, as Restated**

**Fund Balances - End of Year**

Bonds and Notes Issued			
Capital Lease Acquisitions	26		
Sale of Capital Assets	373	70	6,823
Transfers In	128,419	430,759	
Transfers Out	(720,896)	(196)	(15,409)
<b>Total Other Financing Sources (Uses)</b>	<b>(592,078)</b>	<b>430,633</b>	<b>(8,586)</b>
<b>Net Change in Fund Balances</b>	<b>202,422</b>	<b>14,632</b>	<b>(3,831)</b>
<b>Fund Balances - Beginning of Year, as Restated</b>	<b>370,582</b>	<b>(12,085)</b>	<b>124,758</b>
<b>Fund Balances - End of Year</b>	<b>\$573,004</b>	<b>\$2,547</b>	<b>\$120,927</b>

This statement can be found in the CAFR, pages 22 and 23.

Several funds make up the Nonmajor Special Revenue column. To see greater detail of the individual funds summarized in this column, turn to the combining financial statements (CAFR pages 102 and 103).

Public School Endowment	Pooled Endowment	Nonmajor Special Revenue	Total
		\$4,800	\$1,137,138
			1,176,903
		127,859	406,620
		112,295	244,165
\$39,420	\$18,074	43,045	260,539
		429,772	1,757,713
50,671	24,512	6,052	104,557
			23,151
		17,783	48,047
90,091	42,586	741,606	5,158,833
		33,120	143,584
		46,834	233,598
			1,561,765
		209,271	1,324,069
		173,952	346,256
14,572	5,595	132,866	178,401
		68,229	461,907
		67,283	393,195
		8,728	10,880
		9,580	17,671
14,572	5,595	749,863	4,671,326
75,519	36,991	(8,257)	487,507
		26	26
		3,731	3,757
10		761	8,037
		35,699	594,877
(22,958)	(14,437)	(75,965)	(849,861)
(22,948)	(14,437)	(35,748)	(243,164)
52,571	22,554	(44,005)	244,343
516,175	251,589	321,124	1,572,143
\$568,746	\$274,143	\$277,119	\$1,816,486

Transportation and Nonmajor Special Revenue fund balances declined (expenditures and financing uses exceeded revenues and other financing sources). All other funds had positive changes in fund balances (revenues and other financing sources exceeded expenditures and financing uses).

These are the fund balances that appear in the governmental fund Balance Sheet.

*This statement can be found in the CAFR, pages 22 and 23.*

This reconciliation shows the reasons that the net changes in fund balances on the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance differ from change in net assets for governmental activities on the government-wide Statement of Activities.

The net change in fund balances comes from the total column of governmental funds on the Statement of Revenue, Expenditures, and Changes in Fund Balances (see previous page).

*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, 2005**

*(dollars in thousands)*

<b>Net Change in Fund Balances - Governmental Funds</b>		<b>\$244,343</b>
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	\$265,693	
Depreciation Expense	<u>(49,731)</u>	215,962
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.		(10,586)
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. In the current year deferred revenue decreased.		(10,493)
The issuance of long-term debt provides 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 debt was incurred:		
Bonds and Notes	(26)	
Capital Leases	<u>(3,756)</u>	(3,782)
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	376	
Bond and Note Principal	<u>10,504</u>	10,880
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 and Amortization	(871)	
Compensated Absences	(1,871)	
Other Long-Term Liabilities	<u>6,892</u>	4,150
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.		<u>16,611</u>

**Change in Net Assets - Governmental Activities**

Internal service funds are reported in proprietary fund statements because they operate like a business and charge state agencies a price for goods and services in order to recoup their costs. Since they provide services mainly to other funds of the State, internal service funds are included with the governmental activities in the government-wide statements.

\$467,085

This is the amount you will find in the Governmental Activities column on the government-wide Statement of Activities (CAFR page 17).

*This statement can be found in the CAFR, page 25.*

*State of Idaho*  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2005**  
*(dollars in thousands)*

Proprietary funds 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. There are two types of proprietary funds--internal service and enterprise funds. Internal service funds provide goods and services to state agencies on a cost-reimbursement basis; enterprise funds account for services or goods provided outside of state government. Enterprise funds and business-type activities on the government-wide Statement of Net Assets are synonymous.

	<b>Business-Type Activities--Enterprise Funds</b>		
	<b>College and University</b>	<b>Unemployment Compensation</b>	<b>Loan</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash with Treasurer	\$32,049	\$2,132	\$15,926
Cash and Cash Equivalents	63,036	103,427	
Investments	19,686		
Accounts Receivable, Net	73,084	46,861	
Interfund Receivables	226		
Inventories and Prepaid Items	5,063		
Loans and Notes Receivable, Net	4,117		4,263
Other Current Assets	3,017	569	2,613
<b>Total Current Assets</b>	<b>200,278</b>	<b>152,989</b>	<b>22,802</b>
<b>Noncurrent Assets</b>			
Restricted Cash and Cash Equivalents	2,651		95,193
Investments	78,715	79,416	
Restricted Investments	26,081		
Due from Component Unit	78,962		
Loans and Notes Receivable, Net	20,643		110,145
Other Long-Term Assets	6,627		
Capital Assets, Net	725,738		27,358
<b>Total Noncurrent Assets</b>	<b>939,417</b>	<b>79,416</b>	<b>232,696</b>
<b>Total Assets</b>	<b>\$1,139,695</b>	<b>\$232,405</b>	<b>\$255,498</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$13,881	\$2,759	
Payroll and Related Liabilities	39,947		
Interfund Payables			
Due to Other Entities			\$11
Unearned Revenue	16,366		
Amounts Held in Trust for Others	2,591		
Other Accrued Liabilities	7,052		319
Capital Leases Payable	331		
Capital Leases Payable to Component Unit	235		
Compensated Absences Payable	15,984		
Bonds and Notes Payable	12,635		1,413
Policy Claim Liabilities			
<b>Total Current Liabilities</b>	<b>109,022</b>	<b>2,759</b>	<b>1,743</b>
<b>Noncurrent Liabilities</b>			
Capital Leases Payable	1,068		
Capital Leases Payable to Component Unit	3,422		
Bonds and Notes Payable	322,953		9,938
Policy Claim Liabilities			
<b>Total Noncurrent Liabilities</b>	<b>327,443</b>		<b>9,938</b>
<b>Total Liabilities</b>	<b>436,465</b>	<b>2,759</b>	<b>11,681</b>
<b>NET ASSETS</b>			
Investment in Capital Assets, Net of Related Debt	426,170		16,007
Restricted for:			
Claims and Judgments			
Debt Service			412
Permanent Trust-Expendable	57,229		
Permanent Trust-Nonexpendable	78,667		
Other Purposes			94,781
Unrestricted	141,164	229,646	132,617
<b>Total Net Assets</b>	<b>703,230</b>	<b>229,646</b>	<b>243,817</b>
<b>Total Liabilities and Net Assets</b>	<b>\$1,139,695</b>	<b>\$232,405</b>	<b>\$255,498</b>

The State is prohibited from using restricted assets for operating purposes. Sources of restrictions include laws and regulations, donor restrictions, and agreements connected with outstanding debt.

Additional details on capital assets and infrastructure can be found in the Notes to the Financial Statements (CAFR pages 42-43 and 68-70) and the Required Supplementary Information (CAFR pages 95-96).

Additional details on long-term liabilities can be found in the Notes to the Financial Statements (CAFR pages 43-44 and 81-87).

*This statement can be found in the CAFR, pages 26 and 27.*

Several funds make up the Nonmajor Enterprise Funds column. To see greater detail of the individual funds included in this column, turn to the combining financial statements (CAFR pages 113-116).

**Governmental  
Activities**

Nonmajor Enterprise Funds	Total	Internal Service Funds
------------------------------	-------	---------------------------

Internal service funds are included with governmental activities in the government-wide statements. To see greater detail of the individual funds included in this column, turn to the combining financial statements (CAFR pages 117-121).

\$34,682	\$84,789	\$75,909
1,243	167,706	1,785
	19,686	
1,016	120,961	325
233	459	242
8,518	13,581	4,207
	8,380	
241	6,440	225
45,933	422,002	82,693
2,254	100,098	
	158,131	31,404
	26,081	
	78,962	
	130,788	
	6,627	
5,080	758,176	3,821
7,334	1,258,863	35,225
\$53,267	\$1,680,865	\$117,918
\$4,673	\$21,313	\$189
761	40,708	702
38	38	69
1,560	1,571	
19	16,385	10,842
	2,591	
3,638	11,009	
51	382	456
	235	
830	16,814	639
	14,048	
		7,027
11,570	125,094	19,924
	1,068	198
	3,422	
	332,891	
		30,236
	337,381	30,434
11,570	462,475	50,358
5,029	447,206	3,167
		42,389
	412	
	57,229	
	78,667	
26,000	120,781	
10,668	514,095	22,004
41,697	1,218,390	67,560
\$53,267	\$1,680,865	\$117,918

As a general rule, current assets and liabilities on the proprietary fund statements are those assets and liabilities expected to mature within one year of the end of the fiscal period (June 30). Noncurrent assets and liabilities are those assets and liabilities expected to mature in more than one year from the end of the fiscal period.

Restricted assets are not included as part of current assets because of significant restrictions placed on their use. Likewise, liabilities to be repaid from restricted assets are not included as part of current liabilities.

This total net assets amount is the same as that found for business-type activities in the government-wide Statement of Net Assets (CAFR page 14). The total net assets amount also agrees with the ending net assets shown on the Statement of Activities (CAFR page 17) and the Statement of Revenues Expenditures, and Changes in Fund Net Assets (CAFR page 29).

*This statement can be found in the CAFR, pages 26 and 27.*



State of Idaho

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

For the Fiscal Year Ended June 30, 2005

(dollars in thousands)

Proprietary funds report the finances of activities the State operates like a business. Proprietary activities charge a fee to users that covers most of the cost of providing the service. There are two types of proprietary funds--enterprise and internal service funds.

Enterprise funds account for services or goods provided to those outside of state government.

Business-Type Activities--Enterprise Funds

	College and University	Unemployment Compensation	Loan	Nonmajor Enterprise Funds
<b>OPERATING REVENUES</b>				
Assessments		\$137,583		
Licenses, Permits, and Fees (net scholarship allowances of \$42,577)	\$45,590		\$304	\$2
Student Fees Pledged for Revenue Bonds	131,669			
Sale of Goods and Services	20,235		4,932	213,266
Sale of Goods and Services Pledged for Revenue Bonds	66,414		926	
Grants and Contributions	183,605	5,104	10,622	
Other Income	9,304			56
<b>Total Operating Revenues</b>	<b>456,817</b>	<b>142,687</b>	<b>16,784</b>	<b>213,324</b>
<b>OPERATING EXPENSES</b>				
Personnel Costs	455,769			11,847
Services and Supplies	177,722		212	73,205
Benefits, Awards, and Premiums	45,260	142,862		69,593
Depreciation	44,619		137	847
Other Expenses	14,513		18	2,882
<b>Total Operating Expenses</b>	<b>737,883</b>	<b>142,862</b>	<b>367</b>	<b>158,374</b>
<b>Operating Income (Loss)</b>	<b>(281,066)</b>	<b>(175)</b>	<b>16,417</b>	<b>54,950</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Gifts and Grants	28,718			
Investment Income	14,037	6,243	2,346	380
Interest Expense	(14,865)		(287)	
Intergovernmental Distributions				(16,520)
Gain (Loss) on Sale of Capital Assets	(941)			(2)
Other Nonoperating Revenues (Expenses)	1,104	2		1
<b>Total Nonoperating Revenues (Expenses)</b>	<b>28,053</b>	<b>6,245</b>	<b>2,059</b>	<b>(16,141)</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(253,013)</b>	<b>6,070</b>	<b>18,476</b>	<b>38,809</b>
Capital Contributions	19,965			
Transfers In	268,559		31,300	
Transfers Out		(4,145)		(40,495)
<b>Change in Net Assets</b>	<b>35,511</b>	<b>1,925</b>	<b>49,776</b>	<b>(1,686)</b>
<b>Total Net Assets - Beginning of Year</b>	<b>667,719</b>	<b>227,721</b>	<b>194,041</b>	<b>43,383</b>
<b>Total Net Assets - End of Year</b>	<b>\$703,230</b>	<b>\$229,646</b>	<b>\$243,817</b>	<b>\$41,697</b>

Capital contributions are amounts received for purchasing or building capital assets or the receipt of a capital asset.

While most proprietary funds are self-supported by fees charged for goods and services, some rely on subsidies from other funds, governments, entities, or individuals.

Several funds make up the Nonmajor Enterprise Funds column. To see greater detail of the individual funds included in this column, turn to the combining financial statements (CAFR pages 113-116).

This statement can be found in the CAFR, pages 28 and 29.

Internal service funds provide services or goods mainly to other state agencies.

**Governmental Activities**

**Internal**

Total	Internal Service Funds
\$137,583	
45,896	\$48
131,669	
238,433	192,350
67,340	
199,331	42
9,360	417
829,612	192,857

Operating revenues include fees and charges received from providing goods or services to customers in the course of the fund's principal ongoing activity.

467,616	11,511
251,139	15,269
257,715	149,213
45,603	1,183
17,413	2,291
1,039,486	179,467
(209,874)	13,390

Operating expenses are the costs paid for goods or services in the course of the fund's principal ongoing activity.

This line shows if the operating revenues generated were sufficient to cover expenses.

28,718	
23,006	3,514
(15,152)	(56)
(16,520)	
(943)	(50)
1,107	48
20,216	3,456

Nonoperating revenues (expenses) represent nonexchange transactions and those transactions outside the course of the fund's principal ongoing activity.

(189,658)	16,846
19,965	
299,859	
(44,640)	(235)
85,526	16,611
1,132,864	50,949
\$1,218,390	\$67,560

You can use this line to judge the financial sustainability of the activities. A loss would indicate that an activity is not supporting itself and must use resources accumulated from the past, push costs off to the future, or utilize some other financing method to cover costs.

There are several internal service funds. To see greater detail of the individual funds aggregated in this column, turn to the combining financial statements (CAFR pages 117-121).

*This statement can be found in the CAFR, pages 28 and 29.*

State of Idaho

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2005**  
*(dollars in thousands)*

This statement shows if and how the proprietary funds met their cash needs. It shows whether a proprietary activity raised enough cash to pay its bills.

		<b>Business-Type Activities</b>	
		<b>College and University</b>	<b>Unemployment Compensation</b>
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating activities relate to providing services and the production and sales of goods.	Receipts from Assessments		\$133,067
	Receipts from Customers	\$256,348	
	Receipts from Interfund Services		
	Receipts from Grants and Contributions	180,928	5,104
	Payments to Suppliers	(180,944)	
	Payments to Employees	(453,986)	
	Payments for Interfund Services		
	Payments for Benefits, Awards, and Claims	(50,420)	(141,060)
	Other Receipts (Payments)	(2,870)	
	<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(250,944)</u>	<u>(2,889)</u>
	<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Noncapital financing activities relate to grants, transfers, and borrowing money for purposes other than buying or building capital assets.	Gifts, Grants, and Endowments Received	31,107	
	Intergovernmental Distributions		
	Transfers In	268,559	
	Transfers Out		(4,145)
	Interest Paid		
	Other Receipts (Payments)	450	
	<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u>300,116</u>	<u>(4,145)</u>
	<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital and related financing activities relate to receipt and use of cash for purchase or construction of capital assets.	Capital Grants and Contributions	18,338	
	Bonds Issued	23,877	
	Payment of Bonds	(39,960)	
	Capital Lease Payments		
	Proceeds from Disposition of Capital Assets	18	2
	Acquisition and Construction of Capital Assets	(54,184)	
	<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(51,911)</u>	<u>2</u>
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investing activities relate to the sale and purchase of and earnings from investments.	Receipt of Interest and Dividends	4,242	6,039
	Purchase of Investments	(133,059)	
	Redemption of Investments	119,160	185
		<u>(9,657)</u>	<u>6,224</u>
	<b>Net Cash Provided (Used) by Investing Activities</b>		
	<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(12,396)	(808)
	<b>Beginning Cash, Cash Equivalents, and Cash Equity with Treasurer, as Restated</b>	110,132	106,367
	<b>Ending Cash, Cash Equivalents, and Cash Equity with Treasurer</b>	<u>\$97,736</u>	<u>\$105,559</u>
	<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
The reconciliation explains the differences between the flows of cash described here and the operating income (loss) reported on an accrual basis in the proprietary funds Statement of Revenues, Expenses and Changes in Fund Net Assets.	Operating Income (Loss)	(\$281,066)	(\$175)
	Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
	Depreciation	44,619	
	Maintenance Costs Paid by Dept. of Public Works	766	
	Net Changes in Assets and Liabilities:		
	Accounts Receivable/Interfund Receivables	(14,781)	(4,517)
	Inventories and Prepaid Items	349	
	Notes Receivable	4,116	
	Other Current Assets	(2,823)	
	Accounts Payable/Interfund Payables	838	1,803
	Unearned Revenue	(2,956)	
	Compensated Absences		
	Policy Claim Liabilities		
Other Accrued Liabilities	(6)		
	<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(\$250,944)</u>	<u>(\$2,889)</u>
Information on noncash transactions that are not reported on the Statement of Revenues, Expenses, and Changes in Fund Net Assets or in the Statement of Cash Flows.	<b>Noncash Transactions (dollars in thousands):</b> Investments increased in fair value by \$8,121 for colleges, \$239 for Unemployment Compensation, and \$110 for internal service funds. Capital assets were donated to colleges in the amount of \$94 and were disposed at a loss of \$941 for colleges, \$2 for nonmajor enterprise funds, and \$50 for internal service funds. Capital assets were acquired by capital lease in the amount of \$31 for colleges and \$636 for internal service funds. Capital assets were acquired by notes payable in the amount of \$6,566 for the Loan fund.		

This statement can be found in the CAFR, pages 30 and 31.

Several funds make up the Nonmajor Enterprise Funds column. To see greater detail of the individual funds aggregated in this column, turn to the combining financial statements (CAFR page 116).

Governmental Activities			
Loan	Nonmajor Enterprise Funds	Total	Internal Service Funds
		\$133,067	
\$19,982	\$214,260	490,590	\$432
506	9	515	193,445
10,873		196,905	33
(21,282)	(73,916)	(276,142)	(17,202)
	(11,621)	(465,607)	(11,518)
(13)	(177)	(190)	(2,274)
	(67,992)	(259,472)	(147,123)
(39)		(2,909)	225
10,027	60,563	(183,243)	16,018
		31,107	
	(16,590)	(16,590)	
31,300		299,859	
	(40,495)	(44,640)	(235)
(340)		(340)	(56)
		450	
30,960	(57,085)	269,846	(291)
		18,338	
		23,877	
(46)		(40,006)	
	(50)	(50)	(641)
	1	21	48
(16,007)	(585)	(70,776)	(870)
(16,053)	(634)	(68,596)	(1,463)
		13,006	3,434
2,345	380	(133,059)	(1,302)
		119,345	861
2,345	380	(708)	2,993
27,279	3,224	17,299	17,257
83,840	34,955	335,294	60,437
\$111,119	\$38,179	\$352,593	\$77,694
\$16,417	\$54,950	(\$209,874)	\$13,390
137	847	45,603	1,182
		766	
	947	(18,351)	481
	1,027	1,376	(1,622)
(5,510)		(1,394)	
(975)	270	(3,528)	(262)
11	1,070	3,722	1
	(2)	(2,958)	864
	50	50	(1)
	1,601	1,601	2,088
(53)	(197)	(256)	(103)
\$10,027	\$60,563	(\$183,243)	\$16,018

There are several Internal Service Funds. To find greater detail of the individual funds aggregated in this column, turn to the combining financial statements (CAFR pages 120-121).

This amount includes both unrestricted and restricted cash on the proprietary fund Statement of Net Assets.

This statement can be found in the CAFR, pages 30 and 31.

State of Idaho

**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2005**

Fiduciary funds account for resources the State manages or holds on behalf of others. Fiduciary funds are not available to support the State's programs.

The College Savings Private-Purpose Trust Fund accounts for the activities of the IDeal Idaho College Savings Program, which helps individuals save for higher education.

(dollars in thousands)

Pension Trust funds report resources held in trust for the members and beneficiaries of employee benefit plans. To learn more about different funds combined in this column, turn to the combining financial statements (CAFR pages 123-125) and the Notes to the Financial Statements (CAFR pages 70-75).

	Pension Trust	Investment Trust	College Savings Private-Purpose Trust	Agency
<b>ASSETS</b>				
Cash with Treasurer	\$3,521	\$257,924		\$8,714
Cash and Cash Equivalents	1,041	3,647	\$74	6,281
Investments:				
Pooled Short Term	512,185	97,167	3,907	
Fixed Income Investments	2,253,963	172,643		167,323
Marketable Securities	5,625,917			
Mutual Funds and Private Equities	388,200		53,379	
Mortgages and Real Estate	339,285	615,146		
Other Investments			11,828	6,827
Securities Lending Collateral		701,756		
Receivables:				
Investments Sold	819,111		1	
Contributions	5,330			
Interest and Dividends	36,681	8,297	9	9,149
Interfund Receivables	1,294			
Other Receivables	128		32	
Other Assets	27,754			
Capital Assets, Net	3,517			
<b>Total Assets</b>	<b>10,017,927</b>	<b>1,856,580</b>	<b>69,230</b>	<b>198,294</b>
<b>LIABILITIES</b>				
Accounts Payable	116		38	
Interfund Payables	1,294			
Due to Other Entities				1,471
Amounts Held in Trust for Others				194,855
Obligations Under Securities Lending		701,756		
Investments Purchased	1,139,739		25	
Other Accrued Liabilities	7,488	241		1,968
<b>Total Liabilities</b>	<b>1,148,637</b>	<b>701,997</b>	<b>63</b>	<b>\$198,294</b>
<b>NET ASSETS</b>				
Held in Trust for:				
Employee Pension Benefits	8,685,837			
Postemployment Healthcare Benefits	183,453			
External Investment Pool Participants		1,154,583		
Trust Beneficiaries			69,167	
<b>Total Net Assets</b>	<b>\$8,869,290</b>	<b>\$1,154,583</b>	<b>\$69,167</b>	

The Investment Trust fund reports the portion of the State's investment pools that belongs to other governments, allowing localities to earn income from spare cash until it is needed. See the External Investment Pools note for additional information (CAFR pages 58-66).

Agency funds contain resources held on a temporary, purely custodial basis. Every resource held by these funds is due to be passed along to the individuals or organizations to which it belongs; therefore, assets equal liabilities at all times and there are no net assets.

This statement can be found in the CAFR, page 32.

State of Idaho

**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2005**

(dollars in thousands)

With the data in this statement, as well as the Notes and the required supplementary information, you can begin to assess the fiscal health of the pension plan. Are the assets growing or declining? How much are the earnings from investments? Is the State making the necessary contributions as an employer?

Agency Funds are not included in this statement because they do not have net assets.

	Pension Trust	Investment Trust	College Savings Private-Purpose Trust
<b>ADDITIONS</b>			
<b>Contributions:</b>			
Member	\$167,460		
Employer	264,427		
Transfers In from Other Plans	8,276		
Participant Deposits		\$3,164,698	\$23,414
<b>Total Contributions</b>	<b>440,163</b>	<b>3,164,698</b>	<b>23,414</b>
<b>Investment Income:</b>			
Net Increase (Decrease) in Fair Value of Investments	622,099	(133,228)	2,181
Interest, Dividends, and Other	235,133	38,762	2,295
Securities Lending Income		1,019	
Less: Investment Expense			
Investment Activity Expense	(33,881)	(377)	
Securities Lending Expense		(306)	
<b>Net Investment Income</b>	<b>823,351</b>	<b>(94,130)</b>	<b>4,476</b>
Miscellaneous Income	1,687		
<b>Total Additions</b>	<b>1,265,201</b>	<b>3,070,568</b>	<b>27,890</b>
<b>DEDUCTIONS</b>			
Benefits and Refunds Paid to Plan Members	389,881		
Transfers Out to Other Plans	3,458		
Administrative Expense	7,228		330
Earnings Distribution		28,419	
Participant Withdrawals		3,280,963	5,561
<b>Total Deductions</b>	<b>400,567</b>	<b>3,309,382</b>	<b>5,891</b>
<b>Change in Net Assets Held in Trust for:</b>			
Employee Pension Benefits	846,119		
Employee Postemployment Healthcare Benefits	18,515		
External Investment Pool Participants		(238,814)	
Trust Beneficiaries			21,999
<b>Net Assets - Beginning of Year</b>	<b>8,004,656</b>	<b>1,393,397</b>	<b>47,168</b>
<b>Net Assets - End of Year</b>	<b>\$8,869,290</b>	<b>\$1,154,583</b>	<b>\$69,167</b>

Additions increase the net assets of a fiduciary fund, and include contributions from employers, contributions from employees, and investment earnings.

Deductions reduce net assets and primarily take the form of benefit payments, distributions to participants, and general administrative costs.

There are several Pension Trust funds. To find greater detail of the individual funds aggregated in this column, turn to the combining financial statements (CAFR pages 126-127).

This statement can be found in the CAFR, page 33.

Discretely presented component units are legally separate from the State but are financially accountable to the State, or their relationship with the State is such that their exclusion would cause the State's financial statement to be misleading or incomplete. For more information on the discretely presented component units, see CAFR page 38.

**Statement of Net Assets  
Component Units  
June 30, 2005  
(dollars in thousands)**

	<b>Idaho Housing and Finance Association</b>	<b>College and University Foundation</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
	\$35,762	\$17,928
	173,585	11,361
		11,534
		1,150
		235
	250,000	45
	17,652	1,230
	<u>476,999</u>	<u>43,483</u>
<b>Noncurrent Assets</b>		
		13,724
	263,854	256,748
		874
		3,422
	753,632	1,093
		1,089
	6,503	31,754
	<u>1,023,989</u>	<u>308,704</u>
	<u><b>Total Assets</b></u>	<u><b>\$1,500,988</b></u>
		<u><b>\$352,187</b></u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
		\$871
		2,367
		7,216
	\$98,444	5,914
	136,105	8,692
	<u>234,549</u>	<u>25,060</u>
<b>Noncurrent Liabilities</b>		
		7,658
		78,962
	1,096,095	28,818
	<u>1,096,095</u>	<u>115,438</u>
	<u><b>Total Liabilities</b></u>	<u><b>140,498</b></u>
<b>NET ASSETS</b>		
	6,503	11,452
	128,542	
		63,090
		155,762
	35,299	(18,615)
	<u>170,344</u>	<u>211,689</u>
	<u><b>Total Net Assets</b></u>	<u><b>211,689</b></u>
	<u><b>\$1,500,988</b></u>	<u><b>\$352,187</b></u>

Assets are presented in order of how readily they can be converted to cash. Cash is the most liquid; capital assets are least liquid.

Due from Primary Government is amounts due to the component unit from the major programs of the State.

Most capital assets are shown at their original purchase/construction cost, less annual depreciation charges accumulated over time. More information on capital assets and depreciation can be found in the Notes (CAFR page 70).

Liabilities are shown in order of maturity or when cash is expected to be used to pay them.

The Notes provide information about the major types of long-term liabilities, purpose of liability, a schedule that shows beginning and ending balances, and how major categories of liabilities have changed during the previous year.

Restricted net assets include resources subject to restrictions placed on them by external parties such as creditors, grantors, or contributors.

Unrestricted net assets may be used at the component unit's discretion.

Total assets - total liabilities = total net assets  
\$1,500,988 - \$1,330,644 = \$170,344.

*This statement can be found in the CAFR, page 34.*

<b>Life and Health</b>		
<b>Petroleum Clean Water Trust</b>	<b>Insurance Guaranty</b>	<b>Total</b>
\$1,041	\$568	\$55,299
4,155	7,916	197,017
389		11,923
		1,150
2,000		2,235
		250,045
	37	18,919
7,585	8,521	536,588
		13,724
29,581		550,183
		874
		3,422
		754,725
		1,089
	1	38,258
29,581	1	1,362,275
\$37,166	\$8,522	\$1,898,863
		\$1
		\$872
	11	2,378
		7,216
\$112	360	104,830
		144,797
2,346	91	2,437
2,458	463	262,530
		7,658
		78,962
		1,124,913
4,476		4,476
4,476		1,216,009
6,934	463	1,478,539
	1	17,956
		128,542
		63,090
		155,762
30,232	8,058	54,974
30,232	8,059	420,324
\$37,166	\$8,522	\$1,898,863

Balances between the primary government and discretely presented component units are reported on a separate line.

The majority of this amount is assets held in trust by the University of Idaho Foundation for the University of Idaho.

*This statement can be found in the CAFR, page 34.*



State of Idaho

**Statement of Revenues, Expenses, and Changes in Fund Net Assets**

**Component Units**

**For the Fiscal Year Ended June 30, 2005**

(dollars in thousands)

This statement reports the details of the component units' activities for the fiscal year. In contrast, the Component Unit Statement of Net Assets reports data at a single point in time--the end of the fiscal year.

	<b>Idaho</b>			
	<b>Housing and Finance Association</b>	<b>College and University Foundation</b>	<b>Petroleum Clean Water Trust</b>	<b>Life and Health Insurance Guaranty</b>
<b>OPERATING REVENUES</b>				
Licenses, Permits, and Fees	\$8,439		\$97	
Sale of Goods and Services		\$195		\$72
Grants and Contributions		32,405		
Contributions Pledged for Revenue Bonds		3,942		
Other Income	1,880	877	7	500
<b>Total Operating Revenues</b>	<b>10,319</b>	<b>37,419</b>	<b>104</b>	<b>572</b>
<b>OPERATING EXPENSES</b>				
Personnel Costs	6,157	1,076		75
Services and Supplies	4,189	2,596	1,426	53
Benefits, Awards, and Premiums	964	22,092	1,125	177
Depreciation	506	289		1
Other Expenses	4,360	7,744		506
<b>Total Operating Expenses</b>	<b>16,176</b>	<b>33,797</b>	<b>2,551</b>	<b>812</b>
<b>Operating Income (Loss)</b>	<b>(5,857)</b>	<b>3,622</b>	<b>(2,447)</b>	<b>(240)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Appropriation from State		430		
Investment Income	69,205	10,871	752	220
Interest Expense	(62,128)	(951)		
Gain (Loss) on Sale of Capital Assets		8,338		
Other Nonoperating Revenues (Expenses)		(40)		
<b>Total Nonoperating Revenues (Expenses)</b>	<b>7,077</b>	<b>18,648</b>	<b>752</b>	<b>220</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>1,220</b>	<b>22,270</b>	<b>(1,695)</b>	<b>(20)</b>
Contributions to Permanent Endowments		532		
<b>Change in Net Assets</b>	<b>1,220</b>	<b>22,802</b>	<b>(1,695)</b>	<b>(20)</b>
<b>Total Net Assets - Beginning of Year, as Restated</b>	<b>169,124</b>	<b>188,887</b>	<b>31,927</b>	<b>8,079</b>
<b>Total Net Assets - End of Year</b>	<b>\$170,344</b>	<b>\$211,689</b>	<b>\$30,232</b>	<b>\$8,059</b>

This statement can be found in the CAFR, page 35.

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**Total**

\$8,536	Operating revenues include fees and charges received for providing goods or services to customers in the course of the component unit's principal ongoing activity.
267	
32,405	
3,942	
3,264	
<u>48,414</u>	

7,308	Operating expenses are the costs paid for goods or services in the course of the component unit's principal ongoing activity.
8,264	
24,358	
796	
12,610	
<u>53,336</u>	

(4,922)	This line shows whether the operating revenues generated were sufficient to cover expenses.
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430	Nonoperating revenues (expenses) represent nonexchange transactions and those transactions outside the course of the component unit's principal ongoing activity.
81,048	
(63,079)	
8,338	
(40)	
<u>26,697</u>	

21,775	This line indicates the financial sustainability of the activities. A loss would indicate that an activity is not supporting itself and must use resources accumulated from the past, push costs off to the future, or utilize some other financing method to cover costs.
532	
22,307	
398,017	
<u>\$420,324</u>	

*This statement can be found in the CAFR, page 35.*

The information in a budgetary comparison schedule can help you judge the State's compliance with its budget and assess the State's fiscal management capacity.

The original budget includes the original adopted budget and legally authorized adjustments made before the beginning of the fiscal year. The final budget includes the original budget with all changes made subsequent to the start of the year.

State of Idaho

**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund and Major Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2005 (dollars in thousands)**

	<b>General</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts Budgetary Basis</b>	<b>Variance with Final Budget</b>
<b>REVENUES</b>				
Sales Tax	\$1,120,560	\$1,120,560	\$1,120,560	-
Individual and Corporate Taxes	1,403,807	1,403,807	1,403,807	-
Other Taxes	62,848	62,848	62,848	-
Licenses, Permits, and Fees	18,216	18,216	18,216	-
Sale of Goods and Services	47,805	47,805	47,805	-
Grants and Contributions	2,035	2,035	2,035	-
Investment Income	18,944	18,944	18,944	-
Tobacco Settlement	23,151	23,151	23,151	-
Other Income	30,385	30,385	30,385	-
<b>Total Revenues</b>	<b>2,727,751</b>	<b>2,727,751</b>	<b>2,727,751</b>	
<b>EXPENDITURES</b>				
General Government	646,937	647,054	573,340	\$73,714
Public Safety and Correction	191,105	195,844	192,512	3,332
Health and Human Services	22,216	22,216	22,042	174
Education	1,408,180	1,408,732	1,383,535	25,197
Economic Development	26,168	26,434	21,892	4,542
Natural Resources	28,152	28,192	27,215	977
<b>Total Expenditures</b>	<b>\$2,322,758</b>	<b>\$2,328,472</b>	<b>2,220,536</b>	<b>\$107,936</b>
<b>Revenues Over (Under) Expenditures</b>			<b>507,215</b>	
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital Lease Acquisitions			26	
Sale of Capital Assets			373	
Transfers In			128,419	
Transfers Out			(720,896)	
<b>Total Other Financing Sources (Uses)</b>			<b>(592,078)</b>	
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>			<b>(84,863)</b>	
<b>Reconciling Items</b>				
Changes Affected by Accrued Revenues			(193,676)	
Changes Affected by Accrued Expenditures			480,961	
<b>Fund Balances - Beginning of Year</b>			<b>370,582</b>	
<b>Fund Balances - End of Year</b>			<b>\$573,004</b>	

The State does not adopt a formal revenue budget; therefore, the original, final, and actual budget amounts are the same.

Notice that the final budget is more than the original budget. The final budget amounts include the original budget plus supplemental appropriations, transfers, and other legally adopted adjustments to the original budget. See CAFR page 94 and the Legal Basis Financial Report at www.sco.state.id.us for more information on the State's budget.

The Idaho Constitution prohibits expenditures exceeding the final approved budget. This last column is obtained by subtracting actual expenditures from the final budget amount. A positive figure indicates the program stayed within its budget.

This section reconciles the above cash basis revenue and expenditures with the modified accrual basis used in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances (CAFR pages 22 and 23).

This statement can be found in the CAFR, pages 92 and 93.

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
\$1,680	\$1,680	\$1,680	-	\$209,787	\$209,787	\$209,787	-
4,263	4,263	4,263	-	109,108	109,108	109,108	-
78,415	78,415	78,415	-	3,761	3,761	3,761	-
963,457	963,457	963,457	-	247,941	247,941	247,941	-
79	79	79	-	3,598	3,598	3,598	-
15,850	15,850	15,850	-	1,178	1,178	1,178	-
1,063,744	1,063,744	1,063,744		575,373	575,373	575,373	
1,435,696	1,522,335	1,489,079	\$33,256	705,036	709,738	573,995	\$135,743
<u>\$1,435,696</u>	<u>\$1,522,335</u>	<u>1,489,079</u>	<u>\$33,256</u>	<u>\$705,036</u>	<u>\$709,738</u>	<u>573,995</u>	<u>\$135,743</u>
		<u>(425,335)</u>				<u>1,378</u>	
		70				6,823	
		430,759					
		(196)				(15,409)	
		<u>430,633</u>				<u>(8,586)</u>	
		5,298				(7,208)	
		102,776				8,582	
		(93,442)				(5,205)	
		<u>(12,085)</u>				<u>124,758</u>	
		<u>\$2,547</u>				<u>\$120,927</u>	

*This statement can be found in the CAFR, pages 92 and 93.*

## What's New in the Fiscal Year 2005 CAFR?

### Notes to the Financial Statements

#### *Deposits and Investments*

The Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, requires governments to provide information about potential risks associated with deposits and investments.

*Custodial Credit Risk Of Deposits:* Federal Depository Insurance decreases the amount of risk a depositor faces should the financial institution fail (CAFR pages 44-45).

*Custodial Credit Risk Of Investments:* The investor faces fewer risks when securities are insured, held in the name of the investor, and held by a custodian who is not party to the transaction (page 47 of the CAFR).

*Interest Rate Risk Of Debt Investments:* Investments in debt securities that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. (CAFR pages 47-50).

*Credit Risk Of Debt Securities:* A credit quality rating from a statistical rating agency, such as Standard and Poor's, Moody's, Fitch, etc., provides information about the issuers of debt securities (CAFR pages 50-52).

*Concentration Of Credit Risk:* When an investment portfolio contains a substantial percentage of debt securities from one issuer, this concentration represents heightened risk of potential loss (CAFR pages 52-53).

*Investments Valued In A Foreign Currency:* Investments traded in a foreign currency face a potential risk of loss in fair value from fluctuations in currency rates (CAFR pages 53-55).

Some investments have terms that could cause the fair value to be sensitive to interest rate changes (page 55 of the CAFR).

#### *Net Assets Restricted by Enabling Legislation*

The GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, was implemented during the fiscal year ended June 30, 2005. This Statement enhances the usefulness and comparability of net asset information reported by governments. The Statement clarifies the meaning of the phrase legally enforceable as it applies to restrictions imposed on net asset use and specifies the accounting and financial reporting

requirements for those restricted net assets. A legally enforceable enabling legislation restriction is one that a party external to the government—such as citizens, public interest groups, or the judiciary—can compel the State to honor. Net assets restricted by enabling legislation are described on page 87 of the CAFR.

#### **New Statistical Schedules**

The GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, was implemented during the fiscal year ended June 30, 2005. This Statement provides financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements to assess the government's economic condition. In many cases, ten years worth of data is required, allowing you to analyze trends in the State's economic activity. The Statistical Section begins on page 133 of the CAFR.

*Financial Trends:* The first section (CAFR pages 134-139) presents the State's net assets, changes in net assets, fund balances, and changes in fund balances. You will see, over time, the increase or decrease in the value of the State's assets, and whether the State has net income or losses.

*Revenue Capacity:* The schedules in this section (CAFR pages 140-143) illustrate the ability of the State to raise revenue to support ongoing operations. As the State receives the greatest amount of general revenue from sales and income taxes, these schedules report the amount of sales and income for ten years, and the tax rates applied to each.

*Debt Capacity:* The amount of money that the State owes is described in these schedules (CAFR pages 144-147).

*Demographic and Economic Information:* The schedules in this section (CAFR pages 148-150) describe the population, income, employment, and education information of the residents of the State.

*Operating Information:* These schedules (CAFR pages 151-154) are designed to provide you with information on the size and efficiency of the State. The number of employees, some of the activities performed by employees, and the assets used in performing those activities are detailed.