

State of **IDAHO**



Citizens' Financial Report

For the Fiscal Year Ended June 30, 2008

Outstanding Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the State of Idaho for its Popular Annual Financial Report, also known as the Citizens' Financial Report, for the fiscal year ended June 30, 2007. The Award of Outstanding Achievement in Popular Annual Financial Reporting is a 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, the contents of which conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The Office of the State Controller has received a Popular Award for the last ten consecutive years (fiscal years ended 1998-2007). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA.

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

State of Idaho

for the Fiscal Year Ended

June 30, 2007



Michael R. Rott
President

Jeffrey L. Esser
Executive Director

A Message from

Donna M. Jones

State Controller

I am pleased to present the tenth annual Idaho Citizens' Financial Report for the fiscal year ended June 30, 2008. The purpose of this report is to present selected financial information in a brief, objective, and nontechnical format. The Citizens' Financial Report is intended to supplement, not replace, the more detailed financial position set forth in the Comprehensive Annual Financial Report (CAFR). A copy of the CAFR may be obtained by contacting our office or visiting our web site at www.sco.idaho.gov.

The financial statements presented in this report are in accordance with Generally Accepted Accounting Principles, except when noted otherwise. The report depicts trends in state revenues and spending in selected economic and demographic areas affecting the State that are of particular public interest, such as the following:

- Idaho's Economic/Demographic Outlook - factors affecting Idaho's economy
- Net Assets - an overview of what the State owns versus what the State owes
- Idaho's Revenues and Expenses - a brief explanation of where the State's resources come from and how they are spent
- Department of Health and Welfare - money appropriated from the Legislature and how it is used by the Department
- Education - initiatives being implemented to address long-standing issues in education
- Idaho Transportation Department - responsibilities of the Department and the State's transportation system

My intention is to provide an informative report, allowing you to make better-informed decisions about the State's finances. I hope you will let us know what you think about the Idaho Citizens' Financial Report. Your feedback will help us ensure future reports include the information you want and find most useful. You can provide comments and suggestions by writing, e-mailing, or calling:

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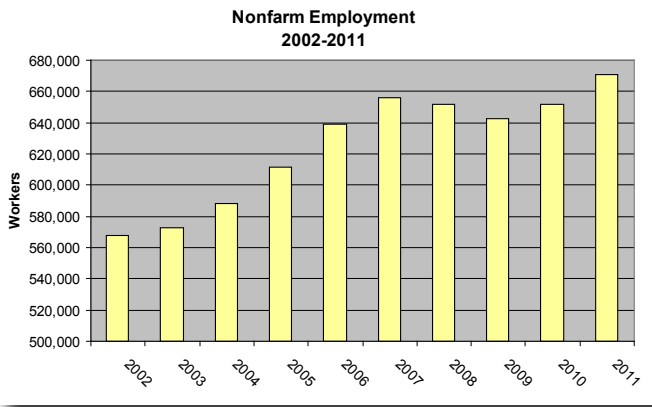
Donna M. Jones
State Controller



Donna M. Jones
State Controller

Economic/Demographic Outlook

Idaho's economy is experiencing the effects of turmoil in national and global financial markets and a slowing of statewide employment. Employment and the slow-growing national economy paint a picture of disappointing future economic growth for the State. Nonfarm employment is forecast to shrink from 651,693 jobs in 2008 to 642,807 in 2009. Nonfarm employment is expected to rise gradually in 2010 and 2011 to 670,812 jobs. The following chart depicts Idaho's nonfarm employment trend:



Idaho's Unemployment

Nearly 29,000 Idaho workers were without jobs in June 2008. In November that number rose to 44,100, double the number of people that were unemployed one year ago. Construction and the computer and electronics sectors have experienced the highest job losses. Only education and health care have escaped significant job reductions.

The 2005 Legislature adopted a formula to provide adequate funding for unemployment benefits. The recent economic downturns will require a significant across-the-board increase in the 2009 tax rates employers pay to support the unemployment benefit program as well as a reduction in the maximum weekly benefits for workers. The increase in 2009 tax rates follows four years of significant savings for Idaho employers. New employer rates will be slightly lower than the 2006 rates. Actual rates for individual employers depend on the benefits charged to their accounts. The maximum

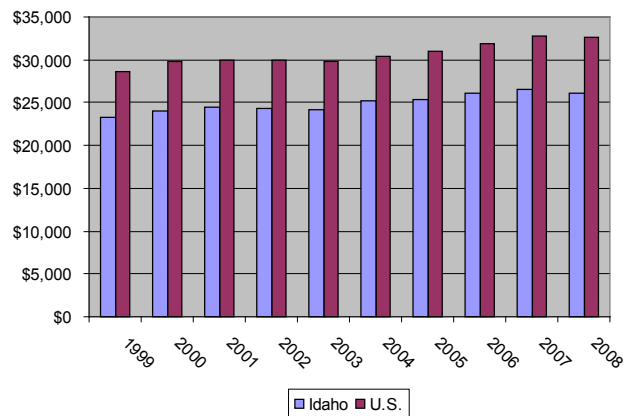
Data Source: Division of Financial Management, *Idaho Economic Forecast*, July 2008 and October 2008
[http://labor.idaho.gov/news/Press Releases/Nov 19](http://labor.idaho.gov/news/Press%20Releases/Nov%2019)
[http://labor.idaho.gov/news/Press Releases/Dec 12](http://labor.idaho.gov/news/Press%20Releases/Dec%2012)

weekly benefit for workers will decline from 59 percent of the average weekly wage of \$364 in 2008 to 57 percent of the average weekly wage of \$362 in 2009.

Per Capita Personal Income

Adjusted for inflation, Idaho's per capita personal income fell by 2 percent to \$26,054 in 2008. Idaho's per capita personal income is about 80 percent of the national per capita personal income of \$32,649.

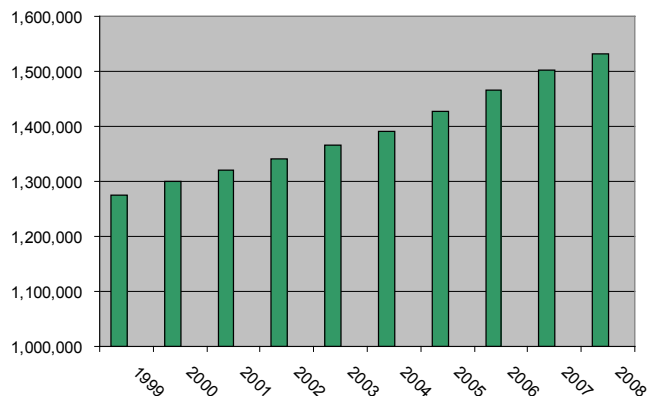
Idaho vs. U.S. Per Capita Personal Income 1999 - 2008



Population

Idaho's cooling economy is expected to take a toll on migration. After topping 20,000 new residents for each year since 2005, migration is expected to drop below this threshold and remain stable until at least 2011. Specifically, Idaho had a population of 1.5 million people in 2008 and projections are a population of 1.6 million by 2011.

Idaho's Population Growth 1999 - 2008

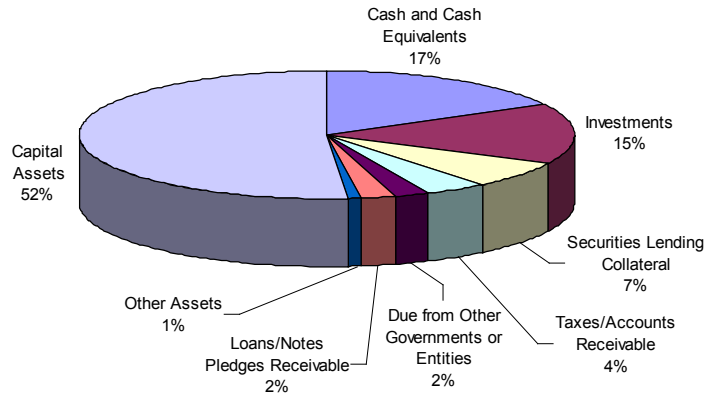


Net Assets

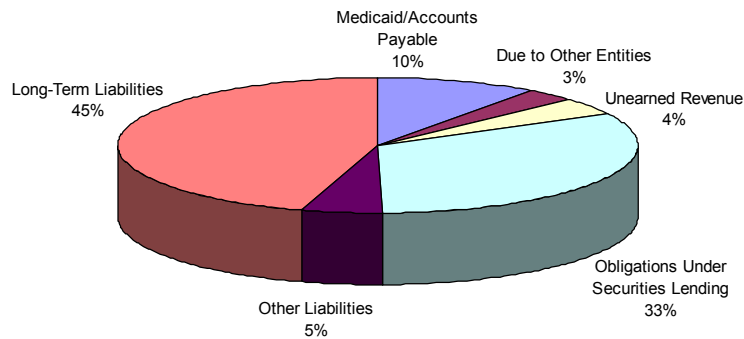
(dollars in thousands)

Assets

Cash and Cash Equivalents	\$1,925,020
Investments	1,755,483
Securities Lending Collateral	765,357
Taxes/Accounts Receivable, Net	463,944
Due from Other Governments or Entities	261,552
Loans/Notes/Pledges Receivable, Net	237,354
Other Assets	90,470
Capital Assets	5,843,653
Total Assets	\$11,342,833



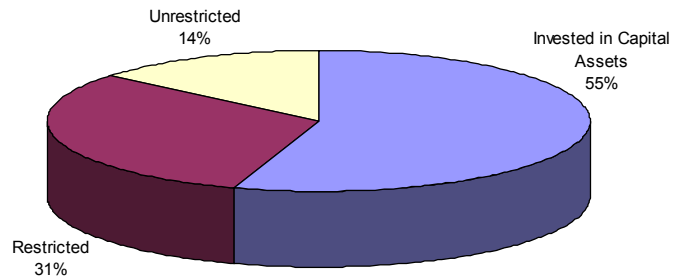
Liabilities



Medicaid/Accounts Payable	\$235,548
Due to Other Entities	74,591
Unearned Revenue	94,640
Obligations Under Securities Lending	765,357
Other Liabilities	117,823
Long-Term Liabilities	1,064,844
Total Liabilities	\$2,352,803

Net Assets

Invested in Capital Assets, Net of Related Debt	\$4,968,302
Restricted	2,764,830
Unrestricted	1,256,898
Total Net Assets	\$8,990,030



Tables and charts include governmental and business-type activities of the primary government.

Net Assets measure the difference between what the State owns (assets) versus what the State owes (liabilities).

Invested in Capital Assets, Net of Related Debt, measures the value of capital assets the State owns (such as roads, bridges, land, buildings, machinery, and equipment) less depreciation and any debt owed from buying or building the assets.

Restricted Net Assets are assets that are not available for general use due to external restrictions, constitutional provisions, or by state legislation.

Unrestricted Net Assets are assets that may be used for any appropriate purpose, but their use may be limited by state statutes.

Revenues and Expenses

Idaho's largest source of revenue is the collection of taxes. Businesses earning profits and individuals earning wages contribute to state income taxes. In fiscal year 2008 the state collected \$1.4 billion in individual income taxes and \$0.2 billion in corporate income taxes. Sales tax in the amount of \$1.3 billion was collected on retail transactions occurring in Idaho. Combined with \$414.7 million in other taxes, the State received a total of \$3.3 billion in revenues from taxes.

The next largest source of revenue for Idaho comes from federal grants.

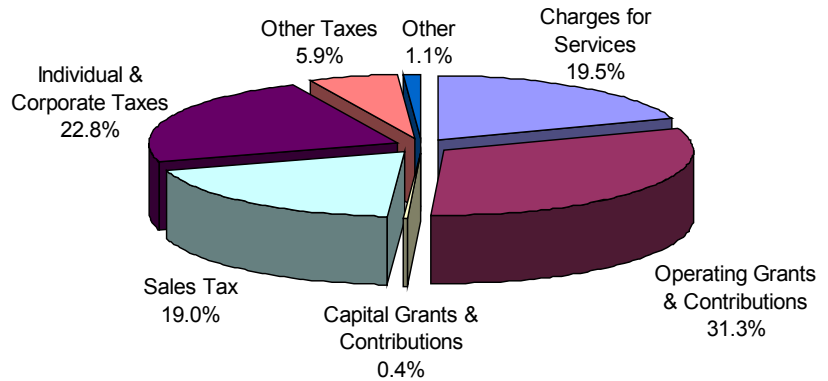
The State received \$2.2 billion in federal grants and contributions for fiscal year 2008. Federal grants are awarded for specific purposes including Medicaid, child support services, maintenance and construction of highways, education, and many other purposes.

Idaho's remaining revenue comes from fees for services, charges for permits issued to business and individuals, investment earnings, and other miscellaneous types of income. For fiscal year 2008 these charges brought in \$1.4 billion. The State received total revenues of \$7.0 billion for governmental and proprietary funds.

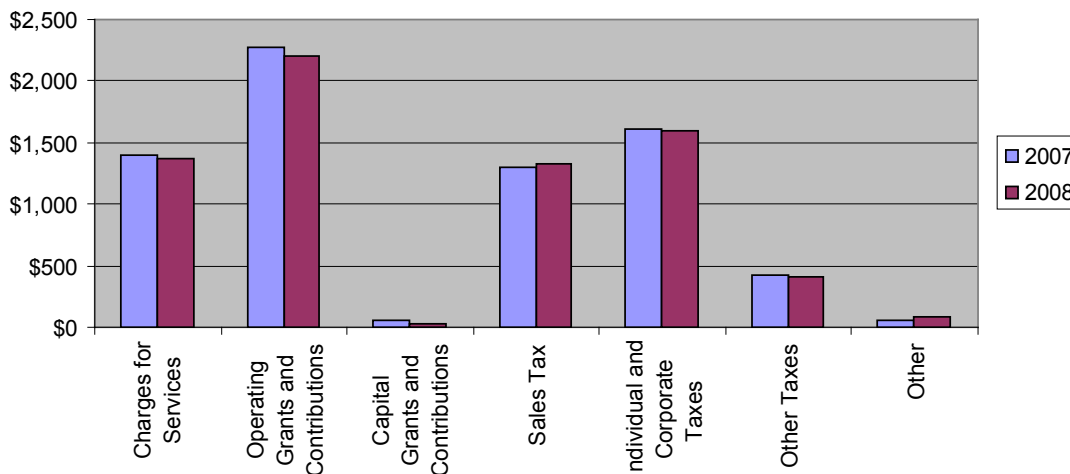
In fiscal year 2008 the State's total revenue decreased from the previous year by 1.3 percent, down a total

of \$90.2 million. Although grants and contributions revenues increased by \$88.9 million, they were offset by decreased investment earnings of the Public and Pooled Endowment funds. This resulted in an overall decrease of 4.2 percent in grants and contributions, down a total of \$98.9 million. The overall total for taxes increased by \$29.5 million, due to the 2.9 percent increase of sales tax received, or \$38.0 million.

**Revenues by Source
Fiscal Year 2008**



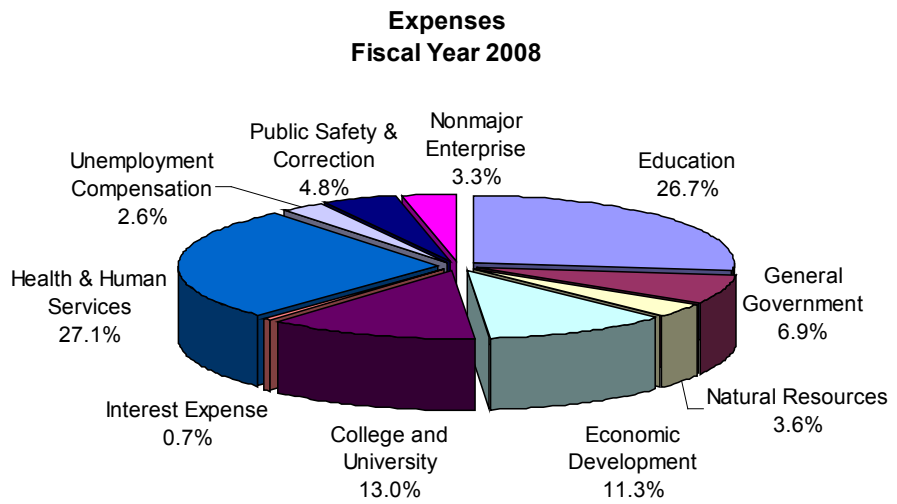
**Revenues - Fiscal Years 2007 - 2008
(Dollars in millions)**



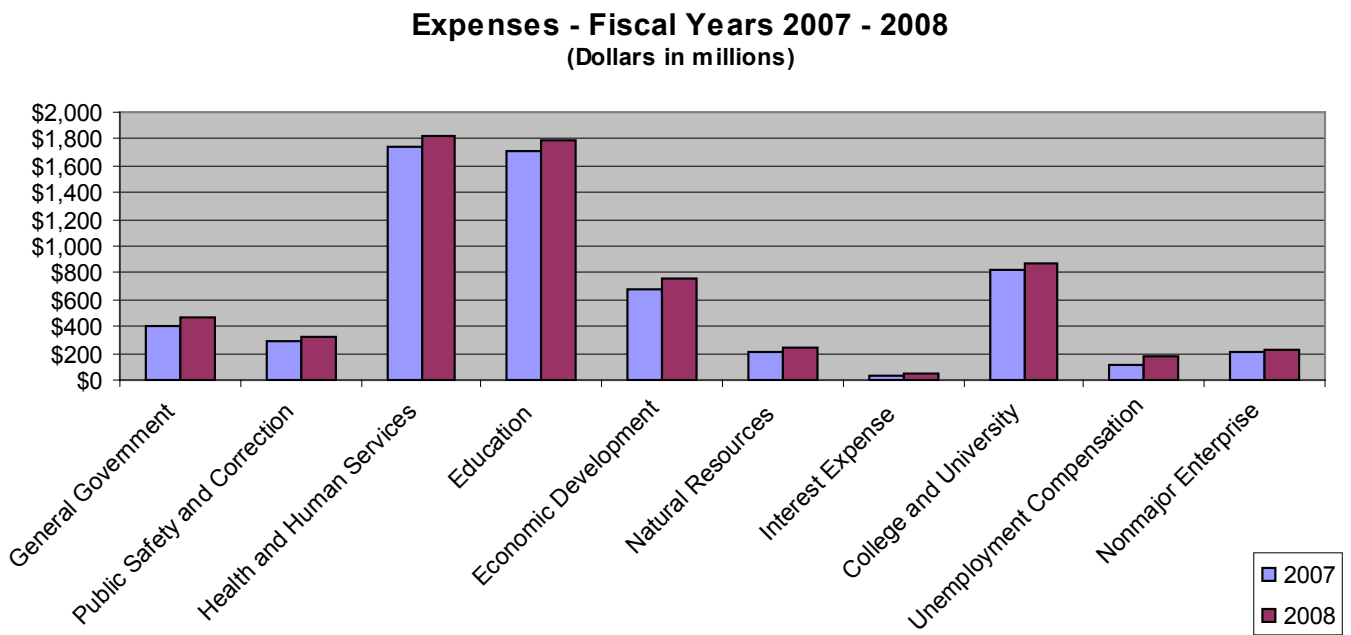
Data includes governmental and business-type activities

Expenses for the State increased from \$6.2 billion in fiscal year 2007 to \$6.7 billion in fiscal year 2008 (by 8.3 percent, or \$517.6 million) from the previous year. Of that amount, expenses for health and human services increased by 3.9 percent, or \$68.7 million, due to greater medical assistance payments; mainly related to Medicaid and rehabilitation services payments. Education saw an increase of 5.4 percent, or \$91.7 million, in expenses from the prior year due to an increased public school distribution for facilities improvements, salaries, and operating expenses. This was the most significant increase of all agencies from fiscal year 2007 to 2008. The colleges and universities saw an increase in their expenses of 7.4 percent, or \$60.2 million, partially due to an increase of \$39.6 million in personnel costs.

Health and human services spent more than \$1.8 billion of the State's budget in fiscal year 2008. The majority of that amount went to Medicaid, a program that assists those who are unable to pay for medical and dental services because of low income, youth, old age, pregnancy, or disability.



Almost \$1.8 billion of the State's budget was spent on kindergarten through twelfth-grade education, while the colleges and universities spent \$875.6 million in fiscal year 2008.



Department of Health & Welfare

The Idaho Department of Health and Welfare assists the State's most vulnerable citizens with complex social, economic, and individual struggles. Programs include Medicaid, Food Stamps, Child Protection, Child Support, Mental Health, Substance Use Disorders, Food Protection, and Disease Prevention. One out of four Idahoans received a service or benefit from the Department during fiscal year 2008.

In fiscal year 2008, the Department processed 41,083 food stamp cases, up 12 percent from the previous year, while decreasing application processing time 50 percent with a payment accuracy rate of 96.9 percent. The Department received a federal bonus of \$485,000 for improved performance. In addition, recouped overpayments and cost savings were up 40 percent from \$1.6 million in fiscal year 2007 to an estimated \$2.2 million in fiscal year 2008.

The Department's original appropriation for fiscal year 2008 was almost \$1.8 billion, which included \$1.1 billion from federal funds; \$545.4 million in state General Fund money; and \$131.6 million in state dedicated funds. Federal fund money made up 62 percent of the Department's 2008 revenue sources, as seen in the following chart. The fiscal year 2008 appropriation was 9.1 percent more than the expenditures for fiscal year 2007, an increase of \$148.0 million.

The Medicaid program utilizes 74 percent of the Department's total budget, which amounts to \$1.3 billion of the \$1.8 billion appropriation. The Medicaid program provides medical coverage for low-income individuals with disabilities, children and pregnant women from low-income families, and low-income senior citizens. Approximately 185,000 Idahoans are enrolled in Medicaid, and over 70 percent of those are children.

Fund Shifts

The Department recorded \$12.4 million for General Fund carryover from fiscal year 2007 into fiscal year 2008 and received supplemental appropriations that included:

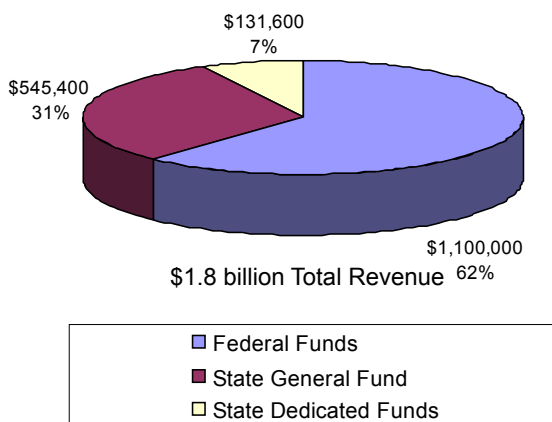
- \$2.4 million for substance use disorder treatment services
- \$1.5 million for increased utilization of inpatient psychiatric hospitalization when state mental health hospitals are full and not able to accommodate additional patients in crisis
- \$0.9 million to repay federal dollars received in error at State Hospital South

Legislative Highlights

Legislative highlights from the 2008 Legislative session include:

- A major focus on technology initiatives, with the Legislature appropriating more than \$33.0 million to projects that include the Medicaid Management Information System, the final year of the EPICS eligibility determination system replacement, an upgrade to the child support automated system, and development of a mental health-substance abuse data system
- Additional substance use disorder treatment funding of \$15.0 million

Revenue Sources for Fiscal Year 2008
(dollars in thousands)



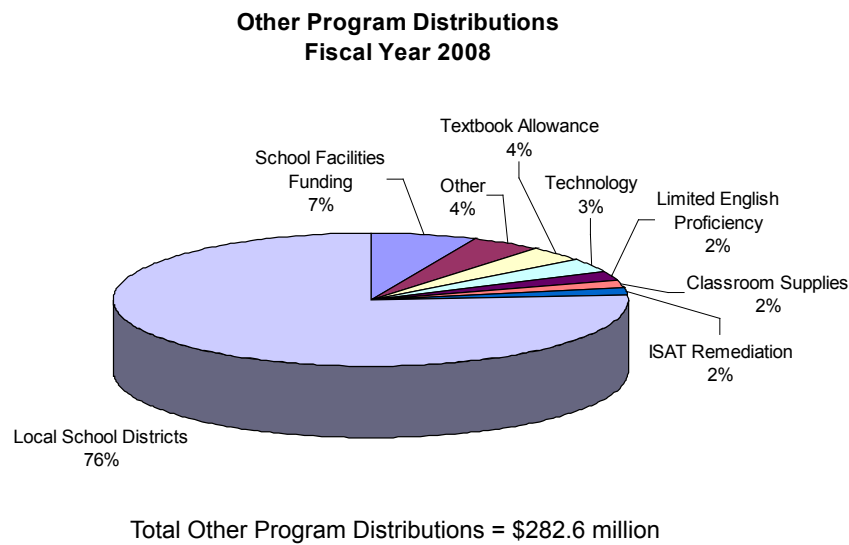
Education

The Idaho State Department of Education oversees Idaho's K-12 public education system. Tom Luna's mission as Superintendent of Public Instruction is to create a customer-driven education system that meets the needs of every student in Idaho and prepares students to live, work, and succeed in the 21st century. During fiscal year 2008, the Legislature focused on these criteria to help enable the school systems to provide safe schools and raise student achievement in Idaho.

The Idaho Legislature appropriated \$1.6 billion for the public schools budget in fiscal year 2008, an increase of nearly 8.3 percent over the previous year. The budget included a 3 percent increase in the base pay for Idaho teachers, administrators, and classified staff. In addition, there was a statutory

increase for 250 new support units. Some of the programs for which the Legislature appropriated money were technology, facilities funding, the Limited English Proficiency (LEP) program, and a software and textbook allowance.

Of the \$1.6 billion appropriated for public schools the majority, \$1.0 billion (62 percent), was used to meet statutory requirements such as salaries, benefits, transportation, etc. State discretionary funds to support the operations of Idaho's public schools was \$349.8 million (21 percent), and other program distributions amounted to \$282.6 million (17 percent). From the other program distributions \$215.0 million went to local school districts and other miscellaneous programs received \$67.6 million, which is illustrated in the chart below.



Other Program Distributions (dollars in thousands)

Local School Districts	\$215,000	Ag Replacement Phase-out	\$3,017
School Facilities Funding	19,123	Idaho Reading Initiative	2,800
Textbook Allowance	9,950	High School Redesign (IDLA)	2,800
Technology	9,800	School Facilities Maintenance Match	2,300
Limited English Proficiency	6,040	High School Redesign (Gifted & Talented)	1,000
Classroom Supplies	5,180	Math Initiative	350
ISAT Remediation	5,000	Safe School Study	150
		Rural School Initiative	100

Transportation Department

The Idaho Transportation Department is committed to providing high quality, cost-effective transportation systems that are safe, reliable, and responsive for the economical and efficient movement of people and products.

Idaho's transportation system is an integrated network of more than 60,000 miles of roads, approximately 4,000 bridges, 1,887 miles of rail lines, 125 public airports, and the Port of Lewiston.

Of these, the Idaho Transportation Department has jurisdictional responsibility for almost 5,000 miles of highway (or nearly 12,000 lane miles), more than 1,700 bridges, and 30 recreational and emergency airstrips. Also included in the state highway system are 30 rest areas and 10 fixed ports of entry. The Department also oversees federal grants for 15 rural and urban public transportation systems, provides state rail planning and rail-project development, and supports bicycle and pedestrian projects.

The Idaho Transportation Department's funding comes from three primary sources: federal fuel tax, state fuel tax, and vehicle and truck registration fees.

The state fuel tax, at 25 cents per gallon, has not increased since 1996; the federal fuel tax, at 18.4 cents per gallon, has not changed since 1993; and base car registration fees dedicated to funding transportation have not changed since 1997 (one to two-year-old vehicles \$48). When compared to other states in fuel taxes, Idaho ranks number 22, but is average when compared to surrounding states.

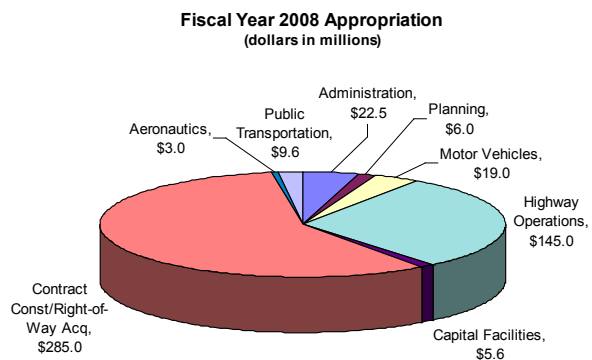
Regional Fuel Tax Comparisons (in cents)

State	Fuel Tax Rate
Washington	36.00
Nevada	33.81
Montana	27.75
Oregon	27.00
Idaho	25.00
Utah	24.50
Wyoming	14.00

Data Source: <http://www.itd.idaho.gov>
 Idaho Fiscal Facts 2008
 Idaho 2007 Legislative Fiscal Report

ITD also receives proceeds from the issuance of Grant Anticipation Revenue Vehicles (GARVEE) bonds. Prior to fiscal year 2006, Idaho used a pay-as-you-go approach by using federal highway revenues plus gasoline tax revenue to fund projects. The use of GARVEE bonds gives the State a large amount of money now, enabling the State to use the cash to build new projects while paying off the cost over the next 30 years. In fiscal year 2008, the Department received a total of \$107.5 million in proceeds from GARVEE bonds.

The Idaho Transportation Department's appropriation for fiscal year 2008 totaled \$495.7 million as shown in the following chart.



Although fuel tax rates and vehicle registration fees have not increased in over ten years, the cost of construction materials such as asphalt, concrete, and steel continues to rise sharply. The National Construction Cost Index has increased more than 69 percent between 1997 and 2006.

Escalating highway construction costs, declining revenue, and unprecedented demand on Idaho's transportation system have converged to create an annual revenue shortfall estimated at \$240.0 million. Without increased funding each year, the ITD will no longer be able to improve safety, fund pothole patching and snow plowing, or provide matching funds to obtain the federal dollars used for most of Idaho's highway projects.

Facts About Idaho

Name: Originally suggested for Colorado, the name “Idaho” was used for a steamship which traveled the Columbia River. With the discovery of gold on the Clearwater River in 1860, the diggings began to be called the Idaho Mines. “Idaho” is a coined or invented word and is not a derivation of an Indian phrase “E Dah Hoe (How),” supposedly meaning “gem of the mountains.”

Nickname: The “Gem State”

Motto: “Esto Perpetua” (Let it be perpetual)

Discovered by Europeans: 1805, the last of the 50 states to be sighted

Organized as Territory: March 4, 1863, act signed by President Lincoln

Entered Union: July 3, 1890, 43rd state to join the Union

GEOGRAPHY

Land Area: 82,677 square miles, 13th in area size

Water Area: 880 square miles

Highest Point: 12,662 feet above sea level at the summit of Mt. Borah, Custer County in the Lost River Range

Lowest Point: 770 feet above sea level at the Snake River at Lewiston

Length: 479 Miles

Width: 305 miles at widest point

Geographic Center: Settlement of Custer on the Yankee Fork River, Custer County

Number of Lakes: More than 2,000

Navigable Rivers: Snake, Coeur d’Alene, St. Joe, St. Maries, and Kootenai

Largest Lake: Lake Pend Oreille, 180 square miles

Temperature Extremes: Highest, 118° at Orofino July 28, 1934;

Lowest, -60° at Island Park Dam, January 18, 1943

2008 Est. Population: 1,532,200; 39th among states

(Division of Financial Management, *Economic Forecast*, July 2008)

Data Source: *Idaho Blue Book 2007-2008*, published by the Idaho Secretary of State’s Office

Photo Sources: Jason Abbott, Patricia Foxx, Scott Page, Steven Wagner, and Mihir Joshi



State Flag



State Horse: Appaloosa



State Insect: Monarch Butterfly



State Vegetable: Potato



State Quarter: Peregrine Falcon



State Bird: Mountain Bluebird

