

State of IDAHO

Comprehensive Annual Financial Report



For the Fiscal Year Ended June 30, 2014

Unique Idaho



Bruneau Sand Dunes

On the cover: **Boulder Mountain**

All photos courtesy of Idaho Tourism

State of
IDAHO

Comprehensive Annual Financial Report



For the Fiscal Year Ended June 30, 2014

C.L. "Butch" Otter
Governor

Brandon D Woolf
State Controller

Prepared by the Office of the State Controller

This document and related information are available at www.sco.idaho.gov



Office of the State Controller

IDAHO

Brandon D Woolf
State Controller

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Thanks and appreciation to the Bureaus of Accounting Operations, Systems Administration,
and Application Development in the Office of the State Controller.

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



Comprehensive Annual Financial Report

IDAHO

For The Fiscal Year Ended June 30, 2014

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IDAHO

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Introductory Section



Shoshone Falls



STATE OF IDAHO
OFFICE OF THE STATE CONTROLLER
Brandon D Woolf

December 23, 2014

To: The Citizens, Governor, and Members of the Idaho State Legislature

As the State's Chief Fiscal Officer, I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014, in accordance with Idaho Code Section 67-1001. This report represents Idaho's continued commitment to sound and effective fiscal management and to responsible financial reporting based on generally accepted accounting principles (GAAP) established by the Governmental Accounting Standards Board.

The Office of the State Controller assumes responsibility for both the reliability and completeness of the information presented in this report. Internal controls are designed to provide reasonable, but not absolute, assurance the financial statements are free from material misstatement. I am confident the data presented is accurate in all material respects and fairly sets forth the financial position of state operations based upon the internal control structure established by management.

In accordance with Idaho Code Section 67-702, the Legislative Audit staff of the State Legislature has audited the State's basic financial statements for the fiscal year ended June 30, 2014. Based upon that audit, the independent auditor has issued an unmodified opinion that the State of Idaho's basic financial statements are fairly presented in conformity with GAAP. The Independent Auditor's Report is located at the front of the financial section of this report.

In addition, the Legislative Audit staff conducts statewide audits under the Federal Single Audit Act of 1984 and the Code of Federal Regulations Title 2, *Grants and Agreements*, in order to meet the special needs of federal grantor agencies. Information regarding Idaho's Single Audit is issued in a separate report.

Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report on page 5 and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. The intent of this letter of transmittal is to complement the MD&A and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The State of Idaho was admitted into the Union as the 43rd state in 1890. The State covers 83,557 square miles and has a population of 1.6 million people.

Idaho's government is divided into three branches. The Executive Branch is comprised of the Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General, and Superintendent of Public Instruction. The Legislative Branch is comprised of two houses, a 35-member Senate and a 70-member House of Representatives. The Judicial Branch is administered and supervised by the Idaho Supreme Court, which is presided over by a Chief Justice and four Associate Justices.

The State provides services such as education, health and human services, highway maintenance and construction, public safety and correction, natural resource management, and economic development programs. The financial reporting entity includes all funds of the primary government as well as material component units for which the primary government is financially accountable. Additional information on component units can be found in Note 1 to the financial statements.

The annual budgetary process serves as the foundation for the State's financial planning and control. Budgets are annually appropriated for the following governmental funds: general, special revenue, capital projects, and earnings of the permanent funds. The budget is generally appropriated by agency, fund, program, and object. Legal level of budgetary control is maintained at the same level of detail as appropriated. Budgetary controls are incorporated into the Statewide Accounting and Reporting System to ensure expenditures do not exceed authorized appropriations. The expenditures of any fiscal year may not exceed anticipated revenues, ensuring a balanced budget. The budgetary process is further described in the note to the budgetary schedule on page 102 and the separately issued Legal Basis Financial Report.

ECONOMIC CONDITION

Financial Policies

Article VII of the Idaho Constitution allows for state revenue generation from a number of sources. This balanced approach to funding essential services allows the State to operate on a sound fiscal basis in a variety of economic conditions. In comparison to some neighboring states that rely primarily upon sales tax or income tax, Idaho derives comparable amounts of its own-source revenues from both sources, ensuring that vital services are less prone to disruption.

Per Idaho Code the State is able to maintain reserves for the purposes of meeting General Fund revenue shortfalls, meeting expenses incurred because of a major disaster, providing tax relief to the citizens of Idaho on a one-time basis, or providing a uniform and thorough system of public education. Senate Bill 1408 raised the savings cap on the Budget Stabilization Fund from 5 percent to 10 percent of General Fund revenues beginning in fiscal year 2015. The cap will increase from \$137.5 million to \$275.0 million. Overall increases in the reserve funds indicate the State's steady emergence from the effects of the recent recession.

<u>Fund and Idaho Code</u>	<u>FY14 End Balances</u>	<u>Dollar Change</u>
Budget Stabilization (57-814)	\$166.0 M	\$30.9 M
Economic Recovery (67-3520)	0.1 M	-
Public Education Stabilization (33-907)	72.9 M	23.8 M
Higher Education Stabilization (33-3726)	3.2 M	2.3 M
Totals	<u>\$242.2 M</u>	<u>\$57.0 M</u>

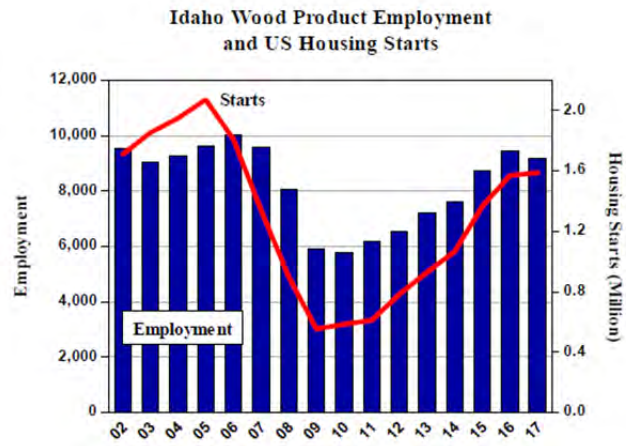
Note 14 contains additional detailed information regarding reserve funds.

Economy

Idaho's economy continues to recover from the most recent recession. Economists suggest that after a sluggish start in 2014 economic activity will pick up steam and growth will continue to build over the next few years.

Housing starts continued to rise in 2014, albeit at a lower-than-expected pace. They are forecast to grow an average of 12.5 percent per year over the next four years, while construction employment is expected to increase 5.2 percent per year.

The State's logging and wood processing industry has grown with increased demands from international markets and the recovering domestic housing market since 2012. Employment growth in the logging and wood products sector is anticipated to improve, on average, by 6.4 percent per year through 2017.



Graph provided by the Division of Financial Management.

Idaho's food processing sector has become one of the most watched sectors in the state as several new companies have relocated operations to various parts of the state, creating hundreds of jobs. Among the companies either moving to the Gem State or expanding operations are Sorrento Lactalis, Inc.; Frulact Group; Clif Bar; and Glanbia Foods, Inc. While the food processing sector can be very volatile, the outlook for Idaho is positive.

Nonfarm employment is forecast to improve 2.5 percent over the next four years, while national employment growth is predicted to average about 1.8 percent per year. This equates to growth from 656,361 jobs at the end of 2014 to 705,441 jobs by the end of 2017.

Personal income is expected to rise to \$58,794 by the end of 2014, a 2.9 percent increase over 2013. Economists expect personal income to increase to \$68,190 by the end of 2017, an average increase of 5.1 percent per year.

Long-Term Financial Planning

In January 2014 economists projected fiscal year 2015 General Fund receipts would increase 6.1 percent. However, due to a softening of the number of housing starts, sales tax collections, and the decreased projection of the rise of personal income in the first half of 2014, that projection has been revised to 5.5 percent. Revenue forecasts for fiscal year 2015 predict increases in individual income and sales taxes of 3.4 percent and 5.9 percent, respectively. Corporate income tax receipts fell by nearly 28 percent in fiscal year 2014; filing collections are expected to advance approximately 15 percent in fiscal year 2015, adding \$198.3 million to the General Fund. Projected tax revenue for fiscal year 2015 also includes \$1.4 billion of individual income and \$1.2 billion of sales tax.

In order to improve and maintain the State's system of roads and highways, the Legislature in 2006 authorized the Idaho Transportation Board to issue Grant Anticipation Revenue Vehicle (GARVEE) bonds. The GARVEE program allows the planning, designing, and building of

more highway projects in less time than traditional funding methods. To date, \$740.4 million have been drawn from \$840.0 million in issued bonds; improvements to six major transportation corridors are in various stages of completion.

Major Initiatives

- The Department of Health and Welfare received an appropriation of \$2.5 billion in fiscal year 2015, an increase of 1 percent from the previous year. Medicaid spending represents 80.4 percent of the Department's total appropriation. Federal funding provided 64.8 percent of the Department's total appropriation. Health and Welfare received \$24.9 million in new funding. Federal funding will provide an additional \$27.8 million over fiscal year 2014. This new funding will:
 - Increase Medicaid program funding for increased costs associated with the Idaho population that is eligible for, but not yet enrolled in Medicaid, as required under the Patient Protection and Affordable Care Act.
 - Allow more units of care to be provided, with the goal of keeping individuals in the community rather than being cared for in a nursing home.
 - Set up and operate behavioral health community crisis centers.
 - Increase the number of welfare social workers to help keep children out of foster care.
- The Public Schools' appropriation is \$1.7 billion for fiscal year 2015, which includes a \$66.2 million increase from the General Fund. The 2014 appropriation provides:
 - An increase of \$27.3 million in total compensation for teachers.
 - A \$46.0 million General Fund increase to discretionary funds.
 - \$12.2 million for teacher professional development.
 - \$8.0 million for classroom technology.
- A total appropriation of \$227.6 million for the Department of Correction in fiscal year 2015 is an overall increase of 9.4 percent from the prior year. This increase will cover inmate population growth, increased medical coverage for inmates housed at the Idaho State

Correctional Center, and increased daily rates for inmates housed in county jails.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Idaho for its CAFR for the fiscal year ended June 30, 2013. This is the 17th consecutive year the State has achieved this prestigious award. To be awarded a Certificate of Achievement, the report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. The State Controller's Office is committed to this ongoing effort and intends to maintain a highly qualified and professional staff to make Idaho's certification possible.

The Public Employee Retirement System of Idaho (PERSI) has prepared a CAFR for the System for the last 23 years. The PERSI also received GFOA's Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2013.

The State Controller's Office takes great pride in the preparation of this comprehensive report. I am pleased to recognize the professionalism and dedication demonstrated by financial managers and accountants of the state agencies and component units, along with staff within the State Controller's Office. In addition, the auditing staff of the Legislative Services Office must be recognized for their independence, dedication, and professionalism. Credit must also be given to Governor Otter and other state leaders for their dedication towards the management of Idaho's finances.

Respectfully submitted,



Brandon D Woolf
Idaho State Controller

Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

State of Idaho

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

A handwritten signature in black ink, appearing to read "Jeffrey R. Enen".

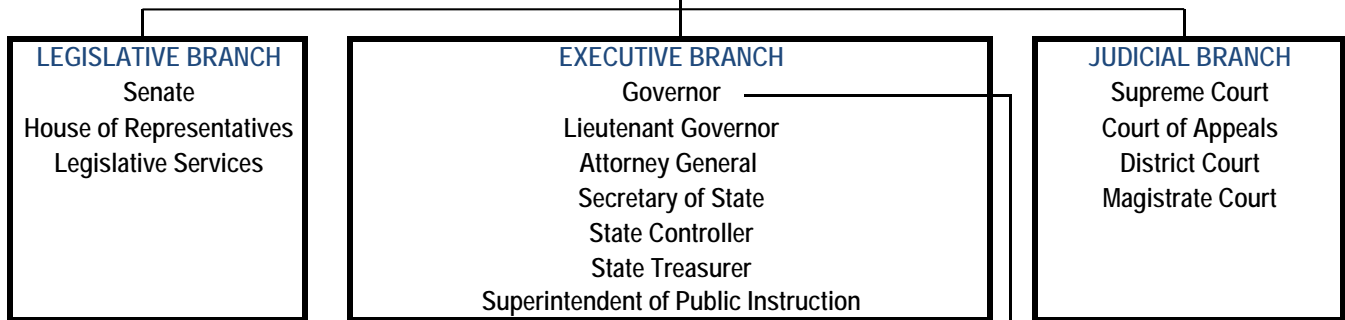
Executive Director/CEO



State Government Organization

IDAHO

Citizens of Idaho



State Entities by Function

General Government	Education	Natural Resources	Economic Development
Board of Tax Appeals Commissions: Aging Arts Blind and Visually Impaired Idaho Code Tax Uniform Laws Department of Administration Divisions of: Financial Management Human Resources Liquor Military Offices of: Drug Policy Species Conservation Public Employee Retirement System State Bar State Building Authority	Boise State University Division of Professional-Technical Education Eastern Idaho Technical College Idaho State University Lewis-Clark State College Public Broadcasting State Board of Education University of Idaho Vocational Rehabilitation	Departments of: Environmental Quality Fish and Game Lands Parks and Recreation Water Resources Endowment Fund Investment Board Office of Energy Resources Lava Hot Springs Foundation Wolf Control Board	Appellate Public Defender Boards of: Accountancy Dentistry Engineers and Surveyors Examiners Medicine Nursing Outfitters and Guides Pharmacy Veterinary Medicine Bureau of Occupational Licenses Commissions: Dairy Products Hispanic Affairs Industrial Libraries Potato Public Defender Public Utilities Real Estate Soil and Water Conservation Wheat Departments of: Agriculture Commerce Finance Insurance Labor Transportation Divisions of: Building Safety Veterans Services Idaho State Lottery State Historical Society
	Public Safety Brand Inspector Commissions: Pardons and Parole Racing Correctional Industries Departments of: Correction Juvenile Corrections Idaho State Police	Health and Human Services Catastrophic Health Care Department of Health and Welfare	



Statewide Elected Officials

IDAHO



C.L. "Butch" Otter
Governor



Ben Ysursa
Secretary of State



Brandon D Woolf
State Controller



Brad Little
Lieutenant Governor



Ron G. Crane
State Treasurer



Lawrence G. Wasden
Attorney General



Tom Luna
*Superintendent of
Public Instruction*



Scott Bedke
*Speaker,
Idaho House of
Representatives*



Roger S. Burdick
*Chief Justice,
Idaho Supreme Court*



Brent Hill
*President
Pro Tempore,
Idaho State Senate*



Financial Section



City of Rocks



Legislative Services Office

Idaho State Legislature

Eric Milstead
Director

Serving Idaho's Citizen Legislature

December 23, 2014

Independent Auditor's Report

Honorable C.L. "Butch" Otter, Governor
Honorable Members of the Legislature
Honorable Brandon D. Woolf, State Controller

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Idaho, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Boise State University, Eastern Idaho Technical College, Idaho State University, Lewis-Clark State College, University of Idaho and their respective component units, nor the Idaho Potato Commission, Idaho Dairy Products Commission, Idaho State Bar, Idaho Wheat Commission, Endowment Fund Investment Board, State Lottery Commission, Public Employee Retirement System of Idaho, Public Employees' Deferred Compensation Plan, Idaho Judges' Retirement Fund, IDEal Idaho College Savings Program, Idaho Individual Risk Reinsurance Pool, Idaho Small Employer Health Reinsurance Program, Idaho Health Insurance Exchange, State of Idaho Idle Pool, Local Government Investment Pool, Diversified Bond Fund, Idaho Building Authority, Bond Bank Authority, and the Idaho Housing and Finance Association, which represent total assets and revenues of the government-wide financial statements and total assets and revenues of the fund financial statements as follows:

<u>Government-Wide Financial Statements</u>	<u>Percent of Assets</u>	<u>Percent of Revenues</u>
Primary Government – Governmental Activities	37.0%	6.1%
Primary Government – Business-Type Activities	70.6%	66.2%
Aggregate Discretely Presented Component Units	98.8%	97.4%
 <u>Fund Financial Statements</u>	 <u>Percent of Assets</u>	 <u>Percent of Revenues</u>
Governmental Funds Land Endowments – Major Fund	100.0%	100.0%
Proprietary Funds College and Universities – Major Fund	100.0%	100.0%
Aggregate Remaining Fund Information	97.6%	84.4%

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

April Renfro, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for those agencies and component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Idaho, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Idaho's basic financial statements. The introductory section, the combining and individual fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund financial statements and schedules are fairly stated in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

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

Sincerely,

A handwritten signature in dark ink, appearing to read "April Renfro". The signature is fluid and cursive, with the first name "April" and last name "Renfro" clearly distinguishable.

April Renfro, CPA, Manager
Legislative Services Office, Audits Division

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the State's annual financial report presents our discussion and analysis of the State's financial performance during the fiscal year that ended June 30, 2014. Please read it in conjunction with the transmittal letter, which can be found on page vi of the Introductory Section and the financial statements which begin on page 14.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The *Statement of Net Position* reports all of the State's assets plus deferred outflows of resources minus liabilities and deferred inflows of resources, with the remainder reported as net position. Over time, increases or decreases in the State's net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this Statement for some items that will only result in cash flows in future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This Statement reports expenses and revenues in a format that focuses on the net cost of each function, allowing you to see which functions of the State draw upon the general revenues of the State and which functions contribute to the general revenues of the State.

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

Governmental activities encompass most of the State's basic services such as general government, public safety and correction, health and human services, education, economic development, and natural resources. Taxes and federal grants are the major funding sources for most of these activities.

Business-type activities account for operations that function in a manner similar to a private business, where all or a significant portion of costs are recovered through user fees and charges to external customers. These activities primarily include higher education, unemployment benefit payments, and loans to cities and counties to make improvements to wastewater and drinking water systems.

Discretely presented component units are organizations legally separate yet financially accountable to the State. Discretely presented component units include the Idaho Housing and Finance Association, the college and university foundations, the Petroleum Clean Water Trust Fund, the Idaho Individual High Risk Reinsurance Pool, the Idaho Small Employer Health Reinsurance Program, the Idaho Bond Bank Authority, and the Idaho Health Insurance Exchange.

Fund Financial Statements

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

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

Two schedules in the governmental fund financial statements reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities and

balances reported on the appropriate government-wide statements (accrual accounting). Comparing the information presented for governmental funds with similar information presented in the government-wide financial statements may provide a better understanding of the long-term impact of the State's near-term financing decisions.

Proprietary funds account for activities similar to for-profit enterprises, where the determination of net income is necessary for sound financial administration. 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 to other funds or departments of the primary government. Internal service funds are reported as governmental activities on the government-wide statements since their services predominantly benefit the State. Proprietary funds provide the same type of information as the government-wide financial statements, only in greater detail. As in the government-wide statements, proprietary fund financial statements use the accrual basis of accounting.

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

Notes to the Financial Statements

The notes to the financial statements beginning on page 38 provide additional information that is essential to an understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information that further supports the information in the financial statements. The

Required Supplementary Information section begins on page 100 and includes the following:

- Budgetary comparison schedules and note disclosure that show how the General, Health and Welfare, and Transportation funds presented in the governmental fund financial statements reconcile to the legally adopted budget
- Condition and maintenance data regarding the State's infrastructure reported using the modified approach
- Schedules of funding progress, employer contributions, and actuarial information related to the State's obligation to provide pension and postemployment benefits to certain employees

Other Supplementary Information

Combining financial statements, starting on page 107, are presented to provide more detail for nonmajor special revenue, capital projects, proprietary, and fiduciary funds. The total columns of these combining financial statements agree with the applicable combined fund financial statement.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Position

Net position measures the difference between assets and deferred outflows of resources versus liabilities and deferred inflows of resources. Net position may serve over time as a useful indicator of the State's financial position. The State's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$11.4 billion for the most recent fiscal year. The State's combined net position increased \$976.6 million over the course of this fiscal year's operations. Net position of governmental activities increased \$790.9 million and business-type activities net position increased \$185.7 million. Net position changes between the current and prior year are described in the governmental activities and business-type activities sections on page 9.

Net Position
June 30, 2014 and 2013
(dollars in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013*	2014	2013*	2014	2013*
Assets						
Current and Other Assets	\$ 5,188,091	\$ 4,476,802	\$ 1,789,510	\$ 1,592,451	\$ 6,977,601	\$ 6,069,253
Capital Assets	6,293,905	6,133,896	1,190,250	1,201,994	7,484,155	7,335,890
Total Assets	11,481,996	10,610,698	2,979,760	2,794,445	14,461,756	13,405,143
Deferred Outflows of Resources	11,495	6,824	8,626		20,121	6,824
Total Assets and Deferred Outflows of Resources	11,493,491	10,617,522	2,988,386	2,794,445	14,481,877	13,411,967
Liabilities						
Other Liabilities	1,337,543	1,234,603	222,463	155,954	1,560,006	1,390,557
Long-Term Liabilities	970,011	981,063	593,728	653,595	1,563,739	1,634,658
Total Liabilities	2,307,554	2,215,666	816,191	809,549	3,123,745	3,025,215
Deferred Inflows of Resources	-	6,824	1,634		1,634	6,824
Total Liabilities and Deferred Inflows of Resources	2,307,554	2,222,490	817,825	809,549	3,125,379	3,032,039
Net Position:						
Net Investment in						
Capital Assets	5,501,827	5,353,455	746,473	736,734	6,248,300	6,090,189
Restricted	2,612,352	2,291,086	1,133,594	986,730	3,745,946	3,277,816
Unrestricted	1,071,758	750,491	290,494	261,432	1,362,252	1,011,923
Total Net Position	\$ 9,185,937	\$ 8,395,032	\$ 2,170,561	\$ 1,984,896	\$ 11,356,498	\$ 10,379,928

*Amounts in these columns have been restated. More detailed information regarding net position can be found in Note 14.

The largest component of the State's net position, 55 percent (\$6.3 billion), reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, equipment, software, and capital assets in progress), net of accumulated depreciation and less any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets to provide services to citizens. These assets are not available for future spending.

Restricted net position is the next largest component, comprising 33 percent (\$3.7 billion). These resources are not available for general use due to restrictions placed on them by external parties such as creditors, grantors, or contributors; or by state law through constitutional provisions or enabling legislation.

The remaining 12 percent (\$1.4 billion) of net position represents unrestricted net position, which may be used

at the State's discretion but often has limitations on use based on state statutes.

At the end of the current fiscal year, the State reported positive balances in all three categories of net position for the State as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Change in Net Position

Over time, increases or decreases in the State's net position are an indicator of whether its financial health is improving or deteriorating. The following condensed financial information was derived from the current and prior year government-wide Statement of Activities and reflects how the State's net position changed during the fiscal year:

Change in Net Position
For the Fiscal Years Ended June 30, 2014 and 2013
(dollars in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percent Change
	2014	2013*	2014	2013*	2014	2013*	
Revenues							
Program Revenues							
Charges for Services	\$ 698,931	\$ 635,402	\$ 1,112,176	\$ 1,139,093	\$ 1,811,107	\$ 1,774,495	2.1
Operating Grants and Contributions	2,941,720	2,828,808	305,150	383,575	3,246,870	3,212,383	1.1
Capital Grants and Contributions	5,317	10,492	17,594	38,364	22,911	48,856	(53.1)
General Revenues							
Sales Tax	1,400,547	1,315,002			1,400,547	1,315,002	6.5
Individual and Corporate Taxes	1,739,957	1,533,850			1,739,957	1,533,850	13.4
Other Taxes	475,913	458,154			475,913	458,154	3.9
Other	41,824	44,054			41,824	44,054	(5.1)
Total Revenues	7,304,209	6,825,762	1,434,920	1,561,032	8,739,129	8,386,794	4.2
Expenses							
General Government	513,746	470,836			513,746	470,836	9.1
Public Safety and Correction	364,998	353,585			364,998	353,585	3.2
Health and Human Services	2,592,563	2,532,626			2,592,563	2,532,626	2.4
Education	1,756,231	1,707,233			1,756,231	1,707,233	2.9
Economic Development	785,184	811,193			785,184	811,193	(3.2)
Natural Resources	247,294	245,452			247,294	245,452	0.8
Interest Expense	51,600	49,961			51,600	49,961	3.3
College and University			990,777	986,269	990,777	986,269	0.5
Unemployment Compensation			144,190	252,666	144,190	252,666	(42.9)
Loan			7,915	8,487	7,915	8,487	(6.7)
State Lottery			162,144	150,599	162,144	150,599	7.7
State Liquor			137,906	135,565	137,906	135,565	1.7
Correctional Industries			8,011	7,677	8,011	7,677	4.4
Total Expenses	6,311,616	6,170,886	1,450,943	1,541,263	7,762,559	7,712,149	0.7
Increase (Decrease) in Net Position							
before Special Item and Transfers	992,593	654,876	(16,023)	19,769	976,570	674,645	44.8
Special Item				(80,990)		(80,990)	(100.0)
Transfers	(201,688)	(195,507)	201,688	195,507			
Change in Net Position	790,905	459,369	185,665	134,286	976,570	593,655	64.5
Net Position, Beginning							
of Year, as Restated	8,395,032	7,935,663	1,984,896	1,850,610	10,379,928	9,786,273	6.1
Net Position, End of Year	\$ 9,185,937	\$ 8,395,032	\$ 2,170,561	\$ 1,984,896	\$ 11,356,498	\$ 10,379,928	9.4

*Amounts in these columns have been restated.

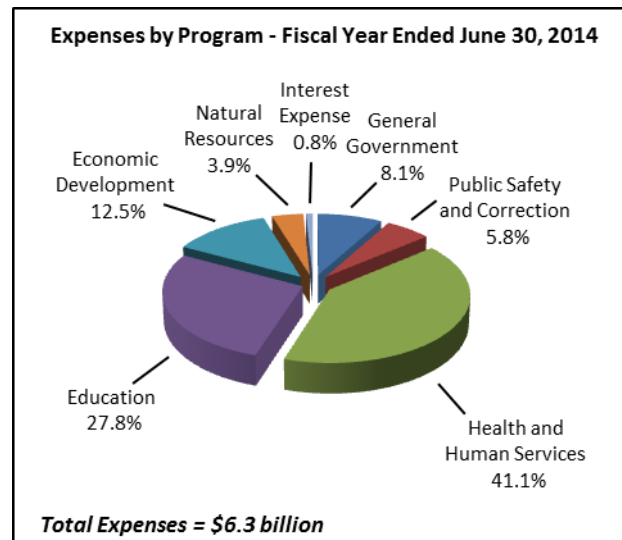
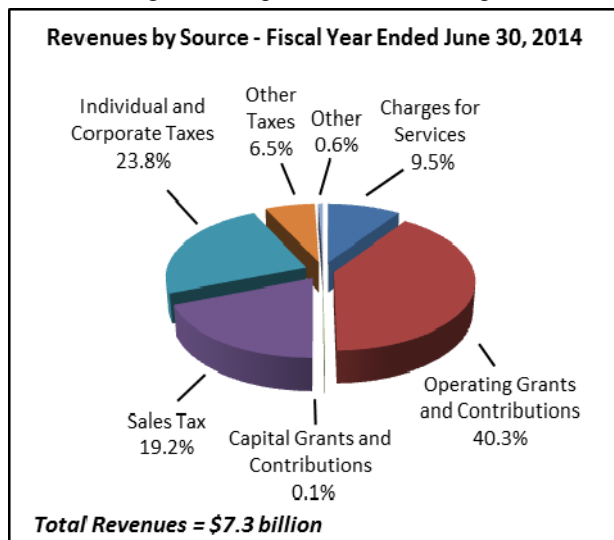
The Total Percent Change column shows the percentage change in operation from fiscal year 2013 to 2014 for each line item. Readers should be cautious when using this column to evaluate the overall change in net position. Although a line may show a large percentage change (e.g., negative 53.1 percent for Capital Grants and Contributions of negative \$25.9 million), it may not have as significant of an effect on the overall change in net position as a change in a more material line item with a smaller percentage change (e.g., 2.4 percent for Health and Human Services of \$59.9 million).

Governmental Activities

The overall financial position for Governmental Activities improved during the fiscal year, as evidenced by the 9.4 percent (\$790.9 million) increase in net position. The key elements of this increase include an increase of 13.4 percent (\$206.1 million) in individual and corporate tax revenue and an increase of 6.5 percent (\$85.5 million) in sales tax revenue. Revenues for operating grants and contributions increased by 4 percent (\$112.9 million) from the prior year primarily due to an increase in the fair market value of Endowment

Fund Investment Board investments. Increased revenues were offset by an increase in expenditures for health and human services by 2.4 percent (\$59.9 million) from the prior year due to increased medical assistance payments for Medicaid and rehabilitation services. In addition, expenditures increased in education by 2.9 percent (\$49.0 million) primarily due to a \$25.6 million increase in the public school distribution for fiscal year 2014 and an increase in K-12 education expenditures of \$14.1 million from federal grants.

The following charts depict revenues and expenses of the governmental activities:



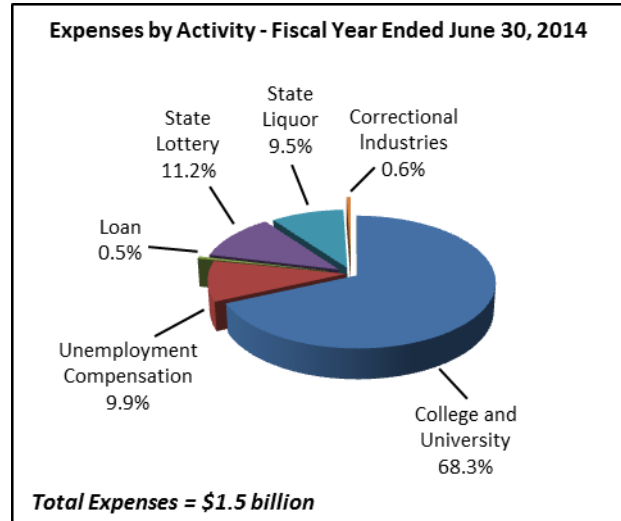
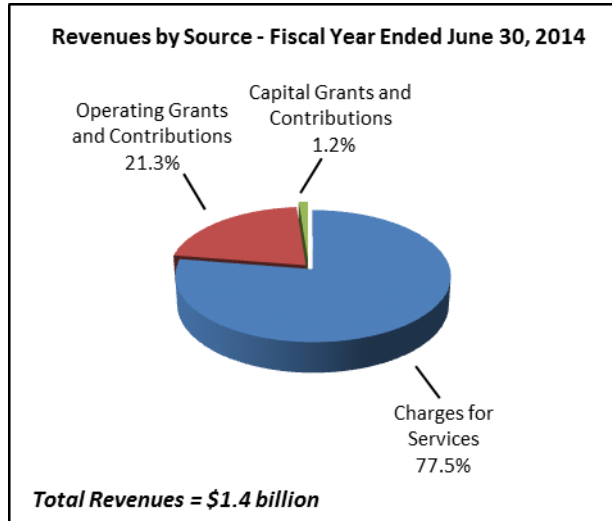
Business-Type Activities

Business-type activities' net position increased by 9.4 percent (\$185.7 million) during the fiscal year. The largest changes were seen in the following funds:

- College and University fund net position increased by 4.3 percent (\$43.1 million) from the prior year balance of \$1,010.9 million primarily due to an \$11.0 million increase in student tuition and fees and a \$10.7 million legislative appropriation increase. These increases were offset by a \$20.8 million reduction in capital contributions and a \$5.9 million decrease in benefits, awards, and premiums expenditures.

- The Unemployment Compensation fund net position increased by 27.4 percent (\$114.2 million), from the previous year's balance of \$417.0 million. The increase was due mainly to a reduction in unemployment benefit payments of \$106.5 million. As the jobless rate continued falling in 2014 so did benefit payments. The reduction in benefit payments also reduced federal employment security revenue by \$60.5 million. In addition, assessment collections decreased by \$62.4 million due to a reduction in the employer contribution rate.

The following charts depict revenues and expenses of the business-type activities:



FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

At the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$3.3 billion, an increase of \$349.7 million in comparison with fiscal year 2013. The governmental fund balance is classified as follows:

- *Nonspendable* either due to its form or legal constraints such as permanent trusts: \$1.5 billion (43.8 percent)
- *Restricted* for a specific purpose either by creditors, grantors, constitutional provisions, or enabling legislation: \$1.1 billion (33 percent)
- *Committed* for specific purposes by the Legislature or for satisfying contractual requirements: \$342.5 million (10.3 percent)
- *Assigned* for a specific purpose as that intent is expressed by the Legislature or a governing body or official to whom the Legislature has delegated the authority: \$55.6 million (1.6 percent)
- *Unassigned* is the General Fund balance that has not been designated for another fund and that has not been restricted, committed, or assigned to a specific purpose within the General Fund: \$374.5 million (11.3 percent)

Changes in the fund balance noted above are described by major fund type as follows:

- The General Fund is the chief operating fund of the State. During the fiscal year fund balance increased 7.3 percent (\$66.1 million) primarily due to an increase in sales tax revenue of \$60.2 million and a \$9.7 million increase in the investment fair market

value of the millennium permanent endowment. These increases were offset by a decrease in individual and corporate income tax revenue of \$34.0 million, an increase in education expenditures of \$35.4 million, and an increase in intergovernmental revenue sharing expenditures of \$33.6 million, mainly due to sales tax distributions.

- The Health and Welfare fund balance decreased by \$6.9 million during the fiscal year primarily due to a \$28.9 million decrease in federal grant revenue. This decrease was offset by a \$13.9 million increase in the sales of goods and services revenue and a \$26.1 million decrease in machinery and equipment expenditures.
- The Transportation fund balance decreased 0.5 percent (\$1.0 million) during the fiscal year primarily due to a \$9.9 million increase in general consultant fees. This increase was offset by a \$17.7 million increase in fuel tax revenue and a \$14.6 million decrease in capital outlay expenditures.
- The Land Endowments fund balance increased 20.3 percent (\$296.0 million) from the prior year. Income revenue from investments increased 5.7 percent (\$1.8 million). The fair market value of investments increased from the previous year by \$89.4 million due to a rise in stock prices.
- The Nonmajor Governmental fund balance decreased 1.2 percent (\$4.7 million) during the fiscal year partly due to a \$12.6 million increase in education expenditures, a \$9.3 million increase in building repair and maintenance expenditures, and a \$9.6 million increase in GARVEE infrastructure

expenditures. These increased expenditures were offset by a decrease in economic development general services expenditures of \$10.8 million and a \$13.4 million decrease in intergovernmental revenue sharing from federal grants.

Proprietary Funds

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The State does not adopt a revenue budget; therefore, the Budgetary Comparison Schedule reflects budgeted revenues as being equal to actual revenues. General Fund receipts for the fiscal year were \$7.2 million more than forecasted. The difference between forecasted and actual revenues collected was due to higher than predicted collections in individual income tax revenue of \$9.5 million (0.7 percent) and miscellaneous revenue of \$5.8 million (5.6 percent). Increased collections were partially offset by lower than predicted collections in sales tax revenue of \$2.3 million (negative 0.2 percent), corporate income tax revenue of \$5.5 million (negative 2.9 percent) and product tax revenue of \$0.2 million (negative 0.4 percent). The cash balance carried over into fiscal year 2015 was \$26.9 million. Overall, General Fund receipts were \$94.0 million more in fiscal year 2014 than in fiscal year 2013.

The original expenditures budget amount on the Budgetary Comparison Schedule represents the original appropriation, prior year reappropriations, and continuous appropriations. The final budget amount includes the original budget plus supplemental (positive or negative) appropriations, Governor's holdbacks, Board of Examiners reductions, object transfers, activity transfers, and receipts to the appropriation. The variance between the final budget and actual spending was a favorable \$144.8 million (4.7 percent). The natural resources function within the General Fund reported a negative variance of \$18.5 million stemming from fire suppression deficiency warrants. This deficit is allowed by statute and will be funded with future appropriations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014 the State had \$7.5 billion (net of accumulated depreciation) invested in a broad range of capital assets, as can be seen in the table below. Depreciation expense for this fiscal year totaled \$158.2 million.

Capital Assets as of June 30, 2014 and 2013

(Net of depreciation, dollars in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013*	2014	2013*	2014	2013*
Land and Land Use Rights	\$ 1,068,026	\$ 1,057,069	\$ 126,685	\$ 123,581	\$ 1,194,711	\$ 1,180,650
Capital Assets in Progress	1,063,528	935,161	16,969	39,150	1,080,497	974,311
Infrastructure--not Depreciated	2,566,070	2,552,656			2,566,070	2,552,656
Historical Art and Collections	122	122	2,333	2,322	2,455	2,444
Buildings and Improvements	590,997	592,590	910,984	902,635	1,501,981	1,495,225
Improvements Other Than Buildings	67,329	66,565	30,354	31,120	97,683	97,685
Machinery, Equipment, and Other	237,064	239,996	102,925	103,185	339,989	343,181
Infrastructure--Depreciated	700,769	691,680			700,769	691,680
Total	\$ 6,293,905	\$ 6,135,839	\$ 1,190,250	\$ 1,201,993	\$ 7,484,155	\$ 7,337,832

*These columns have been restated. More detailed information can be found in Note 6.

This year's major capital asset additions include \$208.7 million spent for infrastructure assets, which includes capital assets in progress (\$162.7 million), roadways (\$13.4 million), rights-of-way (\$10.2 million), and bridges (\$22.4 million); and \$1.4 million spent for

health and welfare software development and implementation.

The State uses the traditional method of depreciation for its 1,824 bridges and 41 rest areas or ports of entry. The

State adopted the modified approach for reporting roads. Under this alternative method certain maintenance and preservation costs are expensed, and depreciation expense is not reported. Approximately 12,236 lane miles of roads are accounted for under the modified approach. The State manages its roadway network using its Pavement Management System to monitor road surface condition. The roadway surface condition is determined using three pavement condition data elements: international roughness index, rutting depth, and pavement distress (cracking). Roadway surface is categorized as good, fair, poor, or very poor. The State's established condition level is to have no more than 30 percent of pavement in poor or very poor condition. The latest condition assessment rating showed that the State had 14.3 percent of its road surfaces in poor or very poor condition, a slight increase from the 13.6 percent condition assessment in calendar year 2012. During fiscal year 2014 the State spent \$107.7 million to maintain Idaho's road surfaces. This amount is 12.3 percent (\$15.1 million) less than the estimated amount of \$122.8 million to maintain Idaho's road surfaces. More detailed information about the State's capital assets is presented in Notes 1 and 6 to the financial statements and in the Required Supplementary Information.

Long-Term Debt

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

Idaho Code Title 40 addresses the increasing need for timely improvements to Idaho's highway infrastructure. The Idaho Transportation Board, with the approval of the Legislature, can approve debt financing for transportation infrastructure projects utilizing future federal-aid highway revenues. Opinions have been received from the Office of the Attorney General, based on the Idaho Supreme Court decision in *Ada County v. Wright*, to the effect that this procedure does not create a liability of the State in violation of the Idaho Constitution.

New debt resulted from the Idaho Transportation Department issuing \$65.5 million in notes payable for highway projects.

Moody's Investors Service has assigned the State of Idaho an issuer rating of Aa1 with a stable outlook. Idaho currently has no general obligation debt outstanding. The State's Tax Anticipation Notes, which carry the faith and credit pledge of the State, are rated MIG 1. The rating for the state building revenue bonds issued by the Idaho State Building Authority is rated Aa2, with a stable outlook. More detailed information about the State's long-term debt is presented in Notes 1 and 13 to the financial statements.

ECONOMIC FACTS AND NEXT YEAR'S BUDGET

Idaho's unemployment rate dropped another two-tenths to 4.5 percent in September 2014, the lowest since May 2008, as more than 2,000 workers left the labor force. The decline in the labor force dropped the participation rate another two-tenths to 63.3 percent, the lowest since August 1976. The national unemployment rate in September was 5.9 percent. Idaho's rate has remained below the national rate for 13 years. Total state employment in September was between 741,000 and 742,000.

The Idaho Legislature faced continued economic growth, a welcomed trend since the recession years. Idaho's economic forecast called for modest growth in revenues for the fourth straight year. An optimistic economic outlook set the stage for a budget process that was able to increase overall spending by 5.6 percent.

The overall General Fund budget for fiscal year 2015 is \$2.9 billion (5.6 percent increase). Public schools received a General Fund appropriation of \$1.4 billion (5.1 percent increase); colleges and universities received \$251.2 million (6.6 percent increase); Medicaid received \$492.3 million (3.1 percent increase); and corrections received \$204.2 million (11 percent increase). The Legislature approved a 2 percent salary increase for state employees made up of a 1 percent one-time increase with the other 1 percent increase permanent. The State's cash reserves were increased by \$36.0 million during fiscal year 2014.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

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

Basic Financial Statements



Craters of the Moon

Statement of Net Position

June 30, 2014

(dollars in thousands)

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Cash Equivalents	\$8,848	\$515,111	\$523,959
Pooled Cash and Investments	1,227,605	237,078	1,464,683
Investments	1,955,279	238,877	2,194,156
Securities Lending Collateral	565,869	74,220	640,089
Accounts Receivable, Net	95,121	142,278	237,399
Taxes Receivable, Net	625,416		625,416
Internal Balances	11,864	(11,864)	
Due from Other Entities	225,105		225,105
Inventories and Prepaid Items	55,418	27,303	82,721
Due from Primary Government			
Due from Component Unit		3,519	3,519
Loans, Notes, and Pledges Receivable, Net	6,938	330,106	337,044
Other Assets	16,711	11,402	28,113
Restricted Assets:			
Cash and Cash Equivalents	130,159	101,566	231,725
Investments	263,758	119,914	383,672
Capital Assets:			
Nondepreciable	4,697,746	145,987	4,843,733
Depreciable, Net	1,596,159	1,044,263	2,640,422
Total Assets	11,481,996	2,979,760	14,461,756
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows	11,495	8,626	20,121
Total Assets and Deferred Outflows of Resources	\$11,493,491	\$2,988,386	\$14,481,877
LIABILITIES			
Accounts Payable	\$375,055	\$26,344	\$401,399
Payroll and Related Liabilities	50,404	50,705	101,109
Medicaid Payable	110,655		110,655
Due to Other Entities	90,207	6,834	97,041
Unearned Revenue	54,402	43,716	98,118
Amounts Held in Trust for Others	30,780	3,599	34,379
Due to Primary Government			
Due to Component Unit		644	644
Obligations Under Securities Lending	574,176	75,309	649,485
Other Accrued Liabilities	51,864	15,312	67,176
Long-Term Liabilities:			
Due Within One Year	146,660	90,887	237,547
Due in More Than One Year	823,351	502,841	1,326,192
Total Liabilities	2,307,554	816,191	3,123,745
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows		1,634	1,634
NET POSITION			
Net Investment in Capital Assets	5,501,827	746,473	6,248,300
Restricted for:			
Claims and Judgments	27,089		27,089
Debt Service	4,367	553	4,920
Transportation	213,209		213,209
Regulatory	68,117		68,117
Natural Resources and Recreation	138,189	492,576	630,765
Unemployment Compensation		531,217	531,217
Permanent Trust - Expendable	354,233	52,477	406,710
Permanent Trust - Nonexpendable	1,630,452		1,630,452
Other Purposes	176,696	56,771	233,467
Unrestricted	1,071,758	290,494	1,362,252
Total Net Position	9,185,937	2,170,561	11,356,498
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$11,493,491	\$2,988,386	\$14,481,877

Component Units
\$73,323
1,970
579,865
23,481
9,804
1,911
723,044
1,229,430
9,205
40,596
266,641
14,349
37,399
3,011,018
80,915
\$3,091,933
\$11,520
675
22,203
38,471
377
198,288
156,855
1,914,601
2,342,990
2,501
29,725
135,850
162,700
314,545
67,284
36,338
746,442
\$3,091,933

Statement of Activities

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

		Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
	Expenses			
FUNCTIONS				
Primary Government				
Governmental Activities				
General Government	\$513,746	\$90,314	\$101,314	\$25
Public Safety and Correction	364,998	41,945	13,065	1,124
Health and Human Services	2,592,563	104,968	1,802,807	
Education	1,756,231	14,539	269,064	87
Economic Development	785,184	271,894	394,535	2,300
Natural Resources	247,294	175,271	360,935	1,781
Interest Expense	51,600			
Total Governmental Activities	6,311,616	698,931	2,941,720	5,317
Business-Type Activities				
College and University	990,777	459,380	276,408	17,594
Unemployment Compensation	144,190	258,072	13,427	
Loan	7,915	11,328	15,315	
State Lottery	162,144	209,642		
State Liquor	137,906	165,892		
Correctional Industries	8,011	7,862		
Total Business-Type Activities	1,450,943	1,112,176	305,150	17,594
Total Primary Government	\$7,762,559	\$1,811,107	\$3,246,870	\$22,911
Component Units				
Idaho Housing and Finance Association	\$163,949	\$114,780	\$47,852	
College and University Foundation	57,256	1,628	112,268	
Petroleum Clean Water Trust	1,505	2,207		
Health Reinsurance	14,053	9,425	827	
Bond Bank Authority	15,256	14,609		
Health Insurance Exchange	13,857	1,203	25,084	
Total Component Units	\$265,876	\$143,852	\$186,031	
GENERAL REVENUES				
Sales Tax				
Individual and Corporate Taxes				
Fuel Tax				
Other Taxes				
Tobacco Settlement				
Unrestricted Investment Earnings				
Payments from State of Idaho				
Permanent Endowment Contributions				
Transfers				
Total General Revenues, Contributions, and Transfers				
Change in Net Position				
Net Position - Beginning of Year, as Restated				
Net Position - End of Year				

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
(\$322,093)		(\$322,093)	
(308,864)		(308,864)	
(684,788)		(684,788)	
(1,472,541)		(1,472,541)	
(116,455)		(116,455)	
290,693		290,693	
(51,600)		(51,600)	
(2,665,648)		(2,665,648)	
	(\$237,395)	(237,395)	
	127,309	127,309	
	18,728	18,728	
	47,498	47,498	
	27,986	27,986	
	(149)	(149)	
	(16,023)	(16,023)	
(2,665,648)	(16,023)	(2,681,671)	
			(\$1,317)
			56,640
			702
			(3,801)
			(647)
			12,430
			64,007
1,400,547		1,400,547	
1,739,957		1,739,957	
262,479		262,479	
213,434		213,434	
27,450		27,450	
14,374		14,374	
			3,801
			2,692
(201,688)	201,688		
3,456,553	201,688	3,658,241	6,493
790,905	185,665	976,570	70,500
8,395,032	1,984,896	10,379,928	675,942
\$9,185,937	\$2,170,561	\$11,356,498	\$746,442

Balance Sheet

Governmental Funds

June 30, 2014

(dollars in thousands)

	General	Health and Welfare	Transportation	Land Endowments
ASSETS				
Cash and Cash Equivalents	\$1,468		\$7	
Pooled Cash and Investments	802,684	\$21,814	121,160	\$13,427
Investments	34,748		72,725	1,746,383
Securities Lending Collateral	289,730	21,798	73,626	6,294
Accounts Receivable, Net	22,483	37,248	3,870	12,784
Taxes Receivable, Net	591,734	138	29,041	
Interfund Receivables	7,057			
Due from Other Entities		131,082	17,784	
Inventories and Prepaid Items	11,923	5,375	18,566	3,615
Loans, Notes, and Pledges Receivable, Net	2,228		439	
Other Assets	1,434	111	599	4,624
Restricted Assets:				
Cash and Cash Equivalents	2,698	6,879	39,558	
Investments	220,257	3,920		
Total Assets	1,988,444	228,365	377,375	1,787,127
Total Assets and Deferred Outflows of Resources	\$1,988,444	\$228,365	\$377,375	\$1,787,127
LIABILITIES				
Accounts Payable	\$235,487	\$22,776	\$28,447	\$23,077
Payroll and Related Liabilities	17,034	10,686	6,419	
Medicaid Payable		110,655		
Interfund Payables	2,288	1,106	598	
Due to Other Entities	62,756	10	27,359	3
Unearned Revenue	8,212		7,632	
Amounts Held in Trust for Others	23,566	5,937	106	
Obligations Under Securities Lending	293,983	22,118	74,707	6,387
Other Accrued Liabilities	1,283	6,613	8,411	1
Total Liabilities	644,609	179,901	153,679	29,468
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows	377,112	54,088	8,165	
Fund Balances				
Nonspendable:				
Permanent Trusts				1,399,811
Inventories and Prepaid Items	11,923	5,375	18,566	3,615
Noncurrent Receivables	89			
Restricted	252,627		194,525	354,233
Committed	263,443	55	2,440	
Assigned	53,086			
Unassigned	385,555	(11,054)		
Total Fund Balances	966,723	(5,624)	215,531	1,757,659
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$1,988,444	\$228,365	\$377,375	\$1,787,127

Nonmajor Governmental	Total
\$7,373	\$8,848
233,268	1,192,353
70,273	1,924,129
144,893	536,341
18,607	94,992
4,503	625,416
1,116	8,173
76,239	225,105
13,646	53,125
4,271	6,938
1,364	8,132
53,935	103,070
39,581	263,758
669,069	5,050,380
\$669,069	\$5,050,380
\$64,882	\$374,669
15,461	49,600
	110,655
1,563	5,555
65	90,193
24,066	39,910
1,171	30,780
147,020	544,215
2,801	19,109
257,029	1,264,686
22,280	461,645
2,855	1,402,666
13,646	53,125
	89
294,195	1,095,580
76,587	342,525
2,477	55,563
	374,501
389,760	3,324,049
\$669,069	\$5,050,380



Reconciliation of the Governmental Funds Balance Sheet**To the Statement of Net Position****June 30, 2014***(dollars in thousands)***Total Fund Balances - Governmental Funds**

\$3,324,049

Amounts reported for governmental activities in the Statement of Net Position 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 and Land Use Rights	\$1,068,026	
Capital Assets in Progress	1,063,354	
Infrastructure	3,498,966	
Historical Art and Collections	72	
Buildings and Improvements	937,475	
Improvements Other Than Buildings	109,394	
Machinery, Equipment, and Other	564,858	
Accumulated Depreciation	(963,224)	
Total Capital Assets		6,278,921

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

16,822

Deferred Outflows of Resources benefit future periods and are not reported in the funds.

The deferred outflows of resources consist of the following:

Debt Defeasance	5,381	
Hedging Derivatives	6,114	
Total Deferred Outflows of Resources		11,495

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 Position.

77,528

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:

Compensated Absences Payable	(48,632)	
Bonds, Notes, and Capital Leases Payable	(789,156)	
Accrued Interest on Bonds	(32,620)	
Claims and Judgments	(69,495)	
Other Long-Term Liabilities	(44,620)	
Total Long-Term Liabilities		(984,523)

Deferred Inflows of Resources benefit future periods.

The deferred inflows of resources consist of the following:

Unavailable Revenue	461,645	
Total Deferred Inflows of Resources		461,645

Net Position - Governmental Activities\$9,185,937

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014
(dollars in thousands)

	General	Health and Welfare	Transportation	Land Endowments
REVENUES				
Sales Tax	\$1,373,750			
Individual and Corporate Taxes	1,497,935			
Other Taxes	63,184	\$28,627	\$244,729	
Licenses, Permits, and Fees	18,614	24,562	130,376	
Sale of Goods and Services	29,451	82,492	7,264	\$90,231
Grants and Contributions	15,627	1,826,144	309,423	
Investment Income	44,083	183	1,489	273,761
Tobacco Settlement	27,450			
Other Income	40,581	1,144	3,351	
Total Revenues	3,110,675	1,963,152	696,632	363,992
EXPENDITURES				
Current:				
General Government	140,422			
Public Safety and Correction	270,372	4,642		
Health and Human Services	34,999	2,525,053		
Education	1,483,353			
Economic Development	41,230		199,865	
Natural Resources	41,938			31,046
Capital Outlay	41,174	18,026	311,450	
Intergovernmental Revenue Sharing	254,714	39,350	134,449	
Debt Service:				
Principal Retirement	1,086		24,203	
Interest and Other Charges	12,012	1	28,687	
Total Expenditures	2,321,300	2,587,072	698,654	31,046
Revenues Over (Under) Expenditures	789,375	(623,920)	(2,022)	332,946
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Capital Lease Acquisitions				
Sale of Capital Assets	298	131	16,900	11,945
Transfers In	190,089	620,650		
Transfers Out	(913,625)	(3,728)	(15,871)	(48,845)
Total Other Financing Sources (Uses)	(723,238)	617,053	1,029	(36,900)
Net Changes in Fund Balances	66,137	(6,867)	(993)	296,046
Fund Balances - Beginning of Year, as Restated	900,586	1,243	216,524	1,461,613
Fund Balances - End of Year	\$966,723	(\$5,624)	\$215,531	\$1,757,659

Nonmajor Governmental	Total
\$5,355	\$1,379,105
	1,497,935
133,686	470,226
151,620	325,172
51,051	260,489
506,949	2,658,143
5,319	324,835
	27,450
15,940	61,016
869,920	7,004,371

61,232	201,654
63,851	338,865
	2,560,052
249,910	1,733,263
193,942	435,037
145,828	218,812
98,167	468,817
60,072	488,585
27,045	52,334
8,226	48,926
908,273	6,546,345
(38,353)	458,026

65,457	65,457
9	9
1,108	30,382
44,579	855,318
(77,473)	(1,059,542)
33,680	(108,376)
(4,673)	349,650
394,433	2,974,399
\$389,760	\$3,324,049



**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, 2014**

(dollars in thousands)

Net Change in Fund Balances - Governmental Funds

\$349,650

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	\$264,865	
Depreciation Expense	(88,162)	
		176,703

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. (15,643)

Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. 272,393

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 Position. In the current year the following debt was incurred:

Bonds and Notes	(65,457)	
Capital Leases	(9)	
		(65,466)

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 Position. In the current year these amounts consisted of:

Bond and Note Principal	50,790	
Capital Leases	1,544	
		52,334

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. Some expenditures reported in the governmental funds either increase or decrease long-term liabilities reported in the Statement of Net Position. In the current year these amounts consisted of:

Accrued Interest and Amortization	(2,817)	
Compensated Absences	(1,163)	
Claims and Judgments	26,829	
Other Long-Term Liabilities	(545)	
		22,304

Internal service funds are reported separately from governmental fund in the funds statements. In the government-wide statements, internal service funds are included with governmental activities. (1,370)

Change in Net Position - Governmental Activities

\$790,905

Statement of Net Position

Proprietary Funds

June 30, 2014

(dollars in thousands)

	Business-Type Activities--Enterprise Funds			
	College and University	Unemployment Compensation	Loan	Nonmajor Enterprise Funds
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$73,705	\$437,895	\$725	\$2,786
Pooled Cash and Investments	125,986	63,130	33,265	14,697
Investments	89,228			
Restricted Investments	601			
Securities Lending Collateral		30,354	36,933	6,933
Accounts Receivable, Net	63,496	75,422	1,126	2,234
Interfund Receivables	3,481	180		72
Inventories and Prepaid Items	9,402			17,901
Due from Component Unit	3,142			
Loans, Notes, and Pledges Receivable, Net	3,954		10,256	
Other Current Assets	884	134	4,734	161
Total Current Assets	373,879	607,115	87,039	44,784
Noncurrent Assets				
Restricted Cash and Cash Equivalents	11,366		42,461	47,739
Investments	90,260	58,164	1,225	
Restricted Investments			119,313	
Due from Component Unit	377			
Loans, Notes, and Pledges Receivable, Net	20,177		295,719	
Other Noncurrent Assets	5,484			5
Capital Assets, Net	1,143,767		32,530	13,953
Total Noncurrent Assets	1,271,431	58,164	491,248	61,697
Total Assets	1,645,310	665,279	578,287	106,481
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows	8,626			
Total Assets and Deferred Outflows of Resources	\$1,653,936	\$665,279	\$578,287	\$106,481
LIABILITIES				
Current Liabilities				
Accounts Payable	\$14,702		\$4	\$11,638
Payroll and Related Liabilities	49,883			822
Interfund Payables	1,168			5,934
Due to Other Entities		\$14	17	6,803
Unearned Revenue	28,743		14,973	
Amounts Held in Trust for Others	3,599			
Due to Component Unit	644			
Obligations Under Securities Lending		30,799	37,476	7,034
Other Accrued Liabilities	7,422	5,234	159	2,497
Compensated Absences Payable	20,164			680
Bonds, Notes, and Capital Leases Payable	21,475	47,940	450	38
Policy Claim Liabilities				
Other Long-Term Obligations - Current	140			
Total Current Liabilities	147,940	83,987	53,079	35,446
Noncurrent Liabilities				
Bonds, Notes, and Capital Leases Payable	430,656	50,075	2,065	29
Policy Claim Liabilities				
Other Long-Term Obligations	19,669			347
Total Noncurrent Liabilities	450,325	50,075	2,065	376
Total Liabilities	598,265	134,062	55,144	35,822
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows	1,634			
NET POSITION				
Net Investment in Capital Assets	702,571		30,014	13,888
Restricted for:				
Claims and Judgments				
Debt Service			553	
Unemployment Compensation		531,217		
Permanent Trust - Expendable	52,477			
Other Purposes			492,576	56,771
Unrestricted	298,989			
Total Net Position	1,054,037	531,217	523,143	70,659
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$1,653,936	\$665,279	\$578,287	\$106,481

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

Governmental Activities	
Total	Internal Service Funds
\$515,111	
237,078	\$35,252
89,228	
601	
74,220	29,528
142,278	129
3,733	757
27,303	2,293
3,142	
14,210	
5,913	249
1,112,817	68,208
101,566	27,089
149,649	31,150
119,313	
377	
315,896	
5,489	3
1,190,250	14,984
1,882,540	73,226
2,995,357	141,434
8,626	
\$3,003,983	\$141,434
\$26,344	\$386
50,705	804
7,102	6
6,834	14
43,716	14,492
3,599	
644	
75,309	29,961
15,312	135
20,844	834
69,903	210
	5,928
140	
320,452	52,770
482,825	2,498
	8,377
20,016	261
502,841	11,136
823,293	63,906
1,634	
746,473	12,274
	27,089
553	
531,217	
52,477	
549,347	33,803
298,989	4,362
2,179,056	77,528
\$3,003,983	\$141,434

The amount reported for the total net position on this statement differs from the amount reported for Business-Type Activities on the government-wide Statement of Net Position because of an \$8,495 consolidation adjustment for internal service fund activities on the government-wide statement.

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

Proprietary Funds

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

	Business-Type Activities--Enterprise Funds			
	College and University	Unemployment Compensation	Loan	Nonmajor Enterprise Funds
OPERATING REVENUES				
Assessments		\$247,802		
Licenses, Permits, and Fees	\$385,522		\$2,147	\$4
Scholarship Allowances	(76,217)			
Sale of Goods and Services	128,506		1,922	382,904
Grants and Contributions	144,983	13,427	15,315	
Other Income	10,702			438
Total Operating Revenues	593,496	261,229	19,384	383,346
OPERATING EXPENSES				
Personnel Costs	592,927			15,317
Services and Supplies	232,877	21	1,570	121,671
Benefits, Awards, and Premiums	61,603	140,770		133,232
Depreciation	66,810		207	1,337
Other Expenses	15,982		23	5,997
Total Operating Expenses	970,199	140,791	1,800	277,554
Operating Income (Loss)	(376,703)	120,438	17,584	105,792
NONOPERATING REVENUES (EXPENSES)				
Gifts and Grants	131,425			
Investment Income	4,555	10,270	7,259	49
Interest Expense	(19,671)	(3,399)	(151)	(5)
Intergovernmental Distributions			(5,964)	(30,500)
Gain (Loss) on Sale of Capital Assets	(907)			7
Other Nonoperating Revenues (Expenses)	6,312			(8)
Total Nonoperating Revenues (Expenses)	121,714	6,871	1,144	(30,457)
Income (Loss) Before Contributions, and Transfers	(254,989)	127,309	18,728	75,335
Capital Contributions	17,594			
Transfers In	280,824		13,884	
Transfers Out	(281)	(13,068)	(2,164)	(77,507)
Change in Net Position	43,148	114,241	30,448	(2,172)
Total Net Position - Beginning of Year, as Restated	1,010,889	416,976	492,695	72,831
Total Net Position - End of Year	\$1,054,037	\$531,217	\$523,143	\$70,659

Governmental Activities	
Total	Internal Service Funds
\$247,802	
387,673	
(76,217)	
513,332	\$262,607
173,725	82
11,140	106
1,257,455	262,795
608,244	13,196
356,139	22,774
335,605	228,609
68,354	1,728
22,002	1,142
1,390,344	267,449
(132,889)	(4,654)
131,425	
22,133	859
(23,226)	(131)
(36,464)	
(900)	(3)
6,304	3
99,272	728
(33,617)	(3,926)
17,594	20
294,708	2,738
(93,020)	(202)
185,665	(1,370)
1,993,391	78,898
\$2,179,056	\$77,528

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

	Business-Type	
	College and University	Unemployment Compensation
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Assessments		\$271,130
Receipts from Customers	\$437,845	
Receipts for Interfund Services		
Receipts from Grants and Contributions	144,747	12,309
Payments to Suppliers	(227,897)	(21)
Payments to Employees	(594,187)	
Payments for Interfund Services		
Payments for Benefits, Awards, and Claims	(58,402)	(135,186)
Other Payments	(9,531)	
Other Receipts	10,127	
Net Cash Provided (Used) by Operating Activities	(297,298)	148,232
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts, Grants, and Endowments Received	129,446	
Intergovernmental Distributions		
Transfers In	280,543	
Transfers Out		(13,068)
Proceeds from Bonds, Notes, and Loans	113,316	
Repayment of Bonds, Notes, and Loans	(107,816)	(46,129)
Interest Payments		(5,372)
Net Cash Provided (Used) by Noncapital Financing Activities	415,489	(64,569)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Contributions	8,393	
Principal Payments	(21,483)	
Interest Payments	(20,090)	
Proceeds from Disposition of Capital Assets	135	
Acquisition and Construction of Capital Assets	(58,235)	
Net Cash Provided (Used) by Capital and Related Financing Activities	(91,280)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of Interest and Dividends	3,250	11,187
Purchase of Investments	(285,740)	
Redemption of Investments	270,329	47,945
Other Investing Activities	6	2,095
Net Cash Provided (Used) by Investing Activities	(12,155)	61,227
Net Increase (Decrease) in Cash, Cash Equivalents, and Pooled Cash	14,756	144,890
Beginning Cash, Cash Equivalents, and Pooled Cash	196,301	356,135
Ending Cash, Cash Equivalents, and Pooled Cash	\$211,057	\$501,025
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(\$376,703)	\$120,438
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	66,810	
Maintenance Costs Paid by Department of Public Works	2,036	
Net Changes in Assets and Liabilities:		
Accounts Receivable/Interfund Receivables	9,835	27,809
Inventories and Prepaid Items	3,717	
Notes Receivable	(208)	
Other Assets	(2,415)	
Accounts Payable/Interfund Payables	2,999	
Unearned Revenue		(1,118)
Compensated Absences	(320)	
Policy Claim Liabilities		
Other Accrued Liabilities	(3,049)	1,103
Net Cash Provided (Used) by Operating Activities	(\$297,298)	\$148,232

Noncash Transactions (dollars in thousands):

Prior period adjustments for restatement of pooled cash and investments was recorded in Unemployment Compensation for \$1,650, \$2,007 for the Loan Fund, \$377 for Nonmajor Enterprise funds, and \$1,604 for Internal Service funds. Investments increased in fair value by \$2,142 for colleges and universities and decreased by \$1,037 for Unemployment Compensation, \$306 for the Loan Fund, and \$78 for Internal Service funds. Colleges and universities acquired assets of \$3,766 through donations, \$3,465 through state capital appropriations, and disposed of capital assets at a loss of \$127. The Loan Fund had loan forgiveness in the amount of \$5,965. Nonmajor Enterprise funds recorded an interfund payable of \$47 due on July 1, 2014, a prior period adjustment of \$1,188 to capital assets, disposed of capital assets at a loss of \$2 and assets at a loss of \$1. Internal Service funds disposed of capital assets at a loss of \$4 and had loan forgiveness of \$95.

Activities--Enterprise Funds			Governmental Activities
Loan	Nonmajor Enterprise Funds	Total	Internal Service Funds
		\$271,130	
\$3,044	\$379,253	820,142	\$15,193
	3,907	3,907	249,247
15,760		172,816	82
(1,570)	(130,433)	(359,921)	(21,696)
	(15,286)	(609,473)	(13,032)
(20)	(697)	(717)	(2,499)
	(133,263)	(326,851)	(232,253)
		(9,531)	
		10,127	
17,214	103,481	(28,371)	(4,958)
		129,446	
(5,964)	(31,040)	(37,004)	
13,884		294,427	2,738
(2,164)	(77,460)	(92,692)	(202)
		113,316	
		(153,945)	
		(5,372)	
5,756	(108,500)	248,176	2,536
		8,393	20
(425)	(40)	(21,948)	(187)
(175)	(5)	(20,270)	(151)
	9	144	1
	(274)	(58,509)	(661)
(600)	(310)	(92,190)	(978)
7,196	20	21,653	830
(53,146)		(338,886)	(705)
18,781		337,055	95
2,555	480	5,136	2,037
(24,614)	500	24,958	2,257
(2,244)	(4,829)	152,573	(1,143)
78,695	70,051	701,182	63,484
\$76,451	\$65,222	\$853,755	\$62,341
\$17,584	\$105,792	(\$132,889)	(\$4,654)
207	1,337	68,354	1,728
		2,036	
(325)	(200)	37,119	(116)
	(4,232)	(515)	(176)
		(208)	
445	29	(1,941)	2
4	745	3,748	(84)
(700)		(1,818)	1,844
	(24)	(344)	35
			(3,658)
(1)	34	(1,913)	121
\$17,214	\$103,481	(\$28,371)	(\$4,958)

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014
(dollars in thousands)

	Pension Trust	Investment Trust	College Savings Private-Purpose Trust	Agency
ASSETS				
Cash and Cash Equivalents	\$77,161		\$348	\$28,324
Pooled Cash and Investments	2,802			24,395
Investments:				
Pooled Short Term	407,452	\$202,286	11,175	
Fixed Income Investments	3,071,245	1,304,452		299,217
Marketable Securities	9,374,909			
Mutual Funds and Private Equities	1,857,605		292,045	
Mortgages and Real Estate	919,091	72,276		
Other Investments	3,037		8,298	
Securities Lending Collateral				21,601
Receivables:				
Investments Sold	139,230			
Contributions	4,846			
Interest and Dividends	38,407	2,542	13	96
Interfund Receivables	1,718			
Other Receivables	1,276			
Other Assets	57,928			
Capital Assets, Net	7,108			
Total Assets	15,963,815	1,581,556	311,879	\$373,633
LIABILITIES				
Accounts Payable	1,190	43	261	
Interfund Payables	1,718			
Due to Other Entities				\$952
Amounts Held in Trust for Others				350,574
Obligations Under Securities Lending				21,918
Investments Purchased	245,992		94	
Policy Claim Liabilities	2,139			
Other Accrued Liabilities	11,772	400		189
Total Liabilities	262,811	443	355	\$373,633
NET POSITION				
Held in Trust for:				
Employee Pension Benefits	15,285,828			
Postemployment Healthcare Benefits	414,309			
External Investment Pool Participants		1,581,113		
Trust Beneficiaries	867		311,524	
Total Net Position	\$15,701,004	\$1,581,113	\$311,524	

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2014
(dollars in thousands)

	Pension Trust	Investment Trust	College Savings Private-Purpose Trust
ADDITIONS			
Contributions:			
Member	\$260,483		
Employer	375,888		
Transfers In from Other Plans	16,308		
Participant Deposits		\$3,378,012	\$41,809
Total Contributions	652,679	3,378,012	41,809
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	1,959,229	(6,550)	28,969
Interest, Dividends, and Other	356,697	12,790	5,985
Less Investment Expense:			
Investment Activity Expense	(48,780)	(579)	
Net Investment Income	2,267,146	5,661	34,954
Miscellaneous Income	2,139		
Total Additions	2,921,964	3,383,673	76,763
DEDUCTIONS			
Benefits and Refunds Paid to Plan Members	802,068		
Transfers Out to Other Plans	27,192		
Administrative Expense	10,115		1,819
Earnings Distribution		5,202	
Participant Withdrawals	11,590	3,351,704	25,505
Total Deductions	850,965	3,356,906	27,324
Change in Net Position Held in Trust for:			
Employee Pension Benefits	2,006,474		
Employee Postemployment Healthcare Benefits	64,598		
External Investment Pool Participants		26,767	
Trust Beneficiaries	(73)		49,439
Net Position - Beginning of Year, as Restated	13,630,005	1,554,346	262,085
Net Position - End of Year	\$15,701,004	\$1,581,113	\$311,524

Statement of Net Position

Component Units

June 30, 2014

(dollars in thousands)

	Component Units			
	Idaho Housing and Finance Association	College and University Foundation	Petroleum Clean Water Trust	Health Reinsurance
ASSETS				
Cash and Cash Equivalents	\$45,210	\$24,234		\$3,038
Pooled Cash and Investments			\$1,649	
Investments	344,072	188,553	33,058	14,182
Accounts Receivable, Net	22,633	102	357	27
Due from Other Entities				
Inventories and Prepaid Items	869	5		960
Due from Primary Government	721,200	1,844		
Loans, Notes, and Pledges Receivable, Net	789,463	17,667		
Other Assets	1,646	2,234	155	18
Restricted Assets:				
Cash and Cash Equivalents	15,218	25,378		
Investments		266,641		
Capital Assets:				
Nondepreciable	6,392	462		
Depreciable, Net	33,523	144		
Total Assets	1,980,226	527,264	35,219	18,225
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows	80,915			
Total Assets and Deferred Outflows of Resources	\$2,061,141	\$527,264	\$35,219	\$18,225
LIABILITIES				
Accounts Payable	\$1,933	\$2,868		\$83
Payroll and Related Liabilities	627			
Unearned Revenue	6,370	1,653		14,180
Amounts Held in Trust for Others	19,049	19,422		
Due to Primary Government		377		
Other Accrued Liabilities	189,247	20	\$121	550
Long-Term Liabilities:				
Due Within One Year	130,344	481	4,523	3,412
Due in More Than One Year	1,495,798	9,047		
Total Liabilities	1,843,368	33,868	4,644	18,225
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows	2,501			
NET POSITION				
Net Investment in Capital Assets	18,498			
Restricted for:				
Debt Service	135,850			
Permanent Trust - Expendable		162,700		
Permanent Trust - Nonexpendable		314,545		
Other Purposes	67,284			
Unrestricted	(6,360)	16,151	30,575	
Total Net Position	215,272	493,396	30,575	
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$2,061,141	\$527,264	\$35,219	\$18,225

Bond Bank Authority	Idaho Health Insurance Exchange	Total
	\$841	\$73,323
\$321		1,970
		579,865
	362	23,481
	9,804	9,804
	77	1,911
		723,044
422,300		1,229,430
5,150	2	9,205
		40,596
		266,641
	7,495	14,349
	3,732	37,399
427,771	22,313	3,011,018
		80,915
\$427,771	\$22,313	\$3,091,933
\$1	\$6,635	\$11,520
	48	675
		22,203
		38,471
		377
5,150	3,200	198,288
18,095		156,855
409,756		1,914,601
433,002	9,883	2,342,990
		2,501
	11,227	29,725
		135,850
		162,700
		314,545
		67,284
(5,231)	1,203	36,338
(5,231)	12,430	746,442
\$427,771	\$22,313	\$3,091,933

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

Component Units

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

	Idaho Housing and Finance Association	College and University Foundation	Petroleum Clean Water Trust	Health Reinsurance
EXPENSES				
Personnel Costs	\$10,669	\$2,703		
Services and Supplies	10,854	7,111	\$1,143	\$384
Benefits, Awards, and Premiums	46,735	46,808	362	13,665
Interest Expense	92,513	277		4
Depreciation	2,957	9		
Other Expenses	221	348		
Total Expenses	163,949	57,256	1,505	14,053
PROGRAM REVENUES				
Charges for Services:				
Licenses, Permits, and Fees	17,321		2,247	6
Sale of Goods and Services	4,750	90		9,443
Investment Income	89,981		(40)	(24)
Other Income	2,728	1,538		
Operating Grants and Contributions	47,852	112,268		827
Total Program Revenues	162,632	113,896	2,207	10,252
Net Revenues (Expenses)	(1,317)	56,640	702	(3,801)
GENERAL REVENUES				
Payments from State of Idaho				3,801
Total General Revenues				3,801
Permanent Endowment Contributions		2,692		
Change in Net Position	(1,317)	59,332	702	
Net Position - Beginning of Year	216,589	434,064	29,873	
Net Position - End of Year	\$215,272	\$493,396	\$30,575	

Bond Bank Authority	Idaho Health Insurance Exchange	Total
	\$641	\$14,013
\$1,216	12,887	33,595
		107,570
14,009		106,803
	329	3,295
31		600
15,256	13,857	265,876
109	1,203	20,886
		14,283
14,500		104,417
		4,266
	25,084	186,031
14,609	26,287	329,883
(647)	12,430	64,007
		3,801
		3,801
		2,692
(647)	12,430	70,500
(4,584)		675,942
(\$5,231)	\$12,430	\$746,442

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

During fiscal year 2014, the State implemented the following GASB Statements:

- Statement No. 65, *Items Previously Reported as Assets and Liabilities*
- Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No.10 and No. 62*
- Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*
- Statement No. 69, *Government Combinations and Disposals of Government Operations*
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

The financial statements are presented for the fiscal year ended June 30, 2014, except for the Idaho State Bar and the Idaho Dairy Products Commission (nonmajor special revenue funds); the Petroleum Clean Water Trust Fund, The Housing Company (THC), the Idaho Individual High Risk Reinsurance Pool, and the Idaho Small Employer Health Reinsurance Program (discretely presented component units); and the State of Idaho Public Employees' Deferred Compensation Plan (pension trust fund); whose statements are for the fiscal year ended December 31, 2013. The Idaho Potato Commission (nonmajor special revenue fund) has a fiscal year that ended August 31, 2013.

A. Reporting Entity

For financial reporting purposes, the State of Idaho's reporting entity includes the primary government and its component units. The primary government includes all funds, departments, agencies, boards, commissions, colleges and universities, and authorities that are considered an integral part of the State. Component units are legally separate organizations for which the State is financially accountable. Financial accountability exists if the State appoints a voting majority of the organization's governing board and either 1) is able to impose its will on the organization or 2) a potential exists for the organization to provide financial benefits to, or impose financial burdens on, the State.

For those entities for which the State does not appoint a voting majority of the governing body, inclusion of the

entity is required if the organization is fiscally dependent on the State. Component units also include legally separate and tax-exempt organizations whose economic resources directly benefit the State, the State is entitled to or has the ability to access those resources, and the resources are significant to the State.

Blended Component Unit

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

The *Idaho State Building Authority* was created by Idaho Code Section 67-6403 to finance and construct facilities, such as office buildings and parking garages, to be used and leased by the State. The Authority relies on the State's leasing agreements, resulting in a significant financial benefit/burden relationship. The Authority provides services to the State of Idaho and some community colleges. The Idaho State Building Authority is blended as a nonmajor special revenue fund. The Authority's financial statements may be obtained from the following address: Idaho State Building Authority, 755 West Front Street, Suite 200, Boise, ID 83702.

Discretely Presented Component Units

Discretely presented component units are reported in a separate column on the government-wide statements to emphasize that they are legally separate from the primary government. Information regarding the State's discretely presented component units and contact information to obtain their financial reports follow.

The *Idaho Housing and Finance Association* fund includes the Association and its component unit, The Housing Company, which was established to support the function and activities of the Association. The Association was created by Idaho Code Section 67-6202 for the purpose of building and rehabilitating residential housing for persons of low income. The Association is authorized to enter into agreements that include issuing bonds for the Idaho Transportation Department to facilitate transportation projects and for the Department of Labor to cover the shortfall in the Unemployment Compensation fund, thereby creating a financial benefit/burden relationship. The Governor appoints the Association board members.

(<http://www.idahohousing.com/ihfa/bond-investor-information/publications.aspx>)

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014**

The *College and University Foundation* fund includes the foundations of Boise State University (BSU), Eastern Idaho Technical College (EITC), Idaho State University (ISU), Lewis-Clark State College (LCSC), and the University of Idaho (UI). The foundations were established for the purpose of soliciting donations in support of the growth and development of the colleges' and universities' programs and activities. Gifts and contributions are held, protected, managed, and invested for the exclusive benefit of the respective colleges and universities.

Boise State University Foundation, Inc.
<http://giving.boisestate.edu/>

Eastern Idaho Technical College Foundation, Inc.
<http://www.eitcfoundation.org/>

Idaho State University Foundation, Inc.
<http://www.isu.edu/foundation/>

Lewis-Clark State College Foundation, Inc.
<http://www.lcsc.edu/giving/>

University of Idaho Foundation, Inc.
<http://www.uidaho.edu/uidahofoundation>

The *Idaho Petroleum Clean Water Trust Fund* was created by Idaho Code Section 41-4905 to provide pollution liability insurance for eligible owners and operators of petroleum storage tanks. The Governor appoints the members of the board and the State approves, and may modify, the Fund's plan of operation. The Legislature sets the fees charged for enrollment in the Fund and imposes a transfer fee on petroleum products. Thus the State has the ability to impose its will on the Fund. Financial statements may be obtained from the following address: Idaho Petroleum Clean Water Trust Fund, P.O. Box 83720, Boise, ID 83720-0044.

The *Health Reinsurance* fund includes the Idaho Individual High Risk Reinsurance Pool created by Idaho Code Section 41-5502 and the Idaho Small Employer Health Reinsurance Program created by Idaho Code Section 41-4711. The Pool and the Program are intended to promote the availability of health insurance coverage, regardless of health or claims experience. The Pool and Program provide a safety net to carriers in the form of a risk pool and reinsurance mechanism to facilitate the guaranteed issue of standardized state-approved health benefit plans. The Pool and the Program operate subject to the supervision and control of the same ten-member board, a majority of which is appointed by the director of the Department of Insurance. The Pool is partially funded through state premium tax revenue creating a financial burden for the State. Financial statements may be obtained from the following address: Idaho Individual

High Risk Reinsurance Pool, Idaho Small Employer Health Reinsurance Program, 3449 East Copper Point Drive, Meridian, ID 83642.

The *Idaho Bond Bank Authority* was created by Idaho Code Section 67-8703 authorizing the Authority to issue bonds to make loans to municipalities for infrastructure. The Authority can obtain better credit ratings, better interest rates, and lower underwriting costs than municipalities can achieve individually. The Authority is administered by a five-member board, of which two members are appointed by the Governor and three are elected officials. The Authority can obligate sales tax revenue as a source of payment or security for bonds issued, which imposes a potential direct financial burden on the State. (<http://www.sto.idaho.gov/Services/IBBA/>)

The *Idaho Health Insurance Exchange* was created by Idaho Code Section 41-6104, with the purpose to establish a state-created, market-driven health insurance exchange that will facilitate the selection and purchase of individual and employer health benefit plans. The Exchange is financially self-supporting and does not request financial support from the State. The Exchange is administered by a 19 member board, with 17 total voting members. Of the 17 voting members, 14 are appointed by and serve at the pleasure of the Governor. The Director of the Department of Insurance shall review and approve all bylaws for the regulation and conduct of business of the Exchange. Financial statements may be obtained from the following address: 1010 W. Jefferson Street #200, Boise, ID 83702.

Related Organizations

The *State Insurance Fund*, created by Idaho Code Section 72-901, and the *Idaho Health Facilities Authority*, created by Idaho Code Section 39-1444, are related organizations for which the State is not financially accountable although the State appoints a voting majority of the organizations' boards. The financial reports of these organizations are excluded from the State's financial statements.

B. Government-Wide and Fund Financial Statements

Government-Wide Statements

The *Statement of Net Position* and *Statement of Activities* report information on nonfiduciary activities of the primary government and its component units. Primary government activities distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

Internal service funds are included with governmental activities in the government-wide statements and are included with the proprietary funds in the fund statements.

The *Statement of Net Position* presents the State's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources with assets plus deferred outflows of resources minus liabilities and deferred inflows of resources reported as net position.

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

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

Fund Statements

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

The State reports the following major governmental funds:

The *General Fund* is the State's primary operating fund. It accounts for services that include general

government, public safety and correction, health and human services, education, economic development, and natural resources. The General Fund includes all financial resources of the general government except those accounted for in another fund.

The *Health and Welfare* special revenue fund accounts for resources primarily from federal grants that are used for public assistance, medical care, foster care, and other relief for eligible citizens of Idaho.

The *Transportation* special revenue fund accounts for resources primarily from federal grants, fuel taxes, and registration fees that are used for administration, construction, and maintenance of the state highway and aviation systems.

The *Land Endowments* permanent fund manages and invests the revenues generated from the sale or lease of lands granted from the federal government under the Idaho Admission Act.

The State reports the following major proprietary funds:

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

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

The *Loan* fund accounts for loans to make improvements to irrigation, wastewater, and drinking water systems.

Additionally the State reports the following fund types:

Governmental Fund Types

Special revenue funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The *capital projects fund* accounts for financial resources that are restricted, committed, or assigned to finance construction of transportation infrastructure.

Permanent funds account for resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support certain state programs.

Proprietary Fund Types

Enterprise funds account for governmental operations that function in a manner similar to

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

private business enterprises. The intent is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal service funds account for a variety of independent operations that provide goods or services to other state agencies or governmental units on a cost-reimbursement basis. Internal service fund activities of the State include health, disability, property, liability, and other types of insurance; data processing services; and other general services such as facilities rentals.

Fiduciary Fund Types

Pension (and other employee benefits) trust funds account for resources held in trust for the members and beneficiaries of the State's defined benefit pension plans, defined contribution plans, deferred compensation plan, and other employee benefits. Complete financial statements of the State of Idaho Public Employees' Deferred Compensation Plan may be obtained by writing to the Idaho Secretary of State's Office, Attn: Chairman Ben Ysursa, P.O. Box 83720, Boise, ID 83720-0080.

Investment trust funds account for external participants' investments with the State's Local Government Investment Pool and Diversified Bond Fund.

The *private-purpose trust fund* accounts for resources held in trust by the Idaho College Savings Program; the principal and interest benefit individuals. Complete financial statements may be obtained by writing to Idaho College Savings Program, IDEal – Idaho College Savings Program, P.O. Box 219944, Kansas City, MO 64121.

The *Agency fund* accounts for residual idle cash and investments held by the State on behalf of other governmental entities and administered by the State Treasurer's Office. The fund also accounts for resources collected or held by the State, acting in a custodial capacity, for distribution to other governmental units or designated beneficiaries. These resources include deposits of securities by banks and insurance companies.

Classification of Revenues and Expenses of Proprietary Funds

Operating and nonoperating revenues and expenses are presented separately on the operating statements. Operating transactions generally occur if they directly result from the provision of goods or services to customers or are otherwise directly related to the

principal and usual activity of the fund. All other revenues and expenses are reported as nonoperating.

Reconciling Government-Wide Statements to the Fund Statements

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

The proprietary fund statements include a reconciliation between the fund statements and the government-wide statements for internal service fund activity that is included in the enterprise fund statements but eliminated in the government-wide statements.

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

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. The Agency fund reports only assets and liabilities using the accrual basis of accounting; they have no measurement focus.

Reimbursements are eliminated in the government-wide Statement of Activities to reduce the grossing-up effect of internal transactions. Reimbursements are repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements include payments for maintenance and construction projects, federal grant pass-throughs from one state agency to another, insurance premiums, technical services, and the allocation of central human resource costs to all agencies.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Significant revenue sources

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

susceptible to accrual include sales tax, individual and corporate taxes, motor fuel taxes, and federal grants. Licenses, permits, fees, and other miscellaneous revenues, which are derived from an underlying transaction, are recognized when received since they are normally only measurable at that time. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded when paid.

The State reports only enterprise funds as business-type activities. The business-type activities follow all current GASB pronouncements.

THC and the foundations of BSU, EITC, and ISU issue financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. The Idaho Petroleum Clean Water Trust Fund issues statutory basis financial statements. The financial statements and note disclosures of THC, these foundations, and the Idaho Petroleum Clean Water Trust Fund have been reformatted to comply with GASB requirements.

D. Financial Statement Elements

Assets

Cash and Cash Equivalents

Cash and Cash Equivalents consist of bank accounts; petty cash; cash in transit; money market accounts; FDIC insured nonnegotiable certificates of deposit; and short-term, highly-liquid investments with a maturity of three months or less from the date of acquisition.

Pooled Cash and Investments

Cash balances of most funds are deposited with the State Treasurer's Office (STO). Balances not required to meet immediate needs are pooled in an internal investment pool. Idaho Code Sections 67-2725 through 67-2749, and Sections 67-1210 and 67-1210A, govern STO deposit and investment policies for the pooled balances. See Note 2 for more information.

Investments

The State reports most investments at fair value based on published market prices and quotations from investment brokers. Investments held in lieu of surety deposits, which are not held for investment purposes, are carried at historical cost in the State's agency fund. Certain entities disclosed in Note 2 report money market investments and other highly liquid investments with a remaining maturity of one year or less at the time of purchase using amortized cost. See Note 2 for more information.

Securities Lending Collateral

Security lending agreements are transfers of securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. Securities lending collateral is reported at fair market value. See Note 2 for more information.

Receivables, Net

Receivables in the General Fund consist primarily of income and sales taxes. Special revenue fund receivables consist primarily of federal health and transportation grants, fuels taxes, and vendor receipts. Proprietary fund receivables consist mainly of loans, unemployment assessments, and student tuition and fees. Fiduciary fund receivables consist primarily of investments sold in the pension trust funds. The receivables are disaggregated on the financial statements. See Note 5 for more information on noncurrent receivables.

Internal Balances

Interfund receivables and payables consist of unpaid balances for goods and services provided by one fund to another and for certain statutorily required transfers due at year-end. Interfund goods and services provided are reported as revenues in seller funds and expenditures or expenses in purchaser funds. These balances are generally short-term receivables and payables. See Note 4 for interfund schedules and those receivables not expected to be collected within one year. Interfund receivable and payable balances and activity have been eliminated from the government-wide Statement of Net Position, except for the residual amounts due between governmental and business-type activities, which are shown as Internal Balances.

Inventories and Prepaid Items

Inventory consists of materials and supplies that will be consumed within a year. Governmental and proprietary fund-type inventories of supplies and materials are valued at cost, which approximates market value, generally using the first-in, first-out method. Prepaid expenses represent amounts paid in the current period for services that will benefit future periods. Inventory and prepaid expenses are accounted for using the consumption method.

Other Assets

Other assets include interest receivable, and other miscellaneous items.

Restricted Assets

Assets are reported as restricted when constraints on asset use are imposed by constitutional provisions, enabling legislation, or external parties; and the

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

constraints change the nature or normal understanding of the availability of the asset. See Note 2 for more information.

Capital Assets, Net

Capital assets include land, improvements to land, land use rights, buildings, improvements to buildings, machinery, equipment, software, historical art and collections, capital assets in progress, all infrastructure regardless of acquisition date, and other tangible or intangible assets used in operations. Tangible assets with a value of \$5,000 or more, and intangible assets with a value of \$200,000 or more, and a useful life of more than one year are capitalized. The costs of normal repairs and maintenance that do not add to the asset's functionality or materially extend an asset's useful life are not capitalized. Interest expense related to capital asset construction is capitalized for enterprise funds.

Capital assets are reported at cost or estimated historical cost, if actual cost is not available. In cases where historical cost is not available, assets are valued using comparable assets indexed forward or backward with the Consumer Price Index. Donated capital assets are reported at their estimated fair value at the date of donation. Endowment land originally granted to the State by the federal government is reported at one dollar per acre.

Capital assets are depreciated or amortized with the exception of roads, rights-of-way, land, capital assets in progress, historical art and collections, and certain intangible assets with an indefinite useful life. Depreciation and amortization are recorded as depreciation expense. For all depreciable major asset classes, depreciation and amortization are calculated on a straight-line basis over their estimated useful lives, as follows:

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

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

estimates of costs to maintain the roads. Further information regarding infrastructure can be found in the Required Supplementary Information.

Historical art and collections include historical artifacts, documents, rare books, paintings, portraits, state capitol-related artifacts, furnishings, films, statues, and monuments. Some of the State's historical art and collections have not been capitalized because they are preserved and protected for public display, education, or research. The proceeds from the sales of collection items are used to acquire other items for the collection. Historical art and collections already capitalized at June 30, 1999, have remained capitalized even if they meet the conditions for exemption from capitalization.

Intangible assets acquired in fiscal years ending after June 30, 1980, and not previously capitalized, are retroactively reported as of July 1, 2009. Some intangible assets with indefinite useful lives as of July 1, 2009, and some internally generated intangible assets created prior to or in progress as of July 1, 2009, were retroactively reported if appropriate historical costs were determinable.

See Note 6 for more information on capital assets.

Deferred Outflows of Resources

Deferred outflows of resources consist of costs related to debt defeasance and decreases in the fair value of hedging derivative instruments to be recognized in a future period. At the time that the instrument is terminated, the amount will be reported as a decrease of investment income. See Note 7 for more information.

Liabilities

Payables

Payables in the General Fund consist primarily of sales taxes due to local governments, vendor obligations, and unsettled trades payable, which account for tax anticipation notes security proceeds which have a trade date prior to year-end and a settle date after year-end. Payables in the special revenue funds relate primarily to vendor obligations, fuel taxes to be distributed to local governments, and Medicaid. Medicaid Payable includes the amount the State expects to pay within 60 days of fiscal year end. The remaining amount, estimated Medicaid claims expected to be presented within the next year, is reported as Claims and Judgments within the Long-Term Liabilities due within one year on the government-wide Statement of Net Position. Proprietary fund payables consist mostly of payroll liabilities and vendor obligations. The pension trust fund payable is comprised primarily of investments purchased by the Public Employee Retirement System of Idaho.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014**

Unearned Revenue

Unearned revenue is recorded when cash is received prior to being earned.

Amounts Held in Trust for Others

Amounts held in trust for others consist of cash or other assets held for an individual or entity until certain conditions of an agreement are met, at which time the asset is returned to the owner. Occasionally the owner may default on the conditions; at that time, the asset held in trust becomes the property of the State and revenue is recorded.

Obligations Under Securities Lending

Obligations under securities lending consist of the collateral that has been received from borrowers for lent securities. The State has an obligation to return the collateral when the borrower returns the securities to the State. See Note 2 for more information.

Other Accrued Liabilities

Other accrued liabilities primarily consist of interest payable and other miscellaneous liabilities.

Long-Term Liabilities

Government-wide and proprietary financial statements report long-term obligations as liabilities, with the portion payable within 12 months designated separately from the portion payable in more than 12 months. Long-term liabilities include the following:

Bonds and Notes Payable consists of bonds and notes issued for the construction or acquisition of facilities and for funding various projects. Bond premiums and discounts are deferred and amortized over the life of the loan. See Note 13 for more information.

Capital Leases Payable consists of lease contracts that transfer substantially all of the benefits and risks of ownership of property to the State. See Note 11 for more information.

Compensated Absences Payable includes vacation and compensatory time earned by employees but not paid and retirees' unused sick leave to be used for the acquisition of health insurance. See Note 13 for more information.

Policy Claim Liabilities includes amounts for probable claims that have been incurred and the amount of the loss has been reasonably estimated. See Notes 10 and 13 for more information.

Other Long-Term Liabilities consists of payables on behalf of the State and its agencies for various legal proceedings and claims, a net pension obligation, net other postemployment benefits obligations, and other miscellaneous liabilities. See Notes 8, 9, and 13 for more information.

Deferred Inflows of Resources

Deferred inflows of resources consists of unavailable revenue, which is revenue that has been earned but is not available within 60 days, government mandated nonexchange transactions, and increases in the fair value of hedging derivative instruments to be recognized in a future period. At the time that the instrument is terminated, the amount will be reported as an increase of investment income. See Note 7 for more information.

E. Net Position / Fund Balance

Net Position

Net position is the difference between assets and deferred outflows of resources minus liabilities and deferred inflows of resources on the government-wide, proprietary, and fiduciary fund financial statements.

Net position is displayed in the following three categories:

Net Investment in Capital Assets consists of capital assets net of accumulated depreciation, deferred outflows of resources, deferred inflows of resources, and reduced by outstanding related debt.

Restricted Net Position results when third parties, constitutional provisions, or enabling legislation impose constraints on net position use. The State does not have a policy regarding the preferred first usage of unrestricted or restricted net position. Expense allocation decisions are made on a program-by-program basis when both restricted and unrestricted net positions are available.

Unrestricted Net Position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position may have constraints or designations placed upon them by management, which can be unilaterally removed.

Fund Balance

Fund balance is the difference between assets and liabilities on the governmental fund financial statements. The Legislature approves appropriations for State agencies and in so doing specifies the funding sources and the order in which restricted, committed, assigned, or unassigned fund balance is spent. Fund balances are classified in the following five categories:

Nonspendable fund balances consist of amounts that cannot be spent because they are in nonspendable form, such as inventories, prepaid items, and long-term receivables; or they are legally or contractually required to be maintained intact, such as the corpus of the permanent fund.

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2014

Restricted fund balances consist of amounts that are constrained by either external parties or imposed by law through constitutional provisions or enabling legislation and can only be used for specific stated purposes.

Committed fund balances consist of amounts that are constrained by statutes enacted by the Legislature and approved by the Governor. The committed amounts cannot be used for any other purposes unless subsequent legislation changes or removes the specified purposes. The legislation that constrains

the use of the resources is separate from the authorization to raise the underlying revenue.

Assigned fund balances consist of amounts that are constrained by the Legislature's or agency director's intent to be used for specific purposes, and are neither restricted nor committed.

Unassigned fund balance is the residual classification for the General Fund.

See Note 14 for more information.

NOTE 2. DEPOSITS, INVESTMENTS, AND RESTRICTED ASSETS

A. Deposits

Cash and cash equivalents are deposited with various financial institutions. Legal provisions regarding deposits are found throughout Idaho Code Title 67. The State Treasurer's Office (STO) acts as the State's bank, receiving and disbursing all moneys except for the following: the State Bar, the Potato Commission, the Dairy Products Commission, the Wheat Commission, some of the endowment fund accounts, the Idaho State Building Authority, some of the colleges' and universities' accounts, the Idaho Housing and Finance Association, the college and university foundations, the Idaho Individual High Risk Reinsurance Pool, the Idaho Small Employer Health Reinsurance Program, the Idaho Bond Bank Authority, the Idaho Health Insurance Exchange, some of the Public Employee Retirement System of Idaho accounts, and the Idaho Public

Employees' Deferred Compensation Plan. In accordance with Idaho Code Sections 67-1210 and 67-1210A the STO invests the pooled cash not needed to meet immediate obligations in various types of investments. The pool balances are available on demand to the participants. Interest received on the pooled cash and investments is paid into the General Fund, unless Idaho statute requires allocation of interest to specific funds. The weighted average maturity of the pooled cash and investments held by the STO was 325 days.

Custodial credit risk is the risk that in the event of a financial institution failure, the State's deposits may not be returned. The State does not have a formal policy to address custodial credit risk.

Custodial Credit Risk at June 30, 2014

(dollars in thousands)

	Governmental and Business- Type Activities	Fiduciary Funds	Component Units
Bank Value of Deposits	\$ 156,248	\$ 106,230	\$ 110,754
Uninsured and Uncollateralized Deposits	58,743	4,261	9,478
Uninsured Deposits Collateralized with Securities Held by the Pledging Financial Institution	50,240		593
Uninsured Deposits Collateralized with Securities Held by the Pledging Financial Institution's Trust Department or Agent, but not in the State's Name		705	14

B. Investments

General Investment Policies

The Idaho Uniform Prudent Investor Act (Idaho Code Sections 68-501 through 68-514) stipulates the standard

to be followed by state investment personnel. The

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014**

primary focus of the Act is preservation of capital and avoidance of speculative transactions through exercise of reasonable care, skill, and caution. The goal is to provide a reasonable return while following specific objectives of various trusts. The Act may be expanded, restricted, eliminated, or altered by provisions of Idaho statute or a trust.

The STO invests idle moneys, other than the public endowment funds, in accordance with Idaho Code Sections 67-1210, 67-1210A, and 67-2739. The STO Investment Division manages both the short-term and intermediate-term investments. Unsettled trades payable consisting of \$215.5 million in U.S. government agency securities are subject to interest rate risk, credit risk, and concentration of credit risk.

Some investments are made directly by an agency rather than by the STO. Only a few agencies are authorized to make such investments and then only for specific programs. Investments are valued as described in Note 1.

Types of Investments

Idaho Code Section 67-1210 authorizes the STO and agencies with investment authority to make direct investments in the following types of investments:

- U.S. government obligations, which pledge the full faith and credit of the U.S. government
- General obligation or revenue bonds of the State or any Idaho county, city, or taxing district
- Obligations issued under the Farm Credit Act of 1971; obligations issued by the Federal National Mortgage Association and the Federal Home Loan Bank; and obligations issued or guaranteed by other agencies or instrumentalities of Idaho or of the United States, including the U.S. Small Business Administration guaranteed portion of any approved loan by an Idaho banking corporation and by the STO
- Obligations issued by public corporations of the State
- Repurchase agreements covered by any legal investment for the State
- Tax and revenue anticipation instruments of the State or Idaho taxing districts
- Time deposit and savings accounts in state depositories, state and federal savings and loan associations, or state and federal credit unions located within the boundaries of Idaho
- Revenue bonds of Idaho higher education institutions

- Money market funds whose portfolios consist of investments specified in this section and are denominated in U.S. dollars

Idaho Code Section 67-1210A authorizes the STO to enter into the following additional types of transactions:

- Prime banker's acceptances and prime commercial paper
- Sale and repurchase of call options on securities owned by the STO or the Local Government Investment Pool
- Bonds, notes, and debentures of any U.S. corporation with at least an A rating by a nationally recognized statistical rating organization such as Standard & Poor's or Moody's

The State Treasurer's Office (STO) manages two external investment pools, the Local Government Investment Pool (LGIP) and the Diversified Bond Fund (DBF). In order to earn a higher yield, Idaho governmental entities may voluntarily deposit moneys not needed to meet immediate operating obligations in these pools. The STO must operate and invest the funds of both pools for the benefit of the participants. Separately issued financial reports for LGIP and DBF may be obtained from the State Treasurer's Office, P.O. Box 83720, Boise, Idaho 83720-0091.

The Endowment Fund Investment Board (EFIB) manages investments of Idaho's permanent fund, the Land Endowments fund. Idaho Code Section 57-720 gives the EFIB the authority to formulate investment policies of the permanent endowment fund and earnings reserve funds. Idaho Code Section 57-723 stipulates that the EFIB and its investment managers are governed by the Idaho Uniform Prudent Investor Act and the Idaho Constitution. In addition to the investment types mentioned previously, the EFIB has approved the following types of investments:

- Collateralized mortgage obligations
- Collective funds whose portfolios are pooled and operated by a business trust company
- Domestic and international equities
- Financial index futures, options, and certain derivatives as approved by the EFIB

The Retirement Board of the Public Employee Retirement System of Idaho (PERSI) has established a Statement of Investment Policy in accordance with Idaho Code Sections 59-1301 through 59-1399. In addition to the investments mentioned above for the STO and the

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014**

EFIB, the following types of investments are approved for PERSI funds:

- Derivative instruments, specifically, swaps and forward foreign currency contracts by a few selected managers
- Private equity real estate investments in open-end and closed-end commingled real estate funds, direct real estate, publicly traded real estate investment trusts (REITs), passive REIT index funds, and other public real estate companies, private real estate companies, and real estate operating venture entities
- Alternative investments upon the recommendation of a qualified consultant after due diligence and with approval by the Board or subcommittee appointed by the Board

Custodial Credit Risk of Investments

Custodial credit risk for investments is the risk that in the event of the failure of a counterparty, the value of investments or collateral securities that are in the possession of an outside party will not be recovered. The State does not have a formal policy to address custodial credit risk. The following describes the policies and risks for those state entities that are exposed to custodial credit risk:

- The Idaho Workers' Compensation Law (Idaho Code Title 72) requires sureties to maintain a security deposit with the STO in order to write workers' compensation insurance or to be self insured. The amount of sureties that are held by the bank in the name of the insurance company and subject to custodial credit risk was \$299.2 million.
- The PERSI investment policy mitigates custodial credit risk by requiring that investments, to the extent possible, be registered in the name of the PERSI and be delivered to a third-party custodian. Short-term investments are created through daily sweeps of excess cash. The PERSI had various short-term investments of \$17.5 million held by various counterparties, not in the PERSI's name.
- The Boise State University Foundation does not have a formal policy that would limit its exposure to custodial credit risk. The Foundation held \$4.9 million of U.S. Treasury bonds, \$25.7 million of corporate bonds, \$26.9 million of bond mutual funds, \$27.5 million of equity mutual funds, and \$34.6 million of international equity funds that were uninsured and held in the name of the broker.
- The University of Idaho Foundation minimizes exposure to custodial credit risk by requiring that

investments, to the extent possible, be clearly marked as to Foundation ownership and insofar as possible, be held in the Foundation's name. The Foundation held \$4.0 million of government agency securities, \$40.6 million of corporate debt, \$0.6 million of preferred stock, \$0.2 million of municipal securities, \$16.3 million of U.S. Treasuries, \$119.1 million of common stock, \$18.3 million of international equity funds, and \$12.0 million of private equities that were held in the name of the counterparty for benefit of the Foundation.

Interest Rate Risk of Debt Securities

Investments in debt securities that are fixed for longer periods are likely to experience greater variability in fair values due to future changes in interest rates. The State has not adopted a formal policy that addresses interest rate risk, except as follows:

- The EFIB has adopted the policy that the fixed-income weighted average of the EFIB portfolio may not exceed that of the Barclays Capital Aggregate Bond Index by more than one-half year. The separate Endowment Funds Interest Rate Risk schedule quantifies the interest rate risk of EFIB fixed-income securities.
- The PERSI manages interest rate risk using the effective duration methodology, which takes into account the options on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve. All of the PERSI fixed-income portfolios are managed in accordance with operational guidelines, which include an expected range of interest rate risk in the portfolio. Per the PERSI policy, these characteristics are established and monitored within each portfolio, with variances reported by the manager. The reporting of effective duration found in the separate schedule following the PERSI investments schedule quantifies the interest rate risk of the PERSI fixed-income assets. Some of the large durations are due to the use of options and forward foreign currency contracts.
- The Idaho Housing and Finance Association has adopted bond indentures, bond resolutions, and trust resolutions that provide investment maturities based upon the cash requirements of the Association's accounts, as determined by authorized Association investment officers. The Association's investment maturities are presented as part of the Component Units Maturity of Debt Investments at June 30, 2014.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

Primary Government and Fiduciary Funds Investments and Maturities at June 30, 2014
(Except Endowment Funds, PERSI, Idaho College Savings Program, and Deferred Compensation Plan)
(dollars in thousands)

Investment Type	Less than 1 Year	1-5 Years	6-10 Years	11-15 Years	16-20 Years	21-25 Years	26-30 Years	More than 30 Years	Total Fair Value
<u>Debt Securities:</u>									
Money Market Funds	\$ 697								\$ 697
Certificates of Deposit	2,081	\$ 50							2,131
Repurchase Agreements	389,387								389,387
Commercial Paper	121,000								121,000
U.S. Gov't Obligations	418,397	303,826	\$ 6,230						728,453
U.S. Gov't Agency Obligations	1,947,863	295,288	13,218	\$ 30					2,256,399
U.S. Gov't Agency Mortgage-Backed Securities*		215,033	78,713	906					294,652
U.S. Gov't Corporation Mortgage-Backed Securities*		32,527							32,527
Commercial Mortgages*	2,023	5,912	7,385						15,320
Corporate Obligations	52,456	158,252	64,236	533					275,477
Municipal and Public Entity Obligations	32,944	1,018	47	94					34,103
Bond Mutual Funds and Other Pooled Fixed-Income Securities	217,800	15,715	5,775	378	\$ 171	\$ 709	\$ 707	\$ 522	241,777
Idaho Small Business Loans		939	610	503					2,052
External Investment Pools	56,695	10							56,705
Total Debt Securities	3,241,343	1,028,570	176,214	2,444	171	709	707	522	4,450,680
<u>Reinvestment of Securities Lending Collateral:</u>									
Money Market Funds	48,958								48,958
Repurchase Agreements	574,849								574,849
Commercial Paper	110,830								110,830
Corporate Obligations	17,192								17,192
Total Debt Securities and Reinvestment of Securities Lending Collateral	\$ 3,993,172	\$ 1,028,570	\$ 176,214	\$ 2,444	\$ 171	\$ 709	\$ 707	\$ 522	5,202,509
<u>Other Investments:</u>									
Cash Equivalents included with Investments									220
Domestic Equity Securities									5
Equity Securities and Mutual Funds									4,283
Mutual Funds									10,578
International Equity Funds									2,641
Total									\$ 5,220,236

*Mortgage-backed securities are reported using weighted-average life to more accurately reflect the projected term of the security, considering interest rates and repayment factors.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

Endowment Funds Interest Rate Risk at June 30, 2014

(dollars in thousands)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Modified Duration In Years</u>
<u>Debt Securities:</u>		
Barclays Capital Aggregate Bond	\$ 396,739	5.60
U.S. Treasury Inflation-Protected Securities	70,291	7.20
Total Endowment Fund Debt Securities	<u>467,030</u>	
<u>Other Investments:</u>		
Equity Investments	1,248,166	
Money Market Funds	16,605	
Total Other Endowment Fund Investments	<u>1,264,771</u>	
<u>Unsettled Trades:</u>		
Receivable for Investments Sold	(6,216)	
Payable for Investments Purchased	21,329	
Total Endowment Fund Investments	<u>\$ 1,746,914</u>	

PERSI Investments at June 30, 2014

(dollars in thousands)

<u>Investment Type</u>	<u>Fair Value</u>
Domestic Fixed-Income	\$ 2,721,633
Commingled Domestic Fixed-Income	106,257
International Fixed-Income	73,374
Idaho Commercial Mortgages	494,450
Short-Term Domestic Investments	407,452
Real Estate	424,641
Domestic Equities	5,977,476
Commingled Domestic Equity	219,889
International Equities	3,119,153
Commingled International Equity	58,390
Private Equity	1,013,199
Mutual Funds	647,117
Total PERSI Investments	<u>\$ 15,263,031</u>

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

PERSI Effective Duration of Fixed Income Assets by Security Type at June 30, 2014

(dollars in thousands)

Investment Type	Domestic Securities		International Securities		Total Fair Value
	Fair Value	Effective Duration in Years	Fair Value	Effective Duration in Years	
Asset-Backed Securities	\$ 5,619	(0.37)			\$ 5,619
Asset-Backed Securities	63	*	\$ 254	2.32	317
Mortgages	22,163	1.81			22,163
Mortgages	738	*			738
Commercial Paper	125,228	0.29			125,228
Corporate Bonds	542,483	7.09			542,483
Corporate Bonds	731	*	2,197	3.88	2,928
Fixed-Income Derivatives	(429)	3.87			(429)
Fixed-Income Derivatives	46	*			46
Government Agencies	61,797	7.05	6,001	0.95	67,798
Government Bonds	510,783	1.21	64,922	5.52	575,705
Government Mortgage-Backed Securities	307,273	2.58			307,273
Government Mortgage-Backed Securities	2,788	*			2,788
Pooled Investments	44,444	0.08			44,444
Pooled Investments	106,257	*			106,257
Private Placements	71,736	3.89			71,736
Private Placements	93,975	*			93,975
U.S. Treasury Inflation-Protected Securities	1,338,536	8.33			1,338,536
Idaho Mortgages	494,450	*			494,450
Total PERSI Fixed Income Securities	\$ 3,728,681		\$ 73,374		\$ 3,802,055

*Duration calculations for some securities are not available.

Idaho College Savings Program Investments at June 30, 2014

(dollars in thousands)

Investment Type	Fair Value	Average Maturity In Years
Money Market Funds	\$ 25,169	Less than 1
Bond Fund	108,494	7.7
Inflation-Linked Bond Fund	14,038	8.5
Equity Funds	108,897	
International Equity Funds	46,621	
Sallie Mae High-Yield Savings Account	8,298	
Total Idaho College Savings Program Investments	\$ 311,517	

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

Deferred Compensation Plan Investments at December 31, 2013

(dollars in thousands)

Investment Type	Fair Value	Average Maturity In Years
<u>Fixed Income:</u>		
Great West Life Fixed Option	\$ 33	
Idaho Retiree Fixed Fund	89,706	11.90
Nationwide Life Fixed Fund	62,433	11.90
National Bank 5-year CD	284	
Total Fixed Income	152,456	
<u>Variable Income:</u>		
American Century Heritage Fund	44,863	
Capital World	7,078	
Carrier Suspense	1	
Charles Schwab	1,857	
Dreyfus	5,490	
Dreyfus Bond Market Index Fund	4,060	7.52
Dreyfus Small cap Stock Index Fund	3,287	
EuroPacific Growth Fund	4,354	
Fidelity	24,536	
Great West	24	
Investment Suspense	(113)	
JPMorgan	3,733	
Legg Mason Partners	2,053	
Nationwide Destinations 2015 Fund	1,523	3.57
Nationwide Destinations 2020 Fund	1,618	2.46
Nationwide Destinations 2025 Fund	1,696	1.35
Nationwide Destinations 2030 Fund	1,374	0.63
Nationwide Destinations 2035 Fund	660	0.24
Nationwide Destinations 2040 Fund	264	0.24
Nationwide Destinations 2045 Fund	191	
Nationwide Destinations 2050 Fund	58	
Nationwide International Index Fund	422	
Nationwide Investor Destinations Aggressive Fund	8,135	0.30
Nationwide Investor Destinations Conservative Fund	1,139	4.42
Nationwide Investor Destinations Moderate Fund	9,941	2.16
Nationwide Investor Destinations Moderately Aggressive Fund	14,902	0.90
Nationwide Investor Destinations Moderately Conservative Fund	1,662	3.32
Nationwide Retirement Income Fund	315	5.07
Neuberger Berman	12,093	
Shelton Core Value Fund	139	
State Street Equity	6,577	
Templeton Foreign Fund	1,878	
The Income Fund of America	13,698	4.90
Van Kampen	3,149	
Waddell & Reed Advisors High Income Fund	3,458	4.70
Total Variable Income	186,115	
<u>Annuity Payout Options:</u>		
DCVAII	36	
Nationwide Life	2,603	
Total Annuity Payout Options	2,639	
<u>Life Insurance Contracts:</u>		
Monumental Life	398	
Total Deferred Compensation Plan Investments and Life Insurance Contracts	\$ 341,608	

All investments are unrated.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

Component Units Maturity of Debt Investments at June 30, 2014

(dollars in thousands)

Investment Type	Less than 1 Year	1-5 Years	6-10 Years	11-15 Years	16-20 Years	21-25 Years	More than 30 Years	Total Fair Value
<u>Debt Securities:</u>								
Money Market Funds	\$ 145,693							\$ 145,693
U.S. Gov't Obligations	6	\$ 26,256	\$ 8,973	\$ 2,707		\$ 190	\$ 52	38,184
U.S. Gov't Agency Obligations	1,522	60,959	25,760	6,393	\$ 9,707	29,104		133,445
Corporate Obligations	12,622	55,536	10,264	626	649	41	94	79,832
Municipal Obligations	76	24	42	81	45	32	9	309
Bond Mutual Funds	159	13,110	22,621	130	22	37	151	36,230
Total Debt Securities	\$ 160,078	\$ 155,885	\$ 67,660	\$ 9,937	\$ 10,423	\$ 29,404	\$ 306	433,693
<u>Other Investments:</u>								
Cash Equivalents included with Investments								2,041
Domestic Equities								119,062
Foreign Equities								1,136
Private Equities								19,457
Investment Agreements								82,858
Corporate Obligations Without Maturity Dates								567
Equity and Income Mutual Funds								29,347
Mutual Funds								74,112
International Equity Funds								52,918
Real Estate and Perpetual Trusts*								10,939
Commodities								3,021
Insurance Annuities								369
Hedge Funds								10,181
Interest Rate Swaps								(893)
Land Held by Endowment**								7,695
Component Units Investments								\$ 846,503

*\$6.3 million valued at cost. **Investments valued at cost.

Credit Risk of Debt Securities

The risk that an issuer of debt securities or another counterparty to an investment transaction will not fulfill an obligation is commonly expressed in terms of the credit quality rating issued by a national rating organization. Investments explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality ratings. Unless otherwise stated, the ratings presented use the Moody's scale. The State does not have a formal policy to address credit risk of debt securities. The following Boards have formally adopted policies that address credit quality ratings of debt securities:

- The State Board of Education policy allows colleges and universities to invest in corporate bonds and mortgage-backed securities of A grade or better and commercial paper of prime or equivalent grade without prior Board approval.
- The EFIB investment policy states that investment grade bonds must be rated BBB (or the equivalent) or

better; commercial paper must be rated A1 (or the equivalent) or better; and money market funds shall contain securities with an absolute minimum of investment grade by Standard & Poor's (S&P) or Moody's.

- The PERSI has no strict limitations for credit risk exposures. Each PERSI portfolio is managed in accordance with operational guidelines that outline expected portfolio characteristics which usually, but not always, include credit quality and exposure levels. Per the PERSI policy, these characteristics are established and monitored within each portfolio, with variances reported by the manager.
- The Idaho Housing and Finance Association policies permit investments for each bond issue in accordance with the various bond indentures and bond resolutions adopted by the Association. Program account investments are restricted to those allowed by Idaho Code Section 67-6215B or by federal regulations. The

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2014

Association has adopted resolutions as policy for authorized investments in the Affordable Housing Investment Trust and the Loan Guaranty Trust. The

Association has not adopted a formal policy related to the Association's business operations investments.

Primary Government and Fiduciary Funds Credit Quality Ratings of Debt Securities at June 30, 2014 (Except Endowment Funds, PERSI, and Deferred Compensation Plan) (dollars in thousands)

Investment Type	Aaa	Aa	A	Baa	Ba	B	C	A1-P1	NP	Unrated	Fair Value
Money Market Funds*	\$ 5,956									\$ 27,063	\$ 33,019
Certificates of Deposit										2,131	2,131
Repurchase Agreements										389,387	389,387
Commercial Paper								\$ 121,000			121,000
U.S. Gov't Agency Obligations	7,320	\$ 906,240						1,147,027		195,812	2,256,399
U.S. Gov't Agency Mortgage-Backed Securities	906									293,746	294,652
Commercial Mortgages	9,409	4,439	\$ 1,472								15,320
Corporate Obligations	11,158	68,361	185,684	\$ 10,274							275,477
Municipal and Public Entity Obligations	213	499	27							33,364	34,103
Bond Mutual Funds and Other Pooled Fixed-Income Securities	9,071	1,683	2,538	2,507	\$ 340	\$ 559	\$ 258		\$ 250	347,103	364,309
External Investment Pools										56,705	56,705
Total	\$ 44,033	\$ 981,222	\$ 189,721	\$ 12,781	\$ 340	\$ 559	\$ 258	\$ 1,268,027	\$ 250	\$ 1,345,311	\$ 3,842,502

Reinvestment of Securities Lending Collateral:

Investment Type	Aaa	A1-P1	Unrated	Fair Value
Money Market Funds	\$ 48,958			\$ 48,958
Repurchase Agreements		\$ 235,000	\$ 339,849	574,849
Commercial Paper		110,830		110,830
Corporate Obligations			17,192	17,192
Total	\$ 48,958	\$ 345,830	\$ 357,041	\$ 751,829

*Includes \$7.2 million of money market funds that are reported with cash and cash equivalents.

Endowment Funds Credit Quality Ratings of Debt Investments at June 30, 2014 (dollars in thousands)

Investment Type	Fair Value	Average S & P Rating
Barclays Capital Aggregate Bond	\$ 396,739	AA

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

PERSI Credit Quality Ratings of Fixed-Income Securities at June 30, 2014

(dollars in thousands)

S & P Rating Level	Investment Type		Fair Value
	Domestic Securities	International Securities	
Agency (A-1+)	\$ 28,897		\$ 28,897
Agency (A-1)	67,422		67,422
A-2	14,454		14,454
AAA	50,618	\$ 20,224	70,842
AA	392,525	1,181	393,706
A	254,186	27,161	281,347
BBB	168,804	9,019	177,823
BB	10,460		10,460
B	5,704		5,704
CCC	7,495		7,495
CC	3,186		3,186
D	1,690		1,690
Not Rated	226,291	15,789	242,080
Total	\$ 1,231,732	\$ 73,374	\$ 1,305,106

Component Units Credit Quality Ratings of Debt Securities at June 30, 2014

(dollars in thousands)

Investment Type	Aaa	Aa	A	Baa	Ba	B	Caa	D	Unrated	Fair Value
Money Market Funds	\$ 423								\$ 145,693	\$ 146,116
U.S. Gov't Agency Obligations	128,709	\$ 3,442							1,294	133,445
Corporate Obligations	1,879	19,414	\$ 31,401	\$ 25,045	\$ 600		\$ 29	\$ 31	1,433	79,832
Municipal Obligations	8	26	98	35	51	\$ 10			81	309
Bond Mutual Funds	7,547	12,185	6,246	2,794	229	2,137	17		5,075	36,230
Total	\$ 138,566	\$ 35,067	\$ 37,745	\$ 27,874	\$ 880	\$ 2,147	\$ 46	\$ 31	\$ 153,576	\$ 395,932

Concentration of Credit Risk

Concentration of credit risk describes the heightened exposure to loss when a considerable number of investments exist in a single issuer. The State has adopted a principle that governments should provide note disclosure when at least 5 percent of the total government investments are concentrated in any one issuer. Investments in obligations explicitly guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. State statute places no limit on the amount that may be invested in any one issuer.

- The State, the Idaho Potato Commission, and the colleges and universities have not adopted a formal policy to address concentration of credit risk.
- The STO investment policy limits the amount that can be invested in any one issuer. The policy may be

obtained from their website at <http://sto.idaho.gov>.

- The Idaho Housing and Finance Association places no limit on the amount the Association may invest in one issuer.
- The Idaho Individual High Risk Reinsurance Pool's policy provides that no more than 10 percent of the short-term fund balance may be invested in the securities of any one issuer. The policy exempts the following types of investments: obligations of the U.S. government or its agencies, repurchase agreements collateralized by obligations of the U.S. government or its agencies, federally insured certificates of deposit, mutual funds, and money market mutual funds.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

Primary Government and Fiduciary Funds Concentration of Credit Risk at June 30, 2014

(dollars in thousands)

Portfolio	Issuer	Fair Value	Percent of Portfolio Investments
Boise State University:	American Express Credit Corporation	\$ 4,702	5.0
	Credit Suisse	4,789	5.0
Idaho Potato Commission:	Federal Home Loan Bank	882	100.0
Idaho State Bar	Bank of Cascades	100	5.4
	Federal Farm Credit Bank	103	5.6
	Federal Home Loan Mortgage Corporation	127	6.9
	Federal National Mortgage Association	107	5.8
STO Pool:	Daiwa	248,179	10.0
	Federal Agriculture Mortgage Corporation	148,830	6.0
	Federal Farm Credit Bank	181,030	7.3
	Federal Home Loan Bank	528,608	21.3
	Federal Home Loan Mortgage Corporation	197,131	7.9
	Federal National Mortgage Association	125,007	5.0
	Merrill Lynch	146,000	5.9
	Morgan Stanley	195,798	7.9
University of Idaho:	Wells Fargo & Company	136,074	5.5
	Federal Home Loan Mortgage Corporation	5,761	8.1
	Federal National Mortgage Association	6,755	9.4
	General Electric Company	5,096	7.1
University of Idaho Health Benefits Trust:	Federal Farm Credit Bank	442	16.2
	Federal Home Loan Banks	944	34.6
	Federal Home Loan Mortgage Corporation	795	29.1
	Federal National Mortgage Association	547	20.1

Component Unit Concentration of Credit Risk at June 30, 2014

(dollars in thousands)

Component Unit	Issuer	Fair Value	Percent of Portfolio Investments
Idaho Housing and Finance Association:	Bayerische Landesbank	\$ 76,883	22.5
	Federal Farm Credit Bank	41,064	12.0
	Federal Home Loan Bank	22,022	6.4
	Federal Home Loan Mortgage	18,162	5.3
	Federal National Mortgage Association	20,393	6.0
Petroleum Clean Water Trust:	Federal Home Loan Mortgage Corporation	2,799	8.4
	Federal National Mortgage Association	3,494	10.4
Health Reinsurance:	Federal Home Loan Bank	5,930	41.8
	Federal Home Loan Mortgage Corporation	751	5.3
	Federal National Mortgage Association	5,999	42.3
	Federal Farm Credit Bank	1,502	10.6

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

Foreign Currency Denominated Investments

Investments denominated in foreign currencies face a potential risk of loss in fair value from changes in currency exchange rates. The following describes the policies related to foreign currency risk for those state entities that have investments denominated in a foreign currency:

- The EFIB investment policy statement permits investing up to 21 percent of the EFIB total investments in international equities. No foreign fixed-income securities are permitted except currency.
- The PERSI investment policy provides individual manager guidelines, which outline at a minimum, a

range of currency exposure. Each portfolio is monitored for currency exposure. Managers are required to report variances.

- The Lewis-Clark State College Foundation investment policy permits investments in equities denominated in foreign currencies. The policy limits the investments in international equities to no more than 15 percent of the Foundation's total investment portfolio.
- The University of Idaho Foundation does not presently have a policy that addresses foreign currency risk.

Endowment Funds Foreign Currency Risk at June 30, 2014

(dollars in thousands)

Currency	Investment Type	Fair Value in U.S. Dollars
Australian Dollar	Equities	\$ 2,602
Brazilian Real	Equities	122
Canadian Dollar	Equities	6,472
Danish Krone	Equities	10,462
Euro	Equities	32,577
Hong Kong Dollar	Equities	26,958
Israeli Shekel	Equities	937
Japanese Yen	Equities	32,506
Mexican Peso	Equities	2,559
Norwegian Krone	Equities	3,801
Singapore Dollar	Equities	6,354
South African Rand	Equities	3,307
South Korean Won	Equities	2,058
Swedish Krona	Equities	8,885
Swiss Franc	Equities	25,206
U.K. Pound	Equities	43,835
Total		\$ 208,641

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

PERSI Foreign Currency Risk at June 30, 2014

(dollars in thousands)

Currency	Investment Type			Fair Value of Currency in U.S. Dollars
	Short-Term Investments	Equities	Fixed Income	
Australian Dollar	\$ (15,124)	\$ 59,984	\$ 6,867	\$ 51,727
Brazilian Real	147	99,272	1,959	101,378
Canadian Dollar	(17,906)	41,917	15,248	39,259
Chilean Peso	7	7,224		7,231
Colombian Peso	1	3,718		3,719
Czech Koruna	50	8,058		8,108
Danish Krone	49	25,853		25,902
Egyptian Pound	15	1,733		1,748
Euro	(19,545)	740,055	25,647	746,157
Hong Kong Dollar	668	286,602		287,270
Hungarian Forint	61	6,037		6,098
Indian Rupee	(771)			(771)
Indonesian Rupiah	(435)	41,892		41,457
Israeli Shekel	77	11,843		11,920
Japanese Yen	(8,537)	418,465		409,928
Kenyan Shilling	64	639		703
Malaysian Ringgit	150	26,616		26,766
Mexican New Peso	(3,633)	49,555	12,225	58,147
New Taiwan Dollar	2,647	129,537		132,184
New Turkish Lira	45	51,364		51,409
New Zealand Dollar	1	750	1,189	1,940
Norwegian Krone	2,695	4,885		7,580
Philippine Peso	32	40,853		40,885
Polish Zloty	115	8,127	8,584	16,826
Russian New Ruble		15,574		15,574
Singapore Dollar	173	34,358		34,531
South African Rand	95	82,406		82,501
South Korean Won	46	203,004		203,050
Sri Lanka Rupee	13	453		466
Swedish Krona	11	34,036		34,047
Swiss Franc	940	153,276		154,216
Thai Baht	1	57,483		57,484
U.K. Pound	1,779	536,627	2,237	540,643
Total	\$ (56,069)	\$ 3,182,196	\$ 73,956	\$ 3,200,083

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

College and University Foundations

Foreign Currency Risk at June 30, 2014

(dollars in thousands)

Currency	Investment Type	Fair Value in U.S. Dollars
Australian Dollar	Equities	\$ 2,438
Brazilian Real	Equities	1,433
Canadian Dollar	Equities	20
Chilean Peso	Equities	197
Chinese Yuan	Equities	2,149
Colombian Peso	Equities	48
Czech Koruna	Equities	2
Danish Krone	Equities	49
Euro	Equities	4,745
Hong Kong Dollar	Equities	3,511
Hungarian Forint	Equities	36
Indian Rupee	Equities	1,133
Indonesian Rupiah	Equities	348
Israeli Shekel	Equities	52
Japanese Yen	Equities	3,055
Korean Won	Equities	2,096
Malaysian Ringgit	Equities	539
Mexican Peso	Equities	882
New Zealand Dollar	Equities	17
Norwegian Krone	Equities	100
Philippine Peso	Equities	100
Polish Zloty	Equities	248
Russian Ruble	Equities	533
Singapore Dollar	Equities	1,622
South African Rand	Equities	1,026
South Korean Won	Equities	41
Swedish Krona	Equities	805
Swiss Franc	Equities	2,658
Taiwan Dollar	Equities	1,943
Thai Baht	Equities	354
Turkish Lira	Equities	295
U.K. Pound	Equities	8,638
Total		\$ 41,113

Debt Investments with Terms That May Cause the Fair Value to Be Highly Sensitive To Interest Rate Changes

Mortgage-Backed Securities have a return based on the cash flows from interest and principal payments on the underlying mortgages. As a result, they are sensitive to prepayments, which are likely to occur in declining interest rate environments. To the extent possible, this prepayment risk is reflected in the interest rate risk of the portfolios by using the weighted average method to calculate interest rate risk for long-term investments and the modified duration method used by the EFIB and the PERSI.

Treasury Inflation Protected Securities (TIPS) are fixed-income securities issued by the U.S. Treasury that pay a

fixed coupon rate plus an adjustment for subsequent inflation. The Endowment Funds had investments in TIPS with a fair value of \$70.3 million, and the PERSI had investments in TIPS with a fair value of \$1.4 billion.

The Idaho Housing and Finance Association has four U.S. agency obligations with an aggregate value of \$17.0 million with call options. The Association is invested in pay-fixed, receive-variable interest rate swaps with notional amounts totaling \$6.1 million, and fair value of negative \$0.9 million. The Association pays fixed rate payments between 3.730 percent and 5.548 percent and receives variable rate payments based

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

on the Securities Industry and Financial Markets Association (SIFMA) and the London Interbank Offered Rate (LIBOR) indices.

Repurchase Agreements

Repurchase agreements are purchases of securities with simultaneous agreements to resell those same securities in the future at a higher price.

The Idaho Housing and Finance Association invests excess cash overnight in repurchase agreements that are held in the Association's account in the name of the bank and are collateralized by the U.S. government and agency obligations. The Association had repurchase agreements of \$12.0 million with Wells Fargo Bank.

Securities Lending Agreements

Securities lending agreements are transfers of securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The current legislation passed in fiscal year 2014 prohibits new securities lending agreements and requires an orderly program to terminate current security lending agreements. A securities lending agent manages

the securities lending program. During the year, the agent lent securities for cash collateral. The investments are collateralized at no less than 102 percent of the fair value. The securities lending agreement requires daily monitoring of the fair value of securities lent and collateral received with additional collateral obtained as necessary to meet margin requirements. The cash collateral received is held in a separate account in the name of the STO. The STO is indemnified for loss due to default on the part of the borrowers and failure to maintain the daily mark-to-market on the loans. At year-end, the STO pool portfolio had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. No restrictions exist on the amount of loans that can be made. Either the State or the borrower can cancel all securities loans upon demand. Generally the average term of these loans is under ten days. The cash collateral received is invested by the agent in marketable securities of varying terms with maturities ranging between one day and three years. As of June 30, 2014, more than 44 percent of the portfolio was invested in instruments with a one-day maturity or less and the weighted average maturity of the cash collateral portfolio was 33 days.

Primary Government and Fiduciary Funds Balances of Securities Lending Transactions at June 30, 2014 (dollars in thousands)

<u>Securities Lent for Cash Collateral</u>	<u>Fair Value of Lent Securities</u>	<u>Cash Collateral Received for Lent Securities</u>
U.S. Treasury Obligations	\$ 206,477	\$ 212,587
U.S. Gov't Agency Obligations	539,606	551,299
Total	\$ 746,083	\$ 763,886

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

C. Restricted Assets

A portion of cash and investments are classified as restricted assets for governmental activities, business-type activities, and component units on the Statement of

Net Position. The breakout of purpose and amount are as follows:

Primary Government and Component Units
Restricted Assets at June 30, 2014
(dollars in thousands)

Purpose	Amount
<u>Governmental Activities:</u>	
Restricted Cash:	
Bond Covenants	\$ 360
Debt Service	41,815
Donations for Various Projects	7,160
Group Insurance Reserves	27,089
Juvenile Corrections Social Security Benefits	591
Legislation and Donations	7,010
Matching Fund Contributions	32,207
Petroleum Violation Escrow	4,112
Pollution Clean Up	9,116
The Idaho State Bar Client Assistance Fund	699
Restricted Investments:	
Debt Service	3,420
Donations for Various Projects	5,103
Legal Settlements	2,508
Legislation and Donations	230,083
Pollution Clean Up	22,644
Total Governmental Activities	<u>\$ 393,917</u>
<u>Business-Type Activities:</u>	
Restricted Cash:	
Bond Indentures	\$ 11,366
Debt Service	553
Idaho Lottery Dividends Payout	47,739
Wastewater Facility Loan Program and Drinking Water Systems Loan Program	41,908
Restricted Investments:	
Bond Indentures	601
Wastewater Facility Loan Program and Drinking Water Systems Loan Program	119,313
Total Business-Type Activities	<u>\$ 221,480</u>
<u>Component Units:</u>	
Restricted Cash:	
Donations for the College and University Foundations	\$ 25,378
Bond Indentures and Escrow and Reserve Deposits	15,218
Restricted Investments:	
Donations for the College and University Foundations	266,641
Total Component Units	<u>\$ 307,237</u>

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 3. DERIVATIVE INSTRUMENTS

Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments.

Primary Government

The Idaho State Building Authority entered into a pay-fixed interest rate contract as a cash flow hedge. The

interest rate contract is determined to be an effective hedge and is reported at fair value of negative \$6.1 million on the government-wide Statement of Net Position in deferred outflows of resources and in liabilities. The decrease in the liability of the hedge for fiscal year 2014 was \$0.7 million. The Authority contract has the following objectives and terms:

Type	Objective	Notional Amount (in thousands)	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate contract	Hedge of changes in cash flows on the 2008 Series A bonds	\$ 36,120	12/1/2008	9/1/2025	Pay 4.3%; receive 67% of 1-month LIBOR rate	A-1/A+

The Authority is exposed to credit risk on the interest rate contract that could potentially be in an asset position.

The Authority is exposed to interest rate risk on the interest rate contract. As the one-month LIBOR Index rate decreases, the Authority's net payment on the interest rate contract increases.

The Authority is exposed to basis risk on the interest rate contract because the variable-rate payments received by the Authority on this hedging instrument are based on a rate or index other than interest rates the Authority pays on its hedged variable-rate debt, which is currently remarketed every seven days. As of June 30, 2014, the interest rate on the Authority's hedged variable-rate debt was 0.082 percent while 67 percent of the one-month LIBOR was 0.010 percent.

The Authority or its counterparty may terminate the interest rate contract if the other party fails to perform under the terms of the contract. In addition, the Authority may terminate at any time. If at the time of termination the interest rate contract is in a liability

position, the Authority would be liable to the counterparty for a payment equal to the liability.

Component Units

The Idaho Housing and Finance Association has entered into multiple interest rate swap agreements to reduce the Association's overall cost of borrowing long-term capital and protect against the risk of rising interest rates. The fair value of the swaps was a negative \$80.6 million and reported in other accrued liabilities on the Statement of Net Position. The Association has determined that a substantial portion of its interest rate swaps effectively hedge against changes in variable interest rates. Changes in fair value for hedge swaps are reported on the Statement of Net Position as deferred outflows of resources of \$80.9 million and deferred inflows of resources of \$2.5 million. A portion of the interest rate swaps are considered non-effective for hedging purposes and are reported in the Statement of Revenues, Expenses, and Changes in Net Position at negative \$0.9 million. The Association has the following interest rate swap agreements:

Idaho Housing and Finance Association - Hedging Derivative Instruments							
Interest Rate Swap Agreements at June 30, 2014							
(dollars in thousands)							
Series	Notional Amount	Fair Value	Change in Fair Value	Inception Date	Termination Date	Terms	
						Fixed Rate Paid	Variable Rate Received
2003 Series A	\$ 7,570	\$ (1,198)	\$ 169	11/6/2008	1/1/2026	4.5190%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2003 Series B	6,375	(772)	131	11/6/2008	7/1/2024	4.0360%	SIFMA+.20%
2003 Series C	4,355	(487)	72	11/6/2008	1/1/2025	3.7800%	SIFMA+.20%
2003 Series D	5,510	(946)	458	11/6/2008	7/1/2025	4.8400%	SIFMA+.20%
2003 Series E	6,620	(1,027)	147	11/6/2008	7/1/2025	4.5300%	SIFMA+.20%

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

Series	Notional Amount	Fair Value	Change in Fair Value	Inception Date	Termination Date	Terms	
						Fixed Rate	Variable Rate Received
2004 Series A	\$ 6,590	\$ (899)	\$ 180	11/7/2008	1/1/2026	4.0290%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2004 Series B	7,020	(1,123)	124	11/7/2008	1/1/2027	4.3700%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2004 Series C	7,360	(1,120)	138	11/7/2008	7/1/2025	4.3300%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2004 Series D	8,330	(1,118)	200	11/7/2008	1/1/2028	3.8500%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2005 Series A	9,270	(1,313)	103	11/7/2008	1/1/2029	3.9000%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2005 Series D	9,000	(1,230)	115	11/7/2008	7/1/2028	3.8650%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR
2005 Series E	9,530	(1,347)	126	11/7/2008	1/1/2029	3.9300%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR
2005 Series B	9,080	(1,328)	110	11/7/2008	7/1/2028	3.9850%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2005 Series C	9,215	(1,195)	91	11/7/2008	7/1/2028	3.7300%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2005 Series F	9,880	(1,512)	143	11/7/2008	1/1/2029	4.0950%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR
2006 Series A	9,555	(1,492)	134	11/7/2008	1/1/2029	4.1000%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR
2006 Series B	6,870	(1,068)	142	11/7/2008	7/1/2025	4.3500%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR
2006 Series C	6,655	(1,034)	140	11/7/2008	1/1/2025	4.3600%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR
2006 Series D	7,765	(1,244)	170	11/7/2008	1/1/2025	4.4500%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR
2007 Series D	13,000	(1,735)	209	12/20/2012	1/1/2026	4.8930%	LIBOR+.71%
2007 Series E	15,805	(2,129)	274	12/20/2012	7/1/2025	4.9360%	LIBOR+.71%
2007 Series F	19,725	(3,005)	419	12/20/2012	1/1/2025	5.2840%	LIBOR+.71%
2007 Series G	25,000	(4,643)	201	12/20/2012	7/1/2028	5.3920%	LIBOR+.76%
2007 Series H	30,000	(5,371)	82	12/20/2012	7/1/2030	5.1980%	LIBOR+.76%
2007 Series I	21,000	(3,515)	124	12/20/2012	7/1/2028	5.1420%	LIBOR+.76%
2007 Series J	26,250	(4,319)	146	12/20/2012	7/1/2028	5.1020%	LIBOR+.76%
2007 Series K	23,975	(3,574)	101	12/20/2012	7/1/2030	4.9320%	LIBOR+.76%
2006 Series E	9,025	(1,509)	40	11/22/2013	1/1/2026	5.5480%	One-month LIBOR + .80%
2006 Series F	9,180	(1,419)	3	11/22/2013	1/1/2026	5.3210%	One-month LIBOR + .80%
2006 Series G	9,090	(1,335)	(2)	11/22/2013	7/1/2026	5.1970%	One-month LIBOR + .80%
2007 Series A	9,440	(1,521)	(23)	11/22/2013	7/1/2026	5.3660%	One-month LIBOR + .80%
2007 Series B	10,790	(1,636)	(141)	11/22/2013	1/1/2027	5.2180%	One-month LIBOR + .80%
2007 Series C	11,375	(1,791)	(40)	11/22/2013	1/1/2027	5.3070%	One-month LIBOR + .80%
2008 Series A	23,975	(3,843)	(440)	11/22/2013	7/1/2030	5.1240%	One-month LIBOR + .80%
2008 Series B	22,515	(3,145)	(260)	11/22/2013	7/1/2029	4.9760%	One-month LIBOR + .80%
2008 Series C	15,690	(2,165)	(34)	11/22/2013	7/1/2026	5.0540%	One-month LIBOR + .80%
2008 Series D	5,885	(719)	(200)	11/22/2013	7/1/2026	4.7720%	One-month LIBOR + .80%
2000 Series F	3,230	(320)	40	11/6/2008	1/1/2018	5.3000%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2000 Series G	7,760	(1,273)	(343)	11/6/2008	7/1/2021	5.2500%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2001 Series A	4,905	(572)	196	11/6/2008	1/1/2020	4.7600%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2001 Series B	5,325	(673)	(260)	11/6/2008	7/1/2020	4.8660%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2001 Series C	5,210	(644)	209	11/6/2008	7/1/2020	4.8600%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2001 Series D	7,650	(1,113)	158	11/6/2008	7/1/2022	4.7300%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2001 Series E	7,650	(1,050)	(344)	11/6/2008	7/1/2022	4.5300%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2001 Series F	5,450	(684)	198	11/6/2008	1/1/2021	4.7000%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2002 Series A	5,625	(784)	86	11/6/2008	1/1/2021	5.0200%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2002 Series B	5,670	(776)	(142)	11/6/2008	1/1/2021	4.9500%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2002 Series C	3,090	(765)	128	11/6/2008	1/1/2021	4.8900%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2002 Series D	8,060	(1,153)	(22)	11/6/2008	7/1/2022	4.7100%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2002 Series E	5,660	(690)	184	11/6/2008	7/1/2021	4.4800%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2002 Series F	5,295	(591)	102	11/6/2008	1/1/2024	3.7900%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2002 Series G	5,295	(676)	(123)	11/6/2008	1/1/2024	4.1400%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
	\$ 534,145	\$ (80,591)	\$ 3,419				

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

Idaho Housing and Finance Association - Investment Derivative Instruments

Interest Rate Swap Agreements at June 30, 2014

(dollars in thousands)

Series	Notional Amount	Fair Value	Change in Fair Value	Inception Date	Termination Date	Terms	
						Fixed Rate Paid	Variable Rate Received
2003 Series A	\$ 400	\$ (63)	\$ 9	11/6/2008	1/1/2026	4.5190%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2003 Series B	1,260	(153)	26	11/6/2008	7/1/2024	4.0360%	SIFMA+.20%
2003 Series D	1,630	(277)	(277)	11/6/2008	7/1/2025	4.8400%	SIFMA+.20%
2003 Series E	520	(79)	12	11/6/2008	7/1/2025	4.5300%	SIFMA+.20%
2004 Series A	500	(68)	(68)	11/7/2008	1/1/2026	4.0290%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2004 Series B	660	(107)	11	11/7/2008	1/1/2027	4.3700%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2004 Series D	710	(95)	(95)	11/7/2008	1/1/2028	3.8500%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2005 Series D	370	(51)	4	11/7/2008	7/1/2028	3.8650%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR
2007 Series B			103	11/22/2013	1/1/2027	5.2180%	One-month LIBOR + .80%
2008 Series D			169	11/22/2013	7/1/2026	4.7720%	One-month LIBOR + .80%
2000 Series F			135	11/6/2008	1/1/2018	5.3000%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2000 Series G			627	11/6/2008	7/1/2021	5.2500%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2001 Series B			470	11/6/2008	7/1/2020	4.8660%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2001 Series D			79	11/6/2008	7/1/2022	4.7300%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2001 Series E			566	11/6/2008	7/1/2022	4.5300%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2002 Series A			132	11/6/2008	1/1/2021	5.0200%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2002 Series B			359	11/6/2008	1/1/2021	4.9500%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2002 Series C			87	11/6/2008	1/1/2021	4.8900%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2002 Series D			274	11/6/2008	7/1/2022	4.7100%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2002 Series G			243	11/6/2008	1/1/2024	4.1400%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
	\$ 6,050	\$ (893)	\$ 2,866				

The Association was not exposed to credit risk on any outstanding swaps due to their negative fair values. The Association's counterparty has a current rating of A.

All but twenty-two of the Association's swaps have a dual basis: the SIFMA Index plus 20 basis points when the one-month LIBOR Index is less than either 3.5 percent or 4 percent (depending on the bond series) and 68 percent of the LIBOR Index when the LIBOR Index is 3.5 percent or greater. Four non-dual basis swaps have a basis of the SIFMA Index plus 20 basis points and one has a basis of the LIBOR Index plus 71 or 76 basis points (depending on the maturity date). The Association is exposed to basis risk on dual basis swaps when variable payments received are based on the LIBOR Index and do not offset the variable-rate paid on bonds, which is based on the SIFMA Index. On June 30, 2014, the SIFMA Index was 7 basis points and the one-month LIBOR Index was 16 basis points.

Rollover risk relates to a mismatch in the amortization of the swaps with the amortization of the variable-rate bonds. The Association has structured its debt such that not all variable debt is matched by interest rate swaps and calls certain variable-rate bonds independent of the expiration of the associated interest rate swap. This exposes the Association to the risk of incurring a higher interest expense than it might otherwise incur. Swap

notional amounts no longer associated with variable-rate debt are reported as investment derivatives.

The Association or Barclays Capital may terminate an interest rate swap if the other party fails to perform under the terms of the contract. If any of the swaps are terminated, the associated variable-rate bonds would no longer carry synthetic fixed interest rates and the Association would be exposed to changing interest rates and incurring interest rate risk. The risk may be offset by identifying a suitable counterparty willing to enter into identical swap contracts at the termination date.

The Association redeemed and reissued as the 2013A bonds the remaining 2006 indenture variable rate demand obligations. The associated swap contracts were modified to match the 2012A variable rate structure and created a deemed terminating event. The manner of the restructuring resulted in a present value gain to the Association of \$77,000 and did not substantively change the Association's position with its counter party.

The Association redeemed and reissued as the 2014A bonds the 2000 indenture variable rate demand obligations. Though the terms of the swap contracts were not modified, the redemption and reissue did create a deemed terminating event of the swap contracts, which requires that the value of the deferred outflow of resources at the date of reissuance be amortized to interest expense.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

The deemed termination event also created a deemed borrowing, the result of higher off-market contractual fixed rates paid to the Association's counterparty compared to the market rate required at the time of the defeasance and reissuance. These borrowings are amortized and credited to interest expense over the life of the swap contracts. The requirements of the accounting standard result in a dual presentation of the deferred outflow of resources at both amortized and fair values and the presentation in the deferred inflow of resources of an amount that reflects the change in the fair value of the modified contracts during the fiscal years. To present the fair value of the Association's economic position with the counterparty, the difference between the amortized value and fair value of these contracts is

included in the interest rate swap contracts fair value presented as a deferred outflow of resources on the Statement of Net Position.

The Association entered into 18 "To Be Announced" (TBA) forward contracts in order to lock in the sales price for the securitization of qualified first mortgage single-family loans. The Association periodically enters into forward contracts to sell Government National Mortgage Association (GNMA) Mortgage Backed Securities to investors before the securities are ready for delivery. These contracts are considered investment derivatives and hedge the interest rate risk for loan commitments made to originating mortgage lenders.

Idaho Housing and Finance Association - Investment Derivative Instruments

TBA Forward Contracts at June 30, 2014

(dollars in thousands)

Contract	Notional Amount	Fair Value	Coupon Rate	Counterparty Credit Rating
April 2014	\$ 5,000	\$ (126)	4.00%	Aaa
April 2014	10,000	(223)	3.50%	Aaa
April 2014	5,000	(100)	4.00%	Aaa
April 2014	5,000	(98)	3.50%	Aaa
May 2014	10,000	(136)	3.50%	Aaa
May 2014	5,000	(30)	3.00%	Aaa
May 2014	5,000	(54)	4.00%	Aaa
May 2014	5,000	(40)	3.50%	Aaa
May 2014	5,000	(12)	3.00%	Aaa
June 2014	5,000	(34)	3.50%	Aaa
June 2014	5,000	(64)	3.50%	Aaa
June 2014	5,000	(45)	3.50%	Aaa
June 2014	5,000	(36)	4.00%	Aaa
June 2014	5,000	(52)	3.50%	Aaa
June 2014	5,000	(51)	3.50%	Aaa
June 2014	5,000	(21)	3.00%	Aaa
June 2014	5,000	(21)	4.00%	Aaa
July 2014	5,000	(34)	3.50%	Aaa
	<u>\$ 100,000</u>	<u>\$ (1,177)</u>		

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 4. INTRAENTITY TRANSACTIONS

A. Interfund Balances

Interfund balances consist of the following receivables and payables (*dollars in thousands*):

	Interfund Payables							
	General Fund	Health and Welfare	Transportation	Nonmajor Governmental	College and University	Nonmajor Enterprise	Internal Service	Pension Trust
General Fund		\$ 154	\$ 6	\$ 104	\$ 1,142	\$ 5,651		
Nonmajor Governmental	\$ 7	74	439	323		273		
College and University	1,927	444	57	1,053				
Unemployment Compensation	180							
Nonmajor Enterprise	22	13	16	11		10		
Internal Service	152	421	80	72	26		\$ 6	
Pension Trust								\$ 1,718
Total	\$ 2,288	\$ 1,106	\$ 598	\$ 1,563	\$ 1,168	\$ 5,934	\$ 6	\$ 1,718
								\$ 14,381

Interfund receivables and payables generally consist of short-term receivables and payables for goods and services provided by one individual fund within the State to another and for certain statutorily required transfers due at year-end. Most balances result from the time lag between the dates that:

- 1) Interfund goods and services are provided or reimbursable expenditures occur.
- 2) Transactions are recorded in the accounting system.
- 3) Payments between funds are made.

B. Interfund Transfers

Interfund transfers for the fiscal year were as follows (*dollars in thousands*):

	Transfers In						
	General Fund	Health and Welfare	Nonmajor Governmental	College and University	Loan	Internal Service	Total
General Fund		\$ 615,358	\$ 12,546	\$ 269,995	\$ 12,988	\$ 2,738	\$ 913,625
Health and Welfare	\$ 2,832				896		3,728
Transportation	25		15,846				15,871
Land Endowments	38,116			10,729			48,845
Nonmajor Governmental	74,265	2,563	545	100			77,473
College and University	281						281
Unemployment Compensation			13,068				13,068
Loan	716		1,448				2,164
Nonmajor Enterprise	73,652	2,729	1,126				77,507
Internal Service	202						202
Total	\$ 190,089	\$ 620,650	\$ 44,579	\$ 280,824	\$ 13,884	\$ 2,738	\$ 1,152,764

Interfund transfers are primarily performed for two reasons:

- 1) Taxes, fees, penalties, earnings, and other revenues are transferred from the agencies that initially collect them (such as the Tax Commission) to the General Fund and other funds as dictated by state law.

- 2) Revenues are transferred from the fund that is statutorily required to collect them to the fund that has budgetary authorization to spend them.

During fiscal year 2014 the following nonroutine transfers were made:

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

- \$10.5 million from the General Fund to the Revolving Development Fund for projects to ensure water availability for existing uses.
- \$4.5 million from the General Fund to the Secondary Aquifer Planning, Management, and Implementation Fund to provide water supplies for future economic development.
- \$10.0 million from the General Fund to the Permanent Building Fund for alterations and repairs in fiscal year 2015.
- \$36.0 million from the General Fund to the State Stabilization funds: \$24.0 million for the Budget Stabilization Fund, \$10.0 million for the Public Education Stabilization Fund, and \$2.0 million for the Higher Education Stabilization Fund.

C. Significant Transactions with Related Parties

The primary government had the following transactions with the Idaho Housing and Finance Association (IHFA):

- The Transportation fund has notes payable in the amount of \$591.9 million to the IHFA for bonds issued on their behalf for transportation

infrastructure projects.

- The Unemployment Compensation fund has notes payable to the IHFA in the amount of \$98.0 million for bonds issued in 2011 on their behalf to repay loans from the federal government related to Unemployment Insurance Trust fund shortfalls.

The Housing Company, a component unit of the IHFA, owes the IHFA \$9.1 million for notes payable secured by real property.

Boise State University leases a building from the BSU Foundation (BSUF); the remaining lease payments total \$1.3 million. At the expiration of the lease, the BSUF will either donate the building or continue to lease the building for \$1 per year.

During fiscal year 2014 the college and university foundations distributed \$48.1 million to the respective colleges and universities for support of academic and athletic programs.

The State purchased workers compensation insurance coverage from the State Insurance Fund, a related party, in the amount of \$10.2 million during the fiscal year.

NOTE 5. NONCURRENT RECEIVABLES

The Accounts Receivable, Taxes Receivable, Due from Other Entities, Due from Primary Government, and Loans, Notes, and Pledges Receivable line items on the government-wide Statement of Net Position contain aggregated current and noncurrent receivable balances

net of allowances for doubtful accounts. The following tables disaggregate the noncurrent receivables balances for the primary government and component units.

Noncurrent interfund receivables are discussed in Note 4.

Noncurrent Receivables - Primary Government

(dollars in thousands)

	Governmental Activities				Business-Type Activities	
	General Fund	Health and Welfare	Transportation	Nonmajor Governmental	College and University	Loan
Accounts Receivable	\$ 82	\$ 3		\$ 5,090		
Taxes Receivable	193,189	3	\$ 2,748	133		
Due from Other Entities				64		
Loans and Notes Receivable	1,544		378	3,438	\$ 22,664	\$ 295,719
Total Noncurrent Receivables	194,815	6	3,126	8,725	22,664	295,719
Less: Allowance for Doubtful Accounts						
Accounts Receivable	(52)			(2,664)		
Taxes Receivable	(655)					
Loans and Notes Receivable					(2,487)	
Total Noncurrent Receivables, Net	\$ 194,108	\$ 6	\$ 3,126	\$ 6,061	\$ 20,177	\$ 295,719

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

Noncurrent Receivables - Component Units (dollars in thousands)			
	Idaho Housing and Finance	College and University Foundation	Idaho Bond Bank Authority
Due from Primary Government	\$ 646,080		
Pledges Receivable		\$ 12,147	
Loans and Notes Receivable	770,769	297	\$ 404,205
Total Noncurrent Receivables	1,416,849	12,444	404,205
Less: Allowance for Doubtful Accounts			
Loans and Notes Receivable	(7,074)		
Pledges Receivable		(1,546)	
Total Noncurrent Receivables, Net	\$ 1,409,775	\$ 10,898	\$ 404,205

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year is as follows (dollars in thousands):

Primary Government	Balances at July 1, 2013 As Restated*	Increases	Decreases	Balances at June 30, 2014
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land and Land Use Rights	\$ 1,057,069	\$ 12,905	\$ (1,948)	\$ 1,068,026
Capital Assets in Progress	933,139	213,072	(82,683)	1,063,528
Infrastructure	2,552,656	13,414		2,566,070
Historical Art and Collections	122			122
Total Capital Assets not Being Depreciated	4,542,986	239,391	(84,631)	4,697,746
Capital Assets Being Depreciated:				
Buildings and Improvements	934,898	21,519	(1,736)	954,681
Improvements Other Than Buildings	103,810	6,419	(726)	109,503
Machinery, Equipment, and Other	558,539	61,416	(33,856)	586,099
Infrastructure	910,582	22,364	(50)	932,896
Total Capital Assets Being Depreciated	2,507,829	111,718	(36,368)	2,583,179
Less Accumulated Depreciation for:				
Buildings and Improvements	(342,308)	(21,704)	328	(363,684)
Improvements Other Than Buildings	(37,245)	(5,088)	159	(42,174)
Machinery, Equipment, and Other	(318,543)	(49,824)	19,332	(349,035)
Infrastructure	(218,902)	(13,274)	49	(232,127)
Total Accumulated Depreciation	(916,998)	(89,890)	19,868	(987,020)
Total Capital Assets Being Depreciated, Net	1,590,831	21,828	(16,500)	1,596,159
Governmental Activities Capital Assets, Net	\$ 6,133,817	\$ 261,219	\$ (101,131)	\$ 6,293,905

* Beginning balances were restated due to prior period adjustments.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

Depreciation expense was charged to functions of governmental activities as follows (*dollars in thousands*):

Governmental Activities:

General Government	\$ 12,289
Public Safety and Correction	9,421
Health and Human Services	20,702
Education	3,401
Economic Development	30,941
Natural Resources	11,408

In addition, depreciation on capital assets held by the State's internal service funds is charged to the various functions based on their usage of the assets

1,728

Total Accumulated Depreciation Increase for Governmental Activities

\$ 89,890

Business-Type Activities:	Balances at July 1, 2013 as Restated*			Balances at June 30, 2014
		Increases	Decreases	
Capital Assets not Being Depreciated:				
Land and Land Use Rights	\$ 123,581	\$ 3,104		\$ 126,685
Capital Assets in Progress	39,150	17,744	\$ (39,925)	16,969
Historical Art and Collections	2,322	18	(7)	2,333
Total Capital Assets not Being Depreciated	<u>165,053</u>	<u>20,866</u>	<u>(39,932)</u>	<u>145,987</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	1,377,364	47,426	(4,091)	1,420,699
Improvements Other Than Buildings	67,783	2,038		69,821
Machinery, Equipment, and Other	418,714	27,439	(10,743)	435,410
Total Capital Assets Being Depreciated	<u>1,863,861</u>	<u>76,903</u>	<u>(14,834)</u>	<u>1,925,930</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(474,729)	(38,523)	3,537	(509,715)
Improvements Other Than Buildings	(36,663)	(2,804)		(39,467)
Machinery, Equipment, and Other	(315,529)	(27,027)	10,071	(332,485)
Total Accumulated Depreciation	<u>(826,921)</u>	<u>(68,354)</u>	<u>13,608</u>	<u>(881,667)</u>
Total Capital Assets Being Depreciated, Net	<u>1,036,940</u>	<u>8,549</u>	<u>(1,226)</u>	<u>1,044,263</u>
Business-Type Activities Capital Assets, Net	<u><u>\$ 1,201,993</u></u>	<u><u>\$ 29,415</u></u>	<u><u>\$ (41,158)</u></u>	<u><u>\$ 1,190,250</u></u>

* Beginning balances were restated due to prior period adjustments.

Interest incurred during construction is capitalized in enterprise funds. The total cost of interest incurred during the fiscal year was \$20.0 million. Of that \$0.4 million was capitalized.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

Component Units:	Balances at July 1, 2013	Increases	Decreases	Balances at July 1, 2014
Capital Assets not Being Depreciated:				
Land	\$ 6,369	\$ 51	\$ (28)	\$ 6,392
Capital Assets in Progress		7,945		7,945
Intangible Assets		12		12
Total Capital Assets not Being Depreciated	6,369	8,008	(28)	14,349
Capital Assets Being Depreciated:				
Buildings and Improvements	68,132	941	(625)	68,448
Improvements Other Than Buildings	263			263
Machinery, Equipment, and Other	7,155	4,329	(77)	11,407
Total Capital Assets Being Depreciated	75,550	5,270	(702)	80,118
Less Accumulated Depreciation for:				
Buildings and Improvements	(33,926)	(2,511)	466	(35,971)
Improvements Other Than Buildings	(220)	(5)		(225)
Machinery, Equipment, and Other	(5,831)	(779)	87	(6,523)
Total Accumulated Depreciation	(39,977)	(3,295)	553	(42,719)
Total Capital Assets Being Depreciated, Net	35,573	1,975	(149)	37,399
Component Unit Activities Capital Assets, Net	\$ 41,942	\$ 9,983	\$ (177)	\$ 51,748

NOTE 7. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

The Deferred Outflows of Resources and Deferred Inflows of Resources line items on the government-wide Statement of Net Position contain aggregated types of

deferrals. The following tables disaggregate the deferrals for the primary government and component units.

A. Deferred Outflows of Resources (dollars in thousands)

	Primary Government		Component Unit
	Governmental Activities	Business-Type Activities	
	Nonmajor Governmental	College and University	Idaho Housing and Finance Association
Debt Defeasance	\$ 5,381	\$ 8,626	
Hedging Derivatives			
Interest Rate Swap Contracts - Amortized			\$ 50,822
Interest Rate Swap Contracts - Fair Value	6,114		30,093
Total Deferred Outflows of Resources	\$ 11,495	\$ 8,626	\$ 80,915

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

B. Deferred Inflows of Resources (dollars in thousands)

	Primary Government					Component Unit
					Business-Type Activities	
	Governmental Activities					
	General Fund	Health and Welfare	Trans- portation	Nonmajor Governmental	College and University	Idaho Housing and Finance Association
Debt Defeasance					\$ 30	
Hedging Derivatives						\$ 2,501
Nonexchange Transactions					1,604	
Unavailable Revenue	\$ 377,112	\$ 54,088	\$ 8,165	\$ 22,280		
Total Deferred Inflows of Resources	\$ 377,112	\$ 54,088	\$ 8,165	\$ 22,280	\$ 1,634	\$ 2,501

NOTE 8. PENSION PLANS

A. Summary of Public Employee Retirement System of Idaho Plans

The Public Employee Retirement System of Idaho (PERSI) administers the PERSI Base Plan, the Firefighters' Retirement Fund (FRF), and two defined contribution retirement plans. A retirement board appointed by the Governor and confirmed by the State Senate manages the PERSI, which includes selecting the funding agents, establishing funding policy, and setting contribution rates. The PERSI issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Employee Retirement System of Idaho, P.O. Box 83720, Boise, ID 83720-0078.

Summary of Significant Accounting Policies

The PERSI basic financial statements are prepared using the economic resource measurement focus and accrual basis of accounting. Employee and employer contributions are recognized as additions to net position when due and receivable; investment income is recognized when earned; and benefit payments, refunds, and other expenses are recorded when the benefits are due and payable in accordance with the plans' terms.

Investments are presented at fair value. Purchases and sales are recorded at the trade date. The fair value of investments is based on published market prices and quotations from major investment brokers when available. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments of matching duration. The fair value of longer-term real estate investments has been estimated based on the

PERSI's consultant assessments and/or independent appraisals. Short-term investments are reported at market value when published market prices and quotations are available, or at cost plus accrued interest, which approximates market value. Investments of the PERSI Base Plan and FRF are pooled for investment purposes.

1. PERSI Base Plan

Plan Description

Organization and Purpose

The PERSI Base Plan is a cost-sharing, multiple-employer defined benefit retirement plan. The Base Plan is governed by Idaho Code Title 59 Chapter 13.

Membership

State agencies, school districts, cities, counties, highway districts, water and sewer districts, and other political subdivisions contribute to the PERSI Base Plan. Participation is mandatory for state employees who normally work 20 or more hours a week for 5 or more consecutive months. The number of participating employer units is 763.

Benefits

The benefit structure is based on each member's years of service, age, and average monthly salary for the highest consecutive 42 months. In addition, benefits are provided for disability or death, and to survivors of eligible members or beneficiaries. Members are eligible for retirement benefits upon attainment of the age specified for their employment classification or a combination of age plus service. The annual service retirement allowance for each month of credited service is 2 percent (2.3 percent for police) of the average monthly salary for the highest consecutive 42 months.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

The benefit payments are calculated using a benefit formula adopted by the Idaho Legislature. The PERSI Base Plan is required to provide a 1 percent minimum cost of living increase per year on the condition the Consumer Price Index increases 1 percent or more. The PERSI Retirement Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6 percent, whichever is less; however, any amount above the 1 percent minimum is subject to approval by the Legislature.

Funding Policy

Contributions and Vesting

Funding policy for the PERSI Base Plan is determined by the Board as defined by Idaho law. The Board may make periodic changes to employer and employee contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are inadequate to accumulate sufficient assets to pay benefits when due. The level percentage of payroll normal costs is determined using the entry age normal cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level basis percentage of each year's earnings of the individual between entry age and assumed exit age. The PERSI Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period permitted under Idaho Code Section 59-1322 is 25 years.

The last actuarial valuation was performed as of July 1, 2012. Normal cost is 14.3 percent of covered payroll and the amount available to amortize the unfunded actuarial liability is 4.1 percent of covered payroll.

The contribution rates for the year were as follows:

Employee Group	Employer	Employee
General	11.32%	6.79%
Police and Fire	11.66%	8.36%

Employer contributions required and paid were \$69.9 million, \$71.9 million, and \$78.1 million for the fiscal years ended June 30, 2012, 2013, and 2014, respectively.

After five years of credited service (five months for elected or appointed officials) members become fully vested in retirement benefits earned to date. Upon termination of employment, accumulated member contributions plus interest are refundable. The interest was compounded monthly per annum and accrued at 1.04 percent from July 1, 2013, through

December 31, 2013, and at 7.77 percent from January 1, 2014, through June 30, 2014. Withdrawal of such accumulated contributions results in forfeiture of the member's accrued benefit; however, state law does include provisions for reinstatement of forfeited service upon repayment of the accumulated contributions plus interest.

Although enrollees in the College and University Optional Retirement Plan no longer belong to the PERSI, the colleges and universities are required to contribute to the PERSI Base Plan through July 1, 2025. The contribution rate for the year was 1.49 percent for colleges and universities.

Funding

Contributions from members and employers, in addition to earnings from investments, fund the PERSI Base Plan benefits. Member and employer contributions are a percentage of member compensation. As defined by state law, member contribution rates are a percentage of the employer contribution rate. Employer contribution rates are recommended by periodic actuarial valuations and are subject to the approval of the PERSI Retirement Board and limitations set forth in state statute. Valuations are based on actuarial assumptions, the benefit formulas, and employee groups of the PERSI. Costs of administering the plans are financed through the contributions and investment earnings of the system.

2. Firefighters' Retirement Fund

Plan Description

The FRF is a cost-sharing multiple-employer defined benefit retirement plan. The FRF is governed by Idaho Code Title 72 Chapter 14. The FRF is administered by the PERSI, which is part of the primary government. However, the State does not employ firefighters participating in the FRF; therefore, no employer costs are disclosed. Twenty-two employer units, all consisting of local fire departments, participated in the FRF. The significant accounting policies are the same as detailed for the PERSI. Complete FRF disclosures may be found in the PERSI financial statements.

3. Defined Contribution Retirement Plans

Plan Description

Organization and Purpose

The defined contribution retirement plans include the 401(k) and the 414(k). The plans are governed by Idaho Code Title 59 Chapter 13. The 414(k) plan was established for gain-sharing allocations from the PERSI Base Plan. The gain-sharing amount (if any) is based on

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014**

funding levels in the PERSI Base Plan and is subject to board approval.

Membership

The 401(k) plan is open to all active PERSI Base Plan members. Eligibility for the 414(k) gain sharing requires 12 months of active PERSI membership as defined in Idaho statutes and PERSI rules. The plans have 763 employer units eligible to have participating employees.

Summary of Significant Accounting Policies

The assets of the 401(k) and the 414(k) plans are commingled for investment and recordkeeping purposes. The other significant accounting policies are the same as for the PERSI.

Funding Policy

Contributions

Employees in the 401(k) plan can make tax-deferred contributions up to 100 percent of their gross salary, less deductions, and subject to the IRS annual contribution limit. Participants direct their investment mix with limited restrictions and may elect to change their salary deferrals. Additionally, the 401(k) plan is open to voluntary employer matching contributions at rates determined by the employers. Employers and participants in the plans contributed \$14.2 million and \$39.1 million, respectively, during the fiscal year.

B. Other State-Sponsored Retirement Plans

1. Judges' Retirement Fund

Plan Description

Organization and Purpose

The Judges' Retirement Fund (JRF) is a single-employer defined benefit retirement plan, which provides retirement benefits for Idaho Supreme Court justices, court of appeals judges, district court judges, and eligible administrative directors, hereinafter referred to as "members." The Judicial Department, under the direction of the Idaho Supreme Court, administers the JRF. The JRF is guided by Idaho Code Sections 68-501 through 68-514 and Idaho Code Title 1 Chapter 20, and is empowered in its sole discretion to limit, control, and designate the types and amounts of investments.

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

Membership and Vesting

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

- Attainment of age 65 and a minimum of 4 years of service
- Attainment of age 60 and a minimum of 10 years of service
- Attainment of age 55 and a minimum of 15 years of service
- After 20 years of service

The JRF has 86 retired members or beneficiaries collecting benefits, 3 terminated members entitled to, but not yet receiving benefits, and 54 active members.

Benefits

The benefit structure is based on each member's years of service and compensation. In addition, benefits are provided for disability or death, and to survivors of eligible members. The benefit payments for the JRF are calculated using a benefit formula adopted by the Idaho Legislature, effective July 1, 2000. Members serving prior to, but not on July 1, 2000, are paid under Option A. Members serving on or after July 1, 2000, may choose between two benefit payment options, A or B. Both options are based upon current annual compensation of the highest office in which the member served, with benefits for Option A accumulating as follows:

For the first 10 years of service benefits are credited at 5 percent per year of the member's compensation. For the remaining years of service, benefits are credited at 2.5 percent per year of the member's compensation.

In addition to the above benefits, Option B includes:

Benefits credited at 12.5 percent per year for senior judges with five years of service.

The maximum benefit is 75 percent of compensation. After four years of credited service, any member retiring by reason of disability will be entitled to benefits calculated using Option A. Upon the death of retired or sitting members, surviving spouses will be entitled to benefits equal to 50 percent of the member's calculated benefit.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

Summary of Significant Accounting Policies

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

The JRF's investments are presented at fair value. Fair value is defined as the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller. Due to the nature of investments, it is reasonable that changes in the value of investments will occur in the near future, and such changes could materially affect the amounts reported.

Funding Policy

Contributions

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

Members and the Department contribute to the JRF during the members' first 20 years of employment. Member and Department contributions are a percentage of member compensation as defined by state law. The JRF policy provides for Department and member

contributions at 10.5 percent and 9 percent, respectively, of annual covered payroll. The payroll for members covered by the JRF was approximately \$5.6 million for the fiscal year. In addition, specified court filing fees in civil court actions are dedicated to the JRF.

Actuarial valuations of the funding status and required contribution levels are generally performed annually using the entry age actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The unfunded actuarial liability created by this method is amortized as a level percentage of salary over 25 years on an open basis. The actuarial assumptions include a 7.1 percent investment rate of return, projected annual salary increases of 3.8 percent, an inflation rate of 3.3 percent, and annual postemployment benefit increases of 1 percent. Assets are presented at market value. Based on the most recent actuarial valuation as of July 1, 2014, the annual required contribution is \$2.9 million. Total Department and member contributions to the pension plan for the fiscal year amounted to \$3.2 million, of which \$2.1 million was received from filing fees, \$0.6 million from the Department, and \$0.5 million from the members. Net pension obligation increased from \$14.0 million in 2013 to \$14.3 million in 2014 due to the annual pension cost exceeding the employer's contributions. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about the change in the actuarial value of plan assets.

The funding progress for the fiscal year is as follows (*dollars in thousands*):

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (2) - (1)	Funded Ratios (1) : (2)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll (3) : (5)
7/1/13	\$ 76,104	\$ 80,390	\$ 4,286	95%	\$ 5,634	76%

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

The State's annual pension cost and net pension obligation to the JRF (based on the 2013 actuarial valuation) for the current year and two preceding years are as follows:

Idaho Judges' Retirement Fund
Annual Pension Cost and Net Pension Obligation
(dollars in thousands)

	2012	2013	2014
Annual Required Contribution (ARC)	\$ 2,979	\$ 2,939	\$ 2,822
Interest on Net Pension Obligation (NPO)	938	1,020	965
Adjustment to ARC	(856)	(930)	(788)
Annual Pension Cost (APC)	3,061	3,029	2,999
Contributions Made	(1,973)	(2,636)	(2,717)
Increase in NPO	1,088	393	282
Prior Year NPO	12,508	13,596	13,989
Current Year NPO	\$ 13,596	\$ 13,989	\$ 14,271
Percentage of APC Contributed	64.5%	87.0%	90.6%

2. College and University Optional Retirement Plan

Plan Description

Organization and Purpose

Effective July 1, 1990, the State Legislature authorized the Idaho State Board of Education to establish the Optional Retirement Plan (ORP), a defined contribution plan for college and university faculty and exempt employees. The ORP is governed by Idaho Code Sections 33-107A and 33-107B. The Plan is administered by the Idaho State Board of Education. Vendor options include Teachers' Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company (VALIC). TIAA-CREF and VALIC may be reached at (800) 842-2009.

Membership

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

Funding Policy

Contributions and Vesting

The employee contribution requirement for the ORP is based on a percentage of total payroll. Employer contributions are determined by the State. The contribution requirement and amount paid for the fiscal year was \$43.2 million, which consisted of \$24.7 million from the colleges and universities and \$18.5 million from employees.

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

3. Department of Labor Retirement Plan

Plan Description

Organization and Purpose

This stand-alone insured retirement plan provides retirement benefits for certain employees (and their beneficiaries) of the Idaho Department of Labor hired prior to October 1, 1980. The Plan is governed by Idaho Code Section 72-1335 and U.S. Department of Labor Rules and Regulations. The Labor Retirement Plan is administered by the Idaho Department of Labor, which may be reached at (208) 332-3570.

Membership

As of September 30, 2013, the number of Idaho Department of Labor members and actual benefit recipients are as follows:

Retirees and Beneficiaries	349
Inactive Participants	5
Current Active Employees	10
Total	364

Benefits

Retirement benefit payments are calculated using a benefit formula established in the Plan. This monthly benefit is payable for life, through an annuity purchased for each retired employee from Prudential Insurance Company, with 120 payments guaranteed to the annuitant or their survivor. Upon the purchase of an annuity, Prudential assumes the risk for the insured benefit and has guaranteed to pay benefits in the event the trust funds are depleted. The Plan provides that the contributions paid by the employer to Prudential are in complete discharge of the employer's financial obligation under the Plan. At September 30, 2013, the last actuarial valuation date, no unfunded liability existed. The normal service retirement allowance is the

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

average annual salary for the highest three consecutive years times 2 percent for each year of credited service.

The present value of future retirement benefits is \$100.5 million. The average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6 percent for 2014. Net position available for benefits (at fair value) is \$175.0 million.

Funding Policy

Contributions

Until August 1999, 7 percent of payroll was contributed

by the employee. The employee contribution was required by the Plan and was made even though a contribution was not actuarially needed to finance future benefits. In August 1999, the U.S. Department of Labor approved a plan change to allow the plan actuary to determine the employee contribution rate. Employee contributions were then suspended through September 30, 2014, consistent with the most recent actuarial valuations. This valuation certified that the total contribution rate should remain at zero through September 30, 2015. The total employer contribution for federal fiscal year 2014 was zero.

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Summary of Plans

The Department of Administration administers postemployment benefits for healthcare, disability, and life insurance for retired or disabled employees of state agencies, public health districts, community colleges, and other political subdivisions that participate in the plans. The Retiree Healthcare and Long-Term Disability plans are reported as agent multiple-employer defined benefit plans. The Retiree Life Insurance plan is a single-employer defined benefit plan. Idaho Code Sections 67-5760 to 67-5768 and 72-1335 establish the benefits and contribution obligations. The plans do not issue publicly available financial reports. The most recent actuarial valuation is as of July 1, 2012. No assets have been set aside to pay future benefits; these benefits are funded on a pay-as-you-go basis. The costs of administering the plans are financed by a surcharge to employers on all active employees, \$0.14 per person per month for fiscal year 2014. This rate is reviewed annually.

Each of the employers participating in the plans is required by GASB Statement No. 45 to disclose additional information regarding funding policy, the employer's annual Other Post Employment

Benefits (OPEB) cost and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used.

The University of Idaho administers a single-employer defined benefit plan which provides medical, dental, and life insurance. The benefits may be amended by the University or the State Board of Education. The University issues a publicly available financial report that includes financial statements and required supplementary information for these benefits. That report may be obtained by writing to the University of Idaho, Attn. General Accounting, 875 Perimeter Dr., MS 3166, Moscow, ID 83844-3166. The plan obligations are actuarially determined. The most recent actuarial valuation is as of July 1, 2013. The University has established a trust to fund the medical and dental portions of these benefits. The trust statements are for the fiscal year ended December 31, 2013. The cost of administering the medical and dental portions of the plan is included in medical claim costs; the life insurance portion is financed by a 10 percent surcharge.

The number of participating employers and the classes of employees covered by the above plans are as follows:

Classes of Employees and Number of Participating Employers

	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	University of Idaho Plan
		Healthcare	Life Insurance	Income		
Active Employees	13,962	18,770	18,770		5,323	1,544
Retired/Disabled Employees	875	149	615	110	1,329	714
Terminated, Vested Employees					98	
Number of Participating Employers	26	26	26	26	1	1

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014**

Plan Descriptions and Funding Policy

Retiree Healthcare Plan

A retired officer or employee of a state agency, department, institution, or other political subdivision, including an elected official, who is eligible to retire under the Public Employee Retirement System of Idaho (PERSI) may elect to purchase retiree health insurance coverage for themselves and eligible dependents. Employees must enroll within 60 days of the date of their retirement. Additionally, the employee must be receiving monthly PERSI benefits at the time of retirement and must have 10 or more years (20,800 or more hours) of credited service. An officer or employee must have been an active employee on or before June 30, 2009, and must retire directly from State service. Coverage is not available to Medicare-eligible retirees or their Medicare-eligible dependents. Retirees eligible for medical health insurance pay the majority of the premium cost; however, the retiree plan costs are subsidized by the active employee plan. The maximum benefit is \$1,860 per retiree per year. In fiscal year 2014, retired plan members contributed 77.6 percent of the total premium cost, and employers were charged \$8.48 per active employee per month towards the retiree premium cost, or 22.4 percent of the total cost of the retiree plan.

Long-Term Disability Plan

Disabled employees are defined as being unable to perform each of the substantial and material duties of the job for which they were hired and unable to earn more than 70 percent of their monthly salary for the first 30 months of disability. If after 30 months the employee is unable to perform any job for which they are reasonably qualified by experience, education, or training, and unable to earn more than 60 percent of their monthly salary, the employee is considered totally disabled. To qualify for long-term disability benefits, the waiting period of the longer of 26 continuous weeks of total disability or exhaustion of accrued sick leave must be met.

For up to 30 months following the date of disability an employee may continue healthcare coverage under this plan. Each employer pays 100 percent of the employer's share of medical and dental premiums while the employee remains disabled. The employee is required to pay the normal active employee contribution for the plan and rate category in which the employee is enrolled. In fiscal year 2014, employers were not required to make a contribution.

The plan also provides basic life insurance and dependent life insurance to disabled employees, generally up to a maximum age of 70. The life insurance benefit amount is generally 100 percent of annual salary,

but not less than \$20,000. In addition, a \$2,000 life insurance benefit is provided for spouses and a \$1,000 life insurance benefit is provided for dependent children. These benefits do not increase with inflation. The State is self-insured for employees who became disabled prior to July 1, 2012; the employer pays 100 percent of the cost. The contribution is actuarially determined based on actual claims experience.

Employees disabled on or after July 1, 2012, are insured by Principal Life Insurance Company, and the obligation for the payment of basic life and dependent life coverage benefits has been effectively transferred. The employer pays 100 percent of the premiums. This portion of the basic life insurance and dependent life coverage is not included in the actuarial estimate as this is considered an insured benefit.

The plan provides long-term disability income benefits to active employees who become disabled, generally up to a maximum age of 70. The gross benefit equals 60 percent of monthly pre-disability salary or \$4,000, whichever is less. The benefit does not increase with inflation and may be offset by other sources of income such as Social Security, Workers' Compensation, unemployment benefits, employment rehabilitation earnings, and certain retirement benefits. The State is self-insured for employees who became disabled prior to July 1, 2003; the State pays 100 percent of the cost of this benefit. The amount of the contribution is based on active claims and the number of insured individuals.

Employees disabled on or after July 1, 2003, are insured by Principal Life Insurance Company, and the obligation for the payment of income benefits has been effectively transferred. The employer pays 100 percent of the cost of the premiums; the contribution rate for the period was 0.264 percent of payroll. The employers' actual contribution was \$2.3 million in fiscal year 2014. This portion of the long-term disability income benefit is not included in the actuarial estimate as this is considered an insured benefit.

Retiree Life Insurance Plan

Boise State University, Eastern Idaho Technical College, Idaho State University, and Lewis-Clark State College provide basic life insurance to certified retired employees. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at least 80 to qualify for this benefit. Eligible retirees receive basic life insurance coverage equal to 100 percent of their annual salary at retirement.

The Judicial Department provides basic life insurance for life to all retired Idaho Supreme Court justices, state court of appeals judges, district court judges, magistrate

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judges, and court administrators. Eligible retirees receive life insurance coverage equal to 100 percent of the annual salary of the position from which they retire.

The Department of Labor provides basic life insurance to all certified retired employees of the Department. Eligible retirees receive insurance equal to 50 percent of their annual salary at retirement, not to exceed \$5,000.

These participating agencies pay 100 percent of the cost of basic life insurance for eligible retirees. The contribution rate for the fiscal year was a percentage of payroll as indicated in the following chart:

Retiree Life Insurance Contribution Rates				
	Under Age 65	Age 65 - 69	Age 70 and Over	All Ages
Colleges and Universities	1.177%	0.894%	0.600%	
Judicial Department	1.170%	0.887%	0.593%	
Department of Labor				0.593%

University of Idaho Plan

The University of Idaho plan provides medical and dental benefits to eligible retirees, disabled employees, spouses, and survivors; life insurance is provided only to retirees. In general, the employee must have completed at least 30 years of credited service or the sum of his/her

age and years of credited service must total at least 80 to qualify for these benefits. The University pays a portion of the coverage for retirees and disabled employees; the retiree or disabled employee pays the remainder. Spouses and survivors are required to pay 100 percent of the cost for the medical and dental benefits.

Employees hired after January 1, 2002, are eligible to participate in the University's health insurance plan; however, the employee pays the entire cost of the premiums. The University determines the defined contribution costs that will be borne by the retiree plan participants. The University solely bears the risk for adverse financial performance, subject to a cap of \$200 thousand per retiree per year, after which the University is reinsured. Retiree health plan performance is reviewed annually and premium rates are then adjusted by the University as necessary.

Summary of Significant Accounting Policies

The financial statements of the OPEB plans are reported using the accrual basis of accounting. Contributions are recorded when earned and expenses, including benefits and refunds paid, are recorded when a liability is incurred, regardless of the timing of cash flows. Investments are reported at fair value.

The financial position of each of the State's OPEB plans is as follows:

Statement of Plan Net Position				
(dollars in thousands)				
	Retiree Healthcare Plan	Long-Term Disability Plan Life		
		Healthcare	Insurance	Income
ASSETS				
Pooled Cash and Investments	\$ 191			
Investments, at Fair Value				
Fixed Income Securities				
Equity Securities				
Total Assets	<u>\$ 191</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
LIABILITIES				
Unearned Revenue	\$ 191			
Total Liabilities	<u>\$ 191</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

Annual OPEB Cost

The Annual OPEB Cost (AOC) is actuarially determined based on the annual required contribution (ARC) of the employer. The following table illustrates the annual

OPEB cost, the amount of contributions made, the increase (decrease) in the net OPEB obligation (NOO) and the NOO (funding excess) for the current year:

Annual OPEB Cost and Net OPEB Obligation
(dollars in thousands)

	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	University of Idaho Plan*
		Healthcare	Life Insurance	Income		
Annual Required Contribution	\$ 2,123	\$ 1,078	\$ 1,479	\$ 808	\$ 3,432	\$ 3,368
Interest on NOO	1,042	55	(22)	(3)	472	(154)
Adjustment to ARC	(1,966)	(104)	41	6	(893)	196
Total Annual OPEB Cost	1,199	1,029	1,498	811	3,011	3,410
Contributions Made	(1,801)	(1,437)	(1,115)	(557)	(582)	(3,178)
Increase (Decrease) in NOO	(602)	(408)	383	254	2,429	232
NOO (Funding Excess) – Beginning of Year	27,691	1,446	(572)	(83)	12,609	(2,472)
NOO (Funding Excess) – End of Year	\$ 27,089	\$ 1,038	\$ (189)	\$ 171	\$ 15,038	\$ (2,240)

* NOO (Funding Excess) - Beginning of Year restated.

Annual OPEB Cost Comparison

The following table compares the annual OPEB cost, the percentage of annual OPEB cost contributed and the

NOO (funding excess) for the current and prior two years.

Annual OPEB Cost and Net OPEB Obligation Comparison
(dollars in thousands)

		Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	University of Idaho Plan*
			Healthcare	Life Insurance	Income		
Annual OPEB Cost	2012	\$ 3,215	\$ 1,256	\$ 728	\$ 788	\$ 2,915	\$ 4,830
	2013	1,396	984	1,527	778	2,896	3,753
	2014	1,199	1,029	1,498	811	3,011	3,410
Percentage of AOC Contributed	2012	94.3%	91.2%	112.0%	82.5%	18.6%	107.7%
	2013	140.0%	129.5%	104.5%	75.2%	18.5%	117.3%
	2014	150.2%	139.7%	74.4%	68.7%	19.3%	93.2%
NOO (Funding Excess) – End of Year	2012	\$ 28,249	\$ 1,736	\$ (504)	\$ (276)	\$ 10,248	\$ (1,821)
	2013	27,691	1,446	(572)	(83)	12,609	(2,472)
	2014	27,089	1,038	(189)	171	15,038	(2,240)

* 2012 amounts and 2013 NOO (Funding Excess) - End of Year amount restated.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

Funded Status and Funding Progress

The following table illustrates the funded status and the funding progress for the State as an employer:

Funded Status and Funding Progress (dollars in thousands)						
	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	University of Idaho Plan
	Healthcare	Life	Income			
Actuarial Valuation Date	7/1/2013	7/1/2013	7/1/2013	7/1/2013	7/1/2013	7/1/2013
1 Actuarial Value of Assets	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,271
2 Actuarial Accrued Liability (AAL)	15,208	6,921	5,400	3,622	42,353	61,476
3 Unfunded AAL (UAAL) (2) - (1)	\$ 15,208	\$ 6,921	\$ 5,400	\$ 3,622	\$ 42,353	\$ 33,205
4 Funded Ratios (1) : (2)	0.0%	0.0%	0.0%	0.0%	0.0%	46.0%
5 Annual Covered Payroll	\$ 862,810	\$ 862,810	\$ 862,810	\$ 862,810	\$ 271,768	\$ 132,777
6 UAAL as a Percentage of Covered Payroll (3) : (5)	1.76%	0.80%	0.63%	0.42%	15.58%	25.01%

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, contains multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Calculations are based on the types of benefits provided under the terms of the plan at the

time of each valuation and on the pattern of sharing costs between the employer and plan members.

The projection of benefits for financial reporting purposes does not incorporate the potential effects of legal funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The following table presents the significant methods and assumptions for all plans:

Significant Methods and Actuarial Assumptions						
	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	University of Idaho Plan
	Healthcare	Life	Income			
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percentage of Payroll	Level Percentage of Payroll	Level Dollar	Level Dollar	Level Percentage of Payroll	Level Dollar
Amortization Period	13 years, Closed	30 years, Open	4 years, Closed	5 years, Closed	30 years, Open	30 years, Open
Asset Valuation Method	N/A	N/A	N/A	N/A	N/A	Fair Market Value
Assumptions:						
Inflation Rate	3.00%	3.00%	3.00%	3.00%	3.00%	N/A
Investment Return	3.75%	3.75%	3.75%	3.75%	3.75%	6.25%*
OPEB Increases	N/A	N/A	N/A	N/A	N/A	N/A
Projected Salary Increases	3.50%	3.50%	3.50%	3.50%	3.50%	3.00%
Healthcare Cost Initial Trend Rate	8.40%	8.40%	N/A	N/A	N/A	8.50%
Healthcare Cost Ultimate Trend Rate	5.00%	5.00%	N/A	N/A	N/A	5.00%

* The discount rate is based upon the University's historical and long-term expected investment return.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 10. RISK MANAGEMENT

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

The Group Insurance fund is used to account for and finance life, health, and disability insurance programs which are experience rated and fully insured. However, when the claims exceed 100 percent of the annual premium paid to the insurer, the State is responsible for up to an additional 5 percent of the annual premiums for medical, 5 percent for dental, and is not responsible for any claims exceeding premium payments for life and disability coverage. The insurance carrier assumes the risk of loss for claims above the contractual ceilings. Policy claim liabilities are composed of the amounts required to fund any additional payments of life, health, and disability premiums. The liabilities include an estimate for claims that have been incurred but not reported and are net of any contractual adjustments and coordination of benefits. The fiscal year 2014 refund reflects a favorable claims experience. Unpaid claim liabilities at fiscal year-end of \$2.8 million for Group Insurance are not discounted. The State maintains program and premium stabilization balances; these amounts are included with the restricted net position in the Group Insurance fund.

The Risk Management fund manages property and general liability risk. The Fund also finances and accounts for other risks not covered by Group Insurance and various outside entity insurance providers. General liability claims are self-insured up to the Idaho Tort Claims Act maximum of \$500,000 for each occurrence.

Property damage claims are self-insured for up to \$250,000, energy systems are self-insured for up to \$50,000, and employee bond/crime is self-insured for up to \$175,000, per occurrence annually. Physical damage to covered vehicles is self-insured for actual cash value. The State purchases commercial insurance for claims not self-insured by the above coverages and for other identified risks of loss, including workers' compensation insurance.

Estimated liabilities for Risk Management include claims that have been incurred but not reported; incremental claim adjustment expenses related to specific claims; claim adjustment costs, both allocated and unallocated; and any anticipated subrogation receipts. The State records its Risk Management premium liability using discounted amounts provided by actuaries. The discounted liabilities take into account anticipated investment income. At fiscal year-end \$12.6 million of unpaid claim liabilities for Risk Management are recorded at the present value of \$11.5 million, using a 3.5 percent discount interest rate.

All state entities may participate in the Group Insurance and Risk Management programs. Payments made to the Group Insurance fund are based on actuarial estimates of the amounts needed to pay for negotiated coverage and projected claims experience. Claim settlements have not exceeded insurance coverage for each of the past three fiscal years. Liabilities are reported when the occurrence of loss is probable and the amount of the loss can be reasonably estimated. Payments are made to the Risk Management fund based on actuarial estimates, loss experience, exposure, and asset value covered.

Changes in policy claim liabilities are as follows (*dollars in thousands*):

	Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimate	Claims (Payments) Refunds	Ending Balance
Group Insurance		\$ 2,793	\$ (6,823)	\$ 9,101	\$ 5,071
		\$ 5,071	\$ (13,163)	\$ 10,937	\$ 2,845
Risk Management		\$ 12,657	\$ 4,411	\$ (4,176)	\$ 12,892
		\$ 12,892	\$ 2,434	\$ (3,866)	\$ 11,460

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 11. LEASES

A. State as Lessee

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

Operating Leases

Operating leases do not qualify for capitalization. Therefore, the lease agreements are not reflected as assets in the State's balance sheet. Operating lease payments are recorded as expenditures or expenses of the

related funds when paid or incurred. The total operating lease expenditures/expenses for fiscal year 2014 were \$26.6 million for the primary government. Operating leases contain various renewal options, as well as some purchase options.

Capital Leases

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

Assets under capital lease are as follows (*dollars in thousands*):

<u>Asset Class</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Land	\$ 187		\$ 187
Buildings and Improvements	34,651	\$ 8,048	42,699
Machinery, Equipment, and Other	655	87	742
Accumulated Depreciation	(5,012)	(4,279)	(9,291)
Total Assets under Capital Leases	\$ 30,481	\$ 3,856	\$ 34,337

Future minimum lease commitments for noncancelable operating and capital leases are as follows (*dollars in thousands*):

Fiscal Year	<u>Operating Leases</u>	<u>Capital Leases</u>		
	<u>Primary Government</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
2015	\$ 26,600	\$ 3,540	\$ 452	\$ 3,992
2016	21,125	3,320	453	3,773
2017	18,225	3,339	414	3,753
2018	13,217	3,317	11	3,328
2019	7,536	3,277		3,277
2020 - 2024	11,109	16,526		16,526
2025 - 2029	74	14,002		14,002
2030 - 2034	42			
Total Payments	\$ 97,928	47,321	1,330	48,651
Executory Costs		(10,225)		(10,225)
Imputed Interest		(11,234)	(172)	(11,406)
Total Present Value of Minimum Lease Payments		\$ 25,862	\$ 1,158	\$ 27,020

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

B. State as Lessor

Operating Leases

The State leased the following assets under operating leases (*dollars in thousands*):

Asset Class	Primary Government
Land	\$ 2,798
Buildings and Improvements	23,027
Improvements Other Than Buildings	374
Machinery, Equipment, and Other	1,280
Accumulated Depreciation	(3,608)
Total Assets Held for Lease	\$ 23,871

Capital Leases

The Boise State University Foundation, a component unit, leases a building to Boise State University. The lease agreement does not specify a final lease term; at the end of the lease, the Foundation will either donate the building to the University or continue to lease the building for \$1 annually. The capital lease receivable is on the balance sheet as part of due from primary government and is valued at the net investment in direct financing lease.

Future minimum rentals for operating leases and future minimum lease payments receivable for capital leases are as follows (*dollars in thousands*):

Fiscal Year	Operating Leases	Capital Leases
	Primary Government	Component Unit
2015	\$ 9,534	\$ 432
2016	7,651	433
2017	6,938	415
2018	6,718	
2019	6,349	
2020 - 2024	22,000	
2025 - 2029	13,576	
2030 - 2034	6,583	
Total Rentals and Receivables	\$ 79,349	\$ 1,280
Net Investment in Direct Financing Lease:		
Minimum Lease Payments Receivable		\$ 1,280
Unearned Income		(168)
Net Investment in Direct Financing Lease		\$ 1,112

NOTE 12. SHORT-TERM DEBT

Primary Government

Idaho Code Section 63-3201 authorizes the State Treasurer, upon approval of the State Board of Examiners, to borrow money in anticipation of current-year tax receipts. The State uses external tax anticipation notes to cover the shortfall between General Fund revenues and disbursements during the year. General Fund revenues are received in relatively uneven amounts throughout the fiscal year due to various factors affecting the timing of receipts; such factors are the collection of individual income taxes in April, large sales tax receipts in January as a result of holiday shopping, and quarterly collections of corporate income tax.

During fiscal year 2014, the State anticipated that 45.5 percent of General Fund revenues would be received in the first six months; however, disbursements during the same period were expected to account for 68.3 percent of total expenditures, mainly due to public school aid and Health and Welfare expenditures. The notes sold on the open market were issued on July 1, 2013, and were redeemed on June 30, 2014.

Component Units

The Idaho Housing and Finance Association utilizes short-term borrowing in the form of commercial paper to provide funds to purchase single-family mortgage loans

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

on an interim basis and to finance multi-family construction loans. As of June 30, 2014, the Association has commercial paper outstanding, maturing within 90 to 181 days from date of issue, with a weighted average interest rate of 0.46 percent.

The Idaho Small Employer Health Reinsurance Program has a \$0.8 million line-of-credit commitment from a local bank. Interest on the advances is payable monthly at prime rate plus 1 percent per annum and was

4.5 percent as of December 31, 2013. The line is not secured and matures on October 1, 2014.

The Idaho Health Insurance Exchange received a \$0.4 million advance in fiscal year 2013 from the Department of Health and Welfare for interim financing of start-up costs. The advance was repaid upon the receipt of a grant from the U.S. Department of Health and Human Services in fiscal year 2014.

Short-term debt activity was as follows (*dollars in thousands*):

	Balances at July 1, 2013	Issued/Draws	Redeemed/ Repayments	Balances at June 30, 2014
Primary Government				
Governmental Activities:				
External Tax Anticipation Notes	\$ 0	\$ 500,000	\$ (500,000)	\$ 0
Component Units				
Commercial Paper	\$ 50,000	\$ 242,087	\$ (242,087)	\$ 50,000
Line of Credit	\$ 0	\$ 876	\$ (326)	\$ 550
Advance	\$ 385	\$ 0	\$ (385)	\$ 0

NOTE 13. BONDS, NOTES, AND OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Primary Government

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

A liability is accrued in the government-wide, proprietary, and fiduciary fund financial statements for all vacation pay and compensatory time when incurred. The liability is based on the pay rate in effect at the balance sheet date. The State assumes a first-in, first-out flow for compensated absence balances.

Idaho Code Section 67-5333 establishes the policy for sick leave benefits. The State does not pay amounts for accumulated sick leave when employees separate from service. Therefore, the State does not accumulate a liability for sick leave. However, upon retirement

50 percent of an employee's unused sick leave value (not to exceed 600 hours) may be used to purchase health insurance for the retiree.

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

The health insurance premiums are funded by remitting 0.65 percent of payroll to the Sick Leave Insurance Reserve fund administered by the Public Employee Retirement System of Idaho.

B. Revenue Bonds

Primary Government

The Idaho State Building Authority is authorized by Idaho Code Title 67 Chapter 64, to issue bonds to finance construction, restoration, or acquisitions of facilities for lease to state agencies per prior legislative

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014**

approval. Bonds are direct obligations of the Authority. The Authority has surety bonds in amounts up to the reserve requirements for all outstanding bonds except the Series 2008A bonds, for which the Authority has a funded debt service reserve. No amounts were outstanding at June 30, 2014, under these surety bonds.

The State's colleges and universities have a number of outstanding bonds for the primary purpose of funding various construction projects. University bonds are secured by student fees, the sale of goods and services, grants, contributions, and certain other revenues. The colleges and universities issued \$537.6 million in bonds between 1998 and 2013. Annual principal and interest payments on the bonds are expected to require 11 percent of the revenues. The total principal and interest payments remaining on the bonds are \$698.1 million, payable through 2042. For the current year, principal and interest payments and total pledged revenues were \$36.7 million and \$334.8 million, respectively.

The Idaho Water Resource Board within the Department of Water Resources is authorized to issue and sell revenue bonds under provisions of Idaho Code Sections 42-1739 through 42-1749. Bonds in the original amount of \$5.3 million are outstanding and secured by revenues derived from the generation of hydroelectric power, a mortgage, the assignment of water rights, and by a reserve fund with the trustee bank. The reserve requirement is equal to the lesser of 125 percent of the annual debt service, the maximum annual debt service, or 10 percent of the outstanding principal of the bonds. An amount equal to one year's debt service payment is accumulating in the Loan fund for debt service payment in the event the pipeline is out of service and unable to generate revenue. These bonds are not considered general obligations of the State. Total principal and interest remaining on the bonds is \$3.0 million, payable through 2019. Annual principal and interest payments on the bonds are expected to require 69.8 percent of the revenues. For the current year, principal and interest payments and total pledged revenues were \$0.6 million and \$0.9 million, respectively.

Component Units

The Idaho Housing and Finance Association is authorized to issue and sell revenue bonds under

provisions of Idaho Code Sections 67-6201 through 67-6226. The Association issued bonds to finance various single and multi-family housing developments, the construction of highway transportation projects, and to refinance a note for unemployment compensation benefits. The bonds are either special or general obligations of the Association and do not constitute a debt of the State or any of its political subdivisions. The bonds have been issued in a variable rate mode. The bulk of the bonds are re-marketed on a weekly basis at the prevailing interest rates. The multi-family housing bonds are limited obligations of the Association and are secured by the respective mortgages on each development as well as a lien on all revenues as defined in each respective bond indenture. The transportation and unemployment compensation benefits bonds are secured by principal and interest payments from the Idaho Transportation Department and the Idaho Department of Labor.

The State's college and university foundations have a number of bonds outstanding for the purpose of funding construction projects. Foundation bonds are secured by various revenue sources, including leases, donations, pledges, and other funds. The college and university foundations issued \$27.0 million in bonds between 2001 and 2002. The total principal and interest payments remaining on the bonds are \$7.0 million, payable through 2021. Annual principal and interest payments on the bonds are expected to require 116 percent of the revenues. For the current year, principal and interest payments and total pledged revenues were \$0.5 million and \$0.5 million, respectively.

The Idaho Bond Bank Authority is authorized to issue and sell revenue bonds under provisions of the Idaho Constitution Article VIII Section 2A, and Idaho Code Sections 67-8701 through 67-8729. The bonds are used by the Authority to make loans to Idaho cities in order to finance the construction of public water and/or sewer improvements. The bonds are limited obligations of the Authority and do not constitute a debt of the State or any of its political subdivisions.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

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

Fiscal Year Ending June 30	Primary Government							
	Governmental Activities		Business-Type Activities					
	Nonmajor Special Revenue		College and University		Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 19,410	\$ 6,767	\$ 17,999	\$ 19,420	\$ 450	\$ 151	\$ 37,859	\$ 26,338
2016	8,120	6,185	18,811	18,670	475	125	27,406	24,980
2017	8,465	5,894	17,307	17,897	500	98	26,272	23,889
2018	8,805	5,562	18,139	17,217	530	68	27,474	22,847
2019	9,160	5,206	18,740	16,251	560	35	28,460	21,492
2020-2024	52,565	19,184	85,025	69,956			137,590	89,140
2025-2029	21,570	9,306	69,675	52,298			91,245	61,604
2030-2034	15,200	6,371	72,680	34,818			87,880	41,189
2035-2039	15,310	3,163	65,285	14,607			80,595	17,770
2040-2044	5,730	255	51,830	1,442			57,560	1,697
Total	\$ 164,335	\$ 67,893	\$ 435,491	\$ 262,576	\$ 2,515	\$ 477	\$ 602,341	\$ 330,946
Interest Rate	0.16% to 5.98%		0.67% to 6.52%		5.46% to 6.28%			

Fiscal Year Ending June 30	Component Units							
	Idaho Housing and Finance Association		College and University Foundations		Idaho Bond Bank Authority		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 123,968	\$ 48,193	\$ 460	\$ 82	\$ 18,095	\$ 17,281	\$ 142,523	\$ 65,556
2016	121,889	45,139	855	62	18,055	16,617	140,799	61,818
2017	82,093	41,928	875	41	18,165	16,011	101,133	57,980
2018	84,197	39,658	5,065	35	18,895	15,343	108,157	55,036
2019	83,927	37,290			20,665	14,649	104,592	51,939
2020-2024	428,932	148,569			114,815	59,407	543,747	207,976
2025-2029	468,050	76,634			108,630	33,501	576,680	110,135
2030-2034	109,550	13,952			53,495	14,683	163,045	28,635
2035-2039	53,975	6,683			29,745	5,171	83,720	11,854
2040-2044	15,907	1,058			5,890	462	21,797	1,520
Total	\$ 1,572,488	\$ 459,104	\$ 7,255	\$ 220	\$ 406,450	\$ 193,125	\$ 1,986,193	\$ 652,449
Interest Rate	0.06% to 7.53%		*0.05% to 5.35%		1.25% to 6.25%			

*Interest for the ISU Foundation is re-marketed at the Weekly Rate.

C. Advance and Current Refundings

Primary Government

In prior years the Idaho State Building Authority defeased bonds by placing governmental securities into irrevocable trusts sufficient to provide for all future debt service payments on those bonds. The related liability

was appropriately removed from the financial statements in the year of defeasance.

In prior years Boise State University defeased bonds by placing part of the proceeds of the general revenue bond into a trust sufficient to pay all future debt service payments on those bonds. The related liability was

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014**

appropriately removed from the financial statements in the year of defeasance.

In prior years Idaho State University advance refunded bonds and placed the proceeds into a trust sufficient to

pay all future debt service payments on those bonds. The related liability was appropriately removed from the financial statements in the year of defeasance.

The outstanding debt payable for each defeased debt issue is as follows (*dollars in thousands*):

Issuer	Debt Issue	Amount Defeased	Remaining Liability
Idaho State Building Authority	2001 Series C Bonds	\$ 3,815	\$ 3,815
	2003 Series B Bonds	4,765	4,765
	2003 Series D Bonds	7,640	7,640
	2003 Series E Bonds	5,430	5,430
	2003 Series F Bonds	7,350	7,350
	2003 Series G Bonds	6,280	6,280
	2003 Series H Bonds	6,900	6,900
	2003 Series I Bonds	3,385	3,385
	2003 Series J Bonds	1,435	1,435
	2005 Series A Bonds	6,935	6,935
Boise State University	2005 General Revenue Bond	10,475	10,475
Idaho State University	2004 Series A General Revenue Bonds	2,585	560
	2004 Series B General Revenue Bonds	3,040	3,040

D. Notes Payable

Primary Government

The Idaho Transportation Department financed the improvement of various roads and related infrastructure within the State through the issuance of \$740.4 million in notes payable to the Idaho Housing and Finance Association. The notes are related to GARVEE bonds issued by the Association and will be repaid by grant revenues received by the Department from the Federal Highway Administration and by matching state funds. Annual principal and interest payments on the notes are expected to require 17.9 percent of the revenues. The total principal and interest payments remaining on the notes are \$863.5 million, payable through 2032. For the current year, principal and interest payments and total pledged revenues were \$52.6 million and \$294.6 million, respectively. The amount of the balance owing does not equal the amount of the receivable recorded by the Association due to the timing of principal and interest payments.

The Idaho State Building Authority issued a \$1.7 million note payable during 2009. The note is payable from and secured by a pledge of lease revenues, other funds, and reserves held.

The Department of Administration purchased operating

and capital equipment through the issuance of a note payable for \$3.8 million in 2004.

The State's colleges and universities refinanced various notes payable by issuing new notes payable. The notes are secured by student fees revenues. Lewis-Clark State College issued \$7.7 million in notes payable between 2010 and 2012. Annual principal and interest payments on the notes are expected to require 122 percent of the revenues. The total principal and interest remaining on the notes is \$4.2 million, payable through 2018. For the current year, principal and interest payments and net pledged revenues were \$1.5 million and \$1.2 million, respectively.

The Department of Labor issued \$187.6 million in notes payable to the Idaho Housing and Finance Association in fiscal year 2012. The note was issued to refinance the existing notes payable to the federal government for the deficit in the Unemployment Trust Fund that occurred in 2009 and 2010. The fund's unemployment insurance receipts had fallen short of the amount needed to pay the prior year unemployment compensation benefits.

The Idaho Lottery purchased capital equipment through the issuance of a note payable for \$70 thousand in 2012.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

Component Units

The Idaho Housing and Finance Association issued notes payable for the construction and purchase of affordable multi-family housing complexes. The notes are secured by the deeds of trust on the buildings and equipment or an assignment or pledge of purchase rights for security purposes.

The BSU Foundation issued a \$2.0 million note payable to a large healthcare organization. The proceeds were

invested and the investment earnings will generate scholarships for health science students.

The ISU Foundation issued a \$0.3 million note payable for the purchase of an existing pharmacy. The purchase established a tele-pharmacy in a neighboring community, expanding health center operations to serve students, faculty, and administrators.

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

Fiscal Year Ending June 30	Primary Government							
	Governmental Activities							
	Nonmajor							
	Transportation		Special Revenue		Internal Service		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 27,180	\$ 30,739	\$ 63	\$ 25	\$ 210	\$ 141	\$ 27,453	\$ 30,905
2016	29,187	29,703	65	23	234	129	29,486	29,855
2017	30,418	28,470	67	21	261	116	30,746	28,607
2018	31,804	27,069	70	19	289	101	32,163	27,189
2019	33,332	25,534	471	16	320	85	34,123	25,635
2020-2024	174,870	89,342			1,394	146	176,264	89,488
2025-2029	220,199	39,520					220,199	39,520
2030-2034	44,928	1,116					44,928	1,116
Total	\$ 591,918	\$ 271,493	\$ 736	\$ 104	\$ 2,708	\$ 718	\$ 595,362	\$ 272,315
Interest Rate	2.00% to 6.35%		3.45%		5.34%			

Fiscal Year Ending June 30	Business-Type Activities							
	College and University		Unemployment Compensation		Nonmajor Enterprise Funds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 2,873	\$ 243	\$ 47,940	\$ 3,399	\$ 20	\$ 1	\$ 50,833	\$ 3,643
2016	2,505	141	50,075	1,165			52,580	1,306
2017	880	52					880	52
2018	1,624	30					1,624	30
2019	2						2	
Total	\$ 7,884	\$ 466	\$ 98,015	\$ 4,564	\$ 20	\$ 1	\$ 105,919	\$ 5,031
Interest Rate	2.28% to 5.08%		2.00%		6.00%			

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

Fiscal Year Ending June 30	Component Units					
	Idaho Housing and Finance Association		College and University Foundations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,291	\$ 899	\$ 21	\$ 36	\$ 1,312	\$ 935
2016	1,354	834	22	35	1,376	869
2017	1,422	768	2,023	33	3,445	801
2018	1,394	700	25	12	1,419	712
2019	1,424	629	26	10	1,450	639
2020-2024	6,131	2,340	156	24	6,287	2,364
2025-2029	4,516	1,127			4,516	1,127
2030-2034	1,840	485			1,840	485
2035-2039	1,247	221			1,247	221
2040-2044	1,030	63			1,030	63
2045-2049	490	17			490	17
2050-2054	1,303				1,303	
Total	\$ 23,442	\$ 8,083	\$ 2,273	\$ 150	\$ 25,715	\$ 8,233
Interest Rate	0.00% to 9.13%		1.00% to 6.00%			

E. Claims and Judgments

Primary Government

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

The Department of Health and Welfare estimates Medicaid claims incurred in fiscal year 2014 but not reported at year end in the amount of \$40.0 million.

The Idaho Transportation Department experienced contractor claims for reimbursement of additional expenses incurred for the performance of construction contract requirements. The State recorded a liability of \$2.6 million.

The Department of Environmental Quality entered into a contract with the Environmental Protection Agency (EPA) in April 1995 for the purpose of environmental remediation within the Bunker Hill Superfund Site. Federal Superfund law requires the State to match 10 percent of federal funds spent on actual remediation work and to meet all costs of future site operation and maintenance costs. The December 2012 amended remediation cost estimate was \$143.0 million, which was measured using the expected cash flow technique. The State's share was \$14.3 million. The State has expended \$15.5 million toward the required match

leaving an overpayment of the match liability of \$1.2 million. The overpayment can be used to meet match requirements in the Coeur d'Alene Basin Superfund site. The contract work was completed during fiscal year 2008. The State has taken ownership of 1,400 acres of remediated and unremediated land with approximately 400 additional acres yet to be transferred from the EPA to the State. The land's value has not been established and has development limitations which may reduce property values.

In August 2002, the federal government, Idaho, Washington, and tribal officials signed a memorandum of agreement to create the Coeur d'Alene Basin Commission that will direct cleanup of the Coeur d'Alene Basin in Idaho. The EPA issued a Record of Decision (ROD) in September 2002. The State and federal government signed the Coeur d'Alene Basin Superfund contract on October 2, 2003. The original estimate of the remediation cost was \$310.0 million; Idaho's match is 10 percent or \$31.0 million, which was measured using the expected cash flow technique. The State has expended \$2.9 million toward the required match, leaving a liability of \$28.1 million; Washington State will match the remainder of the liability. Work began in 2003 and will take 30 years to complete. Environmental liability estimates are subject to amendment due to changes in prices, technology, laws,

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

regulations, and other factors. In 2012 an amended ROD was released with a revised estimated cleanup cost of \$635.0 million. The State has not agreed to match any additional cost. The State does not anticipate any recovery from other parties for the Coeur d'Alene Basin project. The present value of operational and maintenance costs are estimated at \$41.0 million.

Component Units

The component units recorded the following claims and judgments:

The Idaho Housing and Finance Association had an estimated arbitrage rebate liability of \$2.2 million.

The Petroleum Clean Water Trust Fund had policy claim liabilities of \$4.5 million for unpaid losses and loss adjustments.

The Idaho Individual High-Risk Reinsurance Pool and the Idaho Small Employer Reinsurance Program had policy claim liabilities of \$3.4 million for unpaid claims.

F. Changes in Long-Term Liabilities

The changes in long-term liabilities are summarized as follows (*dollars in thousands*):

Long-Term Liabilities	Balances at July 1, 2013 As Restated	Increases	Decreases	Balances at June 30, 2014	Amounts Due Within One Year
Primary Government					
Governmental Activities:					
Revenue Bonds	\$ 190,324		\$ (25,989)	\$ 164,335	\$ 19,410
(Premiums)/Discounts/Other	7,300		(995)	6,305	
Notes Payable	554,892	\$ 65,457	(24,987)	595,362	27,453
Total Bonds and Notes Payable	752,516	65,457	(51,971)	766,002	46,863
Capital Leases	27,394	9	(1,541)	25,862	1,630
Compensated Absences	56,470	51,177	(58,181)	49,466	49,466
Policy Claim Liabilities	17,963	13,371	(17,029)	14,305	5,928
Claims and Judgments	96,324	42,614	(69,443)	69,495	42,773
Net Pension Obligation	13,989	2,999	(2,717)	14,271	
Net OPEB Obligation	24,520	3,030	(3,054)	24,496	
Other Long-Term Liabilities		6,114		6,114	
Total Governmental Activity	\$ 989,176	\$ 184,771	\$ (203,936)	\$ 970,011	\$ 146,660
Business-Type Activities:					
Revenue Bonds	\$ 455,145		\$ (17,139)	\$ 438,006	\$ 18,449
(Premiums)/Discounts	9,189	10	(1,554)	7,645	243
Notes Payable	156,449		(50,530)	105,919	50,833
Total Bonds and Notes Payable	620,783	10	(69,223)	551,570	69,525
Capital Leases	1,663	126	(631)	1,158	378
Compensated Absences	22,239	20,773	(22,168)	20,844	20,844
Net OPEB Obligation	17,143	3,035	(1,331)	18,847	
Other Long-Term Liabilities	968	560	(219)	1,309	140
Total Business-Type Activity	\$ 662,796	\$ 24,504	\$ (93,572)	\$ 593,728	\$ 90,887
Component Units:					
Revenue Bonds	\$ 2,105,623	\$ 376,964	\$ (496,394)	\$ 1,986,193	\$ 142,523
(Premiums)/Discounts	46,070	10,636	(7,290)	49,416	5,085
Notes Payable	26,535	273	(1,093)	25,715	1,312
Total Bonds and Notes Payable	2,178,228	387,873	(504,777)	2,061,324	148,920
Policy Claim Liabilities	8,399	14,174	(14,638)	7,935	7,935
Claims and Judgments	1,818	379		2,197	
Total Component Unit Activity	\$ 2,188,445	\$ 402,426	\$ (519,415)	\$ 2,071,456	\$ 156,855

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2014

Internal service funds predominantly serve the governmental funds. Accordingly, \$2.7 million of notes payable, \$0.8 million of compensated absences, \$14.3 million of policy claim liabilities, and \$0.3 million of net OPEB obligations were included in the governmental activities for internal service fund liabilities.

In the past the compensated absences liability attributable to governmental activities has been liquidated by the General Fund, special revenue funds, and internal service funds. Primarily, the same funds that have been used in prior years will be used to liquidate the following other governmental activity long-term liabilities: policy claim liabilities will be liquidated through the State's Group Insurance and Risk Management funds; claims and judgments will be liquidated by the Health and Welfare and Transportation special revenue funds, and nonmajor special revenue funds; the net pension obligation will be liquidated by the General Fund; the net OPEB obligation will be liquidated by the General Fund, Health and Welfare and Transportation special revenue funds, nonmajor special revenue funds, and internal service funds.

G. Conduit Debt

Primary Government

The Idaho Water Resource Board has outstanding revenue bonds for the promotion, construction,

rehabilitation, and repair of water projects. The bonds are secured by the financed property and are payable solely from revenue of the projects. Upon payment of the bonds, ownership of the acquired facilities transfers to the entity served by the bond issuance. Such bonds do not constitute a debt or obligation of the State or any political subdivision, agency thereof, or of the Board except to the extent of the revenues pledged under the indenture. Accordingly, these bonds are not reported in the accompanying financial statements. Seven series of Water Resource bonds that qualified as conduit debt are outstanding with an aggregate principal amount payable of \$86.7 million.

Component Unit

The Idaho Housing and Finance Association has outstanding bonds to provide financial assistance to entities for the construction of facilities deemed to be in the public interest. The bonds are secured by the financed property and are payable solely from payments received on the underlying investments. Upon repayment of the bonds, ownership of the constructed facilities transfers to the individuals served by the bond issuance. The Association is not obligated in any manner for repayment of these bonds. Accordingly, the bonds are not reported as Association liabilities. Thirty-four series of bonds that meet the description of conduit debt obligations are outstanding with an aggregate principal amount payable of \$213.0 million.

NOTE 14. EQUITY

A. Restatement of Beginning Fund Balances and Net Position

The beginning net position of several funds increased due to the adjustment of idle cash and investments with the State Treasurer's Office. The funds and amounts adjusted include:

- General Fund – \$16.9 million
- Health and Welfare – \$1.2 million
- Transportation – \$4.0 million
- Land Endowments – \$0.3 million
- Nonmajor Governmental – \$7.9 million
- Unemployment Compensation – \$1.7 million
- Loan – \$2.0 million
- Nonmajor Enterprise – \$0.4 million
- Internal Service – \$1.6 million
- Agency – \$0.5 million

The beginning net position of the nonmajor governmental funds increased by \$1.6 million due to a restatement of revenues related to mortgage recoveries.

The beginning net position of the College and University fund decreased by \$3.1 million due to the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

The beginning net position of the nonmajor enterprise funds increased by \$1.2 million due to a restatement of capital assets.

The government-wide Statement of Activities includes the above restatements in the Governmental and Business-Type Activities columns. In addition, Governmental Activities beginning net position decreased by \$5.4 million due to adjustments to infrastructure construction-in-progress, and decreased by \$20.0 million due to adjustments of capital assets in a prior year.

The Pension Trust Fund net position increased by \$24.9 million due to inclusion of the University of Idaho Retiree Benefits Trust and the University of Idaho Health Benefits Trust.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

B. Net Position Restricted by Enabling Legislation

Net position is reported as restricted when constraints are placed on net position use by external parties such as creditors, grantors, contributors, or other governments; or by state law through constitutional provisions or enabling legislation. Enabling legislation authorizes the State to assess, levy, charge, or otherwise mandate payment of resources and requires that those resources be used only for the purposes stipulated in the legislation.

The government-wide Statement of Net Position reported restricted net position of \$2.6 billion for governmental activities, \$1.1 billion for business-type activities, and \$680.4 million for component units. These amounts include \$419.5 million of net position restricted by enabling legislation for governmental activities and \$492.6 million of net position restricted by enabling legislation for business-type activities.

C. Governmental Fund Balances – Restricted, Committed, and Assigned

The governmental funds report a hierarchy of fund balance classifications based primarily on the extent to which the State is bound to honor limitations on the use of the funds' resources. When a fund has more than one revenue stream, equity is classified according to the materiality of any limitations on the fund.

Restricted fund balances represent those amounts that are legally restricted for specific purposes due to limitations imposed by external parties, such as creditors and grantors, or imposed through constitutional provisions or enabling legislation.

Committed fund balances represent amounts that can only be used for a specific purpose imposed by formal action of the Legislature and signed by the Governor.

Assigned fund balances represent amounts the government intends to use for a specific purpose but are neither restricted nor committed.

The following schedule presents the nature and purpose of these fund balances at June 30, 2014:

Restricted, Committed, and Assigned Governmental Fund Balances (dollars in thousands)				
Funds	Restricted	Committed	Assigned	Total
General				
Economic Development		\$ 6,945	\$ 21,766	\$ 28,711
Education	\$ 21,272	123,171		144,443
Environmental Quality		11,159	173	11,332
General Government Administrative Costs	1,042		11,904	12,946
Health and Human Services		3,021		3,021
Millennium Endowment Fund	227,026			227,026
Opportunity College Scholarships		19,002		19,002
Public Safety			3,356	3,356
School Building Maintenance and Repair		21,560		21,560
State Building Construction and Maintenance		57,398		57,398
Veterans Recognition		21,186		21,186
Other Purposes	3,287	1	15,887	19,175
Total	\$ 252,627	\$ 263,443	\$ 53,086	\$ 569,156
Health and Welfare				
Health and Human Services		\$ 55		\$ 55
Total	\$ 0	\$ 55	\$ 0	\$ 55
Transportation and Transportation Infrastructure				
GARVEE Debt Service	\$ 39,395			\$ 39,395
Transportation Programs	155,248	\$ 2,440		157,688
Total	\$ 194,643	\$ 2,440	\$ 0	\$ 197,083
Land Endowments				
Endowment Fund Beneficiaries	\$ 354,233			\$ 354,233
Total	\$ 354,233	\$ 0	\$ 0	\$ 354,233

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

	Restricted	Committed	Assigned	Total
Nonmajor Special Revenue				
Agricultural Programs	\$ 38,477			\$ 38,477
Corrections	4,291	\$ 1,361		5,652
Courts	1,497	2,548		4,045
Economic Development	20,677			20,677
Education		3,620		3,620
Employment Administration and Training Programs	16,101	13,362		29,463
Environmental Quality	37,939	23,163	\$ 2,477	63,579
Professional Licensing and Monitoring	67,513			67,513
Public Recreation	1,094	23,378		24,472
Public Safety	3,517	8,496		12,013
Soil Conservation Program	10,152			10,152
State Building Debt Service	8,295			8,295
State Land Management	20,006			20,006
Tourism and Promotion	7,156			7,156
Wildlife Management	32,383			32,383
Workers Compensation	23,307			23,307
Other Purposes	1,672	659		2,331
Total	\$ 294,077	\$ 76,587	\$ 2,477	\$ 373,141

D. Budget Stabilization and Minimum Fund Balance

The Legislature has the authority to set aside resources through the appropriation process for use in an emergency or when budgetary imbalances occur. The State has the following budget stabilization arrangements:

- The *Higher Education Budget Stabilization Fund* can only be used for the maintenance, use, and support of the colleges and universities subject to appropriation by the Legislature. Idaho Code Section 33-3726 requires interest earnings from the College and University Fund and other amounts provided for by law to be transferred into the Higher Education Budget Stabilization Fund. As of June 30, 2014, the fund balance was \$3.2 million.
- The *Budget Stabilization Fund* was created to cover General Fund revenue shortfalls, expenses incurred because of a major disaster declared by the Governor, or to provide any appropriated one-time tax relief payments to the citizens of Idaho. Idaho Code Section 57-814 requires that receipts to the General Fund for the fiscal year just ending that have exceeded the previous fiscal year's receipts by more than 4 percent be transferred to the Budget Stabilization Fund. The transfers should not be more than 1 percent of actual General Fund receipts for the fiscal year just ended. A concurrent resolution by the majority of the Legislature can require the State Controller to reduce the transfer. The balance in the Budget Stabilization Fund shall not exceed more than 10 percent of total General Fund receipts for the fiscal year just ended.

Appropriations from the Budget Stabilization Fund are limited to 50 percent after the fund balance has reached the 10 percent of General Fund receipts. Idaho Code Section 57-814A authorizes the Board of Examiners to transfer unencumbered moneys from the Budget Stabilization Fund to the General Fund, should General Fund moneys be insufficient to meet General Fund appropriations for that same fiscal year. Such transfers are limited to the amount of the insufficiency or one-half of 1 percent, whichever is less. Idaho Code Section 67-3520 requires certain distributions be made from the cigarette and tobacco product tax revenues, with the remainder transferred to the Budget Stabilization Fund. As of June 30, 2014, the fund balance was \$166.1 million.

- The *Public Education Stabilization Fund* may be used to offset declining distributions from the public school earnings reserve, declining endowment distributions, and shortfalls in discretionary funding as spelled out in Idaho Code Section 33-1018. According to Idaho Code Sections 33-1018A and 33-1018B the fund may also be used to cover any proportional share of the public schools' General Fund budgetary holdbacks, for state matching funds for the School District Building Fund, or for other purposes as stated in appropriation bills. Any accumulated balance greater than 8.34 percent of the current year's appropriation must be transferred to the Bond Levy Equalization Fund per Idaho Code Section 33-907. Additions to the Public Education Stabilization Fund are from

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

interest, transfers, and appropriations. Idaho Code Section 33-905 requires any excess balance over the amount needed for school building maintenance and discretionary spending be transferred to the Public Education Stabilization Fund. As of June 30, 2014, the fund balance was \$72.9 million.

- Idaho Code Section 26-31-110 requires that the *Mortgage Recovery Fund*, part of the Regulatory

nonmajor special revenue fund, maintain a minimum balance of \$1.5 million. The Mortgage Recovery Fund account, as defined in Idaho Code Section 26-31-109, is used to reimburse persons who have been awarded damages resulting from violations of the Idaho Residential Mortgage Practices Act.

NOTE 15. DONOR-RESTRICTED ENDOWMENTS

Primary Government

The Land Endowments fund has a nonexpendable permanent corpus and an earnings reserve account; the earnings reserve is used to receive earnings and to pay beneficiaries and expenses. The Endowment Fund Investment Board (EFIB) invests the revenues generated from the management and/or sale of endowment lands. The Board of Land Commissioners (Land Board) and the EFIB spend the net appreciation and other revenues in accordance with Idaho Code Title 57 Chapter 7 and Title 67 Chapter 16. Net appreciation on investments of the donor-restricted endowments available for expenditure for the Land Endowments fund was \$42.9 million, which is included in net position restricted for permanent trust-expendable. The Land Board has set the current distribution policy for the endowments at 5 percent of the three-year rolling average permanent fund balances. EFIB may adjust the distributions depending on the amount in the earnings reserve accounts, transfers to the permanent funds, and other factors.

The Department of Parks and Recreation has a \$1.2 million donor-restricted endowment for the preservation, operation, and management of the Ritter Island Unit of the Thousand Springs Complex. The Department of Parks and Recreation also has a \$2.5 million donor-restricted endowment for the management of the Trail of the Coeur d'Alenes. Only earnings from investments may be expended by the Idaho Parks and Recreation Board; although no less than 3 percent of the total value of the endowment shall be designated as earnings, even if such designation temporarily reduces the principal. The Board maintains sole discretion in determining the amount of earnings to be distributed to the Department of Parks and Recreation and to be deposited to increase the principal of the endowment. For the fiscal year ended, net appreciation available for expenditure was \$0.2 million, which is reported in net position restricted for other purposes.

Component Units

Endowments for the Boise State University Foundation, Eastern Idaho Technical College Foundation, Idaho State University Foundation, Lewis-Clark State College Foundation, and University of Idaho Foundation are managed in accordance with Idaho Code Title 33 Chapter 50 and rules adopted by their boards as specified below.

The Boise State University Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the University. The endowments had net appreciation of \$9.8 million during the fiscal year. Accumulated earnings are reported in net position restricted for permanent trust-expendable. The Foundation has set a "total return" spending policy that specifies 4 percent of the three-year rolling average of the ending market value of each individual account be made available for expenditure toward the established purpose.

The Eastern Idaho Technical College Foundation receives certain gift assets that are to be held in perpetuity for the benefit of scholarships at the College. Accumulated earnings are reported in net position restricted for permanent trust-expendable. The Foundation determines the amount to be paid out as scholarships to the College on an annual basis.

The Idaho State University Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the University. The endowments had net appreciation of \$5.4 million during the fiscal year. Accumulated earnings are reported in net position restricted for permanent trust-expendable. Donor-imposed restrictions requiring earnings to be contributed back to the corpus are not formally complied with by the Foundation. The Foundation addresses this indirectly through the strategy established through its investment and spending policies. The Foundation has a policy of appropriating for annual distribution 4 percent of its endowment fund's average

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014**

fair value over the prior 12 quarters through the calendar year-end proceeding the current fiscal year.

The Lewis-Clark State College Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the College. The endowments had net appreciation of \$0.3 million during the fiscal year. Accumulated earnings are reported in net position restricted for permanent trust-expendable. The Foundation established a spending rate of 4 percent of the five-year rolling average of the market value of each endowment account as of December 31 for each fiscal

year. This amount may be reduced if an account has insufficient accumulated earnings to cover the payout.

The University of Idaho Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the University. The endowments had net appreciation of \$27.5 million during the fiscal year. Unrealized appreciation is included in net position restricted for permanent trust-expendable. The Foundation Board of Directors establishes an annual spending rate. For fiscal year 2014, the spending rate was set at 4.5 percent of the three-year rolling average of the endowment's monthly fair market value.

NOTE 16. LITIGATION, CONTINGENCIES, COMMITMENTS, AND ENCUMBRANCES

A. Litigation and Contingencies

Primary Government

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

Idaho Code Section 33-5303 requires the State to guarantee the bonds of any school district qualified by the State Treasurer. If the State is required to make the bond payment of any school district, the State will redirect distributions normally made to the school district to reimburse the State. As of June 30, 2014, the principal amount of qualified school district bonds outstanding was \$933.1 million, and the interest amount outstanding was \$356.0 million.

Idaho Code Section 67-8716 requires the State to guarantee the bonds of any municipality qualified by the State Treasurer. If the State is required to make the bond payment of any municipality, the State will redirect distributions normally made to the municipality to reimburse the State. As of June 30, 2014, the Idaho Bond Bank Authority had a principal amount of qualified municipal bonds outstanding of \$406.5 million, and the interest amount outstanding was \$193.1 million. Four water and sewer districts do not have distributions to intercept in the event they are unable to make the bond

payments. If the State is required to pay the obligation, the State will pursue legal action to recover the amount paid. The total principal outstanding for these districts is \$12.7 million payable through 2029.

The State receives significant financial assistance from the federal government in the form of grants. The receipt of federal grants is generally conditioned upon compliance with terms and conditions of the grant agreements and is subject to financial and compliance audits. Questioned costs as a result of these audits may be disallowed after review by federal agencies. The State's opinion is that these questioned costs, if any, will not have a significant effect on the financial position of the State.

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

Component Units

The Idaho Housing and Finance Association is a defendant in a case brought by the Lehman Brothers Bankruptcy Estate in the Southern Federal District Court of New York. Lehman Brothers alleges that the Association should have paid a higher interest rate swap agreement termination amount and has claimed \$29.9 million in the case. In the opinion of the Association's legal counsel, the Association has a strong defense. The Association management believes any potential settlement will not have a material effect on the Association's financial position.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

B. Commitments

Primary Government

The Idaho Transportation Department (ITD) has a total of \$281.6 million in outstanding commitments for infrastructure and \$50.8 million for other capital asset-related construction projects underway at year-end. In addition, the ITD has a commitment to repay the Idaho Housing and Finance Association \$806.8 million in principal and \$447.0 million in interest related to Grant Anticipation Revenue Vehicle (GARVEE) bonds for construction costs to improve and enhance the State's highway infrastructure. To date, the ITD has borrowed \$740.4 million against the total; of that amount, \$148.5 million has been repaid, resulting in a \$591.9 million liability being recorded. Details can be found in Note 13.

The Department of Administration has a total of \$42.3 million in outstanding commitments for capital asset-related construction projects underway at year-end. The Department also has a contract with Education Network of America to provide network services for schools connected to the Idaho Education Network. The network enables students and communities to receive classes and courses from education providers. The contract will expire in January 2019 and the total remaining cost is \$41.4 million.

The colleges and universities estimate costs of \$76.0 million to complete a variety of capital asset-related construction projects underway at year-end.

The Department of Environmental Quality (DEQ) administers two revolving loan funds. The funds provide financing sources for the construction of publicly owned wastewater and drinking water treatment facilities. The Clean Water Loan fund had loan commitments of \$108.1 million and the Drinking Water Loan fund had commitments of \$19.6 million. These loan commitments will be funded either from new capitalization grants, generally 80 percent federal funds and 20 percent state matching dollars, or from accumulated repayments and investment revenues, which are perpetually appropriated for this purpose.

The Department of Correction has a contract with Corizon Inc. to provide medical services for inmates.

C. Encumbrances

Encumbrances within the restricted, committed, and assigned fund balances of the governmental funds are as follows (*dollars in thousands*):

	General Fund	Health and Welfare	Transportation	Nonmajor Governmental
Encumbrances	\$ 43,016	\$ 7,006	\$ 31,666	\$ 20,521

The contract will expire in December 2014. The estimated cost for fiscal year 2015 is \$41.0 million. The Department has a contract with Management and Training Corporation to operate a 432-bed substance abuse treatment prison facility. The Department has committed to pay monthly per diems based on offender count. The fiscal year 2015 estimated cost is \$7.0 million.

The Judicial Branch estimates costs of \$8.0 million to complete a variety of capital asset-related construction projects underway at year-end, with a new system for court management making up a significant portion of this amount.

The Idaho State Tax Commission entered into a Software Maintenance and Configuration Assistance Agreement to maintain the Commission's GENTAX application. The agreement is effective through June 30, 2020, with a remaining cost of \$5.0 million.

The Department of Juvenile Corrections contracts with various private juvenile placement providers for care and rehabilitation services. Contract daily rates range from \$90 to \$360 per day. The estimated cost for fiscal year 2015 is \$6.7 million.

The Dairy Products Commission annually commits to participate in a national unified marketing plan for dairy products. The Commission's 2014 commitment to nutrition, product, and ingredient manufacturing research and marketing activities is \$6.7 million.

The State Lottery maintains a contract with INTRALOT, Inc. through February 18, 2017, to pay 1.98 percent of total net sales and a \$3,466 monthly fee for a wireless tablet-reporting system to be used by Lottery's regional sales representatives.

The Public Employee Retirement System of Idaho has a total of \$525.2 million and €34.3 million in outstanding commitments for investments to private equity partnerships.

Component Unit

The Idaho Housing and Finance Association has commitments to purchase \$186.7 million of single-family mortgages. The Association has commitments to sell or secure \$139.3 million of single-family mortgages.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014**

NOTE 17. SUBSEQUENT EVENTS

Subsequent to June 30, 2014, the following events occurred:

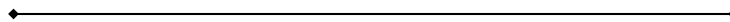
Primary Government

On July 1, 2014, the Office of the State Treasurer issued tax anticipation notes in the amount of \$475.0 million. The notes were issued to cover temporary cash flow shortfalls and to finance the State's daily operations in anticipation of certain tax revenues of the State to be collected during the fourth quarter of the 2015 fiscal year. The notes mature on June 30, 2015.

The Public Employee Retirement System of Idaho (PERSI) assumed administrative control of the Judges' Retirement Fund on July 1, 2014. The Fund transferred \$75.0 million to PERSI control. That amount constitutes 0.5 percent of PERSI's total assets.

The University of Idaho issued \$48.7 million of general revenue bonds, Series 2014, on July 10, 2014. These funds will enable the University to construct and equip a new 71,000 square-foot research center and fully renovate the existing College of Education building on the main campus in Moscow, Idaho.

In November 2014 a federal judge ruled the State's contract invalid with Education Network of America to provide network services for the Idaho Education Network. However, the judge did not pass a judgment of what action(s) the parties involved must take. The potential monetary impact, if any, to the State is not known at this time.





Required Supplementary Information



Sawtooth Mountains

Required Supplementary Information

Budgetary Comparison Schedule

General Fund and Major Special Revenue Funds

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

	General			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax	\$1,364,739	\$1,364,739	\$1,364,739	
Individual and Corporate Taxes	1,871,764	1,871,764	1,871,764	
Other Taxes	62,933	62,933	62,933	
Licenses, Permits, and Fees	18,690	18,690	18,690	
Sale of Goods and Services	32,159	32,159	32,159	
Grants and Contributions	13,760	13,760	13,760	
Investment Income	21,783	21,783	21,783	
Tobacco Settlement	27,450	27,450	27,450	
Other Income	21,002	21,002	21,002	
Total Revenues	\$3,434,280	\$3,434,280	3,434,280	
EXPENDITURES				
General Government	\$869,008	\$875,665	774,488	\$101,177
Public Safety and Correction	286,579	290,189	283,885	6,304
Health and Human Services	35,130	35,131	35,105	26
Education	1,817,751	1,817,796	1,772,032	45,764
Economic Development	59,273	57,298	47,328	9,970
Natural Resources	26,231	27,078	45,560	(18,482)
Total Expenditures	\$3,093,972	\$3,103,157	2,958,398	\$144,759
Revenues Over (Under) Expenditures			475,882	
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets			298	
Transfers In			190,089	
Transfers Out			(913,625)	
Total Other Financing Sources (Uses)			(723,238)	
Revenues and Other Financing Sources Over (Under)			(247,356)	
Expenditures and Other Financing Uses				
Reconciling Items				
Changes Affected by Accrued Revenues			(323,605)	
Changes Affected by Accrued Expenditures			637,098	
Fund Balances - Beginning of Year, As Restated			900,586	
Fund Balances - End of Year			\$966,723	

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
\$28,809	\$28,809	\$28,809		\$226,200	\$226,200	\$226,200	
22,203	22,203	22,203		129,918	129,918	129,918	
163,448	163,448	163,448		6,224	6,224	6,224	
1,519,959	1,519,959	1,519,959		317,046	317,046	317,046	
193	193	193		2,101	2,101	2,101	
17,162	17,162	17,162		2,551	2,551	2,551	
\$1,751,774	\$1,751,774	1,751,774		\$684,040	\$684,040	684,040	
\$3,509	\$4,328	4,064	\$264				
2,504,496	2,512,806	2,375,480	137,326				
				\$860,915	\$862,963	692,780	\$170,183
\$2,508,005	\$2,517,134	2,379,544	\$137,590	\$860,915	\$862,963	692,780	\$170,183
		(627,770)				(8,740)	
		131				16,900	
		620,650					
		(3,728)				(15,871)	
		617,053				1,029	
		(10,717)				(7,711)	
		211,378				12,592	
		(207,528)				(5,874)	
		1,243				216,524	
		(\$5,624)				\$215,531	

**Required Supplementary Information
For the Fiscal Year Ended June 30, 2014**

NOTE TO BUDGETARY REPORTING**Budgetary Process and Control**

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

The Governor's budget recommendations are presented to the Legislature within the first five days of each regular legislative session, which begins in January. The Joint Finance and Appropriations Committee reviews the Governor's recommended budget, makes amendments, and prepares the annual appropriation bills for submission to both houses of the Legislature. A simple majority vote by both houses of the Legislature is required to pass the appropriation bills. The Governor has line item veto power over appropriation bills. Approval by two-thirds of both houses is required to override a governor's veto. The appropriation bills become the State's authorized operating budget upon the Governor's signature, or become law without the Governor's signature within five days after being presented to him, per Idaho Constitution Article IV Sections 10 and 11.

Agencies may request additional appropriations for the current year, which may be granted under authority of the Legislature. If expenditures are expected to exceed available cash, the State Board of Examiners (SBE) may authorize reduction of a portion of the General Fund appropriation. The Governor may issue an executive order for temporary reduction of spending authority, which is recorded in the accounting system as a negative supplemental appropriation. The Governor may call extraordinary sessions as provided by Article IV Section 9 of the Idaho Constitution.

Limitations exist regarding the extent to which management may modify an appropriation. Legislative approval is required for the transfer of appropriations from one fund to another. The following adjustments may be made, with the appropriate approval:

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

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

Should any change occur that is not within the described limitations, legal compliance is not achieved.

The General Fund's natural resources function had a negative variance stemming from fire suppression deficiency warrants. This deficit is allowed by statute and will be funded with future appropriations. All other appropriated budgets of the State were within their authorized spending levels.

Budgetary Basis of Accounting

The State's legal budget is prepared using cash basis records. Revenues are generally recognized when cash is received. Expenditures are recorded when the related cash disbursement occurs. Encumbrances are allowed for budgetary control purposes. Fund balances are restricted or committed for obligations incurred for goods or services that have not been received. Encumbrances may be carried over to the next fiscal year with the approval of the DFM. The Budgetary Comparison Schedule is prepared on the budgetary basis and includes this variation from generally accepted accounting principles (GAAP). The original budget amount represents the original appropriation, prior year reappropriations, and continuous appropriations. The final budget amount includes the original budget plus supplemental (positive or negative) appropriations,

Required Supplementary Information For the Fiscal Year Ended June 30, 2014

Governor's holdbacks, Board of Examiners reductions, object transfers, actual transfers, and receipts to the appropriation. The reconciliation at the bottom of the Budgetary Comparison Schedule shows the difference between the budgetary basis and GAAP.

The State does not adopt a revenue budget. For financial reporting purposes, the Budgetary Comparison Schedule

reflects budgeted revenues as being equal to actual revenues. The State issues a separate Legal Basis Financial Report, which demonstrates legal compliance with the budget. A copy of this report may be viewed online at www.sco.idaho.gov. Look under "Accounting" and then "Financial Reports and Public Information."

INFRASTRUCTURE – MODIFIED APPROACH REPORTING

Under GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, governments are allowed an alternative to depreciation for their infrastructure assets, referred to as the modified approach. Using the modified approach, governments report maintenance and preservation expenses and do not report depreciation expense on qualifying assets. In order to use the modified approach, the State must manage the infrastructure assets using an asset management system and maintain those assets at established condition levels. The asset management system must meet all of the following requirements:

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

The State of Idaho has chosen to use the modified approach in reporting the roadway network, which consists of approximately 12,236 lane miles.

Measurement Scale

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

The International Roughness Index (IRI) is a primary indicator of pavement serviceability or the ability of a pavement to meet the demands and expectations of motorists. Idaho has adopted a

roughness index (RI) to correlate the measured IRI of the road surface to a 0.0-5.0 scale.index, with 0.0 being extremely rough and 5.0 being smooth.

Rutting Depth is a primary indicator of pavement distress caused by fatigue in the roadway wheelpath. The ITD annually collects longitudinal profiles and rutting depths of all pavement management sections statewide.

The ITD uses a Class II-type profilometer to measure IRI and rutting depth. A Profiler Van mounted with a profilometer, laser sensors, and personal computers travels at normal posted speeds and collects and stores road-profile information at one-tenth of a foot intervals.

Pavement Distress (Cracking) is the final important indicator of pavement condition. The Profiler Van used to collect roughness and rutting information also collects video of the entire state highway system each year. The video equipment records images of both the forward facing view and a downward facing view so that pavement distress is easily seen. The pavement management engineer then uses this video or actual field observations to determine the type, extent, and severity of cracking within each pavement management section. A cracking index (CI) is calculated for each section. The CI rating is very similar to the RI with 5.0 corresponding to a section with little or no cracking and 0.0 representing a section with severe cracking.

Pavement surface condition assessment is dependent upon functional classification and is divided into two functional class categories: interstates and arterials, and collectors. The surface condition is measured by Roughness Index (RI), Rutting Depth, and Crack Index (CI). Each category has its own thresholds, which differ slightly depending on the assigned functional class. The measurement ranges for each of these conditions is shown in the following chart:

Required Supplementary Information

For the Fiscal Year Ended June 30, 2014

Condition: Roughness Index			Condition: Rutting			Condition: Cracking Index		
Pavement Condition	Functional Class		Pavement Condition	Functional Class		Pavement Condition	Functional Class	
	Interstate and Arterials	Collectors		Interstate and Arterials	Collectors		Interstate and Arterials	Collectors
Good	RI > 3.0	RI > 3.0	Good	0.00" - 0.24"	0.00" - 0.49"	Good	CI > 3.0	CI > 3.0
Fair	2.5 ≤ RI ≤ 3.0	2.0 ≤ RI ≤ 3.0	Fair	0.25" - 0.49"	0.50" - 0.99"	Fair	2.5 ≤ CI ≤ 3.0	2.0 ≤ CI ≤ 3.0
Poor	2.0 ≤ RI < 2.5	1.5 ≤ RI < 2.0	Poor	0.50" - 0.74"	1.00" - 1.49"	Poor	2.0 ≤ CI < 2.5	1.5 ≤ CI < 2.0
Very Poor	RI < 2.0	RI < 1.5	Very Poor	≥ 0.75"	≥ 1.50"	Very Poor	CI < 2.0	CI < 1.5

Established Condition Level

The ITD has established the condition level that no more than 30 percent of pavement shall be in poor or very poor condition. In calendar year 2013 the assessed level was maintained at 14.3 percent. Infrastructure preservation

and restoration is a priority for the State. As a result of this focus, the ITD has provided all available funds to meet these goals.

Assessed Condition Ratings of State Roadways

Most Recent Five Complete Condition Assessments
Percent of Total Lane Miles per Pavement Condition

	2013		2012		2011		2010		2009	
Good	7,239	59.2%	7,614	62.3%	7,748	63.4%	7,531	62.8%	7,226	60.3%
Fair	3,240	26.5%	2,946	24.1%	2,849	23.3%	2,544	21.2%	2,653	22.1%
Poor	1,544	12.6%	1,479	12.1%	1,451	11.9%	1,651	13.8%	1,589	13.3%
Very Poor	213	1.7%	183	1.5%	174	1.4%	271	2.2%	521	4.3%
Total Lane Miles	12,236	100%	12,222	100%	12,222	100%	11,997	100%	11,989	100%

Estimated and Actual Costs to Maintain

The information below reflects the State's estimate of spending necessary to preserve and maintain the roads at, or above, the established condition level, and the actual amount spent during the past six fiscal years (*dollars in thousands*):

	FY2015	FY2014	FY2013	FY2012	FY2011	FY2010	FY2009
Estimated	\$90,905	\$122,831	\$104,612	\$110,125	\$170,828	\$144,000	\$85,000
Actual		\$107,718	\$125,839	\$161,290	\$137,922	\$111,489	\$103,720

Actual costs were less than estimated costs in fiscal year 2014 by 12.3 percent.

PENSION – SCHEDULE OF FUNDING PROGRESS

Judges' Retirement Fund (*dollars in thousands*):

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL) (2) - (1)	Funded Ratios (1) : (2)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll (3) : (5)
6/30/11	\$ 63,140	\$ 77,228	\$ 14,088	81.8%	\$ 5,700	247.2%
6/30/12	\$ 60,699	\$ 73,656	\$ 12,957	82.4%	\$ 5,847	221.6%
7/1/13	\$ 76,104	\$ 80,390	\$ 4,286	94.7%	\$ 5,634	76.1%

Required Supplementary Information
For the Fiscal Year Ended June 30, 2014
OTHER POSTEMPLOYMENT BENEFITS
Schedule of Funding Progress (*dollars in thousands*):

OPEB Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1) : (2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) : (5)
Retiree Healthcare	7/1/2011	\$ 0	\$ 23,508	\$ 23,508	0.0	\$755,116	3.1 %
	7/1/2012	\$ 0	\$ 15,751	\$ 15,751	0.0	\$811,758	1.9 %
	7/1/2013	\$ 0	\$ 15,208	\$ 15,208	0.0	\$862,810	1.8 %
Long-Term Disability Healthcare	7/1/2011	\$ 0	\$ 8,390	\$ 8,390	0.0	\$755,116	1.1 %
	7/1/2012	\$ 0	\$ 7,155	\$ 7,155	0.0	\$811,758	0.9 %
	7/1/2013	\$ 0	\$ 6,921	\$ 6,921	0.0	\$862,810	0.8 %
Life Insurance	7/1/2011	\$ 0	\$ 8,753	\$ 8,753	0.0	\$755,116	1.2 %
	7/1/2012	\$ 0	\$ 6,767	\$ 6,767	0.0	\$811,758	0.8 %
	7/1/2013	\$ 0	\$ 5,400	\$ 5,400	0.0	\$862,810	0.6 %
Income	7/1/2011	\$ 0	\$ 4,689	\$ 4,689	0.0	\$755,116	0.6 %
	7/1/2012	\$ 0	\$ 4,065	\$ 4,065	0.0	\$811,758	0.5 %
	7/1/2013	\$ 0	\$ 3,622	\$ 3,622	0.0	\$862,810	0.4 %
Retiree Life Insurance	7/1/2011	\$ 0	\$ 39,161	\$ 39,161	0.0	\$253,915	15.4 %
	7/1/2012	\$ 0	\$ 39,563	\$ 39,563	0.0	\$264,491	15.0 %
	7/1/2013	\$ 0	\$ 42,353	\$ 42,353	0.0	\$271,768	15.6 %
University of Idaho	*7/1/2011	\$ 21,774	\$ 73,240	\$ 51,466	29.7	\$123,237	41.8 %
	7/1/2012	\$ 24,753	\$ 63,465	\$ 38,712	39.0	\$123,592	31.3 %
	7/1/2013	\$ 28,271	\$ 61,476	\$ 33,205	46.0	\$132,777	25.0 %

* Actuarial Value of Asset for University of Idaho restated due to adjustment of bank statement.

Schedule of Employer Contributions (*dollars in thousands*):

OPEB Plan	Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions	Actual Contributions as Percentage of ARC
Retiree Life Insurance	6/30/2012	\$ 3,058	\$ 542	17.72%
	6/30/2013	\$ 3,269	\$ 535	16.37%
	6/30/2014	\$ 3,432	\$ 582	16.96%
University of Idaho*	6/30/2012	\$ 4,806	\$ 5,201	108.22%
	6/30/2013	\$ 3,723	\$ 4,404	118.29%
	6/30/2014	\$ 3,368	\$ 3,178	94.36%

* 2013 Annual Required Contribution and Actual Contributions as Percentage of ARC restated.

Combining Financial Statements



Coeur d'Alene River

NONMAJOR GOVERNMENTAL FUNDS include nonmajor special revenue funds, and a capital projects fund. The following provides a brief description of the nonmajor governmental funds.

NONMAJOR SPECIAL REVENUE FUNDS account for specific revenues that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The Agriculture and Natural Resources Fund accounts for the financial position and operations associated with the maintenance, preservation, and regulation of the State's parks, water, air, and agricultural resources. The major sources of funding are dedicated user fees, taxes, and federal grants.

The Regulatory Fund accounts for the financial position and operations associated with various professional licensing and monitoring functions. The major sources of funding are taxes and license fees.

The Fish and Game Fund accounts for the financial position and operations associated with enforcing and administering the fish and game laws in Idaho and perpetuating and managing the State's wildlife resources. The major sources of funding are dedicated user fees and federal grants.

The Federal Fund accounts for a portion of the financial position and operations associated with federal grants received by the State. Some federal grants are included in other funds of the State.

The Miscellaneous Fund accounts for the financial position and operations associated with general government services. The major sources of funding are provided by the sale of goods and services, miscellaneous taxes, fees, and other revenues.

The Building Authority accounts for the financial position and operations associated with the construction and financing of facilities, such as office buildings and parking garages to be used by the State. The major sources of funding are the sale of goods and services and bonds issued. The Building Authority is a blended component unit.

THE CAPITAL PROJECTS FUND accounts for specific revenues that are restricted, committed, or assigned to finance construction of capital assets.

The Transportation Infrastructure Fund accounts for the financial position and operations associated with the construction and financing of roads, bridges, and rest areas. The major sources of funding are provided by federal highway funds and notes issued.

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2014

(dollars in thousands)

	Special Revenue			
	Agriculture and Natural Resources	Regulatory	Fish and Game	Federal
ASSETS				
Cash and Cash Equivalents	\$4,590	\$670		
Pooled Cash and Investments	75,014	63,212	\$11,984	\$6,351
Investments	38,196	9,261	4,483	1,699
Securities Lending Collateral	44,151	32,707	8,263	20,546
Accounts Receivable, Net	1,544	301	824	298
Taxes Receivable, Net	3,038			
Interfund Receivables		17	249	493
Due from Other Entities	3,127		7,133	65,979
Inventories and Prepaid Items	2,602	604	6,900	951
Loans, Notes, and Pledges Receivable, Net	4,261		10	
Other Assets	503	185	95	99
Restricted Assets:				
Cash and Cash Equivalents	15,044	1,043	4,337	30,533
Investments	25,152		11,009	
Total Assets	217,222	108,000	55,287	126,949
Total Assets and Deferred Outflows of Resources	\$217,222	\$108,000	\$55,287	\$126,949
LIABILITIES				
Accounts Payable	\$3,337	\$105	\$1,420	\$53,575
Payroll and Related Liabilities	3,493	1,722	2,616	4,776
Interfund Payables	45	7	12	1,373
Due to Other Entities	20	15	4	9
Unearned Revenue	3,650	3,934		16,254
Amounts Held in Trust for Others	774	392	5	
Obligations Under Securities Lending	44,799	33,187	8,384	20,848
Other Accrued Liabilities	1,268	511	521	359
Total Liabilities	57,386	39,873	12,962	97,194
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows	690	10	187	10,666
Fund Balances				
Nonspendable:				
Permanent Trusts			2,855	
Inventories and Prepaid Items	2,602	604	6,900	951
Restricted	107,526	67,513	32,383	18,138
Committed	46,541			
Assigned	2,477			
Total Fund Balances	159,146	68,117	42,138	19,089
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$217,222	\$108,000	\$55,287	\$126,949

Capital Projects			
Miscellaneous	Building Authority	Transportation Infrastructure	Total
	\$2,113		\$7,373
\$76,527		\$180	233,268
15,816	818		70,273
38,615		611	144,893
8,468		7,172	18,607
1,465			4,503
357			1,116
			76,239
2,589			13,646
			4,271
451	28	3	1,364
557	2,421		53,935
	3,420		39,581
144,845	8,800	7,966	669,069
\$144,845	\$8,800	\$7,966	\$669,069
\$1,343	\$505	\$4,597	\$64,882
2,854			15,461
72		54	1,563
17			65
228			24,066
			1,171
39,182		620	147,020
142			2,801
43,838	505	5,271	257,029
8,150		2,577	22,280
			2,855
2,589			13,646
60,222	8,295	118	294,195
30,046			76,587
			2,477
92,857	8,295	118	389,760
\$144,845	\$8,800	\$7,966	\$669,069

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

	Special Revenue			
	Agriculture and Natural Resources	Regulatory	Fish and Game	Federal
REVENUES				
Sales Tax	\$4,800			
Other Taxes	38,434	\$69,717		
Licenses, Permits, and Fees	41,480	51,569	\$34,590	
Sale of Goods and Services	3,599	1,059	623	\$161
Grants and Contributions	29,968	20	52,291	425,764
Investment Income	2,007	(311)	353	110
Other Income	3,211	835	432	331
Total Revenues	123,499	122,889	88,289	426,366
EXPENDITURES				
Current:				
General Government		3,318		52,470
Public Safety and Correction		2,829		9,206
Education				246,718
Economic Development	46,365	44,747	173	71,348
Natural Resources	67,575	1,038	72,882	4,239
Capital Outlay	6,684	806	9,413	6,112
Intergovernmental Revenue Sharing	8,884		23	40,637
Debt Service:				
Principal Retirement		1	454	3
Interest and Other Charges			325	
Total Expenditures	129,508	52,739	83,270	430,733
Revenues Over (Under) Expenditures	(6,009)	70,150	5,019	(4,367)
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Capital Lease Acquisitions		9		
Sale of Capital Assets	53	208	614	106
Transfers In	13,842	140	2	1,464
Transfers Out	(1)	(67,640)	(137)	(9,410)
Total Other Financing Sources (Uses)	13,894	(67,283)	479	(7,840)
Net Changes in Fund Balances	7,885	2,867	5,498	(12,207)
Fund Balances - Beginning of Year, as Restated	151,261	65,250	36,640	31,296
Fund Balances - End of Year	\$159,146	\$68,117	\$42,138	\$19,089

Capital Projects			
Miscellaneous	Building Authority	Transportation Infrastructure	Total
\$555			\$5,355
25,535			133,686
23,981			151,620
14,592	\$31,017		51,051
(1,094)			506,949
1,889	44	\$1,227	5,319
11,131			15,940
76,589	31,061	1,227	869,920
5,098	346		61,232
51,816			63,851
3,192			249,910
28,633		2,676	193,942
94			145,828
4,712	6,511	63,929	98,167
10,528			60,072
	26,587		27,045
	7,901		8,226
104,073	41,345	66,605	908,273
(27,484)	(10,284)	(65,378)	(38,353)
		65,457	65,457
			9
127			1,108
29,131			44,579
(285)			(77,473)
28,973		65,457	33,680
1,489	(10,284)	79	(4,673)
91,368	18,579	39	394,433
\$92,857	\$8,295	\$118	\$389,760

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

	Special Revenue			
	Agriculture and Natural Resources			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax	\$4,800	\$4,800	\$4,800	
Other Taxes	38,226	38,226	38,226	
Licenses, Permits, and Fees	42,302	42,302	42,302	
Sale of Goods and Services	3,534	3,534	3,534	
Grants and Contributions	30,989	30,989	30,989	
Investment Income	1,223	1,223	1,223	
Other Income	2,612	2,612	2,612	
Total Revenues	\$123,686	\$123,686	123,686	
EXPENDITURES				
General Government				
Public Safety and Correction				
Health and Human Services				
Education				
Economic Development	\$49,818	\$49,822	46,932	\$2,890
Natural Resources	112,735	112,916	83,930	28,986
Total Expenditures	\$162,553	\$162,738	130,862	\$31,876
Revenues Over (Under) Expenditures			(7,176)	
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Capital Lease Acquisitions				
Sale of Capital Assets			53	
Transfers In			13,842	
Transfers Out			(1)	
Total Other Financing Sources (Uses)			13,894	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			6,718	
Reconciling Items				
Changes Affected by Accrued Revenues			(187)	
Changes Affected by Accrued Expenditures			1,354	
Fund Balances - Beginning of Year, As Restated			151,261	
Fund Balances - End of Year			\$159,146	

continued

Special Revenue							
Regulatory				Fish and Game			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
\$72,537	\$72,537	\$72,537					
52,062	52,062	52,062		\$34,590	\$34,590	\$34,590	
997	997	997		623	623	623	
20	20	20		47,889	47,889	47,889	
373	373	373		401	401	401	
652	652	652		617	617	617	
\$126,641	\$126,641	126,641		\$84,120	\$84,120	84,120	
\$3,318	\$3,319	3,319					
3,289	3,322	2,941	\$381				
49,978	50,371	45,425	4,946	\$216	\$216	173	\$43
1,819	1,814	1,033	781	95,560	97,939	82,446	15,493
\$58,404	\$58,826	52,718	\$6,108	\$95,776	\$98,155	82,619	\$15,536
		73,923				1,501	
		9					
		208				614	
		140				2	
		(67,640)				(137)	
		(67,283)				479	
		6,640				1,980	
		(3,752)				4,169	
		(21)				(651)	
		65,250				36,640	
		\$68,117				\$42,138	

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

	Special Revenue			
	Federal			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax				
Other Taxes				
Licenses, Permits, and Fees				
Sale of Goods and Services	\$136	\$136	\$136	
Grants and Contributions	421,393	421,393	421,393	
Investment Income	136	136	136	
Other Income	353	353	353	
Total Revenues	\$422,018	\$422,018	422,018	
EXPENDITURES				
General Government	\$87,130	\$96,629	71,596	\$25,033
Public Safety and Correction	17,806	17,906	13,084	4,822
Health and Human Services				
Education	266,752	267,218	253,725	13,493
Economic Development	97,145	99,386	81,325	18,061
Natural Resources	17,888	18,601	8,103	10,498
Total Expenditures	\$486,721	\$499,740	427,833	\$71,907
Revenues Over (Under) Expenditures			(5,815)	
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Capital Lease Acquisitions				
Sale of Capital Assets			106	
Transfers In			1,464	
Transfers Out			(9,410)	
Total Other Financing Sources (Uses)			(7,840)	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			(13,655)	
Reconciling Items				
Changes Affected by Accrued Revenues			4,348	
Changes Affected by Accrued Expenditures			(2,900)	
Fund Balances - Beginning of Year, As Restated			31,296	
Fund Balances - End of Year			\$19,089	

continued

Special Revenue							
Miscellaneous				Building Authority			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
\$555	\$555	\$555					
21,515	21,515	21,515					
23,924	23,924	23,924					
10,964	10,964	10,964		\$31,017	\$31,017	\$31,017	
624	624	624					
2,142	2,142	2,142		44	44	44	
10,564	10,564	10,564					
\$70,288	\$70,288	70,288		\$31,061	\$31,061	31,061	
\$7,887	\$7,887	7,742	\$145	\$41,346	\$41,345	41,345	
65,722	65,936	59,719	6,217				
	7		7				
6,226	6,226	4,046	2,180				
44,450	44,463	34,268	10,195				
142	142	90	52				
\$124,427	\$124,661	105,865	\$18,796	\$41,346	\$41,345	41,345	
		(35,577)				(10,284)	
		127					
		29,131					
		(285)					
		28,973					
		(6,604)				(10,284)	
		6,301					
		1,792					
		91,368				18,579	
		\$92,857				\$8,295	

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

	Capital Projects			
	Transportation Infrastructure			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax				
Other Taxes				
Licenses, Permits, and Fees				
Sale of Goods and Services				
Grants and Contributions				
Investment Income	\$1,227	\$1,227	\$1,227	
Other Income				
Total Revenues	<u>\$1,227</u>	<u>\$1,227</u>	<u>1,227</u>	
EXPENDITURES				
General Government				
Public Safety and Correction				
Health and Human Services				
Education				
Economic Development	\$66,551	\$66,551	66,551	
Natural Resources				
Total Expenditures	<u>\$66,551</u>	<u>\$66,551</u>	<u>66,551</u>	
Revenues Over (Under) Expenditures			<u>(65,324)</u>	
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued			65,457	
Capital Lease Acquisitions				
Sale of Capital Assets				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)			<u>65,457</u>	
Revenues and Other Financing Sources Over (Under)			<u>133</u>	
Expenditures and Other Financing Uses				
Reconciling Items				
Changes Affected by Accrued Revenues				
Changes Affected by Accrued Expenditures			(54)	
Fund Balances - Beginning of Year, As Restated			<u>39</u>	
Fund Balances - End of Year			<u>\$118</u>	

Total			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
\$5,355	\$5,355	\$5,355	
132,278	132,278	132,278	
152,878	152,878	152,878	
47,271	47,271	47,271	
500,915	500,915	500,915	
5,546	5,546	5,546	
14,798	14,798	14,798	
\$859,041	\$859,041	859,041	
\$139,681	\$149,180	124,002	\$25,178
86,817	87,164	75,744	11,420
	7		7
272,978	273,444	257,771	15,673
308,158	310,809	274,674	36,135
228,144	231,412	175,602	55,810
\$1,035,778	\$1,052,016	907,793	\$144,223
		(48,752)	
		65,457	
		9	
		1,108	
		44,579	
		(77,473)	
		33,680	
		(15,072)	
		10,879	
		(480)	
		394,433	
		\$389,760	

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual

Major Permanent Fund

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

	Land Endowments			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sale of Goods and Services	\$90,231	\$90,231	\$90,231	
Investment Income	273,761	273,761	273,761	
Total Revenues	\$363,992	\$363,992	363,992	
EXPENDITURES				
Natural Resources	\$36,808	\$36,796	30,866	\$5,930
Total Expenditures	\$36,808	\$36,796	30,866	\$5,930
Revenues Over (Under) Expenditures			333,126	
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets			11,945	
Transfers Out			(48,845)	
Total Other Financing Sources (Uses)			(36,900)	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			296,226	
Reconciling Items				
Changes Affected by Accrued Expenditures			(180)	
Fund Balances - Beginning of Year, As Restated			1,461,613	
Fund Balances - End of Year			\$1,757,659	

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

The State Lottery Fund accounts for the financial position and operations associated with lottery games. Established by the Legislature in 1988, the State Lottery's purpose is to adopt rules and regulations governing the establishment and operation of lottery games, to oversee lottery operations, and to maximize the net income of the lottery for the benefit of the State. Annually, on July 1, the State Lottery's surplus net income is distributed evenly between the permanent building account and the school district building account as dictated by Idaho Code Section 67-7434.

The State Liquor Fund accounts for the financial position and operations associated with the distribution, sale, and consumption of alcoholic beverages. Per Idaho Code Section 23-404, after deducting administrative and operating costs for the Liquor Division, distributions are made to cities, counties, the General Fund, and various other funds of the State.

The Correctional Industries Fund accounts for the financial position and operations associated with employment for inmates of the Department of Correction. Correctional Industries manufactures and sells a variety of items including license plates, furniture, highway signs, printing services, and other products and services.

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2014

(dollars in thousands)

	State Lottery	State Liquor	Correctional Industries	Total
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$2,786			\$2,786
Pooled Cash and Investments		\$10,545	\$4,152	14,697
Securities Lending Collateral		4,775	2,158	6,933
Accounts Receivable, Net	1,858		376	2,234
Interfund Receivables		11	61	72
Inventories and Prepaid Items	108	16,085	1,708	17,901
Other Current Assets		151	10	161
Total Current Assets	4,752	31,567	8,465	44,784
Noncurrent Assets				
Restricted Cash and Cash Equivalents	47,739			47,739
Other Noncurrent Assets		3	2	5
Capital Assets, Net	142	10,624	3,187	13,953
Total Noncurrent Assets	47,881	10,627	3,189	61,697
Total Assets	\$52,633	\$42,194	\$11,654	\$106,481
LIABILITIES				
Current Liabilities				
Accounts Payable	\$1,823	\$9,576	\$239	\$11,638
Payroll and Related Liabilities	166	549	107	822
Interfund Payables	11	5,916	7	5,934
Due to Other Entities		6,802	1	6,803
Obligations Under Securities Lending		4,845	2,189	7,034
Other Accrued Liabilities	2,497	2	(2)	2,497
Compensated Absences Payable	125	464	91	680
Bonds, Notes, and Capital Leases Payable	38			38
Total Current Liabilities	4,660	28,154	2,632	35,446
Noncurrent Liabilities				
Bonds, Notes, and Capital Leases Payable	29			29
Other Long-Term Obligations		294	53	347
Total Noncurrent Liabilities	29	294	53	376
Total Liabilities	4,689	28,448	2,685	35,822
NET POSITION				
Net Investment in Capital Assets	75	10,624	3,189	13,888
Restricted for:				
Other Purposes	47,869	3,122	5,780	56,771
Total Net Position	47,944	13,746	8,969	70,659
Total Liabilities and Net Position	\$52,633	\$42,194	\$11,654	\$106,481

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

	State Lottery	State Liquor	Correctional Industries	Total
OPERATING REVENUES				
Licenses, Permits, and Fees		\$4		\$4
Sale of Goods and Services	\$209,585	165,837	\$7,482	382,904
Other Income	56	12	370	438
Total Operating Revenues	209,641	165,853	7,852	383,346
OPERATING EXPENSES				
Personnel Costs	2,679	10,667	1,971	15,317
Services and Supplies	25,795	91,607	4,269	121,671
Benefits, Awards, and Premiums	133,232			133,232
Depreciation	102	751	484	1,337
Other Expenses	331	4,379	1,287	5,997
Total Operating Expenses	162,139	107,404	8,011	277,554
Operating Income (Loss)	47,502	58,449	(159)	105,792
NONOPERATING REVENUES (EXPENSES)				
Investment Income	1	38	10	49
Interest Expense	(5)			(5)
Intergovernmental Distributions		(30,500)		(30,500)
Gain (Loss) on Sale of Capital Assets		(2)	9	7
Other Nonoperating Revenues (Expenses)		1	(9)	(8)
Total Nonoperating Revenues (Expenses)	(4)	(30,463)	10	(30,457)
Income (Loss) Before Transfers	47,498	27,986	(149)	75,335
Transfers Out	(48,200)	(29,307)		(77,507)
Change in Net Position	(702)	(1,321)	(149)	(2,172)
Total Net Position - Beginning of Year, as Restated	48,646	15,067	9,118	72,831
Total Net Position - End of Year	\$47,944	\$13,746	\$8,969	\$70,659

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

	State Lottery	State Liquor	Correctional Industries	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$209,332	\$165,950	\$3,971	\$379,253
Receipts for Interfund Services		1	3,906	3,907
Payments to Suppliers	(25,752)	(99,737)	(4,944)	(130,433)
Payments to Employees	(2,666)	(10,656)	(1,964)	(15,286)
Payments for Interfund Services		(555)	(142)	(697)
Payments for Benefits, Awards, and Claims	(133,263)			(133,263)
Net Cash Provided (Used) by Operating Activities	47,651	55,003	827	103,481
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental Distributions		(31,040)		(31,040)
Transfers Out	(48,200)	(29,260)		(77,460)
Net Cash Provided (Used) by Noncapital Financing Activities	(48,200)	(60,300)		(108,500)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal Payments	(40)			(40)
Proceeds from Disposition of Capital Assets			9	9
Interest Payments	(5)			(5)
Acquisition and Construction of Capital Assets	(30)	(105)	(139)	(274)
Net Cash Provided (Used) by Capital and Related Financing Activities	(75)	(105)	(130)	(310)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of Interest and Dividends	2	19	(1)	20
Other Investing Activities		330	150	480
Net Cash Provided (Used) by Investing Activities	2	349	149	500
Net Increase (Decrease) in Cash, Cash Equivalents, and Pooled Cash	(622)	(5,053)	846	(4,829)
Beginning Cash, Cash Equivalents, and Pooled Cash	51,147	15,598	3,306	70,051
Ending Cash, Cash Equivalents, and Pooled Cash	\$50,525	\$10,545	\$4,152	\$65,222
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$47,502	\$58,449	(\$159)	\$105,792
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	102	751	484	1,337
Net Changes in Assets and Liabilities:				
Accounts Receivable/Interfund Receivables	(309)	84	25	(200)
Inventories and Prepaid Items		(4,632)	400	(4,232)
Other Assets	11	17	1	29
Accounts Payable/Interfund Payables	345	325	75	745
Compensated Absences		(17)	(7)	(24)
Other Accrued Liabilities		26	8	34
Net Cash Provided (Used) by Operating Activities	\$47,651	\$55,003	\$827	\$103,481

Noncash Transactions (dollars in thousands):

State Liquor recorded an interfund payable of \$47 due on July 1, 2014, a prior period adjustment of \$1,188 to capital assets, disposed of capital assets at a loss of \$2 and assets at a loss of \$1, and a prior period adjustment of \$260 for restatement of pooled cash and investments. Correctional Industries recorded a prior period adjustment of \$117 for restatement of pooled cash and investments.

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

The Group Insurance Fund, created by Idaho Code Section 67-5771, accounts for health insurance for all state employees and optional coverage for dependents and retirees. The fund also provides life insurance and short and long-term disability coverage.

The Risk Management Fund, created by Idaho Code Section 67-5776, accounts for insurance coverage and loss prevention to all state agencies. Coverage is provided using a combination of self-insurance and insurance purchased from commercial carriers.

The General Services Fund, created by Idaho Code Sections 67-5703, 67-5744, and 67-3516, accounts for statewide auditing, human resources, treasury, surplus property redistribution and sale, copying, purchasing, mail, and voice and data communication services.

The Data Processing Services Fund, created by Idaho Code Section 67-1021, accounts for data processing services provided by the Office of the State Controller to the various state agencies. In addition, the State Department of Education provides data processing services to local school districts and some state agencies.

Combining Statement of Net Position

Internal Service Funds

June 30, 2014

(dollars in thousands)

	Group Insurance	Risk Management	General Services	Data Processing Services	Total
ASSETS					
Current Assets					
Pooled Cash and Investments	\$17,754	\$7,530	\$6,735	\$3,233	\$35,252
Securities Lending Collateral	20,891	3,670	3,360	1,607	29,528
Accounts Receivable, Net			129		129
Interfund Receivables		9	170	578	757
Inventories and Prepaid Items		53	1,083	1,157	2,293
Other Current Assets	181	45	16	7	249
Total Current Assets	38,826	11,307	11,493	6,582	68,208
Noncurrent Assets					
Restricted Cash and Cash Equivalents	27,089				27,089
Investments	23,476	7,674			31,150
Other Noncurrent Assets		1	1	1	3
Capital Assets, Net	3	3	14,288	690	14,984
Total Noncurrent Assets	50,568	7,678	14,289	691	73,226
Total Assets	\$89,394	\$18,985	\$25,782	\$7,273	\$141,434
LIABILITIES					
Current Liabilities					
Accounts Payable	\$101		\$285		\$386
Payroll and Related Liabilities	23	\$23	492	\$266	804
Interfund Payables			6		6
Due to Other Entities	9	2	2	1	14
Unearned Revenue	14,005		140	347	14,492
Obligations Under Securities Lending	21,197	3,724	3,409	1,631	29,961
Other Accrued Liabilities	3		132		135
Compensated Absences Payable	13	24	538	259	834
Bonds, Notes, and Capital Leases Payable			210		210
Policy Claim Liabilities	2,845	3,083			5,928
Total Current Liabilities	38,196	6,856	5,214	2,504	52,770
Noncurrent Liabilities					
Bonds, Notes, and Capital Leases Payable			2,498		2,498
Policy Claim Liabilities		8,377			8,377
Other Long-Term Obligations	5	9	166	81	261
Total Noncurrent Liabilities	5	8,386	2,664	81	11,136
Total Liabilities	38,201	15,242	7,878	2,585	63,906
NET POSITION					
Net Investment in Capital Assets	2	4	11,578	690	12,274
Restricted for:					
Claims and Judgments	27,089				27,089
Other Purposes	24,102	3,739	1,964	3,998	33,803
Unrestricted			4,362		4,362
Total Net Position	51,193	3,743	17,904	4,688	77,528
Total Liabilities and Net Position	\$89,394	\$18,985	\$25,782	\$7,273	\$141,434

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

Internal Service Funds

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

	Group Insurance	Risk Management	General Services	Data Processing Services	Total
OPERATING REVENUES					
Sale of Goods and Services	\$222,520	\$8,318	\$24,093	\$7,676	\$262,607
Grants and Contributions			82		82
Other Income		45	61		106
Total Operating Revenues	222,520	8,363	24,236	7,676	262,795
OPERATING EXPENSES					
Personnel Costs	416	421	8,203	4,156	13,196
Services and Supplies	601	3,432	16,291	2,450	22,774
Benefits, Awards, and Premiums	226,175	2,434			228,609
Depreciation			1,341	387	1,728
Other Expenses	94	147	656	245	1,142
Total Operating Expenses	227,286	6,434	26,491	7,238	267,449
Operating Income (Loss)	(4,766)	1,929	(2,255)	438	(4,654)
NONOPERATING REVENUES (EXPENSES)					
Investment Income	651	183	18	7	859
Interest Expense			(131)		(131)
Gain (Loss) on Sale of Capital Assets			(3)		(3)
Other Nonoperating Revenues (Expenses)			3		3
Total Nonoperating Revenues (Expenses)	651	183	(113)	7	728
Income (Loss) Before Transfers	(4,115)	2,112	(2,368)	445	(3,926)
Capital Contributions			20		20
Transfers In			2,738		2,738
Transfers Out			(202)		(202)
Change in Net Position	(4,115)	2,112	188	445	(1,370)
Total Net Position - Beginning of Year, As Restated	55,308	1,631	17,716	4,243	78,898
Total Net Position - End of Year	\$51,193	\$3,743	\$17,904	\$4,688	\$77,528

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

	Group Insurance	Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$13,057	\$262
Receipts for Interfund Services	211,447	8,092
Receipts from Grants and Contributions		
Payments to Suppliers	(441)	(3,447)
Payments to Employees	(411)	(419)
Payments for Interfund Services	(165)	(187)
Payments for Benefits, Awards, and Claims	(228,387)	(3,866)
Net Cash Provided (Used) by Operating Activities	(4,900)	435
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers In		
Transfers Out		
Net Cash Provided (Used) by Noncapital Financing Activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Contributions		
Principal Payments		
Proceeds from Disposition of Capital Assets		
Interest Payments		
Acquisition and Construction of Capital Assets		2
Net Cash Provided (Used) by Capital and Related Financing Activities		2
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of Interest and Dividends	634	190
Purchase of Investments	(531)	(174)
Redemption of Investments	95	
Other Investing Activities	1,441	253
Net Cash Provided (Used) by Investing Activities	1,639	269
Net Increase (Decrease) in Cash, Cash Equivalents, and Pooled Cash	(3,261)	706
Beginning Cash, Cash Equivalents and Pooled Cash	48,104	6,824
Ending Cash, Cash Equivalents, and Pooled Cash	\$44,843	\$7,530
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(\$4,766)	\$1,929
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization		
Net Changes in Assets and Liabilities:		
Accounts Receivable/Interfund Receivables	9	(9)
Inventories and Prepaid Items		(53)
Other Assets		(1)
Accounts Payable/Interfund Payables	101	
Unearned Revenue	1,975	
Compensated Absences	2	1
Policy Claim Liabilities	(2,226)	(1,432)
Other Accrued Liabilities	5	
Net Cash Provided (Used) by Operating Activities	(4,900)	\$435

Noncash Transactions (dollars in thousands):

Prior period adjustment for restatement of pooled cash and investments was recorded in Group Insurance for \$1,135, Risk Management for \$199, General Services for \$183, and Data Processing for \$87. Investments decreased in fair value by \$59 for Group Insurance and by \$19 for Risk Management. General Services disposed of capital assets at a loss of \$4. Group Insurance had loan forgiveness in the amount of \$95.

General Services	Data Processing Services	Total
\$1,856	\$18	\$15,193
22,160	7,548	249,247
82		82
(14,642)	(3,166)	(21,696)
(8,118)	(4,084)	(13,032)
(2,072)	(75)	(2,499)
		(232,253)
(734)	241	(4,958)
2,738		2,738
(202)		(202)
2,536		2,536
20		20
(187)		(187)
1		1
(151)		(151)
(367)	(296)	(661)
(684)	(296)	(978)
5	1	830
		(705)
		95
232	111	2,037
237	112	2,257
1,355	57	(1,143)
5,380	3,176	63,484
\$6,735	\$3,233	\$62,341
(\$2,255)	\$438	(\$4,654)
1,341	387	1,728
(112)	(4)	(116)
352	(475)	(176)
2	1	2
(114)	(71)	(84)
(25)	(106)	1,844
19	13	35
		(3,658)
58	58	121
(\$734)	\$241	(\$4,958)



FIDUCIARY FUNDS report assets held in a trustee or agency capacity for others and therefore cannot be used to support the State's own programs. The following provides a brief description of the State's fiduciary funds.

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, deferred compensation plans, and other postemployment benefit plans. The State's pension trust funds include the following:

The PERSI Base Plan and the Firefighters' Retirement Fund are cost-sharing, multiple employer defined benefit retirement plans that provide benefits based on member's years of service, age, and highest average salary. In addition, benefits are provided for disability, death, and to eligible members' beneficiaries.

The Judges' Retirement Fund is a single-employer defined benefit plan that provides retirement benefits to retired justices, judges, eligible administrative directors, and allowances to surviving spouses.

The Deferred Compensation Plan is an IRS Section 457(b) tax-advantaged trust fund that accounts for the resources contributed by individuals to fund their retirement.

The 414(k) Plan and the 401(k) Plan are defined contribution retirement plans that consist of gain sharing allocations, voluntary employee contributions, rollover contributions, and some employer matching contributions.

The Sick Leave Insurance Reserve-State Fund and the Sick Leave Insurance Reserve-Schools Fund provide payment of health insurance premiums on behalf of retired employees based on accumulated unused sick leave at the time of retirement.

The University of Idaho Retiree Benefit Trust Fund provides medical and dental benefits to eligible University of Idaho retirees, disabled employees, spouses, and survivors. Employees hired prior to January 1, 2002, are eligible to participate in this plan.

The University of Idaho Health Benefit Trust Fund provides medical, mental health, dental, and vision benefits to active and retired University of Idaho employees.

INVESTMENT TRUST FUNDS account for assets invested by the State on behalf of other governmental entities. The following provides a brief description of the State's investment trust funds:

The Local Government Investment Pool is an external investment pool sponsored by the State Treasurer's Office for Local Government Investment Pool participants. The purpose of the Pool is to provide a safe liquid vehicle for investing moneys not needed to meet immediate operating obligations and to obtain the best interest rate available at the time of investment.

The Diversified Bond Fund is an external investment pool sponsored by the State Treasurer's Office for Diversified Bond Fund participants. The purpose of the Fund is to provide an investment vehicle with a reasonable level of current income and potential capital appreciation as measured on a long-term basis.

AGENCY FUNDS account for resources held by the State in a purely custodial capacity. The following provides a brief description of the State's agency fund:

The Custodial Fund accounts for residual idle cash and investments held by the State on behalf of other governmental entities and administered by the State Treasurer's Office. The fund also accounts for the receipts and disbursements of monies collected by the State and distributed to entities or individuals. This includes deposits of securities by banks and insurance companies doing business in the State.

Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds

June 30, 2014

(dollars in thousands)

	PERSI Base Plan	Firefighters' Retirement	Judges' Retirement	Deferred Compensation 457 (b)
ASSETS				
Cash and Cash Equivalents	\$1,205	\$31	\$75,011	
Pooled Cash and Investments	2,110	54	563	
Investments:				
Pooled Short Term	396,400	10,116		
Fixed Income Investments	2,725,455	69,552		\$152,455
Marketable Securities	8,870,266	226,361	5	
Mutual Funds and Private Equities	987,987	25,213		186,115
Mortgages and Real Estate	896,220	22,871		
Other Investments				3,037
Receivables:				
Investments Sold	134,603	3,419		1,208
Contributions	4,424	21		101
Interest and Dividends	36,048	916	49	
Interfund Receivables				
Other Receivables			476	
Other Assets	56,582			
Capital Assets, Net	7,108			
Total Assets	14,118,408	358,554	76,104	342,916
LIABILITIES				
Accounts Payable	403		53	
Interfund Payables	1,718			
Investments Purchased	239,898	6,094		
Policy Claim Liabilities				
Other Accrued Liabilities	11,447	286		
Total Liabilities	253,466	6,380	53	
NET POSITION				
Held in Trust for:				
Employee Pension Benefits	13,864,942	352,174	76,051	342,916
Postemployment Healthcare Benefits				
Trust Beneficiaries				
Total Net Position	\$13,864,942	\$352,174	\$76,051	\$342,916

Defined Contribution 414(k)	Defined Contribution 401(k)	Sick Leave Insurance Reserve-State	Sick Leave Insurance Reserve-Schools	U of I Retiree Benefits Trust	U of I Health Benefits Trust	Total
	\$15			\$706	\$193	\$77,161
		\$36	\$39			2,802
	936					407,452
		44,236	62,022	14,796	2,729	3,071,245
		105,114	173,163			9,374,909
\$63,581	583,537			11,172		1,857,605
						919,091
						3,037
						139,230
	300					4,846
159	1,217				18	38,407
		500	1,218			1,718
					800	1,276
		366	980			57,928
						7,108
63,740	586,005	150,252	237,422	26,674	3,740	15,963,815
					734	1,190
						1,718
						245,992
					2,139	2,139
		15	24			11,772
		15	24		2,873	262,811
63,740	586,005					15,285,828
		150,237	237,398	26,674		414,309
					867	867
\$63,740	\$586,005	\$150,237	\$237,398	\$26,674	\$867	\$15,701,004

Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2014
(dollars in thousands)

	PERSI Base Plan	Firefighters' Retirement	Judges' Retirement	Deferred Compensation 457 (b)
ADDITIONS				
Contributions:				
Member	\$203,891	\$9	\$507	\$11,824
Employer	310,986	14,200	592	
Transfers In from Other Plans				5,602
Total Contributions	514,877	14,209	1,099	17,426
Investment Income:				
Net Increase (Decrease) in Fair Value of Investments	1,725,719	43,834	9,919	39,150
Interest, Dividends, and Other	327,702	8,324	1,626	5,920
Less Investment Expense:				
Investment Activity Expense	(46,881)	(1,191)	(183)	
Net Investment Income	2,006,540	50,967	11,362	45,070
Miscellaneous Income	13		2,125	
Total Additions	2,521,430	65,176	14,586	62,496
DEDUCTIONS				
Benefits and Refunds Paid to Plan Members	729,593	19,959	5,259	
Transfers Out to Other Plans				6,629
Administrative Expense	6,788		131	16
Participant Withdrawals				11,590
Total Deductions	736,381	19,959	5,390	18,235
Change in Net Position Held in Trust for:				
Employee Pension Benefits	1,785,049	45,217	9,196	44,261
Employee Postemployment Healthcare Benefits				
Trust Beneficiaries				
Net Position - Beginning of Year, as Restated	12,079,893	306,957	66,855	298,655
Net Position - End of Year	\$13,864,942	\$352,174	\$76,051	\$342,916

Defined Contribution 414(k)	Defined Contribution 401(k)	Sick Leave Insurance Reserve-State	Sick Leave Insurance Reserve-Schools	U of I Retiree Benefits Trust	U of I Health Benefits Trust	Total
	\$39,063				\$5,189	\$260,483
	14,230	\$6,088	\$13,265		16,527	375,888
	10,706					16,308
	63,999	6,088	13,265		21,716	652,679
\$8,178	69,529	23,158	36,977	\$2,796	(31)	1,959,229
1,496	11,629					356,697
(203)	(166)	(60)	(96)			(48,780)
9,471	80,992	23,098	36,881	2,796	(31)	2,267,146
		1				2,139
9,471	144,991	29,187	50,146	2,796	21,685	2,921,964
2,211	8,937	4,367	13,007		18,735	802,068
1,662	18,901					27,192
		40	64	53	3,023	10,115
						11,590
3,873	27,838	4,407	13,071	53	21,758	850,965
5,598	117,153					2,006,474
		24,780	37,075	2,743		64,598
					(73)	(73)
58,142	468,852	125,457	200,323	23,931	940	13,630,005
\$63,740	\$586,005	\$150,237	\$237,398	\$26,674	\$867	\$15,701,004

Combining Statement of Fiduciary Net Position**Investment Trust Funds****June 30, 2014***(dollars in thousands)*

	Local Government Investment Pool	Diversified Bond Fund	Total
ASSETS			
Investments:			
Pooled Short Term	\$198,012	\$4,274	\$202,286
Fixed Income Investments	1,202,760	101,692	1,304,452
Mortgages and Real Estate		72,276	72,276
Receivables:			
Interest and Dividends	1,872	670	2,542
Total Assets	1,402,644	178,912	1,581,556
LIABILITIES			
Accounts Payable	40	3	43
Other Accrued Liabilities	140	260	400
Total Liabilities	180	263	443
NET POSITION			
Held in Trust for:			
External Investment Pool Participants	1,402,464	178,649	1,581,113
Total Net Position	\$1,402,464	\$178,649	\$1,581,113

Combining Statement of Changes in Fiduciary Net Position

Investment Trust Funds

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

	Local Government Investment Pool	Diversified Bond Fund	Total
ADDITIONS			
Contributions:			
Participant Deposits	\$3,354,384	\$23,628	\$3,378,012
Total Contributions	3,354,384	23,628	3,378,012
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	(6,191)	(359)	(6,550)
Interest, Dividends, and Other	8,471	4,319	12,790
Less Investment Expense:			
Investment Activity Expense	(485)	(94)	(579)
Net Investment Income	1,795	3,866	5,661
Total Additions	3,356,179	27,494	3,383,673
DEDUCTIONS			
Earnings Distribution	1,540	3,662	5,202
Participant Withdrawals	3,343,508	8,196	3,351,704
Total Deductions	3,345,048	11,858	3,356,906
Change in Net Position Held in Trust for:			
External Investment Pool Participants	11,131	15,636	26,767
Net Position - Beginning of Year	1,391,333	163,013	1,554,346
Net Position - End of Year	\$1,402,464	\$178,649	\$1,581,113

Combining Statement of Assets and Liabilities**Agency Fund****June 30, 2014***(dollars in thousands)*

	Custodial
ASSETS	
Cash and Cash Equivalents	\$28,324
Pooled Cash and Investments	24,395
Investments:	
Fixed Income Investments	299,217
Securities Lending Collateral	21,601
Receivables:	
Interest and Dividends	96
Total Assets	\$373,633
LIABILITIES	
Due to Other Entities	\$952
Amounts Held in Trust for Others	350,574
Obligations Under Securities Lending	21,918
Other Accrued Liabilities	189
Total Liabilities	\$373,633

Combining Statement of Changes in Assets and Liabilities

Agency Fund

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

	Balance July 1, 2013 As Restated	Additions	Deductions	Balance June 30, 2014
CUSTODIAL				
Assets				
Cash and Cash Equivalents	\$21,252	\$28,324	\$21,252	\$28,324
Pooled Cash and Investments	22,781	148,106	146,492	24,395
Fixed Income Investments	279,390	299,217	279,390	299,217
Securities Lending Collateral		21,601		21,601
Due from Other Entities		92	92	
Interest and Dividends		96		96
Total Assets	\$323,423	\$497,436	\$447,226	\$373,633
Liabilities				
Due to Other Entities	\$662	\$9,488	\$9,198	\$952
Amounts Held in Trust for Others	322,641	439,895	411,962	350,574
Obligations Under Securities Lending		21,918		21,918
Other Accrued Liabilities	120	27,328	27,259	189
Total Liabilities	\$323,423	\$498,629	\$448,419	\$373,633

Statistical Section



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Sources: Unless otherwise noted, the information in the following schedules is derived from the State’s Comprehensive Annual Financial Report.

Note: The schedules presented in the Statistical Section are not audited, and component unit data is not included.

Schedule 1 - Net Position by Component

Fiscal Years 2005-2014

(accrual basis of accounting, dollars in thousands)

	2005 (as restated)	2006 (as restated)	2007 (as restated)	2008 (as restated)	2009 (as restated)	2010 (as restated)
Governmental Activities						
Net Investment in Capital Assets	\$ 4,002,272	\$ 4,203,011	\$ 4,425,708	\$ 4,469,933	\$ 4,741,280	\$ 4,911,547
Restricted ¹	1,243,065	1,342,129	1,760,948	1,948,893	1,572,119	1,782,945
Unrestricted ²	571,370	849,438	955,546	1,052,178	762,236	578,288
Total Governmental Activities Net Position	\$ 5,816,707	\$ 6,394,578	\$ 7,142,202	\$ 7,471,004	\$ 7,075,635	\$ 7,272,780
Business-Type Activities						
Net Investment in Capital Assets	\$ 446,693	\$ 466,762	\$ 513,071	\$ 517,436	\$ 559,719	\$ 607,694
Restricted ³	619,214	720,583	813,742	829,237	640,587	604,851
Unrestricted ⁴	146,944	163,638	189,579	190,658	198,575	193,029
Total Business-Type Activities Net Position	\$ 1,212,851	\$ 1,350,983	\$ 1,516,392	\$ 1,537,331	\$ 1,398,881	\$ 1,405,574
Primary Government						
Net Investment in Capital Assets	\$ 4,448,965	\$ 4,669,773	\$ 4,938,779	\$ 4,987,369	\$ 5,300,999	\$ 5,519,241
Restricted	1,862,279	2,062,712	2,574,690	2,778,130	2,212,706	2,387,796
Unrestricted	718,314	1,013,076	1,145,125	1,242,836	960,811	771,317
Total Primary Government Net Position	\$ 7,029,558	\$ 7,745,561	\$ 8,658,594	\$ 9,008,335	\$ 8,474,516	\$ 8,678,354

¹In fiscal year (FY) 2007 governmental activities restricted net position increased mainly due to Land Endowment fund investment income, receipts from timber sales and land leases, and increased operating grants for health care assistance and infrastructure. In FY2008 net position increased mainly due to increased operating grants for health care assistance, education, and infrastructure. In FY2009 net position decreased primarily because of the national recession and the decrease in fair market value of investments, primarily related to the Land Endowment fund. In FY2010 and FY2011 net position increased primarily due to the increase in federal grant revenue from the American Recovery and Reinvestment Act. In FY2012 net position increased due to lower Medicaid and rehabilitation service costs. In FY2013-2014 net position increased primarily due to the increase in fair market value of investments, primarily related to the Land Endowment fund.

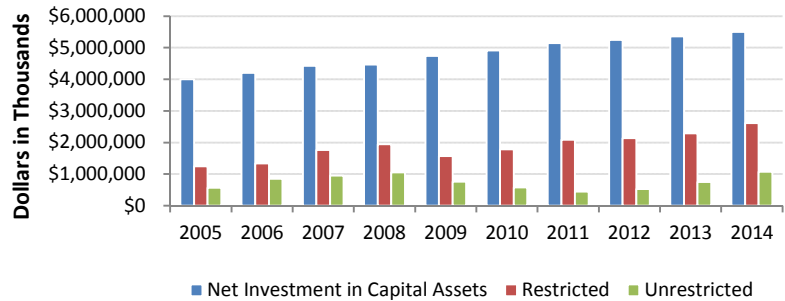
²Large fluctuations in governmental activities unrestricted net position balances occurred primarily as income tax and sales tax revenues increased and decreased due to significant changes in economic conditions. The Property Tax Relief Act of 2006 increased the sales tax by 1 percent and reduced property tax by shifting public schools' maintenance and operating expenses from counties to the state. FY2014 saw an increase in the amount of individual, corporate and sales tax collected.

³Significant increases of business-type activities restricted net position were mainly due to increases in unemployment compensation assessment collections and/or decreases in unemployment claims. In FY2009 and FY2010 net position decreased predominantly because of increased unemployment compensation benefit payments resulting from the economic downturn. In FY2014 the net position increased predominately because of a decrease in unemployment compensation benefit payments.

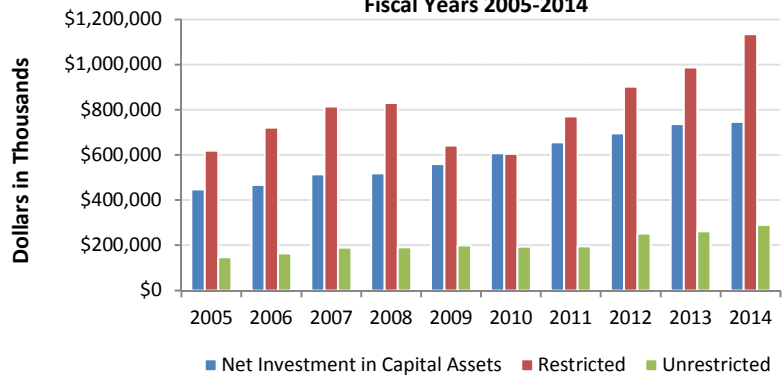
⁴FY2012 and FY2014 net position increased primarily due to increased student tuition and fees for the colleges and universities.

2011 (as restated)	2012 (as restated)	2013 (as restated)	2014
\$ 5,143,290	\$ 5,245,731	\$ 5,353,455	\$ 5,501,827
2,085,542	2,133,964	2,291,086	2,612,352
445,944	531,570	750,491	1,071,758
\$ 7,674,776	\$ 7,911,265	\$ 8,395,032	\$ 9,185,937
\$ 656,020	\$ 695,405	\$ 736,734	\$ 746,473
769,555	901,322	986,730	1,133,594
194,366	251,804	261,432	290,494
\$ 1,619,941	\$ 1,848,531	\$ 1,984,896	\$ 2,170,561
\$ 5,799,310	\$ 5,941,136	\$ 6,090,189	\$ 6,248,300
2,855,097	3,035,286	3,277,816	3,745,946
640,310	783,374	1,011,923	1,362,252
\$ 9,294,717	\$ 9,759,796	\$ 10,379,928	\$ 11,356,498

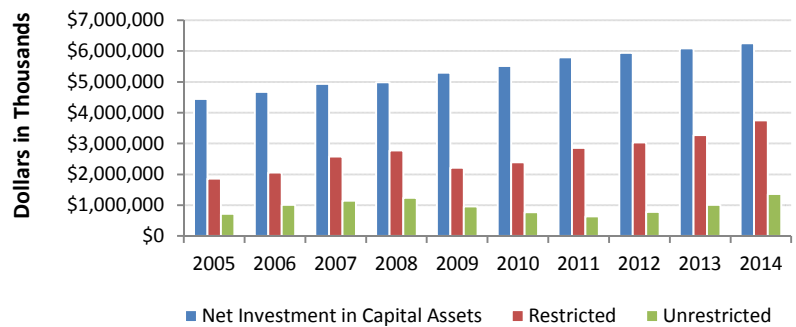
**Governmental Activities Net Position by Component
Fiscal Years 2005-2014**



**Business-Type Activities Net Position by Component
Fiscal Years 2005-2014**



**Primary Government Net Position by Component
Fiscal Years 2005-2014**



Schedule 2 - Changes in Net Position

Fiscal Years 2005-2014

(accrual basis of accounting, dollars in thousands)

	2005 (as restated)	2006 (as restated)	2007 (as restated)	2008 (as restated)	2009 (as restated)	2010 (as restated)
Governmental Activities:						
Expenses						
General Government ^{1,2}	\$ 393,172	\$ 420,772	\$ 403,506	\$ 463,125	\$ 450,875	\$ 548,757
Public Safety and Correction ¹	229,158	266,036	285,669	324,843	326,125	320,423
Health and Human Services ³	1,600,692	1,676,706	1,750,187	1,818,932	2,115,148	2,092,319
Education ¹	1,331,795	1,385,448	1,704,447	1,796,160	1,850,258	1,830,608
Economic Development	616,149	629,499	673,234	756,677	743,811	799,054
Natural Resources	205,635	213,599	217,222	243,925	241,108	241,508
Interest Expense	18,175	21,130	32,232	45,530	46,767	45,782
Total Expenses	4,394,776	4,613,190	5,066,497	5,449,192	5,774,092	5,878,451
Program Revenues						
Charges for Services:						
General Government	96,174	92,873	77,750	119,443	93,376	79,833
Economic Development	203,550	215,735	239,728	258,576	256,184	239,107
Natural Resources	123,183	146,481	145,349	150,752	133,138	127,037
Other Activities ⁴	118,346	117,865	135,765	128,367	138,276	76,575
Operating Grants and Contributions ⁵	1,832,487	1,899,754	2,045,958	1,955,236	2,034,795	2,935,393
Capital Grants and Contributions	5,211	8,624	1,481	906	8,892	4,660
Total Program Revenues	2,378,951	2,481,332	2,646,031	2,613,280	2,664,661	3,462,605
Total Governmental Activities Net Program Expense	(2,015,825)	(2,131,858)	(2,420,466)	(2,835,912)	(3,109,431)	(2,415,846)
General Revenues and Other Changes in Net Position						
Taxes:						
Sales Tax ⁶	1,135,210	1,061,861	1,296,040	1,334,032	1,177,106	1,127,013
Individual and Corporate Taxes ⁷	1,167,799	1,428,996	1,605,218	1,599,881	1,320,968	1,242,032
Fuel Tax	220,801	224,373	232,025	228,786	214,113	221,142
Other Taxes	185,375	182,112	185,748	185,874	186,489	186,130
Tobacco Settlement	23,145	21,404	27,328	28,631	31,094	26,120
Grants Not Restricted to Specific Programs						
Unrestricted Investment Earnings	15,595	34,734	35,430	51,537	36,139	16,800
Transfers	(255,219)	(243,751)	(213,699)	(264,027)	(251,847)	(206,246)
Total General Revenues and Other Changes in Net Position	2,492,706	2,709,729	3,168,090	3,164,714	2,714,062	2,612,991
Total Governmental Activities Change in Net Position	\$ 476,881	\$ 577,871	\$ 747,624	\$ 328,802	\$ (395,369)	\$ 197,145
Business-Type Activities:						
Expenses						
College and University	\$ 753,689	\$ 780,066	\$ 815,373	\$ 875,586	\$ 896,993	\$ 898,012
Unemployment Compensation ⁸	142,862	109,113	109,338	171,918	338,600	666,808
Loan	654	719	954	2,267	5,910	9,624
State Lottery	89,424	97,605	99,307	102,065	105,780	110,204
State Liquor	79,817	93,204	105,126	112,476	117,185	118,022
Correctional Industries	5,655	6,239	6,852	7,574	8,323	6,553
Total Expenses	1,072,101	1,086,946	1,136,950	1,271,886	1,472,791	1,809,223
Revenues						
Charges for Services:						
College and University	283,463	315,924	341,823	337,699	339,989	368,504
Unemployment Compensation ⁹	143,828	159,365	191,758	126,575	130,879	255,278
State Lottery	113,613	131,305	130,811	137,664	140,316	147,931
Other Activities	108,600	124,600	142,193	152,428	156,483	156,407
Operating Grants and Contributions ¹⁰	228,049	229,902	227,620	244,954	293,673	637,456
Capital Grants and Contributions	19,965	20,231	54,455	29,478	21,154	44,094
Total Revenues	897,518	981,327	1,088,660	1,028,798	1,082,494	1,609,670
Total Business-Type Activities Net Program Revenue (Expense)	(174,583)	(105,619)	(48,290)	(243,088)	(390,297)	(199,553)
General Revenues and Other Changes in Net Position						
Special Item						
Transfers	255,219	243,751	213,699	264,027	251,847	206,246
Total General Revenues and Other Changes in Net Position	255,219	243,751	213,699	264,027	251,847	206,246
Total Business-Type Activities Change in Net Position	\$ 80,636	\$ 138,132	\$ 165,409	\$ 20,939	\$ (138,450)	\$ 6,693
Total Primary Government Change in Net Position	\$ 557,517	\$ 716,003	\$ 913,033	\$ 349,741	\$ (533,819)	\$ 203,838

¹In fiscal year (FY) 2011 most expenses decreased due to effects of the national recession.

²In FY2013 expenses increased primarily due to an increase in lease payments to the Idaho State Building Authority.

³In FY2011-2014 expenses for health and human services fluctuated due to changes in medical assistance payments related to Medicaid and rehabilitation services payments.

⁴In FY2010 and FY2011 fluctuations in other activities revenue were caused by a change in the way revenue is recorded. In FY2012 Department of Health & Welfare grant revenue decreased due to a reduction in American Recovery and Reinvestment Act funding.

⁵In FY2007 operating grants and contributions revenue surged primarily due to increased federal health care assistance and infrastructure grants. In FY2010-2012 amounts shifted primarily because of changes in the American Recovery and Reinvestment Act stimulus funding. In FY2013 revenues from operating grants and contributions increased primarily due to an increase in the fair market value of Endowment Fund Investment Board investments and interest income.

2011 (as restated)	2012 (as restated)	2013 (as restated)	2014
\$ 426,506	\$ 413,832	\$ 440,769	\$ 513,746
296,034	335,493	352,409	364,998
2,577,700	2,396,437	2,545,283	2,592,563
1,777,026	1,712,567	1,707,233	1,756,231
829,130	820,530	806,801	785,184
241,203	264,080	244,032	247,294
50,773	50,372	49,961	51,600
6,198,372	5,993,311	6,146,488	6,311,616
109,387	97,411	104,973	90,314
248,199	266,320	252,221	271,894
133,317	159,633	151,126	175,271
163,505	118,255	127,082	161,452
3,160,919	2,664,743	2,828,808	2,941,720
6,058	2,568	10,492	5,317
3,821,385	3,308,930	3,474,702	3,645,968
(2,376,987)	(2,684,381)	(2,671,786)	(2,665,648)

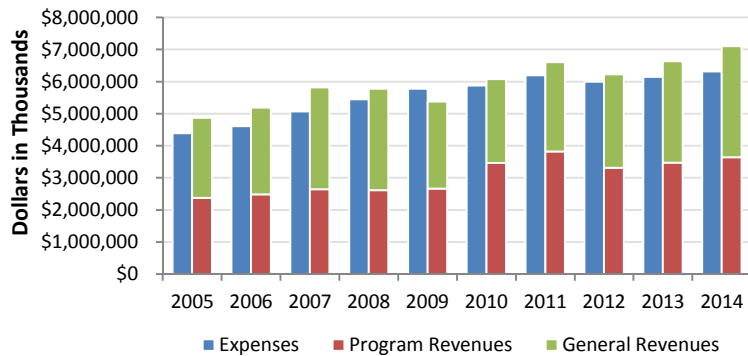
1,165,095	1,213,623	1,315,002	1,400,547
1,296,558	1,390,226	1,533,850	1,739,957
231,732	216,249	237,647	262,479
227,075	240,757	220,507	213,434
24,576	21,103	24,912	27,450
18,516	17,365	19,142	14,374
(184,569)	(178,453)	(195,507)	(201,688)
2,778,983	2,920,870	3,155,553	3,456,553
\$ 401,996	\$ 236,489	\$ 483,767	\$ 790,905

\$ 923,760	\$ 969,419	\$ 989,412	\$ 990,777
482,087	358,283	251,016	144,190
14,571	7,112	6,480	7,915
112,003	134,055	150,599	162,144
117,039	123,656	134,117	137,906
6,727	8,030	7,560	8,011
1,656,187	1,600,555	1,539,184	1,450,943

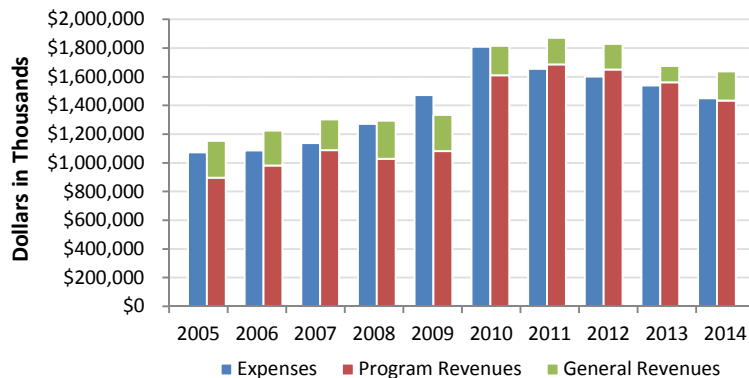
405,450	436,208	445,649	459,380
337,479	351,781	314,630	258,072
147,849	176,547	198,169	209,642
160,749	175,435	180,645	185,082
606,597	485,777	383,575	305,150
27,861	24,944	38,364	17,594
1,685,985	1,650,692	1,561,032	1,434,920
29,798	50,137	21,848	(16,023)

		(80,990)	
184,569	178,453	195,507	201,688
184,569	178,453	114,517	201,688
\$ 214,367	\$ 228,590	\$ 136,365	\$ 185,665
\$ 616,363	\$ 465,079	\$ 620,132	\$ 976,570

**Expenses and Revenues - Governmental Activities
Fiscal Years 2005-2014**



**Expenses and Revenues - Business-Type Activities
Fiscal Years 2005-2014**



⁶The state sales tax increased from 5 percent to 6 percent on May 1, 2003, and reverted to 5 percent on July 1, 2005. In FY2007 the state sales tax permanently increased from 5 percent to 6 percent. In FY2009-2010 and FY2012-2013 sales tax revenue increased and decreased due to swings in the economy and changes of employment and personal income levels.

⁷In FY2006-2014 individual and corporate income tax revenues increased and decreased due to changes in the economy and levels of employment and personal income.

⁸Decreases and increases in unemployment compensation expenses in FY2008-2014 relate to the degradation and improvement of economic conditions.

⁹In FY2010-2012 unemployment compensation revenues increased due to increased assessment collections for unemployment benefits. In FY2013-2014 unemployment compensation revenues decreased due to a lower employer contribution rate.

¹⁰In FY2010 operating grants and contributions grew because of increased federal grant revenue for unemployment benefits.

Schedule 3 - Fund Balances - Governmental Funds

Fiscal Years 2005-2014

(modified accrual basis of accounting, dollars in thousands)

	2005 (as restated)	2006 (as restated)	2007 (as restated)	2008 (as restated)	2009 (as restated)	2010 (as restated)
General Fund						
Nonspendable						
Restricted ¹	\$ 66,792	\$ 31,817	\$ 62,996	\$ 85,636	\$ 98,801	\$ 130,261
Committed ²	46,230	57,283	355,735	369,896	213,835	154,168
Assigned	22,529	23,389	34,870	40,949	35,221	45,936
Unassigned ³	402,069	676,152	649,565	704,776	426,885	320,487
Total General Fund	537,620	788,641	1,103,166	1,201,257	774,742	650,852
All Other Governmental Funds						
Nonspendable ⁴	845,563	952,488	1,140,718	1,128,417	923,217	1,043,787
Restricted ⁵	299,795	324,076	489,564	510,715	451,173	461,572
Committed	78,399	49,956	59,079	77,621	83,527	86,434
Assigned	1,726	1,402	1,115	1,012	1,298	1,320
Unassigned ⁶						
Total All Other Governmental Funds	1,225,483	1,327,922	1,690,476	1,717,765	1,459,215	1,593,113
Total Fund Balances - Governmental Funds	\$ 1,763,103	\$ 2,116,563	\$ 2,793,642	\$ 2,919,022	\$ 2,233,957	\$ 2,243,965

Note: GASB Statement No. 54 was implemented in fiscal year 2011. The standard required the reclassification of fund balances. Prior years have been restated.

¹Increases and decreases in the General Fund restricted fund balance in each fiscal year occurred primarily due to changes in sales tax revenue caused by prevailing economic conditions. In fiscal year (FY) 2007 the fund balance also increased due to the funding of the Millennium Permanent Endowment fund and the Capitol restoration project.

²Fluctuations in the General Fund committed fund balance in each fiscal year resulted primarily from changes in personal and corporate income tax revenue. Significant variances occurred in response to prevailing economic conditions.

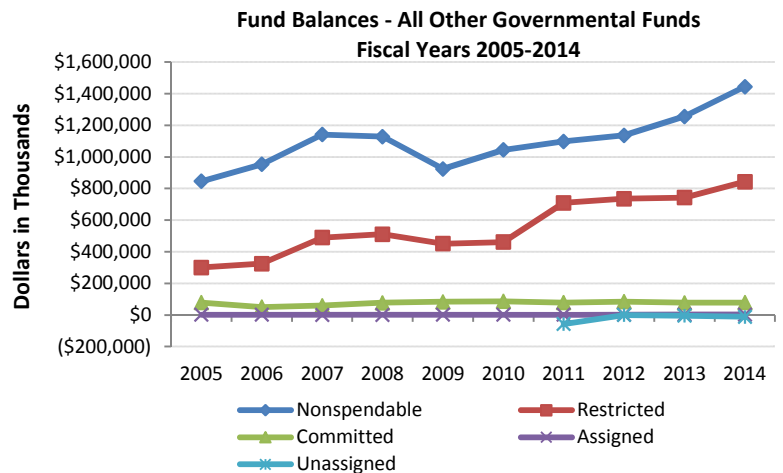
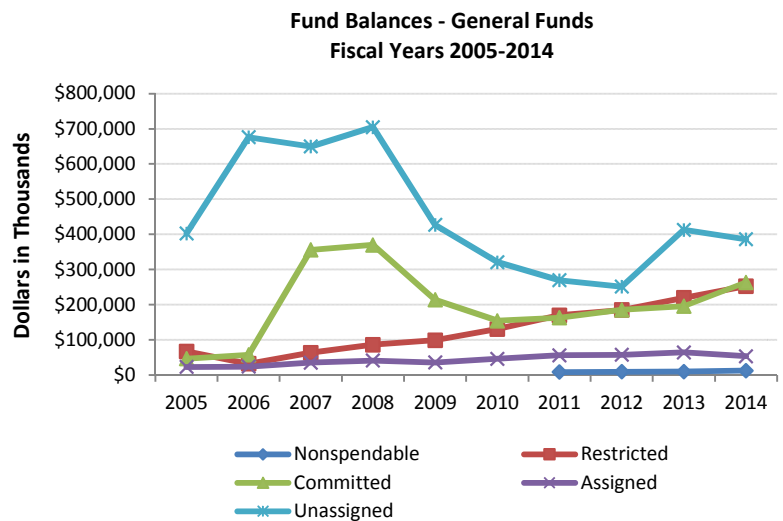
³Increases and decreases in the General Fund unassigned fund balance resulted from surging and weakening economic conditions.

⁴Large changes in the Governmental Funds nonspendable fund balance occurred primarily because of significant variances in Land Endowment fund fair market value.

⁵In FY2007 the Governmental Funds restricted fund balance increased predominantly because of additional investment income, timber sales, and land leases receipts. In FY2011 the fund balance increased largely due to receiving American Recovery and Reinvestment Act funds for the Idaho Transportation Department.

⁶In FY2011, FY2013 and FY2014 the Department of Health and Welfare reported a negative unassigned fund balance due to increased expenditures for health and human services.

2011 (as restated)	2012 (as restated)	2013 (as restated)	2014
\$ 7,922	\$ 8,837	\$ 9,292	\$ 12,012
169,753	184,437	219,270	252,627
162,583	185,098	195,479	263,443
55,778	57,271	63,806	53,086
269,251	251,023	412,738	385,555
665,287	686,666	900,585	966,723
1,097,816	1,135,746	1,255,497	1,443,868
709,521	735,415	742,385	842,953
78,794	85,124	77,505	79,082
1,651	2,238	2,689	2,477
(57,026)		(4,262)	(11,054)
1,830,756	1,958,523	2,073,814	2,357,326
\$ 2,496,043	\$ 2,645,189	\$ 2,974,399	\$ 3,324,049



Schedule 4 - Changes in Fund Balances - Governmental Funds

Fiscal Years 2005-2014

(modified accrual basis of accounting, dollars in thousands)

	2005 (as restated)	2006 (as restated)	2007 (as restated)	2008 (as restated)	2009 (as restated)	2010 (as restated)
Revenues						
Sales Tax ¹	\$ 1,137,138	\$ 1,060,612	\$ 1,300,416	\$ 1,333,018	\$ 1,174,802	\$ 1,122,384
Individual and Corporate Taxes ²	1,176,903	1,436,168	1,598,702	1,587,694	1,325,996	1,228,463
Other Taxes	406,620	406,336	417,763	414,671	398,639	409,924
Licenses, Permits, and Fees	244,165	256,900	273,223	279,156	277,354	275,018
Sale of Goods and Services	231,728	235,410	235,750	231,885	232,526	137,947
Grants and Contributions ³	1,757,713	1,806,749	1,880,049	1,962,931	2,251,714	2,808,307
Investment Income ⁴	104,557	144,559	225,717	63,406	(123,820)	191,596
Tobacco Settlement	23,151	21,253	23,712	28,504	30,965	25,990
Other Income	48,047	47,606	65,538	61,530	61,943	78,565
Total Revenues	5,130,022	5,415,593	6,020,870	5,962,795	5,630,119	6,278,194
Expenditures						
General Government ⁵	143,584	147,445	151,358	177,312	186,119	208,784
Public Safety and Correction	233,598	253,504	269,874	300,106	305,141	284,457
Health and Human Services ⁶	1,561,765	1,641,421	1,701,863	1,775,609	2,096,507	2,111,265
Education ^{5, 7}	1,324,069	1,379,775	1,683,254	1,777,690	1,843,401	1,810,276
Economic Development	346,256	358,814	368,439	390,424	406,694	416,776
Natural Resources	178,401	188,784	186,179	217,214	212,398	214,291
Capital Outlay ^{5, 8}	433,096	423,582	452,755	545,059	634,187	677,097
Intergovernmental Revenue Sharing	393,195	425,414	441,421	452,089	436,866	459,716
Debt Service:						
Principal	10,880	10,751	12,403	92,377	55,645	33,222
Interest	17,671	20,736	25,576	45,365	49,368	46,648
Total Expenditures	4,642,515	4,850,226	5,293,122	5,773,245	6,226,326	6,262,532
Revenues Over (Under) Expenditures	487,507	565,367	727,748	189,550	(596,207)	15,662
Other Financing Sources (Uses)						
Bonds and Notes Issued	26	10,790	155,463	187,603	152,641	163,562
Issuance of Refunding Bonds						
Premium/(Discount) on Bonds Issued		(23)	6,533			
Payment to Refunded Bond Escrow Agent ⁹			(4,765)			
Capital Lease Acquisitions	3,757	5,697		1,039	22	23,745
Sale of Capital Assets	8,037	17,193	7,066	11,590	11,947	13,436
Transfers In	594,877	640,776	713,275	731,774	700,654	630,563
Transfers Out	(849,861)	(886,340)	(928,241)	(996,176)	(954,122)	(836,960)
Total Other Financing Sources (Uses)	(243,164)	(211,907)	(50,669)	(64,170)	(88,858)	(5,654)
Net Changes in Fund Balances	\$ 244,343	\$ 353,460	\$ 677,079	\$ 125,380	\$ (685,065)	\$ 10,008
Debt Service as a Percentage of Noncapital Expenditures	<1	<1	<1	2.5	1.8	1.3

¹From May 1, 2003, to July 1, 2005, the Legislature imposed a temporary sales tax increase from 5 percent to 6 percent. On October 1, 2006, the state sales tax rate permanently increased from 5 percent to 6 percent. In fiscal years (FY) 2009-2014 sales tax revenue changed in response to fluctuating levels of employment and personal income.

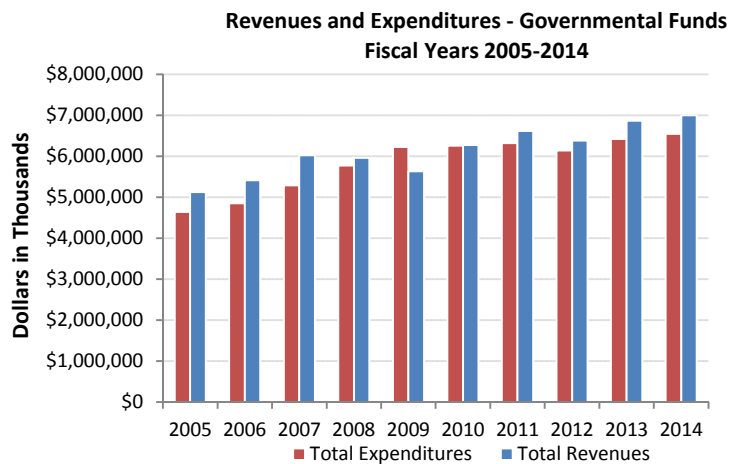
²Individual and corporate income tax revenues increased and decreased due to the relative strengthening and weakening of the economy.

³In FY2009-2011 grants and contributions increased primarily due to American Recovery and Reinvestment Act funds for health, transportation, and education.

⁴Investment income increased and decreased primarily due to changes in the fair values of investments in the Land Endowment fund.

⁵In FY2011 and FY2012 decreases in expenditures were necessary to balance the State's budget.

2011 (as restated)	2012 (as restated)	2013 (as restated)	2014
\$ 1,163,526	\$ 1,214,491	\$ 1,318,383	\$ 1,379,105
1,288,869	1,389,291	1,531,975	1,497,935
459,162	456,720	458,291	470,226
296,827	310,828	317,854	325,172
168,369	198,438	237,268	260,489
2,850,294	2,638,570	2,695,371	2,658,143
302,488	51,264	217,357	324,835
24,445	24,922	24,912	27,450
65,361	101,828	69,185	61,016
6,619,341	6,386,352	6,870,596	7,004,371
172,779	157,283	168,253	201,654
284,208	302,809	324,717	338,865
2,346,165	2,329,848	2,544,890	2,560,052
1,768,616	1,687,084	1,685,252	1,733,263
418,866	392,242	420,668	435,037
213,912	215,354	210,376	218,812
574,305	501,522	497,087	468,817
448,249	453,799	471,269	488,585
45,871	47,954	49,679	52,334
51,689	50,804	49,100	48,926
6,324,660	6,138,699	6,421,291	6,546,345
294,681	247,653	449,305	458,026
125,862	146,219	61,347	65,457
		10,945	
	7,219	1,304	
	(88,044)	(11,441)	
2,603		178	9
14,462	16,871	15,414	30,382
678,794	815,041	858,585	855,318
(864,324)	(995,813)	(1,056,427)	(1,059,542)
(42,603)	(98,507)	(120,095)	(108,376)
\$ 252,078	\$ 149,146	\$ 329,210	\$ 349,650
1.7	1.7	1.6	1.6



⁶In FY2007-2013 health and human services expenditures increased and decreased due to changes in medical assistance payments related to Medicaid and rehabilitation services.

⁷In FY2007-2009 education expenditures increased because of an increased public school distribution for facilities improvements, salaries, and operating expenses. In FY2014 expenditures from federal grants increased.

⁸In FY2008-2010 capital outlay expenditures increased mainly due to transportation infrastructure and state building expenses.

⁹In FY2007, FY2012, and FY2013 the Idaho State Building Authority defeased bond debt to achieve better interest rates.

Schedule 5 - Revenue Base

Fiscal/Calendar Years 2005-2014 (dollars in thousands)

Taxable Sales by Industry

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
Commercial Farms	\$ 8,687	\$ 10,093	\$ 11,416	\$ 11,680	\$ 10,055	\$ 9,005
Agricultural/Forestry, Fishing, and Other	85,183	99,736	124,479	127,115	111,834	101,936
Mining	53,612	67,655	72,407	74,440	54,148	43,224
Construction	410,645	484,901	572,823	583,884	486,661	427,769
Manufacturing	1,026,590	998,714	1,403,805	1,050,425	813,738	755,948
Transportation and Public Utilities	253,306	250,375	347,677	390,536	361,449	361,995
Wholesale Trade	1,246,743	1,481,922	1,766,289	1,870,820	1,679,196	1,632,262
Retail Trade	12,769,055	14,083,361	15,364,551	14,963,180	13,418,803	13,360,965
Finance, Insurance, and Real Estate	117,091	153,983	149,466	155,363	143,608	136,907
Services	1,884,819	2,105,191	2,330,698	2,409,065	2,161,247	2,213,003
State and Local Government	671,249	690,509	782,729	817,606	703,459	680,446
Total Taxable Sales	\$ 18,526,980	\$ 20,426,440	\$ 22,926,340	\$ 22,454,114	\$ 19,944,198	\$ 19,723,460
Direct Sales Tax Rate	6.0%	5.0%	6.0%	6.0%	6.0%	6.0%

Personal Income by Industry¹

	Calendar Year					
	2005	2006	2007	2008	2009	2010
Farm Earnings	\$ 1,202,029	\$ 1,085,571	\$ 1,591,127	\$ 1,823,050	\$ 1,366,345	\$ 1,586,920
Agricultural/Forestry, Fishing, and Other	347,609	381,697	376,541	368,535	368,289	421,777
Mining	182,004	233,063	239,201	319,740	185,676	231,474
Construction/Utilities	3,088,709	3,673,356	3,774,380	3,236,864	2,638,763	2,571,594
Manufacturing	3,514,775	3,888,775	4,004,593	3,869,544	3,367,249	3,448,766
Transportation	985,081	1,061,721	1,106,927	1,081,747	1,045,070	1,061,431
Wholesale Trade	1,415,812	1,544,743	1,706,799	1,690,502	1,602,712	1,633,474
Retail Trade	2,729,869	3,066,228	3,120,288	2,813,672	2,717,251	2,742,300
Finance, Insurance, and Real Estate	1,852,608	2,091,062	1,896,144	1,607,340	2,263,727	2,336,854
Services	10,056,973	11,162,232	11,646,424	11,995,784	11,894,427	12,067,324
Federal, Civilian	957,024	985,671	1,010,629	1,031,211	1,073,648	1,115,347
Military	453,743	452,550	473,785	504,056	535,821	531,786
State and Local Government	4,322,653	4,555,094	4,725,189	4,943,146	5,035,938	5,073,169
Other ²	11,723,068	12,866,877	14,082,190	15,069,507	15,162,104	15,597,492
Total Personal Income	\$ 42,831,957	\$ 47,048,640	\$ 49,754,217	\$ 50,354,698	\$ 49,257,020	\$ 50,419,708
Total Direct Personal Income Tax Rate	7.7%	7.7%	7.7%	7.6%	7.6%	7.6%

Corporate Income by Category³

	Calendar Year					
	2005	2006	2007	2008	2009	2010
Corporations	\$ 54,837	\$ 6,080	\$ 146,513	\$ (759,563)	\$ (1,025,574)	\$ (28,603)
Sub-S Corporations	126,174	87,233	72,520	(35,677)	41,005	43,487
Partnerships	(2,182)	(1,257)	(82,978)	(125,039)	(126,283)	(115,646)
Fiduciary	57,112	42,999	70,944	22,495	(5,038)	6,843
Total Corporate Income	\$ 235,941	\$ 135,055	\$ 206,999	\$ (897,784)	\$ (1,115,890)	\$ (93,919)
Direct Corporate Income Tax Rate	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%

Vehicle Fuel Sales by Category (in thousands of gallons)

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
Diesel	241,079	258,715	284,008	282,617	237,206	236,002
Gasoline	625,453	636,565	647,363	636,125	584,872	632,004
Propane	98	78	62	53	107	32
Natural Gas ⁴	16	13				
Aviation	2,512	2,512	2,598	2,461	1,864	1,814
Jet	28,250	31,038	33,591	36,217	29,697	23,347
Total Fuel Sales	897,408	928,921	967,622	957,473	853,746	893,199
Total Direct Fuel Tax Rate (per gallon of fuel)	\$ 0.243	\$ 0.243	\$ 0.242	\$ 0.242	\$ 0.243	\$ 0.245

Sources: Taxable sales, corporate income, and vehicle fuel sales--Idaho State Tax Commission; Personal income--U.S. Bureau of Economic Analysis and the Idaho State Tax Commission.

¹Personal income data for calendar years 2005-2014 are estimates. The U.S. Bureau of Economic Analysis revised personal income amounts for all calendar years shown to reflect revisions to the national income and product accounts and to incorporate newly available state-level source data.

²Other personal income includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

³Corporate income data is currently not available for calendar years 2013 and 2014.

⁴The natural gas distributors reported no vehicle fuel sales for fiscal years (FY) 2007-2011. FY14 saw a shift towards using/producing cleaner fuel types.

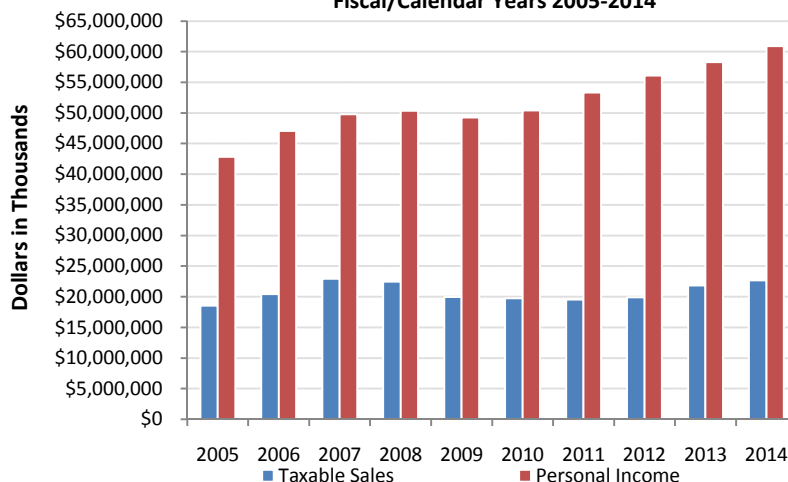
2011	2012	2013	2014
\$ 10,847	\$ 14,204	\$ 11,733	\$ 11,756
94,138	100,206	106,731	112,719
43,947	47,130	52,671	55,851
409,010	489,893	434,218	422,849
996,988	819,403	807,950	844,024
700,557	546,466	705,692	543,205
1,641,485	1,765,478	2,033,097	2,281,830
12,752,289	13,221,360	14,568,624	15,057,644
133,522	136,687	142,282	157,134
2,099,385	2,101,112	2,225,229	2,367,364
657,345	646,121	751,309	811,377
\$ 19,539,513	\$ 19,888,060	\$ 21,839,536	\$ 22,665,753
6.0%	6.0%	6.0%	6.0%

2011	2012	2013	2014
\$ 2,296,408	\$ 2,378,791	\$ 2,772,604	\$ 3,144,797
425,849	437,554	458,488	538,681
273,151	294,840	303,324	326,416
2,421,782	2,528,027	2,734,678	2,910,105
3,547,496	3,773,155	4,166,099	4,660,007
1,137,743	1,220,784	1,260,029	1,281,413
1,706,000	1,808,380	1,970,612	2,111,534
2,790,105	2,970,125	3,158,981	3,329,191
2,206,547	2,203,976	2,352,168	2,405,713
12,426,978	12,580,270	13,144,263	13,725,676
1,113,990	1,131,770	1,110,874	1,109,469
501,530	495,662	484,332	477,056
5,006,237	5,102,987	5,176,620	5,240,771
17,488,210	19,145,613	19,179,154	19,639,841
\$ 53,342,026	\$ 56,071,934	\$ 58,272,226	\$ 60,900,670
7.6%	7.3%	NA	NA

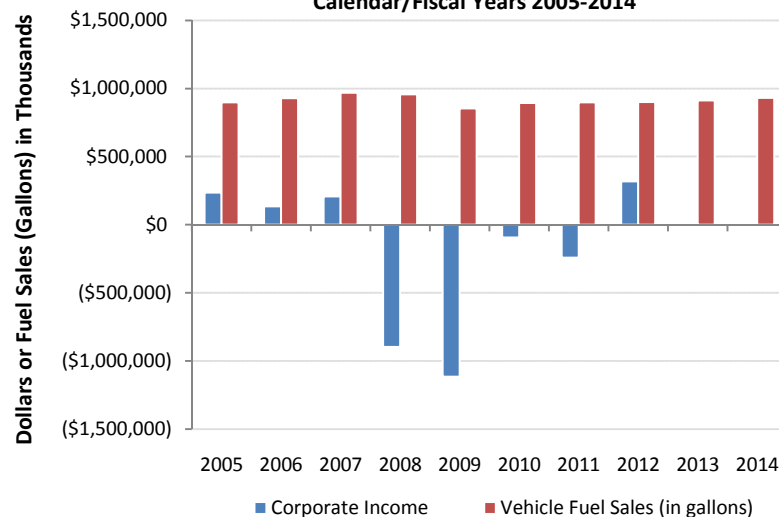
2011	2012	2013	2014
\$ 49,806	\$ 502,747	NA	NA
24,196	106,971	NA	NA
(287,303)	(352,035)	NA	NA
(28,687)	61,134	NA	NA
\$ (241,988)	\$ 318,817	NA	NA
7.6%	7.4%	7.4%	7.4%

2011	2012	2013	2014
239,708	242,617	250,299	255,171
633,337	629,252	631,697	643,806
79	23	61	151
	33	97	1,392
1,797	1,811	1,720	1,678
23,225	25,903	28,995	27,389
898,146	899,639	912,869	929,587
\$ 0.245	\$ 0.244	\$ 0.244	\$ 0.244

**Taxable Sales and Personal Income
Fiscal/Calendar Years 2005-2014**



**Corporate Income and Vehicle Fuel Sales
Calendar/Fiscal Years 2005-2014**



Schedule 6 - Revenue Rates

Fiscal/Calendar Years 2005-2014

Personal Income Tax Rates¹

	Calendar Year					
	2005	2006	2007	2008	2009	2010
Tax Rate	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Income Levels (S, MFS) ²	\$0-1,158	\$0-1,198	\$0-1,237	\$0-1,271	\$0-1,320	\$0-1,315
Income Levels (MFJ, HoH, QW) ²	\$0-2,318	\$0-2,395	\$0-2,474	\$0-2,544	\$0-2,642	\$0-2,632
Tax Rate	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Income Levels (S, MFS)	\$1,159-2,317	\$1,199-2,396	\$1,238-2,474	\$1,272-2,543	\$1,321-2,641	\$1,316-2,631
Income Levels (MFJ, HoH, QW)	\$2,319-4,636	\$2,396-4,791	\$2,475-4,948	\$2,545-5,088	\$2,643-5,284	\$2,633-5,264
Tax Rate	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%
Income Levels (S, MFS)	\$2,318-3,476	\$2,397-3,594	\$2,475-3,710	\$2,544-3,815	\$2,642-3,962	\$2,632-3,947
Income Levels (MFJ, HoH, QW)	\$4,637-6,953	\$4,792-7,187	\$4,949-7,420	\$5,089-7,632	\$5,285-7,926	\$5,265-7,896
Tax Rate	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%
Income Levels (S, MFS)	\$3,477-4,635	\$3,595-4,793	\$3,711-4,947	\$3,816-5,087	\$3,963-5,283	\$3,948-5,263
Income Levels (MFJ, HoH, QW)	\$6,954-9,271	\$7,188-9,585	\$7,421-9,894	\$7,633-10,176	\$7,927-10,568	\$7,897-10,528
Tax Rate	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
Income Levels (S, MFS)	\$4,636-5,793	\$4,794-5,991	\$4,948-6,184	\$5,088-6,359	\$5,284-6,603	\$5,264-6,579
Income Levels (MFJ, HoH, QW)	\$9,272-11,589	\$9,586-11,981	\$9,895-12,368	\$10,177-12,720	\$10,569-13,208	\$10,529-13,160
Tax Rate	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%
Income Levels (S, MFS)	\$5,794-8,691	\$5,992-8,996	\$6,185-9,276	\$6,360-9,539	\$6,604-9,906	\$6,580-9,869
Income Levels (MFJ, HoH, QW)	\$11,590-17,383	\$11,982-17,971	\$12,369-18,552	\$12,721-19,080	\$13,209-19,814	\$13,161-19,740
Tax Rate	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%
Income Levels (S, MFS)	\$8,692-23,177	\$8,997-23,963	\$9,277-24,736	\$9,540-25,440	\$9,907-26,417	\$9,870-26,319
Income Levels (MFJ, HoH, QW)	\$17,384-46,356	\$17,972-47,925	\$18,553-49,472	\$19,081-50,882	\$19,815-52,836	\$19,741-52,640
Tax Rate ³	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Income Levels (S, MFS)	\$23,178 +	\$23,964 +	\$24,737 +	\$25,441 +	\$26,418 +	\$26,320+
Income Levels (MFJ, HoH, QW)	\$46,357 +	\$47,926 +	\$49,473 +	\$50,883 +	\$52,837 +	\$52,641+
Total Direct Rate⁴	7.7%	7.7%	7.7%	7.6%	7.6%	7.6%

Vehicle Fuel Tax Rates per Gallon

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
Diesel	\$0.250	\$0.250	\$0.250	\$0.250	\$0.250	\$0.250
Gasoline	0.250	0.250	0.250	0.250	0.250	0.250
Propane	0.181	0.181	0.181	0.181	0.181	0.181
Natural Gas	0.197	0.197	0.197	0.197	0.197	0.197
Aviation	0.055	0.055	0.055	0.070	0.070	0.070
Jet	0.045	0.045	0.045	0.060	0.060	0.060
Total Direct Rate (per gallon of fuel)	\$0.243	\$0.243	\$0.242	\$0.242	\$0.243	\$0.245

Source: Idaho State Tax Commission.

Note: The Idaho State Legislature can raise the income and vehicle fuel tax rates by legislation, no vote of the populace is required per Idaho Constitution Art. VII Section 16, and Idaho Code Sections 63-3024 and 63-2402.

¹Idaho's personal income tax brackets are adjusted each year for inflation.

²Income categories are as follows: S = Single, MFS = Married Filing Separately, MFJ = Married Filing Jointly, HoH = Head of Household, QW = Qualifying Widower.

³Fiscal year 2012 legislative action reduced the top personal income tax rate from 7.8% to 7.4%.

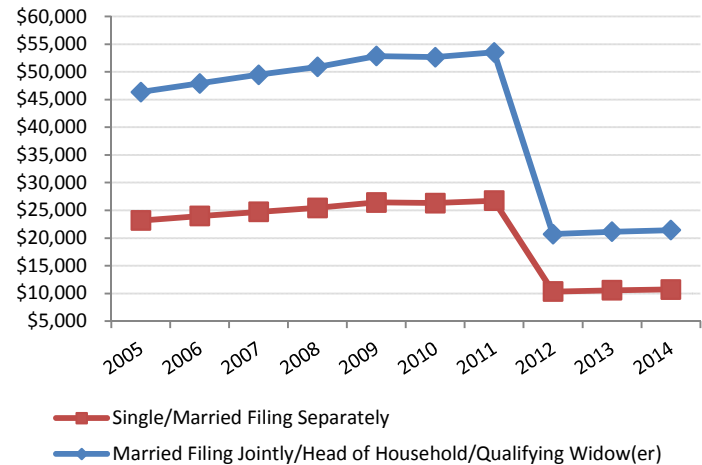
⁴Personal Income data is currently not available for calendar years 2013 and 2014.

2011	2012	2013	2014
1.6%	1.6%	1.6%	1.6%
\$0-1,337	\$0-1,379	\$0-1,408	\$0-1,428
\$0-2,675	\$0-2,759	\$0-2,817	\$0-2,857
3.6%	3.6%	3.6%	3.6%
\$1,338-2,675	\$1,380-2,759	\$1,409-2,817	\$1,429-2,857
\$2,676-5,351	\$2,760-5,519	\$2,818-5,635	\$2,858-5,715
4.1%	4.1%	4.1%	4.1%
\$2,676-4,013	\$2,760-4,139	\$2,818-4,226	\$2,858-4,286
\$5,352-8,027	\$5,520-8,279	\$5,636-8,453	\$5,716-8,573
5.1%	5.1%	5.1%	5.1%
\$4,014-5,351	\$4,140-5,519	\$4,227-5,635	\$4,287-5,715
\$8,028-10,703	\$8,280-11,039	\$8,454-11,271	\$8,574-11,431
6.1%	6.1%	6.1%	6.1%
\$5,352-6,689	\$5,520-6,899	\$5,636-7,044	\$5,716-7,144
\$10,704-13,379	\$11,040-13,799	\$11,272-14,089	\$11,432-14,289
7.1%	7.1%	7.1%	7.1%
\$6,690-10,034	\$6,900-10,349	\$7,045-10,567	\$7,145-10,717
\$13,380-20,069	\$13,800-20,699	\$14,090-21,135	\$14,290-21,435
7.4%	7.4%	7.4%	7.4%
\$10,035-26,759	\$10,350+	\$10,568+	\$10,718+
\$20,070-53,519	\$20,700+	\$21,136+	\$21,436+
7.8%			
\$26,760+			
\$53,520+			

7.6% 7.3% NA NA

2011	2012	2013	2014
\$0.250	\$0.250	\$0.250	\$0.250
0.250	0.250	0.250	0.250
0.181	0.181	0.181	0.181
0.197	0.197	0.197	0.197
0.070	0.070	0.070	0.070
0.060	0.060	0.060	0.060
\$0.245	\$0.244	\$0.244	\$0.244

**Personal Taxable Income Level for Top Rate Payers
Calendar Years 2005-2014**



Schedule 7 - Revenue Payers by Industry/Category
Historical Comparison and Most Current Fiscal/Calendar Year
(dollars in thousands)

Sales Tax	As of June 30, 2004				As of June 30, 2013			
	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
Farm Earnings	319	0.5	\$ 430	0.1	543	0.8	\$ 678	0.1
Agricultural	1,004	1.7	4,675	0.5	1,062	1.7	6,429	0.5
Mining	125	0.2	2,893	0.3	161	0.3	3,004	0.2
Construction	3,637	6.1	18,484	1.7	3,964	6.2	23,349	1.8
Manufacturing	3,677	6.2	59,991	5.8	5,716	8.9	48,640	3.7
Transportation & Utilities	1,205	2.0	12,089	1.1	1,245	1.9	43,918	3.4
Wholesale trade	1,982	3.3	64,145	6.2	3,998	6.2	119,805	9.2
Retail trade	27,812	46.4	720,774	69.8	23,279	36.3	868,955	66.6
Finance, Insurance, and Real Estate	627	1.0	6,753	0.7	848	1.3	8,592	0.7
Services	18,968	31.6	110,877	10.7	20,437	31.9	134,574	10.3
Government	575	1.0	31,943	3.1	2,867	4.5	45,587	3.5
Total	59,931	100.0	\$ 1,033,054	100.0	64,120	100.0	\$ 1,303,531	100.0

Personal Income Tax	As of December 31, 2003				As of December 31, 2012			
	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
Income Level								
Under \$50,000	525,359	88.7	\$ 358,941	41.3	603,626	84.3	\$ 385,399	27.9
\$50,000 - \$99,999	50,770	8.6	230,310	26.5	77,938	10.9	360,913	26.2
\$100,000 - \$249,999	12,823	2.1	128,470	14.8	27,210	3.8	270,854	19.7
\$250,000 - \$999,999	3,129	0.5	92,383	10.6	6,040	0.9	185,512	13.5
\$1,000,000 and higher	377	0.1	58,954	6.8	912	0.1	175,635	12.7
Total	592,458	100.0	\$ 869,058	100.0	715,726	100.0	\$ 1,378,313	100.0

Corporate Income Tax	As of Tax Year 2003				As of Tax Year 2012			
	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
Corporations	13,165	21.3	\$ 71,162	86.2	13,979	16.4	\$ 122,588	82.1
Sub-S Corporations	21,870	35.4	5,431	6.6	30,387	35.7	10,386	7.0
Partnerships	18,345	29.6	2,356	2.8	30,764	36.1	4,984	3.3
Fiduciary	8,454	13.7	3,616	4.4	10,005	11.8	11,379	7.6
Total	61,834	100.0	\$ 82,565	100.0	85,135	100.0	\$ 149,337	100.0

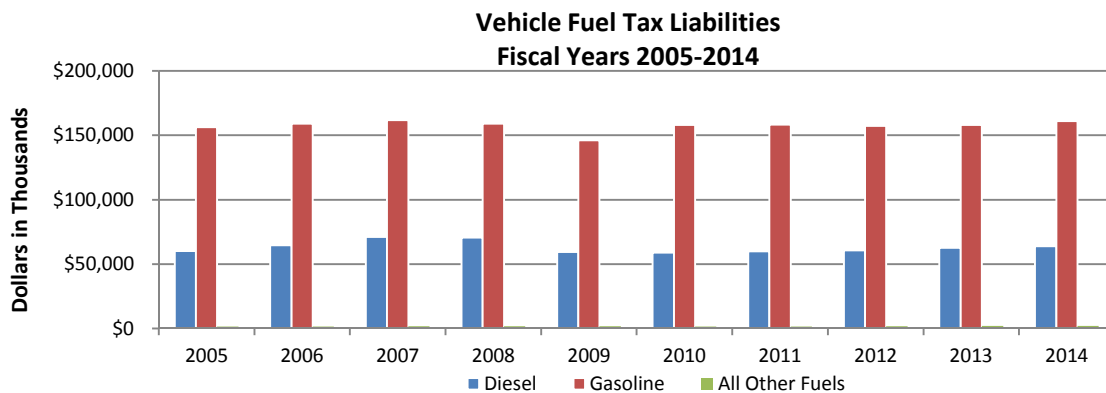
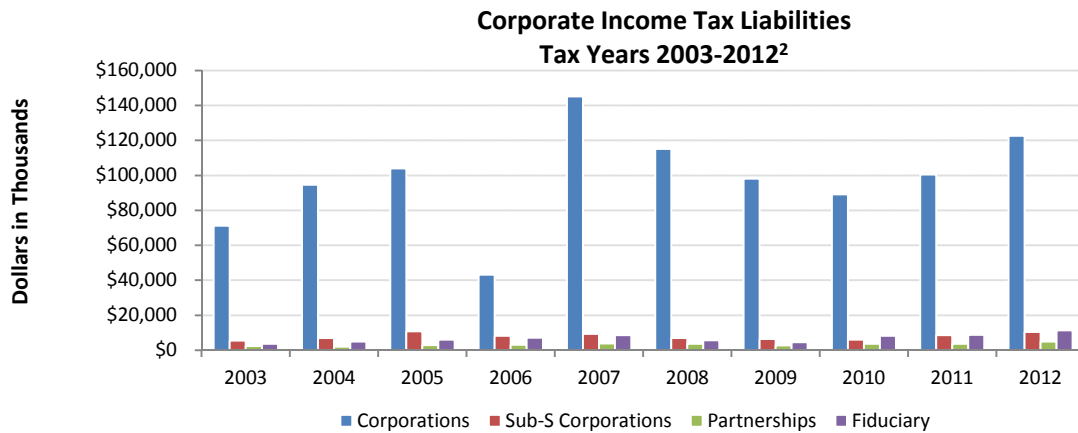
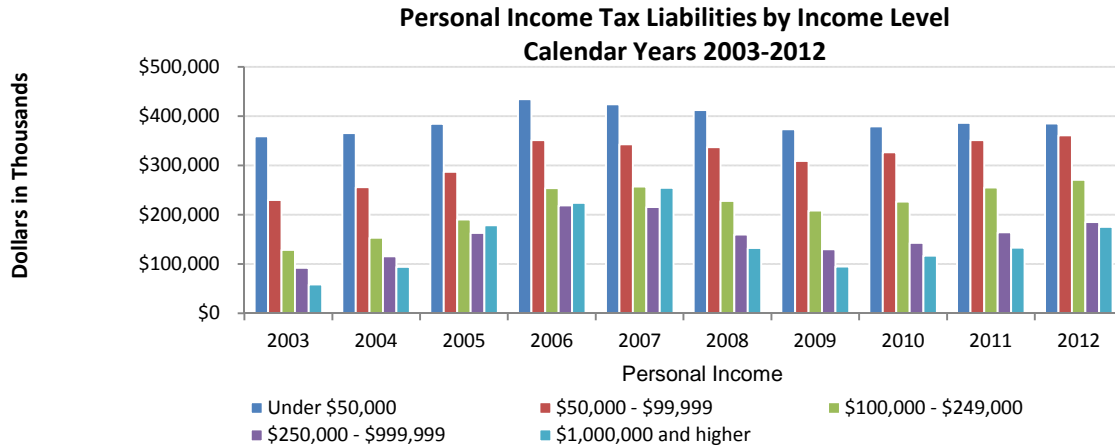
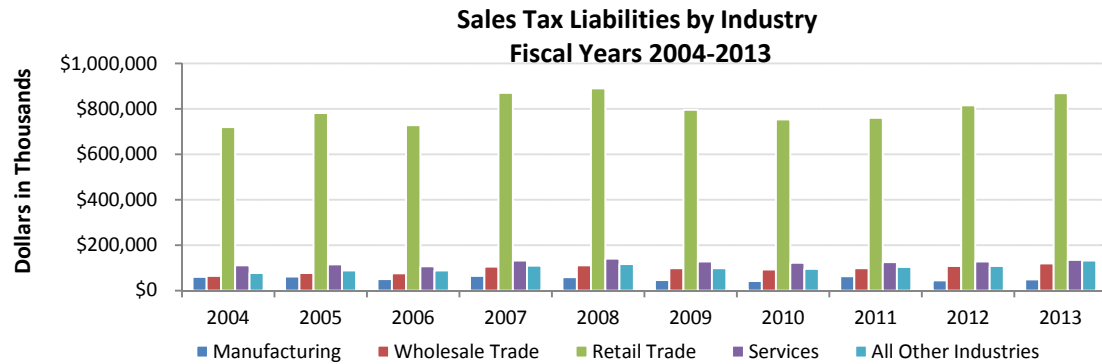
Vehicle Fuel Tax	As of June 30, 2005				As of June 30, 2014			
	Number of Filers ¹	Percent of Total	Tax Liability	Percent of Total	Number of Filers ¹	Percent of Total	Tax Liability	Percent of Total
Diesel	115	41.6	\$ 60,251	27.6	108	41.3	\$ 63,796	28.1
Gasoline	110	39.9	156,293	71.7	113	43.1	160,966	71.0
Propane	25	9.1	40	0.0	15	5.7	28	0.0
Natural Gas	1	0.4	9	0.0	4	1.5	274	0.1
Aviation	10	3.6	138	0.1	6	2.3	118	0.1
Jet	15	5.4	1,271	0.6	16	6.1	1,643	0.7
Total	276	100.0	\$ 218,002	100.0	262	100.0	\$ 226,825	100.0

Source: Idaho State Tax Commission.

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. The most current period for personal and corporate income tax information is calendar year 2012.

¹The total number of filers for vehicle fuel tax may contain the same filers counted more than once as some filers distribute more than one type of fuel.

²The corporate tax liability amounts for tax years 2006 through 2010 are revised based on data provided by Idaho State Tax Commission.



Schedule 8 - Outstanding Debt Ratios

Fiscal Years 2005-2014

(dollars in thousands, except per capita amount)

	2005	2006 (as restated)	2007	2008 (as restated)	2009 (as restated)	2010 (as restated)	2011	2012 (as restated)	2013	2014
Governmental Activities										
Revenue Bonds ¹	\$203,067	\$205,203	\$324,657	\$306,159	\$281,322	\$257,088	\$233,246	\$207,106	\$197,624	\$170,640
Capital Leases ²	9,428	13,929	12,209	11,997	11,475	33,229	32,761	28,967	27,394	25,862
Notes Payable ³	1,189	3,776	29,626	98,186	220,163	375,344	480,064	524,813	554,892	595,362
Total Governmental Activities	\$213,684	\$222,908	\$366,492	\$416,342	\$512,960	\$665,661	\$746,071	\$760,886	\$779,910	\$791,864
Business-Type Activities										
Revenue Bonds ⁴	\$329,835	\$319,308	\$402,181	\$443,016	\$449,410	\$473,667	\$457,631	\$457,113	\$455,097	\$445,651
Capital Leases	5,107	5,131	4,541	4,056	3,279	2,845	2,353	2,316	1,663	1,158
Notes Payable ⁵	17,104	16,284	16,802	20,155	50,195	216,183	214,144	204,745	156,449	105,919
Total Business-Type Activities	\$352,046	\$340,723	\$423,524	\$467,227	\$502,884	\$692,695	\$674,128	\$664,174	\$613,209	\$552,728
Total Primary Government	\$565,730	\$563,631	\$790,016	\$883,569	\$1,015,844	\$1,358,356	\$1,420,199	\$1,425,060	\$1,393,119	\$1,344,592
Debt as a Percentage of Personal Income⁶	1.3%	1.2%	1.6%	1.8%	2.1%	2.7%	2.7%	2.6%	2.5%	2.2%
Amount of Debt Per Capita⁶	\$396.5	\$384.4	\$525.9	\$577.2	\$655.2	\$863.9	\$897.0	\$893.1	\$863.3	\$821.5

Note: The Idaho Constitution Article VIII Section 1 amended in 1998 specifies that the Legislature shall not create any debts or liabilities, except in extreme emergencies, unless authorized by law and then approved by the people at a general election. This does not apply to liabilities incurred for ordinary operating expenses, nor debts or liabilities that are repaid by the end of the fiscal year. The debts or liabilities of independent public bodies corporate and politic created by law and which have no power to levy taxes or obligate the General Fund of the State are not debts or liabilities of the State of Idaho. Details regarding the State's debt can be found in Note 13 to the financial statements.

¹In fiscal years (FY) 2006 and 2007 the Idaho State Building Authority issued revenue bonds for state building projects.

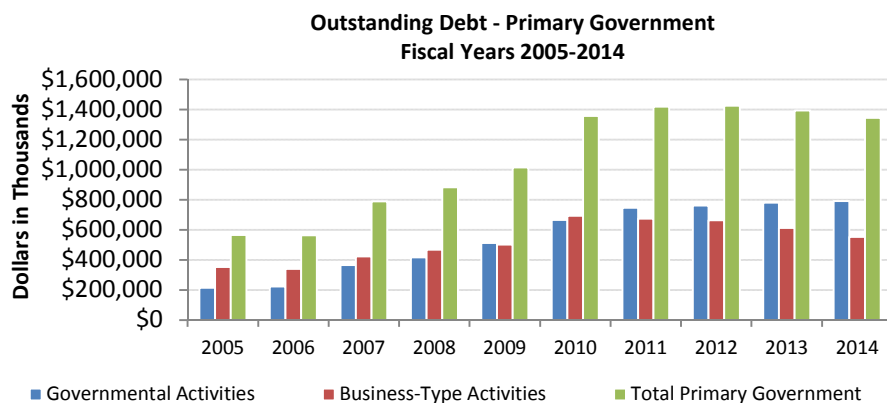
²In FY2010 the increase in capital leases is mainly attributable to new leases for land and buildings at the Department of Correction and the Department of Fish and Game.

³From FY2007-FY2014 the Idaho Transportation Department issued notes payable to the Idaho Housing and Finance Association for road and infrastructure improvements.

⁴For FY2007-FY2010 the colleges and universities issued revenue bonds for various projects.

⁵In FY2009 and FY2010 the increases in notes payable are mainly attributable to unemployment compensation loan funds received from the federal government. Changes in Notes Payable from 2012-2013 and 2013-2014 resulted from repayment of loans from the Idaho Housing and Financing Association.

⁶These ratios are calculated using personal income and population for the current calendar year. See Schedule 11 for personal income and population data.



Schedule 9 - Other Long-Term Liabilities

Fiscal Years 2005-2014

(dollars in thousands)

	2005 (as restated)	2006 (as restated)	2007 (as restated)	2008 (as restated)	2009 (as restated)	2010 (as restated)	2011 (as restated)	2012	2013	2014
Governmental Activities										
Compensated Absences	\$ 54,664	\$ 56,245	\$ 56,629	\$ 56,599	\$ 54,893	\$ 51,996	\$ 61,095	\$ 62,775	\$ 56,470	\$ 49,466
Policy Claim Liabilities	37,263	36,002	17,867	20,164	19,753	16,956	13,869	15,450	17,963	14,305
Claims and Judgments ^{1,2}	36,990	34,486	33,825	141,777	113,115	79,970	180,773	178,173	96,324	69,495
Net Pension Obligation ³	621	1,071	1,714	2,375	2,711	11,140	12,508	13,596	13,989	14,271
Net OPEB Obligation ⁴				20,018	20,373	22,169	23,851	24,720	24,607	24,496
Other Long-Term Liabilities										6,114
Total Governmental Activities	\$ 129,538	\$ 127,804	\$ 110,035	\$ 240,933	\$ 210,845	\$ 182,231	\$ 292,096	\$ 294,714	\$ 209,353	\$ 178,147
Business-Type Activities										
Compensated Absences	\$ 16,814	\$ 16,986	\$ 18,381	\$ 20,067	\$ 20,814	\$ 20,882	\$ 21,041	\$ 22,648	\$ 22,239	\$ 20,844
Claims and Judgments ²				445	528	1				
Net OPEB Obligation ⁴				7,858	9,233	11,267	13,707	15,513	17,143	18,847
Voluntary Termination Benefits ⁵						894				
Other Long-Term Liabilities						124	416	633	1,004	1,309
Total Business-Type Activities	\$ 16,814	\$ 16,986	\$ 18,381	\$ 28,370	\$ 30,575	\$ 33,168	\$ 35,164	\$ 38,794	\$ 40,386	\$ 41,000
Total Primary Government	\$ 146,352	\$ 144,790	\$ 128,416	\$ 269,303	\$ 241,420	\$ 215,399	\$ 327,260	\$ 333,508	\$ 249,739	\$ 219,147

Note: Details regarding the liabilities listed above can be found in Note 13 to the financial statements.

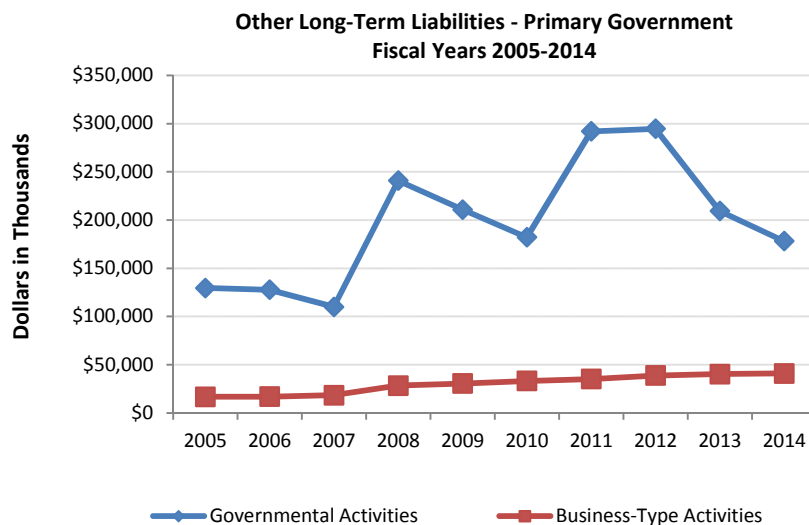
¹In fiscal year (FY) 2008 the Department of Health and Welfare changed its method of reporting Medicaid claims to include an estimate for incurred but not reported claims from providers. The changes between FY2008 and FY2011 are due to fluctuations in payment cycles caused by budget shortfalls and migrating to a new payment system.

²Claims and Judgments include arbitrage liabilities for FY2007-2014. Decrease to claims and judgements resulted from a decrease in Medicaid claims.

³In FY2010 the increase in the net pension obligation is mainly attributable to a restatement of the Idaho Judges' Retirement Fund due to a new actuarial valuation.

⁴Net OPEB obligation was not required to be reported prior to fiscal year 2008.

⁵In FY2010 the University of Idaho established a voluntary Exit Incentive Program for eligible employees to leave University employment with an economic incentive.



Schedule 10 - Pledged Revenue Coverage

Fiscal Years 2005-2014

(dollars in thousands)

	2005	2006	2007	2008	2009	2010
Governmental Activities						
Notes Payable - Idaho Transportation Department¹						
Revenue:						
Federal Highway Grants ²			\$ 282,848	\$ 300,680	\$ 234,667	\$ 355,288
State Funds			2,059	3,349	2,439	3,255
Available Revenue			\$ 284,907	\$ 304,029	\$ 237,106	\$ 358,543
Debt Service:						
Principal			\$ 2,426	\$ 20,240	\$ 30,589	\$ 8,176
Interest			6,766	8,245	11,787	19,074
Coverage			31.0	10.7	5.6	13.2
Business-Type Activities						
Revenue Bonds - Colleges and Universities						
Revenue:						
Student Fees Pledged	\$ 131,669	\$ 138,670	\$ 144,471	\$ 179,630	\$ 197,711	\$ 212,768
Sale of Goods and Services Pledged	66,414	66,000	71,770	85,348	84,327	91,258
Other Income Pledged ³		7,178	9,867	31,174	25,337	22,641
Less: Operating Expenses	(50,720)	(51,842)	(52,020)	(58,259)	(59,487)	(61,226)
Net Available Revenue	\$ 147,363	\$ 160,006	\$ 174,088	\$ 237,893	\$ 247,888	\$ 265,441
Debt Service:						
Principal	\$ 8,940	\$ 10,725	\$ 11,890	\$ 15,610	\$ 9,755	\$ 13,190
Interest	15,220	15,217	13,728	20,793	19,473	20,339
Coverage	6.1	6.2	6.8	6.5	8.5	7.9
Revenue Bonds - Idaho Water Resources Board⁴						
Revenue:						
Sale of Goods and Services	\$ 926	\$ 876	\$ 908	\$ 816	\$ 886	\$ 983
Less: Operating Expenses	(191)	(101)	(162)	(117)	(149)	(117)
Net Available Revenue	\$ 735	\$ 775	\$ 746	\$ 699	\$ 737	\$ 866
Debt Service:						
Principal	\$ 80	\$ 100	\$ 290	\$ 305	\$ 325	\$ 340
Interest	363	357	310	294	277	259
Coverage	1.7	1.7	1.2	1.2	1.2	1.4
Notes Payable - Colleges and Universities⁵						
Revenue:						
Student Fees Pledged	\$ 157	\$ 147	\$ 148	\$ 148	\$ 146	\$ 142
Housing Fees Pledged	NA	NA	NA	NA	417	445
Other Income Pledged						
Less: Operating Expenses	NA	NA	NA	NA	(297)	(154)
Net Available Revenue	\$ 157	\$ 147	\$ 148	\$ 148	\$ 266	\$ 433
Debt Service:						
Principal ⁶	\$ 94	\$ 98	\$ 102	\$ 106	\$ 127	\$ 114
Interest	45	41	37	33	63	25
Coverage	1.1	1.1	1.1	1.1	1.4	3.1

Note: Details regarding the State's outstanding bonds can be found in Note 13 to the financial statements. Operating expenses do not include interest or depreciation expense. Coverage equals net available revenue divided by debt service.

¹For fiscal years (FY) 2007-2014 the Idaho Transportation Department issued notes payable to the Idaho Housing and Finance Association to finance road and infrastructure improvements.

²In FY2009 federal highway grants received by the Idaho Transportation Department decreased mainly due to the delay in awarding construction contracts, the delay of related federal awards reimbursements, and decreased construction costs. FY2010 grants increased because of the delayed reimbursement of FY2009 federal construction awards. FY2012 and FY2013 grants decreased due to the near-term completion of the American Recovery and Reinvestment Act stimulus program.

³In FY2008 other pledged income increased mainly due to revenues pledged as collateral for all outstanding bond issuances by the University of Idaho.

⁴In FY2006 the Board issued Series 2006 Refunding Bonds, defeasing the 1999 Series, accounting for the increase in debt service for FY2007.

⁵In FY2009 Lewis-Clark (LCSC) issued notes payable to purchase a residence hall; housing fees associated with the residence hall account for the increase in available revenue. In FY2012 and FY2013 LCSC issued notes payable to refinance Student Fee Refunding Revenue Bonds.

⁶FY2013-2014 the increase resulted from LCSC's principal only payments.

2011	2012	2013	2014
\$ 399,049	\$ 334,747	\$ 292,619	\$ 294,620
3,509	3,829	4,033	4,329
<u>\$ 402,558</u>	<u>\$ 338,576</u>	<u>\$ 296,652</u>	<u>\$ 298,949</u>
\$ 20,936	\$ 19,957	\$ 21,975	\$ 24,203
25,862	26,836	28,188	28,417
8.6	7.2	5.9	5.7

\$ 236,690	\$ 257,850	\$ 268,014	\$ 276,964
84,978	90,136	93,356	89,031
36,803	35,990	35,828	38,158
(61,342)	(65,802)	(69,901)	(69,339)
<u>\$ 297,129</u>	<u>\$ 318,174</u>	<u>\$ 327,297</u>	<u>\$ 334,814</u>
\$ 15,085	\$ 14,090	\$ 16,585	\$ 16,714
20,243	21,524	19,440	20,018
8.4	8.9	9.1	9.1

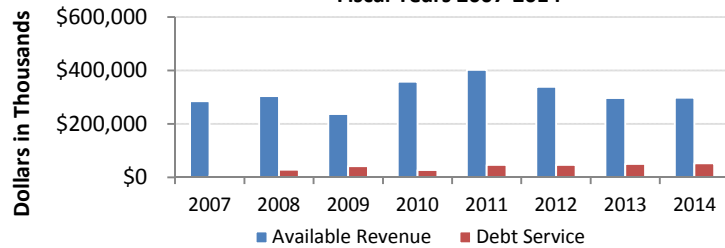
\$ 990	\$ 1,059	\$ 993	\$ 983
(124)	(136)	(161)	(123)
<u>\$ 866</u>	<u>\$ 923</u>	<u>\$ 832</u>	<u>\$ 860</u>

\$ 360	\$ 380	\$ 400	\$ 425
240	220	198	175
1.4	1.5	1.4	1.4

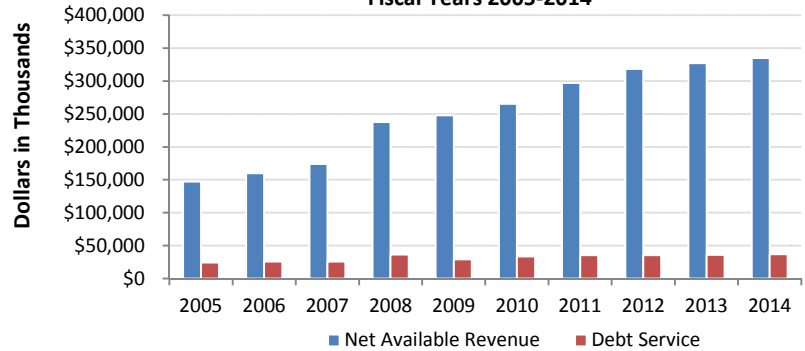
\$ 169	\$ 1,001	\$ 1,062	\$ 1,108
430	429	441	469
76	110	101	81
(107)	(410)	(402)	(442)
<u>\$ 568</u>	<u>\$ 1,130</u>	<u>\$ 1,202</u>	<u>\$ 1,216</u>

\$ 366	\$ 334	\$ 786	\$ 1,366
176	138	171	118
1.0	2.4	1.3	0.8

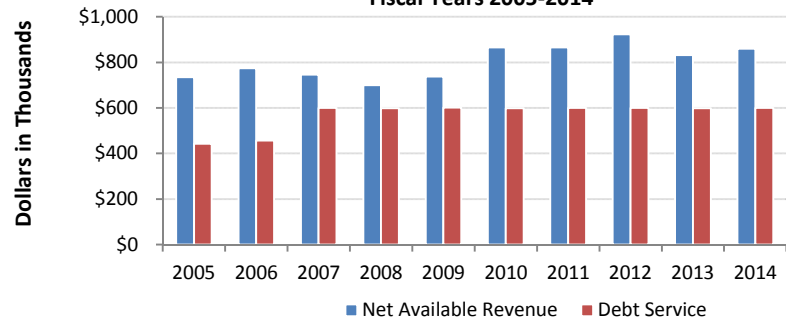
**Idaho Transportation Department, Notes Payable
Revenue and Debt Service
Fiscal Years 2007-2014**



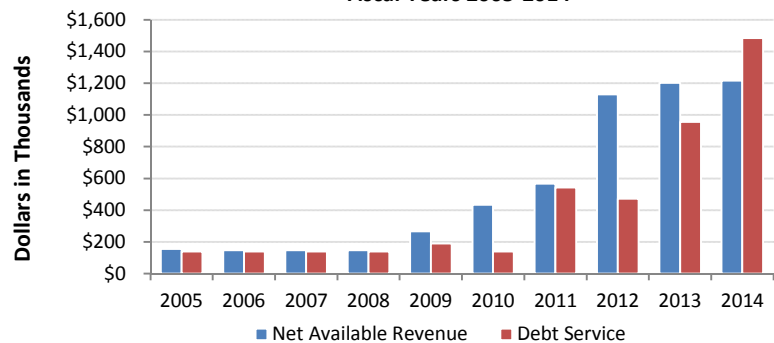
**Colleges and Universities, Revenue Bonds
Revenue and Debt Service
Fiscal Years 2005-2014**



**Idaho Water Resources Board, Revenue Bonds
Revenue and Debt Service
Fiscal Years 2005-2014**



**Colleges and Universities, Notes Payable
Revenue and Debt Service
Fiscal Years 2005-2014**



Schedule 11 - Demographic and Economic Indicators
Calendar Years 2005-2014

	2005	2006	2007	2008	2009	2010
Population						
Idaho (<i>in thousands</i>)	1,427	1,466	1,502	1,531	1,551	1,572
Change	2.5%	2.8%	2.4%	1.9%	1.3%	1.4%
National (<i>in thousands</i>)	296,460	299,282	302,227	304,948	307,580	310,070
Change	0.9%	1.0%	1.0%	0.9%	0.9%	0.8%
Total Personal Income¹						
Idaho (<i>in billions</i>)	\$ 43	\$ 47	\$ 50	\$ 50	\$ 49	\$ 50
Change	6.2%	9.8%	5.8%	1.2%	-2.2%	2.4%
National (<i>in billions</i>)	\$ 10,609	\$ 11,389	\$ 11,995	\$ 12,430	\$ 12,087	\$ 12,429
Change	5.6%	7.3%	5.3%	3.6%	-2.8%	2.8%
Per Capita Personal Income						
Idaho	\$ 30,014	\$ 32,085	\$ 33,120	\$ 32,893	\$ 31,769	\$ 32,065
Change	3.6%	6.9%	3.2%	-0.7%	-3.4%	0.9%
National	\$ 35,785	\$ 38,053	\$ 39,687	\$ 40,760	\$ 39,299	\$ 40,085
Change	4.6%	6.3%	4.3%	2.7%	-3.6%	2.0%
Median Age - Idaho²						
	34	34.2	34.2	34.2	34.4	34.6
Educational Attainment³						
8th Grade or Less	4.5%	4.5%	3.9%	5.0%	4.5%	4.2%
Some High School, No Diploma	8.7%	8.2%	7.8%	7.1%	7.1%	7.5%
High School Diploma	29.6%	30.1%	29.9%	27.7%	28.8%	28.6%
Some College, No Degree	25.8%	25.4%	25.4%	27.6%	27.3%	27.0%
Associate, Bachelor or Graduate Degree	31.2%	31.7%	33.1%	32.5%	32.2%	32.7%
Resident Civilian Labor Force and Employment in Idaho						
Civilian Labor Force	722,190	740,105	749,993	757,783	751,556	760,951
Employed	695,428	718,077	727,728	721,370	695,576	694,744
Unemployed	26,762	22,028	22,265	36,413	55,980	66,207
Unemployment Rate	3.7%	3.0%	3.0%	4.8%	7.4%	8.7%
Nonfarm Wage and Salary Workers Employed in Idaho						
Goods Producing Industries						
Mining	2,160	2,372	2,665	2,767	2,163	2,296
Logging and Wood Products	9,618	10,036	9,585	8,065	5,899	5,793
Computer and Electronics	16,181	16,663	16,216	14,305	11,098	10,575
Construction	45,127	52,044	52,592	45,009	34,401	31,292
Manufacturing-Durable Goods ⁴	16,305	17,904	18,401	17,498	15,207	14,805
Manufacturing-Nondurable Goods	22,927	23,234	23,861	24,583	23,634	23,260
Total Goods Producing Industries	112,318	122,253	123,320	112,227	92,402	88,021
Non-Goods Producing Industries						
Trade	103,675	107,465	111,651	110,452	102,267	100,832
Service	280,741	292,713	304,461	307,042	295,838	296,251
State and Local Government	101,865	103,528	103,972	105,984	105,992	104,876
Federal Government	13,084	12,879	12,820	13,200	13,496	13,691
Total Non-Goods Producing Industries	499,365	516,585	532,904	536,678	517,593	515,650
Total Nonfarm Wage and Salary Employment	611,683	638,838	656,224	648,905	609,995	603,671

Sources: Idaho Division of Financial Management, Idaho Department of Labor, Idaho State Board of Education, U.S. Bureau of Economic Analysis, and U.S. Census Bureau.

Note: Amounts for calendar years 2012-2014 are estimates. Prior year amounts may change due to revisions by the U.S. Bureau of Economic Analysis and the U.S. Census Bureau.

¹Total personal income is comprised of earned income, dividends, interest, rents, and government transfer payments.

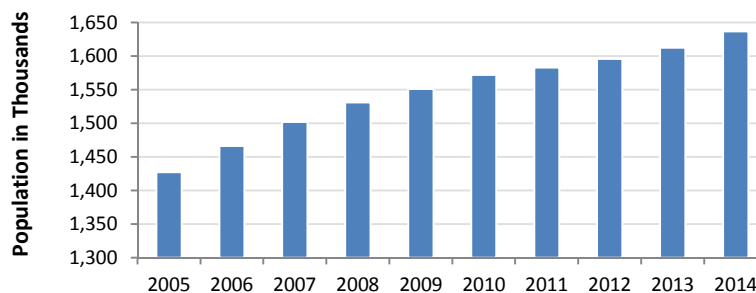
²Median age data for Idaho is not currently available for calendar year 2014.

³Educational attainment information is not currently available for calendar year 2014. Figures for 2005 through 2012 are revised.

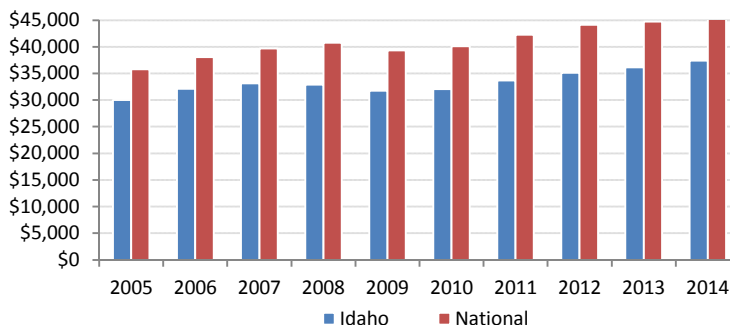
⁴"Manufacturing-Durable Goods" amounts are net of "Logging and Wood Products" and "Computer and Electronics" amounts, which are presented separately in this schedule.

2011	2012	2013	2014
1,583	1,596	1,613	1,637
0.7%	0.8%	1.1%	1.5%
312,315	314,524	316,746	319,016
0.7%	0.7%	0.7%	0.7%
\$ 53	\$ 56	\$ 58	\$ 61
5.8%	5.1%	3.9%	5.0%
\$ 13,202	\$ 13,888	\$ 14,167	\$ 14,768
6.2%	5.2%	2.0%	4.2%
\$ 33,689	\$ 35,138	\$ 36,137	\$ 37,386
5.1%	4.3%	2.8%	3.5%
\$ 42,271	\$ 44,153	\$ 44,726	\$ 46,292
5.5%	4.5%	1.3%	3.5%
34.9	35.2	35.5	NA
4.5%	4.1%	4.3%	NA
6.9%	6.1%	6.3%	NA
27.5%	27.7%	27.4%	NA
26.9%	27.6%	26.7%	NA
34.2%	34.5%	35.3%	NA
765,974	772,046	775,407	777,206
701,946	715,749	727,230	739,550
64,028	56,297	48,177	37,656
8.4%	7.3%	6.2%	4.8%
2,583	2,696	2,578	2,625
6,205	6,525	7,172	7,218
11,192	11,626	11,317	11,327
30,347	31,407	33,853	36,106
15,280	16,079	17,453	17,927
23,364	24,018	25,328	25,493
88,971	92,351	97,701	100,696
101,878	104,934	107,638	110,372
302,681	307,687	316,583	328,386
104,514	104,600	105,589	106,871
12,654	12,641	12,414	12,119
521,727	529,862	542,224	557,748
610,698	622,213	639,925	658,444

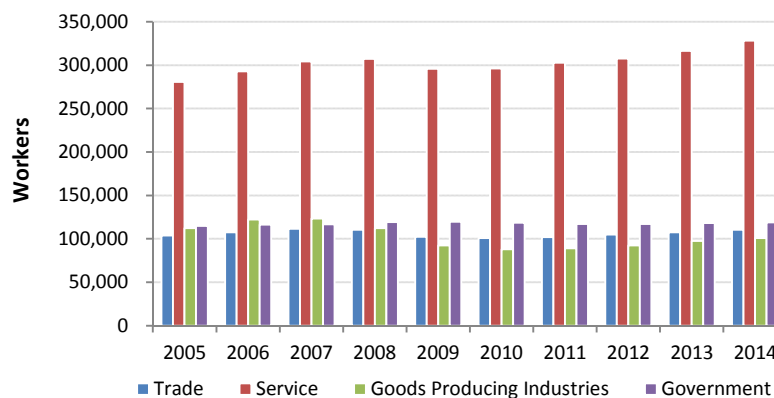
Idaho Population
Calendar Years 2005-2014



Per Capita Personal Income
Calendar Years 2005-2014



Nonfarm Wage and Salary Workers
Employed in Idaho
Calendar Years 2005-2014



Schedule 12 - Principal Employers
Current Year and Nine Years Ago

Major Idaho Employers	As of June 30, 2005			As of June 30, 2014		
	Number of Employees	Rank	Percent of Total State Employment	Number of Employees	Rank	Percent of Total State Employment
State of Idaho ¹	17,500-18,000	1	2.6	19,000-19,500	1	2.6
Federal Government	13,000-13,500	2	1.9	12,000-12,500	2	1.7
St Luke's Health System	4,000-4,500	7	0.6	11,500-12,000	3	1.6
Wal-Mart Associates, Inc.	6,000-6,500	4	0.9	6,500-7,000	4	0.9
Micron Technology, Inc.	9,500-10,000	3	1.4	5,500-6,000	5	0.8
Brigham Young University-Idaho				4,500-5,000	6	0.7
Meridian Joint School District #2	3,500-4,000	10	0.5	4,000-4,500	7	0.6
Boise Independent School District #1	3,500-4,000	8	0.5	3,500-4,000	8	0.5
Battelle Energy Alliance ²	5,000-5,500	5	0.8	3,000-3,500	9	0.4
St Alphonsus Regional Medical Center				3,000-3,500	10	0.4
J.R. Simplot Co.				3,000-3,500	11	0.4
Albertsons / Supervalu	4,500-5,000	6	0.7	3,000-3,500	12	0.4
Hewlett-Packard Co.	3,500-4,000	9	0.5			
Total	72,500		10.4	81,500		11.0

Source: Idaho Department of Labor, except state employee data, which comes from the Office of the Idaho State Controller.

Note: All figures are based on a calendar year average. Total number of employees is based on the sum of the mid-points in the ranges given.

¹Number of state employees includes only full-time personnel.

²Battelle Energy Alliance was formerly known as Bechtel BWXT Idaho

Schedule 13 - Education Enrollment

Public School Enrollment Grades K-12
Academic Years 2004/05-2013/14

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Elementary	137,606	141,921	146,253	150,094	151,902	154,368	153,298	154,691	156,742	160,412
Secondary	118,478	120,061	121,347	122,025	123,252	124,236	125,237	126,149	127,576	128,651
Total All Grades	256,084	261,982	267,600	272,119	275,154	278,604	278,535	280,840	284,318	289,063

Source: Idaho Department of Education

Public Higher Education Enrollment
Student Headcount¹ (Calendar Years 2005-2014)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Boise State University	18,650	18,880	19,542	19,670	18,936	19,993	19,664	22,638	21,981	22,239
Idaho State University	13,977	12,679	13,362	12,644	13,493	12,595	12,587	13,860	13,351	13,455
University of Idaho	12,476	11,739	11,636	11,791	11,957	12,302	12,312	12,493	11,884	11,534
Lewis-Clark State College	3,222	3,211	3,269	3,334	3,521	3,822	3,761	3,830	3,585	3,616
Eastern Idaho Technical College	753	758	762	768	870	862	829	709	725	686
Total Colleges and Universities	49,078	47,267	48,571	48,207	48,777	49,574	49,153	53,530	51,526	51,530

Source: Idaho State Board of Education

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

¹Figures are based on fall enrollment numbers for each year.

Schedule 14 - State Employees by Function

Fiscal Years 2005-2014

Full-Time Employees

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Tax Commission	383	387	389	392	393	368	373	406	426	425
Department of Administration	157	153	164	138	142	139	141	137	136	137
All Other	1,069	1,069	1,093	1,144	1,161	1,133	1,098	1,058	1,091	1,127
Public Safety and Correction										
Department of Correction	1,407	1,454	1,516	1,560	1,586	1,543	1,529	1,517	1,550	1,544
Idaho State Police	455	462	467	469	485	465	452	458	479	480
Department of Juvenile Corrections	328	333	342	350	396	381	382	387	384	387
All Other	333	333	339	336	349	327	362	354	373	566
Health and Human Services										
Department of Health and Welfare	2,687	2,764	2,885	2,917	2,922	2,887	2,642	2,606	2,611	2,647
Education										
Colleges and Universities	5,776	5,878	6,004	6,063	6,124	6,242	6,093	6,436	6,548	6,721
All Other	538	540	480	456	468	469	473	361	371	376
Economic Development										
Idaho Transportation Department	1,774	1,745	1,717	1,726	1,758	1,772	1,742	1,714	1,683	1,642
Department of Commerce and Labor ¹	580	553	496							
Department of Labor ¹				440	436	506	532	514	547	547
Department of Agriculture	281	302	307	301	293	279	245	249	253	261
All Other	819	840	840	933	932	909	981	966	992	990
Natural Resources										
Department of Environmental Quality	352	345	352	356	365	340	328	331	332	328
Department of Fish and Game	497	500	506	502	513	504	535	545	534	534
Department of Lands	231	225	234	244	242	235	227	231	239	238
Department of Parks and Recreation	147	146	141	146	155	147	131	132	136	132
All Other	182	182	181	193	195	182	174	171	167	162
State Total	17,996	18,211	18,453	18,666	18,915	18,828	18,440	18,573	18,852	19,244

Part-Time and Temporary Employees²

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	356	363	361	405	334	385	362	388	342	349
Public Safety and Correction	186	207	195	223	192	159	174	202	178	203
Health and Human Services	589	654	591	620	400	286	256	229	257	243
Education	2,779	2,638	2,740	3,347	2,880	2,532	2,509	2,587	2,655	2,514
Economic Development	984	936	900	896	907	838	884	774	732	705
Natural Resources	591	590	608	686	603	518	440	433	431	465
State Total	5,485	5,388	5,395	6,177	5,316	4,718	4,625	4,613	4,595	4,479

Source: Office of the Idaho State Controller.

¹In fiscal year (FY) 2008 legislative action separated the Department of Commerce from the Department of Labor.

²Part-time and temporary employees are those working less than full-time, including board and commission members.

Schedule 15 - Operating Indicators by Function
Calendar/Fiscal Years 2005-2014

	2005	2006	2007	2008	2009	2010
General Government						
Tax Commission						
Number of Returns Filed (<i>in thousands</i>)	2,117	2,204	2,180	2,292	2,220	2,226
Number of Returns Filed Electronically (<i>in thousands</i>)	310	345	386	436	457	492
Department of Administration						
Construction Projects Administered	186	424	538	529	443	431
Employees Covered by Benefit Plans	18,495	18,829	19,045	19,319	19,507	19,343
Public Safety and Correction						
Department of Correction¹						
Incarcerated Offenders	6,526	6,976	7,357	7,338	7,283	7,504
Supervised Offenders (as restated)	10,926	11,825	12,581	13,361	13,756	13,902
Idaho State Police						
Drug Related Arrests ²	779	598	989	850	895	982
DUI Arrests ²	1,461	817	1,744	1,654	1,977	2,441
All Other Arrests ²	849	724	811	1,278	1,281	1,163
Department of Juvenile Corrections						
Number of Juveniles in the System	709	725	710	744	659	568
Rate of Recombitment to DJC Custody	15.2%	11.0%	11.6%	11.7%	18.4%	17.0%
Health and Human Services						
Department of Health and Welfare¹						
Medicaid Enrollees ³	178,694	178,858	184,508	184,465	191,989	209,126
Percent of Population	12.5%	12.2%	12.3%	12.0%	12.4%	13.3%
Food Stamp Recipients	94,956	91,032	86,946	95,433	124,826	179,074
Percent of Population	6.7%	6.2%	5.8%	6.2%	8.1%	11.4%
Education						
Colleges and Universities¹						
Enrollment	49,078	47,267	48,571	48,207	48,777	49,574
Number of Certificates and Degrees Awarded	8,506	8,386	8,733	8,550	8,739	8,760
Economic Development						
Idaho Transportation Department						
Percent of Pavement Which is Deficient ¹	19%	19%	20%	19%	20%	18%
Vehicles Weighed (<i>in thousands</i>)	2,760	3,090	2,800	2,700	2,400	2,400
Department of Labor						
Individuals Registered for Employment	206,422	184,178	175,178	222,606	284,205	334,896
Job Openings Received	83,951	101,502	96,239	77,012	46,967	47,956
Department of Agriculture						
Conduct Disease Tests on Animals ⁴	253,960	118,821	208,338	303,184	367,698	362,905
Inspections of Dairy Farms	3,378	6,866	6,632	5,897	7,919	6,932
Natural Resources						
Department of Environmental Quality						
Air Quality Sites Monitored	37	42	35	31	42	41
Water Sites Monitored ⁵	673	658	506	610	0	128
Department of Fish and Game						
Citations and Warnings Issued	4,681	4,790	6,140	5,411	5,435	4,799
Hatchery Fish Raised (<i>in thousands</i>) ²	41,740	40,649	35,502	29,573	22,676	27,085
Hunting and Fishing Licenses Sold ²	539,590	521,489	572,617	536,681	571,179	548,949
Department of Lands¹						
Forest Products Harvested (<i>in million board feet</i>)	188	206	215	225	190	212
Fires Responded to on IDL Land	228	445	349	247	352	183
Department of Parks and Recreation						
Park Visitation (<i>in thousands</i>) ^{1, 2, 6}	2,648	2,738	4,248	4,203	4,460	4,389
Recreational Registrations (<i>in thousands</i>) ⁶	237	256	273	274	286	272

Sources: Idaho Division of Financial Management; Idaho State Tax Commission; Office of the Idaho State Controller; Idaho State Police; Idaho State Board of Education; and the Idaho Departments of Administration, Correction, Juvenile Corrections, Health and Welfare, Transportation, Labor, Agriculture, Environmental Quality, Fish and Game, Lands, and Parks and Recreation.

Note: Operating indicators for fiscal years (FY) 2013 and 2014 are estimates unless otherwise noted below.

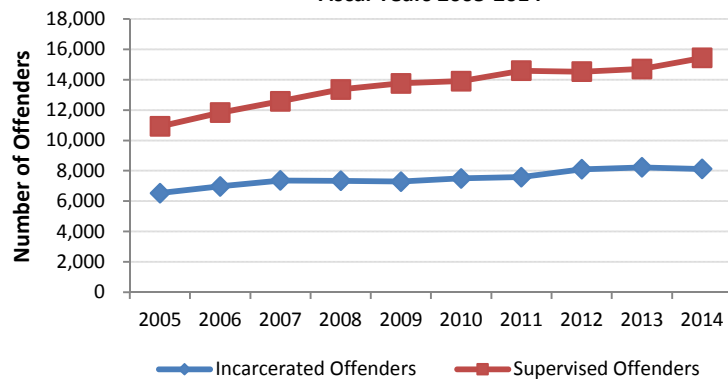
¹Operating indicators for 2013 are actual amounts, not estimates.

²Operating indicators are reported on a calendar year basis.

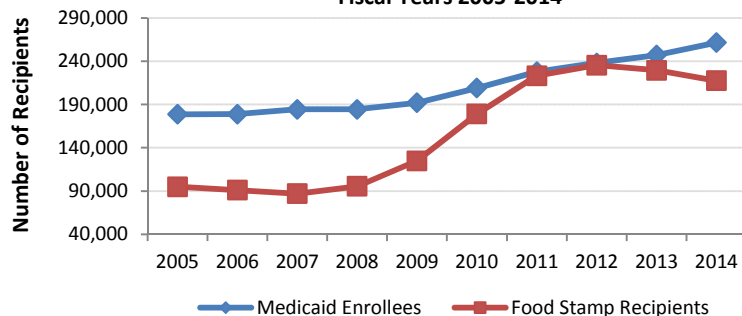
³In FY2007 the Department of Health and Welfare changed methods for calculating the number of Medicaid enrollees.

2011	2012	2013	2014
2,260	2,316	2,350	2,390
543	568	587	616
399	345	293	296
18,942	19,018	19,247	19,592
7,578	8,097	8,221	8,120
14,595	14,530	14,705	15,433
1,021	1,454	1,411	1,559
2,003	1,845	1,659	1,304
1,262	1,145	1,101	1,071
529	553	550	498
15.0%	12.0%	18.2%	13.0%

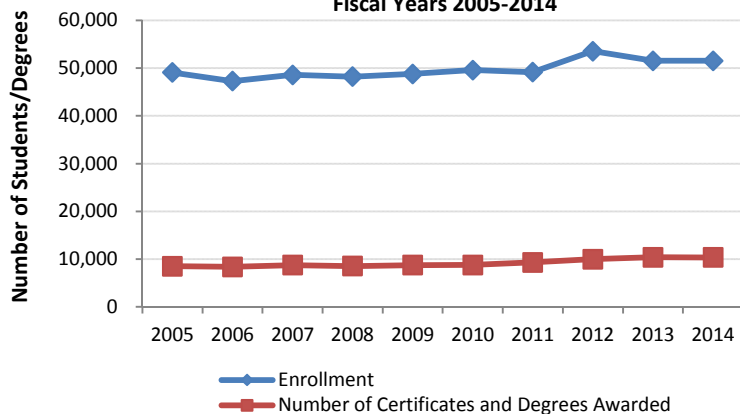
**Department of Correction - Adult Offenders
Fiscal Years 2005-2014**



**Department of Health and Welfare
Medicaid Enrollees and Food Stamp Recipients
Fiscal Years 2005-2014**



**Colleges and Universities - Enrollment and
Degrees Awarded
Fiscal Years 2005-2014**



⁴In FY2011 and FY2012 the increase and decrease in disease testing on animals is attributed to brucellosis testing.

⁵In FY2009 the Department of Environmental Quality suspended surface water monitoring activities due to the FY2009 budget cuts.

⁶Park visitation is counted in visitor days. Recreational registrations include boats, snowmobiles, all-terrain vehicles, and Park N' Ski permits.

Schedule 16 - Capital Assets by Function
Fiscal Years 2005-2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Department of Administration										
Buildings (<i>square footage in thousands</i>)	733	741	741	728	728	728	728	728	728	719
Public Safety and Correction										
Department of Correction										
Buildings	93	94	97	97	98	101	104	105	80	84
Vehicles	334	339	353	392	342	359	367	384	401	394
Idaho State Police										
Vehicles	425	422	441	431	443	431	459	419	430	466
Machinery and Equipment ¹	812	783	846	867	928	810	915	857	886	1,084
Department of Juvenile Corrections										
Buildings (<i>square footage in thousands</i>)	252	252	252	250	250	239	239	242	224	224
Vehicles	53	53	52	54	53	56	56	54	56	60
Health and Human Services										
Department of Health and Welfare										
Buildings (<i>square footage in thousands, restated</i>) ²	928	928	914	914	978	1,705	1,700	1,698	1,715	1,726
Vehicles	490	517	539	518	520	501	485	480	431	494
Education										
Colleges and Universities										
Buildings (<i>square footage in thousands</i>)	11,919	12,265	12,539	12,890	13,612	13,931	14,198	15,024	15,098	15,161
Economic Development										
Idaho Transportation Department										
Highway Lane Miles ³	11,874	11,874	11,877	11,930	11,944	11,989	11,998	12,222	12,222	12,236
Vehicles ⁴	755	804	818	801	837	848	823	841	823	766
Heavy Equipment ⁴	1,443	1,382	1,444	1,494	1,535	1,536	1,532	1,543	1,407	1,192
Department of Agriculture										
Scientific and Laboratory Equipment	147	156	162	165	176	165	153	160	152	156
Vehicles	166	191	209	201	195	196	177	195	203	223
Natural Resources										
Department of Environmental Quality										
Air Monitoring Instruments	126	131	119	124	166	167	171	196	185	185
Water Sampling/Quality Equipment	88	94	87	88	76	78	78	80	81	81
Department of Fish and Game										
Hatcheries	19	19	19	22	22	23	23	23	23	23
Vehicles	766	692	646	621	670	636	638	665	682	704
Boats	302	296	289	286	287	281	280	279	287	284
Wildlife Management Areas	33	33	33	33	33	32	32	32	32	32
Department of Lands										
Acres of Land (<i>in thousands</i>) ³	2,460	2,460	2,460	2,461	2,460	2,446	2,449	2,448	2,448	2,442
Vehicles	341	346	353	351	350	356	343	362	359	371
Department of Parks and Recreation										
State Parks	34	34	35	35	35	30	30	30	30	30
Acres of State Park Land (<i>in thousands</i>)	60	60	61	61	61	60	60	60	60	60
Buildings	286	295	324	329	336	351	349	365	368	372
Vehicles	240	257	288	312	343	329	320	313	327	318

Sources: Office of the Idaho State Controller; Idaho Departments of Juvenile Corrections, Health and Welfare, Transportation, Environmental Quality, Fish and Game, Lands, and Parks and Recreation; and Idaho colleges and universities.

Note: The Idaho State Tax Commission, the Department of Commerce, and the Department of Labor are not capital-asset intensive.

¹In fiscal year (FY) 2014 Idaho State Police ordered more vehicles and related equipment than in prior years.

²FY2010-2014 include leased buildings and have been restated.

³Highway lane miles and acres of land for FY2014 are based on estimates.

⁴Idaho Department of Transportation (ITD) vehicles and heavy equipment have been restated for FY2005-2013. During FY2014 ITD actively reduced the amount of heavy equipment.



Schedule 17 - Assets, Liabilities, and Fund Balances

General Fund Accounts

June 30, 2014

(dollars in thousands)

	State General Account	Permanent Building	Budget Stabilization	Millennium
ASSETS				
Cash and Cash Equivalents	\$2			
Pooled Cash and Investments	284,346	\$52,343	\$170,191	\$32,306
Investments		11,015		(1)
Securities Lending Collateral	93,601		82,656	
Accounts Receivable, Net	283	(1)		12,500
Taxes Receivable, Net	483,886	3,075		
Interfund Receivables	5,647	1,144		
Inventories and Prepaid Items	2,504	67		
Loans, Notes, and Pledges Receivable, Net				
Other Assets	421	42	366	
Restricted Assets:				
Cash and Cash Equivalents				4
Investments				219,074
Total Assets	870,690	67,685	253,213	263,883
Total Assets and Deferred Outflows of Resources	\$870,690	\$67,685	\$253,213	\$263,883
LIABILITIES				
Accounts Payable	\$230,057	\$3,173		\$101
Payroll and Related Liabilities	15,015	120		
Interfund Payables	1,792	7		
Due to Other Entities	42		\$37	
Unearned Revenue	227	5,862		
Amounts Held in Trust for Others	2,035			
Obligations Under Securities Lending	94,975		83,869	
Other Accrued Liabilities	237	998	14	
Total Liabilities	344,380	10,160	83,920	101
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows	297,020	60		12,500
Fund Balances				
Nonspendable:				
Inventories and Prepaid Items	2,504	67		
Noncurrent Receivables				
Restricted				227,026
Committed		57,398		
Assigned	4,275			
Unassigned	222,511		169,293	24,256
Total Fund Balances	229,290	57,465	169,293	251,282
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$870,690	\$67,685	\$253,213	\$263,883

Income Earnings	Sales Tax	Income Tax Refunds	Catastrophic Health Care	Legislative	Warrant Deficiency	Miscellaneous	Total
\$124,290	\$43,025	\$2,478	\$3,177	\$3,676	(\$17,983)	\$1,466	\$1,468
127						104,835	802,684
61,270						23,607	34,748
						52,203	289,730
					8,217	1,484	22,483
346	19,227	84,548				652	591,734
10						256	7,057
					9,026	326	11,923
						2,228	2,228
271						334	1,434
	466					2,228	2,698
						1,183	220,257
186,314	62,718	87,026	3,177	3,676	(740)	190,802	1,988,444
\$186,314	\$62,718	\$87,026	\$3,177	\$3,676	(\$740)	\$190,802	\$1,988,444
\$408			\$156			\$1,592	\$235,487
48				\$145	\$57	1,649	17,034
487						2	2,288
27	\$62,627					23	62,756
						2,123	8,212
						21,531	23,566
62,170						52,969	293,983
3						31	1,283
63,143	62,627		156	145	57	79,920	644,609
	1,746	\$65,754				32	377,112
					9,026	326	11,923
						89	89
		21,272				4,329	252,627
123,171			3,021			79,853	263,443
				3,531	173	45,107	53,086
	(1,655)				(9,996)	(18,854)	385,555
123,171	(1,655)	21,272	3,021	3,531	(797)	110,850	966,723
\$186,314	\$62,718	\$87,026	\$3,177	\$3,676	(\$740)	\$190,802	\$1,988,444

Schedule 18 - Revenues, Expenditures, and Changes in Fund Balances

General Fund Accounts

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

	State General Account	Permanent Building	Budget Stabilization	Millennium	Income Earnings
REVENUES					
Sales Tax	\$1,149,562	\$5,000			
Individual and Corporate Taxes	1,470,642	6,764			\$503
Other Taxes	21,638	28,191			3,937
Licenses, Permits, and Fees	8,915				1,211
Sale of Goods and Services	1,015	135			4,389
Grants and Contributions	37				28
Investment Income	9,515	694	\$1	\$31,826	487
Tobacco Settlement				27,450	
Other Income	2,330	34			91
Total Revenues	2,663,654	40,818	1	59,276	10,646
EXPENDITURES					
Current:					
General Government	92,055	28,484		1,409	34
Public Safety and Correction	259,641			2,402	1,839
Health and Human Services				2,649	3,791
Education	108,539				1,330,017
Economic Development	21,222				643
Natural Resources	16,609				
Capital Outlay	13,633	21,979			1,663
Intergovernmental Revenue Sharing	22,367			64	5,068
Debt Service:					
Principal Retirement	885	201			
Interest and Other Charges	11,889	123			
Total Expenditures	546,840	50,787		6,524	1,343,055
Revenues Over (Under) Expenditures	2,116,814	(9,969)	1	52,752	(1,332,409)
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	209				
Transfers In	2,814,241	81,286	28,657	13,013	1,458,921
Transfers Out	(4,976,792)	(55,747)		(13,015)	(105,785)
Total Other Financing Sources (Uses)	(2,162,342)	25,539	28,657	(2)	1,353,136
Net Changes in Fund Balances	(45,528)	15,570	28,658	52,750	20,727
Fund Balances - Beginning of Year, as Restated	274,818	41,895	140,635	198,532	102,444
Fund Balances - End of Year	\$229,290	\$57,465	\$169,293	\$251,282	\$123,171

Sales Tax	Income Tax Refunds	Catastrophic Health Care	Legislative	Warrant Deficiency	Miscellaneous	General Account Transfer Eliminations	Total
\$210,628	\$3,798				\$4,762		\$1,373,750
	10,894				9,132		1,497,935
	8,707				711		63,184
		\$101		\$98	8,289		18,614
				41	23,871		29,451
					15,562		15,627
		71			1,489		44,083
							27,450
		2,759		7,210	28,157		40,581
210,628	23,399	2,931		7,349	91,973		3,110,675
			\$6,052	82	12,306		140,422
					6,490		270,372
		28,543			16		34,999
		1			44,796		1,483,353
				387	18,978		41,230
				21,286	4,043		41,938
		1	77	121	3,700		41,174
223,224	459				3,532		254,714
							1,086
							12,012
223,224	459	28,545	6,129	21,876	93,861		2,321,300
(12,596)	22,940	(25,614)	(6,129)	(14,527)	(1,888)		789,375
					89		298
		34,830	6,149	11,876	69,016	(\$4,327,900)	190,089
	(26,155)	(6,431)			(57,600)	4,327,900	(913,625)
	(26,155)	28,399	6,149	11,876	11,505		(723,238)
(12,596)	(3,215)	2,785	20	(2,651)	9,617		66,137
10,941	24,487	236	3,511	1,854	101,233		900,586
(\$1,655)	\$21,272	\$3,021	\$3,531	(\$797)	\$110,850		\$966,723

Schedule 19 - Miscellaneous Statistics

State Facts		Twenty Largest Communities in Idaho		
				2005
State Capital	Boise	Boise	190,122	214,237
Admitted to the Union	July 3, 1890	Nampa	68,156	86,518
Nickname	The Gem State	Meridian	44,962	83,596
Motto	Esto Perpetua (Let It Be Perpetual)	Idaho Falls	52,148	58,292
Population	1,636,800	Pocatello	50,723	54,350
Highest Elevation Point	Mt. Borah	Caldwell	32,718	48,957
	12,662 Feet Above Sea Level	Coeur d'Alene	38,388	46,402
Lowest Elevation Point	Snake River at Lewiston	Twin Falls	37,619	45,981
	710 Feet Above Sea Level	Lewiston	31,028	32,401
Number of Lakes	More Than 2,000	Post Falls	21,351	29,357
State Bird	Mountain Bluebird	Rexburg	24,733	26,520
State Fish	Cutthroat Trout	Moscow	21,900	24,534
State Flower	Syringa	Eagle	16,176	21,646
State Gem Stone	Idaho Star Garnet	Kuna	N/A	16,532
State Horse	Appaloosa	Ammon	N/A	14,460
State Insect	Monarch Butterfly	Chubbuck	10,492	14,125
State Song	"Here We Have Idaho"	Mountain Home	11,427	13,805
State Tree	Western White Pine	Hayden	11,086	13,681
		Blackfoot	10,707	11,854
		Garden City	11,173	11,260

Source: *Idaho Blue Book, 2013-2014*

Source: *Idaho Blue Book, 2013-2014*

Idaho Fiscal Facts, 2014

Source: *Idaho Fiscal Facts, 2005 & 2014*

Land Area and Use		Idaho Commodity Rankings		
<i>(in square miles)</i>		Commodity	U.S. Rank	U.S. %
Land Area	83,557	Potatoes	1	31
Water Area	880	Austrian Winter Peas	2	35
Federal Land	52,715	Wrinkled Seed Peas	2	30
Total Non-Federal Land	30,842	Barley	2	24
Total Rural Land	79,379	Sugarbeets	2	18
Agricultural Land	12,534	All Mint	3	21
Range Land	34,258	Hops	3	7
Forest Land	32,587	Lentils	4	7
		Dry Edible Peas	4	4
		Dry Edible Beans	5	9
		Sweet Cherries	5	1
		All Wheat	7	4
		Apples	9	1
		All Hay	5	4

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

Source: *Idaho Blue Book, 2013-2014*

Idaho Fiscal Facts, 2014

Source: *Idaho Fiscal Facts, 2014*



Perrine Bridge



Boise Skyline

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