

State of Idaho



2017 Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2017



Bayhorse Ghost-Town

On the cover: Perrine Bridge

All photos Courtesy of Idaho Tourism

State of

IDAHO

Comprehensive Annual Financial Report



For the Fiscal Year Ended June 30, 2017

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



Brandon D Woolf
State Controller

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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, 2017

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Introductory Section



Bruneau Sand Dunes



STATE OF IDAHO
OFFICE OF THE STATE CONTROLLER
Brandon D Woolf

December 20, 2017

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, 2017, in accordance with Idaho Code Section 67-1001. This report represents Idaho's continued commitment to sound and effective fiscal management and 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 that the financial statements are free from material misstatement. I am confident the information 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 Division of the Idaho Legislature has audited the State's basic financial statements for the fiscal year ended June 30, 2017. 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 Division 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 1.7 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 (STARS) 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 118 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. Overall increases in the reserve funds indicate the State's continued economic stability and growth.

Fund and Idaho Code	FY17 End Balances	Dollar Change
Budget Stabilization (57-814)	\$ 318.8 M	\$ 55.5 M
Economic Recovery (67-3520)	5.1 M	(15.0) M
Public Education Stabilization (33-907)	85.0 M	(3.6) M
Higher Education Stabilization (33-3726)	8.9 M	5.8 M
Totals	<u>\$ 417.8 M</u>	<u>\$ 42.7 M</u>

Note 14 contains additional detailed information regarding reserve funds.

Economy

The unemployment rate within the state met a historic low in August, registering at 2.9 percent with workforce holding around the 825,000 jobs level this year. While baby boomers are retiring, holding back on the workforce, more people are working, lightening the unemployment level. The statistics revealing that Idaho's economy, which most economist would consider, to be at or very near full employment.

Opportunities are not only becoming available for individual workers, but also for industries and communities. Projects such as Clearwater Paper's installation of a new chemical digester for its pulp mill, Micron's expansion (to be completed in 2018), Twin Fall's fire department expansion, Caldwell's redeveloping of its downtown, and Lewiston's plans to upgrade storm water system are some of the specific opportunities around the state.

Although housing starts are leveling off nationally and the apartment vacancy rates are up at 4.5 percent from 4.1 percent a year ago, rising home values have not yet seen a real slowing. Typical reports for the major metro counties in Idaho record at least 5 percent price appreciation. From

10,800 in 2017, single family home starts are expected to rise to 13,400 in 2021 and average of 1,900 multi-family housing units per year.

Food processing and export is another important part of Idaho's economy. It includes companies such as ZoRoCo, Simplot, and the Caviness Group. Despite many positive as well as negative variances, food processing in Idaho has grown 3.1 percent per year since 2011, and is anticipated to grow 3.2 percent through 2021.

The State's mining provides opportunities in several parts of the state. Phosphate mining in southeast Idaho provides some diversification and many jobs. New projects are in-line to provide jobs for more rural parts of the state, such as Salmon and Blackfoot.

Idaho forestry, through Good Neighbor Authority (GNA), aids the United States Forest Service with timber sales. Standing dead trees in 11 western states represent roughly 17 percent of the standing trees. With GNA deals in four national forests within Idaho, around 65 million board feet of lumber will be extracted in 3-5 years. Currently, the wood industry employs 7,800 workers, and is expected to grow through 2021 when almost 8,600 workers are expected to be working in the field.

Statewide, population is expected to expand by 1.5 percent on average each year, Personal Income is expected to rise by 1.3 percent per year, and total nonfarm jobs to reach 770,100 by 2021, up 1.8 percent on average, per year.

Long-Term Financial Planning

Indications appear to show a continued upward trend in General Fund revenues. In January 2017 economists projected fiscal year 2018 General Fund receipts to be \$3.5 billion; the revised number as of August 2017 projects receipt collection will be \$3.6 billion. Revenue forecasts for fiscal year 2018 predict individual income tax collections of \$1.7 billion, sales tax collections of \$1.4 billion, corporate income tax collections of \$225.1 million, and product tax collections of \$58.3 million.

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. As of June 30, 2017, \$797.2 million has been borrowed from issued bonds.

Major Initiatives

- The Department of Health and Welfare received an appropriation of \$2.9 billion in fiscal year 2018, an increase of 2.9 percent from the previous year. Medicaid spending represents 79.9 percent of the Department's total appropriation. Federal funding provided 61.3 percent of the Department's total appropriation. General Fund funding for Medicaid increased 3.6 percent.
- The Public Schools' appropriation is \$2.0 billion for fiscal year 2018, a General Fund increase of \$100.6 million and a \$114.7 million overall increase from fiscal year 2017. Some of the highlights of the increased appropriation include:
 - \$62 million for teacher compensation
 - \$23 million for operational support
 - \$7 million for 3 percent base salary increase
 - \$5 million for classroom technology
 - \$5 million for information technology staff
- A total appropriation of \$247.1 million for the Department of Correction in fiscal year 2018 is an overall increase of 1 percent from the prior year.

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, 2016. This is the 20th 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 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

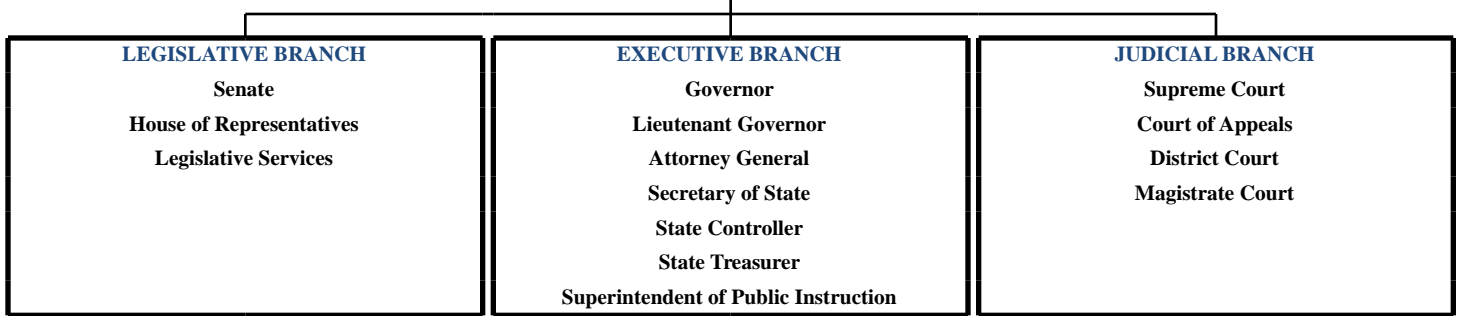
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



Citizens of Idaho



State Entities by Function

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



Statewide Elected Officials

IDAHO



C.L. "Butch" Otter
Governor



Lawrence Denney
Secretary of State



Brandon D Woolf
State Controller



Brad Little
Lieutenant Governor



Ron G. Crane
State Treasurer



Lawrence G. Wasden
Attorney General



Sherri Ybarra
*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



Sawtooth Mountains



Legislative Services Office

Idaho State Legislature

Eric Milstead
Director

Serving Idaho's Citizen Legislature

December 20, 2017

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, 2017, 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, Idaho Fish and Wildlife Foundation, 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, IDEal Idaho College Savings Program, Idaho Individual High 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 (including The Housing Company, a discretely presented component unit of 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:

Opinion Unit	Percent of Assets	Percent of Revenues
Governmental Activities	36.2%	4.9%
Business-Type Activities	70.1%	71.8%
Aggregate Discretely Presented Component Units	98.7%	98.2%
General Fund	62.4%	0.2%
Health and Welfare Fund	14.2%	0.2%
Transportation Fund	73.8%	0.4%
Land Endowments Fund	96.4%	99.9%
College and University Fund	100.0%	100.0%

Mike Nugent, Manager
Research & Legislation

Paul Headlee, Manager
Budget & Policy Analysis

April Renfro, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

Unemployment Compensation Fund	25.4%	1.4%
Loan Fund	30.7%	8.9%
Aggregate Remaining Fund Information	98.3%	84.3%

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Boise State University Foundation, Eastern Idaho Technical College Foundation, Idaho State University Foundation, Idaho Fish and Wildlife Foundation, Idaho Housing and Finance Association (including The Housing Company, a discretely presented component unit of the Idaho Housing and Finance Association), and the Public Employees' Deferred Compensation Plan were not audited in accordance with *Government Auditing Standards*, and accordingly, are not covered by our report in accordance with *Government Auditing Standards*.

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, 2017, 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 other required supplementary 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 were 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 written in a cursive, flowing style.

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

INTRODUCTION

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, 2017. Please read it in conjunction with the transmittal letter, which can be found on page vi of the Introductory Section, and the financial statements beginning 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 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 state functions *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, loans to cities and counties to make improvements to wastewater and drinking water systems, and lottery and liquor sales.

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, college and university foundations, Petroleum Clean Water Trust Fund, Idaho Individual High Risk Reinsurance Pool, Idaho Small Employer Health Reinsurance Program, Idaho Bond Bank Authority, and 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 (pages 21 and 25) reconcile the amounts reported on the governmental fund financial statements (short-term focus) with governmental activities and balances reported

on the appropriate government-wide statements (long-term focus). 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 or 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 primarily 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 notes to the financial statements are followed by required supplementary information that further supports the information in the financial statements. The Required Supplementary Information section begins on page 116 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 130, 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 \$13.0 billion for the most recent fiscal year. The State's

combined net position increased \$856.0 million over the course of this fiscal year's operations. Net position of governmental activities increased \$738.8 million and business-type activities' net position increased \$117.2 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, 2017 and 2016 <i>(dollars in thousands)</i>						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016*	2017	2016*	2017	2016*
Assets						
Current and Other Assets	\$ 5,536,979	\$ 5,525,434	\$ 2,039,623	\$ 1,920,166	\$ 7,576,602	\$ 7,445,600
Capital Assets	6,675,259	6,546,160	1,196,931	1,199,483	7,872,190	7,745,643
Total Assets	12,212,238	12,071,594	3,236,554	3,119,649	15,448,792	15,191,243
Deferred outflows of Resources	215,727	208,502	48,236	48,526	263,963	257,028
Total Assets and Deferred Outflows of Resources	12,427,965	12,280,096	3,284,790	3,168,175	15,712,755	15,448,271
Liabilities						
Other Liabilities	524,790	988,209	129,156	143,863	653,946	1,132,072
Long-Term Liabilities	1,340,919	1,331,060	613,134	571,600	1,954,053	1,902,660
Total Liabilities	1,865,709	2,319,269	742,290	715,463	2,607,999	3,034,732
Deferred Inflows of Resources	54,586	191,986	10,397	37,820	64,983	229,806
Total Liabilities and Deferred Inflows of Resources	1,920,295	2,511,255	752,687	753,283	2,672,982	3,264,538
Net Position:						
Net Investment in Capital Assets	5,963,951	5,793,691	764,323	758,031	6,728,274	6,551,722
Restricted	3,397,251	3,028,105	1,450,042	1,353,036	4,847,293	4,381,141
Unrestricted	1,146,468	947,045	317,738	303,825	1,464,206	1,250,870
Total Net position	\$ 10,507,670	\$ 9,768,841	\$ 2,532,103	\$ 2,414,892	\$ 13,039,773	\$ 12,183,733

*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, 51.6 percent (\$6.7 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 37.2 percent (\$4.8 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 11.2 percent (\$1.5 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:

Changes in Net Position For the Fiscal Years Ended June 30, 2017 and 2016 <i>(dollars in thousands)</i>							
	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percent Change
	2017	2016*	2017	2016*	2017	2016*	
Revenues							
Program Revenues							
Charges for Services	\$ 870,151	\$ 783,468	\$ 1,139,214	\$ 1,129,831	\$ 2,009,365	\$ 1,913,299	5.0
Operating Grants and Contributions	2,869,284	2,676,844	293,977	291,830	3,163,261	2,968,674	6.6
Capital Grants and Contributions	12,425	11,021	23,533	17,200	35,958	28,221	27.4
General Revenues							
Sales Tax	1,636,125	1,580,542			1,636,125	1,580,542	3.5
Individual and Corporate Taxes	1,848,281	1,518,740			1,848,281	1,518,740	21.7
Other Taxes	562,693	587,288			562,693	587,288	(4.2)
Other	37,833	44,032			37,833	44,032	(14.1)
Total Revenues	7,836,792	7,201,935	1,456,724	1,438,861	9,293,516	8,640,796	7.6
Expenses							
General Government	507,700	487,106			507,700	487,106	4.2
Public Safety and Correction	410,975	398,539			410,975	398,539	3.1
Health and Human Services	2,668,755	2,697,376			2,668,755	2,697,376	(1.1)
Education	2,089,048	1,955,642			2,089,048	1,955,642	6.8
Economic Development	862,427	847,761			862,427	847,761	1.7
Natural Resources	295,879	278,100			295,879	278,100	6.4
Interest Expense	15,879	45,271			15,879	45,271	(64.9)
College and University			1,106,464	1,063,222	1,106,464	1,063,222	4.1
Unemployment Compensation			108,022	108,187	108,022	108,187	(0.2)
Loan			8,119	7,537	8,119	7,537	7.7
State Lottery			192,314	185,115	192,314	185,115	3.9
State Liquor			162,792	153,901	162,792	153,901	5.8
Correctional Industries			9,102	8,960	9,102	8,960	1.6
Total Expenses	6,850,663	6,709,795	1,586,813	1,526,922	8,437,476	8,236,717	2.4
Increase (Decrease) in Net Position before Transfers	986,129	492,140	(130,089)	(88,061)	856,040	404,079	111.8
Transfers	(247,300)	(233,723)	247,300	233,723			
Change in Net Position	738,829	258,417	117,211	145,662	856,040	404,079	111.8
Net Position, Beginning of Year, as Restated	9,768,841	9,510,424	2,414,892	2,269,230	12,183,733	11,779,654	3.4
Net Position, End of Year	\$ 10,507,670	\$ 9,768,841	\$ 2,532,103	\$ 2,414,892	\$ 13,039,773	\$ 12,183,733	7.0

*Amounts in these columns have been restated.

The Total Percent Change column shows the percentage change in operation from fiscal year 2016 to 2017 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., 64.9 percent decrease for Interest Expense of \$29.4 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., 6.8 percent increase for Education of \$133.4 million).

Governmental Activities

Revenues

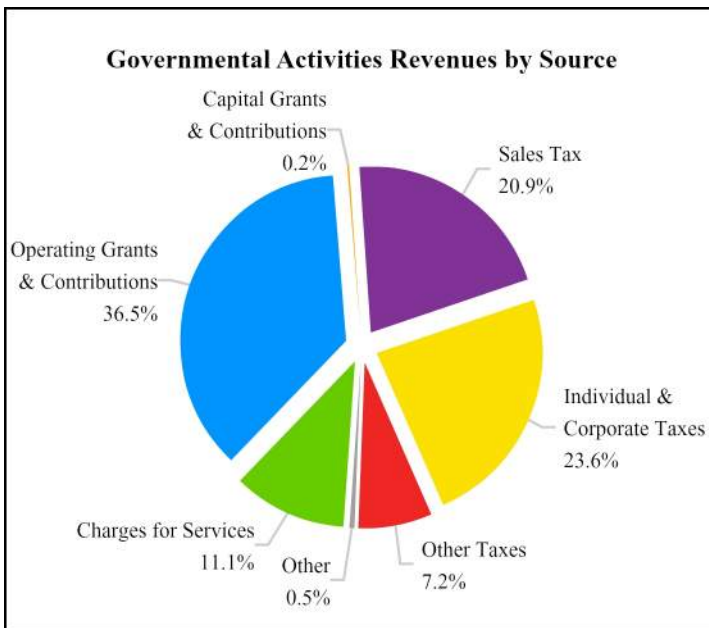
The overall financial position for Governmental Activities significantly improved during the fiscal year, as evidenced by the 7.6 percent (\$738.8 million) increase in net position. Revenues continued to outpace expenses increasing in most categories. Individual and corporate income taxes revenue increased 21.7 percent (\$329.5 million). Operating grant revenue increased 7.2 percent (\$192.4 million), primarily due to large increases in the fair market value of Endowment Fund Investment Board investments. Increased collection of employee insurance premiums, sale of Public School Endowment land, and across the board increases to the fair value of investments helped revenue from charges for services rise 11.1 percent (\$86.7 million). Sales Tax revenue improved 3.5 percent (\$55.6 million), while Other

Taxes revenue dropped 4.2 percent (\$24.6 million) mainly due to decreased fuel tax collections.

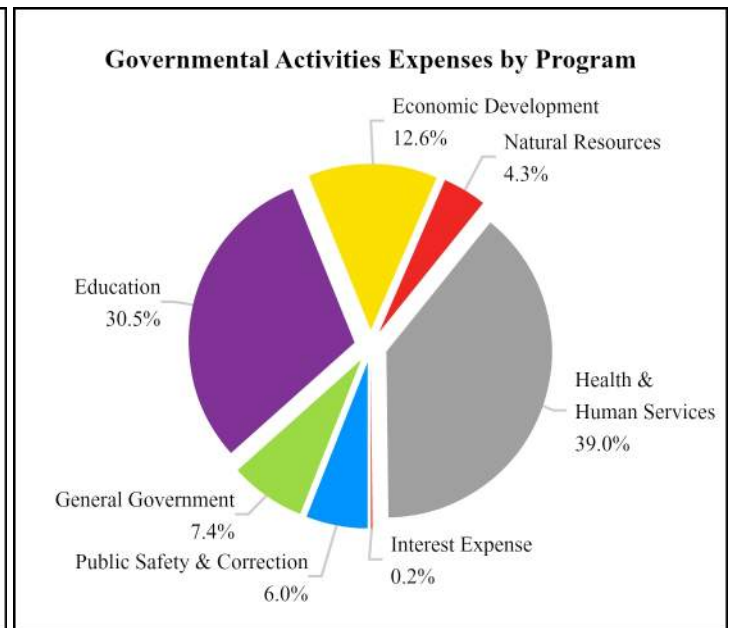
Expenses

Overall expenses for the State increased 2.1 percent (\$140.9 million). Education expenses rose 6.8 percent (\$133.4 million) primarily due to an increase in the distributions of public school funds for the third consecutive year. Expenses for natural resources grew 6.4 percent (\$17.8 million) because of increased land purchases and employee costs. General government expenses increased 4.2 percent (\$20.6 million) due to the increased cost of insurance premiums. Finally, health and human services expenses experienced a 1.1 percent (\$28.6 million) decrease from the prior year primarily due to a reduction in machinery and equipment purchases.

The following charts depict revenues and expenses of the governmental activities for fiscal year ended June 30, 2017:



Total Revenues = \$7.8 billion



Total Expenses = \$6.9 billion

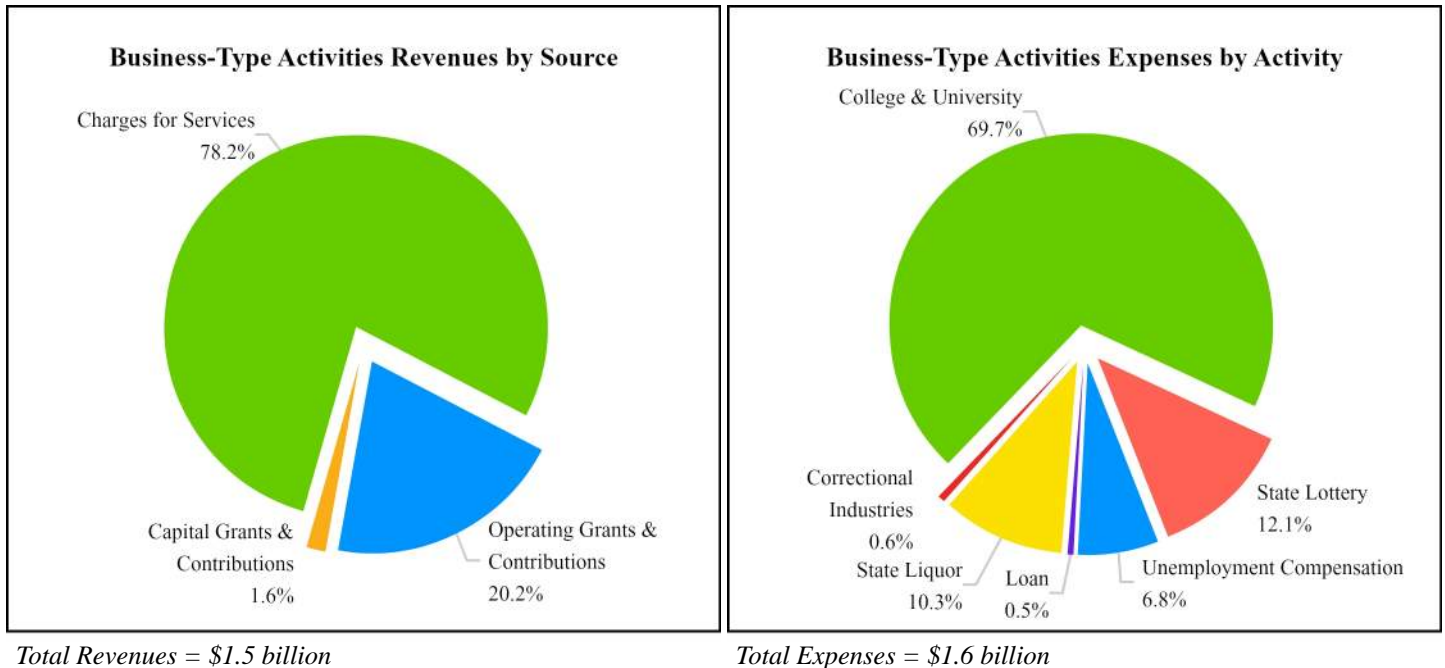
Business-Type Activities

Business-type activities' net position increased by 4.9 percent (\$117.2 million) during the fiscal year. The largest changes were seen in the following funds:

- The College and University fund net position increased by 2.1 percent (\$23.2 million) from the prior year to \$1.1 billion. Operating expenses grew 4.1 percent (\$43.2 million) mainly due to a \$34.7 million uptick in wage and salary costs.

- Unemployment Compensation fund net position improved 11.1 percent (\$77.9 million) due to sustained collection of unemployment assessments and Idaho's low unemployment 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 \$4.5 billion, an increase of \$473.2 million in comparison with fiscal year 2016. The governmental fund balance is classified as follows:

- *Nonspendable* either due to its form or legal constraints such as permanent trusts: \$1.5 billion (33.9 percent)
- *Restricted* for a specific purpose either by creditors, grantors, constitutional provisions, or enabling legislation: \$1.8 billion (39.6 percent)
- *Committed* for specific purposes by the Legislature or for satisfying contractual requirements: \$442.8 million (9.8 percent)
- *Assigned* for a specific purpose as that intent is expressed by the Legislature or by a governing body or official to whom the Legislature has delegated the authority: \$117.3 million (2.6 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: \$640.3 million (14.2 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 the fund balance increased

12.3 percent (\$161.1 million) primarily due to a hefty \$157.5 million increase in individual and corporate tax revenue.

- The Health and Welfare fund balance decreased 311.2 percent (\$14.1 million) during the fiscal year. The primary driver of the fund balance decline was an increase in incurred but uncollected medical assistance payments for Medicaid and rehabilitation services.
- The Transportation fund balance increased 11.5 percent (\$40.2 million) during the fiscal year primarily due to a significant decrease in capital outlay for infrastructure, machinery, and equipment.
- The Land Endowments fund balance increased 13.4 percent (\$249.8 million) from the prior year primarily due to strong investment returns and the ongoing sales of endowment land.
- The Nonmajor Governmental fund balance increased 6.9 percent (\$36.1 million) during the fiscal year. Increases in revenues and decreases in expenditures across most categories contributed to the net position gain.

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 revenues for the fiscal year ended on a strong note coming in at \$4.1 billion. Most of the General Fund revenue comes from various types of tax collections; these collections increased 8.3 percent over 2016. The sum of the collections increase significantly surpassed the 5.4 percent projected growth. All five collection categories contributed to the fiscal year 2017 surplus. Individual income tax receipts (\$1.7 billion) topped the forecast by 3.8 percent (\$60.3 million). Corporate income tax receipts (\$214.0 million) came in 5.7 percent (\$11.6 million) above forecast (\$202.5 million). Sales tax contributions (\$1.4 billion) exceeded projections by 0.2 percent (\$2.7 million). Product tax revenue (\$58.1 million) for the year surpassed anticipated collections (\$56.9 million) by 2.1 percent (\$1.2 million). And miscellaneous sources (\$142.7 million) exceeded projections (\$124.6 million) by

14.5 percent (\$18.0 million). The cash balance carried over into fiscal year 2017 was 73.4 million. Overall, General Fund receipts were \$264.7 million more in fiscal year 2017 than in fiscal year 2016.

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 \$202.1 million (5.4 percent). The natural resources function within the General Fund reported a negative variance of \$14.3 million stemming from fire suppression deficiency warrants. This deficit is allowed by statute and will be funded with future appropriations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2017 the State had \$7.9 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 \$181.3 million.

Capital Assets as of June 30, 2017 and 2016						
<i>(Net of depreciation, dollars in thousands)</i>						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016*	2017	2016	2017	2016*
Land and Land Use Rights	\$ 1,100,814	\$ 1,092,300	\$ 131,224	\$ 132,361	\$ 1,232,038	\$ 1,224,661
Capital Assets in Progress	1,085,521	1,021,578	12,901	45,325	1,098,422	1,066,903
Infrastructure-not Depreciated	2,727,379	2,691,875			2,727,379	2,691,875
Historical Art and Collections	122	122	2,392	2,396	2,514	2,518
Buildings and Improvements	569,438	582,636	917,523	883,912	1,486,961	1,466,548
Improvements Other Than Buildings	74,148	67,563	30,717	29,234	104,865	96,797
Machinery, Equipment, and Other	293,153	250,153	102,174	106,252	395,327	356,405
Infrastructure-Depreciated	824,684	839,933			824,684	839,933
Total	\$ 6,675,259	\$ 6,546,160	\$ 1,196,931	\$ 1,199,480	\$ 7,872,190	\$ 7,745,640

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

This year's major capital asset additions include \$160.6 million spent for infrastructure assets, which includes capital assets in progress (\$118.3 million), roadways (\$40.5 million), and rights-of-way (\$1.8 million).

The State uses the traditional method of depreciation for its 1,823 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 12,274 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 15.4 percent of its road surfaces in poor or very poor condition. During fiscal year 2017 the State spent \$128.8 million to maintain Idaho's road surfaces. This amount is 14.4 percent (\$16.2 million) more than the estimated amount of \$112.5 million required 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.

During fiscal year 2017, the Idaho Housing Finance Association did not issue any new GARVEE debt for highway projects. The notes payable ending balance for highway projects was \$562.0 million.

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. And Moody's assigned Aa1 to Idaho Bond Bank Authority revenue bonds 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 nine-tenths since last year's report to 2.9 percent in August 2017, its lowest level in 10 years. The State's labor force grew over the last year from 816,697 in August 2016 to 819,848 in August 2017. The national unemployment rate in August was 4.4 percent. Idaho's rate has remained below the national rate for 16 years. Total state employment in September was 796,430, up from 785,732 in 2016.

Revenue projections for fiscal year 2018 represent another consecutive year of economic growth in the state. Fiscal year 2018 General Fund revenues are expected to grow 3.8 percent (\$130.9 million).

The overall General Fund budget for fiscal year 2018 is \$3.5 billion (5.4 percent increase). Medicaid received \$531.9 million (2.4 percent increase); and the Department of Correction received \$220.4 million (2.4 percent increase). The Legislature approved an

ongoing 3 percent merit-based salary increase for state employees. The State's budget reserves increased \$42.7 million during fiscal year 2017.

The Legislature moved aggressively for the third consecutive year to bolster the State's public education system. The Legislature approved the following General Fund appropriation increases related to education:

- Public schools (K-12): 6.3 percent (\$100.6 million)
- Community colleges: 6.7 percent (\$2.5 million)
- Career technical education: 5.3 percent (\$3.3 million)

Finally, the Legislature moved to address long-term projects as well as harsh winter damage from last winter. Legislation included authorization of \$300.0 million in GARVEE bonds and usage of \$15.2 million in sales tax revenue to address state and local transportation projects.

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, please contact:

Office of the State Controller
700 West State Street, P.O. Box 83720
Boise, Idaho 83720-0011
(208) 334-3150, cafr@sco.idaho.gov

Basic Financial Statements



Lewiston

Statement of Net Position

June 30, 2017

(dollars in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 13,037	\$ 620,241	\$ 633,278	\$ 50,045
Pooled Cash and Investments	1,583,205	199,158	1,782,363	2,777
Investments	2,368,736	439,271	2,808,007	544,638
Accounts Receivable, Net	117,988	137,518	255,506	42,257
Taxes Receivable, Net	468,812		468,812	
Internal Balances	12,938	(12,938)		
Due from Other Entities	251,890		251,890	
Inventories and Prepaid Items	61,480	29,480	90,960	607
Due from Primary Government				604,527
Due from Component Unit		2,443	2,443	
Loans, Notes, and Pledges Receivable, Net	8,485	397,776	406,261	970,804
Other Assets	115,750	12,564	128,314	8,975
Restricted Assets:				
Cash and Cash Equivalents	127,172	96,933	224,105	135,641
Investments	407,486	117,177	524,663	304,881
Capital Assets:				
Nondepreciable	4,913,836	146,517	5,060,353	8,251
Depreciable, Net	1,761,423	1,050,414	2,811,837	82,332
Total Assets	12,212,238	3,236,554	15,448,792	2,755,735
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows	215,727	48,236	263,963	47,996
Total Assets and Deferred Outflows of Resources	\$ 12,427,965	\$ 3,284,790	\$ 15,712,755	\$ 2,803,731
LIABILITIES				
Accounts Payable	\$ 156,991	\$ 30,611	\$ 187,602	\$ 2,883
Payroll and Related Liabilities	31,097	31,012	62,109	909
Medicaid Payable	155,948		155,948	
Due to Other Entities	94,974	7,310	102,284	
Unearned Revenue	48,390	44,478	92,868	5,821
Amounts Held in Trust for Others	21,101	3,994	25,095	87,847
Due to Primary Government				13,686
Due to Component Unit		117	117	
Other Accrued Liabilities	16,289	11,634	27,923	200,311
Long-Term Liabilities:				
Due Within One Year	147,392	41,946	189,338	305,854
Due in More Than One Year	1,193,527	571,188	1,764,715	1,234,821
Total Liabilities	1,865,709	742,290	2,607,999	1,852,132
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows	54,586	10,397	64,983	1,484
NET POSITION				
Net Investment in Capital Assets	5,963,951	764,323	6,728,274	43,872
Restricted for:				
Claims and Judgments	36,933		36,933	
Debt Service	4,700		4,700	130,403
Transportation	387,105		387,105	
Regulatory	91,840		91,840	
Natural Resources and Recreation	239,675		239,675	
Unemployment Compensation		778,250	778,250	
Permanent Trust - Expendable	646,087	58,584	704,671	172,236
Permanent Trust - Nonexpendable	1,773,202		1,773,202	363,301
Other Purposes	217,709	613,208	830,917	179,668
Unrestricted	1,146,468	317,738	1,464,206	60,635
Total Net Position	10,507,670	2,532,103	13,039,773	950,115
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 12,427,965	\$ 3,284,790	\$ 15,712,755	\$ 2,803,731

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



Statement of Activities

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS				
Primary Government				
Governmental Activities				
General Government	\$ 507,700	\$ 144,390	\$ 74,624	\$ 6,703
Public Safety and Correction	410,975	45,859	10,434	
Health and Human Services	2,668,755	116,548	1,836,375	
Education	2,089,048	14,691	256,273	
Economic Development	862,427	325,848	366,138	1,207
Natural Resources	295,879	222,815	325,440	4,515
Interest Expense	15,879			
Total Governmental Activities	6,850,663	870,151	2,869,284	12,425
Business-Type Activities				
College and University	1,106,464	489,375	278,869	23,533
Unemployment Compensation	108,022	189,816	3,135	
Loan	8,119	9,648	11,973	
State Lottery	192,314	240,686		
State Liquor	162,792	199,778		
Correctional Industries	9,102	9,911		
Total Business-Type Activities	1,586,813	1,139,214	293,977	23,533
Total Primary Government	\$ 8,437,476	\$ 2,009,365	\$ 3,163,261	\$ 35,958
Component Units				
Idaho Housing and Finance Association	\$ 167,491	\$ 150,362	\$ 49,651	\$ 2,130
College and University Foundation	62,440	5,315	100,805	
Petroleum Clean Water Trust	2,616	2,793		
Health Reinsurance	819	744		
Bond Bank Authority	11,931	11,950		
Health Insurance Exchange	18,652	8,182	11,142	
Total Component Units	\$ 263,949	\$ 179,346	\$ 161,598	\$ 2,130

GENERAL REVENUES

Sales Tax
Individual and Corporate Taxes
Fuel Tax
Other Taxes
Tobacco Settlement
Unrestricted Investment Earnings

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	
\$ (281,983)		\$ (281,983)		
(354,682)		(354,682)		
(715,832)		(715,832)		
(1,818,084)		(1,818,084)		
(169,234)		(169,234)		
256,891		256,891		
(15,879)		(15,879)		
(3,098,803)		(3,098,803)		
	\$ (314,687)	(314,687)		
	84,929	84,929		
	13,502	13,502		
	48,372	48,372		
	36,986	36,986		
	809	809		
	(130,089)	(130,089)		
(3,098,803)	(130,089)	(3,228,892)		
			\$ 34,652	
			43,680	
			177	
			(75)	
			19	
			672	
			79,125	
1,636,125		1,636,125		
1,848,281		1,848,281		
331,399		331,399		
231,294		231,294		
22,964		22,964		
14,869		14,869		
(247,300)	247,300			
3,837,632	247,300	4,084,932		
738,829	117,211	856,040	79,125	
9,768,841	2,414,892	12,183,733	870,990	
\$ 10,507,670	\$ 2,532,103	\$ 13,039,773	\$ 950,115	

Balance Sheet

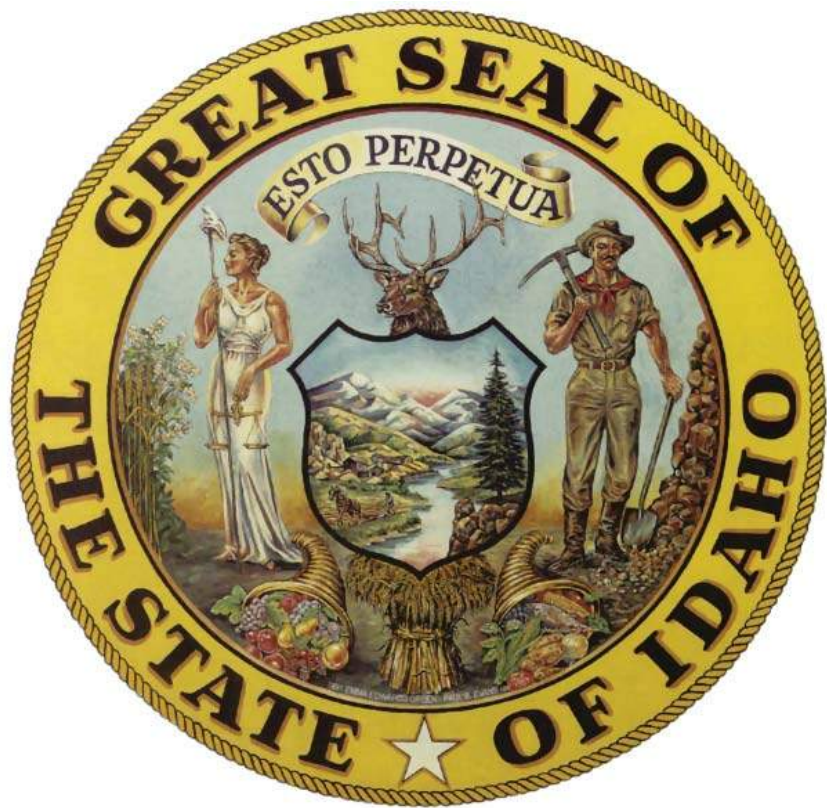
Governmental Funds

June 30, 2017

(dollars in thousands)

	General	Health and Welfare	Transportation
ASSETS			
Cash and Cash Equivalents	\$ 1,453		\$ 6
Pooled Cash and Investments	978,473	\$ 15,530	188,210
Investments	37,035	20	162,811
Accounts Receivable, Net	28,286	32,268	17,627
Taxes Receivable, Net	415,797	147	47,227
Interfund Receivables	7,789	14	22
Due from Other Entities		163,071	30,031
Inventories and Prepaid Items	11,257	7,861	20,508
Loans, Notes, and Pledges Receivable, Net	4,862		232
Other Assets	4,842	138	1,684
Restricted Assets:			
Cash and Cash Equivalents	2,197	5,888	41,951
Investments	291,014	4,523	
Total Assets	\$ 1,783,005	\$ 229,460	\$ 510,309
LIABILITIES			
Accounts Payable	\$ 26,509	\$ 21,659	\$ 45,039
Payroll and Related Liabilities	12,377	5,972	3,178
Medicaid Payable		155,948	
Interfund Payables	1,343	1,986	674
Due to Other Entities	51,731		43,241
Unearned Revenue	9,817		10,651
Amounts Held in Trust for Others	12,471	7,523	
Other Accrued Liabilities	2,583	1,448	7,008
Total Liabilities	116,831	194,536	109,791
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows	190,000	53,575	10,164
FUND BALANCES			
Nonspendable:			
Permanent Trusts			
Inventories and Prepaid Items	11,257	7,861	20,508
Noncurrent Receivables	50		
Restricted	349,697		366,597
Committed	332,704	38	3,249
Assigned	115,618		
Unassigned	666,848	(26,550)	
Total Fund Balances	1,476,174	(18,651)	390,354
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,783,005	\$ 229,460	\$ 510,309

Land Endowments	Nonmajor Governmental	Total
	\$ 11,578	\$ 13,037
\$ 79,761	282,757	1,544,731
2,026,027	93,779	2,319,672
18,793	20,893	117,867
	5,641	468,812
	1,287	9,112
	58,788	251,890
	17,837	57,463
	3,391	8,485
7,732	2,887	17,283
	40,203	90,239
	111,949	407,486
\$ 2,132,313	\$ 650,990	\$ 5,306,077
\$ 19,819	\$ 43,103	\$ 156,129
	9,073	30,600
		155,948
	1,471	5,474
	2	94,974
	9,618	30,086
	1,107	21,101
2	3,688	14,729
19,821	68,062	509,041
	24,331	278,070
1,466,405	7,298	1,473,703
	17,837	57,463
		50
646,087	424,951	1,787,332
	106,856	442,847
	1,655	117,273
		640,298
2,112,492	558,597	4,518,966
\$ 2,132,313	\$ 650,990	\$ 5,306,077



Reconciliation of the Governmental Funds Balance Sheet**To the Statement of Net Position****June 30, 2017***(dollars in thousands)*

Total Fund Balances - Governmental Funds	\$ 4,518,966
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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	\$ 1,100,813	
Capital Assets in Progress	1,085,052	
Infrastructure	3,835,244	
Historical Art and Collections	72	
Buildings and Improvements	983,566	
Improvements Other Than Buildings	128,927	
Machinery, Equipment, and Other	741,362	
Accumulated Depreciation	<u>(1,213,950)</u>	
Total Capital Assets		6,661,086

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	104,060
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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	4,190	
Hedging Derivatives	3,756	
Pension Related Deferrals	130,332	
Pension Contributions Subsequent to Measurement Date	<u>74,081</u>	
Total Deferred Outflows of Resources		212,359

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position.	107,925
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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	(54,213)	
Bonds, Notes, and Capital Leases Payable	(715,597)	
Accrued Interest on Bonds	(1,452)	
Claims and Judgments	(72,812)	
Other Long-Term Liabilities	<u>(476,965)</u>	
Total Long-Term Liabilities		(1,321,039)

Deferred Inflows of Resources benefit future periods.

The deferred inflows of resources consist of the following:

Unavailable Revenue	275,599	
Pension Related Deferrals	<u>(51,286)</u>	
Total Deferred Inflows of Resources		224,313

Net Position - Governmental Activities	\$ 10,507,670
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Statement of Revenues, Expenditures, and Changes in Fund Balances

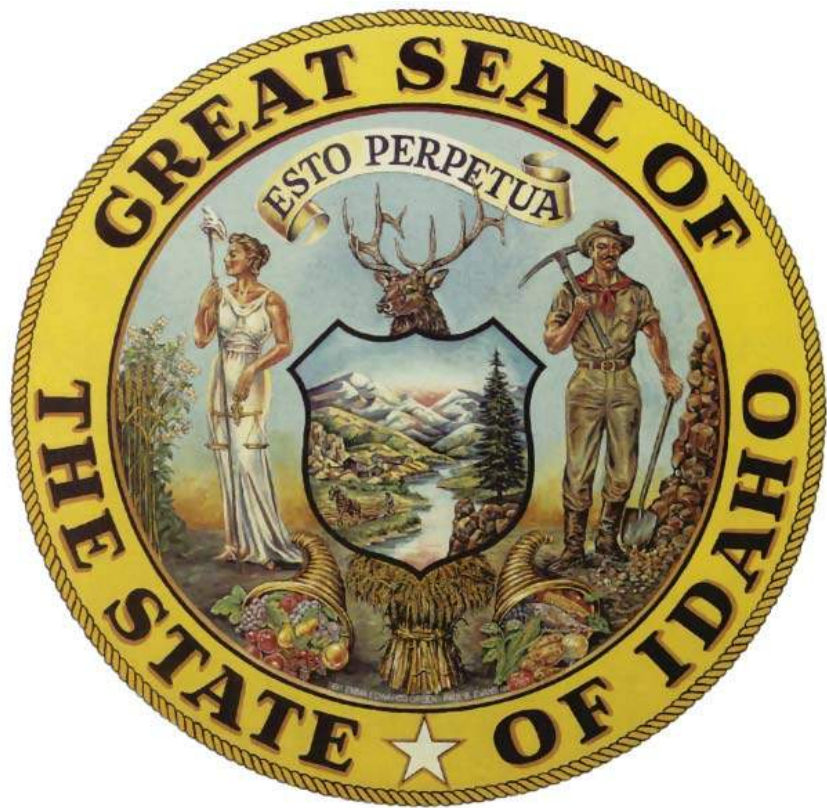
Governmental Funds

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	General	Health and Welfare	Transportation
REVENUES			
Sales Tax	\$ 1,631,295		
Individual and Corporate Taxes	1,854,351		
Other Taxes	59,845	\$ 26,584	\$ 324,198
Licenses, Permits, and Fees	25,421	20,891	180,060
Sale of Goods and Services	26,549	107,241	7,717
Grants and Contributions	16,262	1,906,929	271,017
Investment Income	47,915	134	385
Tobacco Settlement	22,964		
Other Income	36,623	(377)	1,586
Total Revenues	3,721,225	2,061,402	784,963
EXPENDITURES			
Current:			
General Government	139,844		
Public Safety and Correction	316,286	3,734	
Health and Human Services	24,696	2,647,877	
Education	1,817,866		
Economic Development	48,163		204,830
Natural Resources	55,636		
Capital Outlay	99,907	20,260	287,998
Intergovernmental Revenue Sharing	267,921	58,660	192,895
Debt Service:			
Principal Retirement	1,036		30,365
Interest and Other Charges	11,035		27,380
Total Expenditures	2,782,390	2,730,531	743,468
Revenues Over (Under) Expenditures	938,835	(669,129)	41,495
OTHER FINANCING SOURCES (USES)			
Capital Lease Acquisitions			
Sale of Capital Assets	2,655	117	16,462
Transfers In	252,679	674,735	
Transfers Out	(1,033,052)	(19,838)	(17,714)
Total Other Financing Sources (Uses)	(777,718)	655,014	(1,252)
Net Change in Fund Balances	161,117	(14,115)	40,243
Fund Balances - Beginning of Year, as Restated	1,315,057	(4,536)	350,111
Fund Balances - End of Year	\$ 1,476,174	\$ (18,651)	\$ 390,354

Land Endowments	Nonmajor Governmental	Total
	\$ 6,545	\$ 1,637,840
	24	1,854,375
	152,160	562,787
	179,291	405,663
\$ 72,613	36,283	250,403
	509,516	2,703,724
234,110	14,003	296,547
		22,964
(137)	16,427	54,122
306,586	914,249	7,788,425
	68,223	208,067
	63,050	383,070
		2,672,573
	246,566	2,064,432
	192,364	445,357
37,305	163,904	256,845
6,832	28,860	443,857
	61,089	580,565
	9,163	40,564
	5,982	44,397
44,137	839,201	7,139,727
262,449	75,048	648,698
	19	19
50,734	3,530	73,498
3,727	46,661	977,802
(67,085)	(89,151)	(1,226,840)
(12,624)	(38,941)	(175,521)
249,825	36,107	473,177
1,862,667	522,490	4,045,789
\$ 2,112,492	\$ 558,597	\$ 4,518,966



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, 2017

(dollars in thousands)

Net Change in Fund Balances - Governmental Funds		\$	473,177
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		\$	246,509
Depreciation Expense			(110,239)
			<u>136,270</u>
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.			
			(7,218)
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.			
			(50,488)
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:			
Capital Leases			(19)
			<u>(19)</u>
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			39,508
Capital Leases			1,056
			<u>40,564</u>
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			28,306
Compensated Absences			(1,072)
Claims and Judgments			96,303
Other Long-Term Liabilities			6,341
			<u>129,878</u>
Internal service funds are reported separately from governmental funds in the fund statements. In the government-wide statements, internal service funds are included with governmental activities.			
			<u>16,665</u>
Change in Net Position - Governmental Activities		\$	<u><u>738,829</u></u>

Statement of Net Position

Proprietary Funds

June 30, 2017

(dollars in thousands)

	Business-Type Activities - Enterprise Funds			
	College and University	Unemployment Compensation	Loan	Nonmajor Enterprise Funds
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 95,461	\$ 522,185	\$ 92	\$ 2,503
Pooled Cash and Investments	145,725	4,967	24,736	23,730
Investments	69,953			
Accounts Receivable, Net	76,246	58,112	1,420	1,740
Interfund Receivables	3,443	124		185
Inventories and Prepaid Items	9,449			20,031
Due from Component Unit	2,443			
Loans, Notes, and Pledges Receivable, Net	4,663		18,634	
Other Current Assets	1,053	18	5,793	229
Total Current Assets	408,436	585,406	50,675	48,418
Noncurrent Assets				
Restricted Cash and Cash Equivalents	7,371		40,188	49,374
Investments	175,910	193,408		
Restricted Investments			117,177	
Loans, Notes, and Pledges Receivable, Net	19,009		355,470	
Other Noncurrent Assets	5,463			8
Capital Assets, Net	1,154,287		30,521	12,123
Total Noncurrent Assets	1,362,040	193,408	543,356	61,505
Total Assets	1,770,476	778,814	594,031	109,923
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows	44,984			3,252
Total Assets and Deferred Outflows of Resources	\$ 1,815,460	\$ 778,814	\$ 594,031	\$ 113,175
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 18,012	\$ 19	\$ 273	\$ 12,307
Payroll and Related Liabilities	30,496			516
Interfund Payables	1,556			6,639
Due to Other Entities				7,310
Unearned Revenue	31,605		12,873	
Amounts Held in Trust for Others	3,994			
Due to Component Unit	117			
Other Accrued Liabilities	8,581	545	5	2,503
Compensated Absences Payable	21,936			734
Bonds, Notes, and Capital Leases Payable	19,225			51
Policy Claim Liabilities				
Total Current Liabilities	135,522	564	13,151	30,060
Noncurrent Liabilities				
Bonds, Notes, and Capital Leases Payable	458,975			64
Policy Claim Liabilities				
Other Long-Term Obligations	104,780			7,369
Total Noncurrent Liabilities	563,755			7,433
Total Liabilities	699,277	564	13,151	37,493
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows	9,569			828
NET POSITION				
Net Investment in Capital Assets	721,797		30,520	12,006
Restricted for:				
Claims and Judgments		778,250		
Unemployment Compensation				
Permanent Trust - Expendable	58,584			
Other Purposes			550,360	62,848
Unrestricted	326,233			
Total Net Position	1,106,614	778,250	580,880	74,854
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 1,815,460	\$ 778,814	\$ 594,031	\$ 113,175

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.

		Governmental Activities	
Total		Internal Service Funds	
\$	620,241		
	199,158	\$	38,474
	69,953		
	137,518		121
	3,752		805
	29,480		4,017
	2,443		
	23,297		
	7,093		2,889
	1,092,935		46,306
	96,933		36,933
	369,318		49,064
	117,177		
	374,479		
	5,471		14
	1,196,931		14,173
	2,160,309		100,184
	3,253,244		146,490
	48,236		3,368
\$	3,301,480	\$	149,858
\$	30,611	\$	865
	31,012		497
	8,195		
	7,310		
	44,478		18,304
	3,994		
	117		
	11,634		108
	22,670		959
	19,276		289
			3,000
	179,297		24,022
	459,039		1,714
			8,138
	112,149		7,232
	571,188		17,084
	750,485		41,106
	10,397		827
	764,323		12,659
			36,933
	778,250		
	58,584		
	613,208		54,366
	326,233		3,967
	2,540,598		107,925
\$	3,301,480	\$	149,858

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

Proprietary Funds

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	Business-Type Activities - Enterprise Funds			
	College and University	Unemployment Compensation	Loan	Nonmajor Enterprise Funds
OPERATING REVENUES				
Assessments		\$ 183,811		
Licenses, Permits, and Fees	\$ 427,381		\$ 2,566	
Scholarship Allowances	(83,220)			
Sale of Goods and Services	128,879		2,079	\$ 449,445
Grants and Contributions	154,385	3,135	11,973	
Other Income	14,681	(8)	(117)	776
Total Operating Revenues	642,106	186,938	16,501	450,221
OPERATING EXPENSES				
Personnel Costs	686,974			17,306
Services and Supplies	255,080	2	1,046	143,056
Benefits, Awards, and Premiums	60,222	108,034		160,305
Depreciation	68,465		226	1,196
Other Expenses	17,152	(14)	345	7,628
Total Operating Expenses	1,087,893	108,022	1,617	329,491
Operating Income (Loss)	(445,787)	78,916	14,884	120,730
NONOPERATING REVENUES (EXPENSES)				
Gifts and Grants	124,484			
Investment Income	1,478	6,013	5,120	119
Interest Expense	(17,274)			(8)
Intergovernmental Distributions			(2,136)	(34,709)
Gain (Loss) on Sale of Capital Assets	(1,297)		(4,366)	35
Other Nonoperating Revenues (Expenses)	176			
Total Nonoperating Revenues (Expenses)	107,567	6,013	(1,382)	(34,563)
Income (Loss) Before Contributions and Transfers	(338,220)	84,929	13,502	86,167
Capital Contributions	23,533			
Transfers In	338,644	781	2,167	
Transfers Out	(730)	(7,804)	(1,520)	(84,238)
Change in Net Position	23,227	77,906	14,149	1,929
Total Net Position - Beginning of Year, as Restated	1,083,387	700,344	566,731	72,925
Total Net Position - End of Year	\$ 1,106,614	\$ 778,250	\$ 580,880	\$ 74,854

		Governmental Activities	
Total		Internal Service Funds	
\$	183,811		
	429,947		
	(83,220)		
	580,403	\$	331,859
	169,493		151
	15,332		395
	1,295,766		332,405
	704,280		14,849
	399,184		18,572
	328,561		278,251
	69,887		1,179
	25,111		5,370
	1,527,023		318,221
	(231,257)		14,184
	124,484		
	12,730		849
	(17,282)		(93)
	(36,845)		
	(5,628)		(7)
	176		(6)
	77,635		743
	(153,622)		14,927
	23,533		
	341,592		1,738
	(94,292)		
	117,211		16,665
	2,423,387		91,260
\$	2,540,598	\$	107,925

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	Business-Type	
	College and University	Unemployment Compensation
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Assessments		\$ 181,368
Receipts from Customers	\$ 463,305	
Receipts from Interfund Services		
Receipts from Grants and Contributions	150,002	3,135
Payments to Employees	(692,176)	
Payments to Suppliers	(263,086)	(2)
Payments for Interfund Services		
Payments for Benefits, Awards, and Claims	(53,458)	(106,501)
Other Receipts	13,479	14
Other Payments	(9,689)	(8)
Net Cash Provided (Used) by Operating Activities	(391,623)	78,006
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts, Grants, and Endowments Received	125,422	
Intergovernmental Distributions		
Transfers In	338,644	781
Transfers Out	(730)	(7,804)
Proceeds from Bonds, Notes, and Loans	181,199	
Repayments of Bonds, Notes, and Loans	(177,043)	
Interest Payments		
Net Cash Provided (Used) by Noncapital Financing Activities	467,492	(7,023)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Contributions	14,303	
Proceeds from Bonds and Notes	77,755	
Principal Payments	(66,376)	
Interest Payments	(16,466)	
Proceeds from Disposition of Capital Assets	44	
Acquisition and Construction of Capital Assets	(64,165)	
Net Cash Provided (Used) by Capital and Related Financing Activities	(54,905)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of Interest and Dividends	3,293	11,828
Purchase of Investments	(319,959)	(17,738)
Redemption of Investments	288,706	
Other Investing Activities	(646)	
Net Cash Provided (Used) by Investing Activities	(28,606)	(5,910)
Net Increase (Decrease) in Cash, Cash Equivalents, and Pooled Cash	(7,642)	65,073
Beginning Cash, Cash Equivalents, and Pooled Cash	256,199	462,079
Ending Cash, Cash Equivalents, and Pooled Cash	\$ 248,557	\$ 527,152
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (445,787)	\$ 78,916
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	68,465	
Maintenance Costs Paid by Department of Public Works	1,526	
Net Changes in Assets and Liabilities:		
Accounts Receivable/Interfund Receivables	(5,774)	
Inventories and Prepaid Items	1,800	
Notes Receivable	(147)	
Other Assets	325	(1,269)
Accounts Payable/Interfund Payables	(1,102)	
Unearned Revenue		19
Compensated Absences	1,284	
Policy Claim Liabilities		
Other Accrued Liabilities	(4,715)	340
Net Changes in Deferred Outflows/Inflows of Resources	(7,498)	
Net Cash (Used) by Operating Activities	\$ (391,623)	\$ 78,006
Noncash Transactions (dollars in thousands):		

Investments decreased in fair value by \$2,128 for colleges and universities, \$5,831 for Unemployment Compensation, \$2,861 for the Loan Fund, and \$816 for Internal Service funds. Colleges and universities acquired assets of \$4,074 through donations, \$1,141 through state capital appropriations, disposed of capital assets at a loss of \$1,722, and amortization of deferred amounts on refunding and bond premiums of \$433.

Activities - Enterprise Funds			Governmental Activities
Loan	Nonmajor Enterprise Funds	Total	Internal Service Funds
		\$ 181,368	
\$ 3,934	\$ 445,720	912,959	\$ 20,587
	4,501	4,501	309,930
11,973		165,110	151
	(17,772)	(709,948)	(15,271)
(834)	(151,530)	(415,452)	(23,370)
(48)	(997)	(1,045)	(1,668)
	(161,567)	(321,526)	(277,917)
		13,493	55
(430)	(196)	(10,323)	(636)
14,595	118,159	(180,863)	11,861
		125,422	
(2,136)	(34,529)	(36,665)	1,738
2,167		341,592	
(1,520)	(84,031)	(94,085)	
		181,199	
		(177,043)	(1)
(1,489)	(118,560)	340,420	1,737
		14,303	
	66	77,821	
	(46)	(66,422)	(261)
	(8)	(16,474)	(107)
	35	79	1
(497)	(611)	(65,273)	(912)
(497)	(564)	(55,966)	(1,279)
7,848	102	23,071	1,457
(36,298)		(373,995)	(17,698)
24,204		312,910	483
(2)		(648)	(4)
(4,248)	102	(38,662)	(15,762)
8,361	(863)	64,929	(3,443)
56,655	76,470	851,403	78,850
\$ 65,016	\$ 75,607	\$ 916,332	\$ 75,407
\$ 14,884	\$ 120,730	\$ (231,257)	\$ 14,184
226	1,196	69,887	1,179
		1,526	
(11)	51	(5,734)	26
	(712)	1,088	144
		(147)	
	(491)	(1,435)	(648)
196	(2,235)	(3,141)	(1,684)
(700)		(681)	(1,260)
	(4)	1,280	42
			334
	1,614	(2,761)	(456)
	(1,990)	(9,488)	
\$ 14,595	\$ 118,159	\$ (180,863)	\$ 11,861

The Loan Fund had loan forgiveness in the amount of \$2,136 and capitalized interest of \$877. Nonmajor Enterprise funds disposed of an asset at a loss of \$17. The Internal Service funds disposed of capital assets at a loss of \$7. Nonmajor Enterprise funds recorded an interfund payable of \$207 due on July 1, 2017, and issued bonds and notes for \$66.

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2017

(dollars in thousands)

	Pension Trust	Investment Trust	College Savings Private-Purpose Trust	Agency
ASSETS				
Cash and Cash Equivalents	\$ 2,201	\$ 5,723	\$ 503	\$ 23,112
Pooled Cash and Investments	2,506			25,840
Investments:				
Pooled Short Term	228,082	396,550	11,771	
Fixed Income Investments	4,177,239	1,827,336		409,070
Marketable Securities	9,768,583			
Mutual Funds and Private Equities	1,993,098		384,750	
Mortgages and Real Estate	1,290,208	56,481		
Other Investments	2,229		12,378	
Receivables:				
Investments Sold	75,939		67	
Contributions	4,428			
Interest and Dividends	50,575	5,708		158
Interfund Receivables	2,137			
Other Receivables	405			
Other Assets	69,782			
Capital Assets, Net	11,982			
Total Assets	17,679,394	2,291,798	409,469	\$ 458,180
LIABILITIES				
Accounts Payable	913	24	285	\$ 161
Interfund Payables	2,137			
Due to Other Entities				238
Amounts Held in Trust for Others				457,123
Investments Purchased	114,076		87	
Policy Claim Liabilities	2,128			
Other Accrued Liabilities	11,782	1,895		658
Total Liabilities	131,036	1,919	372	\$ 458,180
NET POSITION				
Held in Trust For:				
Employee Pension Benefits	17,043,808			
Postemployment Healthcare Benefits	503,217			
External Investment Pool Participants		2,289,879		
Trust Beneficiaries	1,333		409,097	
Total Net Position	\$ 17,548,358	\$ 2,289,879	\$ 409,097	

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	Pension Trust	Investment Trust	College Savings Private-Purpose Trust
ADDITIONS			
Contributions			
Member	\$ 305,477		
Employer	415,080		
Transfers In from Other Plans	25,102		
Participant Deposits		\$ 4,452,105	\$ 51,658
Total Contributions	745,659	4,452,105	51,658
Investment Income:			
Net Increase (Decrease) In Fair Value of Investments	1,603,098	(16,394)	26,963
Interest, Dividends, and Other	362,515	15,822	8,278
Less Investment Expense			
Investment Activity Expense	(48,806)	(305)	
Securities Lending Interest Expense			
Net Investment Income	1,916,807	(877)	35,241
Miscellaneous Income	36		
Total Additions	2,662,502	4,451,228	86,899
DEDUCTIONS			
Benefits and Refunds Paid to Plan Members	972,712		
Transfers Out to Other Plans			
Administrative Expense	13,008		1,736
Earnings Distribution		16,799	
Participant Withdrawals	20,735	4,119,615	31,476
Total Deductions	1,006,455	4,136,414	33,212
Change in Net Position Held in Trust for:			
Employee Pension Benefits	1,596,143		
Employee Postemployment Healthcare Benefits	60,189		
External Investment Pool Participants		314,814	
Trust Beneficiaries	(285)		53,687
Net Position - Beginning of Year	15,892,311	1,975,065	355,410
Net Position - End of Year	\$ 17,548,358	\$ 2,289,879	\$ 409,097

Statement of Net Position

Component Units

June 30, 2017

(dollars in thousands)

	Idaho Housing and Finance Association	College and University Foundation	Petroleum Clean Water Trust	Health Reinsurance
ASSETS				
Cash and Cash Equivalents	\$ 26,585	\$ 8,085		\$ 5,564
Pooled Cash and Investments			\$ 2,455	
Investments	276,410	218,992	33,139	16,097
Accounts Receivable, Net	38,147	2,677	394	236
Due from Other Entities				
Inventories and Prepaid Items	400	130		
Due from Primary Government	600,395	4,132		
Loans, Notes, and Pledges Receivable, Net	597,476	25,715		
Other Current Assets	752	3,726	158	17
Restricted Assets:				
Cash and Cash Equivalents	114,775	20,866		
Investments		304,881		
Capital Assets:				
Nondepreciable	6,229	1,495		
Depreciable, Net	45,718	13,908		
Total Assets	1,706,887	604,607	36,146	21,914
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows	47,996			
Total Assets and Deferred Outflows of Resources	\$ 1,754,883	\$ 604,607	\$ 36,146	\$ 21,914
LIABILITIES				
Accounts Payable	\$ 1,143	\$ 1,653		\$ 34
Payroll and Related Liabilities	827			
Unearned Revenue	5,220	601		
Amounts Held in Trust for Others	64,197	23,650		
Due to Primary Government		13,686		
Due to Other Entities				
Other Accrued Liabilities	195,297	24	\$ 78	200
Long-Term Liabilities:				
Due Within One Year	283,452	1,426	1,328	105
Due in More Than One Year	894,128	9,649	2,921	
Total Liabilities	1,444,264	50,689	4,327	339
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows	1,484			
NET POSITION				
Net Investment in Capital Assets	20,639			
Restricted for:				
Debt Service	130,403			
Permanent Trust - Expendable		172,236		
Permanent Trust - Nonexpendable		363,301		
Other Purposes	158,093			21,575
Unrestricted		18,381	31,819	
Total Net Position	309,135	553,918	31,819	21,575
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 1,754,883	\$ 604,607	\$ 36,146	\$ 21,914

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

Bond Bank Authority	Health Insurance Exchange	Total
	\$ 9,811	\$ 50,045
\$ 322		2,777
		544,638
	803	42,257
	77	607
		604,527
347,613		970,804
4,322		8,975
		135,641
		304,881
	527	8,251
	22,706	82,332
352,257	33,924	2,755,735
		47,996
\$ 352,257	\$ 33,924	\$ 2,803,731
	\$ 53	\$ 2,883
	82	909
		5,821
		87,847
		13,686
\$ 4,322	390	200,311
19,490	53	305,854
328,123		1,234,821
351,935	578	1,852,132
		1,484
	23,233	43,872
		130,403
		172,236
		363,301
		179,668
322	10,113	60,635
322	33,346	950,115
\$ 352,257	\$ 33,924	\$ 2,803,731

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

Component Units

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	Idaho Housing and Finance Association	College and University Foundation	Petroleum Clean Water Trust	Health Reinsurance
EXPENSES				
Personnel Costs	\$ 13,603	\$ 3,307		
Services and Supplies	13,388	7,729	\$ 1,212	\$ 171
Benefits, Awards, and Premiums	47,289	50,206	1,404	643
Interest Expense	89,486	298		5
Depreciation	3,444	352		
Other Expenses	281	548		
Total Expenses	167,491	62,440	2,616	819
PROGRAM REVENUES				
Charges for Services:				
Licenses, Permits, and Fees	29,565		2,462	
Sale of Goods and Services	5,951	43		588
Investment Income	110,621		331	156
Other Income	4,225	4,080		
Operating Grants and Contributions	49,651	100,805		
Total Program Revenues	200,013	104,928	2,793	744
Net Revenues (Expenses)	32,522	42,488	177	(75)
GENERAL REVENUES				
Payments from State of Idaho				
Total General Revenues				
Capital Contributions	2,130			
Permanent Endowment Contributions		1,192		
Change in Net Position	34,652	43,680	177	(75)
Net Position - Beginning of Year, As Restated	274,483	510,238	31,642	21,650
Net Position - End of Year	\$ 309,135	\$ 553,918	\$ 31,819	\$ 21,575

Bond Bank Authority	Health Insurance Exchange	Total
	\$ 3,123	\$ 20,033
\$ 454	5,717	28,671
		99,542
11,448		101,237
	9,810	13,606
29	2	860
11,931	18,652	263,949
455	8,143	40,625
		6,582
11,448	29	122,585
47	10	8,362
	11,142	161,598
11,950	19,324	339,752
19	672	75,803
		2,130
		1,192
19	672	79,125
303	32,674	870,990
\$ 322	\$ 33,346	\$ 950,115

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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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 2017, the State implemented the following GASB Guidance:

- Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 was implemented in 2017.
- Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.
- Statement No. 77, Tax Abatement Disclosures.
- Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.
- Statement No. 79, Certain External Investment Pools and Pool Participants.
- Statement No. 80, Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14.
- Statement No. 82, Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73.
- Implementation Guide No. 2016-1.

The financial statements are presented for the fiscal year ended June 30, 2017, except for the Idaho Fish and Wildlife Foundation, 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, 2016. The Idaho Potato Commission (nonmajor special revenue fund) has a fiscal year that ended August 31, 2016.

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 *Fish and Wildlife Foundation* was established to preserve and sustain Idaho's fishing, hunting, and wildlife heritage. The Foundation finances construction of offices and relies on the State's leasing agreements, resulting in a significant financial benefit/burden relationship. The Foundation is blended as a nonmajor special revenue fund within the Fish and Game fund. The Foundation's financial statements may be obtained from the following address: Idaho Fish & Wildlife Foundation, 600 S. Walnut St. Boise, ID 83707.

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 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, 950 W. Bannock St, Suite 490, 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.

Notes to the Financial Statements**For the Fiscal Year Ended June 30, 2017**

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, thereby creating a financial benefit/burden relationship. The Governor appoints the Association board members. (<https://www.idahohousing.com/investors/>)

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://idahostatefoundation.org/mission/financial-statements/>

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

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

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://sto.idaho.gov/Debt-Management/Idaho-Bond-Bank-Authority-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: Your Health Idaho, P.O. Box 943, Boise ID 83701.

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. 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. 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 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 State Controller's Office, Attn: Brandon Woolf, P.O. Box 83720, Boise, ID 83720-0011.

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 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 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,

Notes to the Financial Statements**For the Fiscal Year Ended June 30, 2017**

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, ISU, and Fish and Wildlife Foundation 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, 67-1210A, and 67-1210B 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.

Receivables, Net

Receivables in the General Fund consist primarily of income and sales taxes. Special revenue fund receivables consist primarily of federal health, education, and transportation grants, fuel 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 any 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 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

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

acquisition 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 amortized 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. Deferred outflows of resources also consist of pension contributions made subsequent to the actuarially-determined pension liability measurement date and the State's proportionate share of the total pension-related deferred outflows of resources

See Notes 7 and 8 for more information.

Liabilities

Payables

Payables in the General Fund consist primarily of sales taxes due to local governments and vendor obligations. 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.

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.

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. See Note 13 for more information.

Policy Claim Liabilities includes amounts for probable claims that have been incurred and the amount of the loss that 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 liability, 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, the State's proportionate share of the total pension-related deferred inflows of resources, 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 Notes 7 and 8 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 balances are 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.

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. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

See Note 14 for more information.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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 Fish and Wildlife Foundation, 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 1.8 years.

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, 2017

(dollars in thousands)

	Governmental and Business-Type Activities	Fiduciary Funds	Component Units
Bank Value of Deposits	\$ 212,243	\$ 25,472	\$ 174,482
Uninsured and Uncollateralized Deposits	88,253	4,044	7,838
Uninsured Deposits Collateralized with Securities Held by the Pledging Financial Institution	65,232		4,563
Uninsured Deposits Collateralized with Securities Held by the Pledging Financial Institution's Trust Department or Agent, but not in the State's Name			

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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 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 in accordance with Idaho Code Sections 67-1210, 67-1210A, and 67-2739. Unsettled trades payable consisting of \$8.8 million in U.S. government, U.S. government agency, and U.S. government agency mortgage-backed 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.

Internal participant funds of the investment pools generally receive income from investments generated by their participation in the external investment pools, with the exception of the Unemployment Compensation enterprise fund. The investment income from that fund is assigned to the miscellaneous Special Revenue fund per Idaho Code Section 72-1347A.

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, at the time of purchase, by a nationally recognized statistical rating organization such as Standard & Poor's or Moody's

The 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
- Domestic and international equities
- Non-investment grade bonds
- Exchange-traded funds
- 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

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

68-501 through 68-514 and Sections 59-1301 through 59-1399. In addition to the investments mentioned above for the STO and the 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

Fair Value of Investments

GASB Statement No. 72, Fair Value Measurement and Application, defines the generally accepted accounting principles required for fair value reporting. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following tables display the fair value of the state's investments at June 30, 2017:

Primary Government and Fiduciary Funds Fair Value of Investments at June 30, 2017 (Except Endowment Funds and PERSI) (dollars in thousands)									
Investment Type	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable inputs (Level 3)	Total Fair Value	Net Asset Value (NAV)	Amortized Cost	Not Rated	Total	Valuation Technique
Debt Securities:									
Money Market Funds	\$ 12,760			\$ 12,760			\$ 11,094	\$ 23,854	Market
Certificates of Deposit		\$ 1,000		1,000		\$ 101		1,101	Cost
Certificates of Deposit	2,460	7,874		10,334				10,334	Market
Repurchase Agreements		391,752		391,752				391,752	Cost
Commercial Paper		49,818		49,818				49,818	Cost
Commercial paper		210,503		210,503				210,503	Market
U.S. Gov't Obligations		2,021,339		2,021,339			386,236	2,407,575	Market
U.S. Gov't Agency Obligations		982,391		982,391				982,391	Market
U.S. Gov't Agency Mortgage-Backed Securities*		449,136		449,136				449,136	Market
U.S. Gov't Corporation Mortgage-Backed Securities*		2,156		2,156				2,156	Market
Asset-Backed Securities*		151,295		151,295				151,295	Market
Commercial Mortgages*		7,498		7,498				7,498	Market
Corporate Obligations		927,105		927,105				927,105	Market
Municipal and Public Entity Obligations		1,041		1,041			22,834	23,875	Market
Bond Mutual Funds and Other Pooled Fixed-Income Securities	399,964	21,452		421,416				421,416	Market
External Investment Pools						2,382		2,382	Cost
External Investment Pools		89,366		89,366			12,256	101,622	Market
Total Debt Securities	415,184	5,313,726		5,728,910		2,483	432,420	6,163,813	
Other Investments:									
Equity Securities and Mutual Funds	296,159			296,159				296,159	Market
Real Estate and Perpetual Trusts					\$ 6,108			6,108	Cost
Real Estate and Perpetual Trusts		533		533				533	Market
Commodities		375		375				375	Market
Sallie Mae High-Yield Savings Account							12,377	12,377	Market
Total	\$ 711,343	\$ 5,314,634	\$ 0	\$ 6,025,977	\$ 6,108	\$ 2,483	\$ 444,797	\$ 6,479,365	

*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, 2017

Endowment Funds Fair Value Measurements at June 30, 2017			
Investments and Derivative Instruments Measured at Fair Value at June 30, 2017			
(dollars in thousands)			
	June 30, 2017 (value before accruals)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by Fair Value Level			
Cash and Cash Equivalents	\$ 50,656	\$ 50,656	
<u>Debt Securities:</u>			
Asset-Backed Securities	2,019		\$ 2,019
Commercial Mortgage-Backed Securities	4,241		4,241
Corporate Bonds	104,811		104,811
Government Agencies	20,077		20,077
Government Bonds	148,000		148,000
Government Agency Mortgage-Backed Securities	114,348		114,348
Govt-Issued Commercial Mortgage-Backed	2,811		2,811
Index-Linked Government Bonds	71,803		71,803
Municipal/Provincial Bonds	4,154		4,154
Total Debt Securities	472,264		472,264
<u>Equity Securities:</u>			
Consumer Discretionary	159,459	159,459	
Consumer Staples	98,423	98,423	
Energy	68,489	68,489	
Financials	229,483	229,483	
Health Care	184,645	184,645	
Industrials	161,065	161,065	
Information Technology	284,660	284,660	
Materials	75,439	75,439	
Other	34,089	34,089	
Telecommunication Services	22,057	22,057	
Utilities	28,220	28,220	
Equity ETFs	2,321	2,321	
Total Equity Securities	1,348,350	1,348,350	
<u>Derivatives:</u>			
Futures Contracts	(106)	(106)	
<u>Preferred Stock Securities:</u>			
Consumer Staples	126	126	
Consumer Discretionary	1,789	1,789	
Information Technology	1,617	1,617	
Materials	9	9	
Other	11	11	
Total Preferred Stock Securities	3,552	3,552	
Total Investments by Fair Value Level	1,874,717	\$ 1,402,452	\$ 472,264
Investments Measured at the Net Asset Value (NAV)			
Real Estate Investment Trust (private)	151,310		
Total Investments Measured at Fair Value	\$ 2,026,027		

The EFIB has two real estate funds, UBS TPI and DB RAR II, reported at Net Asset Value (NAV) invested primarily in U.S. commercial real estate. The fair value of the investment in this type has been determined using the NAV per share (or its equivalent) in accordance with accounting principles generally accepted in the United States, NCREIF Real Estate Information Standard, and market-based accounting

rules where appropriate and applicable. NAV is based on the fund's gross asset value less the value of any debt or other outstanding liabilities, whether held directly or indirectly through another entity or entities, anticipated distributions and similar items, as determined by the Advisor at its discretion.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

PERSI Fair Value Measurements at June 30, 2017

Investments and Derivative Instruments Measured at Fair Value at June 30, 2017

(dollars in thousands)

Investment Type	Fair Value at June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valuation Technique
Short Term Securities	\$ 76,283		\$ 76,283		Market
<u>Fixed Income Securities:</u>					
U.S. Government	2,631,946	\$ 2,612,763	19,183		Market
Asset backed-Securitized	391,213		390,509	\$ 704	Market
Corporate	941,363		941,363		Market
Idaho Mortgages	693,022		693,022		Market
Non-U.S. Government	143,214		143,214		Market
Total Fixed Income Securities	4,800,758	2,612,763	2,187,291	704	
<u>Equities:</u>					
Domestic	5,707,407	5,707,407			Market
Developed Markets	2,682,981	2,682,981			Market
Emerging Markets	1,341,745	1,341,745			Market
Total Equities	9,732,133	9,732,133			
<u>Other Investments:</u>					
Preferred Securities	90,033	73,826	2,874	13,333	Market
Convertible or Exchangeable Securities	151			151	Market
Futures	592	592			Market
Mutual Funds-Defined Contribution Investment Options	69,106	69,106			Market
Total investments by fair value level*	\$ 14,769,056	\$ 12,488,420	\$ 2,266,448	\$ 14,188	

* The Total Return Fund and Short Term Investment Portfolio are unitized Defined Contribution investment options included with the Equity and Fixed Income totals above.

Investments measured at the net asset value (NAV)	Fair Value at June 30, 2017	Unfunded Commitments	Redemption Frequency	Redemption Notice
<u>Private Equity Partnerships:</u>				
Growth Equity	\$ 28,560	\$ 1,432		
Corporate Finance/Buyout	727,544	425,921		
Distressed Debt	34,393	25,292		
Co/Direct Investment	63,271	20,823		
Secondaries	19,303	61,103		
Venture Capital	99,138	22,897		
<u>Private Real Estate:</u>				
Open Ended Co-mingled Insurance Company Separate	60,296			
Affordable Housing	51,030			
Multifamily properties (Olympic)	153,518			
Value added apartments	164,541			
Office/Industrial properties	174,455			
Industrial	39,916			
Development properties	58,805			
<u>Collective Funds:</u>				
REIT Index Collective Fund	2,970		Daily	None
TIPS Index Collective Fund	911		Daily	None
US Broad Equity Market Index Collective Fund	9,423		Daily	None
Emerging Equity Market Index Fund	972		Daily	None
US Large Cap Equity Market Index Collective Fund	24,465		Daily	None
US Bond Market Index Collective Fund	11,032		Daily	None
International Equity Index Collective Fund	6,487		Daily	None
US Small/Midcap Equity Index Collective Fund	15,297		Daily	None
<u>Sick Leave Insurance Reserve Trust Fund:</u>				
Russell 3000 Index Co-Mingled Fund	271,898		Daily	Trade date less 2 days
Government Credit Bond Index Co-Mingled Fund	127,507		Daily	Trade date less 2 days
MSCI ACWI Ex-US Strategy Co-mingled Fund	69,083		Bi-Monthly	Trade date less 2 days
Total investments measured at the NAV	2,214,815			
Total investments measured at fair value	\$ 16,983,871			

Notes to the Financial Statements**For the Fiscal Year Ended June 30, 2017**

The PERSI has the following investments reported at Net Asset Value (NAV):

- Private Equity Partnerships are reported at the NAV and include limited partnerships invested in the following strategies: Growth Equity, Corporate Finance/Buyout, Distressed Debt, Co/Direct Investments, Secondaries, and Venture Capital. Fair value is obtained by using a valuation provided by the General Partner, adjusting for interim cash flows and rolling forward to the measurement date of the Plan. A gatekeeper is used to monitor values, cash flows, and provide due diligence for new investments. The fair values presented may differ from actual amounts realized from these investments. On average, distributions received through the liquidation of underlying assets/investments can occur over the span of 5-15 years.
- Private Real Estate are investments owned directly or with other partnership interests and are in several general categories to include Affordable Housing, Multifamily properties, Value added apartments, Office/Industrial Properties, and Development Properties and are listed with investments measured at the NAV. Each property in the Portfolio is externally appraised at a minimum every year. Appraisals are completed by third-party MAI certified appraisers. For properties not subject to an external appraisal during a quarter, internal valuations are completed by AEW (the Plan's private real estate consultant) (or Pinnacle and reviewed by AEW), based on updated operational performance at the subject property and any relevant sale comparable. A discounted cash flow analysis is utilized to determine asset value. Prior to finalizing the values, Altus (an independent

professional advisory with expertise in appraisals) reviews every valuation quarterly and communicates its questions/findings to AEW before approval. The valuation of the Affordable Housing properties is calculated by a third party valuation and accounting specialist in the affordable housing industry once a year at December 31st. Development properties are initially valued at their accumulated cost amounts until completion, upon which an appraisal is done. Prudential is an open ended co-mingled insurance company separate account comprised primarily of real estate investments either directly owned or through partnership interests and mortgage and other loans on income producing real estate. Fair value is generally determined through an appraisal process that is conducted by independent appraisers within a reasonable amount of time following acquisition and no less frequently than annual thereafter. On average, distributions received through the liquidation of underlying assets/investments can occur over the span of 5-15 years.

- Collective Trust Funds are eight trust funds offered as investment options in the Defined Contribution Plan, reported at the Net Asset Value. The NAV is based on the value of the underlying investments. Collective Trusts are regulated, but not registered investment vehicles.
- Co-Mingled Funds are the investment vehicle used for the Plan's Sick Leave Insurance Reserve Trust Fund where funds are pooled from numerous plans. They are valued at net asset value of units held at the end of the period based upon the fair value of the underlying investments.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

Component Unit Fair Value of Investments at June 30, 2017									
(dollars in thousands)									
Investment Type	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable inputs (Level 3)	Total Fair Value	Net Asset Value (NAV)	Amortized Cost	Not Rated	Total	Valuation Technique
Debt Securities:									
Money Market Funds*	\$ 184,613			\$184,613	\$ 272			\$ 184,885	Market
Certificates of Deposit**							\$ 1,000	1,000	Market
U.S. Gov't Obligations***	12,891	\$ 19,651		32,542				32,542	Market
U.S. Gov't Agency Obligations	34,731	28,968		63,699				63,699	Market
U.S. Gov't Agency Mortgage-Backed Securities	49,377			49,377				49,377	Market
Corporate Obligations	39,198	34,088		73,286				73,286	Market
Municipal and Public Entity Obligations	133	10		143				143	Market
Bond Mutual Funds and Other Pooled Fixed-Income Securities	14,064	22,160		36,224				36,224	Market
Total Debt Securities	335,007	104,877		439,884	272		1,000	441,156	
Other Investments:									
Cash Equivalents included with Investments	119			119				119	Market
Domestic Equities	67,204			67,204				67,204	Market
Foreign Equities	1,877	1,510		3,387				3,387	Market
Private Equities		8,146	\$ 2,601	10,747	16,437			27,184	Market
Investment Agreements	630			630				630	Market
Corporate Obligations Without Maturity Dates		64		64				64	Market
Preferred Securities Without Maturity Dates	149			149				149	Market
Equity and Income Mutual Funds*****	8,571	25,315		33,886			304	34,190	Market
Mutual Funds	179,318			179,318				179,318	Market
International Equity Funds	30,249	7,124		37,373				37,373	Market
Real Estate and Perpetual Trusts****	4,750	2,974	3,074	10,798		\$ 917	133	11,848	Market
Commodities		1,380		1,380				1,380	Market
Insurance Annuities	148	243		391				391	Market
Commingled Funds					31,503			31,503	Market
Hedge Funds	107	9,059	487	9,653				9,653	Market
Land Held by Endowment*****					820	4,422		5,242	Market
Total	\$ 628,129	\$ 160,692	\$ 6,162	\$794,983	\$ 49,032	\$ 5,339	\$ 1,437	\$850,791	
*Includes \$0.3 million reported with pooled cash and investments.									
**Includes \$1 million valued at cost and included with cash and cash equivalents									
***Includes \$1.8 million valued at cost.									
****Includes \$0.9 million valued at cost.									
*****Includes \$4.4 million valued at cost.									
*****Includes \$0.3 million valued at cost.									

The private equity shown at NAV above are invested in real estate, venture funds, and international funds. The fair

values have been determined using the NAV per share. The fair value of the private equity limited partnerships have no readily ascertainable market prices. Similar to real estate,

costs closely approximate fair value of recent acquisitions. Therefore, the fair value of private equity limited partnership investments are based on the valuations as presented in the funds' December 31st audited financial statements. Generally, the companies within a fund are valued by the general partner, taking into account many factors such as the purchase price, estimated liquidation value, significant events like initial public offerings, bankruptcies, additional rounds of financing, and other relevant factors. The fair value may differ significantly from the values that would have been used had a ready market for the investments existed. Although these differences could be material to the individual values, private equity only represents 5.63 percent of total investments.

The commingled funds shown at NAV above are held in an investment trust that invests in debt securities. The trust's investment objective is to outperform the Barclays U.S. Government/Credit Index. The trust may invest in out-of-benchmark securities in order to provide value and diversification.

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 Fish and Wildlife Foundation does not have a formal policy that would limit its exposure to custodial credit risk. The Foundation has \$8.4 million in investments that were uninsured and held in the name of the counterparty.
- 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 \$409.0 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 \$6.9 million held by various counterparties, not in the PERSI's name.
- The University of Idaho Retiree Benefits Trust does not have a formal policy to limit its exposure to custodial credit risk. The Trust had \$31.2 million in investments

that were uninsured and held by the counterparty's trust department or agent but not in the State's name.

- The Boise State University Foundation does not have a formal policy that would limit its exposure to custodial credit risk. The Foundation had various investments of \$123.0 million 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 further to the extent possible, be held in the Foundation's name. The Foundation had various investments of \$145.6 million 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, 2017.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

Primary Government and Fiduciary Funds Investments and Maturities at June 30, 2017 (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	\$ 3,423								\$ 3,423
Certificates of Deposit**	2,044	\$ 9,391							11,435
Repurchase Agreements	391,752								391,752
Commercial Paper	260,321								260,321
U.S. Gov't Obligations	2,002,830	309,185	\$ 95,462				\$ 98		2,407,575
U.S. Gov't Agency Obligations	616,837	350,871	12,498	\$ 2,057	\$ 29	\$ 99			982,391
U.S. Gov't Agency Mortgage- Backed Securities*	2,321	132,071	314,173	571					449,136
U.S. Gov't Corporation Mortgage- Backed Securities*		2,158							2,158
Asset -Backed Securities*	66,711	84,583							151,294
Commercial Mortgages*	217	1,300	5,981						7,498
Corporate Obligations	335,961	507,597	83,498	47					927,103
Municipal and Public Entity Obligations	22,970	326	420	103	56				23,875
Bond Mutual Funds and Other Pooled Fixed-Income Securities	226,551	14,086	12,909	1,400	6,647	2,488	88	\$ 30	264,199
External Investment Pools	104,004								104,004
Total Debt Securities	\$ 4,035,942	\$ 1,411,568	\$ 524,941	\$ 4,178	\$ 6,732	\$ 2,587	\$ 186	\$ 30	\$ 5,986,164
<u>Other Investments:</u>									
Equity Securities and Mutual Funds									77,281
Real Estate and Perpetual Trusts									6,645
Commodities									376
Total									\$ 6,070,466
*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.									
**\$0.1 million valued at cost									

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

Endowment Funds Interest Rate Risk at June 30, 2017

(dollars in thousands)

Investment Type	Fair Value	Modified Duration In Years
<u>Debt Securities:</u>		
Asset Backed Securities	\$ 2,019	2.2
Commercial Mortgage-Backed	4,241	5.0
Corporate Bonds	104,811	7.4
Government Agencies	20,077	4.1
Government Bonds	148,000	6.3
Government Mortgage Backed Securities	114,348	4.5
Gov't-issued Comm. Mtg-Backed	2,811	2.4
Index Linked Government Bonds	71,803	7.8
Municipal/Provincial Bonds	4,154	10.1
Total Endowment Fund Debt Securities	472,264	
<u>Other Investments:</u>		
Equity Investments	1,456,943	
Money Market Funds	12,915	
Real Estate Investment Trust (Private)	77,015	
Total Other Endowment Fund Investments	1,546,873	
<u>Unsettled Trades:</u>		
Receivable for Investments Sold	(10,797)	
Payable for Investments Purchased	17,687	
Total Endowment Fund Investments	\$ 2,026,027	

PERSI Investments at June 30, 2017

(dollars in thousands)

Investment Type	Fair Value
Domestic Fixed-Income	\$ 3,825,431
Commingled Domestic Fixed-Income	127,507
International Fixed-Income	10,766
Idaho Commercial Mortgages	664,998
Short-Term Domestic Investments	228,082
Real Estate	625,211
Domestic Equities	6,200,681
Commingled Domestic Equity	271,898
International Equities	3,226,921
Commingled International Equity	69,083
Private Equity	932,895
Mutual Funds	831,098
Total PERSI Investments	\$ 17,014,571

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

PERSI Effective Duration of Fixed Income Assets by Security Type at June 30, 2017

(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	\$ 25,748	1.56	\$ 51	0.74	\$ 25,799
Asset -Backed Securities	44	*	115	*	159
Mortgages	30,719	2.42			30,719
Mortgages	739	*			739
Commercial Paper	29,709	0.41			29,709
Corporate Bonds	1,084,707	7.45			1,084,707
Corporate Bonds	455	*			455
Fixed-Income Derivatives	122	312.96	13	(503.94)	135
Fixed-Income Derivatives	47	*			47
Government Agencies	76,142	8.20			76,142
Government Bonds	1,080,808	7.20	11,465	6.42	1,092,273
Government Mortgage-Backed Securities	158,092	1.95			158,092
Government Mortgage-Backed Securities	75	*			75
Pooled Investments	16,593	0.08			16,593
Pooled Investments - SLIRF Domestic Fixed Income Fund	127,507	*			127,507
Private Placements	137,154	4.68			137,154
Private Placements	55,940	*			55,940
U.S. Treasury Inflation-Protected Securities	1,528,519	8.78			1,528,519
Idaho Mortgages	693,022	*			693,022
Total PERSI Fixed Income Securities	\$ 5,046,142		\$ 11,644		\$ 5,057,786

*Duration calculations for some securities are not available.

Idaho College Savings Program Investments at June 30, 2017

(dollars in thousands)

Investment Type	Fair Value	Average Maturity In Years
Money Market Funds	\$ 20,431	Less than 1
Bond Funds	103,919	8.4
Inflation-Linked Bond Fund	6,231	2.6
International Bond Funds	47,067	9.2
Equity Funds	131,116	
International Equity Funds*	87,758	
Sallie Mae High-Yield Savings Account	12,378	
Total Idaho College Savings Program Investments	\$ 408,900	

*Investments may be subject to foreign currency risk.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

Deferred Compensation Plan Investments at December 31, 2016

(dollars in thousands)

Investment Type	Fair Value	Average Maturity In Years
<u>Fixed Income:</u>		
Empower	\$ 34	
Idaho Retiree Fixed Fund**	118,508	11.30
Nationwide Life Fixed Fund**	74,271	11.30
Total Fixed Income	192,813	
<u>Variable Income***:</u>		
American Century Heritage Fund	37,234	
Fidelity	27,568	
The Income Fund of America	17,320	6.30
Nationwide Investor Destinations Moderately Aggressive Fund	13,362	
Neuberger Berman	12,564	
State Street Equity	11,130	
Nationwide Investor Destinations Moderate Fund	8,744	2.69
Dodge & Cox Stock Fund	10,183	
Nationwide Investor Destinations Aggressive Fund	8,464	
Dreyfus	7,247	
Capital World	6,912 *	
Dreyfus Bond Market Index Fund	5,682	8.19
EuroPacific Growth Fund	5,294 *	
Metropolitan West Total Return Bond Fund - Class M	5,458	7.52
JPMorgan	6,322	
Van Kampen	4,713	
Dreyfus Small cap Stock Index Fund	5,381	
Templeton Foreign Fund	4,595 *	
Nationwide Destinations 2025 Fund	2,973	
Nationwide Destinations 2030 Fund	2,521	
Charles Schwab	2,156	
Nationwide Destinations 2020 Fund	1,768	
Nationwide Destinations 2035 Fund	1,658	
Nationwide Investor Destinations Moderately Conservative Fund	1,797	
Legg Mason Partners	999	
Nationwide Investor Destinations Conservative Fund	1,224	
Nationwide Destinations 2015 Fund	743	
Nationwide Destinations 2040 Fund	901	
Nationwide Destinations 2045 Fund	564	0.95
Nationwide International Index Fund	236	
Nationwide Destinations 2050 Fund	419	0.54
Nationwide Destinations 2055 Fund	26	0.41
Empower	27	
Carrier Suspense	1	
Investment Suspense	(17)	
Total Variable Income	216,169	
<u>Annuity Payout Options:</u>		
DCVAII	34	
Nationwide Life	1,870	
Total Annuity Payout Options	1,904	
<u>Life Insurance Contracts:</u>		
Transamerica Premier	326	
Total Deferred Compensation Plan Investments and Life Insurance Contracts	\$ 411,212	

*Represents international mutual funds and are subject to foreign currency risk.

**Funds have an average credit rating of A-. All other investments are unrated.

***Variable income investments categorized as a level 1 input. All others reported at contract value

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

Component Units Maturity of Debt Investments at June 30, 2017									
(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*	\$ 184,885								\$ 184,885
Certificates of Deposit**	1,000								1,000
U.S. Gov't Obligations***	10,560	\$ 20,432	\$ 1,458	\$ 10	\$ 15	\$ 41		\$ 26	32,542
U.S. Gov't Agency Obligations	1,148	32,658	619	9,753	19,463			58	63,699
U.S. Gov't Mortgage-Backed Securities	6	41	18	500	34			48,778	49,377
Corporate Obligations	16,491	54,804	572	836	508	46		29	73,286
Municipal Obligations		31	41	8	11	32		20	143
Bond Mutual Funds	326	3,679	31,682	102	115		\$ 271	49	36,224
Total Debt Securities	\$ 214,416	\$ 111,645	\$ 34,390	\$ 11,209	\$ 20,146	\$ 119	\$ 271	\$ 48,960	\$ 441,156
<u>Other Investments:</u>									
Cash Equivalents included with Investments									119
Domestic Equities									67,204
Foreign Equities									3,387
Private Equities									27,183
Investment Agreements									630
Corporate Obligations Without Maturity Dates									64
Preferred Securities Without Maturity Dates									149
Equity and Income Mutual Funds*****									34,190
Mutual Funds									179,319
International Equity Funds									37,373
Real Estate and Perpetual Trusts****									11,848
Commodities									1,380
Insurance Annuities									391
Commingled Funds									31,503
Hedge Funds									9,653
Land Held by Endowment*****									5,242
Component Units Investments									\$ 850,791
*Includes \$0.3 million reported with pooled cash and investments.									
**Includes \$1 million reported at cost and with cash and cash equivalents									
***Includes \$1.8 million valued at cost.									
****\$0.9 million valued at cost.									
*****\$4.4 million valued at cost.									
*****Includes \$0.3 million valued at cost.									

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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 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, 2017

(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*	\$ 8,773	\$ 1								\$ 22,472	\$ 31,246
Certificates of Deposit**	29		\$ 1,002						\$ 953	9,451	11,435
Repurchase Agreements										391,752	391,752
Commercial Paper								\$ 210,503		49,818	260,321
U.S. Gov't Agency Obligations	335,141	645,560								1,690	982,391
U.S. Gov't Agency Mortgage-Backed Securities	446,491	614								2,031	449,136
Asset-Backed Securities	151,294										151,294
Commercial Mortgages	6,198		1,300								7,498
Corporate Obligations	34,667	259,079	624,964	\$ 8,195		\$ 148				51	927,104
Municipal and Public Entity Obligations	228	636	177							22,834	23,875
Bond Mutual Funds and Other Pooled Fixed-Income Securities	9,247	22,697	1,975	3,586	\$ 610	220	\$ 261			382,821	421,417
External Investment Pools										104,004	104,004
Total	\$992,068	\$ 928,587	\$ 629,418	\$ 11,781	\$ 610	\$ 368	\$ 261	\$ 210,503	\$ 953	\$ 986,924	\$ 3,761,473

*Includes \$7.4 million reported with pooled cash and investments. Money market funds also include \$0.9 million reported at cost and with cash and cash equivalents

**Includes \$0.1 million reported at cost

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

Endowment Funds
Credit Quality Ratings of Debt Investments at June 30, 2017
(dollars in thousands)

Investment Type	Aaa	Aa	A	Baa	Ba*	Agy	Not Rated	Fair Value
Asset Backed Securities	\$ 794			\$ 18			\$ 1,207	\$ 2,019
Commercial Mortgage-Backed	4,241							4,241
Corporate Bonds	2,869	\$ 10,201	\$ 38,511	49,150	\$ 2,968		1,113	104,812
Government Agencies	15,611	1,120	546	916		\$ 708	1,176	20,077
Government Bonds	143,438	249	1,953	2,113		248		148,001
Government Mortgage Backed Securities						110,188	4,160	114,348
Gov't-issued Comm. Mtg-Backed	1,004					1,807		2,811
Index Linked Government Bonds	71,803							71,803
Municipal/Provincial Bonds	381	2,093	1,335	67			277	4,153
Total	\$ 240,141	\$ 13,663	\$ 42,345	\$ 52,264	\$ 2,968	\$ 112,951	\$ 7,933	\$472,265

*The Ba column includes bonds that are split rate and meet the minimum requirement of one of the two ratings agencies specified in the EFIB Statement of Investment Policy.

PERSI Credit Quality Ratings of Fixed-Income Securities at June 30, 2017

(dollars in thousands)

S & P Rating Level	Investment Type		Fair Value
	Domestic Securities	International Securities	
A-1+	\$ 14,982		\$ 14,982
A-1	29,708		29,708
AAA	102,016	\$ 771	102,787
AA	340,065		340,065
A	399,703	3,744	403,447
BBB	517,799	1,679	519,478
BB	10,436	2,312	12,748
B	4,567		4,567
CCC	3,743		3,743
CC	1,631		1,631
D	1,140		1,140
Not Rated	174,736	3,138	177,874
Total	\$ 1,600,526	\$ 11,644	\$ 1,612,170

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

Component Units Credit Quality Ratings of Debt Securities at June 30, 2017

(dollars in thousands)

Investment Type	Aaa	Aa	A	Baa	Ba	B	Caa	C	D	Unrated	Fair Value
Money Market Funds*	\$ 272									\$ 184,613	\$ 184,885
Certificates of Deposit**										1,000	1,000
U.S. Gov't Agency Obligations	52,804	\$ 10,890								5	63,699
U.S. Gov't Agency Mortgage Backed Securities	49,377										49,377
Corporate Obligations	6,030	22,703	\$28,582	\$14,688	\$ 280	\$ 216	\$ 5		\$ 18	764	73,286
Municipal Obligations	10	8	25	37	18	8	3			34	143
Bond Mutual Funds	17,072	4,705	3,033	3,480	5,095	188	1	\$ 4	31	2,614	36,223
Total	\$ 125,565	\$ 38,306	\$31,640	\$18,205	\$ 5,393	\$ 412	\$ 9	\$ 4	\$ 49	\$ 189,030	\$ 408,613

*Includes \$0.3 million reported with cash and cash equivalents

**Includes \$1 million reported at cost and with cash and cash equivalents

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 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.

Primary Government and Fiduciary Funds Concentration of Credit Risk at June 30, 2017

(dollars in thousands)

Portfolio	Issuer	Fair Value	Percent of Portfolio Investments
Idaho State Bar:	Bank of the Cascades*	\$ 101	5.1
	Fannie Mae Notes	273	13.9
	Federal Home Loan Bank	108	5.5
STO Pool:	Federal Home Loan Mortgage Corp.	236,535	11.6
	Federal National Mortgage Association	119,544	5.9
	South Street Securities	203,000	10.0
Idaho State University:	Federal Home Loan Mortgage Corporation	7,664	37.4
	Federal National Mortgage Association	8,477	41.3
University of Idaho:	Federal Home Loan Mortgage Corporation	4,417	5.7

*Valued at Cost

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

Component Unit Concentration of Credit Risk at June 30, 2017

(dollars in thousands)

Component Unit	Issuer	Fair Value	Percent of Portfolio Investments
Idaho Housing and Finance Association:	Federal Farm Credit Bank	\$ 17,070	6.3
	Government National Mortgage Association	47,907	17.6
Petroleum Clean Water Trust:	Federal National Mortgage Association	7,332	21.9
Health Reinsurance:	Federal Farm Credit Bond	1,999	12.4
	Federal Home Loan Bank	10,247	63.7
	Federal National Mortgage Association	1,999	12.4

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 19 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 and debt securities denominated in foreign currencies. The policy limits the investments in international equities to no more than 17.5 percent of the Foundation's total investment portfolio.
- The University of Idaho Foundation investment policy limits the exposure to foreign investment holdings in the portfolio.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

Endowment Foreign Currency Risk at June 30, 2017

(dollars in thousands)

Currency	Investment Type	Fair Value in U.S Dollars
Australian Dollar	Equities	\$ 13,435
Brazil	Equities	2,940
Canadian Dollar	Equities	2,292
Danish Krone	Equities	13,661
Euro	Equities	76,415
Hong Kong Dollar	Equities	35,609
Indonesian Rupiah	Equities	1,625
Israeli	Equities	2,697
Japanese Yen	Equities	46,591
Mexican Peso	Equities	3,760
Malaysia	Equities	1,034
Norwegian Krone	Equities	2,425
New Zeland	Equities	69
Singapore Dollar	Equities	1,317
South African Rand	Equities	1,942
South Korean Won	Equities	5,763
Swedish Krona	Equities	8,252
Swiss Franc	Equities	22,792
Thailand Thai Baht	Equities	1,358
U.K. Pound	Equities	53,173
Total		\$ 297,150

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

PERSI Foreign Currency Risk at June 30, 2017

(dollars in thousands)

Currency	Investment Type			Fair Value of Currency in U.S. Dollars
	Short-Term Investments	Equities	Fixed Income	
Argentina Peso	\$ 41		\$ 515	\$ 556
Australian Dollar	87	\$ 74,009		74,096
Brazilian Real	2,611	105,232	2,422	110,265
Canadian Dollar	155	12,754	942	13,851
Chilean Peso	58	8,232		8,290
Chinese Yuan	(4,489)		551	(3,938)
Colombian Peso	16	2,927		2,943
Czech Koruna	51	1,147		1,198
Danish Krone	455	110,434		110,889
Egyptian Pound	28	1,867		1,895
Euro	834	704,829	394	706,057
Hong Kong Dollar	478	427,271		427,749
Hungarian Forint	49	7,051		7,100
Indian Rupee	1,627			1,627
Indonesian Rupiah	1,685	22,184		23,869
Israeli Shekel	22	2,171		2,193
Japanese Yen	(754)	383,395	1,057	383,698
Kenyan Shilling		1,844		1,844
Malaysian Ringgit	43	19,569		19,612
Mexican New Peso	166	42,249	3,749	46,164
Moroccan Dirham	22	1,774		1,796
New Taiwan Dollar	(2,171)	161,617		159,446
New Zealand Dollar	2	1,224		1,226
Norwegian Krone	72	4,342		4,414
Philippine Peso	114	13,215		13,329
Polish Zloty	36	18,382		18,418
Romanian Leu		1,154		1,154
Russian New Ruble	173	17,339	1,811	19,323
South African Rand	80	37,535		37,615
Singapore Dollar	74	80,067		80,141
South Korean Won	(76)	292,204		292,128
Sri Lanka Rupee	84			84
Swedish Krona	47	57,469		57,516
Swiss Franc	2,685	255,278		257,963
Thailand Baht	31	29,947		29,978
Turkish Lira	54	33,299		33,353
U.K. Pound	1,582	500,814	380	502,776
Total	\$ 5,972	\$ 3,432,825	\$ 11,821	\$ 3,450,618

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

College and University Foundations
Foreign Currency Risk at June 30, 2017
(dollars in thousands)

Currency	Investment Type	Fair Value in U.S. Dollars
Australian Dollar	Equities	\$ 1,040
Brazilian Real	Equities	21
Canadian Dollar	Equities	531
Chilean Peso	Equities	5
Chinese Yuan	Equities	90
Colombian Peso	Equities	4
Czech Koruna	Equities	1
Danish Krone	Equities	575
Euro	Equities	3,449
Hong Kong Dollar	Equities	3,108
Hungarian Forint	Equities	3
Indian Rupee	Equities	32
Indonesian Rupiah	Equities	7
Israeli Shekel	Equities	7
Japanese Yen	Equities	891
Malaysian Ringgit	Equities	10
Mexican Peso	Equities	20
New Zealand Dollar	Equities	4
Norwegian Krone	Equities	10
Peruvian Nuevo Sol	Equities	1
Philippine Peso	Equities	6
Polish Zloty	Equities	7
Russian Ruble	Equities	10
Singapore Dollar	Equities	18
South African Rand	Equities	20
South Korean Won	Equities	60
Swedish Krona	Equities	237
Swiss Franc	Equities	1,847
Taiwan Dollar	Equities	41
Thai Baht	Equities	11
Turkish Lira	Equities	8
U.K. Pound	Equities	3,275
Other	Equities	71
Total		\$ 15,420

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 \$71.8 million, and the PERSI had investments in TIPS with a fair value of \$1.5 billion.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

IHFA is invested in pay-fixed, receive-variable interest rate swaps. The Association pays fixed rate payments between 3.730 percent and 5.548 percent and receives variable rate payments based 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 \$9.2 million with Wells Fargo Bank.

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:

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

Primary Government and Component Units

Restricted Assets at June 30, 2017

(dollars in thousands)

Purpose	Amount
<u>Governmental Activities:</u>	
Restricted Cash:	
Bond Covenants	\$ 124
Debt Service	46,577
Donations for Various Projects	6,181
Group Insurance Reserves	36,933
Juvenile Corrections Social Security Benefits	885
Legislation and Donations	8,617
Matching Fund Contributions	15,790
Millennium Permanent Endowment Fund	509
Petroleum Violation Escrow	3,295
Pollution Clean Up	7,328
The Idaho State Bar Client Assistance Fund	934
Restricted Investments:	
Donations for Various Projects	5,837
Legal Settlements	2,805
Legislation and Donations	30,032
Millennium Permanent Endowment Fund	289,700
Pollution Clean Up	79,112
Total Governmental Activities	\$ 534,659
<u>Business-Type Activities:</u>	
Restricted Cash:	
Debt Service	\$ 7,371
Idaho Lottery Dividends Payout	49,374
Wastewater Facility Loan Program and Drinking Water Systems Loan Program	40,188
Restricted Investments:	
Wastewater Facility Loan Program and Drinking Water Systems Loan Program	117,177
Total Business-Type Activities	\$ 214,110
<u>Component Units:</u>	
Restricted Cash:	
Donations for the College and University Foundations	\$ 20,866
Bond Indentures and Escrow and Reserve Deposits	114,775
Restricted Investments:	
Donations for the College and University Foundations	304,881
Total Component Units	\$ 440,522

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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 \$3.8 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 2017 was \$1.9 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	\$ 28,755	12/1/2008	9/1/2025	Pay 4.3%; receive 67% of 1-month LIBOR rate	A-2/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, 2017, the interest rate on the Authority's hedged variable-rate debt was 0.65 percent while 67 percent of the one-month LIBOR was 0.46 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 \$44.6 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 \$48 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 \$0. The Association has the following interest rate swap agreements:

Idaho Housing and Finance Association - Hedging Derivative Instruments							
Interest Rate Swap Agreements at June 30, 2017							
(dollars in thousands)							
Series	Notional Amount	Fair Value	Change in Fair Value	Inception Date	Termination Date	Terms	
						Fixed Rate Paid	Variable Rate Received
2000 Series F	\$ 535	\$ (17)	\$ 60	11/6/2008	7/1/2021	5.25%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2000 Series G	4,800	(493)	311	11/6/2008	7/1/2020	4.87%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2001 Series A	2,210	(138)	132	11/6/2008	7/1/2022	4.73%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2001 Series B	2,620	(188)	157	11/6/2008	7/1/2022	4.53%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2001 Series C	2,480	(172)	150	11/6/2008	1/1/2021	4.70%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

Series	Notional Amount	Fair Value	Change in Fair Value	Inception Date	Termination Date	Terms	
						Fixed Rate Paid	Variable Rate Received
2001 Series D	\$4,660	\$(462)	\$285	11/6/2008	1/1/2021	5.02%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2001 Series E	4,660	(436)	274	11/6/2008	1/1/2021	4.95%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2001 Series F	2,800	(213)	164	11/6/2008	1/1/2021	4.89%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2002 Series A	2,980	(257)	186	11/6/2008	7/1/2022	4.71%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2002 Series B	3,005	(255)	185	11/6/2008	7/1/2021	4.48%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2002 Series C	3,000	(246)	183	11/6/2008	1/1/2024	3.79%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2002 Series D	4,825	(470)	294	11/6/2008	1/1/2018	5.30%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2002 Series E	3,025	(233)	170	11/6/2008	1/1/2024	4.14%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2002 Series F	3,370	(280)	181	11/6/2008	1/1/2020	4.76%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2002 Series G	3,370	(319)	196	11/6/2008	7/1/2020	4.86%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2003 Series A	5,405	(703)	369	11/6/2008	1/1/2026	4.52%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2003 Series B	4,945	(457)	281	11/6/2008	7/1/2024	4.04%	SIFMA+.20%
2003 Series C	2,900	(266)	165	11/6/2008	1/1/2025	3.78%	SIFMA+.20%
2003 Series D	4,980	(695)	349	11/6/2008	7/1/2025	4.84%	SIFMA+.20%
2003 Series E	4,980	(629)	250	11/6/2008	7/1/2025	4.53%	SIFMA+.20%
2004 Series A	5,075	(543)	163	11/7/2008	1/1/2026	4.03%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2004 Series B	5,625	(729)	283	11/7/2008	1/1/2027	4.37%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2004 Series C	5,255	(621)	337	11/7/2008	7/1/2025	4.33%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2004 Series D	6,790	(785)	348	11/7/2008	1/1/2028	3.85%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2005 Series A	7,255	(872)	485	11/7/2008	1/1/2029	3.90%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2005 Series B	7,060	(868)	474	11/7/2008	7/1/2028	3.99%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2005 Series C	7,165	(787)	461	11/7/2008	7/1/2028	3.73%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2005 Series D	7,290	(858)	430	11/7/2008	7/1/2028	3.87%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR
2005 Series E	7,425	(908)	500	11/7/2008	1/1/2029	3.93%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR
2005 Series F	7,720	(1,024)	540	11/7/2008	1/1/2029	4.10%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR
2006 Series A	7,770	(1,036)	541	11/7/2008	1/1/2029	4.10%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR
2006 Series B	5,270	(590)	328	11/7/2008	7/1/2025	4.35%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR
2006 Series C	5,145	(567)	314	11/7/2008	1/1/2025	4.36%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR
2006 Series D	6,000	(697)	357	11/7/2008	1/1/2025	4.45%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR
2006 Series E	6,750	(887)	529	11/22/2013	1/1/2026	5.55%	LIBOR + .80%
2006 Series F	6,875	(837)	520	11/22/2013	1/1/2026	5.32%	LIBOR + .80%
2006 Series G	6,755	(783)	500	11/22/2013	7/1/2026	5.20%	LIBOR + .80%
2007 Series A	7,250	(961)	569	11/22/2013	7/1/2026	5.37%	LIBOR + .80%
2007 Series B	8,230	(1,036)	633	11/22/2013	1/1/2027	5.22%	LIBOR + .80%
2007 Series C	8,785	(1,150)	680	11/22/2013	1/1/2027	5.31%	LIBOR + .80%
2007 Series D	9,510	(1,031)	683	12/20/2012	1/1/2026	4.89%	LIBOR+.71%
2007 Series E			4,061	12/20/2012	7/1/2025	4.94%	LIBOR+.71%
2007 Series F			2,760	12/20/2012	1/1/2025	5.28%	LIBOR+.71%
2007 Series G	21,965	(3,253)	1,870	12/20/2012	7/1/2028	5.39%	LIBOR+.76%
2007 Series H	27,525	(4,195)	2,440	12/20/2012	7/1/2030	5.20%	LIBOR+.76%
2007 Series I			2,055	12/20/2012	7/1/2028	5.14%	LIBOR+.76%
2007 Series J	22,775	(3,084)	1,885	12/20/2012	7/1/2028	5.10%	LIBOR+.76%
2007 Series K	19,760	(2,686)	1,687	12/20/2012	7/1/2030	4.93%	LIBOR+.76%
2008 Series A	19,760	(2,864)	1,723	11/22/2013	7/1/2030	5.12%	LIBOR + .80%
2008 Series B	17,035	(2,240)	1,411	11/22/2013	7/1/2029	4.98%	LIBOR + .80%
2008 Series C	11,360	(1,318)	848	11/22/2013	7/1/2026	5.05%	LIBOR + .80%
2008 Series D	4,260	(441)	305	11/22/2013	7/1/2026	4.77%	LIBOR + .80%
	<u>\$360,990</u>	<u>\$(44,580)</u>	<u>\$35,062</u>				

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

Idaho Housing and Finance Association - Investment Derivative Instruments

Interest Rate Swap Agreements at June 30, 2017

(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 E			\$ 81	11/6/2008	7/1/2025	4.53%	SIFMA+.20%
2004 Series A			147	11/7/2008	1/1/2026	4.03%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2004 Series B			96	11/7/2008	1/1/2027	4.37%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2004 Series D			95	11/7/2008	1/1/2028	3.85%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2005 Series D			52	11/7/2008	7/1/2028	3.87%	SIFMA+.20% (LIBOR < 4.0%)/68% LIBOR
			<u>\$ 471</u>				

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, ten have a basis of LIBOR plus 80 basis points, five have a basis of LIBOR plus 76 basis points, and three have a basis of LIBOR plus 71 basis points. 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, 2017, the SIFMA Index was 91 basis points and the one-month LIBOR Index was 1.22 percent.

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.

During fiscal years 2016 and 2017, the Association redeemed and reissued bonds. 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.

The deemed terminating 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 outflows of resources at both amortized and fair values and the presentation in the deferred inflows of resources of an amount that reflects the change in the fair value of the modified contracts during the fiscal years. Interest rate swap contracts fair value defers the fair value of effectively hedged swap contracts at June 30, 2017. The fair value of effectively hedged swap positions are fully matched and deferred with this offsetting position.

Interest rate swap contracts amortized value defers the amortizing value of an implicit borrowing position created upon the refunding of variable rate debt associated with swap contracts. At the time of refunding, the swap contracts' fair value became the historical cost basis, which is amortized over the life of the swap contracts. The amortized borrowing value is fully matched and deferred with this offsetting position.

Since the current fair value of the swap contracts differs from the amortized value of the borrowing at June 30, 2017, the Association has elected to report the swap contracts' current fair value to demonstrate the full economic liability to its counterparty. The difference between current fair and amortized value is reported as a gain or loss in the Statement of Revenues, Expenses, and Changes in Net Position. This effectively results in an historical cost position being reported at current fair value. The Association matches the duration of its swap contracts with the variable debt maturity, and therefore, does not anticipate this difference ever to be realized as a loss.

The Association entered into 36 "To Be Announced" (TBA) forward contracts in order to lock in the sales price for the

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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, 2017

(dollars in thousands)

Contract	Notional Amount	Fair Value	Coupon Rate	Counterparty Credit Rating
April 2017	\$ 5,000	\$ 22	3.00%	Aaa
April 2017	5,000	(6)	3.00%	Aaa
April 2017	5,000	(3)	3.50%	Aaa
April 2017	5,000	(20)	3.00%	Aaa
April 2017	5,000	(9)	3.50%	Aaa
May 2017	5,000	(6)	3.00%	Aaa
May 2017	5,000	(1)	3.00%	Aaa
May 2017	5,000	(20)	3.00%	Aaa
May 2017	5,000	(13)	3.00%	Aaa
May 2017	5,000	(21)	3.00%	Aaa
May 2017	5,000	(3)	3.00%	Aaa
May 2017	5,000	7	3.50%	Aaa
May 2017	5,000	5	3.00%	Aaa
May 2017	5,000	20	3.00%	Aaa
May 2017	5,000	25	3.50%	Aaa
May 2017	5,000	23	3.00%	Aaa
May 2017	5,000	11	3.00%	Aaa
May 2017	5,000	23	3.00%	Aaa
June 2017	5,000	22	3.50%	Aaa
June 2017	5,000	23	3.50%	Aaa
June 2017	5,000	24	3.00%	Aaa
June 2017	5,000	35	3.00%	Aaa
June 2017	5,000	49	3.00%	Aaa
June 2017	5,000	33	3.50%	Aaa
June 2017	5,000	46	3.00%	Aaa
June 2017	5,000	36	3.00%	Aaa
June 2017	5,000	20	3.50%	Aaa
June 2017	5,000	54	3.00%	Aaa
June 2017	5,000	54	3.00%	Aaa
June 2017	5,000	34	3.00%	Aaa
June 2017	5,000	40	3.00%	Aaa
June 2017	5,000	40	3.00%	Aaa
June 2017	5,000	32	3.00%	Aaa
June 2017	5,000	24	3.00%	Aaa
June 2017	5,000	22	3.00%	Aaa
June 2017	5,000	10	3.00%	Aaa
	\$ 180,000	\$ 632		

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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	Pension Trust	Total
General Fund		\$ 50	\$ 6	\$ 45	\$ 1,498	\$ 6,190		\$ 7,789
Health and Welfare				14				14
Transportation	\$ 7			15				22
Nonmajor Governmental	1	31	\$ 390	416		449		1,287
College and University	1,149	1,412	87	795				3,443
Unemployment Compensation	124							124
Nonmajor Enterprise			159	26				185
Internal Service	62	493	32	160	58			805
Pension Trust							\$ 2,137	2,137
Total	\$ 1,343	\$ 1,986	\$ 674	\$ 1,471	\$ 1,556	\$ 6,639	\$ 2,137	\$ 15,806

Interfund receivables and payables generally consist of short-term receivables and payables for goods and services provided by one 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	Land Endowments	Nonmajor Governmental	College and University	Unemployment Comp.	Loan	Internal Service
General Fund		\$ 672,005	\$ 3,727	\$ 18,348	\$ 337,224		\$ 10	\$ 1,738
Health and Welfare	\$ 19,113			725				
Transportation				17,714				
Land Endowments	65,765				1,320			
Nonmajor Governmental	85,995			118	100	\$ 781	2,157	
College and University	730							
Unemployment Comp.				7,804				
Loan	716			804				
Nonmajor Enterprise	80,360	2,730		1,148				
Total	\$252,679	\$ 674,735	\$ 3,727	\$ 46,661	\$ 338,644	\$ 781	\$ 2,167	\$ 1,738

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.

Notes to the Financial Statements**For the Fiscal Year Ended June 30, 2017**

During fiscal year 2017 the following nonroutine transfers were made:

- \$2.5 million from the Economic Recovery Reserve Fund to the Department of Water Resources for the Planning and Technical Services Program.
- \$5.0 million from the General Fund to the Department of Water Resources for the Planning and Technical Services Program.
- \$5.0 million from the General Fund to the Higher Education Stabilization Fund.
- \$2.7 million from the General Fund to the Broadband Infrastructure Improvement Grant Fund.
- \$2.0 million from the General Fund to the STEM Education Fund.
- \$3.1 million from the Economic Recovery Reserve Fund to Department of Correction.
- \$4.1 million from the Economic Recovery Reserve Fund to the Department of Health and Welfare.
- \$2.2 million from the Economic Recovery Reserve Fund to the Supreme Court.
- \$4.9 million from the Catastrophic Health Care Cost Fund to the General Fund.

- \$1.2 million from the Economic Recovery Reserve Fund to Idaho State University.

- \$4.2 million from the Economic Recovery Reserve Fund to the Idaho State Historical Society.

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 \$562.0 million to the IHFA for bonds issued on their behalf for transportation infrastructure projects.

The Housing Company, a component unit of the IHFA, owes the IHFA \$11.0 million for notes payable secured by real property.

Boise State University (BSU) leases a portion of the Alumni and Friends building from the BSU Foundation (BSUF); the remaining lease payments total \$4.1 million. At the expiration of the lease, title will transfer to the University.

During fiscal year 2017 the college and university foundations distributed \$50.1 million to the respective colleges and universities for support of academic and athletic programs.

During fiscal year 2017 the State purchased workers compensation insurance coverage from the State Insurance Fund, a related party, in the amount of \$12.6 million.



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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	Transportation	Nonmajor Governmental	College and University	Loan
Accounts Receivable	\$ 38		\$ 7,148		
Taxes Receivable	63,801	\$ 36	11		
Loans and Notes Receivable	762	197	2,699	\$ 21,872	\$ 355,470
Total Noncurrent Receivables	64,601	233	9,858	21,872	355,470
Less: Allowance for Doubtful Accounts					
Accounts Receivable			(3,389)		
Taxes Receivable	(330)				
Loans and Notes Receivable				(2,863)	
Total Noncurrent Receivables, Net	<u>\$ 64,271</u>	<u>\$ 233</u>	<u>\$ 6,469</u>	<u>\$ 19,009</u>	<u>\$ 355,470</u>

Noncurrent Receivables - Component Units			
(dollars in thousands)			
	Idaho Housing and Finance Association	College and University Foundation	Idaho Bond Bank Authority
Due from Primary Government	\$ 569,334	\$ 3,809	
Pledges Receivable		14,144	
Loans and Notes Receivable	535,356	133	\$ 328,123
Total Noncurrent Receivables	1,104,690	18,086	328,123
Less: Allowance for Doubtful Accounts			
Due from Primary Government		(265)	
Pledges Receivable		(1,691)	
Loans and Notes Receivable	(3,014)		
Total Noncurrent Receivables, Net	<u>\$ 1,101,676</u>	<u>\$ 16,130</u>	<u>\$ 328,123</u>

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 6. CAPITAL ASSETS

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

Primary Government	Balances at July 1, 2016 As Restated*	Increases	Decreases	Balances at June 30, 2017
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land and Land Use Rights	\$ 1,092,300	\$ 8,930	\$ (416)	\$ 1,100,814
Capital Assets in Progress	1,021,578	173,948	(110,005)	1,085,521
Infrastructure	2,691,875	40,500	(4,996)	2,727,379
Historical Art and Collections	122			122
Total Capital Assets not Being Depreciated	4,805,875	223,378	(115,417)	4,913,836
Capital Assets Being Depreciated:				
Buildings and Improvements	992,846	9,328	(390)	1,001,784
Improvements Other Than Buildings	117,159	12,049	(172)	129,036
Machinery, Equipment, and Other	674,364	124,276	(35,864)	762,776
Infrastructure	1,107,874	12	(21)	1,107,865
Total Capital Assets Being Depreciated	2,892,243	145,665	(36,447)	3,001,461
Less Accumulated Depreciation for:				
Buildings and Improvements	(410,210)	(22,378)	242	(432,346)
Improvements Other Than Buildings	(49,596)	(5,368)	76	(54,888)
Machinery, Equipment, and Other	(424,211)	(68,423)	23,011	(469,623)
Infrastructure	(267,941)	(15,249)	9	(283,181)
Total Accumulated Depreciation	(1,151,958)	(111,418)	23,338	(1,240,038)
Total Capital Assets Being Depreciated, Net	1,740,285	34,247	(13,109)	1,761,423
Governmental Activities Capital Assets, Net	\$ 6,546,160	\$ 257,625	\$ (128,526)	\$ 6,675,259

* Beginning balances were restated due to prior period adjustments.

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

Governmental Activities:	
General Government	\$ 14,479
Public Safety and Correction	12,828
Health and Human Services	28,827
Education	2,017
Economic Development	39,437
Natural Resources	12,651
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	1,179
Total Accumulated Depreciation Increase for Governmental Activities	\$ 111,418

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

Business-Type Activities:	Balances at July 1, 2016 As Restated*	Increases	Decreases	Balances at June 30, 2017
Capital Assets not Being Depreciated:				
Land and Land Use Rights	\$ 132,361	\$ 443	\$ (1,580)	\$ 131,224
Capital Assets in Progress	45,325	12,816	(45,241)	12,901
Historical Art and Collections	2,396	15	(20)	2,392
Total Capital Assets not Being Depreciated	180,082	13,274	(46,841)	146,517
Capital Assets Being Depreciated:				
Buildings and Improvements	1,467,549	78,042	(5,063)	1,540,529
Improvements Other Than Buildings	74,058	3,894	(37)	77,915
Machinery, Equipment, and Other	469,654	24,465	(30,896)	463,223
Total Capital Assets Being Depreciated	2,011,261	106,401	(35,996)	2,081,667
Less Accumulated Depreciation for:				
Buildings and Improvements	(583,637)	(40,639)	1,270	(623,006)
Improvements Other Than Buildings	(44,824)	(2,498)	124	(47,198)
Machinery, Equipment, and Other	(363,402)	(26,750)	29,103	(361,049)
Total Accumulated Depreciation	(991,863)	(69,887)	30,497	(1,031,253)
Total Capital Assets Being Depreciated, Net	1,019,398	36,514	(5,499)	1,050,414
Business-Type Activities Capital Assets, Net	\$ 1,199,480	\$ 49,788	\$ (52,340)	\$ 1,196,931

* 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 \$18.5 million, of that \$1.2 million was capitalized.

Component Units:	Balances at July 1, 2016 As Restated*	Increases	Decreases	Balances at June 30, 2017
Capital Assets not Being Depreciated:				
Land	\$ 7,153	\$ 612	\$ (42)	\$ 7,723
Capital Assets in Progress	14,656	9,234	(23,374)	516
Intangible Assets	12			12
Total Capital Assets not Being Depreciated	21,821	9,846	(23,416)	8,251
Capital Assets Being Depreciated:				
Buildings and Improvements	78,110	22,725	(1,281)	99,554
Improvements Other Than Buildings	528	5		533
Machinery, Equipment, and Other	43,659	9,964	(363)	53,260
Total Capital Assets Being Depreciated	122,297	32,694	(1,644)	153,347
Less Accumulated Depreciation for:				
Buildings and Improvements	(39,409)	(3,219)	1,071	(41,557)
Improvements Other Than Buildings	(161)	(18)		(179)
Machinery, Equipment, and Other	(19,262)	(10,369)	352	(29,279)
Total Accumulated Depreciation	(58,832)	(13,606)	1,423	(71,015)
Total Capital Assets Being Depreciated, Net	63,465	19,088	(221)	82,332
Component Unit Activities Capital Assets, Net	\$ 85,286	\$ 28,934	\$ (23,637)	\$ 90,583

* Beginning balances were restated due to prior period adjustments.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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 and governmental funds Balance Sheet contain aggregated types of deferrals.

The following tables disaggregate the deferrals.

See Note 3 for further details regarding derivative-related deferrals and Note 8 for pension-related deferrals.

A. Deferred Outflows of Resources – Government-Wide (dollars in thousands)

	Primary Government		Component Units
	Governmental Activities	Business-Type Activities	
Debt Defeasance	\$ 4,190	\$ 9,171	
Hedging Derivatives			
Interest Rate Swap Contracts - Amortized			\$ 33,670
Interest Rate Swap Contracts - Fair Value	3,756		14,326
Pension-Related			
Contributions Subsequent to Measurement Date	75,354	14,891	
Proportionate Share	132,427	24,174	
Total Deferred Outflows of Resources	\$ 215,727	\$ 48,236	\$ 47,996

B. Deferred Inflows of Resources – Government-Wide (dollars in thousands)

	Primary Government		Component Units
	Governmental Activities	Business-Type Activities	
Debt Defeasance		\$ 15	
Hedging Derivatives			
Interest Rate Swap Contracts - Fair Value			\$ 1,484
Imposed Nonexchange Revenue	\$ 2,473		
Nonexchange Transactions		283	
Pension-Related			
Proportionate Share	52,113	10,099	
Total Deferred Inflows of Resources	\$ 54,586	\$ 10,397	\$ 1,484

C. Deferred Inflows of Resources – Governmental Funds (dollars in thousands)

	Governmental Funds			
	General	Health and Welfare	Transportation	Nonmajor Governmental
Imposed Nonexchange Revenue				\$ 2,473
Unavailable Revenue	\$ 190,000	\$ 53,575	\$ 10,164	21,858
Total	\$ 190,000	\$ 53,575	\$ 10,164	\$ 24,331

NOTE 8. PENSION PLANS**A. Summary of Plans Administered by the Public Employee Retirement System of Idaho****General**

The Public Employee Retirement System of Idaho (PERSI) administers the PERSI Base Plan, the Judges' Retirement Fund (JRF), 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. (http://www.persi.idaho.gov/investments/annual_financial_report.cfm). The PERSI also provides a 'Schedule of Employer Allocations and Collective Pension Amounts' for the Base Plan and the FRF.

(<http://www.persi.idaho.gov/employers/GASB.cfm>)

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 real estate investments is based on industry practice. For recent acquisitions, cost closely approximates fair value. 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 fair value when published market prices and quotations are available, or at cost plus accrued interest, which approximates fair value. The fair values of private equity limited partnership investments by their nature have no readily ascertainable market prices. Similar to real estate, cost closely approximates fair value for recent acquisitions. Thereafter, the fair values of limited partnership funds are based on the valuations as presented by the general partner, approved by the funds' advisory committee, and reviewed by consultants. Investments of the PERSI Base Plan, JRF, and FRF are pooled for investment purposes.

Actuarial Assumptions

The last actuarial valuation was performed as of June 30, 2016, for the Base Plan and FRF; and as of June 30, 2017, for the JRF.

The entry age normal cost method and the following actuarial assumptions applied to all periods included in the measurement:

	Base Plan	JRF
Inflation	3.25%	3.25%
Salary Increases	4.25-10.00%	3.75%
Salary Inflation	3.75%	3.75%
Investment Rate of Return	7.10%	7.10%
(Net of pension plan investment expense)		
Cost of Living Adjustments	1.00%	1.00% or 3.75%

Mortality Rates

Base Plan actuarial assumptions were based on an experience study performed for the period July 1, 2009 through June 30, 2013; the study reviewed all economic and demographic assumptions other than mortality. JRF actuarial assumptions were based on the results of an experience study for the period July 1, 2009 through July 1, 2013. Mortality and all economic assumptions for the Base Plan were studied in 2016 for the period from July 1, 2009 through June 30, 2013. Mortality and all economic assumptions for the JRF were studied in 2014 for the period July 1, 2009 through June 30, 2013.

Mortality rates were based on the RP-2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back three years for teachers (Base Plan)
- No offset for male fire and police (Base Plan)
- Forward one year for female fire and police (Base Plan)
- Set back one year for all general employees and all beneficiaries (Base Plan)
- Set back one year for males and females (JRF)

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

rates of return by the target asset allocation percentage and by adding expected inflation.

The PERSI used Callan Associates capital market assumptions as of January 1, 2016, for the Base Plan and as of January 1, 2016, for the JRF in analyzing asset

allocation. The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Long-term expected rates of return on investments are shown below:

Base Plan Long-Term Expected Rate of Return

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return*
Core Fixed Income	Barclays Aggregate	30.00%	0.80 %
Broad U.S. Equities	Russell 3000	55.00%	6.35 %
Developed Foreign Equities	MSCI ACWI ex USA	15.00%	7.30 %
*Arithmetic Return			
Actuarial Assumptions			
Assumed Inflation - Mean			3.25 %
Assumed Inflation - Standard Deviation			2.00 %
Portfolio Arithmetic Mean Return			8.08 %
Portfolio Standard Deviation			12.59 %
Portfolio Long-Term Expected Geometric Rate of Return			7.50 %
Assumed Investment Expenses			0.40 %
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses			7.10%

JRF Long-Term Expected Rate of Return

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return*
Core Fixed Income	Barclays Aggregate	30.00%	0.80 %
Broad U.S. Equities	Wilshire 5000 / Russell 3000	55.00%	6.35 %
Developed Foreign Equities	MSCI EAFE	15.00%	7.30 %
*Arithmetic Return			
Actuarial Assumptions			
Assumed Inflation - Mean			3.25 %
Assumed Inflation - Standard Deviation			2.00 %
Portfolio Arithmetic Mean Return			8.08 %
Portfolio Standard Deviation			12.59 %
Portfolio Long-Term Expected Geometric Rate of Return			7.50 %
Assumed Investment Expenses			0.40 %
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses			7.10%

Discount Rate

The actuary used a discount rate of 7.1 percent to measure the total pension liability. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the Base Plan's and JRF's net positions were projected to be available to make all

projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension

plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

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 were 783 and 775 for the fiscal years ending June 30, 2017 and 2016, respectively.

Benefits

The annual service retirement allowance for each month of credited service is 2 percent (2.3 percent for police/firefighters) of the 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 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***Funding and Contributions***

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 based upon actuarially-determined rates that are adequate to accumulate sufficient assets to pay benefits when due. Actuarially-determined rates are expressed as percentages of annual covered payroll.

Level percentages of payroll normal costs are 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 percentage of each year's earnings of the individual between entry age and assumed exit age. The PERSI Base

Plan amortizes any net pension liability based on a level percentage of payroll. The maximum amortization period permitted under Idaho Code Section 59-1322 is 25 years.

Contributions from members and employers, in addition to earnings from investments, fund the PERSI Base Plan benefits. Member and employer contributions are percentages of member compensation. As defined by state law, the member contribution rate is 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. Contributions are based on actuarial assumptions, benefit formulas, and employee groups of the PERSI. Costs of administering the plans are financed through the contributions and investment earnings of the System.

Contribution rates for the year:

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

Employer contributions required and paid were \$90.5 million and \$84.6 million for the fiscal years ended June 30, 2017 and 2016, respectively.

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.

Vesting

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 2.39 percent from July 1, 2016 through December 31, 2016, and at 1.29 percent from January 1, 2017 through June 30, 2017. 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.

Net Pension Liability, Pension Expense, and Deferrals

At June 30, 2017, the total net pension liability amount for all employers that contributed to the Base Plan was \$2.0 billion. At June 30, 2017, the State recognized a \$517.3 million liability (25.5 percent proportion of the collective net pension liability), measured at June 30, 2016, a 0.3 percent decrease from its proportion measured at

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

June 30, 2015. Employer proportionate shares were determined utilizing a single-period measure of contributions as of June 30, 2016. The State also recognized a \$91.0 million pension expense and the

following deferred outflows of resources and deferred inflows of resources:

PERSI Base Plan as of June 30, 2017 <i>(dollars in thousands)</i>		
	Deferred Outflows of Resources*	Deferred Inflows of Resources*
Difference between expected & actual experience		\$ 51,587
Changes of assumptions	\$ 11,509	
Changes in proportion	10,168	10,036
Net difference between projected & actual investment earnings	134,247	
Contributions subsequent to the measurement date	90,452	
Total	\$ 246,376	\$ 61,623

*For FY17, the total deferred outflows and total deferred inflows in this table do not tie to the pension deferred outflows and deferred inflows in Note 7. This is primarily due to timing differences between the information for this table that comes from the PERSI, and the information in Note 7 that, in part, comes from the Dairy Products Commission, the Potato Commission, and the State Bar. Those entities report on a different year-end cycle than the PERSI and the State.

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense (revenue) as follows *(dollars in thousands)*:

Amortized Deferrals	
Fiscal Year	Expense (Revenue)
2018	\$ 657
2019	657
2020	60,196
2021	32,789
2022	0
Total	\$ 94,299

Discount Rate Sensitivity

The following presents the net pension liability of the State calculated using the expected discount rate of 7.1 percent and discount rates based upon a 1 percent discount rate decrease and a 1 percent discount rate increase *(dollars in thousands)*:

1% Decrease (6.1%)	Current Discount Rate (7.1%)	1% Increase (8.1%)
\$ 1,015,591	\$ 517,724	\$ 103,693

2. 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, and district court judges. The JRF is managed by the PERSI and is governed in accordance with Idaho Code Title 1 Chapter 20.

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 101 retired members or beneficiaries collecting benefits, 1 terminated members entitled to, but not yet receiving benefits, and 50 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,

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

effective July 1, 2000. Members serving prior to July 1, 2000 and who were receiving benefits from the judges' retirement fund before July 1, 2000, for such service, and members who assumed office on or after July 1, 2012, and attained both the age of 55 years and a minimum service of 15 years, are paid under Option A. Other members serving on or after July 1, 2000, who meet one of the remaining eligibility requirements referenced earlier, 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. Additionally, members who begin service on or after July 1, 2012 are eligible to receive annual inflationary adjustments to calculated benefits in accordance with Idaho Code Section 59-1355. 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 who assumed office prior to July 1, 2012, surviving spouses will be entitled to benefits equal to 50 percent of the member's calculated benefit. Surviving spouses of members who assumed office on or after July 1, 2012 are entitled to benefits equal to 30 percent of the member's calculated benefit.

Summary of Significant Accounting Policies

Generally speaking, significant accounting policies, actuarial assumptions, and discount rate information are the same as detailed for the PERSI. This information can be found at the beginning of this note.

Contribution Requirements

The JRF's benefits are funded by contributions from members and the Judicial Department and earnings from investments. 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 55.3 percent and 10.2 percent, respectively, of annual covered payroll. The payroll for members covered by the JRF was approximately \$6.2 million for the fiscal year.

Investments

Policies and Procedures

The Board utilizes and directs individual fund managers to provide whatever investment management and custodial functions the Board has determined best achieves the System's investment objectives. Each fund manager is generally granted full discretion in making investment decisions within asset allocation policy, portfolio investment policy, specific investment guidelines, and other special restrictions set by contract with the Board. The Board monitors overall investment performance and periodically evaluates the performance of each fund manager. The Board is empowered in its sole discretion to limit, control, and designate the types and amounts of investments.

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 12.31 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount actually invested.

Net Pension Liability, Pension Expense, and Deferrals

Net Pension Liability

Net pension liability components as of the measurement date of June 30, 2017 (*dollars in thousands*):

Total Pension Liability	\$ 103,557
Plan Fiduciary Net Position	(82,936)
Net Pension Liability	<u>\$ 20,621</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	80.09%
Covered Payroll	\$ 6,162
Net Pension Liability as a Percentage of Covered Payroll	334.63%

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

Changes in net pension liability for the fiscal year ended June 30, 2017 (*dollars in thousands*):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Beginning Balances	\$ 99,229	\$ 75,449	\$ 23,780
Changes for the Year			
Service Cost	3,179		3,179
Interest	7,056		7,056
Benefit Changes			
Economic/Demographic Gains (Losses)	266		266
Assumptions Changes			
Benefit Payments, Including Refunds	(6,173)	(6,173)	
Contributions - Employer		3,947	(3,947)
Contributions - Employee		630	(630)
Net Investment Income		9,157	(9,157)
Transfer In			
Administrative Expense		(74)	74
Net Changes	4,328	7,487	(3,159)
Ending Balances	\$ 103,557	\$ 82,936	\$ 20,621

Pension Expense and Deferrals

The State recognized a \$4.6 million pension expense and the following deferrals for the fiscal year ended June 30, 2017 (*dollars in thousands*):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected & actual experience	\$ 160	\$ 329
Changes of assumptions		
Net difference between projected & actual investment earnings	782	
Contributions subsequent to the measurement date		
Total	\$ 942	\$ 329

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense (revenue) as follows (*dollars in thousands*):

Year	Expense (Revenue)
2018	\$ 514
2019	790
2020	80
2021	(772)
2022	0
	\$ 612

Discount Rate Sensitivity

The following presents the net pension liability of the JRF calculated using the discount rate of 7.1 percent, as well as what the employer's liability would be if it were calculated using a discount rate that is 1 percent lower or 1 percent higher than the current rate as of June 30, 2017 (*dollars in thousands*):

1% Decrease (6.1%)	Current Discount Rate (7.1%)	1% Increase (8.1%)
\$ 30,986	\$ 20,621	\$ 11,743

3. Firefighters' Retirement Fund***Plan Description***

The FRF is a closed 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.

4. 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 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 783 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; employees are immediately vested. 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 (participants) in the plans contributed \$5.5 (\$48.3) million, \$4.8 (\$45.3) million, and \$5.2 (\$42.9) million during fiscal years 2017, 2016, and 2015, respectively.

B. Other State-Sponsored Retirement Plans**1. 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 and administered by the Idaho State Board of Education. Vendor options include Teachers' Insurance and Annuity Association (TIAA) and Variable Annuity Life Insurance Company (VALIC). TIAA and VALIC may be reached at (888) 842-7782 and (888) 478-7020, respectively.

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 \$52.4 million, which consisted of \$29.9 million from the colleges and universities and \$22.5 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.

2. Department of Labor Retirement Plan***Plan Description******Organization and Purpose***

This stand-alone, defined benefit, insured retirement plan provides retirement benefits for certain employees (and their beneficiaries) of the Idaho Department of Labor hired prior to October 1, 1980, excluding anyone hired after age 65. 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.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

Membership

As of September 30, 2016, the number of Idaho Department of Labor members and actual benefit recipients are as follows:

Retirees and Beneficiaries	305
Inactive Participants	2
Current Active Employees	6
Total	<u>313</u>

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, 2016, the last actuarial valuation date, no unfunded liability existed. The normal service retirement allowance is the average annual salary for the highest three consecutive years times 2 percent for each year of credited service.

As of September 30, 2016, the present value of future retirement benefits is \$91.5 million. The actuary assumed a 5 percent average rate of return in determining the actuarial present value of accumulated plan benefits. Net position available for benefits (at fair value) is \$177.3 million.

Funding Policy**Contributions**

Since September 30, 1997, plan assets have exceeded the actuarial present value of future benefit payments for all members. In accordance with plan requirements, employees continued to contribute 7 percent of payroll even though contributions were not actuarially needed to finance future benefits. However, 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 have since been suspended through September 30, 2017, consistent with recent actuarial valuations. The current valuation certified that the total contribution rate should remain at zero through September 30, 2018. Total employer contribution for federal fiscal year 2017 was zero.

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**A. 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, 2016. 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 of \$0.09 per person per month for fiscal year 2017. This rate is reviewed annually.

Each of the employers participating in the plans are 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. For fiscal year 2017, the Sick Leave Insurance Reserve Fund (SLIRF), which is administered by the PERSI is reported under GASB Statement No. 74.

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 which includes financial statements and required supplementary information for these benefits. The report may be obtained by writing to Office of the General Counsel, University of Idaho, 875 Perimeter Drive, MS 3158, Moscow, ID 83844-3158. The plan obligations are actuarially determined. The most recent actuarial valuation is as of July 1, 2015. The University established a trust to fund the medical and dental portions of these benefits. The trust statements are for the fiscal year ended December 31, 2016. 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	9,301	19,520	19,520		5,610	1,938
Retired/Disabled Employees	681	141	389	64	1,488	681
Terminated, Vested Employees					110	
Number of Participating Employers	25	25	25	25	1	1

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 receives monthly retirement benefits from 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 that the active employee policy ends. 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 benefit is at least \$1,860 per retiree per year. In fiscal year 2017, retired plan members contributed 73.7 percent of the total premium cost, and employers were charged \$16.14 per active employee per month towards the retiree premium cost, or 26.3 percent of the total cost of the retiree plan.

Long-Term Disability Plan

Disabled employees are defined as persons 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

Notes to the Financial Statements

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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 2017, employers were charged \$10.53 per active employee per month.

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 disability benefits from Social Security, Workers' Compensation, or PERSI. 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.

Principal Life Insurance Company insures employees disabled on or after July 1, 2003, 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 \$2.6 million in fiscal year 2017. This portion of the long-term disability income benefit is not included in the actuarial estimate as this is considered an insured benefit.

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, the plan provides a \$2,000 life insurance benefit for spouses and a \$1,000 life insurance benefit 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.

Principal Life Insurance Company insures employees disabled on or after July 1, 2012, 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.

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 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 following chart shows contribution rates for the fiscal year as percentages of payroll:

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%	0.870%	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;

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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.

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

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.

Statement of Plan Net Position				
<i>(dollars in thousands)</i>				
	Retiree Healthcare Plan	Long-Term Disability Plan		
		Healthcare	Life Insurance	Income
ASSETS				
Pooled Cash and Investments	\$ 239			
Investments, at Fair Value				
Fixed Income Securities				
Equity Securities				
Total Assets	\$ 239	\$ 0	\$ 0	\$ 0
LIABILITIES				
Unearned Revenue	\$ 239			
Total Liabilities	\$ 239	\$ 0	\$ 0	\$ 0

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						
<i>(dollars in thousands)</i>						
	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	University of Idaho Plan
		Healthcare	Life Insurance	Income		
Annual Required Contribution	\$ 5,054	\$ 355	\$ 680	\$ 523	\$ 4,587	\$ 2,711
Interest on NOO	898	14	10	15	678	(136)
Adjustment to ARC	(1,893)	(29)	(22)	(31)	(1,429)	164
Total Annual OPEB Cost	4,059	340	668	507	3,836	2,739
Contributions Made	(2,020)	(1,375)	(561)	(343)	(701)	(3,157)
Increase (Decrease) in NOO	2,039	(1,035)	107	164	3,135	(418)
NOO (Funding Excess) – Beginning of Year	27,177	396	316	450	20,545	(2,259)
NOO (Funding Excess) – End of Year	\$ 29,216	\$ (639)	\$ 423	\$ 614	\$ 23,680	\$ (2,677)

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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							
<i>(dollars in thousands)</i>							
		Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	University of Idaho Plan
			Healthcare	Life Insurance	Income		
Annual OPEB Cost	2015	\$ 2,827	\$ 1,129	\$ 985	\$ 575	\$ 3,337	\$ 3,215
	2016	2,602	1,171	1,016	589	3,468	2,750
	2017	4,059	340	668	507	3,836	2,739
Percentage of AOC Contributed	2015	74.4%	138.9%	82.8%	80.9%	19.1%	100.6%
	2016	124.5%	117.4%	66.9%	71.5%	19.1%	100.0%
	2017	49.8%	403.8%	84.1%	67.7%	18.3%	115.3%
NOO (Funding Excess) – End of Year	2015	\$ 27,814	\$ 600	\$ (20)	\$ 282	\$ 17,738	\$ (2,258)
	2016	27,177	396	316	450	20,545	(2,259)
	2017	29,216	(639)	423	614	23,680	(2,677)

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						
<i>(dollars in thousands)</i>						
	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	University of Idaho Plan
		Healthcare	Life Insurance	Income		
Actuarial Valuation Date	7/1/2016	7/1/2016	7/1/2016	7/1/2016	7/1/2016	7/1/2015
1 Actuarial Value of Assets	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,528
2 Actuarial Accrued Liability (AAL)	32,470	3,713	3,091	2,372	56,160	58,201
3 Unfunded AAL (UAAL) (2) - (1)	\$ 32,470	\$ 3,713	\$ 3,091	\$ 2,372	\$ 56,160	27,673
4 Funded Ratios (1) : (2)	0%	0%	0%	0%	0%	52.45%
5 Annual Covered Payroll	\$ 1,002,118	\$ 1,002,118	\$ 1,002,118	\$ 1,002,118	\$ 310,210	\$ 150,995
6 UAAL as a Percentage of Covered Payroll (3) : (5)	3.24%	0.37%	0.31%	0.24%	18.10%	18.33%

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

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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 Insurance	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	10 years, Open	30 years, Open	5 years, Open	5 years, Open	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	2.50%	2.50%	2.50%	2.50%	2.50%	N/A
Investment Return	3.30%	3.30%	3.30%	3.30%	3.30%	6.00% *
OPEB Increases	N/A	N/A	N/A	N/A	N/A	N/A
Projected Salary Increases	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Healthcare Cost Initial Trend Rate	3.80%	3.80%	N/A	N/A	N/A	8.25%
Healthcare Cost Ultimate Trend Rate	4.20%	4.20%	N/A	N/A	N/A	5.75%

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

B. Sick Leave Insurance Reserve Trust Funds

The PERSI administers the Sick Leave Insurance Reserve Fund (SLIRF), cost sharing, multiple-employer defined benefit OPEB plan that provides healthcare benefits. The SLIRF is classified as a trust fund. For State and school employers, unused sick leave benefits are subject to the guidance of Governmental Accounting Standard Board (GASB) Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

The SLIRF is made up of two trust funds administered by the PERSI - a trust for payment of school district employee benefits and a trust for payment of State employee benefits. The SLIRF trust for payment of State employee benefits is governed by Idaho Code Sections 67-5333 and 59-1365.

The SLIRF is a fund that exists for the payment of unused sick leave benefits in the form of insurance premiums for State and school district employees who separate from service by reason of retirement. The assets of the trust are commingled for investment purposes.

All State government employers are statutorily required to contribute to a sick leave account administered by the PERSI. Employer's contributions are a percentage of payroll collected each pay cycle and are held in trust for future benefits. The State is responsible for any unfunded benefit obligations through contribution rate adjustments.

The number of participating employers and membership in the State SLIRF as of the June 30, 2016 valuation is as follows:

Active	22,269
Retirees and Beneficiaries	4,145
Total	26,414
Number of Participating Employers	13

State employees are limited to the number of allowable hours of sick leave they may use as part of the unused sick leave program as follows:

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Credited Hours of Service	Maximum Allowable Sick Leave 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

Members may use one-half of sick leave hours accrued up to the allowable maximum multiplied by their rate of compensation at retirement.

The rate for State agency contributions was 0.65 percent of covered salary at June 30, 2017. Contribution percentages are based on the number of days of paid sick leave earned during the contract year.

Net OPEB Asset and OPEB Expense

The components of the State net OPEB asset of the participating State employers as of the measurement date of June 30, 2017 (*dollars in thousands*):

Total OPEB Liability	\$	91,368
Plan Fiduciary Net Position		186,498
Employers' Net OPEB Liability (Asset)	\$	(95,130)
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability		204%

Changes in the State net OPEB liability for the fiscal year ended June 30, 2017 (*dollars in thousands*)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Beginning Balances⁽¹⁾	\$ 86,112	\$ 172,119	\$ (86,007)
Changes for the Year			
Service Cost	4,044		4,044
Interest	6,223		6,223
Benefit Changes			
Economic/Demographic Gains (Losses)			
Assumptions Changes			
Benefit Payments, Including Refunds	(5,011)	(5,011)	
Contributions - Employer		7,137	(7,137)
Net Investment Income		12,294	(12,294)
Transfer In			
Administrative Expense		(41)	41
Net Changes	5,256	14,379	(9,123)
Ending Balances	\$ 91,368	\$ 186,498	\$ (95,130)

⁽¹⁾ The Beginning of the Year Fiduciary Net Position (FNP) shown does not match the actual market value of assets as of July 1, 2016. The Beginning of Year FNP is a calculated value, such that the investment gain/loss for the year is zero. This is done only for the first year of GASB Statement No. 74/75 implementation in order to conform to Q&A 4.505 of the GASBS Statement No. 75 Implementation Guide Exposure Draft.

The State OPEB asset is calculated using a discount rate of 7.1 percent, which is the expected rate of return on investments reduced by investment expenses. The State net OPEB asset was determined by an actuarial valuation as of July 1, 2016, rolled forward to July 1, 2017. Actuarial valuation involves estimates of the reported amounts and assumptions about the probability of occurrence of events

far into the future. Amounts determined regarding the State net OPEB asset are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future.

The PERSI Board's adopted asset allocation policy for the SLIRF as of June 30, 2017 was 30 percent Fixed Income,

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55 percent US/Global Equity, and 15 percent International Equity.

Actuarial Assumptions	
Inflation	3.25 percent
Salary Increases	3.75 percent
Salary Inflation	3.75 percent
Investment Rate of Return (Net of investment expense)	7.10 percent

The long-term expected rate of return on State OPEB plan investments was determined using the building block approach and a forward-looking model in which best estimates ranges of expected future real rates of return (expected returns, net of SLIRF investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

For the year ended June 30, 2017, the annual money-weighted rate of return on SLIRF investments, net of investment expense was 13.3 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Even though history provides a valuable perspective for setting the investment return assumption, the PERSI relies primarily on an approach which builds upon the latest capital market assumptions. The assumptions and the PERSI's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of the PERSI's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

Capital market assumptions is a follows:

OPEB Expected Rate of Return	
Actuarial Assumptions	
Assumed Inflation - Mean	3.25%
Assumed Inflation - Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.08%
Portfolio Long-Term Expected Geometric Rate of Return	7.50%
Assumed Investment Expenses	0.40%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	7.10%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the OPEB plan's net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total liability. The long-term expected rate of return was determined net of investment expense but without reduction for OPEB plan administrative expense.

Sensitivity of the net OPEB liability (asset) to changes in the discount rate

The following presents the State net OPEB liability (asset) calculated using the discount rate of 7.10 percent as well as what the employers' liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate (*in thousands*):

1% Decrease (6.1%)	Current Discount Rate (7.1%)	1% Increase (8.1%)
\$ (91,360)	\$ (95,130)	\$ (99,535)



Notes to the Financial Statements

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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 10 percent of the annual premiums for medical, 10 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 2017 refund reflects a favorable claims experience. Additionally, the State does not have any unpaid claim liabilities at fiscal year-end; the State experienced less-than-expected claims in the amount of \$2.3 million. 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

commercially insured for up to \$250,000, energy systems are commercially insured for up to \$50,000, employee bond/crime is commercially insured for up to \$175,000, and cyber liability is commercially insured for up to \$1,000,000, per occurrence annually. Physical damages to covered vehicles and inland marine are 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 \$12.0 million of unpaid claim liabilities for Risk Management are recorded at the present value of \$11.1 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	2016	\$ (2,995)	\$ (3,135)	\$ 4,382	\$ (1,748)
	2017	\$ (1,748)	\$ (20,122)	\$ 19,533	\$ (2,337)
Risk Management	2016	\$ 11,304	\$ 6,255	\$ (6,755)	\$ 10,804
	2017	\$ 10,804	\$ 5,490	\$ (5,156)	\$ 11,138

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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

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

Asset Class	Governmental Activities	Business-Type Activities	Total Primary Government
Land	\$ 20		\$ 20
Buildings and Improvements	22,560	\$ 5,000	27,560
Machinery, Equipment, and Other	752	87	839
Accumulated Depreciation	(3,831)	(274)	(4,105)
Total Assets under Capital Leases	\$ 19,501	\$ 4,813	\$ 24,314

when paid or incurred. The total operating lease expenditures/expenses for fiscal year 2017 were \$29.2 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.

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

Fiscal Year	Operating Leases	Capital Leases		
	Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
2018	\$ 28,273	\$ 2,567	\$ 629	\$ 3,196
2019	17,439	2,524	583	3,107
2020	12,342	2,535	583	3,118
2021	10,071	2,544	563	3,107
2022	6,214	2,567	562	3,129
2023-2027	6,565	13,189	1,640	14,829
2028-2032	1,186	5,471		5,471
2033-2037	976			
Total Payments	\$ 83,066	31,397	4,560	35,957
Executory Costs		(8,579)		(8,579)
Imputed Interest		(6,397)	(412)	(6,809)
Total Present Value of Minimum Lease Payments		\$ 16,421	\$ 4,148	\$ 20,569

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

B. State as Lessor**Operating Leases**

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

Asset Class	Primary Government
Land	\$ 1,531
Buildings and Improvements	21,262
Improvements Other Than Buildings	814
Machinery, Equipment, and Other	
Accumulated Depreciation	(4,735)
Total Assets Held for Lease	\$ 18,872

Capital Leases

The Boise State University Foundation, a component unit, leases a building to Boise State University. In July 2015, the university entered into a \$5.0 million ten-year agreement with the Foundation to occupy and lease a portion of the Alumni and Friends Center. At the end of the lease agreement, title will transfer to the University.

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

	Operating Leases	Capital Leases
	Primary Government	Component Unit
Fiscal Year		
2018	\$ 5,311	\$ 609
2019	4,953	563
2020	4,465	563
2021	4,331	563
2022	4,176	562
2023-2027	19,314	1,640
2028-2032	12,234	
2033-2037	3,483	
Total Rentals and Receivables	\$ 58,267	\$ 4,500
Net Investment in Direct Financing Lease:		
Minimum Lease Payments Receivable		\$ 4,500
Unearned Income		(407)
Net Investment in Direct Financing Lease		\$ 4,093

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

NOTE 12. SHORT-TERM DEBT

Primary Government

Idaho Code Section 63-3201 authorizes the State Treasurer, upon approval by 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 include 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 2017, the State anticipated that 44.5 percent of General Fund revenues would be received in the first six months; however, disbursements during the same period were expected to account for 63.4 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, 2016 and were redeemed on June 30, 2017.

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 on an interim basis and to finance multi-family construction loans. As of June 30, 2017, the Association has commercial paper outstanding, maturing within 30 to 180 days from date of issue, with a weighted average interest rate of 1.91 percent.

The Idaho Small Employer Health Reinsurance Program has a \$0.5 million line-of-credit commitment from a local bank. Interest on the advances is payable monthly at prime rate plus 0.5 percent per annum and was 4.25 percent as of December 31, 2016. The line is not secured and matures on January 1, 2018. The Program had another line-of-credit during 2016 for \$0.8 million from a local bank that matured on November 11, 2016 and was not secured. Interest on the advances on this line-of credit were payable monthly at prime rate plus .5 percent per annum and the rate was 4.25 percent upon the maturity date of November 1, 2016.

Component Units

Short-term debt activity included the following (*dollars in thousands*):

	Balances at July 1, 2016		Issued/Draws		Redeemed/ Repayments		Balances at June 30, 2017	
Primary Government								
Governmental Activities:								
External Tax Anticipation Notes	\$	0	\$	500,000	\$	(500,000)	\$	0
Component Units								
Commercial Paper	\$	50,000	\$	714,035	\$	(714,035)	\$	50,000
Line of Credit	\$	96	\$	393	\$	(324)	\$	165

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 40 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.

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 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 funded debt service reserve. No amounts were outstanding at June 30, 2017 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 \$673.9 million in bonds between 2004 and 2017. Annual principal and interest payments on the bonds are expected to require 10 percent of the revenues. The total principal and interest payments remaining on the bonds are \$705.9 million, payable through 2045. For the current year, principal and interest payments and total pledged revenues were \$37.9 million and \$379.5 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 and the construction of highway transportation projects. 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 bonds are secured by principal and interest payments from the Idaho Transportation Department.

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 \$9.9 million in bonds between 2002 and 2015. The total principal and interest payments remaining on the bonds are \$4.9 million, payable through 2025. Annual principal and interest payments on the bonds are expected to require 100 percent of the revenues. For the current year, principal and interest payments and total pledged revenues were \$1.0 million and \$1.0 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 municipalities 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, 2017

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		Total	
	Nonmajor Special Revenue		College and University			
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 9,339	\$ 4,439	\$ 18,309	\$ 19,635	\$ 27,648	\$ 24,074
2019	9,710	4,167	19,670	19,072	29,380	23,239
2020	10,155	3,857	19,145	18,538	29,300	22,395
2021	10,937	3,502	19,505	17,876	30,442	21,378
2022	11,047	3,122	19,555	17,766	30,602	20,888
2023-2027	43,645	10,633	81,720	72,368	125,365	83,001
2028-2032	10,430	7,346	88,045	52,556	98,475	59,902
2033-2037	15,315	4,407	102,850	30,838	118,165	35,245
2038-2042	12,226	1,141	59,595	10,749	71,821	11,890
2043-2047			16,255	1,894	16,255	1,894
Total	\$ 132,804	\$ 42,614	\$ 444,649	\$ 261,292	\$ 577,453	\$ 303,906
Interest Rate	0.5% to 5.98%		0.67% to 6.52%			

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
2018	\$ 258,950	\$ 34,209	\$ 886	\$ 102	\$ 19,490	\$ 13,651	\$ 279,326	\$ 47,962
2019	50,537	33,310	483	80	21,370	12,842	72,390	46,232
2020	52,341	31,418	494	69	17,945	12,145	70,780	43,632
2021	53,952	29,358	506	57	17,890	11,410	72,348	40,825
2022	55,778	26,884	518	44	18,555	10,621	74,851	37,549
2023-2027	282,047	99,356	1,583	57	91,835	40,542	375,465	139,955
2028-2032	242,545	30,017			70,080	22,435	312,625	52,452
2033-2037	70,450	6,054			46,175	9,551	116,625	15,605
2038-2042	9,021	270			18,675	2,260	27,696	2,530
2043-2047					3,105	249	3,105	249
Total	\$ 1,075,621	\$ 290,876	\$ 4,470	\$ 409	\$ 325,120	\$ 135,706	\$ 1,405,211	\$ 426,991
Interest Rate	0.0% to 5.9%		*2.38% to 5.35%		1.25% to 6.25%			

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

**BSU Foundation netted deferred financing costs of \$145 against their debt service requirements; however, the costs are not included in changes in Long-Term Liabilities schedule on page 102.

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

In prior years, Idaho State University defeased 2004B and 2007 series bonds by issuing series 2016 bonds. The related liability was appropriately removed from the financial statements in the year of defeasance.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

Component Units

The Idaho Bond Bank Authority advance refunded bonds by issuing new bonds of \$22.0 million and placed the proceeds into irrevocable trusts sufficient to provide for all future debt service payments on defeased bonds. The related liability was appropriately removed from the financial statements in the year of defeasance. The refunding resulted in a reduction of debt service

requirements of \$4.8 million and an economic gain of \$4.0 million.

In July 2016, the Idaho Housing and Finance Association issued bonds, in the amount of \$177.9 million, as a restructuring of older issuances to provide an adequate asset base to meet indenture parity requirements. There were no economic savings achieved by the restructuring.

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	2003 Series B Bonds	\$ 4,765	\$ 4,765
Boise State University	2009 Series A Bonds	25,195	25,195
Idaho Bond Bank Authority	2008 Series C Bonds	18,825	18,825
	2008 Series A Bonds	8,730	8,730
	2008 Series E Bonds	19,490	19,490
	2009 Series A Bonds	39,525	39,525
	2009 Series B Bonds	5,395	5,395
Idaho Housing and Finance Association	2006 Series A Bonds	97,665	7,266
	2008 Series A Bonds	84,505	45,082

D. Notes Payable**Primary Government**

The Idaho Transportation Department financed the improvement of various roads and related infrastructure within the State through borrowings from the Idaho Housing and Finance Association in the amount of \$797.2 million. 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 19.8 percent of the revenues. The total principal and interest payments remaining on the notes are \$761.7 million, payable through 2032. For the current year, principal and interest payments and total pledged revenues were \$58.2 million and \$294.5 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 with a remaining principal balance of \$2.0 million.

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 \$4.7 million in notes payable in 2013. Amounts were originally due to be paid off in 2018, but were fully paid off in 2017.

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 redeemed 2001 multi-mode variable rate bonds in 2016 and were replaced with a note payable to a commercial lender in the amount of \$5.0 million. The Foundation also has a notes payable to establish telepharmacies in neighboring communities, expanding health center operations to serve students, faculty, and administrators.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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

Fiscal Year Ending June 30	Primary Government							
	Governmental Activities							
	Transportation		Nonmajor Special Revenue		Internal Service		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 31,061	\$ 26,423	\$ 164	\$ 13	\$ 289	\$ 101	\$ 31,514	\$ 26,537
2019	32,559	24,922	164	2	320	85	33,043	25,009
2020	34,107	23,359	11	2	353	67	34,471	23,428
2021	35,761	21,694	11	1	388	48	36,160	21,743
2022	37,547	19,905	7		425	27	37,979	19,932
2023-2027	217,904	69,252			228	5	218,132	69,257
2028-2032	173,032	14,201					173,032	14,201
Total	\$ 561,971	\$ 199,756	\$ 357	\$ 18	\$ 2,003	\$ 333	\$ 564,331	\$ 200,107
Interest Rate	2.43% to 4.73%		3.45% to 6.75%		5.34%			

Fiscal Year Ending June 30	Business-Type Activities					
	College and University		Nonmajor Enterprise Funds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 13	\$ 1	\$ 34	\$ 3	\$ 47	\$ 4
2019			24	1	24	1
2020			2		2	
Total	\$ 13	\$ 1	\$ 60	\$ 4	\$ 73	\$ 5
Interest Rate	3.25% to 5%		6%			

Fiscal Year Ending June 30	Component Units					
	Idaho Housing and Finance Association*		College and University Foundations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 21,624	\$ 1,693	\$ 540	\$ 193	\$ 22,164	\$ 1,886
2019	6,508	1,502	543	172	7,051	1,674
2020	6,242	1,300	539	151	6,781	1,451
2021	6,248	1,111	530	130	6,778	1,241
2022	18,178	577	2,532	110	20,710	687
2023-2027	6,538	2,214	2,066	155	8,604	2,369
2028-2032	3,250	1,092			3,250	1,092
2033-2037	1,831	501			1,831	501
2038-2042	804	291			804	291
2043-2047	630	317			630	317
2048-2052	248	121			248	121
2053-2057	1,303	45			1,303	45
Total	\$ 73,404	\$ 10,764	\$ 6,750	\$ 911	\$ 80,154	\$ 11,675
Interest Rate	0.00% to 9.13%		1.00% to 6.00%			

*IHFA netted unamortized debt issuance costs of \$544 against their debt service requirements; however, the costs are not included in changes in Long-Term Liabilities schedule on page 102.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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 2017 but not reported at year end in the amount of \$43.9 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 \$2.7 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 \$16.5 million toward the required match leaving an overpayment of the match liability of \$2.2 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, which 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. In 2012, an amended ROD was released with a revised estimated cleanup costs of \$635.0 million. The State has not agreed to match any additional cost. Idaho's match is 10 percent or \$31.0 million, which was measured using the expected cash flow technique. The State has expended \$3.1 million toward the required match, leaving a liability of \$27.9 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, regulations, and other factors. The State does not anticipate any recovery from other parties for the Coeur d'Alene Basin project.

Component Units

The component units recorded the following claims and judgments:

The Idaho Housing and Finance Association had an estimated arbitrage rebate liability of \$0.1 million.

The Petroleum Clean Water Trust Fund had policy claim liabilities of \$4.2 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 \$0.1 million for unpaid claims.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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, 2016 As Restated	Increases	Decreases	Balances at June 30, 2017	Amounts Due Within One Year
Primary Government					
Governmental Activities:					
Revenue Bonds	\$ 141,793		\$ (8,989)	\$ 132,804	\$ 9,339
(Premiums)/Discounts/Other	4,723		(683)	4,040	
Notes Payable	595,116		(30,785)	564,331	31,514
Total Bonds and Notes Payable	741,632		(40,457)	701,175	40,853
Capital Leases	17,462	\$ 19	(1,056)	16,425	1,079
Compensated Absences	54,058	56,228	(55,114)	55,172	55,172
Policy Claim Liabilities	10,804	25,023	(24,689)	11,138	3,000
Claims and Judgments	169,115	47,118	(143,421)	72,812	47,288
Net Pension Liability	306,439	149,197	(3,160)	452,475	
Net OPEB Obligation	25,917	4,454	(2,405)	27,966	
Other Long-Term Obligations	5,633		(1,877)	3,756	
Total Governmental Activity	\$ 1,331,060	\$ 282,039	\$ (272,179)	\$ 1,340,919	\$ 147,392
Business-Type Activities:					
Revenue Bonds	\$ 439,761	\$ 67,860	\$ (62,972)	\$ 444,649	\$ 18,309
(Premiums)/Discounts	22,811	9,895	(3,261)	29,445	433
Notes Payable	2,157	66	(2,150)	73	47
Total Bonds and Notes Payable	464,729	77,821	(68,383)	474,167	18,789
Capital Leases	4,995		(847)	4,148	487
Compensated Absences	21,373	22,629	(21,332)	22,670	22,670
Net Pension Liability	56,602	28,797		85,399	
Net OPEB Obligation	22,973	4,555	(1,563)	25,965	
Other Long-Term Obligations	928		(143)	785	
Total Business-Type Activity	\$ 571,600	\$ 133,802	\$ (92,268)	\$ 613,134	\$ 41,946
Component Units:					
Revenue Bonds	\$ 1,578,652	\$ 175,276	\$ (348,862)	\$ 1,405,066	\$ 279,326
(Premiums)/Discounts	54,286	72	(2,885)	51,473	2,878
Notes Payable	34,154	58,688	(13,232)	79,610	22,164
Total Bonds and Notes Payable	1,667,092	234,036	(364,979)	1,536,149	304,368
Compensated Absences	47	233	(227)	53	53
Policy Claim Liabilities	4,576	2,209	(2,431)	4,354	1,433
Claims and Judgments	306		(187)	119	
Total Component Unit Activity	\$ 1,672,021	\$ 236,478	\$ (367,824)	\$ 1,540,675	\$ 305,854

Internal service funds predominantly serve the governmental funds. Accordingly, \$2.0 million of notes payable, \$1.0 million of compensated absences, \$11.1 million of policy claim liabilities, \$7.0 million of net pension liability, 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

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

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 \$56.5 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. Forty one series of bonds that meet the description of conduit debt obligations are outstanding with an aggregate principal amount payable of \$268.8 million.



Notes to the Financial Statements**For the Fiscal Year Ended June 30, 2017**

NOTE 14. EQUITY**A. Restatement of Beginning Fund Balances and Net Position**

The beginning net position of the general fund increased by \$16.5 million due to a change in the estimation to calculate the liability balance in the unclaimed property fund.

The beginning net position of the nonmajor governmental fund decreased by \$3.3 million due to an error in accounting for unearned revenue and increased \$8.5 million due to the inclusion of the Idaho Fish and Wildlife Foundation.

The beginning net position of the Loan fund increased by \$2.9 million due to underreporting of a note receivable and increased by \$2.5 million due to adjustments 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 \$17.5 million due to adjustments to infrastructure and construction-in-progress, decreased by \$4.7 million due to adjustments of capital assets in a prior year, increased by \$13.3 million due to the inclusion of the Idaho Fish and Wildlife Foundation, increased by \$0.3 million due to an overstatement of leases payable, decreased by \$0.2 million due to an adjustment to notes payable related to GARVEE, increased by \$1.0 million due to an error in the net pension liability reported in a prior year, increased by \$1.1 million due to an error in deferred outflows and inflows of resources in a prior year, increased by \$68.2 million due to underreporting the SLIRF asset in a prior year, and increased by \$9.6 million due to the implementation of GASB Statement No. 74.

The beginning net position of the Bond Bank Authority increased by \$5.1 million to increase loans and notes receivable and the net position as of the beginning of the fiscal year.

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 \$3.4 billion for governmental activities, \$1.5 billion for business-type activities, and \$845.6 million for component units. These amounts include \$535.7 million of net position restricted by enabling legislation for governmental activities and \$841.1 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.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

The following schedule presents the nature and purpose of these fund balances at June 30, 2017:

Restricted, Committed, and Assigned Governmental Fund Balances				
<i>(dollars in thousands)</i>				
Funds	Restricted	Committed	Assigned	Total
General				
Economic Development	\$ 292	\$ 57,463	\$ 9,572	\$ 67,327
Education	21,966	117,845	978	140,789
Environmental Quality		24,671		24,671
Fire Suppression			55,827	55,827
General Government Administrative Costs	1,254		23,988	25,242
Health and Human Services		11,112	1,057	12,169
Millennium Endowment Fund	302,283			302,283
Municipal Revenue Sharing	19,196			19,196
Natural Resources			2,251	2,251
Opportunity College Scholarships		19,574		19,574
Public Safety	885		9,088	9,973
School Building Maintenance and Repair		22,537		22,537
State Building Construction and Maintenance		45,729		45,729
Transportation Projects		16,354		16,354
Veterans Recognition		17,418		17,418
Other Purposes	3,821	1	12,857	16,679
Total	\$ 349,697	\$ 332,704	\$ 115,618	\$ 798,019
Health and Welfare				
Health and Human Services		\$ 38	\$	\$ 38
Total	\$ 0	\$ 38	\$ 0	\$ 38
Transportation and Transportation Infrastructure				
GARVEE Debt Service	\$ 41,873			\$ 41,873
Transportation Programs	324,724	\$ 3,249		327,973
Total	\$ 366,597	\$ 3,249	\$ 0	\$ 369,846
Land Endowments				
Endowment Fund Beneficiaries	\$ 646,087			\$ 646,087
Total	\$ 646,087	\$ 0	\$ 0	\$ 646,087
Nonmajor Special Revenue				
Agricultural Programs	\$ 56,575			\$ 56,575
Corrections	5,552	\$ 1,658		7,210
Courts	2,155	3,260		5,415
Economic Development	19,106			19,106
Education	491	5,837		6,328
Employment Administration and Training Programs	13,949	13,762		27,711
Environmental Quality	92,402	27,983	\$ 1,655	122,040
Professional Licensing and Monitoring	91,260			91,260
Public Recreation	5,037	38,746		43,783
Public Safety	7,357	14,930		22,287
State Building Debt Service	7,458			7,458
State Land Management	17,997			17,997
Tourism and Promotion	9,990			9,990
Wildlife Management	66,829			66,829
Workers Compensation	25,011			25,011
Other Purposes	3,782	680		4,462
Total	\$ 424,951	\$ 106,856	\$ 1,655	\$ 533,462

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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, 2017, the fund balance was \$8.9 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. Idaho Code requires the transfer of 50 percent of any excess cash balance from the General Fund to the Budget Stabilization fund at the close of the current fiscal year. 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. As of June 30, 2017, the fund balance was \$323.9 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 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, 2017, the fund balance was \$85.0 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. For the fiscal year ended June 30, 2017, net appreciation on investments of the donor-restricted endowments available for expenditure for the Land Endowments fund was \$42.3 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. The EFIB may adjust the distributions depending on the amount in the earnings reserve accounts, transfers to the permanent funds, and other factors.

The Idaho Fish and Wildlife Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the Foundation. The Foundation board of directors spends the net appreciation in accordance with Idaho Code Title 68 Chapter 12. The endowments did not have any net appreciation during the fiscal year available for expenditure. Accumulated earnings are reported in net position restricted for permanent trust - nonexpendable. The Foundation board of directors must approve spending of investment income. Limits are set by individual agreements for each endowment fund established.

The Department of Parks and Recreation has a \$1.3 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 \$2.8 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 \$1.0 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 \$9.3 million during the fiscal year for expenditure. 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. The endowments had net appreciation of \$0.1 million during the fiscal year for expenditure. 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 \$3.5 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 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 a net appreciation of \$0.8 million during the fiscal year for expenditures. 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 \$22.9

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2017

million during the fiscal year for expenditure. Unrealized appreciation (depreciation) is included in net position restricted for permanent trust-expendable. The Foundation Board of Directors establishes an annual spending rate. For

fiscal year 2017, the spending rate was set at 4.4 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, 2017, the principal amount of qualified school district bonds outstanding was \$1.3 billion, and the interest amount outstanding was \$474.8 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, 2017, the Idaho Bond Bank Authority had a principal amount of qualified municipal bonds outstanding of \$325.1 million, and the interest amount outstanding was \$135.7 million. Five water and sewer districts and one fire district 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 \$14.3 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.

B. Commitments***Primary Government***

The Idaho Transportation Department (ITD) has a total of \$235.2 million in outstanding commitments for infrastructure and \$33.2 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 principal and 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 \$797.2 million against the total; of that amount, \$235.2 million has been repaid, resulting in a \$562.0 million liability being recorded. Details can be found in Note 13.

The Department of Administration has a total of \$37.1 million in outstanding commitments for capital asset-related construction projects underway at year-end.

The colleges and universities estimate costs of \$95.5 million to complete a variety of capital asset-related construction projects underway at year-end.

The Department of Parks and Recreation has a total of \$7.8 million in outstanding commitments for capital asset-related construction projects underway at year-end.

The Department of Labor has a total of \$5.7 million in outstanding commitments for capital asset-related construction projects underway at year-end.

The Department of Environmental Quality 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 \$70.0 million and the Drinking Water Loan fund had commitments of \$32.5 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. The estimated cost for fiscal years 2018 and 2019 is \$94.1 million. Additionally, 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 estimated cost for fiscal years 2018 through 2021 is \$29.7 million.

The Judicial Branch estimates costs of \$5.6 million to complete a variety of capital asset-related construction projects underway at year-end, with a new technical system

Notes to the Financial Statements

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for court management making up a significant portion of this amount.

The Dairy Products Commission annually commits to participate in a national unified marketing plan for dairy products. The Commission's 2017 commitment to nutrition, product, and ingredient manufacturing research and marketing activities is \$6.4 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. A new contract for an additional 10 years has been negotiated, with specifics to be detailed at a later date. The State Lottery also has purchased prize annuities in the name of the individual winners, but is still liable in the event the insurance companies default on payments. The amount of payments for the year ended June 30, 2017 is \$11.3 million.

The Public Employee Retirement System of Idaho has a total of \$612.6 million and \$39.4 million in outstanding commitments for investments to private equity partnerships.

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	\$ 30,082	\$ 4,747	\$ 27,728	\$ 20,289

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 \$8.2 million.

The Idaho State Historical Society holds a contract with the Nassal Company in the amount of \$6.5 million for exhibitions, fabrication, and installation. The contract is effective through June 30, 2018.

Component Unit

The Idaho Housing and Finance Association has commitments to purchase \$716.5 million of single-family mortgages. The Association has commitments to sell or secure \$320.7 million of single-family mortgages.

The University of Idaho Foundation has \$19.8 million in outstanding commitments for investments.

The Idaho State University Foundation has \$12.5 million in outstanding commitments for investments.

NOTE 17. TAX ABATEMENTS

As of June 30, 2017, the State of Idaho provides tax incentives under four programs which meet the definition of tax abatements as provided in GASB Statement No. 77: Tax Reimbursement Incentives (TRI), Idaho Business Advantage, Broadband Income Tax credit, and Sales Tax Rebates.

Tax Reimbursement Incentives (TRI)

Pursuant to Idaho Code Section 67-4737, the tax reimbursement incentive program is designed to accelerate the growth of new business opportunities, encourage the creation of high-paying jobs, and diversify the state's and local community's economy. The Tax Reimbursement Incentive is a performance-based economic development tool that provides a refundable tax credit up to 30 percent for up to 15 years on new Business Entity income tax, sales tax, and payroll taxes paid as a result of the Meaningful Project. The TRI will perpetually generate the revenues needed to fund the incentive.

This credit is available to both existing and new companies, in any industry, seeking expansion in the state. The tax credit percentage and project term are negotiable based upon the quantity and quality of jobs created, state/regional economic impact, and return on taxpayer investment for Idaho, among others.

A company must complete an in-depth application and meet the following requirements to qualify for the Tax Reimbursement Incentive:

- Create 20 new jobs in rural communities (city population of 25,000 or less) or 50 in urban centers.
- New jobs must be full time (30 hours or more) and pay an average wage of equal to or greater than the average county wage.
- Demonstrate a meaningful community match.
- Confirm the company's stability and the projects' potential to be a significant economic impact in the community and Idaho.
- Prove that the incentive is a critical factor in the company's decision to expand in Idaho.

Idaho Business Advantage

Pursuant to Idaho Code Sections 63-4402 through 63-4409, the Idaho Business Advantage offers businesses that invest a minimum of \$500,000 in new facilities and create at least 10 new jobs averaging \$40,000 annually with benefits, may qualify for a variety of incentives.

The following incentives are available through this program: an enhanced investment tax credit of 3.75 percent up to \$750,000 or 62.5 percent of corporate income tax

liability in any one year, a new jobs tax credit from \$1,500-\$3,000 for new jobs paying \$24.04 per hour or more, and a 2.5 percent real property improvement corporate income tax credit up to \$125,000 in any one year along with a 25 percent rebate on sales tax paid on construction materials for the new facilities.

A company must meet the following requirements to qualify for the Idaho Business Advantage incentive:

- The business must invest \$500,000 in new facilities.
- The business must create at least 10 new jobs paying on average \$40,000/year (\$19.23/hour) plus benefits.
- The average wage of any additional new employee during project period must be \$15.50/hour plus benefits.
- Project period ends when the facilities put into service, but no later than December 31, 2020.

In the event that any person to whom a tax credit allowed by Idaho Code Sections 63-4403, 63-4404 or 63-4405, fails to meet the tax incentive criteria, the full amount of the credit shall be subject to recapture by the commission.

Broadband Income Tax Credit

Pursuant to Idaho Code Section 63-3029I, businesses that purchase qualified broadband equipment and infrastructure for the benefit of end users in Idaho may earn a 3 percent income tax credit up to \$750,000.

"Qualified broadband equipment" means equipment that qualifies for the credit for capital investment permitted by Idaho Code Section 63-3029B and is capable of transmitting signals at a rate of at least 200,000 bits per second to a subscriber and at least 125,000 bits per second from a subscriber. A taxpayer must apply to and obtain from the Idaho Public Utilities Commission an order confirming that the installed equipment is qualified broadband equipment.

Each taxpayer must retain and make available, on request, records for each item of property included in the computation of the broadband equipment investment credit claimed on an income tax return subject to examination. The records must include all of the following:

- The order from the Idaho Public Utilities Commission confirming that the installed equipment is qualified broadband equipment.
- A description of the property.
- The asset number assigned to the item of property, if applicable.
- The acquisition date and date placed in service.
- The basis of the property.
- The retirement, disposition, or date transferred out of Idaho, or date no longer used in Idaho, if applicable.

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In the event that qualified broadband equipment upon which the credit allowed by this section has been used ceases to qualify for the credit allowed by Idaho Code Section 63-3029B, or is subject to recapture of that credit, the recapture of credit under this section shall be in the same proportion and subject to the same provisions as the amount of credit required to be recaptured under Idaho Code Section 63-3029B.

Sales Tax Rebate

Pursuant to Idaho Code Section 63-3641, a developer of a retail complex shall receive a rebate of sales taxes collected and remitted to the State Tax Commission by qualified retailers within the retail complex to reimburse the developer for project expenses incurred for the installation of approved transportation improvements.

An “approved transportation improvement” means a highway project whose cost is in excess of \$6.0 million for the installation of an interchange from an interstate highway or expended on the improvement of an existing highway. To qualify as an approved highway improvement, the developer of a retail complex must enter into an agreement with the Idaho Transportation Board and/or political subdivision.

An approved highway improvement shall include those costs directly associated with the highway project but shall not include any improvement not within the right-of-way of the proposed public highway improvement, improvements not specifically authorized in the agreement entered into, or developer financed improvements required by state or local agencies as part of the permitting and development process not within the public highway right-of-way.

To obtain the rebate provided by Idaho Code Section 63-3641, the developer of a retail complex shall file a written claim within two (2) years of the developer's last

expenditure on approved transportation improvements, with the state tax commission. The claim shall:

- Identify the location and boundaries of the retail complex.
- Identify the qualified retailers making retail sales within the complex.
- Include verification that the developer has met the expenditure requirements of a minimum of \$4.0 million.
- Include certification from the Idaho Transportation Department or political subdivision of the amount expended on the approved transportation improvements related to the retail complex.
- Contain such additional information as the State Tax Commission may require by rule.

Upon approval by the State Tax Commission, the developer is entitled to receive a rebate of 60 percent of all sales and use taxes imposed by this chapter and remitted to the State Tax Commission after the date of approval by qualified retailers in the retail complex. Once a total of thirty-five million dollars (\$35,000,000) has been paid in as a rebate on a particular approved transportation improvement, no additional rebates shall be paid in regard to that approved transportation improvement.

The following table displays the total amount of taxes abated per program for the year ended June 30, 2017:

Tax Abatement Program	Amount of Taxes Abated (In Actual Dollars)
Idaho Business Advantage	\$ 718,947
Broadband Income Tax Credit	2,713,844
Sales Tax Rebate	9,181,700

NOTE 18. SUBSEQUENT EVENTS

Subsequent to June 30, 2017, the following events occurred:

Primary Government

On July 3, 2017, the Office of the State Treasurer issued tax anticipation notes in the amount of \$485.8 million. The notes were issued 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 2017 fiscal year. The notes mature on June 29, 2018.

Component Units

On July 3, 2017, the Idaho Housing and Finance Association issued 2017 Series A Single-Family Mortgage Bonds in the amount of \$92.7 million. Proceeds of the 2017 Series A Bonds are used to pay and redeem the following bonds previously issued by the Issuer: the 2012 Series A Bonds (2006 Indenture) in part in a principal amount equal to \$34.7 million, the 2013 Series A-1 Bonds (2006 Indenture) in part in a principal amount equal to \$40.0 million, the 2013 Series A-2 Bonds (2006 Indenture) in part in a principal amount equal to \$3.6 million, the 2009 Series C Bonds (2009 Indenture) in part in a principal amount equal to \$6.0 million, and the 2009 Series 1-A Bonds (2009 Indenture) in part in a principal amount equal to \$8.4 million. In connection with such refunding, the Issuer and Barclays Bank PLC (the "Interest Rate Contract Provider") have agreed to allocate and transfer the interest rate contracts related to such refunded variable rate bonds to the 2017 Series A Bonds. Bonds are intended as a restructuring to provide a better match of loan prepayment speeds and swap contract fixed rates and maturation dates. No economic savings are intended to be achieved by this restructuring.

On August 30, 2017, the Idaho Bond Bank Authority issued 2017 Series C Revenue Bonds in the amount of \$14.1 million.

On June 30, 2017, the Idaho Bond Bank Authority's balance for Series 2004A bonds was \$1.8 million. On August 31, 2017, the City of McCall paid off its 2004A loan from the Idaho Bond Bank Authority and on September 1, 2017, the City of Driggs paid off its 2004A loan with the Idaho Bond Bank Authority. Consequently, as of September 1, 2017, the Idaho Bond Bank Authority's Series 2004A bonds are outstanding in the amount of \$0.2 million.

On June 30, 2017, the Idaho Bond Bank Authority's balance for Series 2008B bonds was \$5.9 million. On August 31, 2017, the City of McCall defeased its 2008B loan from the Idaho Bond Bank Authority. As of September 1, 2017, the Idaho Bond Bank Authority Series 2008B bonds are fully defeased.

On October 19, 2017, Idaho Transportation Department in conjunction with Idaho Housing and Finance Association and Citigroup completed a GARVEE bond refunding (refinance). This refunding was completed as an advance refunding meaning that it was completed prior to the call dates of the bonds selected. In summary, the following occurred: refunded Series 2008 in a par amount of \$14.0 million; refunded Series 2009 in a par amount of \$87.1 million; refunding Series 2017 was sold with a par amount of \$91.3 million with a 5 percent coupon resulting in a premium of \$17.8 million and in total cost of interest of 2.24 percent. Total present value savings resulting from this transaction is \$13.1 million after all costs have been covered. Total cost of issuance for this series was \$0.8 million. Interest savings for Fiscal Year 2018 will be \$1.5 million with additional interest savings each year until the series is paid off. Total savings resulted from the reduction of interest rate.





Required Supplementary Information



Boise River

Required Supplementary Information
Budgetary Comparison Schedule
General Fund and Major Special Revenue Funds
For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	General			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax	\$ 1,638,852	\$ 1,638,852	\$ 1,638,852	
Individual and Corporate Taxes	2,277,878	2,277,878	2,277,878	
Other Taxes	60,398	60,398	60,398	
Licenses, Permits, and Fees	25,154	25,154	25,154	
Sale of Goods and Services	23,493	23,493	23,493	
Grants and Contributions	16,357	16,357	16,357	
Investment Income	27,851	27,851	27,851	
Tobacco Settlement	22,964	22,964	22,964	
Other Income	28,720	28,720	28,720	
Total Revenues	<u>\$ 4,121,667</u>	<u>\$ 4,121,667</u>	<u>4,121,667</u>	
EXPENDITURES				
General Government	\$ 917,115	\$ 921,890	864,399	\$ 57,491
Public Safety and Correction	356,532	356,469	342,232	14,237
Health and Human Services	26,808	26,808	25,576	1,232
Education	2,236,969	2,238,236	2,136,645	101,591
Economic Development	131,210	144,867	103,027	41,840
Natural Resources	42,436	42,519	56,785	(14,266)
Total Expenditures	<u>\$ 3,711,070</u>	<u>\$ 3,730,789</u>	<u>3,528,664</u>	<u>\$ 202,125</u>
Revenues Over (Under) Expenditures			<u>593,003</u>	
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets			2,655	
Transfers In			252,679	
Transfers Out			(1,033,052)	
Total Other Financing Sources (Uses)			<u>(777,718)</u>	
Revenues and Other Financing Sources Over (Under)			<u>(184,715)</u>	
Expenditures and Other Financing Uses				
Reconciling Items				
Changes Affected by Accrued Revenues			(400,442)	
Changes Affected by Accrued Expenditures			746,274	
Fund Balances - Beginning of Year, as Restated			<u>1,315,057</u>	
Fund Balances - End of Year			<u>\$ 1,476,174</u>	

The accompanying note is an integral part of the financial statements.

Health and Welfare				Transportation			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
\$ 26,619	\$ 26,619	\$ 26,619		\$ 332,601	\$ 332,601	\$ 332,601	
20,242	20,242	20,242		179,191	179,191	179,191	
239,652	239,652	239,652		6,583	6,583	6,583	
1,667,716	1,667,716	1,667,716		271,745	271,745	271,745	
243	243	243		1,195	1,195	1,195	
13,727	13,727	13,727		1,123	1,123	1,123	
\$ 1,968,199	\$ 1,968,199	1,968,199		\$ 792,438	\$ 792,438	792,438	
\$ 3,527	\$ 3,527	3,527					
2,778,881	2,772,079	2,629,160	\$ 142,919				
				\$ 1,102,360	\$ 1,117,198	731,583	\$ 385,615
\$ 2,782,408	\$ 2,775,606	2,632,687	\$ 142,919	\$ 1,102,360	\$ 1,117,198	731,583	\$ 385,615
		(664,488)				60,855	
		117				16,462	
		674,735					
		(19,838)				(17,714)	
		655,014				(1,252)	
		(9,474)				59,603	
		93,203				(7,475)	
		(97,844)				(11,885)	
		(4,536)				350,111	
		\$ (18,651)				\$ 390,354	

Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

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

Required Supplementary Information

For the Fiscal Year Ended June 30, 2017

supplemental (positive or negative) appropriations, 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 12,274 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, 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, 2017

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"h- 0.24"h	0.00"h- 0.49"h	Good	CI > 3.0	CI > 3.0
Fair	2.5 ≤ RI ≤ 3.0	2.5 ≤ RI ≤ 3.0	Fair	0.25"h- 0.49"h	0.50"h- 0.99"h	Fair	2.5 ≤ CI ≤ 3.0	2.5 ≤ CI ≤ 3.0
Poor	2.0 ≤ RI < 2.5	1.5 ≤ RI < 2.0	Poor	0.50"h- 0.74"h	1.00"h- 1.49"h	Poor	2.0 ≤ CI < 2.5	2.0 ≤ CI < 2.0
Very Poor	RI < 2.0	RI < 1.5	Very Poor	≥ 0.75"h	≥ 1.50"h	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 2016 the assessed level was

maintained at 15.4 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										
	2016		2015		2014		2013		2012	
Good	7,080	57.7 %	7,301	59.5 %	7,507	61.2 %	7,239	59.2 %	7,614	62.3 %
Fair	3,304	26.9 %	2,992	24.4 %	3,016	24.5 %	3,240	26.5 %	2,946	24.1 %
Poor	1,688	13.8 %	1,736	14.1 %	1,480	12.1 %	1,544	12.6 %	1,479	12.1 %
Very Poor	202	1.6 %	242	2.0 %	266	2.2 %	213	1.7 %	183	1.5 %
Total Lane Miles	12,274	100%	12,271	100%	12,269	100%	12,236	100%	12,222	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*).

	FY2018	FY2017	FY2016	FY2015	FY2014	FY2013	FY2012
Estimated	\$ 100,691	\$ 112,537	\$ 111,475	\$ 90,905	\$ 122,831	\$ 104,612	\$ 110,125
Actual	\$ 0	\$ 128,776	\$ 73,499	\$ 89,972	\$ 107,718	\$ 125,839	\$ 161,290



Required Supplementary Information

For the Fiscal Year Ended June 30, 2017

PENSION

PERSI Base Plan

Schedule of Net Pension Liability Proportionate Share

(dollars in thousands)

	2017	2016	2015
Proportion of Net Pension Liability (NPL)	25.5%	25.8%	25.5%
Proportionate Share of NPL	\$ 517,254	\$ 339,548	\$ 187,540
Covered Payroll	\$ 799,046	\$ 743,772	\$ 722,235
Proportionate Share of NPL as a Percentage of Covered Payroll	64.7%	45.7%	26.0%
Plan Fiduciary Net Position	\$ 13,884,164	\$ 13,956,663	\$ 13,833,143
Plan Total Pension Liability	\$ 15,911,317	\$ 15,273,500	\$ 14,569,300
Plan Fiduciary Net Position as a Percentage of Plan Total Pension Liability	87.3%	91.4%	94.9%

Schedule of Contributions

(dollars in thousands)

Fiscal Year Ended June 30	(a) Actuarially Determined Contribution	(b) Contributions in Relation to Actuarially Determined Contribution	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Covered Payroll	Contributions as a Percentage of Covered Payroll (b) : (d)
2015	\$ 81,757	\$ 81,757	\$ 0	\$ 722,235	11.32%
2016	\$ 84,195	\$ 84,195	\$ 0	\$ 743,772	11.32%
2017	\$ 90,452	\$ 90,452	\$ 0	\$ 799,046	11.32%

Schedules above intended to show information for 10 years. Information for additional years will be displayed as they become available.

Required Supplementary Information

For the Fiscal Year Ended June 30, 2017

Judges' Retirement Fund

Schedule of Changes in Employer's Net Pension Liability			
(dollars in thousands)			
	2017	2016	2015
Total Pension Liability			
Service Cost	\$ 3,179	\$ 3,111	\$ 3,251
Interest	7,056	6,889	6,590
Benefit Changes			
Economic/Demographic Gains (Losses)	266	(1,648)	285
Assumption Changes			
Benefit Payments, Including Refunds	(6,173)	(5,975)	(5,577)
Net Change in Total Pension Liability	4,328	2,377	4,549
Total Pension Liability - Beginning	99,229	96,852	92,303
Total Pension Liability - Ending (a)	103,557	99,229	96,852
Plan Net Position			
Contributions - Employer	3,947	3,371	3,596
Contributions - Employee	630	624	629
Net Investment Income	9,157	1,094	2,052
Transfer In			
Benefit Payments, Including Refunds	(6,173)	(5,975)	(5,577)
Administrative Expense	(74)	(133)	(96)
Net Change in Plan Net Position	7,487	(1,019)	604
Plan Fiduciary Net Position - Beginning	75,449	76,468	75,864
Plan Fiduciary Net Position - Ending (b)	82,936	75,449	76,468
Net Pension Liability - Ending (a) - (b)	\$ 20,621	\$ 23,780	\$ 20,384
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.09%	76.04%	78.95%
Covered Payroll	\$ 6,162	\$ 6,097	\$ 6,149
Net Pension Liability as a Percentage of Covered Payroll	334.63%	390.03%	331.50%

Schedule intended to show information for 10 years. Information for additional years will be displayed as it becomes available.

Required Supplementary Information
For the Fiscal Year Ended June 30, 2017
Schedule of Employee Contributions
(dollars in thousands)

Fiscal Year Ended June 30	(a) Actuarially Determined Contribution	(b) Contributions in Relation to Actuarially Determined Contribution	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Covered Payroll	Contributions as a Percentage of Covered Payroll (b) : (d)
2007	\$ 2,817	\$ 1,892	\$ 925	\$ 5,669	33.37%
2008	\$ 3,401	\$ 1,896	\$ 1,505	\$ 5,723	33.13%
2009	\$ 4,156	\$ 2,007	\$ 2,149	\$ 5,960	33.67%
2010	\$ 3,735	\$ 2,023	\$ 1,712	\$ 5,645	35.84%
2011	\$ 3,286	\$ 2,028	\$ 1,258	\$ 5,700	35.58%
2012	\$ 2,979	\$ 1,973	\$ 1,006	\$ 5,847	33.74%
2013	\$ 2,939	\$ 2,662	\$ 277	\$ 5,868	45.36%
2014	\$ 2,949	\$ 2,717	\$ 232	\$ 5,634	48.23%
2015	\$ 3,493	\$ 3,595	\$ (102)	\$ 6,149	58.46%
2016	\$ 3,463	\$ 3,370	\$ 93	\$ 6,097	55.27%
2017	\$ 3,604	\$ 3,947	\$ (343)	\$ 6,162	64.05%

Schedule of Investment Returns

	2017	2016	2015	2014	2013
Annual Money Weighted Rate of Return, Net of Investment Expense	12.3%	1.5%	2.7%	16.9%	8.8%

Schedule intended to show information for 10 years. Information for additional years will be displayed as it becomes available.

Note to the Judges' Retirement Fund Schedules:
Assumptions Used to Calculate Actuarially Determined Contributions

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll - Open
Amortization Period	25 Years
Actuarial Assumptions:	
Investment Rate of Return - Gross	7.50%
Projected Salary Increases, Including Inflation	3.75%
Post-retirement Cost of Living Allowance Increases	1.00% or 3.75%
Implied Price Inflation Rate	3.25%

Required Supplementary Information
For the Fiscal Year Ended June 30, 2017
OTHER POSTEMPLOYMENT BENEFITS
Schedule of Funding Progress (dollars in thousands):

OPEB Plan	Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b) - (a)	(d) Funded Ratios (a) : (b)	(e) Annual Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c) : (e)
Retiree Healthcare	7/1/2013	\$ 0	\$ 15,208	\$ 15,208	0.0%	\$ 862,810	1.8%
	7/1/2014	\$ 0	\$ 23,260	\$ 23,260	0.0%	\$ 907,637	2.6%
	7/1/2015	\$ 0	\$ 23,312	\$ 23,312	0.0%	\$ 944,555	2.5%
	7/1/2016	\$ 0	\$ 32,470	\$ 32,470	0.0%	\$ 1,002,118	3.2%
Long-Term Disability Healthcare	7/1/2013	\$ 0	\$ 6,921	\$ 6,921	0.0%	\$ 862,810	0.8%
	7/1/2014	\$ 0	\$ 7,958	\$ 7,958	0.0%	\$ 907,637	0.9%
	7/1/2015	\$ 0	\$ 7,645	\$ 7,645	0.0%	\$ 944,555	0.8%
	7/1/2016	\$ 0	\$ 3,713	\$ 3,713	0.0%	\$ 1,002,118	0.4%
Life Insurance	7/1/2013	\$ 0	\$ 5,400	\$ 5,400	0.0%	\$ 862,810	0.6%
	7/1/2014	\$ 0	\$ 4,408	\$ 4,408	0.0%	\$ 907,637	0.5%
	7/1/2015	\$ 0	\$ 3,720	\$ 3,720	0.0%	\$ 944,555	0.4%
	7/1/2016	\$ 0	\$ 3,091	\$ 3,091	0.0%	\$ 1,002,118	0.3%
Income	7/1/2013	\$ 0	\$ 3,622	\$ 3,622	0.0%	\$ 862,810	0.4%
	7/1/2014	\$ 0	\$ 3,088	\$ 3,088	0.0%	\$ 907,637	0.3%
	7/1/2015	\$ 0	\$ 2,690	\$ 2,690	0.0%	\$ 944,555	0.3%
	7/1/2016	\$ 0	\$ 2,372	\$ 2,372	0.0%	\$ 1,002,118	0.2%
Retiree Life Insurance	7/1/2013	\$ 0	\$ 42,353	\$ 42,353	0.0%	\$ 271,768	15.6%
	7/1/2014	\$ 0	\$ 36,444	\$ 36,444	0.0%	\$ 285,407	12.8%
	7/1/2015	\$ 0	\$ 50,672	\$ 50,672	0.0%	\$ 296,982	17.1%
	7/1/2016	\$ 0	\$ 56,160	\$ 56,160	0.0%	\$ 310,210	18.1%
University of Idaho*	7/1/2013	\$ 28,271	\$ 61,476	\$ 33,205	46.0%	\$ 132,777	25.0%
	7/1/2014	\$ 29,768	\$ 62,465	\$ 32,697	47.7%	\$ 140,728	23.2%
	7/1/2015	\$ 30,528	\$ 58,201	\$ 27,673	52.5%	\$ 150,995	18.3%

*The University of Idaho's most recent valuation date is July 1, 2015

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	6/30/2014	\$ 3,432	\$ 582	16.96%
	6/30/2015	\$ 3,827	\$ 637	16.64%
	6/30/2016	\$ 3,999	\$ 661	16.53%
	6/30/2017	\$ 4,587	\$ 701	15.28%
University of Idaho	6/30/2014	\$ 3,368	\$ 3,178	94.36%
	6/30/2015	\$ 3,177	\$ 3,233	101.76%
	6/30/2016	\$ 2,711	\$ 2,751	101.48%
	6/30/2017	\$ 2,711	\$ 3,157	116.45%

Required Supplementary Information

For the Fiscal Year Ended June 30, 2017

Sick Leave Insurance Reserve Fund

Schedule of Changes in Employer's Net OPEB Liability

(dollars in thousands)

	<u>2017</u>
Total OPEB Liability	
Service Cost	\$ 4,044
Interest	6,223
Benefit Changes	
Economic/Demographic Gains (Losses)	
Assumption Changes	
Actual Benefit Payments	(5,011)
Other Changes	
Net Change in Total OPEB Liability	<u>5,256</u>
Total OPEB Liability - Beginning	<u>86,112</u>
Total OPEB Liability - Ending (a)	<u><u>91,368</u></u>
Plan Net Position	
Contributions - Employer	7,137
Contributions - Employee	0
Net Investment Income	12,294
Transfer In	
Actual Benefit Payments	(5,011)
Administrative Expense	(41)
Other Changes	
Net Change in Plan Net Position	<u>14,379</u>
Plan Fiduciary Net Position - Beginning	<u>172,119</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>186,498</u></u>
Net OPEB Liability/(Asset) - Ending (a) - (b)	<u><u>\$ (95,130)</u></u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	204.12 %
Covered Payroll	\$ 1,097,953
Net OPEB Liability/(Asset) as a Percentage of Covered Payroll	(8.66)%

Schedule of Employee Contributions

(dollars in thousands)

Fiscal Year Ended June 30	(a) Actuarially Determined Contribution	(b) Contributions in Relation to Actuarially Determined Contribution	(c) Contribution Deficiency (Excess) (a) - (b)	(d) Covered Payroll	Contributions as a Percentage of Covered Payroll (b) : (d)
2017	\$ 4,282	\$ 7,137	\$ (2,855)	\$ 1,097,953	0.65%

Schedules above intended to show information for 10 years. Information for additional years will be displayed as it becomes available.

Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

Schedule of Investment Returns	
	2017
Annual Money Weighted Rate of Return, Net of Investment Expense	13.3%

Schedule above intended to show information for 10 years. Information for additional years will be displayed as it becomes available.

Assumptions Used to Calculate Actuarially Determined Contributions	
Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll - Open
Amortization Period	25 Years
Actuarial Assumptions:	
Investment Rate of Return*	7.10%
Projected Salary Increases, Including Inflation	3.75%
Implied Price Inflation Rate	3.25%
*Net of investment expense of 0.40%	



Combining Financial Statements



Hiawatha Trail



NONMAJOR GOVERNMENTAL FUNDS include nonmajor special revenue funds. 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 and 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.

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2017

(dollars in thousands)

	Special Revenue		
	Agriculture and Natural Resources	Regulatory	Fish and Game
ASSETS			
Cash and Cash Equivalents	\$ 6,977	\$ 1,032	\$ 1,102
Pooled Cash and Investments	97,365	70,810	22,824
Investments	41,572	21,019	12,465
Accounts Receivable, Net	3,300	2,876	1,316
Taxes Receivable, Net	3,749		
Interfund Receivables		17	379
Due from Other Entities	2,314		6,879
Inventories and Prepaid Items	2,739	580	9,505
Loans, Notes, and Pledges Receivable, Net	3,381		10
Other Assets	764	408	185
Restricted Assets:			
Cash and Cash Equivalents	12,478	1,058	5,939
Investments	81,917		30,032
Total Assets	\$ 256,556	\$ 97,800	\$ 90,636
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 3,532	\$ 373	\$ 3,222
Payroll and Related Liabilities	1,969	998	1,624
Interfund Payables	142	40	146
Due to Other Entities	2		
Unearned Revenue	4,266	1,155	375
Amounts Held in Trust for Others	1,011	91	5
Other Accrued Liabilities	1,021	656	1,317
Total Liabilities	11,943	3,313	6,689
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows	1,529	2,647	315
Fund Balances			
Nonspendable:			
Permanent Trusts			7,298
Inventories and Prepaid Items	2,739	580	9,505
Noncurrent Receivables			
Restricted	171,961	91,260	66,829
Committed	66,729		
Assigned	1,655		
Total Fund Balances	243,084	91,840	83,632
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 256,556	\$ 97,800	\$ 90,636

Federal	Miscellaneous	Building Authority	Total
		\$ 2,467	\$ 11,578
\$ 1,142	\$ 90,616		282,757
	18,421	302	93,779
212	13,189		20,893
	1,892		5,641
166	725		1,287
49,595			58,788
983	4,030		17,837
			3,391
95	1,434	1	2,887
15,479	545	4,704	40,203
			111,949
\$ 67,672	\$ 130,852	\$ 7,474	\$ 650,990
\$ 34,280	\$ 1,680	\$ 16	\$ 43,103
2,681	1,801		9,073
1,039	104		1,471
			2
3,769	53		9,618
			1,107
539	155		3,688
42,308	3,793	16	68,062
7,911	11,929		24,331
			7,298
983	4,030		17,837
16,470	70,973	7,458	424,951
	40,127		106,856
			1,655
17,453	115,130	7,458	558,597
\$ 67,672	\$ 130,852	\$ 7,474	\$ 650,990

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**Nonmajor Governmental Funds****For the Fiscal Year Ended June 30, 2017***(dollars in thousands)*

	Special Revenue		
	Agriculture and Natural Resources	Regulatory	Fish and Game
REVENUES			
Sales Tax	\$ 4,800		
Individual and Corporate Taxes	15		\$ 9
Other Taxes	39,445	\$ 83,812	
Licenses, Permits, and Fees	46,558	61,356	43,085
Sale of Goods and Services	4,493	1,589	1,018
Grants and Contributions	25,763	61	52,871
Investment Income	6,924	(274)	3,167
Other Income	3,163	578	1,382
Total Revenues	131,161	147,122	101,532
EXPENDITURES			
Current:			
General Government		3,621	
Public Safety and Correction		2,828	
Education			
Economic Development	48,057	46,623	100
Natural Resources	65,555	815	87,313
Capital Outlay	5,664	1,370	10,470
Intergovernmental Revenue Sharing	15,104		
Debt Service:			
Principal Retirement		2	529
Interest and Other Charges			143
Total Expenditures	134,380	55,259	98,555
Revenues Over (Under) Expenditures	(3,219)	91,863	2,977
OTHER FINANCING SOURCES (USES)			
Capital Lease Acquisitions		19	
Sale of Capital Assets	206	98	2,929
Transfers In	19,471	3	412
Transfers Out	(2,169)	(85,877)	(138)
Total Other Financing Sources (Uses)	17,508	(85,757)	3,203
Net Changes in Fund Balances	14,289	6,106	6,180
Fund Balances - Beginning of Year, as Restated	228,795	85,734	77,452
Fund Balances - End of Year	\$ 243,084	\$ 91,840	\$ 83,632

Federal	Miscellaneous	Building Authority	Total
	\$ 1,745		\$ 6,545
			24
\$ 115	28,788		152,160
	28,292		179,291
87	14,353	\$ 14,743	36,283
429,758	1,063		509,516
49	4,091	46	14,003
143	11,161		16,427
430,152	89,493	14,789	914,249
57,654	6,553	395	68,223
7,424	52,798		63,050
241,906	4,660		246,566
68,828	28,756		192,364
10,221			163,904
4,836	6,520		28,860
36,586	9,399		61,089
18		8,614	9,163
2		5,837	5,982
427,475	108,686	14,846	839,201
2,677	(19,193)	(57)	75,048
			19
54	243		3,530
	26,775		46,661
(933)	(34)		(89,151)
(879)	26,984		(38,941)
1,798	7,791	(57)	36,107
15,655	107,339	7,515	522,490
\$ 17,453	\$ 115,130	\$ 7,458	\$ 558,597

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance**Budget and Actual****Nonmajor Governmental Funds****For the Fiscal Year Ended June 30, 2017***(dollars in thousands)*

	Special Revenue			
	Agricultural 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	39,615	39,615	39,615	
Licenses, Permits, and Fees	46,811	46,811	46,811	
Sale of Goods and Services	4,479	4,479	4,479	
Grants and Contributions	25,975	25,975	25,975	
Investment Income	549	549	549	
Other Income	3,012	3,012	3,012	
Total Revenues	<u>\$ 125,241</u>	<u>\$ 125,241</u>	<u>125,241</u>	
EXPENDITURES				
General Government				
Public Safety and Correction				
Health and Human Services				
Education				
Economic Development	\$ 55,331	\$ 55,782	49,591	\$ 6,191
Natural Resources	120,802	120,954	86,060	34,894
Total Expenditures	<u>\$ 176,133</u>	<u>\$ 176,736</u>	<u>135,651</u>	<u>\$ 41,085</u>
Revenues Over (Under) Expenditures			(10,410)	
OTHER FINANCING SOURCES (USES)				
Capital Lease Acquisitions				
Sale of Capital Assets			206	
Transfers In			19,471	
Transfers Out			(2,169)	
Total Other Financing Sources (Uses)			<u>17,508</u>	
Revenues and Other Financing Sources Over (Under)			7,098	
Expenditures and Other Financing Uses				
Reconciling Items				
Changes Affected by Accrued Revenues			5,920	
Changes Affected by Accrued Expenditures			1,271	
Fund Balances - Beginning of Year, as Restated			<u>228,795</u>	
Fund Balances - End of Year			<u>\$ 243,084</u>	

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
\$ 88,345	\$ 88,345	\$ 88,345					
59,027	59,027	59,027		\$ 43,085	\$ 43,085	\$ 43,085	
1,537	1,537	1,537		1,018	1,018	1,018	
60	60	60		50,546	50,546	50,546	
56	56	56		943	943	943	
567	567	567		1,439	1,439	1,439	
<u>\$ 149,592</u>	<u>\$ 149,592</u>	<u>149,592</u>		<u>\$ 97,031</u>	<u>\$ 97,031</u>	<u>97,031</u>	
\$ 3,623	\$ 3,623	3,623					
3,540	3,540	2,993	\$ 547				
52,998	53,281	48,804	4,477	\$ 216	\$ 216	100	\$ 116
1,594	1,594	864	730	111,920	112,890	99,191	13,699
<u>\$ 61,755</u>	<u>\$ 62,038</u>	<u>56,284</u>	<u>\$ 5,754</u>	<u>\$ 112,136</u>	<u>\$ 113,106</u>	<u>99,291</u>	<u>\$ 13,815</u>
		93,308				(2,260)	
		19					
		98				2,929	
		3				412	
		(85,877)				(138)	
		<u>(85,757)</u>				<u>3,203</u>	
		7,551				943	
		(2,470)				4,501	
		1,025				736	
		85,734				77,452	
		<u>\$ 91,840</u>				<u>\$ 83,632</u>	

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

Budget and Actual

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	Special Revenue			
	Federal			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax				
Other Taxes	\$ 115	\$ 115	\$ 115	
Licenses, Permits, and Fees				
Sale of Goods and Services	76	76	76	
Grants and Contributions	433,894	433,894	433,894	
Investment Income	113	113	113	
Other Income	169	169	169	
Total Revenues	<u>\$ 434,367</u>	<u>\$ 434,367</u>	<u>434,367</u>	
EXPENDITURES				
General Government	\$ 92,127	\$ 96,527	70,594	\$ 25,933
Public Safety and Correction	15,494	16,347	10,177	6,170
Health and Human Services				
Education	320,855	320,855	266,760	54,095
Economic Development	113,706	114,056	82,008	32,048
Natural Resources	23,085	23,085	14,176	8,909
Total Expenditures	<u>\$ 565,267</u>	<u>\$ 570,870</u>	<u>443,715</u>	<u>\$ 127,155</u>
Revenues Over (Under) Expenditures			<u>(9,348)</u>	
OTHER FINANCING SOURCES (USES)				
Capital Lease Acquisitions				
Sale of Capital Assets			54	
Transfers In				
Transfers Out			(933)	
Total Other Financing Sources (Uses)			<u>(879)</u>	
Revenues and Other Financing Sources Over (Under)			<u>(10,227)</u>	
Expenditures and Other Financing Uses				
Reconciling Items				
Changes Affected by Accrued Revenues			(4,215)	
Changes Affected by Accrued Expenditures			16,240	
Fund Balances - Beginning of Year			<u>15,655</u>	
Fund Balances - End of Year			<u>\$ 17,453</u>	

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
\$ 1,792	\$ 1,792	\$ 1,792					
25,825	25,825	25,825					
28,170	28,170	28,170					
9,656	9,656	9,656		\$ 14,743	\$ 14,743	\$ 14,743	
1,131	1,131	1,131					
445	445	445		46	46	46	
10,884	10,884	10,884					
<u>\$ 77,903</u>	<u>\$ 77,903</u>	<u>77,903</u>		<u>\$ 14,789</u>	<u>\$ 14,789</u>	<u>14,789</u>	
\$ 7,025	\$ 7,035	6,717	\$ 318	\$ 14,846	\$ 14,846	14,846	
73,326	73,807	64,256	9,551				
6,795	6,795	5,079	1,716				
54,748	54,755	35,309	19,446				
36	36		36				
<u>\$ 141,930</u>	<u>\$ 142,428</u>	<u>111,361</u>	<u>\$ 31,067</u>	<u>\$ 14,846</u>	<u>\$ 14,846</u>	<u>14,846</u>	
		(33,458)				(57)	
		243					
		26,775					
		(34)					
		<u>26,984</u>					
		(6,474)				(57)	
		11,590					
		2,675					
		<u>107,339</u>				<u>7,515</u>	
		<u>\$ 115,130</u>				<u>\$ 7,458</u>	

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance**Budget and Actual****Nonmajor Governmental Funds****For the Fiscal Year Ended June 30, 2017***(dollars in thousands)*

	Total			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax	\$ 6,592	\$ 6,592	\$ 6,592	
Other Taxes	153,900	153,900	153,900	
Licenses, Permits, and Fees	177,093	177,093	177,093	
Sale of Goods and Services	31,509	31,509	31,509	
Grants and Contributions	511,606	511,606	511,606	
Investment Income	2,152	2,152	2,152	
Other Income	16,071	16,071	16,071	
Total Revenues	\$ 898,923	\$ 898,923	898,923	
EXPENDITURES				
General Government	117,621	122,031	95,780	26,251
Public Safety and Correction	92,360	93,694	77,426	16,268
Health and Human Services				
Education	327,650	327,650	271,839	55,811
Economic Development	276,999	278,090	215,812	62,278
Natural Resources	257,437	258,559	200,291	58,268
Total Expenditures	\$ 1,072,067	\$ 1,080,024	861,148	\$ 218,876
Revenues Over (Under) Expenditures			37,775	
OTHER FINANCING SOURCES (USES)				
Capital Lease Acquisitions			19	
Sale of Capital Assets			3,530	
Transfers In			46,661	
Transfers Out			(89,151)	
Total Other Financing Sources (Uses)			(38,941)	
Revenues and Other Financing Sources Over (Under)			(1,166)	
Expenditures and Other Financing Uses				
Reconciling Items				
Changes Affected by Accrued Revenues			15,326	
Changes Affected by Accrued Expenditures			21,947	
Fund Balances - Beginning of Year			522,490	
Fund Balances - End of Year			\$ 558,597	



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

Budget and Actual

Major Permanent Fund

For the Fiscal Year Ended June 30, 2017

dollars in thousands)

	Land Endowments			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sale of Goods and Services	\$ 72,613	\$ 72,613	\$ 72,613	
Investment Income	234,327	234,327	234,327	
Total Revenues	<u>\$ 306,940</u>	<u>\$ 306,940</u>	<u>306,940</u>	
EXPENDITURES				
Natural Resources	\$ 48,796	\$ 48,797	44,240	\$ 4,557
Total Expenditures	<u>\$ 48,796</u>	<u>\$ 48,797</u>	<u>44,240</u>	<u>\$ 4,557</u>
Revenues Over (Under) Expenditures			<u>262,700</u>	
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets			50,734	
Transfers In			3,727	
Transfers Out			(67,085)	
Total Other Financing Sources (Uses)			<u>(12,624)</u>	
Revenues and Other Financing Sources Over (Under)			<u>250,076</u>	
Expenditures and Other Financing Uses				
Reconciling Items				
Changes Affected by Accrued Revenues			(354)	
Changes Affected by Accrued Expenditures			103	
Fund Balances - Beginning of Year			<u>1,862,667</u>	
Fund Balances - End of Year			<u>\$ 2,112,492</u>	

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 provide brief descriptions 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 as follows: 3/8 of its net income to the permanent building account, 3/8 of its net income to the school district building account, and 1/4 of its net income to the bond levy equalization fund 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, 2017***(dollars in thousands)*

	State Lottery	State Liquor	Correctional Industries	Total
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 2,503			\$ 2,503
Pooled Cash and Investments		\$ 16,728	\$ 7,002	23,730
Accounts Receivable, Net	1,143	136	461	1,740
Interfund Receivables			185	185
Inventories and Prepaid Items	481	18,370	1,180	20,031
Other Current Assets		200	29	229
Total Current Assets	4,127	35,434	8,857	48,418
Noncurrent Assets				
Restricted Cash and Cash Equivalents	49,374			49,374
Other Noncurrent Assets		7	1	8
Capital Assets, Net	437	9,129	2,557	12,123
Total Noncurrent Assets	49,811	9,136	2,558	61,505
Total Assets	53,938	44,570	11,415	109,923
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows	633	2,145	474	3,252
Total Assets and Deferred Outflows of Resources	\$ 54,571	\$ 46,715	\$ 11,889	\$ 113,175
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 1,278	\$ 10,817	\$ 212	\$ 12,307
Payroll and Related Liabilities	124	340	52	516
Interfund Payables		6,531	108	6,639
Due to Other Entities		7,310		7,310
Other Accrued Liabilities	2,503			2,503
Compensated Absences Payable	143	508	83	734
Bonds, Notes, and Capital Leases Payable	51			51
Total Current Liabilities	4,099	25,506	455	30,060
Noncurrent Liabilities				
Bonds, Notes, and Capital Leases Payable	64			64
Other Long-Term Obligations	1,359	4,935	1,075	7,369
Total Noncurrent Liabilities	1,423	4,935	1,075	7,433
Total Liabilities	5,522	30,441	1,530	37,493
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows	185	521	122	828
NET POSITION				
Net Investment in Capital Assets	322	9,128	2,556	12,006
Restricted for:				
Other Purposes	48,542	6,625	7,681	62,848
Total Net Position	48,864	15,753	10,237	74,854
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 54,571	\$ 46,715	\$ 11,889	\$ 113,175

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position**Nonmajor Enterprise Funds****For the Fiscal Year Ended June 30, 2017***(dollars in thousands)*

	State Lottery	State Liquor	Correctional Industries	Total
OPERATING REVENUES				
Licenses, Permits, and Fees				
Sale of Goods and Services	\$ 240,604	\$ 199,719	\$ 9,122	\$ 449,445
Other Income	45	(27)	758	776
Total Operating Revenues	240,649	199,692	9,880	450,221
OPERATING EXPENSES				
Personnel Costs	2,956	12,300	2,050	17,306
Services and Supplies	28,666	109,291	5,099	143,056
Benefits, Awards, and Premiums	160,305			160,305
Depreciation	126	706	364	1,196
Other Expenses	253	5,786	1,589	7,628
Total Operating Expenses	192,306	128,083	9,102	329,491
Operating Income (Loss)	48,343	71,609	778	120,730
NONOPERATING REVENUES (EXPENSES)				
Investment Income	2	86	31	119
Interest Expense	(8)			(8)
Intergovernmental Distributions		(34,709)		(34,709)
Gain (Loss) on Sale of Capital Assets	35			35
Other Nonoperating Revenues (Expenses)				
Total Nonoperating Revenues (Expenses)	29	(34,623)	31	(34,563)
Income (Loss) Before Transfers	48,372	36,986	809	86,167
Transfers Out	(49,500)	(34,738)		(84,238)
Change in Net Position	(1,128)	2,248	809	1,929
Total Net Position - Beginning of Year	49,992	13,505	9,428	72,925
Total Net Position - End of Year	\$ 48,864	\$ 15,753	\$ 10,237	\$ 74,854

Combining Statement of Cash Flows**Nonmajor Enterprise Funds****For the Fiscal Year Ended June 30, 2017***(dollars in thousands)*

	State Lottery	State Liquor	Correctional Industries	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 240,775	\$ 199,660	\$ 5,285	\$ 445,720
Receipts from Interfund Services		1	4,500	4,501
Payments to Employees	(3,066)	(12,616)	(2,090)	(17,772)
Payments to Suppliers	(29,247)	(115,849)	(6,434)	(151,530)
Payments for Interfund Services		(1,027)	30	(997)
Payments for Benefits, Awards, and Claims	(161,567)			(161,567)
Other Payments		(152)	(44)	(196)
Net Cash Provided (Used) by Operating Activities	46,895	70,017	1,247	118,159
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental Distributions		(34,529)		(34,529)
Transfers Out	(49,500)	(34,531)		(84,031)
Net Cash Provided (Used) by Noncapital Financing Activities	(49,500)	(69,060)		(118,560)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING				
Proceeds from Bonds and Notes	66			66
Principal Payments	(46)			(46)
Interest Payments	(8)			(8)
Proceeds from Disposition of Capital Assets	35			35
Acquisition and Construction of Capital Assets	(177)	(458)	24	(611)
Net Cash Provided (Used) by Capital and Related Financing Activities	(130)	(458)	24	(564)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of Interest and Dividends	2	50	50	102
Other Investing Activities				
Net Cash Provided (Used) by Investing Activities	2	50	50	102
Net Increase (Decrease) in Cash, Cash Equivalents, and Pooled Cash	(2,733)	549	1,321	(863)
Beginning Cash, Cash Equivalents, and Pooled Cash	54,610	16,179	5,681	76,470
Ending Cash, Cash Equivalents, and Pooled Cash	\$ 51,877	\$ 16,728	\$ 7,002	\$ 75,607
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 48,343	\$ 71,609	\$ 778	\$ 120,730
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by				
Depreciation and Amortization	126	706	364	1,196
Net Changes in Assets and Liabilities:				
Accounts Receivable/Interfund Receivables	125	(5)	(69)	51
Inventories and Prepaid Items		(967)	255	(712)
Other Assets	(404)	(47)	(40)	(491)
Accounts Payable/Interfund Payables	(1,279)	(955)	(1)	(2,235)
Compensated Absences		(7)	3	(4)
Other Accrued Liabilities		1,345	269	1,614
Net Changes in Deferred Outflows/Inflows of Resources	(16)	(1,662)	(312)	(1,990)
Net Cash Provided (Used) by Operating Activities	\$ 46,895	\$ 70,017	\$ 1,247	\$ 118,159
Noncash Transactions (dollars in thousands):				

State Lottery issued bonds and notes for \$66. State Liquor recorded an interfund payable of \$207 due on July 1 2017.

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 provide brief descriptions 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.

Combining Statement of Net Position

Internal Service Funds

June 30, 2017

(dollars in thousands)

	Group Insurance	Risk Management	General Services	Data Processing Services	Total
ASSETS					
Current Assets					
Pooled Cash and Investments	\$ 23,316	\$ 2,062	\$ 10,232	\$ 2,864	\$ 38,474
Accounts Receivable, Net			121		121
Interfund Receivables		14	266	525	805
Inventories and Prepaid Items			2,441	1,576	4,017
Other Current Assets	2,787	48	42	12	2,889
Total Current Assets	26,103	2,124	13,102	4,977	46,306
Noncurrent Assets					
Restricted Cash and Cash Equivalents	36,933				36,933
Investments	41,068	7,996			49,064
Other Noncurrent Assets	2	3	7	2	14
Capital Assets, Net	1	8	13,245	919	14,173
Total Noncurrent Assets	78,004	8,007	13,252	921	100,184
Total Assets	104,107	10,131	26,354	5,898	146,490
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows	105	112	2,139	1,012	3,368
Total Assets and Deferred Outflows of Resources	\$ 104,212	\$ 10,243	\$ 28,493	\$ 6,910	\$ 149,858
LIABILITIES					
Current Liabilities					
Accounts Payable	\$ 251	\$ 7	\$ 595	\$ 12	\$ 865
Payroll and Related Liabilities	13	16	331	137	497
Interfund Payables					
unearned Revenue	17,769		83	452	18,304
Other Accrued Liabilities	3		105		108
Compensated Absences Payable	28	34	629	268	959
Bonds, Notes, and Capital Leases Payable			289		289
Policy Claim Liabilities		3,000			3,000
Total Current Liabilities	18,064	3,057	2,032	869	24,022
Noncurrent Liabilities					
Bonds, Notes, and Capital Leases Payable			1,714		1,714
Policy Claim Liabilities		8,138			8,138
Other Long-Term Obligations	224	229	4,485	2,294	7,232
Total Noncurrent Liabilities	224	8,367	6,199	2,294	17,084
Total Liabilities	18,288	11,424	8,231	3,163	41,106
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows	26	27	513	261	827
NET POSITION					
Net Investment in Capital Assets	2	8	11,730	919	12,659
Restricted for:					
Claims and Judgments	36,933				36,933
Other Purposes	48,963	(1,216)	4,052	2,567	54,366
Unrestricted			3,967		3,967
Total Net Position	85,898	(1,208)	19,749	3,486	107,925
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 104,212	\$ 10,243	\$ 28,493	\$ 6,910	\$ 149,858

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position**Internal Service Funds****For the Fiscal Year Ended June 30, 2017***(dollars in thousands)*

	Group Insurance	Risk Management	General Services	Data Processing Services	Total
OPERATING REVENUES					
Sale of Goods and Services	\$ 290,440	\$ 8,897	\$ 25,949	\$ 6,573	\$ 331,859
Grants and Contributions			151		151
Other Income	717	84	(416)	10	395
Total Operating Revenues	291,157	8,981	25,684	6,583	332,405
OPERATING EXPENSES					
Personnel Costs	451	527	9,415	4,456	14,849
Services and Supplies	386	4,198	11,471	2,517	18,572
Benefits, Awards, and Premiums	272,761	5,490			278,251
Depreciation		1	964	214	1,179
Other Expenses	432	79	4,818	41	5,370
Total Operating Expenses	274,030	10,295	26,668	7,228	318,221
Operating Income (Loss)	17,127	(1,314)	(984)	(645)	14,184
NONOPERATING REVENUES (EXPENSES)					
Investment Income	781	(13)	68	13	849
Interest Expense			(93)		(93)
Gain (Loss) on Sale of Capital Assets				(7)	(7)
Other Nonoperating Revenues (Expenses)			(6)		(6)
Total Nonoperating Revenues (Expenses)	781	(13)	(31)	6	743
Income (Loss) Before Transfers	17,908	(1,327)	(1,015)	(639)	14,927
Capital Contributions					
Transfers In			1,738		1,738
Transfers Out					
Change in Net Position	17,908	(1,327)	723	(639)	16,665
Total Net Position - Beginning of Year	67,990	119	19,026	4,125	91,260
Total Net Position - End of Year	\$ 85,898	\$ (1,208)	\$ 19,749	\$ 3,486	\$ 107,925

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	Group Insurance	Risk Management	General Services	Data Processing Services	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	\$ 18,525	\$ 244	\$ 1,818		\$ 20,587
Receipts from Interfund Services	270,901	8,740	23,599	\$ 6,690	309,930
Receipts from Grants and Contributions			151		151
Payments to Employees	(452)	(554)	(9,676)	(4,589)	(15,271)
Payments to Suppliers	(1,882)	(4,236)	(15,434)	(1,818)	(23,370)
Payments for Interfund Services	(28)	(65)	(1,535)	(40)	(1,668)
Payments for Benefits, Awards, and Claims	(272,761)	(5,156)			(277,917)
Other Receipts		29		26	55
Other Payments	(532)	(4)	(95)	(5)	(636)
Net Cash Provided (Used) by Operating Activities	13,771	(1,002)	(1,172)	264	11,861
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In			1,738		1,738
Interest Payments			(1)		(1)
Net Cash Provided (Used) by Noncapital Financing Activities			1,737		1,737
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal Payments			(261)		(261)
Interest Payments			(107)		(107)
Proceeds from Disposition of Capital Assets	1				1
Acquisition and Construction of Capital Assets		(7)	(464)	(441)	(912)
Net Cash Provided (Used) by Capital and Related Financing	1	(7)	(832)	(441)	(1,279)
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipt of Interest and Dividends	1,173	179	98	7	1,457
Purchase of Investments	(17,554)	(144)			(17,698)
Redemption of Investments	483				483
Other Investing Activities	1		(5)		(4)
Net Cash Provided (Used) by Investing Activities	(15,897)	35	93	7	(15,762)
Net Increase (Decrease) in Cash, Cash Equivalents, and Pooled Cash	(2,125)	(974)	(174)	(170)	(3,443)
Beginning Cash, Cash Equivalents, and Pooled Cash	62,374	3,036	10,406	3,034	78,850
Ending Cash, Cash Equivalents, and Pooled Cash	\$ 60,249	\$ 2,062	\$ 10,232	\$ 2,864	\$ 75,407
Reconciliation of Operating Income (Loss) to Net Cash					
Operating Income (Loss)	\$ 17,127	\$ (1,314)	\$ (984)	\$ (645)	\$ 14,184
Adjustments to Reconcile Operating Income to Net Cash Provided					
Depreciation and Amortization		1	964	214	1,179
Net Changes in Assets and Liabilities:					
Accounts Receivable/Interfund Receivables		(1)	37	(10)	26
Inventories and Prepaid Items			(571)	715	144
Other Assets	(588)		(57)	(3)	(648)
Accounts Payable/Interfund Payables	(1,515)	5	(185)	11	(1,684)
Unearned Revenue	(1,251)		(122)	113	(1,260)
Compensated Absences	7	(6)	40	1	42
Policy Claim Liabilities		334			334
Other Accrued Liabilities	(9)	(21)	(294)	(132)	(456)
Net Cash Provided (Used) by Operating Activities	\$ 13,771	\$ (1,002)	\$ (1,172)	\$ 264	\$ 11,861
Noncash Transactions (dollars in thousands):					

Investments decreased in fair value by \$621 for Group Insurance and by \$195 for Risk Management. Disposal of capital assets at a loss of \$7 in Data Processing Services.

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 provide brief descriptions 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, for 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, and eligible administrative directors. The Fund also provides 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 provide brief descriptions 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 monies 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, 2017
(dollars in thousands)

	PERSI Base Plan	Firefighters' Retirement	Judges' Retirement	Deferred Compensation 457(b)	Defined Contribution 414(k)
ASSETS					
Cash and Cash Equivalents	\$ 563	\$ 14			\$ 38
Pooled Cash and Investments	2,108	52	\$ 292		
Investments:					
Pooled Short Term	220,071	5,413	1,192		
Fixed Income Investments	3,724,413	91,602	20,181	\$ 192,813	
Marketable Securities	9,152,890	225,117	49,595		
Mutual Funds and Private Equities	905,712	22,276	4,908	216,170	57,532
Mortgages and Real Estate	1,252,613	30,808	6,787		
Other Investments				2,229	
Receivables:					
Investments Sold	70,967	1,736	384	2,852	
Contributions	3,473	62		136	13
Interest and Dividends	47,099	1,152	255		147
Interfund Receivables	14				
Other Receivables					
Other Assets	68,432				
Capital Assets, Net	11,982				
Total Assets	15,460,337	378,232	83,594	414,200	57,730
LIABILITIES					
Accounts Payable	376	9			
Interfund Payables	2,072	51			1
Unearned Revenue					
Investments Purchased	110,752	2,724	600		
Policy Claim Liabilities					
Other Accrued Liabilities	11,191	270	58		12
Total Liabilities	124,391	3,054	658		13
NET POSITION					
Held in Trust for:					
Employee Pension Benefits	15,335,946	375,178	82,936	414,200	57,717
Postemployment Healthcare Benefits					
Trust Beneficiaries					
Total Net Position	\$ 15,335,946	\$ 375,178	\$ 82,936	\$ 414,200	\$ 57,717

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
\$ 425			\$ 941	\$ 220	\$ 2,201
	\$ 21	\$ 33			2,506
1,406					228,082
	55,134	72,373	17,373	3,350	4,177,239
	130,150	210,831			9,768,583
773,567			12,933		1,993,098
					1,290,208
					2,229
					75,939
744					4,428
1,908				14	50,575
	811	1,312			2,137
				405	405
	399	951			69,782
					11,982
778,050	186,515	285,500	31,247	3,989	17,679,394
				528	913
13					2,137
					114,076
				2,128	2,128
206	17	28			11,782
219	17	28		2,656	131,036
777,831					17,043,808
	186,498	285,472	31,247		503,217
				1,333	1,333
\$ 777,831	\$ 186,498	\$ 285,472	\$ 31,247	\$ 1,333	\$ 17,548,358

Combining Statement of Changes in Fiduciary Net Position**Pension and Other Employee Benefit Trust Funds****For the Fiscal Year Ended June 30, 2017***(dollars in thousands)*

	PERSI Base Plan	Firefighters' Retirement	Judges' Retirement	Deferred Compensation 457(b)	Define Contribution 414(k)
ADDITIONS					
Contributions:					
Member	\$ 237,033	\$ 4	\$ 630	\$ 14,218	
Employer	356,367	7,453	3,945		
Transfers In from Other Plans				10,265	
Total Contributions	593,400	7,457	4,575	24,483	
Investment Income:					
Net Increase (Decrease) in Fair Value of Investments	1,411,349	34,527	7,613	17,787	\$ 5,758
Interest, Dividends, and Other	330,011	8,074	1,781	7,168	47
Less Investment Expense:					
Investment Activity Expense	(45,467)	(1,112)	(240)		(149)
Net Investment Income	1,695,893	41,489	9,154	24,955	5,656
Miscellaneous Income	29		5		
Total Additions	2,289,322	48,946	13,734	49,438	5,656
DEDUCTIONS					
Benefits and Refunds Paid to Plan Members	865,273	19,294	6,173		3,329
Administrative Expense	8,810	43	74	149	10
Participant Withdrawals				20,735	
Total Deductions	874,083	19,337	6,247	20,884	3,339
Change in Net Position Held in Trust for:					
Employee Pension Benefits	1,415,239	29,609	7,487	28,554	2,317
Employee Postemployment Healthcare Benefits					
Trust Beneficiaries					
Net Position - Beginning of Year	13,920,707	345,569	75,449	385,646	55,400
Net Position - End of Year	\$ 15,335,946	\$ 375,178	\$ 82,936	\$ 414,200	\$ 57,717

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
\$ 48,333				\$ 5,259	\$ 305,477
5,476	\$ 7,137	\$ 14,763	\$ 249	19,690	415,080
14,837					25,102
68,646	7,137	14,763	249	24,949	745,659
69,443	21,591	33,106	1,876	48	1,603,098
15,434					362,515
(1,648)	(75)	(115)			(48,806)
83,229	21,516	32,991	1,876	48	1,916,807
		2			36
151,875	28,653	47,756	2,125	24,997	2,662,502
38,822	5,011	13,155		21,655	972,712
116	41	63	75	3,627	13,008
					20,735
38,938	5,052	13,218	75	25,282	1,006,455
112,937					1,596,143
	23,601	34,538	2,050		60,189
				(285)	(285)
664,894	162,897	250,934	29,197	1,618	15,892,311
\$ 777,831	\$ 186,498	\$ 285,472	\$ 31,247	\$ 1,333	\$ 17,548,358

Combining Statement of Fiduciary Net Position**Investment Trust Funds****June 30, 2017***(dollars in thousands)*

	Local Government Investment Pool	Diversified Bond Fund	Total
ASSETS			
Cash and Equivalents	\$ 5,723		\$ 5,723
Investments:			
Pooled Short Term	395,838	\$ 712	396,550
Fixed Income Investments	1,693,195	134,141	1,827,336
Mortgages and Real Estate		56,481	56,481
Receivables:			
Interest and Dividends	4,762	946	5,708
Total Assets	2,099,518	192,280	2,291,798
LIABILITIES			
Accounts Payable	19	5	24
Other Accrued Liabilities	1,567	328	1,895
Total Liabilities	1,586	333	1,919
NET POSITION			
Held in Trust for:			
External Investment Pool Participants	2,097,932	191,947	2,289,879
Total Net Position	\$ 2,097,932	\$ 191,947	\$ 2,289,879

Combining Statement of Changes in Fiduciary Net Position

Investment Trust Funds

For the Fiscal Year Ended June 30, 2017

(dollars in thousands)

	Local Government Investment Pool	Diversified Bond Fund	Total
ADDITIONS			
Contributions			
Participant Deposits	\$ 4,410,772	\$ 41,333	\$ 4,452,105
Total Contributions	4,410,772	41,333	4,452,105
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	1,517	(17,911)	(16,394)
Interest, Dividends, and Other	10,611	5,211	15,822
Less Investment Expense:			
Investment Activity Expense	(216)	(89)	(305)
Net Investment Income	11,912	(12,789)	(877)
Total Additions	4,422,684	28,544	4,451,228
DEDUCTIONS			
Earnings Distribution	13,464	3,335	16,799
Participant Withdrawals	4,116,931	2,684	4,119,615
Total Deductions	4,130,395	6,019	4,136,414
Change in Net Position Held in Trust for:			
External Investment Pool Participants	292,289	22,525	314,814
Total Net Position - Beginning of Year	1,805,643	169,422	1,975,065
Total Net Position - End of Year	\$ 2,097,932	\$ 191,947	\$ 2,289,879

Combining Statement of Assets and Liabilities**Agency Fund****June 30, 2017***(dollars in thousands)*

	Custodial
ASSETS	
Cash and Cash Equivalents	\$ 23,112
Pooled Cash and Investments	25,840
Investments:	
Fixed Income Investments	409,070
Receivables:	
Interest and Dividends	158
Interfund Receivables	
Due from Other Entities	
Total Assets	\$ 458,180
LIABILITIES	
Accounts Payable	\$ 161
Due to Other Entities	238
Amounts Held in Trust to Others	457,123
Other Accrued Liabilities	658
Total Liabilities	\$ 458,180

Combining Statement of Changes in Assets and Liabilities**Agency Fund****For the Fiscal Year Ended June 30, 2017***(dollars in thousands)*

	Balances June 30, 2016	Additions	Deductions	Balances June 30, 2017
CUSTODIAL				
Assets				
Cash and Cash Equivalents	\$ 24,190	\$ 23,112	\$ 24,190	\$ 23,112
Pooled Cash and Investments	28,794	59,329	62,283	25,840
Investments:				
Fixed Income Investments	376,632	409,070	376,632	409,070
Receivables:				
Interest and Dividends	89	217	148	158
Interfund Receivables		8	8	
Due from Other Entities		128	128	
Total Assets	\$ 429,705	\$ 491,864	\$ 463,389	\$ 458,180
Liabilities				
Accounts Payable	\$ 14	\$ 161	\$ 14	\$ 161
Due to Other Entities	133	7,497	7,392	238
Amounts Held for Others	428,857	482,581	454,315	457,123
Other Accrued Liabilities	701	4,179	4,222	658
Total Liabilities	\$ 429,705	\$ 494,418	\$ 465,943	\$ 458,180

Statistical Section



Kellogg

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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 2008-2017

(accrual basis of accounting, dollars in thousands)

	2008 (as restated)	2009 (as restated)	2010 (as restated)	2011 (as restated)	2012 (as restated)	2013 (as restated)
Governmental Activities						
Net Investment in Capital Assets	\$ 4,442,210	\$ 4,713,557	\$ 4,883,824	\$ 5,115,567	\$ 5,218,008	\$ 5,325,732
Restricted ¹	1,949,355	1,572,581	1,783,407	2,086,004	2,134,426	2,291,548
Unrestricted ²	1,050,556	760,614	576,666	444,322	529,948	748,869
Total Governmental Activities Net Position	\$ 7,442,121	\$ 7,046,752	\$ 7,243,897	\$ 7,645,893	\$ 7,882,382	\$ 8,366,149
Business-Type Activities						
Net Investment in Capital Assets	\$ 517,436	\$ 559,719	\$ 607,694	\$ 656,020	\$ 695,405	\$ 736,734
Restricted ³	829,237	640,587	604,851	769,555	901,322	986,730
Unrestricted ⁴	190,658	198,575	193,029	194,366	251,804	261,432
Total Business-Type Activities Net Position	\$ 1,537,331	\$ 1,398,881	\$ 1,405,574	\$ 1,619,941	\$ 1,848,531	\$ 1,984,896
Primary Government						
Net Investment in Capital Assets	\$ 4,959,646	\$ 5,273,276	\$ 5,491,518	\$ 5,771,587	\$ 5,913,413	\$ 6,062,466
Restricted	2,778,592	2,213,168	2,388,258	2,855,559	3,035,748	3,278,278
Unrestricted	1,241,214	959,189	769,695	638,688	781,752	1,010,301
Total Primary Government Net Position	\$ 8,979,452	\$ 8,445,633	\$ 8,649,471	\$ 9,265,834	\$ 9,730,913	\$ 10,351,045

¹In fiscal year (FY) 2008 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 FY2013-2017 net position increased primarily due to the increase in fair market value of investments, primarily related to the Land Endowment fund.

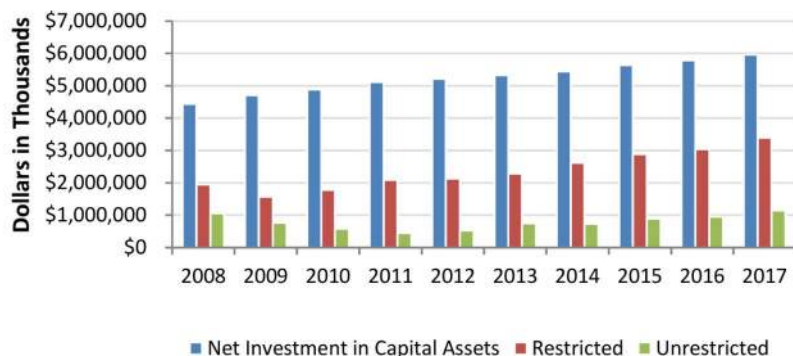
²Large fluctuations in governmental activities unrestricted net position balances occurred primarily as income tax and sales tax revenues increased and decreased due to significant changes in economic conditions.

³Increases and decreases of business-type activities restricted net position were primarily due to increases in unemployment compensation assessment collections and/or decreases in unemployment claims related to changes in economic conditions.

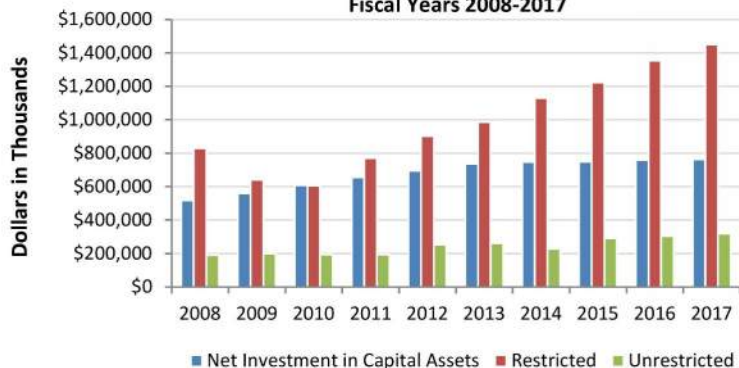
⁴FY2012 and FY2015 net position increased primarily due to increased student tuition and fees for the colleges and universities.

2014 (as restated)	2015 (as restated)	2016 (as restated)	2017
\$ 5,447,960	\$ 5,638,703	\$ 5,777,987	\$ 5,963,951
2,619,433	2,885,392	3,043,809	3,397,251
737,576	893,542	947,045	1,146,468
\$ 8,804,969	\$ 9,417,637	\$ 9,768,841	\$ 10,507,670
\$ 746,473	\$ 749,873	\$ 758,031	\$ 764,323
1,130,154	1,222,537	1,353,036	1,450,042
226,545	291,420	303,825	317,738
\$ 2,103,172	\$ 2,263,830	\$ 2,414,892	\$ 2,532,103
\$ 6,194,433	\$ 6,388,576	\$ 6,536,018	\$ 6,728,274
3,749,587	4,107,929	4,396,845	4,847,293
964,121	1,184,962	1,250,870	1,464,206
\$ 10,908,141	\$ 11,681,467	\$ 12,183,733	\$ 13,039,773

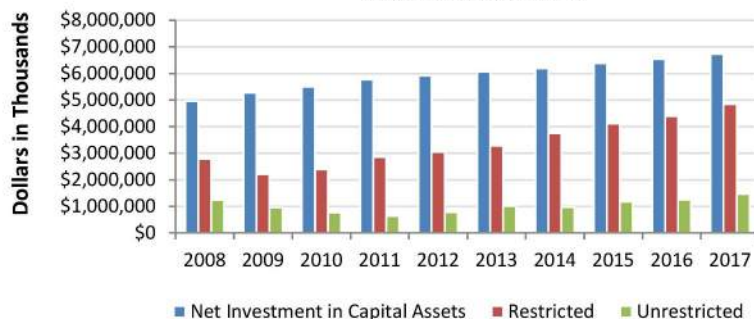
**Governmental Activities Net Position by Component
Fiscal Years 2008-2017**



**Business-Type Activities Net Position by Component
Fiscal Years 2008-2017**



**Primary Government Net Position by Component
Fiscal Years 2008-2017**



Schedule 2 - Changes in Net Position**Fiscal Years 2008-2017**

(accrual basis of accounting, dollars in thousands)

	2008 (as restated)	2009 (as restated)	2010 (as restated)	2011 (as restated)	2012 (as restated)	2013 (as restated)
Governmental Activities:						
Expenses						
General Government ^{1,2}	\$ 463,125	\$ 450,875	\$ 548,757	\$ 426,506	\$ 413,832	\$ 440,769
Public Safety and Correction ¹	324,843	326,125	320,423	296,034	335,493	352,409
Health and Human Services ³	1,818,932	2,115,148	2,092,319	2,577,700	2,396,437	2,545,283
Education ¹	1,796,160	1,850,258	1,830,608	1,777,026	1,712,567	1,707,233
Economic Development ⁹	756,677	743,811	799,054	829,130	820,530	806,801
Natural Resources	243,925	241,108	241,508	241,203	264,080	244,032
Interest Expense	45,530	46,767	45,782	50,773	50,372	49,961
Total Expenses	5,449,192	5,774,092	5,878,451	6,198,372	5,993,311	6,146,488
Program Revenues						
Charges for Services:						
General Government ¹⁰	119,443	93,376	79,833	109,387	97,411	104,973
Economic Development	258,576	256,184	239,107	248,199	266,320	252,221
Natural Resources	150,752	133,138	127,037	133,317	159,633	151,126
Other Activities ⁴	128,367	138,276	76,575	163,505	118,255	127,082
Operating Grants and Contributions ⁵	1,955,236	2,034,795	2,935,393	3,160,919	2,664,743	2,828,808
Capital Grants and Contributions	906	8,892	4,660	6,058	2,568	10,492
Total Program Revenues	2,613,280	2,664,661	3,462,605	3,821,385	3,308,930	3,474,702
Total Governmental Activities Net Program Expense	(2,835,912)	(3,109,431)	(2,415,846)	(2,376,987)	(2,684,381)	(2,671,786)
General Revenues and Other Changes in Net Position						
Taxes:						
Sales Tax ⁶	1,334,032	1,177,106	1,127,013	1,165,095	1,213,623	1,315,002
Individual and Corporate Taxes ⁶	1,599,881	1,320,968	1,242,032	1,296,558	1,390,226	1,533,850
Fuel Tax	228,786	214,113	221,142	231,732	216,249	237,647
Other Taxes	185,874	186,489	186,130	227,075	240,757	220,507
Tobacco Settlement	28,631	31,094	26,120	24,576	21,103	24,912
Grants Not Restricted to Specific Programs						
Unrestricted Investment Earnings	51,537	36,139	16,800	18,516	17,365	19,142
Transfers	(264,027)	(251,847)	(206,246)	(184,569)	(178,453)	(195,507)
Total General Revenues and Other Changes in Net Position	3,164,714	2,714,062	2,612,991	2,778,983	2,920,870	3,155,553
Total Governmental Activities Change in Net Position	\$ 328,802	\$ (395,369)	\$ 197,145	\$ 401,996	\$ 236,489	\$ 483,767
Business-Type Activities:						
Expenses						
College and University	\$ 875,586	\$ 896,993	\$ 898,012	\$ 923,760	\$ 969,419	\$ 989,412
Unemployment Compensation ⁶	171,918	338,600	666,808	482,087	358,283	251,016
Loan	2,267	5,910	9,624	14,571	7,112	6,480
State Lottery	102,065	105,780	110,204	112,003	134,055	150,599
State Liquor	112,476	117,185	118,022	117,039	123,656	134,117
Correctional Industries	7,574	8,323	6,553	6,727	8,030	7,560
Total Expenses	1,271,886	1,472,791	1,809,223	1,656,187	1,600,555	1,539,184
Revenues						
Charges for Services:						
College and University	337,699	339,989	368,504	405,450	436,208	445,649
Unemployment Compensation ⁷	126,575	130,879	255,278	337,479	351,781	314,630
State Lottery ¹¹	137,664	140,316	147,931	147,849	176,547	198,169
Other Activities ¹¹	152,428	156,483	156,407	160,749	175,435	180,645
Operating Grants and Contributions ⁸	244,954	293,673	637,456	606,597	485,777	383,575
Capital Grants and Contributions	29,478	21,154	44,094	27,861	24,944	38,364
Total Revenues	1,028,798	1,082,494	1,609,670	1,685,985	1,650,692	1,561,032
Total Business-Type Activities Net Program Revenue (Expense)	(243,088)	(390,297)	(199,553)	29,798	50,137	21,848
General Revenues and Other Changes in Net Position						
Special Item						(80,990)
Transfers	264,027	251,847	206,246	184,569	178,453	195,507
Total General Revenues and Other Changes in Net Position	264,027	251,847	206,246	184,569	178,453	114,517
Total Business-Type Activities Change in Net Position	\$ 20,939	\$ (138,450)	\$ 6,693	\$ 214,367	\$ 228,590	\$ 136,365
Total Primary Government Change in Net Position	\$ 349,741	\$ (533,819)	\$ 203,838	\$ 616,363	\$ 465,079	\$ 620,132

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. In FY2014 prior period adjustments were made due to the implementation of GASB Statements No. 68 & 71 in FY2015.³In FY2011-2016 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 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. In FY2016 operating grant revenue decreased primarily due to decreased federal highway funds, slippages in the fair market value of Endowment Fund Investment Board investments, and decreased health and human services grant revenue due to the timing of federal reimbursements for expenses.

2014 (as restated)	2015 (as restated)	2016 (as restated)	2017
\$ 848,508	\$ 548,518	\$ 505,318	\$ 507,700
364,998	387,694	402,437	410,975
2,595,727	2,751,283	2,697,385	2,668,755
1,756,231	1,845,144	1,956,032	2,089,048
810,023	761,384	866,345	862,427
236,614	269,706	287,853	295,879
51,600	46,860	45,271	15,879
6,663,701	6,610,589	6,760,641	6,850,663

90,314	227,915	178,132	144,390
271,894	287,525	333,616	325,848
175,271	256,344	217,958	222,815
161,452	181,054	197,393	177,098
2,941,720	2,851,144	2,676,844	2,869,284
5,317	2,832	11,021	12,425
3,645,968	3,806,814	3,614,964	3,751,860
(3,017,733)	(2,803,775)	(3,145,677)	(3,098,803)

1,400,547	1,444,781	1,580,542	1,636,125
1,739,957	1,686,455	1,518,740	1,848,281
262,479	243,826	357,858	331,399
213,434	220,442	229,430	231,294
27,450	24,183	25,297	22,964
14,374	10,452	18,735	14,869
(201,688)	(213,696)	(233,721)	(247,300)
3,456,553	3,416,443	3,496,881	3,837,632
\$ 438,820	\$ 612,668	\$ 351,204	\$ 738,829

\$ 1,054,726	\$ 1,015,707	\$ 1,063,222	\$ 1,106,464
142,524	110,597	108,187	108,022
7,565	9,604	7,537	8,119
163,295	165,445	185,115	192,314
141,467	143,469	153,901	162,792
8,755	8,155	8,960	9,102
1,518,332	1,452,977	1,526,922	1,586,813

459,380	489,740	491,169	489,375
258,072	203,794	189,219	189,816
209,642	210,940	236,819	240,686
185,082	196,043	218,024	219,337
305,150	282,646	291,830	293,977
17,594	16,776	17,200	23,533
1,434,920	1,399,939	1,444,261	1,456,724
(83,412)	(53,038)	(82,661)	(130,089)

201,688	213,696	233,723	247,300
201,688	213,696	233,723	247,300
\$ 118,276	\$ 160,658	\$ 151,062	\$ 117,211
\$ 557,096	\$ 773,326	\$ 502,266	\$ 856,040

⁹Increases and decreases are due to the degradation and improvement of economic conditions and the changes in employment and personal income levels.

⁷In 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.

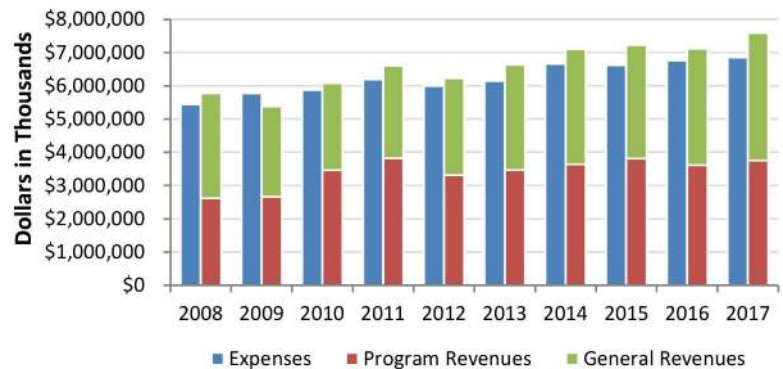
⁸In FY2010 operating grants and contributions grew because of increased federal grant revenue for unemployment benefits.

⁹In FY2016 economic development expenses rose primarily due to an increased number of state and local highway infrastructure improvements.

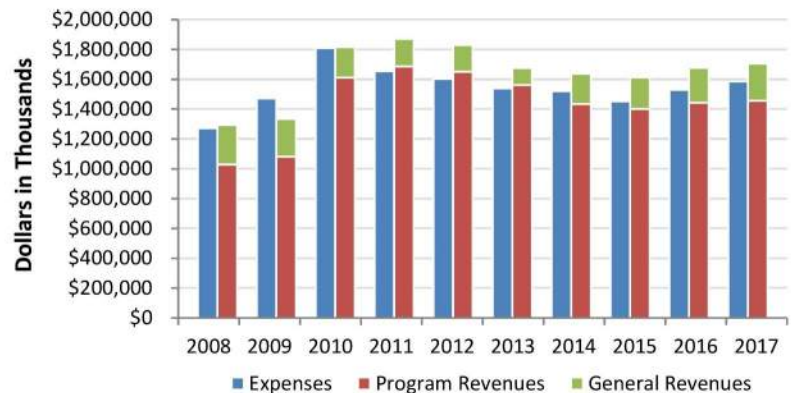
¹⁰In FY2015 the increase was due, in part, to a building transfer from the Idaho State Building Authority to the Idaho Department of Administration and due to the state receiving significant revenue from court settlements. In FY2016 the decrease in general government program revenues are due, in part, to falling revenue from charges for services.

¹¹In FY2016 nonmajor enterprise funds net position improved primarily in consequence of increased lottery ticket and liquor sales.

Expenses and Revenues - Governmental Activities
Fiscal Years 2008-2017



Expenses and Revenues - Business-Type Activities
Fiscal Years 2008-2017



Schedule 3 - Fund Balances - Governmental Funds**Fiscal Years 2008-2017***(modified accrual basis of accounting, dollars in thousands)*

	2008 (as restated)	2009 (as restated)	2010 (as restated)	2011 (as restated)	2012 (as restated)	2013 (as restated)
General Fund						
Nonspendable				\$ 7,922	\$ 8,837	\$ 9,292
Restricted ¹	\$ 85,636	\$ 98,801	\$ 130,261	169,753	184,437	219,270
Committed ²	369,896	213,835	154,168	162,583	185,098	195,479
Assigned ⁷	40,949	35,221	45,936	55,778	57,271	63,806
Unassigned ³	704,776	426,885	320,487	269,251	251,023	412,738
Total General Fund	1,201,257	774,742	650,852	665,287	686,666	900,585
All Other Governmental Funds						
Nonspendable ⁴	1,128,417	923,217	1,043,787	1,097,816	1,135,746	1,255,497
Restricted ⁵	511,179	451,637	462,036	709,985	735,879	742,849
Committed	77,621	83,527	86,434	78,794	85,124	77,505
Assigned	1,012	1,298	1,320	1,651	2,238	2,689
Unassigned ⁶				(57,026)		(4,262)
Total All Other Governmental Funds	1,718,229	1,459,679	1,593,577	1,831,220	1,958,987	2,074,278
Total Fund Balances - Governmental Funds	\$ 2,919,486	\$ 2,234,421	\$ 2,244,429	\$ 2,496,507	\$ 2,645,653	\$ 2,974,863

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.

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.

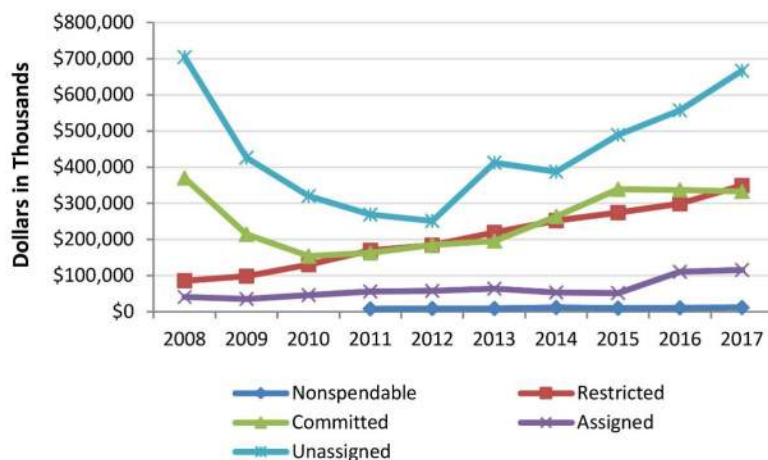
⁵In FY2011 the fund balance increased largely due to receiving American Recovery and Reinvestment Act funds for the Idaho Transportation Department. In FY2016 the fund balance increased primarily due to mandated increases to personal and commercial vehicle registration fees and in the motor fuels tax rate as a result of House Bill 312 passing in 2015.

⁶In FY2011 and FY2013-2017 the Department of Health and Welfare reported a negative unassigned fund balance due to increased expenditures for health and human services.

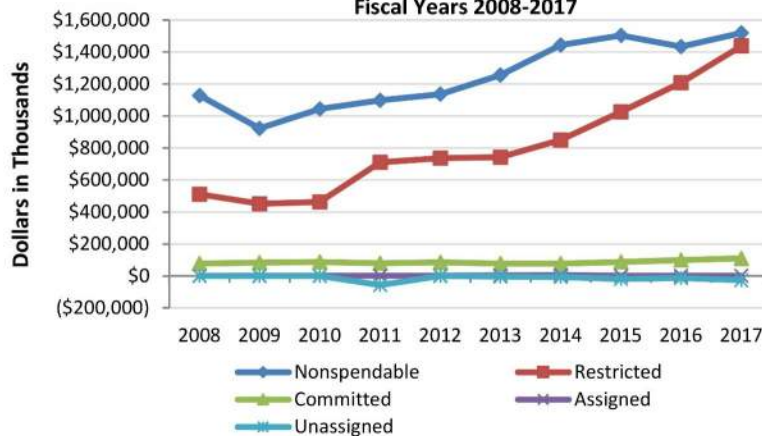
⁷In FY2016 the assigned fund balance increased primarily due to significant amount of funds that were allocated to the Fire Suppression - Deficiency fund.

2014 (as restated)	2015 (as restated)	2016 (as restated)	2017
\$ 12,012	\$ 10,294	\$ 10,580	\$ 11,307
252,627	274,121	298,798	349,697
263,443	339,169	337,231	332,704
53,086	51,357	111,168	115,618
387,161	489,495	557,280	666,848
968,329	1,164,436	1,315,057	1,476,174
1,443,868	1,503,337	1,435,060	1,519,909
851,410	1,027,465	1,208,118	1,437,635
76,970	87,298	99,202	110,143
5,271	2,201	1,949	1,655
(6,533)	(18,822)	(13,597)	(26,550)
2,370,986	2,601,479	2,730,732	3,042,792
\$ 3,339,315	\$ 3,765,915	\$ 4,045,789	\$ 4,518,966

**Fund Balances - General Funds
Fiscal Years 2008-2017**



**Fund Balances - All Other Governmental Funds
Fiscal Years 2008-2017**



Schedule 4 - Changes in Fund Balances - Governmental Funds**Fiscal Years 2008-2017***(modified accrual basis of accounting, dollars in thousands)*

	2008 (as restated)	2009 (as restated)	2010 (as restated)	2011 (as restated)	2012 (as restated)	2013 (as restated)
Revenues						
Sales Tax ¹	\$ 1,333,018	\$ 1,174,802	\$ 1,122,384	\$ 1,163,526	\$ 1,214,491	\$ 1,318,383
Individual and Corporate Taxes ²	1,587,694	1,325,996	1,228,463	1,288,869	1,389,291	1,531,975
Other Taxes ¹⁰	414,671	398,639	409,924	459,162	456,720	458,291
Licenses, Permits, and Fees	279,156	277,354	275,018	296,827	310,828	317,854
Sale of Goods and Services	231,885	232,526	137,947	168,369	198,438	237,268
Grants and Contributions ³	1,962,931	2,251,714	2,808,307	2,850,294	2,638,570	2,695,371
Investment Income ⁴	63,406	(123,820)	191,596	302,488	51,264	217,357
Tobacco Settlement	28,504	30,965	25,990	24,445	24,922	24,912
Other Income	61,530	61,943	78,565	65,361	101,828	69,185
Total Revenues	5,962,795	5,630,119	6,278,194	6,619,341	6,386,352	6,870,596
Expenditures						
General Government ⁵	177,312	186,119	208,784	172,779	157,283	168,253
Public Safety and Correction	300,106	305,141	284,457	284,208	302,809	324,717
Health and Human Services ⁶	1,775,609	2,096,507	2,111,265	2,346,165	2,329,848	2,544,890
Education ^{5,7}	1,777,690	1,843,401	1,810,276	1,768,616	1,687,084	1,685,252
Economic Development	390,424	406,694	416,776	418,866	392,242	420,668
Natural Resources	217,214	212,398	214,291	213,912	215,354	210,376
Capital Outlay ^{5,8}	545,059	634,187	677,097	574,305	501,522	497,087
Intergovernmental Revenue Sharing	452,089	436,866	459,716	448,249	453,799	471,269
Debt Service:						
Principal	92,377	55,645	33,222	45,871	47,954	49,679
Interest	45,365	49,368	46,648	51,689	50,804	49,100
Total Expenditures	5,773,245	6,226,326	6,262,532	6,324,660	6,138,699	6,421,291
Revenues Over (Under) Expenditures	189,550	(596,207)	15,662	294,681	247,653	449,305
Other Financing Sources (Uses)						
Bonds and Notes Issued ¹¹	187,603	152,641	163,562	125,862	146,219	61,347
Issuance of Refunding Bonds						10,945
Premium/(Discount) on Bonds Issued					7,219	1,304
Payment to Refunded Bond Escrow Agent ⁹					(88,044)	(11,441)
Capital Lease Acquisitions	1,039	22	23,745	2,603		178
Sale of Capital Assets ¹²	11,590	11,947	13,436	14,462	16,871	15,414
Transfers In	731,774	700,654	630,563	678,794	815,041	858,585
Transfers Out	(996,176)	(954,122)	(836,960)	(864,324)	(995,813)	(1,056,427)
Total Other Financing Sources (Uses)	(64,170)	(88,858)	(5,654)	(42,603)	(98,507)	(120,095)
Net Changes in Fund Balances	\$ 125,380	\$ (685,065)	\$ 10,008	\$ 252,078	\$ 149,146	\$ 329,210
Debt Service as a Percentage of Noncapital Expenditures	2.5	1.8	1.3	1.7	1.7	1.6

¹Sales 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.⁶In FY2008-2013 health and human services expenditures increased and decreased due to changes in medical assistance payments related to Medicaid and rehabilitation services.⁷In FY2008-2009 education expenditures increased because of an increased public school distribution for facilities improvements, salaries, and operating expenses. In FY2014 expenditures from federal grants increased.

2014 (as restated)	2015 (as restated)	2016 (as restated)	2017
\$ 1,379,105	\$ 1,462,022	\$ 1,579,729	\$ 1,637,840
1,497,935	1,684,680	1,696,834	1,854,375
470,226	469,780	587,439	562,787
325,172	354,894	390,258	405,663
260,489	288,388	272,024	250,403
2,658,143	2,706,506	2,678,121	2,703,724
324,835	78,412	34,552	296,547
27,450	24,183	25,297	22,964
61,016	151,062	88,132	54,122
7,004,371	7,219,927	7,352,386	7,788,425

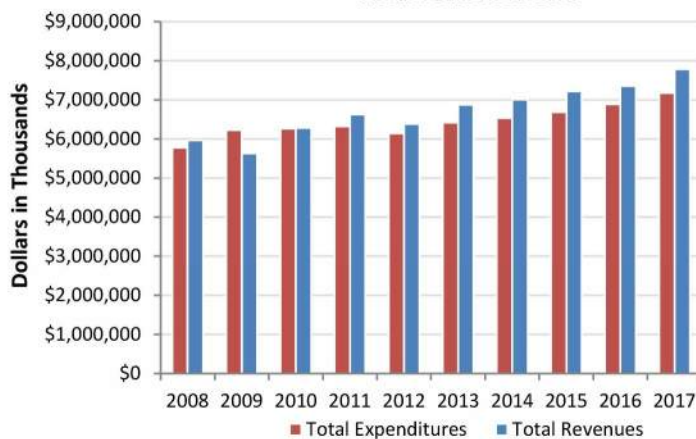
197,639	195,667	203,783	208,067
338,865	359,132	369,982	383,070
2,561,572	2,573,782	2,622,307	2,672,573
1,733,263	1,821,633	1,938,123	2,064,432
418,525	414,307	425,407	445,357
223,017	237,478	248,671	256,845
468,817	485,276	441,430	443,857
488,585	505,017	547,772	580,565
52,334	48,362	38,946	40,564
48,926	48,458	47,409	44,397
6,531,543	6,689,112	6,883,830	7,139,727
472,828	530,815	468,556	648,698

65,457	53,935	12,270	0
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9	90	7	19
30,382	57,988	47,642	73,498
855,318	872,222	902,365	977,802
(1,059,542)	(1,088,450)	(1,150,966)	(1,226,840)
(108,376)	(104,215)	(188,682)	(175,521)
\$ 364,452	\$ 426,600	\$ 279,874	\$ 473,177

1.6 1.5 1.3 1.2

Revenues and Expenditures - Governmental Funds
Fiscal Years 2008-2017



⁸In FY2008-2010 capital outlay expenditures increased mainly due to transportation infrastructure and state building expenses.

⁹In FY2012 and FY2013 the Idaho State Building Authority defeased bond debt to achieve better interest rates.

¹⁰In FY2016 other taxes increased mainly due to an increase in the motor fuels tax rate as a result of the passage of House Bill 312 in 2015. The additional funds are to be used exclusively for the maintenance of bridges and roads and replacement projects at the state and local levels.

¹¹In FY2016 the decrease in bonds and notes issued is primarily due to a large decrease in issued GARVEE bonds revenue.

¹²In FY2017 the increase in sale of capital assets is primarily due to the sale of state owned commercial properties.

Schedule 5 - Revenue Base

Fiscal/Calendar Years 2008-2017 (dollars in thousands)

Taxable Sales by Industry¹

	Fiscal Year					
	2008	2009	2010	2011	2012	2013
Commercial Farms ²	\$ 11,680	\$ 10,055	\$ 9,005	\$ 10,847	\$ 14,204	\$ 11,733
Agricultural/Forestry, Fishing, and Other	127,115	111,834	101,936	94,138	100,206	106,731
Mining	74,440	54,148	43,224	43,947	47,130	52,671
Construction	583,884	486,661	427,769	409,010	489,893	434,218
Manufacturing	1,050,425	813,738	755,948	996,988	819,403	807,950
Transportation and Public Utilities	390,536	361,449	361,995	700,557	546,466	705,692
Wholesale Trade	1,870,820	1,679,196	1,632,262	1,641,485	1,765,478	2,033,097
Retail Trade	14,963,180	13,418,803	13,360,965	12,752,289	13,221,360	14,568,624
Information ³						
Finance, Insurance, and Real Estate	155,363	143,608	136,907	133,522	136,687	142,282
Services	2,409,065	2,161,247	2,213,003	2,099,385	2,101,112	2,225,229
State and Local Government	817,606	703,459	680,446	657,345	646,121	751,309
Unclassified						
Unpermitted ⁴						
Total Taxable Sales	\$ 22,454,114	\$ 19,944,198	\$ 19,723,460	\$ 19,539,513	\$ 19,888,060	\$ 21,839,536
Direct Sales Tax Rate	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

Personal Income by Industry⁵

	Calendar Year					
	2008	2009	2010	2011	2012	2013
Farm Earnings	\$ 1,768,795	\$ 1,125,822	\$ 1,528,413	\$ 2,145,772	\$ 2,146,805	\$ 2,386,810
Agricultural/Forestry, Fishing, and Other	361,175	356,567	403,585	407,297	430,944	476,023
Mining	449,030	445,591	508,866	565,479	548,155	519,183
Construction/Utilities	3,138,586	2,497,428	2,326,366	2,261,879	2,356,481	2,739,135
Manufacturing	3,847,964	3,426,751	3,454,938	3,587,066	3,792,789	4,327,760
Transportation	1,028,175	991,801	1,012,226	1,084,299	1,160,687	1,204,530
Wholesale Trade	1,654,084	1,552,914	1,571,982	1,640,576	1,713,123	1,850,694
Retail Trade	2,951,183	3,082,629	3,038,630	2,944,788	3,105,609	3,328,951
Finance, Insurance, and Real Estate	2,084,115	2,073,890	1,853,055	2,026,753	2,042,013	2,209,247
Services	11,723,782	11,702,900	11,830,196	12,017,388	12,319,936	12,932,144
Federal, Civilian	1,031,211	1,073,648	1,115,347	1,113,990	1,131,574	1,109,619
Military	504,056	535,821	531,786	501,530	498,682	483,601
State and Local Government	4,943,146	5,035,938	5,072,487	5,000,095	5,121,295	5,245,253
Other ⁶	15,194,950	14,964,249	15,594,280	17,447,927	19,002,254	18,768,201
Total Personal Income	\$ 50,680,252	\$ 48,865,949	\$ 49,842,157	\$ 52,744,839	\$ 55,370,347	\$ 57,581,151
Total Direct Personal Income Tax Rate	7.6%	7.6%	7.6%	7.6%	7.3%	7.3%

Corporate Income by Category⁷

	Calendar Year					
	2008	2009	2010	2011	2012	2013
Corporations	\$ (759,563)	\$ (1,025,574)	\$ (28,603)	\$ 49,806	\$ 502,747	\$ 316,558
Sub-S Corporations	(35,677)	41,005	43,487	24,196	106,971	49,630
Partnerships	(125,039)	(126,283)	(115,646)	(287,303)	(352,035)	(127,839)
Fiduciary	22,495	(5,038)	6,843	(28,687)	61,134	(14,541)
Total Corporate Income	\$ (897,784)	\$ (1,115,890)	\$ (93,919)	\$ (241,988)	\$ 318,817	\$ 223,808
Direct Corporate Income Tax Rate	7.6%	7.6%	7.6%	7.6%	7.4%	7.4%

Vehicle Fuel Sales by Category (in thousands of gallons)

	Fiscal Year					
	2008	2009	2010	2011	2012	2013
Diesel	\$ 282,617	\$ 237,206	\$ 236,002	\$ 239,708	\$ 242,617	\$ 250,299
Gasoline	636,125	584,872	632,004	633,337	629,252	631,697
Propane	53	107	32	79	23	61
Natural Gas ⁸					33	97
Aviation	2,461	1,864	1,814	1,797	1,811	1,720
Jet	36,217	29,697	23,347	23,225	25,903	28,995
Total Fuel Sales	\$ 957,473	\$ 853,746	\$ 893,199	\$ 898,146	\$ 899,639	\$ 912,869
Total Direct Fuel Tax Rate (per gallon of fuel)	\$ 0.242	\$ 0.243	\$ 0.245	\$ 0.245	\$ 0.244	\$ 0.244

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.

¹In 2016, the Tax Commission changed from using U.S. Standard Industrial Classification System (SIC) codes to using North American Industry Classification System (NAICS) codes. The change provides industry groupings that are more meaningful and useful for economic analysis. Some industry categories shown have significant variances due to the change in classification codes.²Under the NAICS, commercial farming is combined with agriculture/forestry, fishing, and other.³The information sector includes the publishing industries, the motion picture and sound recording industries, the broadcasting industries, and data processing, hosting, and related services.⁴Taxable sales by individuals and businesses without a sales and use tax permit.

2014	2015	2016	2017
\$ 11,756	\$ 16,197		
112,719	124,776	\$ 82,925	\$ 74,482
55,851	53,947	59,177	44,035
422,849	490,734	464,888	242,718
844,024	924,586	1,101,280	884,684
543,205	555,498	166,992	49,072
2,281,830	2,573,395	2,995,810	3,000,366
15,057,644	16,080,503	14,000,015	14,576,989
		518,717	507,973
157,134	183,317	608,493	653,214
2,367,364	2,584,259	4,975,587	5,094,919
811,377	868,951	861,772	953,088
		148,683	62,257
		14,739	231
\$ 22,665,753	\$ 24,456,163	\$ 25,999,078	\$ 26,144,028
6.0%	6.0%	6.0%	6.0%

2014	2015	2016	2017
\$ 2,497,882	\$ 2,264,778	\$ 2,034,084	\$ 2,318,387
498,985	509,216	492,064	502,315
476,745	462,692	431,511	393,687
3,050,678	3,290,015	3,624,333	3,818,181
4,802,958	4,772,273	4,866,979	5,095,488
1,281,342	1,368,260	1,426,157	1,483,415
1,937,904	2,081,589	2,115,177	2,134,421
3,517,797	3,746,110	3,867,861	3,954,853
2,227,084	2,510,059	2,753,717	2,829,473
13,555,074	14,418,952	15,418,791	15,994,741
1,121,828	1,180,193	1,226,783	1,279,596
472,081	444,895	456,279	472,860
5,264,501	5,692,058	5,879,936	5,915,548
20,039,591	21,468,196	21,840,038	22,448,691
\$ 60,744,450	\$ 64,209,286	\$ 66,433,710	\$ 68,641,656
7.3%	7.3%	NA	NA

2014	2015	2016	2017
\$ 124,853	\$ 1,145,583	NA	NA
54,694	125,936	NA	NA
(29,224)	2,769	NA	NA
(10,847)	(3,278)	NA	NA
\$ 139,476	\$ 1,271,010	NA	NA
7.4%	7.4%	7.4%	7.4%

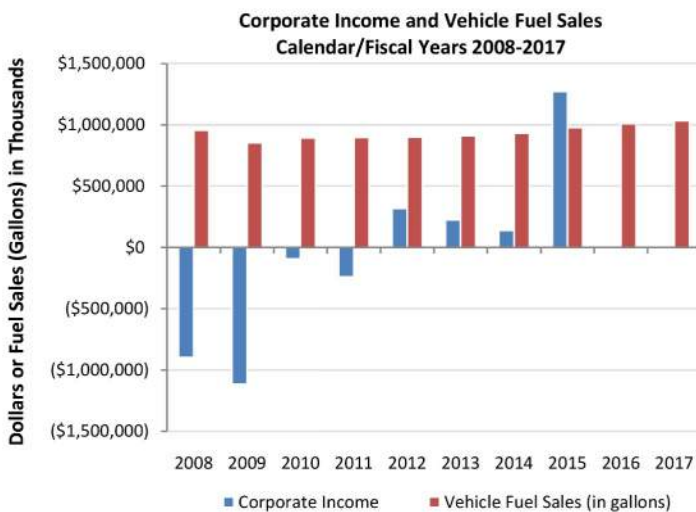
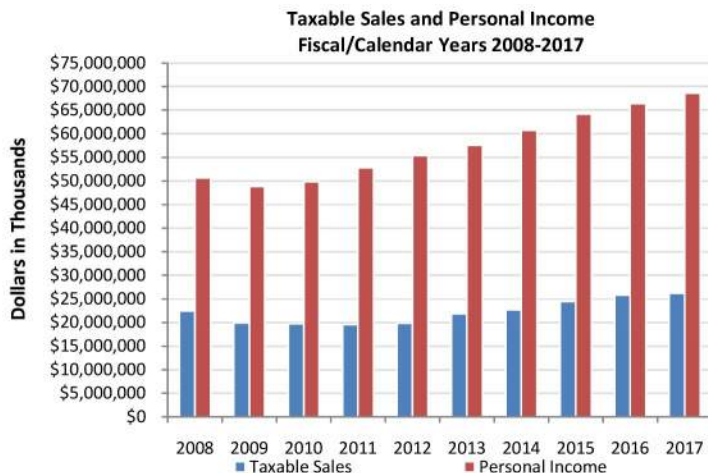
2014	2015	2016	2017
\$ 255,171	\$ 267,381	\$ 273,136	\$ 291,576
643,806	691,065	712,309	706,415
151	115	221	(21)
1,392	2,916	2,312	1,698
1,678	1,592	1,696	1,495
27,389	15,537	19,818	33,496
\$ 929,587	\$ 978,606	\$ 1,009,492	\$ 1,034,659
\$ 0.244	\$ 0.247	\$ 0.314	\$ 0.311

⁵Personal income data for calendar years 2008-2017 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.

⁶Other personal income includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

⁷The large increase in corporate income in 2015 is primarily due to more corporate entities reporting positive taxable income rather than losses as a result of an improving economy. Corporate income data is currently not available for calendar years 2016 and 2017.

⁸The natural gas distributors reported no vehicle fuel sales for fiscal years (FY) 2007-2011. FY14 through FY16 saw a shift towards using/producing cleaner fuel types.



Schedule 6 - Revenue Rates**Fiscal/Calendar Years 2008-2017****Personal Income Tax Rates¹**

	Calendar Year					
	2008	2009	2010	2011	2012	2013
Tax Rate	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Income Levels (S, MFS) ²	\$0-1,271	\$0-1,320	\$0-1,315	\$0-1,337	\$0-1,379	\$0-1,408
Income Levels (MFJ, HoH, QW) ²	\$0-2,544	\$0-2,642	\$0-2,632	\$0-2,675	\$0-2,759	\$0-2,817
Tax Rate	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Income Levels (S, MFS)	\$1,272-2,543	\$1,321-2,641	\$1,316-2,631	\$1,338-2,675	\$1,380-2,759	\$1,409-2,817
Income Levels (MFJ, HoH, QW)	\$2,545-5,088	\$2,643-5,284	\$2,633-5,264	\$2,676-5,351	\$2,760-5,519	\$2,818-5,635
Tax Rate	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%
Income Levels (S, MFS)	\$2,544-3,815	\$2,642-3,962	\$2,632-3,947	\$2,676-4,013	\$2,760-4,139	\$2,818-4,226
Income Levels (MFJ, HoH, QW)	\$5,089-7,632	\$5,285-7,926	\$5,265-7,896	\$5,352-8,027	\$5,520-8,279	\$5,636-8,453
Tax Rate	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%
Income Levels (S, MFS)	\$3,816-5,087	\$3,963-5,283	\$3,948-5,263	\$4,014-5,351	\$4,140-5,519	\$4,227-5,635
Income Levels (MFJ, HoH, QW)	\$7,633-10,176	\$7,927-10,568	\$7,897-10,528	\$8,028-10,703	\$8,280-11,039	\$8,454-11,271
Tax Rate	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
Income Levels (S, MFS)	\$5,088-6,359	\$5,284-6,603	\$5,264-6,579	\$5,352-6,689	\$5,520-6,899	\$5,636-7,044
Income Levels (MFJ, HoH, QW)	\$10,177-12,720	\$10,569-13,208	\$10,529-13,160	\$10,704-13,379	\$11,040-13,799	\$11,272-14,089
Tax Rate	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%
Income Levels (S, MFS)	\$6,360-9,539	\$6,604-9,906	\$6,580-9,869	\$6,690-10,034	\$6,900-10,349	\$7,045-10,567
Income Levels (MFJ, HoH, QW)	\$12,721-19,080	\$13,209-19,814	\$13,161-19,740	\$13,380-20,069	\$13,800-20,699	\$14,090-21,135
Tax Rate	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%
Income Levels (S, MFS)	\$9,540-25,440	\$9,907-26,417	\$9,870-26,319	\$10,035-26,759	\$10,350+	\$10,568+
Income Levels (MFJ, HoH, QW)	\$19,081-50,882	\$19,815-52,836	\$19,741-52,640	\$20,070-53,519	\$20,700+	\$21,136+
Tax Rate ³	7.8%	7.8%	7.8%	7.8%		
Income Levels (S, MFS)	\$25,441 +	\$26,418 +	\$26,320+	\$26,760+		
Income Levels (MFJ, HoH, QW)	\$50,883 +	\$52,837 +	\$52,641+	\$53,520+		
Total Direct Rate⁴	7.6%	7.6%	7.6%	7.6%	7.3%	7.3%

Vehicle Fuel Tax Rates per Gallon

	Fiscal Year					
	2008	2009	2010	2011	2012	2013
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	0.070	0.070	0.070	0.070	0.070
Jet	0.045	0.060	0.060	0.060	0.060	0.060
Total Direct Rate (per gallon of fuel)	\$0.242	\$0.243	\$0.245	\$0.245	\$0.244	\$0.244

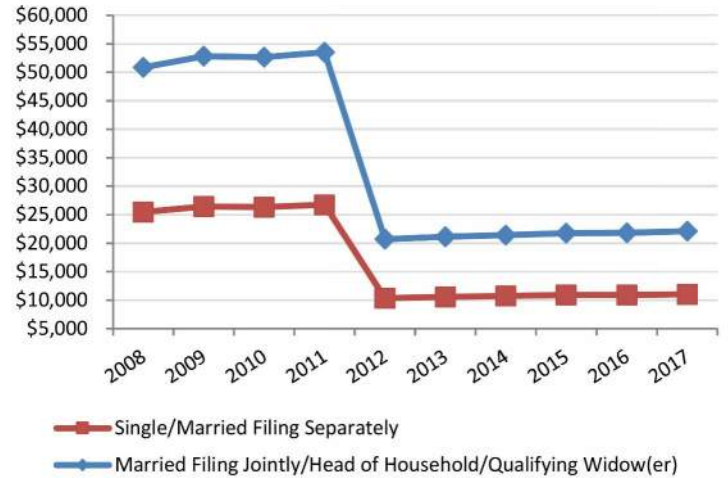
Source: Idaho State Tax Commission.

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 2016 and 2017.

2014	2015	2016	2017
1.6%	1.6%	1.6%	1.6%
\$0-1,428	\$0-1,451	\$0-1,453	\$0-1,471
\$0-2,857	\$0-2,903	\$0-2,907	\$0-2,943
3.6%	3.6%	3.6%	3.6%
\$1,429-2,857	\$1,452-2,903	\$1,454-2,907	\$1,472-2,944
\$2,858-5,715	\$2,904-5,807	\$2,908-5,815	\$2,944-5,889
4.1%	4.1%	4.1%	4.1%
\$2,858-4,286	\$2,904-4,355	\$2,908-4,361	\$2,945-4,416
\$5,716-8,573	\$5,808-8,711	\$5,816-8,723	\$5,890-8,833
5.1%	5.1%	5.1%	5.1%
\$4,287-5,715	\$4,356-5,807	\$4,362-5,815	\$4,417-5,889
\$8,574-11,431	\$8,712-11,615	\$8,724-11,631	\$8,834-11,779
6.1%	6.1%	6.1%	6.1%
\$5,716-7,144	\$5,808-7,259	\$5,816-7,269	\$5,890-7,361
\$11,432-14,289	\$11,616-14,519	\$11,632-14,539	\$11,780-14,723
7.1%	7.1%	7.1%	7.1%
\$7,145-10,717	\$7,260-10,889	\$7,270-10,904	\$7,362-11,042
\$14,290-21,435	\$14,520-21,779	\$14,540-21,809	\$14,724-22,085
7.4%	7.4%	7.4%	7.4%
\$10,718+	\$10,890+	\$10,905+	\$11,043+
\$21,436+	\$21,780+	\$21,810+	\$22,086+

**Personal Taxable Income Level for Top Rate Payers
Calendar Years 2008-2017**



7.3% 7.3% NA NA

2014	2015	2016	2017
\$0.250	\$0.250	\$0.320	\$0.320
0.250	0.250	0.320	0.320
0.181	0.181	0.232	0.232
0.197	0.197	0.349	0.349
0.070	0.070	0.070	0.070
0.060	0.060	0.060	0.060
\$0.244	\$0.247	\$0.314	\$0.311

Schedule 7 - Revenue Payers by Industry/Category

Historical Comparison and Most Current Fiscal/Calendar Year

(dollars in thousands)

Sales Tax^{1,4}

	As of June 30, 2008				As June 30, 2017			
	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
Farm Earnings ⁵	413	0.7	\$ 644	0				
Agricultural/Forestry, Fishing, and Other	1,051	1.7	7,090	0.5	1,254	1.8	\$ 4,911	0.3
Mining	163	0.3	4,096	0.3	162	0.2	3,157	0.2
Construction	4,442	7.2	32,137	2.4	3,563	5.1	32,430	2.0
Manufacturing	4,970	8.1	58,814	4.5	6,531	9.4	65,391	4.0
Transportation & Public Utilities	1,234	2.0	22,387	1.7	547	0.8	13,267	0.8
Wholesale trade	3,190	5.2	110,830	8.4	4,460	6.4	183,714	11.1
Retail trade	24,969	40.6	890,760	67.7	17,273	24.7	886,047	54.1
Information					1,516	2.2	32,772	2.0
Finance, Insurance, and Real Estate	787	1.3	9,081	0.7	2,327	3.3	40,687	2.5
Services	19,581	31.8	140,661	10.7	22,846	32.7	313,005	19.1
State and Local Government	683	1.1	40,868	3.1	378	0.5	57,197	3.5
Unclassified					8,983	12.9	5,881	0.4
Unpermitted ⁶					10	0	124	0
Total	61,483	100.0	\$ 1,317,368	100.0	69,850	100.0	\$ 1,638,583	100.0

Personal Income Tax

Income Level	As of December 31, 2006				As of December 31, 2015			
	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
Under \$50,000	558,407	85.4	\$ 434,181	29.3	646,802	82.6	\$ 426,537	25.7
\$50,000 - \$99,999	66,908	10.2	351,160	23.7	90,710	11.6	425,587	25.5
\$100,000 - \$249,999	21,448	3.3	254,155	17.1	36,467	4.7	371,903	22.3
\$250,000 - \$999,999	6,173	0.9	218,960	14.8	8,000	1.0	248,784	14.9
\$1,000,000 and higher	974	0.2	224,310	15.1	1,019	0.1	193,441	11.6
Total	653,910	100.0	\$ 1,482,766	100.0	782,998	100.0	\$ 1,666,252	100.0

Corporate Income Tax

	As December 31, 2006				As December 31, 2015			
	Number of Filers	Percent of Total	Tax Liability ²	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
Corporations	10,380	14.9	\$ 43,223	70.1	15,492	16.5	\$ 169,539	86.9
Sub-S Corporations	26,549	38.1	8,161	13.2	33,363	35.5	10,622	5.4
Partnerships	23,774	34.1	3,156	5.1	34,128	36.3	5,032	2.6
Fiduciary	8,981	12.9	7,136	11.6	11,036	11.7	10,009	5.1
Total	69,684	100.0	\$ 61,676	100.0	94,019	100.0	\$ 195,202	100.0

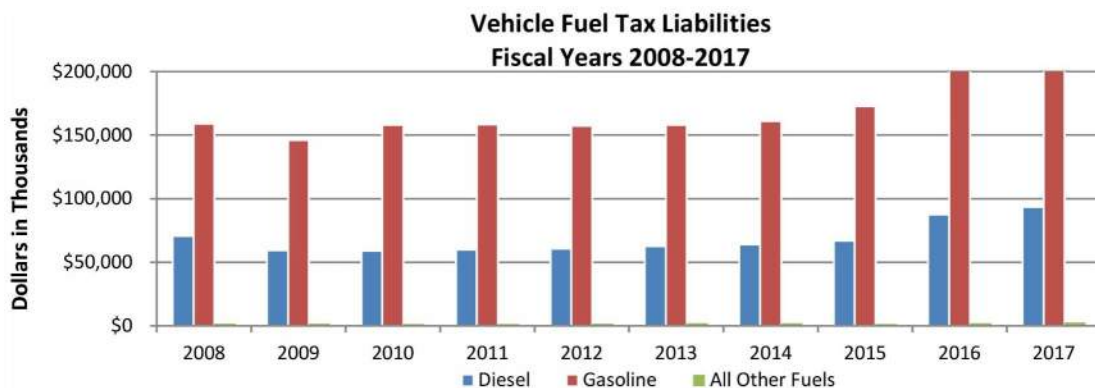
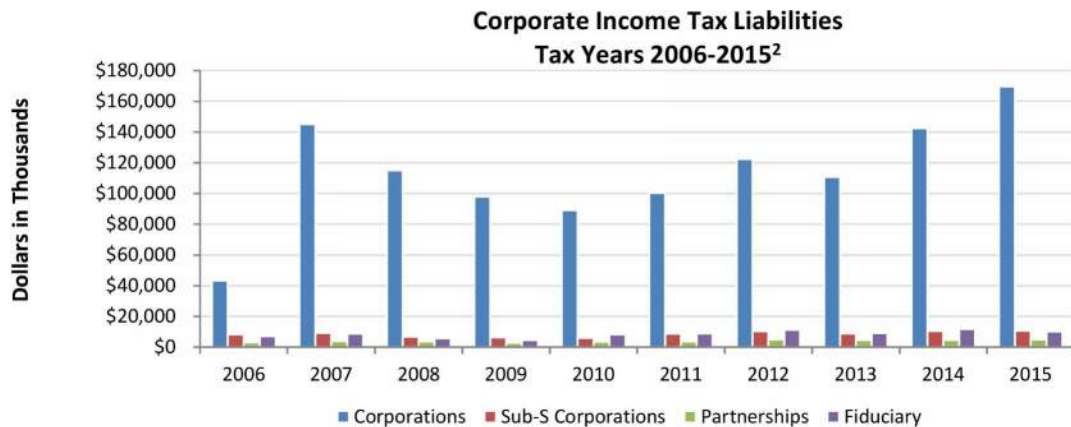
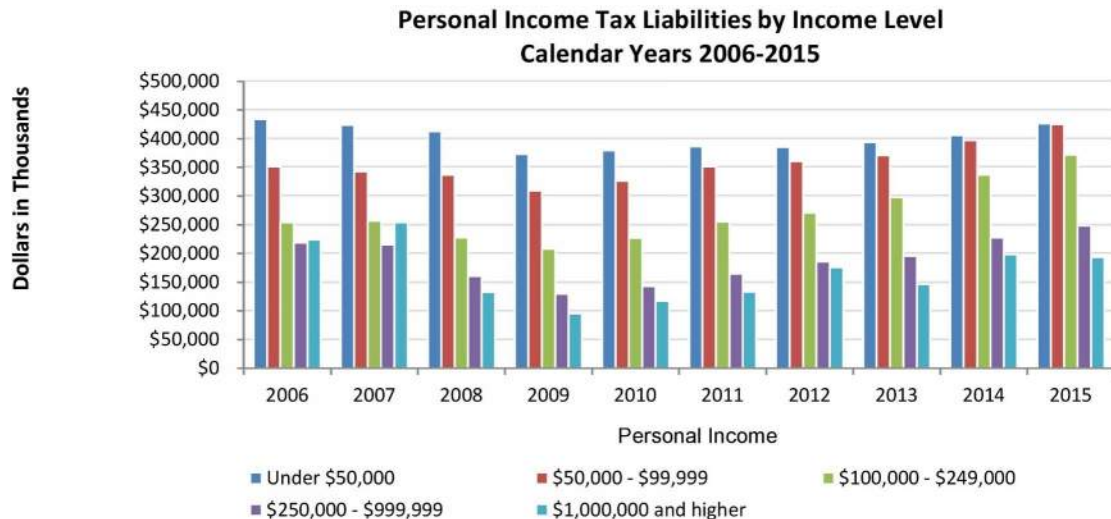
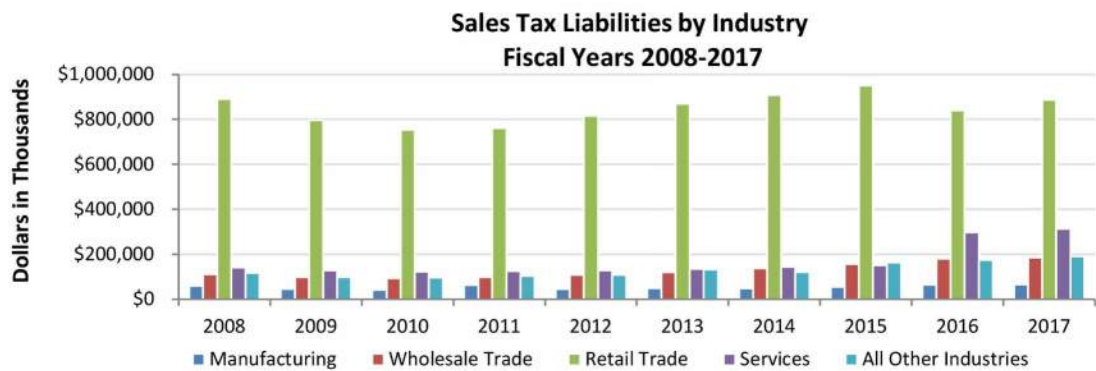
Vehicle Fuel Tax

	As of June 30, 2008				As of June 30, 2017			
	Number of Filers ³	Percent of Total	Tax Liability	Percent of Total	Number of Filers ³	Percent of Total	Tax Liability	Percent of Total
Diesel	112	42.9	\$ 70,637	30.5	97	41.3	\$ 93,327	29.0
Gasoline	100	38.3	159,031	68.7	95	40.4	226,193	70.2
Propane	25	9.6	42	0	13	5.5	(5)	0
Natural Gas	1	0.4	5	0	6	2.6	548	0.2
Aviation	7	2.7	135	0.1	7	3.0	105	0
Jet	16	6.1	1,630	0.7	17	7.2	2,010	0.6
Total	261	100.0	\$ 231,480	100.0	235	100.0	\$ 322,178	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 2015.

¹In 2017, the Idaho State Tax Commission provided the sales tax liability data for July 1, 2016 to June 30, 2017.²The corporate tax liability amounts for tax years 2006 through 2010 are revised due to updated data provided by the Idaho State Tax Commission.³The 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.⁴In 2016, the Tax Commission changed from using U.S. Standard Industrial Classification System (SIC) codes to using North American Industry Classification System (NAICS) codes. The change provides industry groupings that are more meaningful and useful for economic analysis. Some industry categories shown have significant variances due to the change in classification codes.⁵Under the NAICS, commercial farming is combined with agriculture/forestry, fishing, and other.⁶Taxable sales by individuals and businesses without a sales and use tax permit.



Schedule 8 - Outstanding Debt Ratios

Fiscal Years 2008-2017

(dollars in thousands, except per capita amount)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
		(as restated)	(as restated)	(as restated)		(as restated)	(as restated)		(as restated)	
Governmental Activities										
Revenue Bonds	\$ 306,159	\$ 281,322	\$ 257,088	\$ 233,246	\$ 207,106	\$ 197,624	\$ 170,640	\$ 150,379	\$ 146,516	\$ 136,844
Capital Leases ¹	11,997	11,475	33,229	32,761	28,967	27,394	25,862	24,319	17,462	16,425
Notes Payable ²	98,186	220,163	375,344	480,064	524,813	554,892	595,362	621,767	595,116	564,331
Total Governmental Activities	\$ 416,342	\$ 512,960	\$ 665,661	\$ 746,071	\$ 760,886	\$ 779,910	\$ 791,864	\$ 796,465	\$ 759,094	\$ 717,600
Business-Type Activities										
Revenue Bonds ³	\$ 443,016	\$ 449,410	\$ 473,667	\$ 457,631	\$ 457,113	\$ 464,334	\$ 445,651	\$ 477,546	\$ 462,572	\$ 474,094
Capital Leases ⁴	4,056	3,279	2,845	2,353	2,316	1,663	1,158	780	4,995	4,148
Notes Payable ⁵	20,155	50,195	216,183	214,144	204,745	156,449	105,919	55,117	2,157	73
Total Business-Type Activities	\$ 467,227	\$ 502,884	\$ 692,695	\$ 674,128	\$ 664,174	\$ 622,446	\$ 552,728	\$ 533,443	\$ 469,724	\$ 478,315
Total Primary Government	\$ 883,569	\$ 1,015,844	\$ 1,358,356	\$ 1,420,199	\$ 1,425,060	\$ 1,402,356	\$ 1,344,592	\$ 1,329,908	\$ 1,228,818	\$ 1,195,915
Debt as a Percentage of Personal Income⁶	1.8%	2.1%	2.7%	2.7%	2.6%	2.4%	2.2%	2.1%	1.8%	1.7%
Amount of Debt Per Capita⁶	\$ 577.2	\$ 655.2	\$ 863.9	\$ 897.0	\$ 893.1	\$ 869.0	\$ 822.4	\$ 801.6	\$ 730.1	\$ 700.3

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.

¹ In 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.

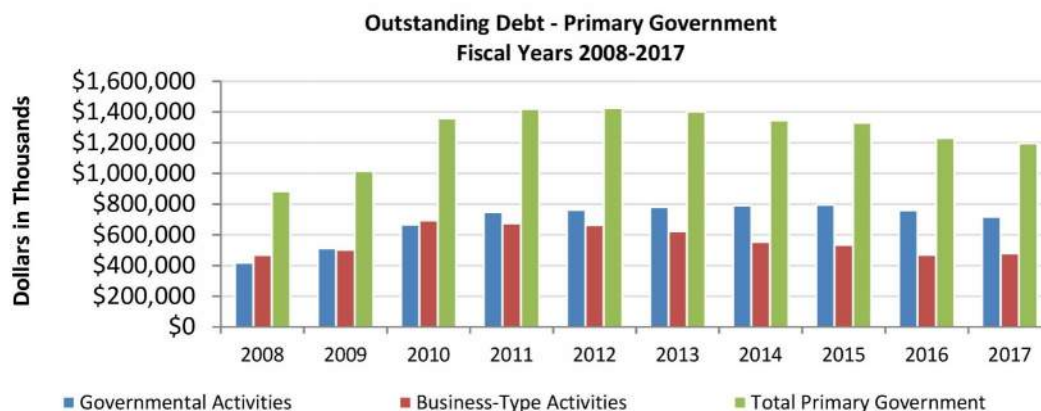
² From FY2008-FY2015 the Idaho Transportation Department issued notes payable to the Idaho Housing and Finance Association for road and infrastructure improvements.

³ For FY2008-FY2010 the colleges and universities issued revenue bonds for various projects.

⁴ In FY2016 the increase in capital leases is primarily due to Boise State University entering into two new capital lease agreements with the Boise State University Foundation.

⁵ In 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 FY2012-FY2017 resulted from repayment of loans from the Idaho Housing and Financing Association.

⁶ These 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 2008-2017

(dollars in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	(as restated)	(as restated)	(as restated)	(as restated)	(as restated)	(as restated)	(as restated)	(as restated)	(as restated)	
Governmental Activities										
Compensated Absences	\$ 56,599	\$ 54,893	\$ 51,996	\$ 61,095	\$ 62,775	\$ 56,470	\$ 49,466	\$ 49,874	\$ 54,058	\$ 55,172
Policy Claim Liabilities	20,164	19,753	16,956	13,869	15,450	17,963	14,305	11,304	10,804	11,138
Claims and Judgments ^{1,2}	141,777	113,115	79,970	180,773	178,173	96,324	69,495	170,841	169,115	72,812
Net Pension Obligation ^{3,6}	2,375	2,711	11,140	12,508	13,596	13,989	14,271			
Net Pension Liability ⁴								176,577	306,439	452,475
Net OPEB Obligation	20,018	20,373	22,169	23,851	24,720	24,520	24,491	25,458	25,917	27,966
Other Long-Term Liabilities							6,114	5,468	5,633	3,756
Total Governmental Activities	\$ 240,933	\$ 210,845	\$ 182,231	\$ 292,096	\$ 294,714	\$ 209,266	\$ 178,142	\$ 439,522	\$ 571,966	\$ 623,319
Business-Type Activities										
Compensated Absences	\$ 20,067	\$ 20,814	\$ 20,882	\$ 21,041	\$ 22,648	\$ 22,239	\$ 20,844	\$ 21,640	\$ 21,373	\$ 22,670
Claims and Judgments ²	445	528	1							
Net Pension Liability ⁴								31,898	56,602	85,399
Net OPEB Obligation	7,858	9,233	11,267	13,707	15,513	17,143	18,847	20,982	22,973	25,965
Voluntary Termination Benefits ⁵			894							
Other Long-Term Liabilities			124	416	633	968	1309	1,139	928	785
Total Business-Type Activities	\$ 28,370	\$ 30,575	\$ 33,168	\$ 35,164	\$ 38,794	\$ 40,350	\$ 41,000	\$ 75,659	\$ 101,876	\$ 134,819
Total Primary Government	\$ 269,303	\$ 241,420	\$ 215,399	\$ 327,260	\$ 333,508	\$ 249,616	\$ 219,142	\$ 515,181	\$ 673,842	\$ 758,138

Note: Details regarding the liabilities listed above can be found in Note 13 to the financial statements.

¹ In 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.

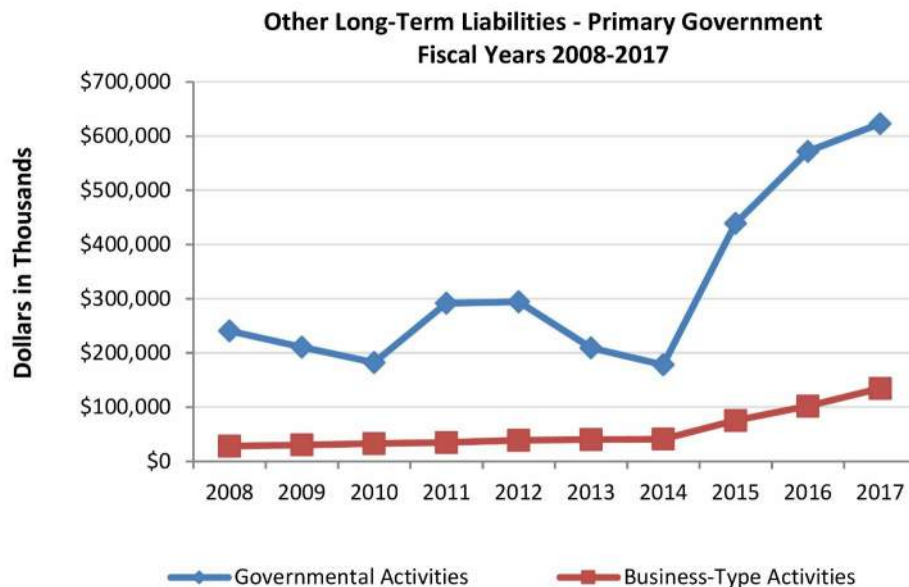
² Claims and judgments include arbitrage liabilities for FY2008-FY2015. Decrease to claims and judgments resulted from a decrease in Medicaid claims, and between FY2016 and FY2017 there was a timing difference of Medicaid payments. In FY2015 there was an increase due to a change in calculation method by the Department of Health and Welfare.

³ In 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.

⁴ Net pension liability was not required to be reported prior to FY2015.

⁵ In FY2010 the University of Idaho established a voluntary Exit Incentive Program for eligible employees to leave University employment with an economic incentive.

⁶ Due to the implementation of GASB Statement No. 68 in FY2015, the net pension obligation was removed and a net pension liability recorded.



Schedule 10 - Pledged Revenue Coverage

Fiscal Years 2008-2017

(dollars in thousands)

	2008	2009	2010	2011	2012	2013
Governmental Activities						
Notes Payable - Idaho Transportation Department¹						
Revenue:						
Federal Highway Grants ²	\$ 300,680	\$ 234,667	\$ 355,288	\$ 399,049	\$ 334,747	\$ 292,619
State Funds	3,349	2,439	3,255	3,509	3,829	4,033
Available Revenue	\$ 304,029	\$ 237,106	\$ 358,543	\$ 402,558	\$ 338,576	\$ 296,652
Debt Service:						
Principal	\$ 20,240	\$ 30,589	\$ 8,176	\$ 20,936	\$ 19,957	\$ 21,975
Interest	\$ 8,245	\$ 11,787	\$ 19,074	\$ 25,862	\$ 26,836	\$ 28,188
Coverage	10.7	5.6	13.2	8.6	7.2	5.9
Business-Type Activities						
Revenue Bonds - Colleges and Universities						
Revenue:						
Student Fees Pledged	\$ 179,630	\$ 197,711	\$ 212,768	\$ 236,690	\$ 257,850	\$ 268,014
Sale of Goods and Services Pledged	85,348	84,327	91,258	84,978	90,136	93,356
Other Income Pledged ³	31,174	25,337	22,641	36,803	35,990	35,828
Less: Operating Expenses	(58,259)	(59,487)	(61,226)	(61,342)	(65,802)	(69,901)
Net Available Revenue	\$ 237,893	\$ 247,888	\$ 265,441	\$ 297,129	\$ 318,174	\$ 327,297
Debt Service:						
Principal	\$ 15,610	\$ 9,755	\$ 13,190	\$ 15,085	\$ 14,090	\$ 16,585
Interest	\$ 20,793	\$ 19,473	\$ 20,339	\$ 20,243	\$ 21,524	\$ 19,440
Coverage	6.5	8.5	7.9	8.4	8.9	9.1
Revenue Bonds - Idaho Water Resources Board^{6,7}						
Revenue:						
Sale of Goods and Services	\$ 816	\$ 886	\$ 983	\$ 990	\$ 1,059	\$ 993
Less: Operating Expenses	(117)	(149)	(117)	(124)	(136)	(161)
Net Available Revenue	\$ 699	\$ 737	\$ 866	\$ 866	\$ 923	\$ 832
Debt Service:						
Principal	\$ 305	\$ 325	\$ 340	\$ 360	\$ 380	\$ 400
Interest	\$ 294	\$ 277	\$ 259	\$ 240	\$ 220	\$ 198
Coverage	1.2	1.2	1.4	1.4	1.5	1.4
Notes Payable - Colleges and Universities⁴						
Revenue:						
Student Fees Pledged	\$ 148	\$ 146	\$ 142	\$ 169	\$ 1,001	\$ 1,062
Housing Fees Pledged	NA	417	445	430	429	441
Other Income Pledged				76	110	101
Less: Operating Expenses	NA	(297)	(154)	(107)	(410)	(402)
Net Available Revenue	\$ 148	\$ 266	\$ 433	\$ 568	\$ 1,130	\$ 1,202
Debt Service:						
Principal ⁵	\$ 106	\$ 127	\$ 114	\$ 366	\$ 334	\$ 786
Interest	\$ 33	\$ 63	\$ 25	\$ 176	\$ 138	\$ 171
Coverage	1.1	1.4	3.1	1.0	2.4	1.3

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.

¹ For fiscal years (FY) 2008-2015 the Idaho Transportation Department issued notes payable to the Idaho Housing and Finance Association to finance road and infrastructure improvements.

² In 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. In FY2010 grants increased because of the delayed reimbursement of FY2009 federal construction awards. In FY2012 and FY2013 grants decreased due to the near-term completion of the American Recovery and Reinvestment Act stimulus program.

³ In FY2008 other pledged income increased mainly due to revenues pledged as collateral for all outstanding bond issuances by the University of Idaho. In FY2015 other pledged income increased due to an increase in student tuition and fees by the University of Idaho.

⁴ In 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. The LCSC issued notes payable were paid in full in FY2017.

⁵ In FY2013-2014 the increase resulted from LCSC's principal only payments.

⁶ The Series 2006 Refunding Bonds were paid in full in FY2016.

⁷ The Idaho Water Resources Board revenue bonds were paid in full in FY2017.

2014	2015	2016	2017
------	------	------	------

\$ 294,620	\$ 324,598	\$ 297,093	\$ 294,499
4,329	4,598	4,540	
<u>\$ 298,949</u>	<u>\$ 329,196</u>	<u>\$ 301,633</u>	<u>\$ 294,499</u>
\$ 24,203	\$ 27,180	\$ 29,186	\$ 30,365
\$ 28,417	\$ 30,740	\$ 29,207	\$ 27,810
5.7	5.7	5.2	5.1

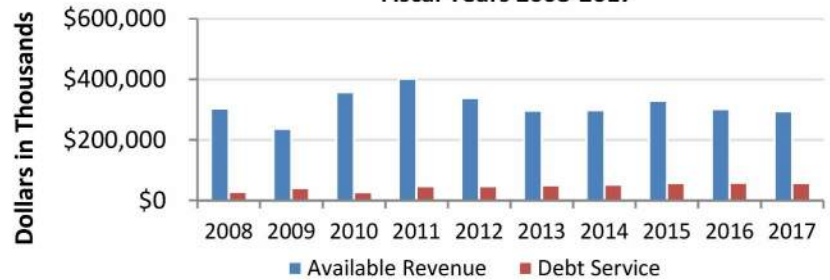
\$ 276,964	\$ 295,818	\$ 301,659	\$ 305,823
89,031	94,327	88,135	88,847
38,158	45,505	45,051	49,951
(69,339)	(66,212)	(68,803)	(65,110)
<u>\$ 334,814</u>	<u>\$ 369,438</u>	<u>\$ 366,042</u>	<u>\$ 379,511</u>
\$ 16,714	\$ 17,704	\$ 20,682	\$ 18,002
\$ 20,018	\$ 18,836	\$ 16,450	\$ 19,852
9.1	10.1	9.9	10.0

\$ 983	\$ 1,261	\$ 897
(123)	(214)	(292)
<u>\$ 860</u>	<u>\$ 1,047</u>	<u>\$ 605</u>
\$ 425	\$ 450	\$ 2,065
\$ 175	\$ 151	\$ 125
1.4	1.7	0.3

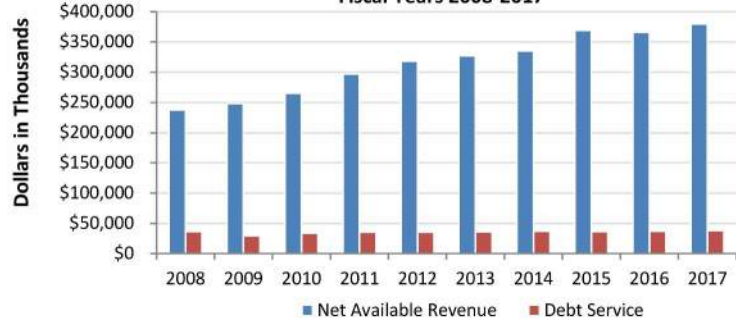
\$ 1,108	\$ 1,085	\$ 1,031
469	468	489
81	88	87
(442)	(428)	(480)
<u>\$ 1,216</u>	<u>\$ 1,213</u>	<u>\$ 1,127</u>
\$ 0	\$ 0	\$ 0

\$ 1,366	\$ 900	\$ 1,284
\$ 118	\$ 84	\$ 60
0.8	1.2	0.8

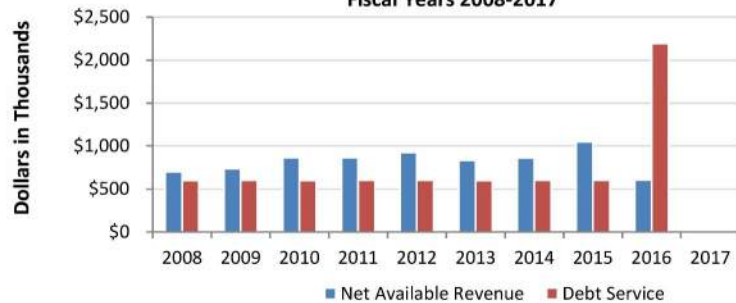
**Idaho Transportation Department, Notes Payable
Revenue and Debt Service
Fiscal Years 2008-2017**



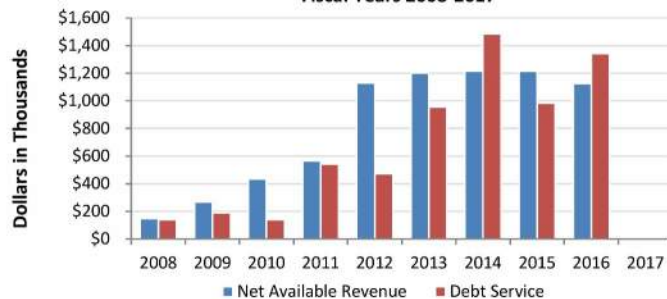
**Colleges and Universities, Revenue Bonds
Revenue and Debt Service
Fiscal Years 2008-2017**



**Idaho Water Resources Board, Revenue Bonds
Revenue and Debt Service
Fiscal Years 2008-2017**



**Colleges and Universities, Notes Payable
Revenue and Debt Service
Fiscal Years 2008-2017**



Schedule 11 - Demographic and Economic Indicators

Calendar Years 2008-2017

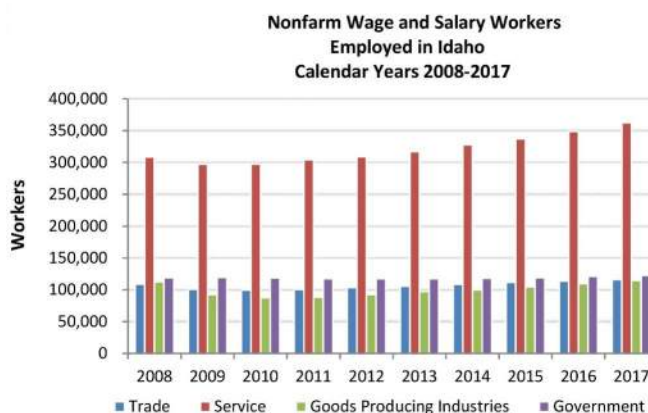
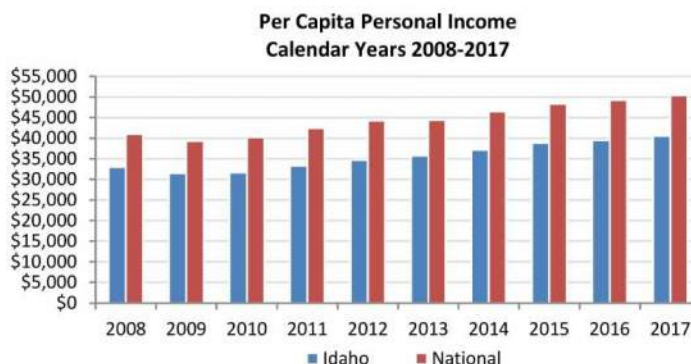
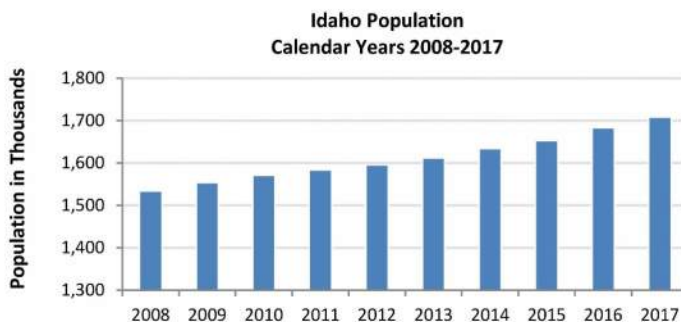
	2008	2009	2010	2011	2012	2013
Population						
Idaho (<i>in thousands</i>)	1,534	1,554	1,571	1,584	1,596	1,612
Change	1.9%	1.3%	1.1%	0.8%	0.7%	1.0%
National (<i>in thousands</i>)	304,948	307,580	310,100	312,402	314,656	316,850
Change	0.9%	0.9%	0.8%	0.7%	0.7%	0.7%
Total Personal Income ¹						
Idaho (<i>in billions</i>)	\$ 51	\$ 49	\$ 50	\$ 53	\$ 55	\$ 58
Change	3.4%	-3.6%	2.0%	5.8%	5.0%	4.0%
National (<i>in billions</i>)	\$ 12,502	\$ 12,095	\$ 12,477	\$ 13,255	\$ 13,915	\$ 14,074
Change	4.2%	-3.3%	3.2%	6.2%	5.0%	1.1%
Per Capita Personal Income						
Idaho	\$ 33,033	\$ 31,437	\$ 31,725	\$ 33,295	\$ 34,694	\$ 35,719
Change	1.4%	-4.8%	0.9%	4.9%	4.2%	3.0%
National	\$ 40,998	\$ 39,323	\$ 40,235	\$ 42,427	\$ 44,222	\$ 44,417
Change	3.3%	-4.1%	2.3%	5.4%	4.2%	0.4%
Median Age - Idaho ²						
	34.4	34.2	34.7	35.0	35.2	35.7
Educational Attainment ³						
8th Grade or Less	5.0%	4.5%	4.2%	4.5%	4.1%	4.3%
Some High School, No Diploma	7.1%	7.1%	7.5%	6.9%	6.1%	6.3%
High School Diploma	27.7%	28.8%	28.6%	27.5%	27.7%	27.4%
Some College, No Degree	27.6%	27.3%	27.0%	26.9%	27.6%	26.7%
Associate, Bachelor or Graduate Degree	32.5%	32.2%	32.7%	34.2%	34.5%	35.3%
Resident Civilian Labor Force and Employment in Idaho						
Civilian Labor Force	755,153	757,131	761,056	765,178	769,256	771,892
Employed	716,653	690,722	692,826	701,466	713,704	724,437
Unemployed	38,500	66,409	68,230	63,712	55,552	47,455
Unemployment Rate	5.1%	8.8%	9.0%	8.3%	7.2%	6.1%
Nonfarm Wage and Salary Workers Employed in Idaho						
Goods Producing Industries						
Mining	2,751	2,139	2,294	2,623	2,779	2,629
Logging and Wood Products	7,975	5,867	5,732	6,120	6,408	7,034
Computer and Electronics	14,305	11,098	10,574	11,191	11,625	11,267
Construction	45,006	34,390	31,233	30,340	31,421	33,629
Manufacturing-Durable Goods ⁴	17,499	15,207	14,805	15,281	16,079	17,461
Manufacturing-Nondurable Goods	24,583	23,634	23,261	23,364	24,018	25,255
Total Goods Producing Industries	112,119	92,335	87,899	88,919	92,330	97,275
Non-Goods Producing Industries						
Trade	109,087	101,079	99,639	100,622	103,621	106,151
Service	308,419	297,037	297,434	303,908	309,025	317,181
State and Local Government	105,986	105,991	104,875	104,514	104,600	105,008
Federal Government	13,200	13,496	13,691	12,654	12,640	12,412
Total Non-Goods Producing Industries	536,692	517,603	515,639	521,698	529,886	540,752
Total Nonfarm Wage and Salary Employment	648,811	609,938	603,538	610,617	622,216	638,027

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 2014-2016 are estimates. Prior year amounts may change due to revisions by the U.S. Bureau of Economic Analysis and the U.S. Census Bureau.

¹ Total personal income is comprised of earned income, dividends, interest, rents, and government transfer payments.² Median age data for Idaho is not currently available for calendar year 2016.³ Educational attainment information is not currently available for calendar year 2016.⁴ "Manufacturing-Durable Goods" amounts are net of "Logging and Wood Products" and "Computer and Electronics" amounts, which are presented separately in this schedule.

2014	2015	2016	2017
1,634	1,653	1,683	1,708
1.3%	1.2%	1.8%	1.5%
319,179	321,450	323,668	325,916
0.7%	0.7%	0.7%	0.7%
\$ 61	\$ 64	\$ 66	\$ 69
5.5%	5.7%	3.5%	4.0%
\$ 14,818	\$ 15,553	\$ 15,929	\$ 16,425
5.3%	5.0%	2.4%	3.1%
\$ 37,184	\$ 38,847	\$ 39,469	\$ 40,472
4.1%	4.5%	1.6%	2.5%
\$ 46,425	\$ 48,383	\$ 49,213	\$ 50,395
4.5%	4.2%	1.7%	2.4%
35.9	35.8	36.1	NA
3.9%	3.7%	3.2%	NA
6.0%	6.3%	6.4%	NA
28.2%	27.5%	27.9%	NA
27.6%	27.0%	25.3%	NA
34.4%	35.6%	37.2%	NA
780,872	797,049	814,571	821,934
742,989	763,402	783,434	794,920
37,883	33,647	31,137	27,014
4.9%	4.2%	3.8%	3.3%
2,519	2,451	2,466	2,275
7,049	7,331	7,694	7,809
11,425	11,900	12,132	12,073
35,877	38,259	41,737	44,665
17,584	18,258	18,813	19,581
25,528	26,118	27,108	28,226
99,982	104,317	109,950	114,629
108,410	111,718	114,099	115,928
327,896	337,236	348,728	362,469
105,844	106,639	108,224	109,562
12,337	12,583	12,839	12,949
554,487	568,176	583,890	600,908
654,469	672,493	693,840	715,537



Schedule 12 - Principal Employers

Current Year and Nine Years Ago

Major Idaho Employers	As of June 30, 2008			As of June 30, 2017		
	Number of Employees	Rank	Percent of Total State Employment	Number of Employees	Rank	Percent of Total State Employment
State of Idaho ¹	29,000-29,500	1	4	20,000-20,500	1	2.5
Federal Government	12,500-13,000	2	1.7	13,000-13,500	2	1.7
St Luke's Health System	5,000-5,500	5	0.7	13,000-13,500	3	1.6
Wal-Mart Associates, Inc.	7,000-7,500	4	1.0	7,500-8,000	4	1.0
Micron Technology, Inc.	9,500-10,000	3	1.3	6,000-6,500	5	0.8
Brigham Young University -Idaho	3,000-3,500	10	0.4	5,000-5,500	6	0.7
St Alphonsus Regional Medical Center	2,500-3,000	13	0.3	4,500-5,000	7	0.6
West Ada School District #2	4,500-5,000	6	0.6	4,000-4,500	8	0.5
Battelle Energy Alliance	3,500-4,000	9	0.5	4,000-4,500	9	0.5
Boise Independent School District #1	3,500-4,000	8	0.5	3,500-4,000	10	0.5
Albertsons	4,500-5,000	7	0.6	3,500-4,000	11	0.5
Total	87,250		11.7	83,000		10.8

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.

¹ Number of state employees includes only full-time personnel.

Schedule 13 - Education Enrollment

Public School Enrollment Grades K-12

Academic Years 2007/2008-2016/2017

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Elementary	150,094	151,902	154,368	153,298	154,691	156,742	160,412	161,071	162,131	163,519
Secondary	122,025	123,252	124,236	125,237	126,149	127,576	128,651	129,938	132,340	135,268
Total All Grades	272,119	275,154	278,604	278,535	280,840	284,318	289,063	291,009	294,471	298,787

Source: Idaho Department of Education

Public Higher Education Enrollment

Student Headcount¹ (Calendar Years 2008-2017)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Boise State University	19,670	18,936	19,993	19,664	22,638	21,981	22,239	22,086	23,854	24,121
Idaho State University	12,644	13,493	12,595	12,587	13,860	13,351	13,455	13,032	12,928	12,505
University of Idaho	11,791	11,957	12,302	12,312	12,493	11,884	11,534	11,372	11,780	12,072
Lewis-Clark State College	3,334	3,521	3,822	3,761	3,830	3,585	3,616	3,635	3,909	3,733
Eastern Idaho Technical College	768	870	862	829	709	725	686	687	676	809
Total Colleges and Universities	48,207	48,777	49,574	49,153	53,530	51,526	51,530	50,812	53,147	53,240

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 2008-2017****Full-Time Employees**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Tax Commission	392	393	368	373	406	426	425	425	422	436
Department of Administration	138	142	139	141	137	136	137	136	128	132
All Other	1,144	1,161	1,133	1,098	1,058	1,091	1,127	1,139	1,132	1,171
Public Safety and Correction										
Department of Correction	1,560	1,586	1,543	1,529	1,517	1,550	1,544	1,879	1,928	1,897
Idaho State Police	469	485	465	452	458	479	480	488	490	518
Department of Juvenile Corrections	350	396	381	382	387	384	387	398	391	405
All Other	336	349	327	362	354	373	566	417	428	421
Health and Human Services										
Department of Health and Welfare	2,917	2,922	2,887	2,642	2,606	2,611	2,647	2,614	2,650	2,648
Education										
Colleges and Universities	6,063	6,124	6,242	6,093	6,436	6,548	6,721	6,842	6,984	7,396
All Other	456	468	469	473	361	371	376	362	384	401
Economic Development										
Idaho Transportation Department	1,726	1,758	1,772	1,742	1,714	1,683	1,642	1,581	1,516	1,479
Department of Labor ¹	440	436	506	532	514	547	547	539	497	477
Department of Agriculture	301	293	279	245	249	253	261	257	269	272
All Other	933	932	909	981	966	992	990	999	1,011	1,078
Natural Resources										
Department of Environmental Quality	356	365	340	328	331	332	328	322	329	337
Department of Fish and Game	502	513	504	535	545	534	534	533	530	528
Department of Lands	244	242	235	227	231	239	238	253	252	269
Department of Parks and Recreation	146	155	147	131	132	136	132	135	135	135
All Other	193	195	182	174	171	167	162	159	161	174
State Total	18,666	18,915	18,828	18,440	18,573	18,852	19,244	19,478	19,637	20,174

Part-Time and Temporary Employees¹

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government	405	334	385	362	388	342	349	323	440	420
Public Safety and Correction	223	192	159	174	202	178	203	206	162	173
Health and Human Services	620	400	286	256	229	257	243	253	255	263
Education	3,347	2,880	2,532	2,509	2,587	2,655	2,514	2,441	2,578	2,742
Economic Development	896	907	838	884	774	732	705	643	632	647
Natural Resources ²	686	603	518	440	433	431	465	477	476	888
State Total	6,177	5,316	4,718	4,625	4,613	4,595	4,479	4,343	4,543	5,133

Source: Office of the Idaho State Controller.

¹ Part-time and temporary employees are those working less than full-time, including board and commission members.² The increase in the hiring of part-time and temporary employees in fiscal year 2017 is primarily due to the Department of Lands receiving additional appropriation to add needed fire fighting positions in response to the 2015 fire season. Also, the Department of Fish and Game hired more seasonal workers during the peak visitation period to serve the more than five million annual visitors to the State Parks.

Schedule 15 - Operating Indicators by Function

Fiscal/Calendar Years 2008-2017

	2008	2009	2010	2011	2012	2013
<u>General Government</u>						
Tax Commission						
Number of Returns Filed (<i>in thousands</i>)	2,292	2,220	2,226	2,260	2,316	2,350
Number of Returns Filed Electronically (<i>in thousands</i>)	436	457	492	543	568	587
Department of Administration						
Construction Projects Administered	529	443	431	399	345	293
Employees Covered by Benefit Plans	19,319	19,507	19,343	18,942	19,018	19,247
<u>Public Safety and Correction</u>						
Department of Correction¹						
Incarcerated Offenders	7,338	7,283	7,504	7,578	8,097	8,221
Supervised Offenders	13,361	13,756	13,902	14,595	14,530	14,705
Idaho State Police						
Drug Related Arrests ²	850	895	982	1,021	1,454	1,411
DUI Arrests ²	1,654	1,977	2,441	2,003	1,845	1,659
All Other Arrests ²	1,278	1,281	1,163	1,262	1,145	1,101
Department of Juvenile Corrections						
Number of Juveniles in the System	744	659	568	529	553	550
Rate of Recombinment to DJC Custody	11.7%	18.4%	17.0%	15.0%	12.0%	18.2%
<u>Health and Human Services</u>						
Department of Health and Welfare¹						
Medicaid Enrollees	184,465	191,989	209,126	227,991	238,165	247,151
Percent of Population	12.0%	12.4%	13.3%	14.4%	14.9%	15.3%
Food Stamp Recipients	95,433	124,826	179,074	223,370	235,502	229,586
Percent of Population	6.2%	8.1%	11.4%	14.1%	14.8%	14.2%
<u>Education</u>						
Colleges and Universities¹						
Enrollment	48,207	48,777	49,574	49,153	53,530	51,526
Number of Certificates and Degrees Awarded	8,550	8,739	8,760	9,306	9,980	10,382
<u>Economic Development</u>						
Idaho Transportation Department						
Percent of Pavement Which is Deficient ¹	19%	20%	18%	16%	13%	14%
Vehicles Weighed (<i>in thousands</i>)	2,700	2,400	2,400	2,400	2,314	2,281
Department of Labor						
Individuals Registered for Employment ⁶	222,606	284,205	334,896	331,449	301,338	277,111
Job Openings Received	77,012	46,967	47,956	69,323	57,189	80,283
Department of Agriculture						
Conduct Disease Tests on Animals ³	303,184	367,698	362,905	676,604	100,454	110,944
Inspections of Dairy Farms	5,897	7,919	6,932	7,653	8,024	8,786
<u>Natural Resources</u>						
Department of Environmental Quality						
Air Quality Sites Monitored	31	42	41	43	39	40
Water Sites Monitored ⁴	610	0	128	101	237	237
Department of Fish and Game						
Citations and Warnings Issued	5,411	5,435	4,799	4,053	4,175	3,480
Hatchery Fish Raised (<i>in thousands</i>) ²	29,573	22,676	27,085	32,351	23,007	23,837
Hunting and Fishing Licenses Sold ²	536,681	571,179	548,949	523,698	573,714	566,460
Department of Lands¹						
Forest Products Harvested (<i>in million board feet</i>)	225	190	212	273	287	290
Fires Responded to on IDL Land	247	352	183	249	187	322
Department of Parks and Recreation						
Park Visitation (<i>in thousands</i>) ^{1, 2, 5}	4,203	4,460	4,389	4,783	4,638	4,777
Recreational Registrations (<i>in thousands</i>) ⁵	274	286	272	268	262	275

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

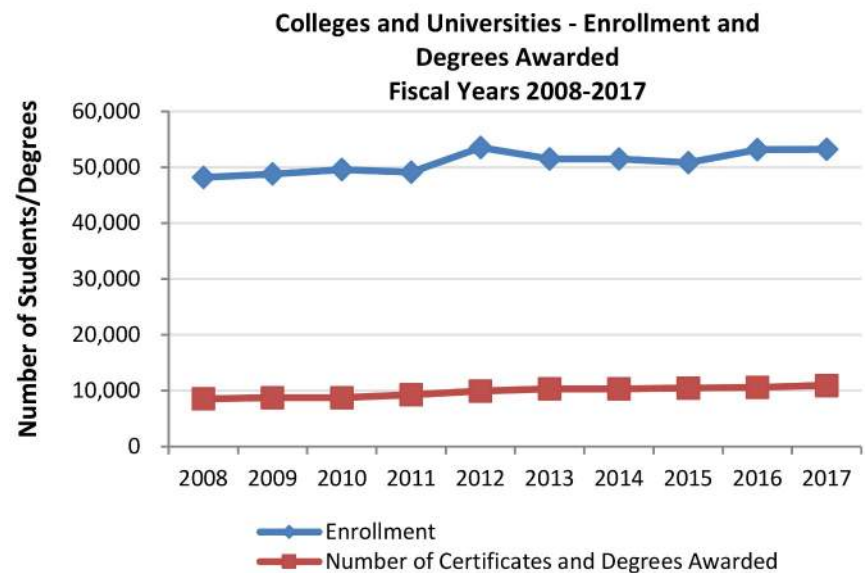
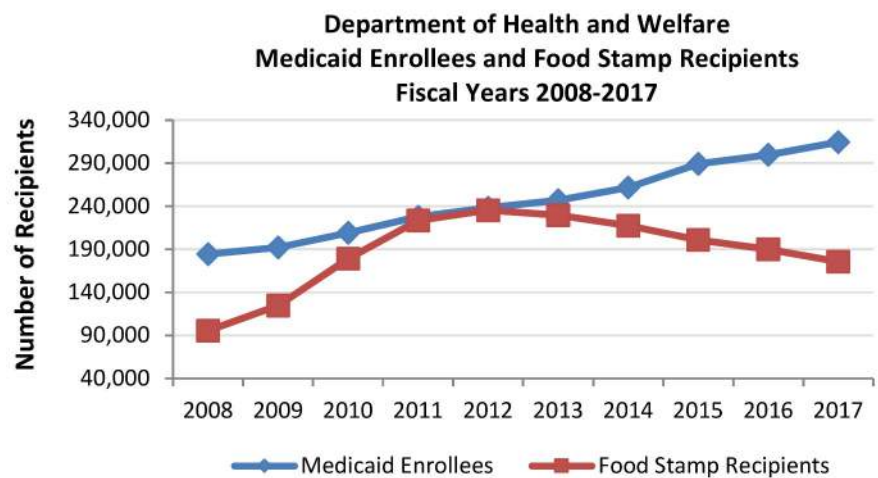
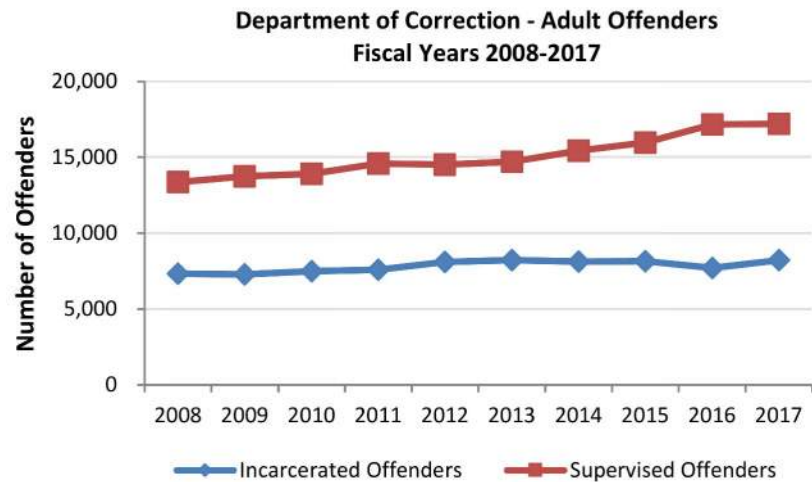
Note: Operating indicators for fiscal years (FY) 2016 and FY2017 are estimates unless otherwise noted below

¹ Operating indicators for FY2016 are actual amounts, not estimates.

² Operating indicators are reported on a calendar year basis.

³ In FY2011 and FY2012 the increase and decrease in disease testing on animals is attributed to brucellosis testing.

2014	2015	2016	2017
2,390	2,415	2,484	2,531
616	695	731	764
296	311	366	359
19,592	19,831	20,019	20,549
8,120	8,157	7,715	8,212
15,433	15,970	17,162	17,205
1,559	1,456	1,389	1,948
1,304	1,197	1,089	1,316
1,071	876	702	710
498	467	433	444
13.0%	14.0%	14.0%	15.0%
261,639	289,303	299,611	314,584
16.0%	17.5%	17.9%	18.4%
217,553	201,094	189,910	175,644
13.3%	12.1%	11.3%	10.3%
51,530	50,812	53,147	53,240
10,356	10,518	10,618	10,983
14%	14%	16%	15%
2,433	2,514	2,078	3,108
255,891	200,771	121,672	84,933
101,897	107,353	279,856	165,004
105,090	99,276	102,251	132,236
8,854	8,688	8,419	7,378
40	40	39	39
290	231	284	230
4,868	4,348	2,635	3,387
35,253	30,774	33,573	33,853
576,063	600,328	584,871	569,563
274	222	201	NA
351	321	168	NA
4,821	4,465	4,819	NA
270	277	288	NA



⁴In FY2009 the Department of Environmental Quality suspended surface water monitoring activities due to the FY2009 budget cuts.

⁵Park visitation is counted in visitor days. Recreational registrations include boats, snowmobiles, all-terrain vehicles, and Park N' Ski permits.

⁶In FY2016, the increase in job openings is due to an improving Idaho economy. A substantial decrease in unemployment has contributed to a decrease in the number of individuals registered for employment.

Schedule 16 - Capital Assets by Function

Fiscal Years 2008-2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Department of Administration										
Buildings (square footage in thousands) ¹	728	728	728	728	728	728	719	754	754	754
Public Safety and Correction										
Department of Correction										
Buildings	97	98	101	104	105	80	84	87	84	80
Vehicles	392	342	359	367	384	401	394	402	457	455
Idaho State Police										
Vehicles ²	431	443	431	459	419	430	466	493	497	514
Machinery and Equipment ²	867	928	810	915	857	886	1,084	1,138	1,210	1,288
Department of Juvenile Corrections										
Buildings (square footage in thousands)	250	250	239	239	242	224	224	224	242	244
Vehicles	54	53	56	56	54	56	60	56	62	64
Health and Human Services										
Department of Health and Welfare										
Buildings (square footage in thousands) ³	914	978	1,705	1,700	1,698	1,715	1,726	1,487	1,487	1,463
Vehicles	518	520	501	485	480	431	494	501	492	487
Education										
Colleges and Universities										
Buildings (square footage in thousands)	12,890	13,612	13,931	14,198	15,024	15,098	15,161	15,117	15,252	15,382
Economic Development										
Idaho Transportation Department										
Highway Lane Miles ⁴	11,930	11,944	11,989	11,998	12,222	12,222	12,236	12,269	12,271	12,274
Vehicles ⁵	801	837	848	823	841	823	766	748	680	705
Heavy Equipment ⁵	1,494	1,535	1,536	1,532	1,543	1,407	1,192	1,098	898	838
Department of Agriculture										
Scientific and Laboratory Equipment ⁶	165	176	165	153	160	152	156	100	106	112
Vehicles	201	195	196	177	195	203	223	206	210	237
Natural Resources										
Department of Environmental Quality										
Air Monitoring Instruments	124	166	167	171	196	185	185	156	148	158
Water Sampling/Quality Equipment	88	76	78	78	80	81	81	27	29	33
Department of Fish and Game										
Hatcheries	22	22	23	23	23	23	23	23	23	22
Vehicles	621	670	636	638	665	682	704	707	702	730
Boats ⁶	286	287	281	280	279	287	284	84	83	82
Wildlife Management Areas	33	33	32	32	32	32	32	32	32	31
Department of Lands										
Acres of Land (in thousands) ⁴	2,461	2,460	2,446	2,449	2,448	2,448	2,442	2,442	2,442	2,442
Vehicles	351	350	356	343	362	359	371	375	412	415
Department of Parks and Recreation										
State Parks	35	35	30	30	30	30	30	30	30	30
Acres of State Park Land (in thousands) ⁷	61	61	60	60	60	60	60	60	60	60
Buildings	329	336	351	349	365	368	372	348	356	364
Vehicles	312	343	329	320	313	327	318	314	317	322

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

Note: In fiscal year (FY)2015 a change in methodology for calculating capital assets resulted in a variance from FY2014

¹ In FY2015, a new 35,000 square foot parking garage was built in Boise to provide additional parking for state employees.

² In FY2014-2017, Idaho State Police ordered more vehicles and related equipment than in prior years.

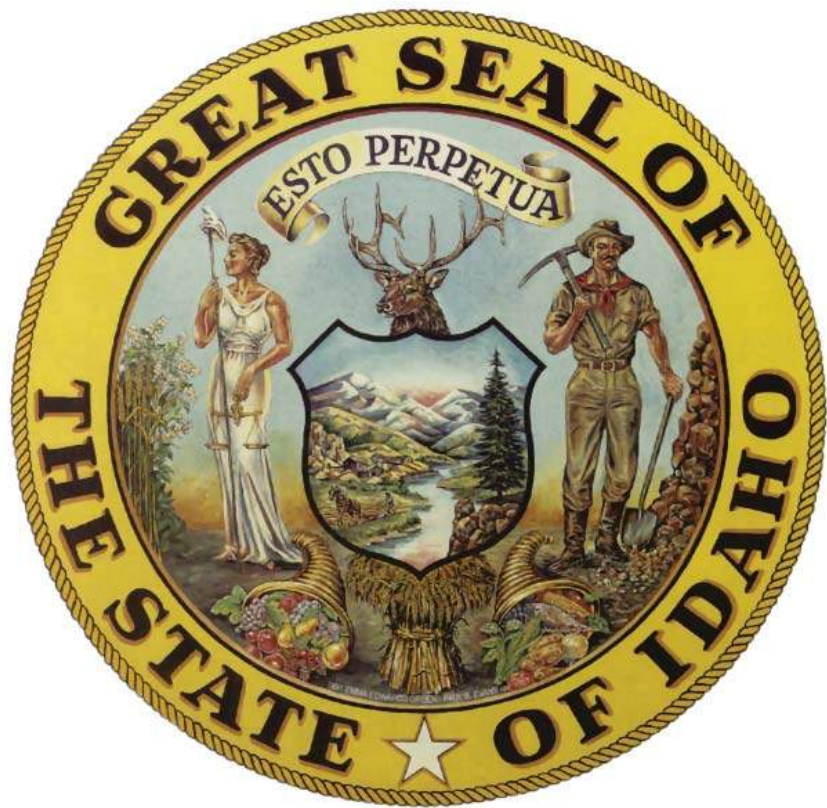
³ Beginning in FY2010, leased buildings are included.

⁴ Highway lane miles and acres of land for FY2017 are based on estimates.

⁵ Idaho Department of Transportation (ITD) vehicles and heavy equipment have been restated for FY2008-2013. During FY2014 ITD actively reduced the amount of heavy equipment.

⁶ For FY2015-2017, assets under \$5,000 are not included in capital assets.

⁷ Includes land under water.



Schedule 17 - Assets, Liabilities, and Fund Balances**General Fund Accounts****June 30, 2017***(dollars in thousands)*

	State General Account	Permanent Building	Budget Stabilization	Millennium	Income Earnings
ASSETS					
Cash and Cash Equivalents	\$ 2				
Pooled Cash and Investments	124,396	\$ 36,063	\$ 333,360	\$ 48,681	\$ 117,068
Investments		16,495			133
Accounts Receivable, Net	489	21		12,500	
Taxes Receivable, Net	341,794	3,186			359
Interfund Receivables	6,193	1,482			17
Inventories and Prepaid Items	2,737	51	107		585
Loans, Notes, and Pledges Receivable, Net					
Other Assets	1,495	82	1,372	320	489
Restricted Assets:					
Cash and Cash Equivalents				509	
Investments				289,700	
Total Assets	\$ 477,106	\$ 57,380	\$ 334,839	\$ 351,710	\$ 118,651
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 13,777		\$ 2,106		\$ 2,737
Payroll and Related Liabilities	11,037	\$ 68			9
Interfund Payables	78				1,205
Due to Other Entities					
Unearned Revenue	129	9,307			
Amounts Held in Trust for Others	1,571				
Other Accrued Liabilities	373	2,157	11	\$ 2	3
Total Liabilities	26,965	11,532	2,117	2	3,954
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows	132,222	68		12,582	2
Fund Balances					
Nonspendable:					
Inventories and Prepaid Items	2,737	51	107		585
Noncurrent Receivables					
Restricted				302,283	
Committed		45,729			114,110
Assigned	7,547		1,387	111	
Unassigned	307,635		331,228	36,732	
Total Fund Balances	317,919	45,780	332,722	339,126	114,695
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 477,106	\$ 57,380	\$ 334,839	\$ 351,710	\$ 118,651

Sales Tax	Income Tax Refunds	Catastrophic Health Care	Legislative	Warrant Deficiency	Miscellaneous	Total
					\$ 1,451	\$ 1,453
\$ 51,484	\$ 2,522	\$ 10,788	\$ 8,320	\$ 58,651	187,140	978,473
					20,407	37,035
				13,804	1,472	28,286
21,127	48,800				531	415,797
					97	7,789
				7,422	355	11,257
					4,862	4,862
					1,084	4,842
254					1,434	2,197
					1,314	291,014
\$ 72,865	\$ 51,322	\$ 10,788	\$ 8,320	\$ 79,877	\$ 220,147	\$ 1,783,005
	\$ 84			\$ 2,815	\$ 4,990	\$ 26,509
			\$ 89	220	954	12,377
					60	1,343
\$ 51,731						51,731
					381	9,817
					10,900	12,471
					37	2,583
51,731	84		89	3,035	17,322	116,831
1,938	29,272			13,754	162	190,000
				7,422	355	11,257
					50	50
19,196	21,966				6,252	349,697
		\$ 10,788			162,077	332,704
			8,231	55,882	42,460	115,618
				(216)	(8,531)	666,848
19,196	21,966	10,788	8,231	63,088	202,663	1,476,174
\$ 72,865	\$ 51,322	\$ 10,788	\$ 8,320	\$ 79,877	\$ 220,147	\$ 1,783,005

Schedule 18 - Revenues, Expenditures, and Changes in Fund Balances**General Fund Accounts****For the Fiscal Year Ended June 30, 2017***(dollars in thousands)*

	State General Account	Permanent Building	Budget Stabilization	Millennium	Income Earnings
REVENUES					
Sales Tax	\$ 1,374,288	\$ 5,000			
Individual and Corporate Taxes	1,792,948	7,616			\$ 392
Other Taxes	30,469	6,699		\$ 45	4,280
Licenses, Permits, and Fees	12,952				1,055
Sale of Goods and Services	84	248			4,329
Grants and Contributions	53		\$ 3		32
Investment Income	8,680	2,539	(759)	34,995	1,433
Tobacco Settlement				22,964	
Other Income	(220)	4	(600)		(148)
Total Revenues	3,219,254	22,106	(1,356)	58,004	11,373
EXPENDITURES					
Current:					
General Government	98,755	9,176	1,889	2,692	63
Public Safety and Correction	301,970		3,651	2,168	2,018
Health and Human Services			2,740	3,484	5,963
Education	143,613			526	1,625,626
Economic Development	25,517		1,844		872
Natural Resources	20,379		243		
Capital Outlay	16,972	27,040	3,677		1,657
Intergovernmental Revenue Sharing	28,816		100	319	543
Debt Service:					
Principal Retirement	1,036				
Interest and Other Charges	11,004	31			
Total Expenditures	648,062	36,247	14,144	9,189	1,636,742
Revenues Over (Under) Expenditures	2,571,192	(14,141)	(15,500)	48,815	(1,625,369)
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	2,530	(17)			
Transfers In	3,453,136	44,819	81,621	19,525	1,717,471
Transfers Out	(5,978,827)	(27,995)	(19,840)	(19,525)	(103,617)
Total Other Financing Sources (Uses)	(2,523,161)	16,807	61,781		1,613,854
Net Change in Fund Balances	48,031	2,666	46,281	48,815	(11,515)
Fund Balances - Beginning of Year, As Restated	269,888	43,114	286,441	290,311	126,210
Fund Balances - End of Year	\$ 317,919	\$ 45,780	\$ 332,722	\$ 339,126	\$ 114,695

Sales Tax	Income Tax Refunds	Catastrophic Health Care	Legislative	Warrant Deficiency	Miscellaneous	General Account Transfer Eliminations	Total
\$ 244,655	\$ 5,316				\$ 2,036		\$ 1,631,295
	28,926				24,469		1,854,351
	12,163				6,189		59,845
		\$ 78		\$ 72	11,264		25,421
				28	21,860		26,549
					16,174		16,262
		167			860		47,915
							22,964
		2,446		(5,432)	40,573		36,623
244,655	46,405	2,691		(5,332)	123,425		3,721,225
			\$ 10,641	8	16,620		139,844
					6,479		316,286
		12,403			106		24,696
					48,101		1,817,866
				199	19,731		48,163
				26,655	8,359		55,636
			26		50,535		99,907
235,960	389				1,794		267,921
							1,036
							11,035
235,960	389	12,403	10,667	26,862	151,725		2,782,390
8,695	46,016	(9,712)	(10,667)	(32,194)	(28,300)		938,835
					142		2,655
		13,055	6,755	34,881	133,021	\$ (5,251,605)	252,679
	(46,746)				(88,107)	5,251,605	(1,033,052)
	(46,746)	13,055	6,755	34,881	45,056		(777,718)
8,695	(730)	3,343	(3,912)	2,687	16,756		161,117
10,501	22,696	7,445	12,143	60,401	185,907		1,315,057
\$ 19,196	\$ 21,966	\$ 10,788	\$ 8,231	\$ 63,088	\$ 202,663		\$ 1,476,174

Schedule 19 - Miscellaneous Statistics

State Facts		Twenty Largest Communities in Idaho		
			2008	2017
State Capital	Boise	Boise	202,832	223,154
Admitted to the Union	July 3, 1890	Meridian	64,642	95,623
Nickname	The Gem State	Nampa	79,249	91,382
Motto	Esto Perpetua (Let It Be Perpetual)	Idaho Falls	53,279	60,211
Population	1,708,000	Pocatello	54,572	54,746
Highest Elevation Point	Mt. Borah	Caldwell	39,889	53,149
	12,662 Feet Above Sea Level	Coeur d'Alene	42,267	50,285
Lowest Elevation Point	Snake River at Lewiston	Twin Falls	41,510	48,260
	710 Feet Above Sea Level	Lewiston	31,794	32,872
Number of Lakes	More Than 2,000	Post Falls	25,358	31,865
State Bird	Mountain Bluebird	Rexburg	27,575	28,222
State Dance	Square Dance	Moscow	23,223	25,322
State Fish	Cutthroat Trout	Eagle	19,254	24,785
State Flower	Syringa	Kuna	12,785	17,902
State Fossil	Hagerman Horse	Ammon	12,872	15,252
State Fruit	Huckleberry	Chubbuck	11,550	14,644
State Gem Stone	Idaho Star Garnet	Hayden	12,640	14,344
State Horse	Appaloosa	Mountain Home	12,236	13,840
State Insect	Monarch Butterfly	Blackfoot	10,867	11,890
State Raptor	Peregrine Falcon	Garden City	11,562	11,602
State Amphibian	Idaho Giant Salamander			
State Song	"Here We Have Idaho"			
State Tree	Western White Pine			
State Vegetable	Potato			

Source: Idaho Fiscal Facts, 2008 & 2017

Source: Idaho Blue Book, 2017-2018

Idaho Fiscal Facts, 2017

Idaho Economic Forecast, Oct. 2017

Land Area and Use (in square miles)	
Water Area	880
Federal Land	52,715
Total Non-Federal Land	30,842
Total Rural Land	79,379
Agricultural Land	12,534
Range Land	34,258
Forest Land	32,587

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

Source: Idaho Blue Book, 2017-2018

Idaho Fiscal Facts, 2017

Idaho Commodity Rankings		
Commodity	U.S. Rank	U.S. %
Potatoes	1	32
Austrian Winter Peas	1	64
Barley	1	34
Alfalfa Hay	2	8
Sugar beets	2	19
Peppermint	2	29
Wrinkled Seed Peas	2	36
Hops	3	11
Dry Edible Peas	4	3
Lentils	4	5
Other Spring Wheat	5	6
Dry Edible Beans	6	9
Canola	7	1
Winter Wheat	7	4
All Hay	10	10

Source: Idaho Fiscal Facts, 2017



Balanced Rock

On the Back Cover
Elephant's Perch



Office of the State Controller

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