

STATE OF IDAHO



COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the fiscal year ended

JUNE 30, 1997



On the Cover:

“Alice Lake”

in the Sawtooth National Recreation Area

An original painting by Michael Melander, Boise Artist

The State of Idaho ~ A geographically diverse state with topography ranging from high mountain peaks to flatland plains, timbered forests to arid deserts, placid lakes to whitewater rivers ~ Idaho has it all! ~Idaho borders Canada to the north and six states namely: Washington, Oregon to the west, Nevada, Utah in the south, Wyoming and Montana in the east ~ Relatively small in population (approximately 1.3 million) the state's 82,677 square miles are split into seven regions, each offering its own uniqueness in terms of scenic beauty, industry, economy and lifestyle. The divider pages in this report feature places of interest and some little-known facts about the regions.

IDAHO
COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 1997



PHILIP E. BATT
GOVERNOR

J.D. WILLIAMS
STATE CONTROLLER

Prepared by the Office of the State Controller

STATE OF IDAHO

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Thanks and appreciation to all the employees of the State Controller's Office, without whose contributions this report would not be possible.

DEDICATION



John Gregory White
January 30, 1955 - August 11, 1997

This Fiscal Year's 1997 Comprehensive Annual Financial Report (CAFR) is dedicated to the memory of John Gregory White, former Administrator, Division of Statewide Accounting. From 1985 until his untimely death at the age of 42, he was a key member of the State Auditor/Controller's management team. Greg was charged with the responsibility for initial acquisition and implementation of the Statewide Accounting and Reporting System (STARS) to conform to generally accepted accounting principles (GAAP). After the new system was implemented, he then coordinated the development and implementation of the State's internal controls and fixed asset systems which were required before this CAFR could be published in accordance with nationally accepted financial standards.

Under his sound leadership, Idaho benefited much. We now have a modern financial management and reporting system that portrays the financial condition of the State for our citizens and financial institutions.

It is indeed unfortunate that Greg did not live long enough to see the results of his industriousness.

We dedicate this CAFR as witness to the memory of his professional talents, leadership, outstanding personal skills, and the superlative diligence he always exhibited in carrying out his tasks and responsibilities that contributed to the successful publication of this document.

In his name, the Idaho Centennial Chapter of the Association of Government Accountants established a scholarship and a tree has been planted in his memory adjacent to the Joe R. Williams Building which houses the State Controller's Office on the Capitol Mall in Boise.

Greg White was an extraordinary person who was successful because he really cared about people and those who worked for him. He has set a high standard for those who follow him in administering the financial affairs of Idaho government.

STATE OF IDAHO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

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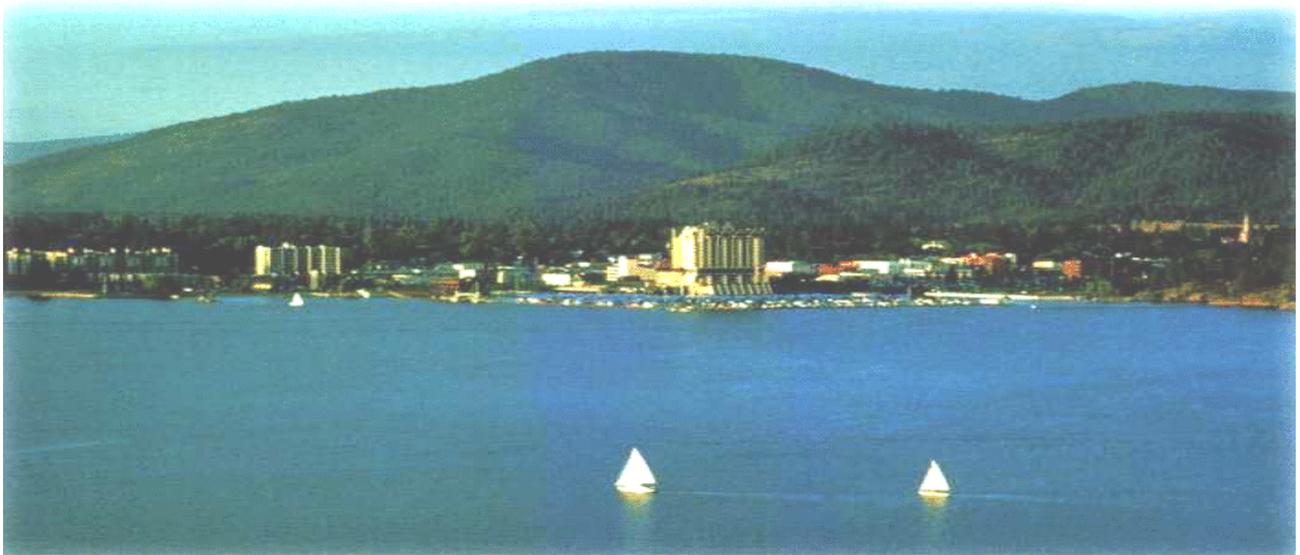
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INTRODUCTORY SECTION



“COEUR d’ALENE LAKE”

photo by Brad Hagadone, courtesy of Kootenai County Convention and Visitors Bureau

North Idaho ~ East of Coeur d. Alene
is Silver Valley, the largest silver producing
area in the world ~ With a Bavarian theme, the
City of Kellogg sports the longest single-stage
gondola, rising 3,400 feet ~ Heyburn Park, the first state
park in the Pacific Northwest, was christened in 1908 and is
one of the oldest parks in the nation ~ The Cataldo Mission was
constructed around 1850, and is the oldest standing building in Idaho.



OFFICE OF THE GOVERNOR

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GOVERNOR

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A MESSAGE FROM PHILIP E. BATT

Governor of Idaho

When I first took office, one of my priorities was to create a lean and efficient government to best serve Idaho – one that would be financially accountable. As evidenced in this year's financial report, I believe we have accomplished that goal. I would like to commend State Controller J.D. Williams and his staff for their work in compiling this report for the public's review.

Idaho is a great place to live. As residents, we are fortunate to live in one of the most beautiful states in the nation; as citizens, we have worked together to build a healthy economy. I would like to thank all Idahoans for allowing me the honor of serving as your governor for the past four years. Together, we are building a legacy of which we can all be proud.

Very truly yours,

A handwritten signature in black ink that reads "Philip E. Batt".

Philip E. Batt
Governor



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ADMINISTRATOR
DIVISION STATEWIDE ACCOUNTING

January 29, 1998

TO: Citizens and Taxpayers of Idaho
The Honorable Philip E. Batt, Governor
Members of the State Legislature

Ladies and Gentlemen:

It is with great pleasure and a real sense of professional satisfaction by my staff and me that we transmit the Comprehensive Annual Financial Report (most often referred to as the "CAFR") to you for the fiscal year ended June 30, 1997. This report represents Idaho's continued commitment to sound and effective financial management and to responsible financial reporting based on recognized standards. This CAFR, which includes the State's independently audited general purpose financial statements, will provide you and the financial community with the information necessary to assess the State's financial position, results of operations, and management of its financial resources. This is the second year the State of Idaho has issued a CAFR and again it contains an unqualified audit opinion. This is our first CAFR to be fully completed and audited for use by our State's policy makers during the legislative session convening just six months after the end of the fiscal year being reported. We have accomplished much with limited resources.

Responsibility for both the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures,

rests with the Office of the State Controller. As the State's Chief Fiscal Officer, I am confident the data presented are accurate in all material respects. It is presented in a manner that fairly sets forth the financial position and results of state operations as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain an understanding of the State's financial position and results of operations have been included.

The ultimate reasons for producing the CAFR are:

- to assess whether current year revenues are sufficient to pay for services provided and determine whether future taxpayers will be required to assume burdens for services provided to past generations.
- to compare the financial performance of the State from one fiscal year to another.
- to avoid potential pitfalls and problems through trend development and analysis supported by timely and reliable financial information.

Enormous strides in statewide financial reporting have been made in Idaho during the past few years. That trend must be ongoing. As the State continues to expand through economic diversification, this new system of financial accountability will provide us with the knowledge needed to chart a solid course for the future.

The overall CAFR is presented in three sections: Introductory, Financial, and Statistical.

The Introductory Section includes a message from Governor Batt, this transmittal letter, a state organizational chart, and a list of elected officials of the State.

The Financial Section includes the auditor's opinion, general purpose financial statements, required supplementary information, and combining financial statements with supporting schedules and fund descriptions.

The Statistical Section includes selected fiscal, social, and demographic information about the State.

The CAFR is prepared in accordance with generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB), professional standards of the American Institute of Certified Public Accountants (AICPA), recommendations of the Government Finance Officers Association (GFOA), and state finance law requirements. A summary of significant accounting policies of the State is found in the footnotes of the general purpose financial statements.

In addition to the CAFR, the Office of the State Controller issues other financial reports. It is important to realize that the financial data used in each are derived from the same sources. Accumulating and compiling the data in order to create these financial statements does not require duplicative effort, but instead utilizes complementary information. Some of these reports are:

Legal Basis Financial Report - provides a "budget-to-actual comparison" in accordance with appropriations adopted by the Legislature. This report reflects the financial information by individual agency, fund, program, and expenditure object as dictated by appropriation. State policy makers and agency directors are the most likely users of the State's statutory financial report, and it was delivered to the Governor before January 1, 1998, as provided in state law.

Fiscal Facts in a Nutshell - provides a brief, highly condensed overview of the State's financial position and operations for the specified period. The general public is the most likely user of this report.

Idaho Financial Focus - This easy-to-read two-page report graphically presents the State's financial results of operations, highlights some of the results of major state programs and provides websites and phone numbers of key public offices and officials.

Reporting Entity

The State of Idaho was admitted into the Union as the 43rd state in 1890. It covers 83,557 square miles bordered on the south by Utah and Nevada, on the east by Wyoming and Montana, on the West by Washington and Oregon, and on the north by Canada. It has an estimated population of approximately 1.3 million. State government is divided into three Branches. The Executive Branch is comprised of the Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General and the Superintendent of Public Instruction. The Legislative Branch is comprised of two houses, a 35-member Senate and a 70-member House of Representatives. The Judicial Branch is presided over by the Supreme Court which is led by a Chief Justice, elected by the four other Justices.

This report includes all funds and account groups of the State of Idaho. Within the funds are the various departments, agencies, and other

organizational units governed by the State Legislature and/or constitutional officers. The State provides services such as education, health and human services, highway maintenance and construction (i.e. transportation), law enforcement, judicial system, public safety programs, natural resource management, and community and economic development programs. This report reflects costs of these services in both detail and summary.

In addition to general government activities, certain component units have been included in this Comprehensive Annual Financial Report. Component units are legally separate entities which are financially accountable to the State, or for which the nature and significance of their relationship with the State is such that exclusion would cause this report to be misleading or incomplete. The component units that are part of this report include:

- Idaho State Building Authority
- Idaho Housing and Finance Association
- Idaho Life and Health Insurance Guaranty Association

Economic Condition and Outlook

Idaho's economy has been expanding continuously at a rapid pace since the late 1980's. This run of growth peaked in 1994 when employment growth reached 5.6%. Although Idaho's economic growth has slowed somewhat since, it still remains above the economic growth of the nation as a whole. The current outlook for Idaho's economy is for a slight deceleration in 1998, then a modest increase in the growth rate as the 21st century unfolds. Idaho is expected to continue growing faster than the nation, but the gap is likely to become much narrower.

One positive aspect to this recent slowing of Idaho's economic growth is that it places the State in a more sustainable range. Extended periods of very rapid growth are often followed by an abrupt halt or, in other words, a recession.

Idaho's recent slowing, while not a guarantee that a recession will not occur, clearly reduces the likelihood of an abrupt end to economic expansion. Idaho's ability to withstand a number of recent "negative shocks" suggests the State has a solid economic foundation.

Highlights of Idaho's recent economic performance include:

- Employment grew by 3.2% in 1996, and is estimated to have grown by 2.9% in 1997.
- Personal income grew by 5.5% in 1996, and is estimated to have grown by 5.3% in 1997.
- Per capita income grew by 3.1% in 1996 and is estimated to have grown by 3.0% in 1997.
- Real (inflation-adjusted) personal income grew by 3.0% in 1996, and is estimated to have grown by 3.2% in 1997.
- Real (inflation-adjusted) per capita personal income grew by 0.7% in 1996, and is estimated to have grown by 0.9% in 1997.
- Population grew by 2.3% in 1996, and is estimated to have grown by 2.3% in 1997.
- Net migration was 17,000 in 1996, and is estimated at 16,700 in 1997.

Idaho's economic outlook is bright. Although employment growth is likely to be slightly slower relative to recent experience in Idaho, it is expected to continue to outpace the growth of the national economy. Job growth in the Gem State is expected to average 2.5% in 1998, vs. 1.9% for national job growth. Strength is likely to come from electrical and non-electrical machinery (high-tech) manufacturing, metal mining, and services employment. These sectors are expected to far outpace their national counterparts and grow at more than double the statewide average rate.

Income growth in Idaho is expected to continue on a course very similar to the past few years, with inflation in the neighborhood of 2% in 1998. This means that real income (i.e. both

total and per capita) growth will actually show improvement in 1998.

Population growth for 1998 is expected to slow a notch to 2.2%. This is more than double the U.S. population growth of 0.9%. Not surprisingly, net migration also slows a bit to 15,900 in 1998. Nonetheless, lower mortgage interest rates support a modest rebound in Idaho housing starts, thereby keeping construction workers busy.

Major Initiatives

Corrections

Correction issues have become increasingly important for Idaho in the last several years because of the escalating cost of housing inmates. The increased cost of incarceration has reduced the amount of the General Fund available for other statewide priorities, such as public education. The Department of Correction budget has increased 276% during the past 10 years. During this same period total inmate enrollment has increased 163% to 3,970 inmates at the end of fiscal year 1997. These increases have pressured the Idaho Legislature to find alternative ways to build new prisons in order to house this expanding population.

In 1997, the Legislature authorized the State Board of Correction to enter into an agreement with the Idaho State Building Authority to provide financing for construction of a private prison on state-owned land. It is anticipated that the total cost to the State will be less for a prison financed with bonds rather than with private financing, because of lower interest rates. The Legislature granted the State Board of Correction authority to enter into contract(s) with a private prison contractor to oversee construction of the state-owned facility and then operate it as a private prison as long as costs per day are less than those comparable to Department of Correction facilities and other related considerations.

Endowment Fund Investment Reform

The Governor appointed an Endowment Fund Task Force to study ways of increasing financial returns on endowment lands through changes in its investment strategies. The task force report recommended: restructuring the powers of the Investment Board and the Land Board; developing a "land bank" concept where the proceeds of land sold are invested in other land (currently not allowed by the Constitution) to produce a greater return; and taking certain other steps to create a portfolio structure which reduces the fund's exposure to unnecessary risk and improves performance.

These recommendations were reviewed by a special legislative interim committee. Legislation and a proposed constitutional amendment will be introduced in the 1998 Legislative Session.

Health and Welfare

At the end of fiscal year 1997 the Department of Health and Welfare finished implementing welfare reforms recommended by the Governor's Welfare Reform Task Force. Implementations included promoting self-sufficiency by requiring clients to participate in work/training programs, setting lifetime limits on eligibility and new methods to enhance child support collections. The State Controller's Office worked very closely with the Department of Health and Welfare to implement the computerized Idaho Child Support Enforcement System (ICSES) which tracks delinquent parents who subsequently could lose their driver's licenses, occupational licenses, and other privileges for non-payment of child support. In addition to the implementation of these recommendations, the Department of Health and Welfare spent a great portion of fiscal year 1997 implementing the new federal program known as Temporary Assistance to Needy Families.

Idaho Industrial Commission

Led by the efforts of Governor Batt, which resulted in authorizing legislation, 1997 was the first year when agricultural employees were included in the Idaho workers' compensation system. Over 5,200 agricultural employees had obtained workers' compensation insurance by the end of calendar year 1997. During that period, 1,648 work-related injuries or illnesses were reported by agricultural employers. These were for men and women who may not have been covered for medical treatment or wage-loss benefits just the year before.

Labor

The Governor's initiative to create "one-stop career centers" throughout Idaho moved from the planning stage to implementation in fiscal year 1997. The Department of Labor's Workforce Development Council is guiding this collaborative effort to make employment and training services more accessible through a single delivery system.

Since authorization to set up the Workforce Development Training Fund was granted by the Idaho Legislature in 1996, both Idaho Departments of Labor and Commerce have awarded over \$3.4 million in Workforce Development Training Funds to provide skill training to over 2,400 Idaho workers.

A special grant received from the U.S. Department of Labor has provided Idaho's Department of Labor with an opportunity to create new strategies for serving Idaho's migrant and seasonal farm workers. This program, known as the Governor's Hispanic Initiative, which is being replicated nationally, includes videos for employer recruitment and staff training, Spanish language job search modules, a migrant farm worker internet site, and the development of other support materials aimed at expanding employment options for migrant farm workers.

Transportation

Idaho has been rated as 5th in the nation in highway efficiency according to a national study. Idaho has one of the most efficient transportation departments in the nation, according to a report released in April 1997 by the Center for Interdisciplinary Transportation Study at the University of North Carolina. It showed Idaho had improved dramatically, moving to 5th from the 19th most efficient rating given in 1994. The study reported on the cost-effectiveness of state highway expenditures, based on 12 measures of highway expenditure and system performance.

The Idaho Transportation Department has entered into partnerships with major corporations, businesses and private property owners to share in the costs of road, interchanges and bridge construction projects.

Financial Section

Internal Control

The State's management is responsible for establishing and maintaining an internal control structure designed to ensure the State's assets are adequately protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements. In 1994, the formalized Statewide Management Control System (MCS) was developed to provide reasonable assurance that these organizational objectives are met. This system includes both financial and administrative controls and provides a framework for managers to work within their own organizational structures to promote efficient and effective operations in the State. The concept of reasonable assurance recognizes that the cost of a control should not exceed the projected benefits likely to be received. The valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

Budgetary controls are incorporated into the Statewide Accounting and Reporting System (STARS). The annual state budget is established through separate appropriations by the Legislature and approved by the Governor for individual departments for specific purposes, special outlays, and/or operating expenditures. All claims presented for payment must be certified by the appropriate department that the expenditure is for a purpose intended by law and a sufficient existing and unexpended appropriation balance is available. STARS also performs various edits to ensure expenditures against appropriation authorizations are not exceeded. In addition to these centralized controls, each department director is required to maintain expenditures within appropriated limits. Extensive use is made of on-line tables and reports, updated daily, to provide detailed and management level reports to state agencies and budget authorities. Detailed monthly reports are prepared to assure expenditures are being executed according to plan. Deviations are identified and budget or spending modifications are made on a continuing basis.

Investments

In Idaho, (except for certain organizations within the State's reporting entity having independent powers to manage and invest their own cash) the State Treasurer is responsible for investing the State's cash and investment pools. The State Treasurer's investments are made in compliance with the provisions of Idaho Code Title 67, Chapter 12, the State Treasurer also manages an investment pools for local governments' cash balances under the same legal provisions. Legal requirements for the investment of funds maintained in the State's cash and investment pools are discussed in Note 1 to the Financial Statements.

Each month the State Treasurer allocates interest income earned on the investment pool to various funds designated by law to receive the earnings. The allocation is calculated in accor-

dance with a formula based on average daily cash balances invested over the month.

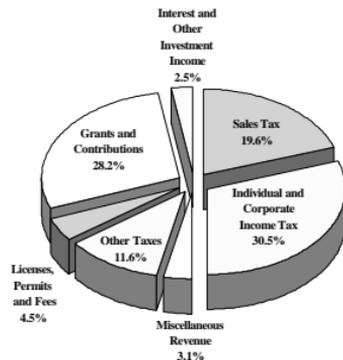
General Government Functions

Revenues

The following is a summary of the general government revenues for all governmental fund types for the fiscal year ended June 30, 1997:

Revenues by Source:	1997 In Millions	Percent Total	Increase of (Decrease) from 1996	Percent of Change
Sales Tax	\$624.0	19.6%	\$18.6	3.1%
Individual and Corporate Income Tax	971.3	30.5%	23.5	2.5%
Miscellaneous Revenue	97.1	3.1%	1.2	1.3%
Other Taxes	368.9	11.6%	22.2	6.4%
Licenses, Permits and Fees	143.4	4.5%	(7.9)	-5.2%
Grants and Contributions	895.0	28.2%	89.6	11.1%
Interest and Other Investment Income	80.2	2.5%	7.8	10.8%
Total Revenues	\$3,179.9	100.0%	\$155.0	5.1%

1997 Governmental Fund Type Revenues



Changes in revenues from 1996 to 1997 were highlighted by:

- Continued growth in Idaho's core revenue sources, with Sales Tax rising 3.1% and Individual and Corporate Income Tax rising 2.5%. These increases reflect the continued strength of Idaho's economy.

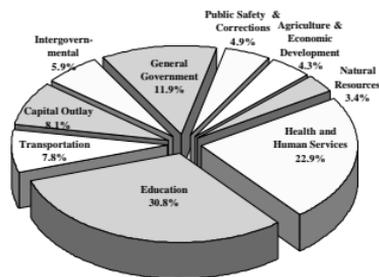
- Increase in Grants and Contributions of 11.1%. The majority of grants and contributions revenue is received from the federal government.
- Increase in Interest and Other Investment Income of 10.8% resulting from higher returns on invested assets.

Expenditures

The following is a summary of the general government expenditures for all governmental fund types for the fiscal year ended June 30, 1997:

Expenditures by Function:	1997 In Millions	Percent Total	Increase (Decrease) from 1996	Percent Change
General Government	\$383.2	11.9%	\$33.1	9.5%
Public Safety and Corrections	157.5	4.9%	19.6	14.2%
Agriculture and Economic Development	137.9	4.3%	26.3	23.6%
Natural Resources	110.7	3.4%	(2.4)	-2.1%
Health and Human Services	736.4	22.9%	38.3	5.5%
Education	989.0	30.8%	50.3	5.4%
Transportation	251.2	7.8%	52.1	26.2%
Capital Outlay	258.7	8.1%	7.6	3.0%
Intergovernmental	189.6	5.9%	(8.3)	-4.2%
	\$3,214.2	100.0%	\$216.6	7.2%

1997 Governmental Fund Type Expenditures



Changes in expenditures from 1996 to 1997 were highlighted by:

- Increases in Public Safety and Corrections expenditures of 14.2%, that relate to in-

creases in corrections and juvenile corrections spending as well as disaster recovery expenditures related to flood damage.

- Increases in Agriculture and Economic Development expenditures of 23.6% resulting from the presentation of certain agricultural commodity commissions as part of the State of Idaho for financial reporting purposes in 1997.
- Increases in Transportation expenditures of 26.2% or \$52.1 million. The biggest reason for this increase was over \$30 million of federal funds that became available for floods. Additional increases resulted from the increased distribution of gas taxes from the restricted highway fund gas tax increase implemented in April 1996.

Proprietary Operations

Activities of government that are similar to private sector businesses are accounted for in enterprise and internal service funds.

Enterprise Funds are established to account for services provided to the public for which revenues derived by the activity will support those services. The State Insurance Fund, which provides workers' compensation insurance coverage to the general public, as well as the various state entities, is the enterprise fund having the largest revenue in the State. The State Lottery is the second largest enterprise fund. Revenues generated by the State Lottery, after allowances for prizes and expenses, are distributed equally between the Permanent Building Fund and the Public School Income Funds.

Internal Service Funds provide services to state and local governments and are financed through user charges. Most funds attempt to operate on a break-even basis. Rates are adjusted annually for over or under recovery of costs. While the State's internal service funds reside primarily within the Department of Administration and include Group Insurance, Risk Management,

postal, and communication services, the State Controller's Office also has internal service funds for data processing, accounting, and payroll costs.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the State in a trustee capacity or as an agent in a custodial capacity. Fiduciary funds include expendable, nonexpendable, pension trust, and agency funds. They are established through trust agreements that specify how the funds will operate. Expendable trust funds, such as the Unemployment Compensation Fund, from which unemployment benefits are paid, are funds where both principal and income can be spent. Nonexpendable trust funds, such as the Endowment Fund, are funds for which the principal cannot be spent, but the income may. The State's pension trust funds are the Public Employee Retirement System of Idaho Plan, the Firemen's Retirement Plan, the Idaho Super Saver 401(k) Plan, and the Judges' Retirement Plan.

Constitutional Debt Limitation

Article VIII, Section 1 of the Idaho Constitution specifies the legislature shall not create any debts or liabilities that exceed \$2 million in the aggregate without the consent of our voters. This provision of the Constitution was incorporated in 1912. The State implemented this on the assumption it applies to debts and liabilities such as general obligation bonded indebtedness and not to liabilities incurred for ordinary obligation expenses, liabilities that arise by operation of law, or debt incurred by the State Board of Education (colleges and universities), State ex rel. Miller v. State Board of Education 56 Idaho 210, 52 P. 2d 141 (1935); Stein v. Morrison, 9 Idaho 426, 75 P. 246 (1904). Lease revenue bonds issued by the Idaho State Building Authority also fall outside this limitation.

Debt Administration

The State has no outstanding general obligation debt.

Risk Management

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

Independent Audit

In accordance with Idaho Code, Section 67-429, the Legislative Audit staff of the State Legislature has audited the State's financial statements for the year ended June 30, 1997. The audit was conducted in accordance with generally accepted governmental auditing standards (GAGAS) and the auditor's opinion is included in the Financial Section of this report. Audit testing for compliance with the federal Single Audit Act of 1984 and related OMB Circular A-128 is performed at the statewide level.

Awards

The Government Finance Officers Association (GFOA) of the United States and Canada awards the Certificate of Achievement for Excellence in Financial Reporting to governmental entities for their respective Comprehensive Annual Financial Reports. In order to be awarded this certificate, a governmental unit must publish an easily readable and efficiently

organized comprehensive annual financial report, the contents of which must conform to program standards. Such reports must also comply with generally accepted accounting principles and meet applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. This report is being submitted to determine certification eligibility. We are committed to this ongoing effort and intend to maintain a highly qualified and professional staff to make Idaho's certification possible.

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

Acknowledgments

The State Controller's Office takes great pride in the compilation of this comprehensive report. It is an honor to recognize our staff for their extraordinary diligence and excellence in preparing the CAFR. Led first by Greg White, CPA, CGFM, until his untimely death, and then by Steve Allison, CPA, CGFM, the professionalism, dedication, and extra effort put forth by all the individuals involved has been exemplary.

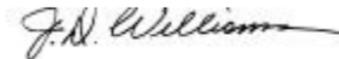
Sincere appreciation is extended to Governor Philip E. Batt for his valuable assistance in encouraging state agencies to make timely submissions of their own information required for the preparation of this report. It indeed has been a priority of his administration. Through his supportive actions, he has made it clear that

without a complete and accurate report of the State's financial position, Idaho cannot plan adequately for its future and continue to maintain its strong financial position. This report also reflects the commitment and efforts of the Division of Financial Management staff led first by John Michael Brassey and now by General Darrell Manning. The State's economist, Michael H. Ferguson, provided information contained in the economic condition and outlook portion of this letter.

Sincere appreciation is extended to the budget and accounting officers throughout State government for their major efforts in providing timely information necessary to complete this report. In addition, the strong support of the Legislature and particularly the Joint-Finance Appropriation Committee (JFAC) has made this cornerstone of accountability available to our citizens.

Finally, the auditing staff at Legislative Services led by Larry Kirk must be recognized for true dedication and professionalism. Their independent and critical review of this CAFR has truly served the citizens of Idaho. Much of the credit for our success, and in being able to submit this report on a timely basis to the Idaho Legislature and other state policy makers, goes to them.

Respectfully submitted,

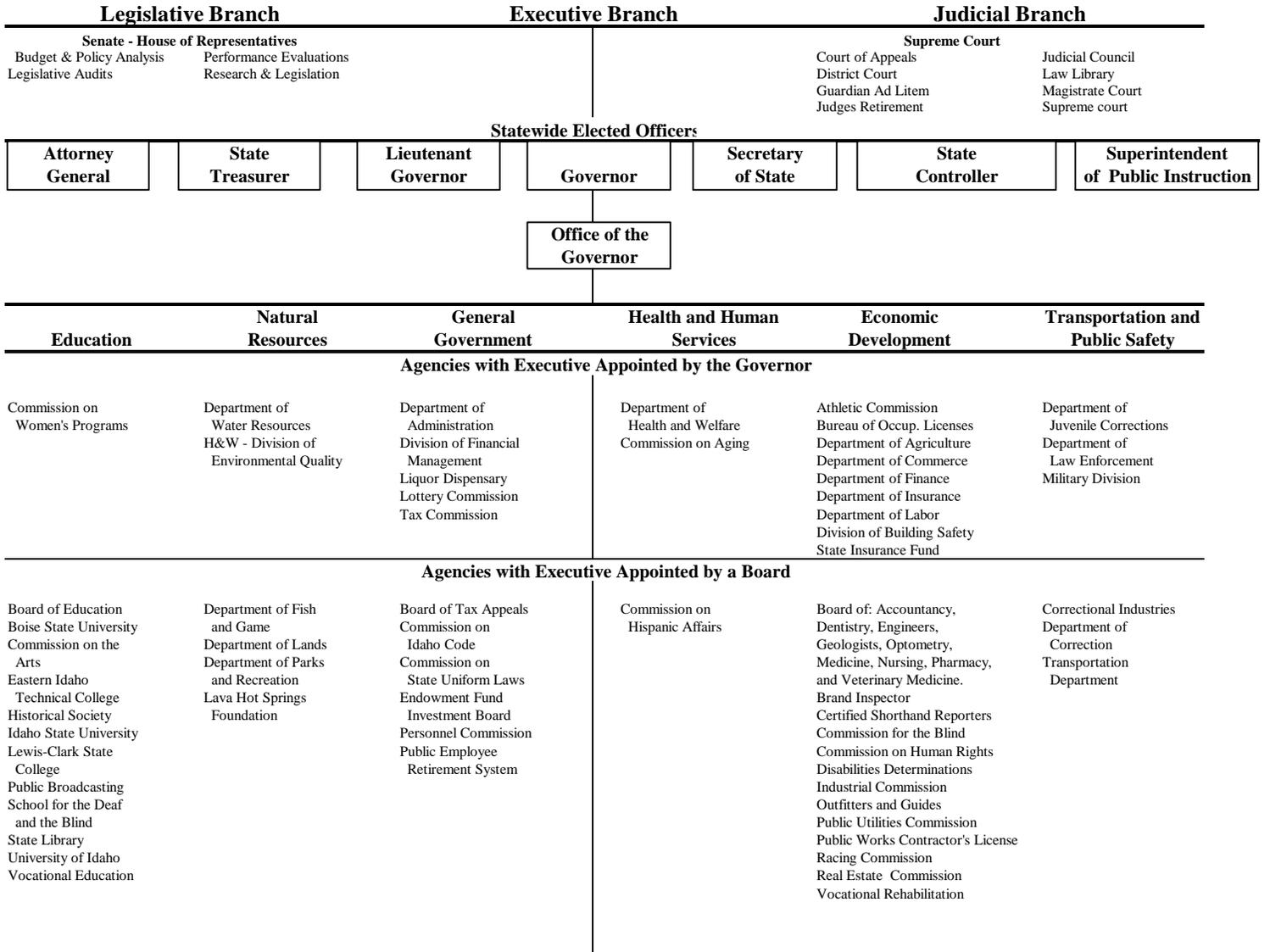


J. D. Williams
Idaho State Controller



1997-98 Organization Chart
Idaho State Government
 State agencies based on gubernatorial appointment authority

Prepared by the Division of Financial Management



ELECTED OFFICIALS OF THE STATE OF IDAHO



PETE T. CENARRUSA
SECRETARY OF STATE



PHILIP E. BATT
GOVERNOR



C. L. 'BUTCH' OTTER
LIEUTENANT GOVERNOR



LYDIA JUSTICE EDWARDS
TREASURER



J. D. WILLIAMS
CONTROLLER



ALAN G. LANCE
ATTORNEY GENERAL



ANNE C. FOX
SUPERINTENDENT OF
PUBLIC INSTRUCTION



MICHAEL K. SIMPSON
SPEAKER, HOUSE OF
REPRESENTATIVES



LINDA COPPLE TROUT
CHIEF JUSTICE, SUPREME COURT



JERRY T. TWIGGS
PRESIDENT PRO TEMPORE
SENATE

FINANCIAL SECTION



“WINCHESTER LAKE STATE PARK”
photo courtesy of Idaho Parks and Recreation

Northcentral Idaho ~ The black, crumbling cliffs of the Seven Devils rise like watch guards some 1-1/2 miles above the Snake River, making Hell’s Canyon North America’s deepest river gorge ~ Each year salmon fight for survival as they navigate their way back up the world’s longest, free-flowing “River of No Return,” the mighty Salmon ~ The city of Lewiston has the lowest elevation in the state at 738 feet above sea level ~ Here also is the Port of Lewiston, an inland seaport where lumber products and wheat, peas, beans and lentils grown in the Palouse are shipped.



Legislative Services Office Idaho State Legislature

Carl F. Bianchi
Director

State Capitol
P.O. Box 83720
Boise, ID 83720-0054
208/334-2475; Fax 334-2125

January 29, 1998

Independent Auditor's Report

Honorable Philip E. Batt, Governor
Honorable J.D. Williams, Controller
Honorable Members of the Legislature

We have audited the accompanying general-purpose financial statements of the State of Idaho as of and for the year ended June 30, 1997, as listed in the table of contents. These general-purpose financial statements are the responsibility of the State of Idaho's management. Our responsibility is to express an opinion on the general-purpose financial statements based on our audit. We did not audit the financial statements of certain agencies of the primary government and the blended component unit, which statements reflect the indicated percent of total assets (liabilities) and total revenues, respectively, of the special revenue fund (2% and less than 1%), enterprise fund (21% and 28%), trust and agency fund (85% of assets), general fixed assets account group (11% of assets), general long-term debt account group (63% of liabilities), and colleges and universities (100% and 100%). We also did not audit the financial statements of the discretely presented component units. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units and agencies, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. The financial statements of the discretely presented component units, identified in Note 1, were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, and accordingly, are not covered by our reports in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant

Research & Legislation
Mike Nugent, Supervisor
208/334-2475; Fax 334-2125

Budget & Policy Analysis
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Legislative Audits
Larry Kirk, Supervisor
208/334-3540; Fax 334-2125

Serving Idaho's Citizen Legislature

Independent Auditor's Report

estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

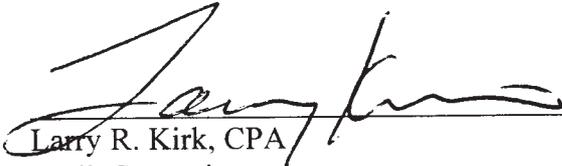
In our opinion, based upon our audit and the reports of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Idaho as of June 30, 1997, and the results of its operations, the cash flows of its proprietary fund types, and similar trust funds, the changes in plan net assets of its pension trust funds, and the changes in fund balances and current funds revenues, expenditures, and other changes of college and university funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, our report on the State's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, rules, and grants will be issued under separate cover in the Single Audit Report.

Our report was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining statements and schedules and required supplementary information listed in the accompanying table of contents are presented for the purposes of additional analysis and are not a required part of the general-purpose financial statements of the State of Idaho. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion based on our audit and the reports of other auditors, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections, and accordingly, express no opinion thereon.

Legislative Audits

By: 
Larry R. Kirk, CPA
Audit Supervisor

GENERAL PURPOSE FINANCIAL STATEMENTS



“BRUNEAU DUNES STATE PARK”
photo courtesy of Idaho Parks and Recreation

Southwestern Idaho ~ Rising some 470 feet, Idaho's Bruneau Dunes State Park lays claim to the tallest single structured sand dunes in America ~ Within an 81 mile stretch of the Snake River Canyon can be found the Birds of Prey National Conservation Area. Constant updrafts allow rare raptors to prey off the desert floor and proliferate as nowhere else on earth ~ Boise, the largest metropolitan area for 300 miles, is the seat of state government and boasts a geothermally heated Capitol.

State of Idaho
Combined Balance Sheet
All Fund Types, Account Groups and
Discretely Presented Component Units
June 30, 1997

	Governmental Fund Types		Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)	
	General	Special Revenue	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	Colleges and Universities			
Assets and Other Debits											
Cash and Cash Equivalents	\$182,274,931	\$274,602,440	\$56,505,663	\$68,949,585	\$303,420,308			\$55,303,475	\$941,056,402	\$28,730,926	\$969,787,328
Investments	730,332	25,081,703	392,635,908		6,050,104,543			120,818,144	6,589,370,630	298,902,955	6,888,273,585
Accounts Receivable, Net	95,378,220	26,571,584	7,955,724	439,011	70,852,572			44,563,191	245,760,302	66,485	245,826,787
Due from Other Funds	574,084	1,128,769	429,441	1,483,024				16,204,610	19,819,928		19,819,928
Due from Other Governments	4,023,959	108,493,755							112,517,714		112,517,714
Deferred Bond Financing Costs								2,178,128	2,178,128	15,678,000	17,856,128
Notes and Mortgages Receivable	759,978	57,484,145			4,308,867			20,777,684	83,330,674	993,772,000	1,077,102,674
Grand Prizes Receivable			93,992,010						93,992,010		93,992,010
Other Assets	2,029,598	2,706,410	12,598,459	1,209,170	13,494,542			7,850,640	39,888,819	1,257,855	41,146,674
Fixed Assets, Net			9,387,354	3,099,586	4,335,287	\$652,488,939		786,017,775	1,455,328,941	9,023,101	1,464,352,042
Amount to be Provided for Long-Term Debt							\$77,310,935		77,310,935		77,310,935
Amount to be Provided for Capital Leases							3,702,718		3,702,718		3,702,718
Total Assets and Other Debits	\$285,771,102	\$496,068,806	\$573,504,559	\$75,180,376	\$6,446,516,119	\$652,488,939	\$81,013,653	\$1,053,713,647	\$9,664,257,201	\$1,347,431,322	\$11,011,688,523
Liabilities, Equity and Other Credits											
Liabilities											
Accounts Payable and Other Liabilities	\$37,956,162	\$168,588,419	\$70,735,681	\$5,095,013	\$13,027,364		\$26,200,935	\$51,908,366	\$373,511,940	\$4,513,990	\$378,025,930
Deposits	462,992	8,802,786	26,252,909		18,689,302			638,004	54,845,993	15,982,000	70,827,993
Due to Other Funds	585,962	2,797,603	5,446	226,307				16,204,610	19,819,928		19,819,928
Due to Other Governments	11,637,840	1,105			591,078,318				602,717,263		602,717,263
Deferred Revenue	5,423,204	11,711,061		5,245,971	7,136,404				6,728,363	4,365	36,249,368
Notes, Bonds and Contracts Payable							\$1,110,000	135,690,581	36,245,003	1,204,192,000	1,390,992,581
Grand Prizes Payable			93,992,010						186,800,581		93,992,010
Policy Claim Liabilities			150,330,720	26,283,728					93,992,010	15,000	176,629,448
Capital Leases				1,318,238				3,702,718	5,787,182		10,808,138
Total Liabilities	\$6,066,160	\$191,900,974	\$41,316,766	\$8,169,257	\$629,931,388		\$81,013,653	\$216,957,106	\$1,555,355,304	\$1,224,707,355	\$2,780,062,659
Equity and Other Credits											
Other Credits:											
Investment in General Fixed Assets						\$652,488,939		644,540,011	1,297,028,950		1,297,028,950
Equity:											
Contributed Capital				164,500					164,500		164,500
Retained Earnings:											
Reserved for Bond Indentures										33,706,000	33,706,000
Unreserved			232,187,793	36,846,619					269,034,412	89,017,967	358,052,379
Fund Balances:											
Reserved for Encumbrances	26,532,258	53,078,358							79,610,616		79,610,616
Reserved for Employees' Pension Benefits					4,824,925,985				4,824,925,985		4,824,925,985
Reserved for Loans and Notes	759,978	57,484,145							58,244,123		58,244,123
Reserved for Endowment Principal					635,127,254				635,127,254		635,127,254
Unreserved Fund Balance	202,412,706	193,605,329			356,531,492			192,216,530	944,766,057		944,766,057
Total Equity and Other Credits	\$229,704,942	\$304,167,832	\$232,187,793	\$37,011,119	\$5,816,584,731	\$652,488,939		\$836,756,541	\$8,108,901,897	\$122,723,967	\$8,231,625,864
Total Liabilities, Equity and Other Credits	\$285,771,102	\$496,068,806	\$573,504,559	\$75,180,376	\$6,446,516,119	\$652,488,939	\$81,013,653	\$1,053,713,647	\$9,664,257,201	\$1,347,431,322	\$11,011,688,523

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



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State of Idaho
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust
For the Fiscal Year Ended June 30, 1997

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	General	Special Revenue	Expendable Trust	
Revenues				
Sales Tax	\$619,159,681	\$4,800,002		\$623,959,683
Individual and Corporate Taxes	971,289,474			971,289,474
Other Taxes	40,776,412	328,149,857	\$109,406,385	478,332,654
Licenses, Permits and Fees	8,671,024	134,735,670		143,406,694
Sale of Services, Goods and Property	5,071,959	37,745,982	189,000	43,006,941
Grants and Contributions	18,534,643	876,478,386	1,036,792	896,049,821
Interest and Other Investment Income	68,657,232	11,575,973	21,307,553	101,540,758
Rent and Lease Income	5,175,575	7,144,686		12,320,261
Miscellaneous Income	26,680,906	15,317,050	368,798	42,366,754
Total Revenues	<u>1,764,016,906</u>	<u>1,415,947,606</u>	<u>132,308,528</u>	<u>3,312,273,040</u>
Expenditures				
Current				
General Government	350,892,129	32,317,008		383,209,137
Public Safety and Corrections	121,629,840	35,835,479		157,465,319
Agriculture and Economic Development	20,514,221	117,338,407	107,841,303	245,693,931
Natural Resources	27,650,094	83,048,823		110,698,917
Health	11,239,151	584,481,952		595,721,103
Education	973,779,587	15,234,724		989,014,311
Human Services	502,017	140,163,831		140,665,848
Transportation	7,361,432	243,794,971		251,156,403
Capital Outlay	67,859,848	190,836,950	1,092,398	259,789,196
Intergovernmental	51,353,113	138,318,123		189,671,236
Total Expenditures	<u>1,632,781,432</u>	<u>1,581,370,268</u>	<u>108,933,701</u>	<u>3,323,085,401</u>
Revenues Over (Under) Expenditures	<u>131,235,474</u>	<u>(165,422,662)</u>	<u>23,374,827</u>	<u>(10,812,361)</u>
Other Financing Sources (Uses)				
Operating Transfers In	834,570,031	257,469,035	4,421	1,092,043,487
Operating Transfers Out	(989,492,302)	(72,540,746)	(2,581)	(1,062,035,629)
Total Other Financing Sources (Uses)	<u>(154,922,271)</u>	<u>184,928,289</u>	<u>1,840</u>	<u>30,007,858</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(23,686,797)</u>	<u>19,505,627</u>	<u>23,376,667</u>	<u>19,195,497</u>
Fund Balances - Beginning of Year, as Adjusted				
	<u>253,391,739</u>	<u>284,662,205</u>	<u>333,154,825</u>	<u>871,208,769</u>
Fund Balances - End of Year	<u>\$229,704,942</u>	<u>\$304,167,832</u>	<u>\$356,531,492</u>	<u>\$890,404,266</u>

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

State of Idaho
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Budgetary Basis) - General Fund and Special Revenue Funds
All Budgeted Funds
For the Fiscal Year Ended June 30, 1997

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Sales Tax		619,831,841			4,800,002	
Individual Income Tax		830,706,279				
Corporate Income Tax		138,276,631				
Premium Tax					53,534,856	
Other Taxes		39,394,369			258,083,628	
Licenses, Permits and Fees		8,684,403			139,184,076	
Sales of Services, Goods and Property		4,164,000			42,517,702	
Interest and Other Investment Income		70,743,027			11,021,347	
Miscellaneous Income		22,714,612			833,710,859	
Total Revenues		<u>1,734,515,162</u>			<u>1,342,852,470</u>	
Expenditures						
General Government		399,218,455			27,207,137	
Human Services		3,722,874			157,579,115	
Public Safety and Corrections		137,643,694			42,760,323	
Health		11,377,979			534,857,697	
Education		1,015,078,209			89,964,248	
Natural Resources		28,693,601			109,392,546	
Agriculture and Economic Development		21,130,340			118,691,520	
Transportation		7,374,628			404,037,406	
Total Expenditures		<u>1,624,239,780</u>			<u>1,484,489,992</u>	
Revenues Over (Under) Expenditures		110,275,382			(141,637,522)	
Other Financing Sources (Uses)						
Operating Transfers In		834,570,031			257,469,035	
Operating Transfers Out		(989,492,302)			(72,540,746)	
Total Other Financing Sources (Uses)		<u>(154,922,271)</u>			<u>184,928,289</u>	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		(44,646,889)			43,290,767	
Reconciling Items						
Changes Effected by Accrued Revenues		29,501,744			48,484,704	
Changes Effected by Accrued Expenditures		(8,541,652)			(72,114,542)	
Funds Not Annually Budgeted					(155,302)	
Fund Balances - Beginning of Year, as Adjusted		<u>253,391,739</u>			<u>284,662,205</u>	
Fund Balances - End of Year		<u><u>\$229,704,942</u></u>			<u><u>\$304,167,832</u></u>	

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

State of Idaho
Combined Statement of Revenues, Expenses and Changes in Retained Earnings
All Proprietary Fund Types, Similar Trust Funds and
Discretely Presented Component Units
For the Fiscal Year Ended June 30, 1997

	Proprietary Fund Types		Fiduciary Fund Type	Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
	Enterprise	Internal Service	Non-expendable Trust			
Operating Revenues						
Licenses, Permits and Fees	\$85,335	\$10,340		\$95,675	\$8,805,495	\$8,901,170
Sale of Services, Goods and Property	278,184,036	85,919,996	\$54,368,252	418,472,284	45,385	418,517,669
Interest and Other Investment Income			1,019,980	1,019,980	66,693,000	67,712,980
Rent and Lease Income		5,060,546		5,060,546		5,060,546
Miscellaneous Income	2,289,870	8,777,576		11,067,446	1,496,863	12,564,309
Total Operating Revenues	280,559,241	99,768,458	55,388,232	435,715,931	77,040,743	512,756,674
Operating Expenses						
Personnel Costs	8,463,265	15,303,202		23,766,467	4,020,820	27,787,287
General and Administrative	29,211,781	15,563,385		44,775,166	3,121,667	47,896,833
Travel	76,552	173,298		249,850		249,850
Supplies	35,075,047	1,115,805		36,190,852		36,190,852
Insurance, Utilities and Rent	2,607,288	2,977,491		5,584,779	10,850	5,595,629
Dividends to Policyholders	53,776,978			53,776,978		53,776,978
Miscellaneous	2,063,161	478,171		2,541,332		2,541,332
Depreciation	1,585,491	1,893,720		3,479,211	351,134	3,830,345
Awards, Contributions and Claims	108,775,103	78,172,986		186,948,089	653,607	187,601,696
Payment as Agent	11,455,049			11,455,049		11,455,049
Total Operating Expenses	253,089,715	115,678,058		368,767,773	8,158,078	376,925,851
Operating Income (Loss)	27,469,526	(15,909,600)	55,388,232	66,948,158	68,882,665	135,830,823
Nonoperating Revenues (Expenses)						
Interest Income	397,896	4,026,787		4,424,683	656,879	5,081,562
Investment Income	33,984,676			33,984,676	15,358,000	49,342,676
Interest Expense		(56,001)		(56,001)	(69,820,000)	(69,876,001)
Loss on Sale of Fixed Assets	(5,042)	(59,163)		(64,205)		(64,205)
Other					(2,187,000)	(2,187,000)
Total Nonoperating Revenues (Expenses)	34,377,530	3,911,623		38,289,153	(55,992,121)	(17,702,968)
Income (Loss) Before Operating Transfers	61,847,056	(11,997,977)	55,388,232	105,237,311	12,890,544	118,127,855
Operating Transfers Out	(28,295,000)	(1,712,858)		(30,007,858)		(30,007,858)
Net Income (Loss)	33,552,056	(13,710,835)	55,388,232	75,229,453	12,890,544	88,119,997
Beginning Retained Earnings, as Adjusted	198,635,737	50,721,954	579,739,022	829,096,713	109,833,423	938,930,136
Ending Retained Earnings	\$232,187,793	\$37,011,119	\$635,127,254	\$904,326,166	\$122,723,967	\$1,027,050,133

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

State of Idaho
Combined Statement of Cash Flows
All Proprietary Fund Types, Similar Trust Funds and
Discretely Presented Component Units
For the Fiscal Year Ended June 30, 1997

	Proprietary Fund Types		Fiduciary Fund Type	Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
	Enterprise	Internal Service	Non-expendable Trust			
Increase (Decrease) in Cash and Cash Equivalents:						
Cash Flows from Operating Activities						
Receipts from Customers, Loan Interest and Fees	\$277,266,444	\$8,174,539	\$56,576,806	\$342,017,789	\$78,409,690	\$420,427,479
Customer Refunds			(2,360,957)	(2,360,957)		(2,360,957)
Receipts from State Agency Customers	4,824,924	96,259,195		101,084,119		101,084,119
Loan Principal Payments					73,849,000	73,849,000
Payments to Suppliers	(141,472,658)	(92,281,740)		(233,754,398)	(5,325,000)	(239,079,398)
Payments to Employees for Services and Benefits	(8,429,513)	(15,365,441)		(23,794,954)	(3,929,000)	(27,723,954)
Payments to State Agency Suppliers	(220,254)	(2,892,138)		(3,112,392)		(3,112,392)
Payments of Awards and Claims	(63,910,296)	(2,300,779)		(66,211,075)	(128,874)	(66,339,949)
Payments of Dividends to Policyholders	(33,502,035)			(33,502,035)		(33,502,035)
Loan Principal Additions					(226,616,000)	(226,616,000)
Net Cash Provided (Used) by Operating Activities	34,556,612	(8,406,364)	54,215,849	80,366,097	(83,740,184)	(3,374,087)
Cash Flows from Noncapital Financing Activities						
Operating Transfers Out	(28,295,000)	(1,712,858)		(30,007,858)		(30,007,858)
Deferred Bond Financing Cost					(3,552,000)	(3,552,000)
Interest Paid					(64,533,000)	(64,533,000)
Payment of Bonds					(96,704,000)	(96,704,000)
Bonds Issued					250,000,000	250,000,000
Net Cash Provided (Used) by Noncapital Financing Activities	(28,295,000)	(1,712,858)		(30,007,858)	85,211,000	55,203,142
Cash Flows from Capital and Related Financing Activities						
Proceeds from Disposition of Capital Assets	22,317	447		22,764		22,764
Acquisition and Construction of Capital Assets	(911,743)	(2,925,312)		(3,837,055)	(476,000)	(4,313,055)
Net Cash Provided (Used) by Capital and Related Financing Activities	(889,426)	(2,924,865)		(3,814,291)	(476,000)	(4,290,291)
Cash Flows from Investing Activities						
Receipt of Interest and Dividends	21,797,404	4,027,515	866,916,125	892,741,044		892,741,044
Purchase of Investments	(295,143,228)		(3,062,163,154)	(3,357,306,382)	(847,211,815)	(4,204,518,197)
Redemption of Investments	263,855,147		2,139,902,702	2,403,757,849	829,241,000	3,232,998,849
Investment Income	4,293,247			4,293,247		4,293,247
Other Investing Activities	(1,268,387)			(1,268,387)	15,633,000	14,364,613
Net Cash Provided (Used) by Investing Activities	(6,465,817)	4,027,515	(55,344,327)	(57,782,629)	(2,337,815)	(60,120,444)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,093,631)	(9,016,572)	(1,128,478)	(11,238,681)	(1,342,999)	(12,581,680)
Beginning Cash and Cash Equivalents	57,599,294	77,966,157	19,815,863	155,381,314	30,073,925	185,455,239
Ending Cash and Cash Equivalents	\$56,505,663	\$68,949,585	\$18,687,385	\$144,142,633	\$28,730,926	\$172,873,559

State of Idaho
Combined Statement of Cash Flows
All Proprietary Fund Types, Similar Trust Funds and
Discretely Presented Component Units
For the Fiscal Year Ended June 30, 1997

	Proprietary Fund Types		Fiduciary Fund Type	Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
	Enterprise	Internal Service	Non-expendable Trust			
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	27,469,526	(15,909,600)	55,388,232	66,948,158	68,882,665	135,830,823
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Amortization of Deferred Loan Discounts					(2,190,000)	(2,190,000)
Depreciation	1,585,491	1,893,719		3,479,210	351,134	3,830,344
(Increase) Decrease in Accounts Receivable, Net	387,348	(274,352)	3,558,703	3,671,699	(975,680)	2,696,019
(Increase) Decrease in Notes and Mortgages Receivable			749,309	749,309	73,849,000	74,598,309
(Increase) Decrease in Grand Prize Receivables	12,712			12,712		12,712
(Increase) Decrease in Due from Other Funds	(127,277)	(107,734)		(235,011)		(235,011)
(Increase) Decrease in Other Assets	345,827	(503,000)		(157,173)	713,000	555,827
(Increase) Decrease in Customer Loan Principal					(226,616,000)	(226,616,000)
Increase (Decrease) in Accounts Payable and Other Liabilities	13,297,566	25,030,797		38,328,363	526,697	38,855,060
Increase (Decrease) in Interest Payable					(77,000)	(77,000)
Increase (Decrease) in Grand Prizes Payable	604,474			604,474		604,474
Increase (Decrease) in Deferred Revenue		5,179,711	(4,506,505)	673,206		673,206
Increase (Decrease) in Due to Other Funds		186,989		186,989		186,989
Increase (Decrease) in Deposits			(973,890)	(973,890)	1,796,000	822,110
Increase (Decrease) in Policy Claim Liabilities	(9,019,055)	(22,988,071)		(32,007,126)		(32,007,126)
Increase (Decrease) in Capital Leases		(914,823)		(914,823)		(914,823)
Total Adjustments	7,087,086	7,503,236	(1,172,383)	13,417,939	(152,622,849)	(139,204,910)
Net Cash Provided (Used) by Operating Activities	\$34,556,612	(\$8,406,364)	\$54,215,849	\$80,366,097	(\$83,740,184)	(\$3,374,087)

Noncash Transactions:

Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments. The following noncash transactions occurred during the year: Internal Service Funds acquired fixed assets through capital leases in the amount of \$233,200. The State Lottery, an Enterprise Fund, reported grand prizes claimed in fiscal year 1997 for the amount of \$48,288,730. Annuities were purchased to settle the winning claims. The accrual of grand prize annuities receivable from the Multi-State Lottery Association, with a corresponding increase in the grand prizes payable, totaled \$5,542,808 for the current fiscal year.

Cash and Cash Equivalent Reconciliation to Combined Balance Sheet

Total Trust and Agency	\$303,420,308
Less: Pension Trust Funds	2,364,847
Expendable Trust Funds	278,782,432
Agency Funds	3,585,644
Nonexpendable Trust Cash and Cash Equivalents	\$18,687,385

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

State of Idaho
Statement of Changes in Plan Net Assets
Pension Trust Funds
For the Fiscal Year Ended June 30, 1997

	Public Employee Retirement System of Idaho Plan	Firemen's Retirement Plan	Idaho Super Saver - 401(k) Plan	Judges' Retirement Plan	Total
Additions					
Licenses, Permits and Fees				\$1,251,182	\$1,251,182
Interest and Other Investment Income	\$731,591,150	\$25,178,489	\$591,263	7,583,413	764,944,315
Contributions and Other	299,511,579	7,751,912	2,348,356	448,362	310,060,209
Total Additions	1,031,102,729	32,930,401	2,939,619	9,282,957	1,076,255,706
Deductions					
Plan Benefits and Refunds Paid to Plan Members	177,923,575	9,718,463	42,518	1,269,627	188,954,183
Administrative Expenses	3,228,215			18,317	3,246,532
Total Deductions	181,151,790	9,718,463	42,518	1,287,944	192,200,715
Increase in Net Assets	849,950,939	23,211,938	2,897,101	7,995,013	884,054,991
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	3,775,115,802	132,044,697	1,985,182	31,725,313	3,940,870,994
End of Year	\$4,625,066,741	\$155,256,635	\$4,882,283	\$39,720,326	\$4,824,925,985

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

State of Idaho
Combined Statement of Changes in Fund Balances
All College and University Funds
For the Fiscal Year Ended June 30, 1997

	Current Funds					Plant Funds				Total
	Unrestricted	Auxiliary	Restricted	Student Loan	Endowment	Unexpended Plant	Renewal and Replacement	Retirement of Indebtedness	Net Investment in Plant	
Revenues and Other Additions										
Unrestricted Current Funds Revenues	306,776,528	77,474,737								384,251,265
Student Fees				8,344						8,344
Private Gifts, Grants and Contracts			19,334,556	16,518	2,823,645	1,020,064			1,143,514	24,338,297
Government Grants and Contracts			153,568,160	278,697		716,494		609,643		155,172,994
Government Appropriations			29,398,777							29,398,777
Investment Income			4,184	122,004	2,795,521	1,947,521	71,726	1,318,691		6,259,647
Interest on Loans Receivable				552,418						552,418
Expended for Plant Facilities									36,681,628	36,681,628
Retirement of Indebtedness									32,253,013	32,253,013
Realized Gains on Investments					3,960,228					3,960,228
Change in Unrealized Appreciation on Securities					4,515,773					4,515,773
Proceeds from Issuance of Bonds and Notes Payabl						18,142,649		28,045,000		46,187,649
Public Works Projects Completed									21,675,764	21,675,764
Other Additions			3,429,905	223,628	194,144	18,966		934,502		4,801,145
Total Revenues and Other Additions	306,776,528	77,474,737	205,735,582	1,201,609	14,289,311	21,845,694	71,726	30,907,836	91,753,919	750,056,942
Expenditures and Other Deductions										
Educational and General	295,400,606		198,752,332		51,909					494,204,847
Auxiliary Enterprises Expenditures		72,451,370								72,451,370
Indirect Costs Recovered			4,950,897							4,950,897
Loan Cancellations and Write-offs				537,366						537,366
Expended for Plant Facilities						18,714,715				18,714,715
Retirement of Indebtedness								32,253,013		32,253,013
Interest on Indebtedness								8,918,649		8,918,649
Disposal of Plant Facilities									11,179,111	11,179,111
Additions to Indebtedness									46,187,649	46,187,649
Additions to Capital Leases									118,018	118,018
Other Deductions				79,284	3,140,256	358,142		521,215	846,398	4,945,295
Total Expenditures and Other Deductions	295,400,606	72,451,370	203,703,229	616,650	3,192,165	19,072,857		41,692,877	58,331,176	694,460,930
Transfers										
Principal and Interest	(6,222,621)	(5,065,077)	(7,189)			(457,693)		11,752,580		
Loans and Matching Grants	(1,142,181)	(8,764)	1,060,916	90,029				(53,382)		(53,382)
Net Transfers (Voluntary)	(5,932,332)	(782,188)	589,468	(220,702)		4,218,397	572,459	1,608,280		53,382
Total Transfers	(13,297,134)	(5,856,029)	1,643,195	(130,673)		3,760,704	572,459	13,307,478		
Net Increase (Decrease) for the Year	(1,921,212)	(832,662)	3,675,548	454,286	11,097,146	6,533,541	644,185	2,522,437	33,422,743	55,596,012
Fund Balances, Beginning of Year	36,255,877	11,051,299	3,369,729	21,273,925	53,815,022	20,825,127	3,478,979	19,973,303	611,117,268	781,160,529
Fund Balances, End of Year	\$34,334,665	\$10,218,637	\$7,045,277	\$21,728,211	\$64,912,168	\$27,358,668	\$4,123,164	\$22,495,740	\$644,540,011	\$836,756,541

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

State of Idaho
Combined Statement of Current Funds Revenues, Expenditures and Other
All College and University
For the Fiscal Year Ended June 30, 1997

	<u>Unrestricted</u>	<u>Auxiliary</u>	<u>Restricted</u>	<u>Total</u>
Revenues				
Appropriated General Education Revenues State General Account - General Education	168,744,790	4,402,410		173,147,200
Endowment Income	10,487,774			10,487,774
Student Fees and Miscellaneous Receipts	48,333,247	4,536		48,337,783
Idaho Dental Education Program	492,900			492,900
Museum of Natural History	441,100			441,100
Family Practice	347,300			347,300
Other State General Accounts			24,170,881	24,170,881
Federal Appropriations			4,406,112	4,406,112
Vocational Education	17,283,231			17,283,231
Federal Grants and Contracts	110,570		132,121,859	132,232,429
State Grants and Contracts	470,158	35,692	14,964,159	15,470,009
Private Gifts, Grants and Contracts	3,089,886	2,848,330	18,288,167	24,226,383
Other Student Fees	32,149,130	16,835,050	167,804	49,151,984
Sales and Services of Educational Departments	11,430,737		1,381,276	12,812,013
Sales and Services of Auxiliary Enterprises		52,714,297		52,714,297
Indirect Costs Recovered	4,970,137			4,970,137
Other Sources	<u>8,425,568</u>	<u>634,422</u>	<u>2,198,347</u>	<u>11,258,337</u>
Total Revenues	<u>306,776,528</u>	<u>77,474,737</u>	<u>197,698,605</u>	<u>581,949,870</u>
Expenditures and Mandatory Transfers				
Educational and General				
Instruction	154,035,816		19,910,464	173,946,280
Research	13,854,849		43,771,447	57,626,296
Public Service	4,148,239		17,848,330	21,996,569
Academic Support	23,500,118		753,774	24,253,892
Libraries	14,292,099		54,626	14,346,725
Student Services	16,068,115		1,833,382	17,901,497
Institutional Support	32,029,309		509,616	32,538,925
Operations and Maintenance of Plant	28,249,409		1,355,179	29,604,588
Scholarships and Fellowships	<u>9,222,652</u>		<u>112,715,514</u>	<u>121,938,166</u>
Educational and General Expenditures	<u>295,400,606</u>		<u>198,752,332</u>	<u>494,152,938</u>
Mandatory Transfers for Loans and Matching Grants	1,142,181		(1,060,916)	81,265
Mandatory Transfers for Principal and Interest	<u>6,222,621</u>		<u>7,189</u>	<u>6,229,810</u>
Total Educational and General	<u>302,765,408</u>		<u>197,698,605</u>	<u>500,464,013</u>
Auxiliary Enterprises				
Expenditures		72,460,134		72,460,134
Mandatory Transfers for Principal and Interest		<u>5,065,077</u>		<u>5,065,077</u>
Total Auxiliary Enterprises		<u>77,525,211</u>		<u>77,525,211</u>
Total Expenditures and Mandatory Transfers	<u>302,765,408</u>	<u>77,525,211</u>	<u>197,698,605</u>	<u>577,989,224</u>
Other Transfers and Additions (Deductions)				
Excess (Deficiency) of Restricted Receipts Over Transfers to Revenue			3,086,080	3,086,080
Net Transfers (Voluntary)	<u>(5,932,332)</u>	<u>(782,188)</u>	<u>589,469</u>	<u>(6,125,051)</u>
Total Other Transfers and Additions (Deductions)	<u>(5,932,332)</u>	<u>(782,188)</u>	<u>3,675,549</u>	<u>(3,038,971)</u>
Net Increase (Decrease) in Fund Balances	<u>(\$1,921,212)</u>	<u>(\$832,662)</u>	<u>\$3,675,549</u>	<u>\$921,675</u>

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

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

The accompanying financial statements present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the cash flows of the proprietary and nonexpendable trust funds. The financial statements are presented as of June 30, 1997, for the year then ended. The financial statements include the various departments, agencies, and other organizational units governed by the Idaho State Legislature and/or Constitutional Officers of the State of Idaho.

The financial statements are presented as of and for the year ended June 30, 1997, except for the State Bar (presented in the Regulatory Special Revenue Fund) whose statements are as of and for the fiscal year ended December 31, 1996; the Idaho Dairy Products Commission (presented in the Agriculture and Natural Resources Special Revenue Fund) whose statements are as of and for the fiscal year ended December 31, 1996; the Idaho Potato Commission (presented in the Agriculture and Natural Resources Special Revenue Fund) whose statements are as of and for the 14 months ended August 31, 1997; the State Insurance Fund and the Petroleum Clean Water Trust (both presented as Enterprise Funds) whose statements are as of and for the year ended December 31, 1996; and the Idaho Life and Health Insurance Guaranty Association (a discretely presented component unit) whose financial statements are as of and for the year ended December 31, 1996.

B. Financial Reporting Entity

For financial reporting purposes, the State has included all funds, agencies, boards, commissions, authorities, and account groups. The State has also considered potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. As defined by GASB, financial accountability exists, generally, if the State appoints a voting majority of the organization's governing board and (1) the State is able to impose its will on the organization, or if (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

As required by GAAP, these financial statements present the State of Idaho (primary government) and its component units. The component units are included in the State's reporting entity because of the significance of their operational or financial relationships with the State.

Blended Component Unit

The following component unit is legally separate from the State but is reported as part of the State and blended into the appropriate fund and account groups.

Idaho State Building Authority. The Idaho State Building Authority was created by Idaho Code, Title 67, Chapter 64, to finance and construct facilities, such as office buildings and parking garages, to be used and leased by the State. Following the guidance provided by the National Council on Governmental Accounting (NCGA) Statement 5, "Accounting and Financial Reporting Principles for Lease Agreements of State and Local Governments" and Governmental Accounting Standards Board (GASB) Statement 14, "The Financial Reporting Entity," the Idaho State Building Authority is presented as a blended component unit in a special revenue fund, the General Long-Term Debt Account Group, and the General Fixed Assets Account Group. GASB 14 requires the Building Authority to be presented as a blended component unit because the Board is appointed by the Governor; the Authority relies entirely on the State's leasing agreements, resulting in a significant financial benefit/burden relationship, and the Authority provides services entirely to the State of Idaho. Idaho Code, Section 67-6419 states, "The notes, bonds or other obligations of the authority shall not be or become an indebtedness or obligation of the state of Idaho...nor shall such notes, bonds or obligations of the authority constitute the giving or loaning of the credit of the state of Idaho....". The \$51.1 million of the Authority's debt is presented in the General Long-Term Debt Account Group. Idaho State Building Authority's fixed assets of \$72.7 million, presented in the General Fixed Assets Account Group are titled in the name of the Authority. The Authority's audit report, dated August 28, 1997, was issued under separate cover for the fiscal year ended June 30, 1997.

Discretely Presented Component Units

These component units are organizations which are legally separate from the State, but they are financially accountable to the State, or their relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The component units are reported in a separate column to emphasize that they are legally separate from the primary government and are governed by separate boards. A brief description of the two discretely presented component units follow:

The Idaho Housing and Finance Association. The Idaho Housing and Finance Association was created by the Idaho Legislature in Idaho Code, Title 67, Chapter 62 for the purpose of building and rehabilitating residential housing for persons of low income. The Governor appoints the Board. A financial benefit/burden relationship exists between

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

the State and the Association. The Association is entitled to appropriation from the state sales tax account, up to a maximum of \$89,000,000, if necessary, to maintain the appropriate reserves as determined by Idaho Code. Also, in the event of the dissolution of the Association, any assets remaining after paying all obligations shall revert to the State. The Association is presented discretely as an enterprise fund. Their audit report, dated August 28, 1997, was previously issued under separate cover for the year ended June 30, 1997.

Idaho Life and Health Insurance Guaranty Association. The Idaho Life and Health Insurance Guaranty Association is a nonprofit organization authorized by the Idaho Life and Health Insurance Guaranty Association Act of 1977, Idaho Code, Title 41, Chapter 43. The Act was passed to provide a mechanism for the payment of covered claims under certain insurance policies where the insurer becomes insolvent. The Act applies to direct and supplemental life and disability policies and annuity contracts. All insurance companies, which sell the type of insurance covered under the Act, are required to be members of the Association as a condition of their authority to transact insurance business in Idaho. The Board members are selected by member insurers; however, the Director of Insurance has veto power and may dismiss management at will. Insurers may offset assessments against its premium taxes to the extent of twenty percent (20%) of the amount of such assessment for each of the five (5) calendar years following the year in which the assessment was paid. An allowable offset, or portion thereof, not used in any calendar year cannot be carried over or back to any other year. This imposes a direct financial burden on the State. The Association is presented discretely as an enterprise fund. Their audit report, dated March 26, 1997, was previously issued under separate cover for the year ended December 31, 1996.

Complete financial statements for each of the individual component units can be obtained from their respective administrative offices, as follows:

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

Idaho Housing and Finance Association
P.O. Box 7899
Boise, ID 83707

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

C. Constitutional Debt and Liability Limitation

Article VIII, Section 1, of the Idaho Constitution specifies the Legislature shall not create any debts or liabilities that exceed \$2 million in the aggregate. This provision of the Constitution

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

was incorporated in 1912. The State has implemented this provision on the assumption it applies to debts and liabilities, such as bonded indebtedness, but does not apply to liabilities incurred for ordinary operating expenses, liabilities that arise by operation of law, or debt incurred by the State Board of Education (colleges and universities), State ex rel. Miller v. State Board of Education, 56 Idaho 210, 52 P. 2d 141 (1935); Stein V. Morrison, 9 Idaho 426, 75 P. 246 (1904). Lease revenue bonds issued by the Idaho State Building Authority are also outside this limitation.

D. Fund Accounting

The financial activities of the State are recorded in individual funds and account groups which are used to report the financial position and results of the operations of the State. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The State records its transactions in four fund categories and two account groups. The fund categories include governmental funds, proprietary funds, fiduciary funds, and university funds. Account groups are composed of general fixed assets and general long-term debt.

1. The State's governmental funds are used to account for the State's general activities, including collection and disbursement of earmarked monies (special revenue funds), and acquisition or construction of general fixed assets. Governmental fund types include the following:

The General Fund is the principal operating fund of the State. It is used to account for resources that are not required to be accounted for in other funds. These resources are used to provide services that include general government, public safety and corrections, health and human services, education (other than those reported in the university funds), natural resources, agriculture and economic development, and transportation. Consistent with applicable legal requirements, certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund.

Special Revenue Funds are used to account for transactions related to resources obtained from specific revenue sources (other than expendable trusts) that are legally restricted to expenditures for specified purposes. Special revenue funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions, and other resources restricted as to purpose. Special revenue funds include the financial activities related to Fish and Game, Health and Welfare, Transportation, Federal, Regulatory, Agriculture and Natural Resources, and the Miscellaneous Fund which are legally restricted to expenditures for specified purposes. The Idaho State Building Authority is included in the Miscellaneous fund.

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2. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). Proprietary funds include the following:

Enterprise Funds are established to account for governmental operations that function in a manner similar to private business enterprises where the intent of the State 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. Enterprise funds include Correctional Industries, Liquor Dispensary, State Lottery, Petroleum Clean Water Trust, and the State Insurance Fund.

Internal Service Funds are used to account for a variety of independent operations that render services and/or provide goods to other state agencies or governmental units on a cost-reimbursement basis. Internal service funds include the financial activities of General Services, Data Processing Services, Group Insurance, and Risk Management.

3. Fiduciary funds account for assets held by the State in a trust or agency capacity. Fiduciary fund types include the following:

The Expendable Trust Fund accounts for assets held by the State in a trustee capacity. Principal and income may be expended in the course of designated operations. The only expendable trust fund for the State is Unemployment Compensation.

Nonexpendable Trust Funds account for the transactions, assets, liabilities, and fund equity of the State Endowment Funds. The Endowment Funds were created from federal Enabling Act land grants and the sale of such lands. The funds' principal is nonexpendable. Earnings on the principal are used to support education, mental health, corrections, and public buildings.

Pension Trust Funds account for transactions, assets, liabilities, and net assets available for plan benefits of the State's retirement systems.

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

4. College and university funds account for the financial position and operations of the State's colleges and universities. Accordingly, college and university funds are an aggregation of the following funds:

Current Funds are used primarily to account for amounts which are expended in performing the primary and support objectives of the universities/colleges, e.g., instruction, research, public service, academic support, libraries, student services,

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institutional support, operations and maintenance of plant, scholarships and fellowships, and auxiliary activities. Funds included in this classification consist of the following:

Unrestricted funds - These funds are used to account for transactions related to the educational and general operations of the universities/colleges. These funds may be used at the discretion of the governing board or their designee to meet current expenditures for any purpose.

Auxiliary enterprise funds - These funds are used to account for transactions of substantially self-supporting activities that primarily provide services to students, faculty, and staff. Auxiliary enterprises include, but are not limited to, student housing, food services, bookstore, and intercollegiate athletics.

Restricted funds - These funds are used to account for current funds expended for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be used. Revenues of the restricted funds are reported in the statement of current funds revenues, expenditures and other changes only to the extent they are expended for current operating purposes. The excess or deficiency of receipts over expenditures is included as an addition or deduction directly to fund balances during the year.

Student Loan Funds account for transactions of related resources obtained and used for loans to students.

Endowment and Similar Funds account for resources held by the institutions that must be administered in accordance with trust agreements, restricting the use of the principal. Quasi-endowment funds have been established for the same purposes as the endowment funds; however, any portion of such funds can be expended.

Plant Funds are used to account for the transactions relating to investment in university/college properties. Plant funds include (1) Unexpended Plant Funds, (2) Renewal and Replacement Funds, (3) Retirement of Indebtedness Funds and (4) Net Investment in Plant Funds. The Unexpended Plant Funds are comprised of amounts which have been appropriated or designated for land, improvements, buildings and equipment. The Renewal and Replacement Funds are comprised of amounts provided for renewal and replacement of certain properties. The Retirement of Indebtedness Funds represent bond sinking funds used to provide for payment of principal and interest pursuant to terms of bond indentures. Net Investment in Plant Funds represents the accumulated cost of property, buildings, and equipment over related liabilities.

Agency Funds account for amounts held in custody for students, institution-related organizations, and others.

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5. Account groups consist of the following:

The General Fixed Assets Account Group is used to account for land, buildings, and equipment of the governmental fund types. Fixed assets of the pension trust funds, proprietary fund types, and colleges and universities are accounted for separately in their respective funds.

The General Long-Term Debt Account Group accounts for the State's unmatured long-term obligations related to capital lease obligations, compensated absences, and notes, bonds, and contracts payable. Long-term obligations of the proprietary funds, trust funds, and the college and university funds are accounted for in their respective funds.

E. Measurement Focus and Basis of Accounting

Accounting and financial reporting treatments applied to funds are described as follows:

All governmental funds and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases in spendable resources as revenues and other financing sources, and decreases in spendable financial resources as expenditures and other financing uses.

All governmental funds, expendable trust funds, and agency funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available to finance operations of the current fiscal year. Available means collected in the current year or soon enough after year end to liquidate liabilities existing at the end of the year. Significant revenue sources which are susceptible to accrual include sales taxes, individual income taxes, corporate income taxes, and federal grants. Licenses, fees, permits, and other miscellaneous revenues are recognized when received, since they normally are measurable only at that time. Expenditures are recorded when the fund liabilities are incurred.

Proprietary funds, in accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," are required to apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedures. In addition, a proprietary activity may apply all FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements. The State has elected not to follow FASB pronouncements issued after November 30, 1989 for proprietary funds.

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All proprietary funds, nonexpendable trust funds, and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. This also applies to the two discretely presented component units, which are accounted for as proprietary activities.

All proprietary funds, nonexpendable trust funds, pension trust funds, and the two discretely presented component units use the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Fund equity, e.g., net assets, is segregated into contributed capital and retained earnings components for proprietary funds and fund balance for nonexpendable trust and pension trust funds.

The accounts of the college and university funds are reported using the accrual basis of accounting with the following exceptions: depreciation expenses related to plant fund assets are not recorded and revenues and expenditures of summer sessions are reported within the fiscal year in which the total summer sessions program is predominantly conducted.

F. Budgetary Process

By November of each year, all agencies of the State submit requests for appropriations to the Governor's Office, Division of Financial Management, and the Legislature so an Executive Budget may be prepared for the upcoming legislative session. The budget is generally prepared by agency, fund, program, and object. This is the level against which legal compliance is monitored. The budget presentation includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

In January and February, the Governor's proposed budget recommendations are presented to the Legislature for review, change, and preparation of the annual appropriation acts for the various agencies. The Legislature enacts annual appropriations (budgets) for the majority of funds held in the state treasury. These budgets are adopted in accordance with Idaho Code, Title 67, Chapters 35 and 36. Both houses of the Legislature must pass the appropriation acts by a simple majority vote. The appropriation acts become the State's authorized operating budget upon the Governor's signature, or 10 days after the end of the session, if not signed by the Governor.

Once the budget has been adopted, limitations exist regarding the extent to which management may make modifications. At no time, without legislative authority, may an appropriation be transferred from one fund to another. However, with the appropriate approval, the following adjustments may be made:

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. Appropriation for personnel costs may be transferred to other objects, but appropriation for other costs may not be transferred to personnel. Appropriations for capital outlay may not be used

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for any other purpose, per Idaho Code, Section 67-3511(c); however, appropriations for other objects may be transferred to capital outlay. The Board of Examiners must approve object transfers.

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

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

The State utilizes encumbrance accounting for budgetary control purposes. Obligations incurred for goods or services that have not been received or rendered are recorded to reserve that portion of the applicable fund balance.

While encumbrances are allowed for budgetary control purposes, the state uses cash basis records as the basis for the preparation of the State's legally adopted annual budget or legal basis. The legal basis emphasizes accountability and the budgetary control of appropriations. The State issues a separate Legal Basis Financial Report which demonstrates legal compliance with the budget. A copy of this report may be obtained by contacting the Office of the State Controller, P.O. Box 83720, Boise, Idaho, 83720-0011.

The seven district health departments in the State are supervised by a seven-member board that is appointed by the County Commissioners of the counties served. They function as separate legal entities and are fiscally independent. Therefore, they are not included in the State's reporting entity either as part of the primary government or as component units. Although they are not financially dependent upon the State, the Legislature appropriates funds for the health departments. For that reason, they are included in the budgetary Legal Basis Financial Report. Below is the reconciliation from the Legal Basis Financial Report to the Combined Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual (Budgetary Basis) General Fund and Special Revenue Funds statement (included in this report) for transfers made from the general fund to the district health departments:

	Total	
	Adjusted Budget	Actual
General Fund Expenditures (Legal Basis)	\$1,758,996,147	\$1,616,509,965
Transfers to District Health Departments	<u>7,729,815</u>	<u>7,729,815</u>
General Fund Expenditures (CAFR)	<u>\$1,766,725,962</u>	<u>\$1,624,239,780</u>

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As shown in the Legal Basis Financial Report, revenues are generally recognized when cash is received. Expenditures are recorded when the related cash disbursement occurs. Encumbrances are not recognized as expenditures but reduce available spending authority.

Throughout the Idaho Code, the Legislature has established continuous or perpetual appropriations for certain funds and programs. No annual amount of appropriation is determined during the legislative session. Expenditures are allowed to the extent they are made with available cash.

As part of the budgetary process, agencies may request additional or supplemental appropriation for the current year. Conversely, by Executive Order, the Governor may rescind a portion of the general fund appropriation if it is anticipated expenditures may exceed available cash. When this occurs, it is recorded in the accounting system as a negative supplemental appropriation. A schedule of supplemental appropriations follows:

Supplemental Appropriations

General Fund	\$18,171,627
Special Revenue Funds	
Health and Welfare	(6,481,600)
Transportation	41,847,500
Federal	931,400
Regulatory	184,900
Agriculture and Natural Resources	1,311,100
Miscellaneous	2,472,801
Enterprise Funds	
Petroleum Clean Water Trust	55,500
State Insurance Fund	354,500
Internal Service Funds	
General Services	247,700
Data Processing	<u>340,000</u>
Total	<u>\$59,435,428</u>

Normally, unencumbered appropriations lapse at the end of the year for which they were appropriated. At fiscal year end, unexpended appropriation balances may: 1) revert to unreserved fund equity balances and be available for future appropriations; 2) be reappropriated as part of the spending authority for the future year; or 3) be carried forward to subsequent years as outstanding encumbrances, with the approval of the Division of Financial Management. Revenues are not budgeted for any funds. For financial reporting purposes, the budget columns for revenues on the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual are reflected as being equal to actual revenues for all revenue categories.

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G. Assets and Liabilities

Cash and Cash Equivalents

Cash and cash equivalents consist of bank accounts, petty cash, and short-term investments. Cash balances of most state funds are pooled together and invested by the State Treasurer. Interest earned on pooled cash is allocated to the internal service funds, expendable trust funds, and certain special revenue funds when so directed by law. All earnings not otherwise allocated are General Fund revenue. Collateral, as further discussed in Note 2, is pledged by the various banks and securities dealers to secure state funds. As an exception to the above policy, certain organizations within the State's reporting entity have independent powers to manage and invest their own cash.

Cash equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date. In the Combined Statement of Cash Flows – All Proprietary Fund Types, Similar Trust Funds and Discretely Presented Component Units, investments with an original maturity of three months or less are considered cash equivalents.

Investments

The State Treasurer handles investments of state funds and funds of other qualified entities, within the State, in accordance with Idaho Code, Sections 67-1210 through 67-1222. Allowed investments include certificates of deposit with banks and savings and loan institutions, commercial paper, repurchase agreements, U. S. Treasury Bills and Notes, and government-backed mortgages and loans. Investments are recorded at amortized cost for the Joint Exercise of Powers pool. Other pooled investments are recorded at cost.

The Public Employee Retirement System of Idaho (PERSI) is permitted to make investments in accordance with the Prudent Man Investment Act, Sections 68-501 through 68-506 of the Idaho Code. PERSI invests in domestic equities, international equities (including international hedges), fixed income investments, real estate and real estate investment trusts, mortgages, and certain other short-term investments. These investments are recorded at fair market value in accordance with GASB Statement 25.

Certain other entities are also responsible for their own investments.

Accounts Receivable, Net

Accounts receivable in governmental and fiduciary funds primarily consist of timber sales and interest (both of which are recorded when earned), taxes subject to accrual-- mainly sales taxes and income taxes, and public assistance receivables which represent amounts billed to other health care providers by Health and Welfare. Other receivables include amounts collectible for investments sold and for accrued interest income, as well as contributions receivable in the pension trust funds. Proprietary fund receivables occur

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as part of the ordinary course of business. Transportation receivables consist mainly of gas taxes receivable. The college and university fund receivables include money due for tuition, fees, loans, and accrued interest income. A schedule of these balances follows:

Accounts Receivable

Fund	Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
General Fund	\$96,211,483	\$833,263	\$95,378,220
Special Revenue Funds			
Fish and Game	119,463		119,463
Health and Welfare	3,202,338	13,445	3,188,893
Transportation	19,427,073		19,427,073
Federal	13,225		13,225
Regulatory	172,617		172,617
Agriculture and Natural Resources	2,356,158	8,453	2,347,705
Miscellaneous	1,397,765	95,157	1,302,608
Total Special Revenue Funds	26,688,639	117,055	26,571,584
Enterprise Funds			
Correctional Industries	155,986		155,986
Liquor Dispensary	42,669		42,669
State Lottery	977,445		977,445
Petroleum Clean Water Trust	530,403		530,403
State Insurance Fund	6,884,201	634,980	6,249,221
Total Enterprise Funds	8,590,704	634,980	7,955,724
Internal Service Funds			
General Services	346,551		346,551
Data Processing Services	3,902		3,902
Risk Management	88,558		88,558
Total Internal Service Funds	439,011		439,011
Fiduciary Funds			
Unemployment Compensation	32,051,597	2,009,165	30,042,432
Endowment Fund	3,356,213		3,356,213
Public Employee Retirement System	34,907,101		34,907,101
Firemen's Retirement Fund	1,098,407		1,098,407
Judges' Retirement Plan	398,594		398,594
Sick Leave/Insurance Reserve Fund	1,049,825		1,049,825
Total Fiduciary Funds	72,861,737	2,009,165	70,852,572
Colleges and Universities	44,999,139	435,948	44,563,191
Total Primary Government	249,790,713	4,030,411	245,760,302
Component Units	66,485		66,485
Total Reporting Entity	\$249,857,198	\$4,030,411	\$245,826,787

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Due From/To Other Funds

During the course of operations, numerous transactions occur between individual funds within the State for goods provided, services rendered, and short-term interfund loans. These receivables and payables are classified as Due From Other Funds and Due To Other Funds, respectively, on the balance sheet. With the exception of intrafund operating transfers, no eliminating entries have been made for transactions occurring between funds. A schedule of these balances follows:

Due From Other Funds and Due To Other Funds

Fund	Due From Other Funds	Due To Other Funds
General Fund	\$574,084	\$585,962
Special Revenue Funds		
Fish and Game		156,980
Health and Welfare	61,345	842,252
Transportation	474,407	471,687
Federal	192,125	820,453
Regulatory	50,356	109,231
Agriculture and Natural Resources	173,363	277,176
Miscellaneous	177,173	119,824
Total Special Revenue Funds	1,128,769	2,797,603
Enterprise Funds		
Correctional Industries	429,441	1,186
Liquor Dispensary		4,260
Total Enterprise Funds	429,441	5,446
Internal Service Funds		
General Services	895,517	185,644
Data Processing Services	579,255	2,888
Group Insurance	3,882	6,767
Risk Management	4,370	31,008
Total Internal Service Funds	1,483,024	226,307
Colleges and Universities	16,204,610	16,204,610
Total Reporting Entity	\$19,819,928	\$19,819,928

Due From Other Governments

The amounts reflected as Due From Other Governments are comprised mainly of federal grant revenues receivable.

Deferred Bond Financing Costs

Deferred Bond Financing Costs consist of the costs incurred related to bond issuance. These costs are capitalized and amortized over the term of the bonds, using the straight-line method.

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Notes and Mortgages Receivables

Long-term receivables are reported as Notes and Mortgages Receivables.

Grand Prizes Receivable/Payable

Grand Prizes Receivable/Payable consist of the annuities purchased to settle State Lottery grand prize obligations. See Note 10 for a schedule of the annuities.

Other Assets

Other Assets include prepaid expenses, inventories, transfer fees, deposits ceded for reinsurance, and other miscellaneous items.

Prepaid expenses shown in the proprietary fund types represent amounts paid in the current period for goods or services which will benefit future periods. Prepaid expenses include rent, insurance, postage, and telephone charges. Prepaid expenses for the fiduciary fund types relate to warrants issued for retirement benefits prior to the due date, so that beneficiaries will receive payment on the due date.

Proprietary fund type inventories of supplies and materials are stated at cost, which approximates market, generally using the first-in, first-out method. No inventories are included for governmental fund types. Supplies and materials which might be held in inventory for governmental funds are recorded as expenditures at the time of purchase.

Fixed Assets, Net

Fixed assets used in governmental fund type operations are recorded as expenditures in the governmental funds and related assets are recorded in the General Fixed Assets Account Group at cost or estimated historical cost, if actual cost is not available. Fixed assets include the purchase price or construction cost plus interest of self-constructed assets. Donated fixed assets are recorded at the estimated fair market value at the date of donation. Assets in the General Fixed Assets Account Group are not depreciated.

Fixed assets held in the proprietary and similar trust fund types are valued in the same manner as the General Fixed Assets Account Group. For all major asset classes, the fixed assets of these funds are depreciated on a straight-line basis over their estimated useful lives. Buildings and improvements, machinery and equipment, and improvements other than buildings are depreciated using the following schedule:

<u>Assets</u>	<u>Years</u>
Buildings	30
Improvements Other Than Buildings	5-40
Machinery, Equipment and Other	7-13

STATE OF IDAHO
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Assets with a cost of \$5,000 or greater and a useful life of two or more years are capitalized. Interest incurred during construction is capitalized.

Land is recorded at historical cost or fair market value at date of acquisition. In cases where historical cost is not available, land is valued using comparables indexed forward or backward with the consumer price index (CPI).

Public domain general fixed assets or infrastructure, e.g., freeways, bridges, sidewalks and other assets that are immovable and of value only to the State, are not capitalized or reported. The cost of land associated with infrastructure is not included in the financial statements.

The college and university funds account for fixed asset acquisition at cost. Construction projects are included in the plant fund while the project is being constructed. These funds capitalize interest expenditures during construction but do not record depreciation.

The following schedules present changes in the State's general fixed assets by function and activity, and by class and source:

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Schedule of Changes in General Fixed Assets by Function and Activity

Function and Activity	General Fixed Assets June 30, 1996 (as restated)	Additions	Deletions	General Fixed Assets June 30, 1997
General Government:				
Executive Administration	\$334,007	\$648,988	\$98,561	\$884,434
Financial Administration	194,567	13,083	42,918	164,732
Tax Administration	1,876,701	2,468,247	76,489	4,268,459
Legal Administration	380,507	306,822	19,245	668,084
Legislative	390,101	158,098	123,273	424,926
Other Internal Operations	25,145,602	420,029	1,177,968	24,387,663
Public Safety:				
Court System	1,680,289	291,118	410,475	1,560,932
Police Services	12,608,631	2,841,990	1,367,030	14,083,591
Civil Defense	9,055,808	8,328,256	7,803,161	9,580,903
Adult and Juvenile Corrections	76,860,776	31,507,960	16,095,363	92,273,373
Economic Development:				
Employment and Rehabilitation	12,040,472	926,940	1,375,635	11,591,777
Economic Development	2,067,558	201,943		2,269,501
Business and Professional Reg.	8,223,765	2,792,314	1,376,175	9,639,904
Natural Resources:				
Natural Resources and Rec. Mgmt.	177,111,073	8,194,797	13,581,256	171,724,614
Energy Management	14,000			14,000
Environmental Health	265,284	1,109,802	39,704	1,335,382
Health:				
Physical Health	3,395,678	325,293	466,643	3,254,328
Mental Health	972,048	1,493,464	31,071	2,434,441
Medical Assistance	258,151	335,279		593,430
Institutional and Residential Care	67,900,411	1,554,008	2,966,503	66,487,916
Education:				
Education Policy Development	39,794			39,794
Elementary and Secondary Education	10,059,083	1,866,981	83,913	11,842,151
Higher Education	11,261			11,261
Vocational Education	105,484		19,586	85,898
Cultural Affairs	11,202,710	3,663,425	402,570	14,463,565
Social Services:				
Individual Income Assistance	939,899	388,892	434,221	894,570
Other Social Services	1,499,497	1,130,244	218,626	2,411,115
Transportation:				
Capital Budget	116,060,387	26,909,071	26,937,850	116,031,608
Highways	81,660,569	16,531,781	10,012,917	88,179,433
Aeronautics	710,452	39,022	14,320	735,154
Other Transportation	151,819	181		152,000
Total General Fixed Assets	\$623,216,384	\$114,448,028	\$85,175,473	\$652,488,939

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Schedule of Changes in General Fixed Assets by Class and Source

Class	General			General
	Fixed Assets			
	June 30, 1996			June 30, 1997
	(as restated)	Additions	Deletions	
Buildings	\$261,462,298	\$40,838,714	\$17,801,105	\$284,499,907
Construction in Progress	47,213,569	24,185,235	28,719,032	42,679,772
Construction in Progress-Leasehold Imp.	82,921	6,000	82,921	6,000
Land	142,879,585	3,995,962	10,494,319	136,381,228
Machinery and Equipment	166,248,934	40,288,176	27,881,196	178,655,914
Capital Leases	270,348	3,944,020		4,214,368
Leasehold Improvements-Buildings	378,788	82,921		461,709
Leasehold Improvements Other Than Bldgs.	236,751			236,751
Improvements Other Than Buildings	4,443,190	1,107,000	196,900	5,353,290
Total General Fixed Assets	\$623,216,384	\$114,448,028	\$85,175,473	\$652,488,939
Funding Source				
General Fund	\$174,116,887	\$75,226,937	\$56,321,533	\$193,022,291
Special Revenue Funds	449,099,497	39,221,091	28,853,940	459,466,648
Total General Fixed Assets	\$623,216,384	\$114,448,028	\$85,175,473	\$652,488,939

Amount to be Provided for Capital Leases

Amount to be Provided for Capital Leases is the present value of the minimum lease payments and is part of the General Long-Term Debt Account Group.

Accounts Payable and Other Liabilities

Accounts Payable and Other Liabilities consists of accounts payable, taxes payable, accrued payroll, accrued compensated absences, dividends declared and unpaid, and other liabilities.

Accounts payable are amounts due for goods or services received but not paid for at June 30, 1997.

Taxes payable represent the amounts deducted from employees' salaries and those amounts contributed by the State for social security, federal taxes, and state taxes not yet paid. Also included are sales or other taxes collected by state agencies but not remitted to the State Tax Commission or to other states.

Noncurrent compensated absence liabilities related to the governmental funds are recorded in the General Long-Term Debt Account Group. The long-term portion of the compensated absence liability accrual is not recognized in the governmental funds as it is not expected to be funded from current available resources. The current portion of the

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compensated absence liability for governmental funds is recorded in the governmental fund. For all other fund types, both current and long-term portions are recorded as individual fund liabilities. No accrual is made for sick leave, as the State is not obligated to pay the balance if employment terminates prior to retirement.

Employees earn vacation and sick leave based on hours worked and compensatory time based on hours worked in excess of forty hours per week. Upon termination of employment, an employee is paid for unused vacation time and earned administrative leave. All employees covered by the Federal Wage and Hour Act are paid compensatory balances at termination.

Employees earn sick leave hours which are expensed when used. Upon termination, employees are not paid for unused sick leave. However, upon retirement, 50% of an employee's unused sick leave value (not to exceed 336 hours) is used by the Public Employee Retirement System of Idaho to purchase health insurance for the retiree. See Note 4 for further details.

As of June 30, 1997, the total value of vacation and compensatory time accrued by employees of the State was \$34,396,947, of which \$26,200,935 is classified as General Long-Term Debt.

Deposits

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

Due To Other Governments

The State Treasurer maintains an investment pool for non-state governmental entities. These amounts are recorded as Due to Other Governments. Also reported are amounts collected from the federal government but not disbursed to subgrantee governmental units.

Deferred Revenue

Deferred revenues arise when potential revenue does not meet the "available" criterion for recognition in the current period and when resources are received by the government before it has a legal claim to them, e.g., when grant monies are received prior to incurring qualifying expenditures or when premiums are received for workers' compensation insurance prior to the beginning of the policy period. In subsequent periods, when the revenue recognition criterion is met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

Notes, Bonds and Contracts Payable

Notes, Bonds and Contracts Payable consist of Energy Development and Study Loans and Wastewater Facility Loans made to various sectors within the State from the recovery of petroleum price violations; and revenue bonds, and unsecured notes held by the colleges and universities.

Policy Claim Liabilities

Policy Claim Liabilities relate to the State Insurance Fund, the Petroleum Clean Water Trust, the Risk Management Fund, and the Group Insurance Fund. A liability for a claim is established if information indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated based on the estimated ultimate cost of settling the claim, considering the effects of inflation, recent claim settlement trends, including frequency and amount of pay-outs, and other economic and social factors. Claim liabilities include any specific, incremental claim adjustment expense. Any material estimated recoveries are deducted from the liability for unpaid claims.

Capital Leases

Capital Leases are lease contracts entered into by the State that are in substance a purchase. Lease Commitments are discussed further in Note 8.

H. Fund Equity

Contributed capital is recorded in the internal service funds, which have received fixed assets and cash from donations and other funds.

Reserves represent those portions of fund balances not appropriate for expenditures or legally segregated for a specific future use. Reservations of fund balances are established to identify the existence of assets that are not available for subsequent year appropriations, e.g., prepaid items and inventories.

Designations represent tentative management plans or intent for financial resource utilization in a future period. Following is a list of reserves and designations used by the State and a description of each:

Retained Earnings

Reserved for Bond Indentures - an account used to segregate a portion of fund equity for the component unit, Idaho Housing and Finance Association, which relates to bond indentures.

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

Designated for Catastrophic Losses – \$6,000,000 of unreserved retained earnings in the State Insurance Fund (enterprise fund) and \$11,324,110 of unreserved retained earnings in the Group Insurance Fund (internal service fund) have been designated for future catastrophic losses.

In addition to the above specific reservations and designations, management intends to use \$11,847,239 of the unreserved retained earnings in the Group Insurance Fund (internal service fund) as a buffer to protect the insured against significant increases in insurance premium rates. Management also intends to use \$59,939,000 of the unreserved retained earnings in Idaho Housing and Finance Association (Discretely Presented Component Unit) for the retirement of bonds.

Fund Balances

Reserved for Encumbrances - an account used to segregate a portion of fund balance for commitments related to unperformed contracts.

Reserved for Employees' Pension Benefits - an account used to segregate a portion of fund balance for the specific future use of the retirement systems' members.

Reserved for Loans and Notes - an account used to segregate a portion of fund balances to reflect the amounts not available for current appropriations.

Reserved for Endowment Principal - an account used to segregate a portion of fund balances to indicate the principal amount of nonexpendable trust funds that is legally restricted for a specific future purpose.

I. Total (Memorandum Only)

Total columns on the financial statements are captioned Total-Memorandum Only to indicate they are presented only to facilitate financial analysis. The total column represents an aggregation of the combined financial statement fund types. These amounts are not comparable to a consolidation and do not represent the total resources available to or used by the State. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2. CASH AND CASH EQUIVALENTS

Authority for deposits and investments: The State maintains a cash and investment pool that is available for use by all funds; the pool has deposits and other investments. The State Treasurer is the investment officer for the funds on deposit in the state treasury; investment policies of the State Treasurer are governed by Idaho Code, Section 67-1210 and 67-1210A. Each fund's portion of this pool is summarized by fund type on the Combined Balance Sheet in the cash account.

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
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Deposits: Cash and cash equivalents are deposited with multiple financial institutions and are carried at cost. Idaho Code does not require collateralization of deposits. The Treasurer controls the receipt and disbursement of amounts owned by agencies included in the primary government other than the Endowment Funds, the State Insurance Fund, the Clean Water Petroleum Trust, the Public Employee Retirement System of Idaho (PERSI), the Potato Commission, the Dairy Products Commission, the Wheat Commission, the State Bar, the Building Authority, and some of the college and university funds. Discretely presented component units control receipt and disbursement of their own funds. The following summary presents the amounts of primary government and discretely presented component units' deposits by the following categories:

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

Primary Government (In Thousands)

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total</u>
Cash and Cash Equivalents	\$802,047	\$197,933	\$16,439	\$1,016,419

Reconciliation of Cash per Financial Statements to Risk Categorized Cash(In Thousands)

Total Cash and Cash Equivalents per Risk Categorization	\$1,016,419
Less: Outstanding Warrants	(65,989)
Timing Difference	1,375
Investments Categorized with Cash	(10,498)
Cash on Hand	(252)
Total Cash and Cash Equivalents on Combined Financial Statements	<u>\$941,056</u>

Discretely Presented Component Units (In Thousands)

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total</u>
Cash and Cash Equivalents	\$100	\$138	\$28,502	\$28,740

Reconciliation of Cash per Financial Statements to Risk Categorized Cash(In Thousands)

Total Cash and Cash Equivalents per Risk Categorization	\$28,740
Less: Outstanding Checks	(9)
Total Cash and Cash Equivalents on Combined Financial Statements	<u>\$28,731</u>

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

NOTE 3. INVESTMENTS

Investments: The State's investments are classified in three categories of credit risk to give a n indication of the level of risk assumed by the State as of the year end. The three categories of credit risk are:

1. Investments that are insured or registered or for which the securities are held by the State or its agent in the State's name;
2. Uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the State's name; and
3. Uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the State's name.

Some investments are made by those agencies that have authority. These investments are not part of the pools managed by the State Treasurer. Only a few agencies are authorized to make such investments and then only for specific programs.

The State Treasurer maintains an investment pool for local governments, known as the Joint Exercise of Powers Fund. This local government investment pool is included in this report as an agency fund.

Pooled fund investments are stated at cost; market values include accrued interest for U.S. Treasury Bills. The following summaries identify the level of credit risk assumed by the State and the total carrying amount and market value of state investments at fiscal year end:

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
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Primary Government (In Thousands)

<u>Investments</u>	Credit Risk Categories			Carrying Value	Market Value
	1	2	3		
Repurchase Agreements			\$50,608	\$50,608	\$50,608
U.S. Government Obligations	\$484,948	\$10,553	4,532	500,032	477,674
U.S. Agency Obligations	385,399	318,461		703,860	702,950
Marketable Securities	4,506,159	20,843	720	4,527,723	4,521,878
Corporate Bonds	180,418			180,418	188,034
Common Stock Mutual Fund		36,829		36,829	41,814
Other	8,228	3,884		12,112	14,014
Risk Classified Investments	<u>\$5,565,152</u>	<u>\$390,570</u>	<u>\$55,860</u>	<u>\$6,011,582</u>	<u>\$5,996,972</u>

<u>Investments Not Subject to Classification Due to Their Nature</u>	Carrying Value	Market Value
Idaho Commercial Mortgages	214,554	172,348
Real Estate	123,135	123,135
Private Equity	18,784	18,784
Mutual Fund Holdings (401K)	194,734	194,734
Investment Holdings in Agency Fund	64,069	64,069
Net Settlements Payable to Brokers	(50,219)	(50,219)
Other	2,237	2,004
Total Non-Classified Investments	567,292	524,853
Investments Categorized with Cash	10,498	10,498
Total Investments	<u>\$6,589,371</u>	<u>\$6,532,322</u>

Discretely Presented Component Units (In Thousands)

<u>Investments</u>	Credit Risk Categories		Carrying Value	Market Value
	1	3		
Repurchase Agreements	\$36,162		\$36,162	\$36,162
Government Obligations	116,629		116,629	119,272
U.S. Agency Obligations	54,260		54,260	54,150
Investment Agreements		\$61,784	61,784	61,784
Other		28,360	28,360	28,358
Risk Classified Investments	<u>\$207,051</u>	<u>\$90,144</u>	<u>\$297,195</u>	<u>\$299,726</u>

<u>Investments Not Subject to Classification Due to Their Nature</u>	Carrying Value	Market Value
Interest Receivable	1,708	1,708
Total Investments	<u>\$298,903</u>	<u>\$301,434</u>

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

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4. RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFITS

Summary of Plans

The State maintains a number of different retirement plans. The Public Employee Retirement System of Idaho (PERSI) administers the Public Employee Retirement System of Idaho Plan, the Firemen’s Retirement, and the Idaho Super Saver – 401K Plan. The Idaho Judicial Department, under the direction of the Idaho Supreme Court, administers the Judges’ Retirement Plan. The Idaho State Board of Education administers an Optional Retirement Plan for the colleges and universities. The PERSI system also acts as the agent for the Sick Leave/Insurance Reserve Fund.

These retirement systems have implemented the Governmental Accounting Standards Board’s Statement No. 25, “Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,” and Statement No. 27, “Accounting for Pensions by State and Local Governmental Employers,” as of July 1, 1996. Each of these plans or benefits is discussed individually below.

Public Employee Retirement Fund/Policemen’s Retirement Fund (PERSI Plan) and Firemen’s Retirement Fund (FRF)

Plan Description

Organization and Purpose

The Public Employee Retirement Fund/Policemen’s Retirement Fund (PERSI Plan) and Firemen’s Retirement Fund (FRF) are both cost-sharing, multiple-employer defined benefit retirement plans. The Public Employee Retirement System of Idaho (the System) administers both of these plans. A retirement board, appointed by the Governor and confirmed by the State Senate, manages the System, which includes selecting the funding agents and establishing funding policy. Statutes governing the PERSI Plan are Idaho Code, Title 59, Chapter 13 and Title 50, Chapter 15. Statutes governing FRF are Idaho Code, Title 72, Chapter 14.

Membership

By state law, the State and school districts are employer members of the PERSI Plan. Political subdivisions, such as county and city governments; water, sewer and health districts; hospitals; libraries; and fire districts have also chosen to participate in the PERSI Plan and FRF. All state employees not covered by the other plans described below, who normally work more than twenty hours per week and have been employed by an employer member for more than five consecutive months, are covered by the PERSI Plan. As of June 30, 1997, the number of participating employer units in the PERSI Plan was 617 and actual benefit recipients and members in the PERSI plan was:

Retirees and Beneficiaries/Vested Terminated Employees	20,499
Current Active Employees	<u>57,237</u>
Total	<u>77,736</u>

STATE OF IDAHO
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For FRF, as of June 30, 1997, there were 24 participating employer units, which all consisted of city fire departments participating in the PERSI Plan. Employee membership showed 431 retired members or beneficiaries collecting benefits from the FRF and 194 active members.

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

Benefits

The benefit structure for both the PERSI Plan and FRF are based on members' years of service, age, and final compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification or a combination of age plus service. The annual service retirement allowance was 1.917% (2.225% for police and firefighters) at June 30, 1997, for each month of credited service, of the average monthly salary for the highest consecutive 42 months.

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

The FRF covers a closed group of firefighters who were hired before October 1, 1980, and who receive benefits in addition to those provided under the PERSI Plan.

Funding Policy

Contributions and Vesting

The System's funding policy for the PERSI Plan and FRF, as defined by Idaho law, provides for periodic employer contributions at actuarially determined rates, that expressed as percentages of annual covered payroll are sufficient to accumulate assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the Entry Age Actuarial Funding Method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The System amortizes the unfunded liability based on a level percentage of payroll. The maximum amortization period permitted under Idaho Code, Section 59-1322, is 25 years. The payroll for employees covered by the PERSI and FRF was approximately \$1,543,000,000 and \$27,600,000, respectively.

The State's PERSI Plan contributions required and paid were \$62,194,310, \$60,377,327, and \$58,667,381 for the years ended June 30, 1997, 1996, and 1995, respectively.

STATE OF IDAHO
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Actuarial valuations of the PERSI Plan are performed annually. The last valuation of the PERSI Plan was performed as of July 1, 1997. Actuarial valuations of the FRF are performed bi-annually. The last FRF valuation was performed as of July 1, 1996.

Normal cost is 14.95% of covered payroll and the amount available to amortize the unfunded actuarial liability is 3.83% of covered payroll for the PERSI Plan. There is no normal cost associated with FRF and all contributions to FRF are available to reduce the unfunded actuarial liability. The contribution rates for the year ended June 30, 1997, are as follows:

<u>Employee Group</u>	<u>Employer</u>	<u>Employee</u>
General	11.61%	6.97%
Police and Fire	11.85%	8.53%
Certain Employees of Higher Education	3.03%	N/A

FRF employer and employee contribution rates for firemen hired before October 1, 1980, are 24.05% and 2.92%, respectively, in addition to the PERSI Plan Police and Fire rates shown above. The employer contribution rate for firemen hired after October 1, 1980, is 15.40%, in addition to the PERSI Plan Police and Fire rates shown above.

In September 1997, the Retirement Board approved a temporary rate reduction for PERSI employers and members. Effective for salaries paid on or after November 1, 1997, through October 31, 1998, the PERSI Plan will reduce the contribution rates for all employers and employees. The contribution rates for this period are as follows:

<u>Employee Group</u>	<u>Employer</u>	<u>Employee</u>
General	9.77%	5.86%
Police and Fire	10.01%	7.21%

After five years of credited service, (five months for elected or appointed officials), members become fully vested in retirement benefits earned to date. Upon termination of employment, accumulated member contributions plus interest, accrued at 5.0% to 5.25% (5.5% after June 30, 1997) compounded monthly per annum, are refundable. Withdrawal of such accumulated contributions results in forfeiture of the member's accrued benefit; however, state law does include provisions for reinstatement of forfeited service upon repayment of the accumulated contributions plus interest.

Funding

Contributions from members and employers and earnings from investments fund the PERSI Plan and FRF benefits. Additional FRF funding is obtained from receipts from a fire insurance premium tax. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined, by state law, as a percentage of the employer contribution rate. Employer contribution rates are recommended by periodic actuarial

STATE OF IDAHO
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valuations and are subject to the approval of the Retirement Board and set forth in state statute. Valuations are based on actuarial assumptions, the benefit formulas and employee groups of the PERSI Plan and FRF.

Costs of administering the plans are financed through the contributions and investment earnings of the System.

Idaho Super Saver – 401(k) Plan

Organization and Purpose

The Idaho Super Saver – 401(k) Plan is a qualified 401(k) defined contribution pension plan, open to all employees of the State of Idaho. Statutes governing this Plan are Idaho Code, Title 59, Chapter 13. The Plan is organized to provide investment management services to state employees.

The administrator of this Plan is the Public Employee Retirement System of Idaho (the System). The System has entered into a contract with Scudder, Stevens & Clark, Inc. (Scudder), the Plan custodian and recordkeeper, for services relating to eight investment options managed by Scudder. These options include a U.S. Treasury Money Mutual Fund, an Income Mutual Fund, and six equity mutual funds. Participants direct their investment mix without restriction and may elect to change their salary deferral every pay period.

No retirement plan provisions changed during the year that affected the employees' selected contributions.

Benefits

Benefits depend solely on amounts contributed to the Plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the 401(k) contracts.

Membership

As of June 30, 1997, the Plan had 87 employer units eligible to have participating employees and 1,870 actual participants in the 401(k) Plan.

Contributions

The 401(k) Plan currently allows participants to make tax-deferred contributions at 1% – 20% of their gross salary. Participants contributed \$2,348,356 during the year ended June 30, 1997. There are no employer contributions to the Plan.

STATE OF IDAHO
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Judges' Retirement Plan (JRP)

Plan Description

Organization and Purpose

The Judges' Retirement Plan (JRP) is a single-employer defined benefit retirement plan, which provides retirement benefits for Justices of the Supreme Court, Court of Appeals Judges, and District Court Judges, hereinafter referred to as "members." The Idaho Judicial Department, under the direction of the Idaho Supreme Court, administers the JRP. In its administration and management of investments, the JRP is guided by the Prudent Man Investment Act and the Idaho Code, Sections 68-501 through 68-506. The JRP is also governed in its fiduciary responsibility by the Idaho Code, Section 59-1301, and is empowered in its sole discretion to limit, control, and designate the types and amounts of investments. Statutes governing the JRP are Idaho Code, Title 1, Chapter 20.

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

Membership

As of June 30, 1997, the JRP had 42 retired members or beneficiaries collecting benefits, 11 terminated members entitled to, but not yet receiving benefits, and 44 active members.

Benefits

The benefit structure is based on members' years of service and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members. The benefit payments for the JRP are calculated using a benefit formula adopted by the Idaho Legislature. For the first 10 years of service, benefits are credited at 4% per year of members' compensation. For the next nine years of service, benefits are credited at 2 ½% per year of members' compensation. The maximum benefit is 62 ½% of compensation.

Funding Policy

Contributions and Vesting

Members and the Judicial Department contribute to the JRP during their first 20 years of employment. Member and department contributions are a percentage of member compensation as defined by state law. Contributions provide for department and member contributions at 7% and 6%, respectively, of annual covered payroll for the year ended June 30, 1997. The payroll for members covered by the JRP was approximately \$3,611,367. In addition, specified court filing fees in civil court actions are dedicated to the JRP.

Members become fully vested in their retirement benefits after four years of credited service. If a member terminates from the JRP prior to four years of service, the member's contributions plus 6 ½ % per annum will be returned. Members are eligible for retirement benefits upon attainment of the age 65 or 20 years of service.

STATE OF IDAHO
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Funding

The JRP's benefits are funded by contributions from members and the Judicial Department, earnings from investments, and court filing fees.

The funding status and required contribution levels are reviewed periodically by an actuary 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 on a level basis over the earnings of the individual between entry age and assumed exit age. Actuarial valuations of the JRP are performed bi-annually. The last valuation was performed as of July 1, 1997.

Costs of administering the JRP are financed through the contributions and investment earnings of the JRP.

College and University Optional Retirement Plan (ORP)

Organization and Purpose

Effective July 1, 1990, the Idaho State Legislature authorized the Idaho State Board of Education to establish an Optional Retirement Plan (ORP), a defined contribution plan, for college and university faculty and exempt employees. Vendor options include Teachers' Insurance and Annuity Association, College Retirement Equities Fund and Variable Annuity Life Insurance Company.

Membership

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

Contributions and Vesting

The employee contribution requirement for the ORP is based on a percentage of total payrolls. The State of Idaho determines employer contributions. Although enrollees in the ORP no longer belong to PERSI, the employer is required to contribute 3.03% of the annual covered payroll to PERSI through July 1, 2015. During the year ended June 30, 1997, this supplemental funding payment made to PERSI was \$2,521,849.

The contribution requirement and amount paid for the year ended June 30, 1997, was \$11,888,758, which consisted of \$6,089,939 from the universities and \$5,798,819 from employees. These contributions represented approximately 7.30% and 6.97% of covered payroll, respectively.

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

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Postretirement Benefits Other Than Pensions - Sick Leave/Insurance Reserve Fund

In addition to the pension benefits previously described, school districts and state agencies provide for the payment of certain postretirement health insurance premiums. The Sick Leave/Insurance Reserve Fund is a postretirement benefit that is not part of a defined benefit plan but is a separate, statutorily provided benefit available to all employees eligible for sick leave accrual.

The Public Employee Retirement System of Idaho (the System) acts as an agent for this agency fund on behalf of the employers, who fund the program by remitting a percentage of payroll to the System to cover future insurance premiums. The funds are remitted to the sick leave fund, which is presented as an agency fund in the State of Idaho's financial statements.

Statutes governing these programs are Idaho Code, Sections 67-5339, 33-1216, and 33-1228, which provide for the transferring of amounts from the sick leave agency fund to a retiree's sick leave account for the payment of postretirement health benefits as may be maintained by the employer. The amount transferred is determined on an individual employee basis and is calculated as one-half of their sick leave balance up to a certain maximum multiplied by their rate of pay at the time of retirement.

School District Employees – For school district employees, the unused sick leave amount available for benefit is based on one-half of their sick leave balance and rate of compensation at retirement.

State Employees – 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:

<u>Credited Hours of State Service</u>	<u>Maximum Allowable Sick Leave Hours</u>
0 - 10,400 (0-5 years of service)	192
10,401 - 20,800 (5-10 years of service)	240
20,801 - 31,200 (10-15 years of service)	288
31,201+ (15 years of service or more)	336

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Presented below is pertinent actuarial information:

	<u>State</u>	<u>School Districts</u>	<u>Total</u>
Active Participants	41,235	16,002	57,237
Contributions Required and Paid	\$7,179,769	\$14,971,173	\$22,150,942
Rate of Contribution	.65%	1.15%	
Total Net Assets Available for			
Future Payments	\$25,400,000	\$39,700,000	\$65,100,000
Unfunded Actuarial Liability	\$9,800,000	\$35,100,000	\$44,900,000
Actuarially Accrued Liability	\$35,200,000	\$74,800,000	\$110,000,000

Postretirement health insurance benefits are advance-funded with employer contributions on an actuarially determined basis, using the Entry Age Normal Cost Actuarial Cost Method. Postretirement health insurance premiums are paid from the employee's sick leave account until the account balance is exhausted.

NOTE 5. TAX ANTICIPATION NOTES

Idaho Code, Title 63, Chapter 32, authorizes the State Treasurer, on approval of the State Board of Examiners, to borrow money in anticipation of income or revenue from taxes. Such borrowing is for the current year only and is limited to no more than 75% of the income or revenue which is reasonably anticipated to be collected during the current fiscal year.

External Tax Anticipation Notes sold on the open market were issued on July 3, 1996, in the principal amount of \$300,000,000. These notes were redeemed on June 30, 1997. The interest expense incurred and paid was \$13,425,000.

Internal Tax Anticipation Notes (issued by the general fund to borrow from other available state funds or accounts) were issued during fiscal year 1997, as follows:

<u>Amount Issued</u>	<u>Date Issued</u>	<u>Date Redeemed</u>
\$55,000,000	4-30-97	6-27-97
\$100,000,000	6-12-97	6-27-97
\$5,000,000	6-12-97	6-27-97

Idaho Code, Section 67-1210 states interest on investments, unless specified by law, shall be deposited to the general fund. Therefore, in effect, no interest was paid on the Internal Tax Anticipation Notes issued.

STATE OF IDAHO
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NOTE 6. RISK MANAGEMENT AND GROUP INSURANCE

The State maintains a combination of commercial and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished through the Risk Management and Group Insurance Funds (Internal Service Funds).

The Risk Management Fund manages property and general liability risk. The Fund also finances and accounts for other risks not covered by the Group Insurance and State Insurance funds. General liability claims are self-insured up to the Idaho Tort Claims Act maximum of \$500,000 for each claim. Property damage claims are self-insured for up to \$100,000 per claim, not to exceed \$750,000 annually. Comprehensive collision and physical damage to covered vehicles are self-insured for replacement cost. The State purchases commercial insurance for claims not self-insured by the above coverages and for all other identified risks of loss, including workers' compensation insurance.

The State purchases its workers' compensation insurance from the State Insurance Fund (Proprietary Fund). The State Insurance Fund limits its risk retention of each policy issued through reinsurance. Reinsurance coverage is limited to a maximum of \$2,000,000 on any one life. Ceded reinsurance is treated as the risk and liability of the assuming companies. A catastrophic reserve of \$6,000,000 of the State Insurance Fund's surplus has been reserved by Idaho Code, Section 72-911 to cover catastrophic and other unanticipated losses.

The Group Insurance Fund is used to account for and finance life, health, and disability insurance programs. Long-term disability benefits within Group Insurance are self-insured. The liability for self-insurance claims has been actuarially determined and is presented as policy claim liabilities in the Group Insurance Fund. Life and health insurance programs are experience rated and fully insured. However, when the claims exceed 100% of the annual premium paid to the insurer, the State would be responsible for up to an additional 9% of the annual premiums for health and 10% of the annual premiums for the life coverage. The insurance carrier assumes the risk of loss for claims above the contractual ceilings. The amount the State is responsible for is accounted for and presented as reserved retained earnings in the Group Insurance Fund. The State also maintains program and premium stabilization balances in the catastrophic event they exhaust reserved equity. These amounts are accounted for and presented as designated retained earnings in the Group Insurance Fund.

All state entities may participate in the Risk Management and Group Insurance programs. Payments are made to the Risk Management Fund based on actuarial estimates, loss experience, exposure, and asset value covered. Payments made to the Group Insurance Fund are based on actuarial estimates of the amounts needed to pay for negotiated coverage and projected claims experience. Claims settlements for either fund have not exceeded insurance coverage during fiscal years 1995, 1996, or 1997.

The liabilities for the Risk Management and Group Insurance Funds for the State are based on the requirements of the Governmental Accounting Standards Board's Statement 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable a liability has been incurred at the date of the financial statements and

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the amount of the loss can be reasonably estimated. Liabilities for Risk Management include claim adjustment costs, any anticipated subrogation receipts, and are presented at their present value using a 6% discount interest rate. The following table presents changes in policy claim liabilities for the fiscal years ending June 30, 1996, and June 30, 1997:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Changes in Estimate</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
Risk Management				
1996	\$10,273,768	\$3,625,429	(\$2,935,198)	\$10,963,999
1997	\$10,963,999	\$3,175,300	(\$3,056,166)	\$11,083,133
Group Insurance				
1996	\$11,688,134	\$1,085,475		\$12,773,609
1997	\$12,773,609	\$2,426,986		\$15,200,595

NOTE 7. INTERFUND TRANSACTIONS

The State does not eliminate interfund transactions but does make eliminating entries for intrafund operating transfers. The State has the following types of interfund transactions:

Quasi-external Transactions are charges for services rendered by one fund to another, treated as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

Reimbursements of expenditures or expenses made by one fund for another are recorded as expenditures or expenses in the reimbursing fund and as a reduction of expenditures or expenses in the reimbursement fund.

Operating (Statutory) Transfers are legally authorized cash transfers reported as operating transfers. Transfers from the General Fund are transfers of appropriated or diverted tax revenues. The following is a schedule of operating transfers:

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Operating Transfers

Fund	Transfers In	Transfers Out
General Fund	\$834,570,031	\$989,492,302
Special Revenue Funds		
Health & Welfare	230,531,917	376,730
Transportation	803,049	12,355,985
Federal	162,422	6,286,356
Regulatory	6,387,788	50,601,663
Agriculture and Natural Resources	50,001	2,696,817
Miscellaneous	19,533,858	223,195
Enterprise Funds		
Liquor Dispensary		8,295,000
State Lottery		20,000,000
Internal Service Funds		
General Services		1,697,859
Group Insurance		7,499
Risk Management		7,500
Expendable Trust Fund		
Unemployment Compensation	4,421	2,581
Total Operating Transfers	<u>\$1,092,043,487</u>	<u>\$1,092,043,487</u>

NOTE 8. LEASE COMMITMENTS

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

Operating Leases

Operating leases are leases for which the State will not gain title to the asset; therefore, the lease agreements are not reflected as assets in the State's balance sheet. They contain various renewal options, as well as some purchase options. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred.

Capital Leases

Capital leases are leases the State has entered into that are, in substance, a purchase. At the date of acquisition, the assets are valued on the balance sheet at the present value of the future minimum lease payments. Assets under capital leases originating in governmental funds are recorded in the General Fixed Assets Account Group. The capital lease obligations for capital

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leases originating in governmental funds are recorded in the General Long-Term Debt Account Group. Capital lease obligations for proprietary fund types are reported in the respective funds as long-term obligations. Interest expense is not capitalized.

Future minimum lease commitments for noncancelable operating and capital leases as of June 30, 1997, are as follows:

Future Minimum Lease Commitments

Fiscal Year	Operating Leases				Capital Leases			
	Governmental Funds	Proprietary Funds	Colleges and Universities	Total Operating Leases	Long-Term Debt Account Group	Proprietary Funds	Colleges and Universities	Total Capital Leases
1998	\$19,699,611	\$1,307,048	\$14,001	\$21,020,660	\$599,817	\$418,484	\$1,231,021	\$2,249,322
1999	19,331,767	1,132,489	14,001	20,478,257	583,817	413,428	877,267	1,874,512
2000	18,555,083	1,082,391	14,001	19,651,475	549,907	354,652	627,107	1,531,666
2001	17,770,435	686,694	14,001	18,471,130	473,692	248,795	452,594	1,175,081
2002	17,985,889	408,073	14,001	18,407,963	299,736		452,842	752,578
Thereafter	45,227,321	627,908	168,012	46,023,241	3,637,120		6,743,257	10,380,377
Total Payments	\$138,570,106	\$5,244,603	\$238,017	\$144,052,726	6,144,089	1,435,359	10,384,088	17,963,536
Less:								
Imputed Interest					2,441,371	117,121	4,596,906	7,155,398
Total Present Value of Minimum Lease Payments					\$3,702,718	\$1,318,238	\$5,787,182	\$10,808,138

At June 30, 1997, assets under capital leases totaled \$15,231,959 and are included in buildings and equipment. The schedule below is an analysis of assets under capital leases as of June 30, 1997:

	General Fixed Assets Account Group	Proprietary Funds	Colleges and Universities	Total Capital Leases
Buildings	\$2,275,463		\$5,458,877	\$7,734,340
Equipment	1,938,905	1,693,551	3,865,163	7,497,619
Total Capital Leases	\$4,214,368	\$1,693,551	\$9,324,040	\$15,231,959

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NOTE 9. BONDS AND NOTES PAYABLE

A. Primary Government

The Idaho Building Authority issues notes and bonds to finance construction or acquisition of facilities for lease to the State subject to prior legislative approval. Bonds payable, in thousands, are:

<u>Bond Description</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Principal at June 30, 1997</u>	<u>Interest</u>	<u>Total</u>
1988 Series A Revenue Bonds	1989 to 1998	5.50% to 6.70%	\$1,075	\$18	\$1,093
1992 Series A Refunding Revenue Bonds	1993 to 2002	2.80% to 5.40%	5,174	782	5,956
1992 Series B Refunding Revenue Bonds	1993 to 2006	2.80% to 5.75%	2,770	795	3,565
1992 Series C Refunding Revenue Bonds	1993 to 2007	2.70% to 5.85%	23,771	8,895	32,666
1992 Series D Revenue Bonds	1993 to 2012	3.50% to 6.20%	2,719	1,493	4,212
1992 Series E Revenue Bonds	1993 to 2012	4.15% to 6.13%	7,625	3,775	11,400
1994 Series Revenue Bonds	1995 to 2008	3.75% to 5.90%	2,800	1,000	3,800
1995 Series Revenue Refunding Bonds	1996 to 2001	3.70% to 4.40%	5,176	482	5,658
Total Bonds Payable			<u>\$51,110</u>	<u>\$17,240</u>	<u>\$68,350</u>

Sinking fund requirements, in thousands, for the fiscal years subsequent to June 30, 1997 are as follows:

<u>Bond Description</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>Thereafter</u>	<u>Total</u>
1988 Series A Revenue Bonds	\$1,093						\$1,093
1992 Series A Refunding Revenue Bonds	990	\$993	\$992	\$993	\$995	\$993	5,956
1992 Series B Refunding Revenue Bonds	355	354	358	355	357	1,786	3,565
1992 Series C Refunding Revenue Bonds	1,710	2,814	2,818	2,811	2,815	19,698	32,666
1992 Series D Revenue Bonds	263	263	262	265	263	2,896	4,212
1992 Series E Revenue Bonds	739	738	736	738	738	7,711	11,400
Series 1994	320	317	317	317	316	2,213	3,800
Revenue Refunding Bonds Series 1995	1,221	1,213	1,212	1,203	809		5,658
Total Bonds Payable	<u>\$6,691</u>	<u>\$6,692</u>	<u>\$6,695</u>	<u>\$6,682</u>	<u>\$6,293</u>	<u>\$35,297</u>	<u>\$68,350</u>

All bonds referred to above are direct obligations of the Authority payable from and secured by a pledge of lease revenues and other funds and reserves held under the bond resolutions. Additionally, payment of the principal and interest of the 1987 Series A Refunding Bonds, the 1988 Series A Revenue Bonds and the 1992 Series C Refunding (Deferred interest) Bonds are guaranteed by a municipal bond insurance policy. The Authority has surety bonds in amounts up to the reserve requirements for the State Building Revenue Refunding Bonds 1992 Series A, 1992 Series B, and 1995, as well as, the State Building Revenue Bonds 1992 Series D, 1992 Series E, and 1994. No amounts were outstanding at June 30, 1997 or 1996, under these surety bonds.

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The Authority has defeased \$15,254,300 of 1978 Series A Bonds by placing governmental securities into an irrevocable trust that is sufficient to provide for all future debt service payments on these bonds. Consequently, the related liability was appropriately removed from the financial statements in the year of defeasance. The remaining outstanding debt payable by the trust as of June 30, 1997, was \$11,556,600.

The State's colleges and universities have entered into a number of long-term debt obligations for the purpose of funding various projects. The schools have the following debt, in thousands, secured by land, equipment, and student fees:

<u>Bonds Payable</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Balance at June 30, 1997</u>
Series A	2004	3.63%	\$355
Series 1992	2002 to 2014	4.75% to 6.40%	29,605
Series 1993	2005 to 2017	4.40% to 5.50%	11,525
Series 1994	2001 to 2019	4.10% to 6.50%	20,820
Series 1995	2020	4.65% to 5.80%	6,115
Series 1996	1997 to 2013	4.10% to 5.85%	30,400
Series 1997	1997 to 2022	4.20% to 6.85%	28,030
Total Bonds Payable			<u>126,850</u>
<u>Notes Payable</u>			
Unsecured	8/12/1997	6.60%	811
Secured by Land and Buildings	12/22/1997	8.40%	3
Unsecured	1997	5.10% to 7.65%	555
Secured by Future Revenues	7/20/1999	8.20%	35
Secured by Future Revenues	2004	5.43%	431
Unsecured	2010	3.00%	131
Unsecured	9/1/2016	5.14%	4,665
Other notes payable through the year 2017 with interest rates ranging from 5% to 10%			<u>2,210</u>
Total Notes Payable			<u>8,841</u>
Total Bonds and Notes Payable			<u>\$135,691</u>

There are a number of limitations and restrictions contained in the various bond indentures.

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Principal maturities on notes and bonds payable, in thousands, for future years ending June 30 are as follows:

Years	Principal Payable
1998	\$5,110
1999	5,615
2000	5,946
2001	6,352
2002	6,331
Thereafter	<u>106,336</u>
Total	<u><u>\$135,691</u></u>

On February 1, 1997, the University of Idaho issued \$1,550,000 in taxable general obligation bonds with an average interest rate of 6.5% and \$12,380,000 in tax-exempt general obligation bonds with an average interest rate of 5.3%. The purpose of the bond issues was to redeem the outstanding 1987 Series and advance refund a portion of the 1992A Series and the 1992B Series. The net proceeds of approximately \$1.5 million (after payment of \$45,634 in underwriting fees, insurance and other issuance costs) were paid to the trustee to redeem the 1987 Series Bonds. The net proceeds of approximately \$12.2 million (after payment of \$197,946 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. Treasury securities (State and Local Government Series). These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on \$4,515,000 principal of 1992A Series Bonds and \$6,810,000 principal of 1992B Series Bonds. As a result, these amounts are considered to be defeased and the liability has been removed from the bonds payable of the University.

The University of Idaho redeemed the 1987 Series Bonds and advance refunded a portion of the 1992A and 1992B Series Bonds to reduce its total debt service payments over the next 19 years by approximately \$396,000. This produced an economic gain (the difference between the present values of the debt service payments on the old and new debt) of approximately \$444,000.

At June 30, 1997, debt in the amount of \$22,999,000 for the University of Idaho (including amounts discussed above) is considered extinguished through refunding of prior issues by a portion of current issues. Sufficient proceeds were invested in government securities and placed in escrow to assure timely payments of the maturities of those prior issues. Neither the debt nor the escrowed assets are reflected in the financial statements.

The University of Idaho has an unsecured revolving line-of-credit with a bank for the purchase of real property, equipment, and other capital expenditures. The University may borrow at a variable or fixed rate based on the five-year U.S. Government Treasury Note Index less 1.6%. The minimum interest rate is 5.0%, and interest is due monthly on any outstanding balance. The maximum available line is \$500,000 with \$349,843 in outstanding borrowings at June 30, 1997.

STATE OF IDAHO
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On January 1, 1997, Boise State University issued \$14,115,000 in tax-exempt general obligation bonds with an average interest rate of approximately 4.8%. The purpose of the bond issuance was to advance refund the outstanding 1987 Series Student Fee Refunding Revenue Bonds. The net proceeds of approximately \$13.9 million (after payment of \$269,619 in underwriting fees, insurance and other issuance costs) and approximately \$1.1 million in other university funds were used to purchase U.S. Treasury Securities (State and Local Government Series). These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on \$14,560,000 principal of 1987 Series Bonds. As a result, these amounts are considered to be defeased and the liability has been removed from the bonds payable of the University.

Boise State University advance refunded the 1987 Series Bonds to reduce its total debt service payments over the next 14 years by approximately \$3.3 million to obtain an economic gain (the difference between the present values of the debt service payments on the old debt and the debt service payments on the new debt and the deposit of the \$1.1 million referred to above) of approximately \$2.1 million.

At June 30, 1997, debt in the amount of \$21,832,500 for Boise State University (including amounts discussed above) is considered extinguished through refunding of prior issues by a portion of the current issues. Sufficient proceeds were invested in government securities and placed in escrow to assure timely payments of the maturities of those prior issues. Neither the debt nor the escrowed assets are reflected in the financial statements.

B. Component Units

Idaho Housing and Finance Association (IHFA) bonds were issued to provide sources of capital for housing persons of low or moderate incomes. The bonds are secured by mortgages, and repayments are made from the mortgage proceeds. Bonds payable, in thousands, are:

Bond Types	Delivery Dates	Due Dates	Bond Yield	Amount
Single-Family Mortgage Purchase Bonds	3/78 to 3/83	1980 to 2015	5.73% to 9.52%	\$10,260 *
Single-Family Mortgage Bonds	4/88 to 6/97	1990 to 2028	5.37% to 8.27%	1,061,165 *
FHA Insured Housing Revenue Bonds	12/86 to 9/95	1987 to 2036	6.50% to 8.44%	18,510
Insured Section 8 Assisted Housing Bonds	7/77 to 6/79	1980 to 2021	5.75% to 6.80%	21,245 *
Multifamily Housing/Refunding Bonds	5/94	1995 to 2024	6.57% to 8.03%	39,145
General Obligation Bonds	3/90 to 3/94	1991 to 2004	5.00% to 6.60%	3,730
Interest Payable				35,137
Total				<u><u>\$1,189,192</u></u>

*The Idaho Legislature has authorized a continuing appropriation from the Idaho state sales tax account to the extent it is necessary to restore a deficiency in the Capital Reserve Funds. The Capital Reserve Funds were established out of the proceeds of the previously identified bonds

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and are security for those bonds. As shown in the June 30, 1997, financial statements of IHFA, the bonds currently backed by the capital reserve fund totaled \$74,560,000. The total principal amount of the bonds outstanding that are secured by a capital reserve fund and are entitled to a continuing appropriation from the state sales tax account shall not exceed \$89,000,000.

Below is a schedule of IHFA principal debt maturities, in thousands, (not including interest payable) for the fiscal years subsequent to June 30, 1997:

Bonds	1998	1999	2000	2001	2002	Thereafter	Total
Single-Family Mortgage Purchase Bonds	\$1,475	\$860	\$950	\$985	\$1,030	\$4,960	\$10,260
Single-Family Mortgage Bonds	55,610	20,848	28,170	30,749	31,201	894,587	1,061,165
FHA Insured Housing Revenue Bonds	174	180	191	194	197	17,574	18,510
Insured Section 8 Assisted Housing Bonds	610	640	685	725	775	17,810	21,245
Multifamily Housing/Refunding Bonds	605	685	765	835	910	35,345	39,145
General Obligation Bonds	110					3,620	3,730
Total	\$58,584	\$23,213	\$30,761	\$33,488	\$34,113	\$973,896	\$1,154,055

Each bond issue is secured by the pledge of repayments of mortgage loans purchased with the bond proceeds and of all revenue earned relating to those bonds.

Serial bonds and term bonds are subject to redemption at the option of the Association and subject to the terms of the respective bond indenture or bond resolution, in whole or in part, on various dates at prescribed redemption prices ranging from 100 to 103 percent. The bonds are also subject to special redemption from (i) unexpended proceeds of the bonds not committed to purchase mortgage loans, (ii) forfeited commitment fees, and (iii) early recoveries of principal and pledged receipts at any time.

Cash payments for interest for the year ended June 30, 1997 were \$64,313,000.

IHFA also holds commercial paper in the amount of \$15,000,000. This provides funds to purchase single-family mortgage bonds on an interim basis, as well as, financing multifamily construction loans. Maturities range from nine to 74 days.

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NOTE 10. GRAND PRIZES RECEIVABLE AND PAYABLE

The State Lottery participates in a Multi-State Lottery Association (MUSL). Concurrent with the grand prize awards, MUSL purchased annuities to settle each of the grand prize obligations. The annuities were purchased at a discount from the total value of future payments. The discount is amortized over the 19-year life of the underlying annuity. Outstanding grand prizes have been claimed as follows:

Date Claimed	Amount Claimed
February, 1990	\$2,000,000
January, 1991	\$7,280,000
February, 1992	\$12,323,201
November, 1992	\$22,189,840
December, 1993	\$1,000,000
June, 1994	\$3,109,726
December, 1994	\$3,666,267
June, 1995	\$87,585,067
January, 1997	\$48,288,730

In each instance, the winner is paid one-twentieth of the prize amount in the first year and receives 19 equal annual installments comprising the balance.

The following sets forth the remaining payments required under the grand prize obligations:

Fiscal Year Ending June 30	Amount
1998	\$9,370,000
1999	9,370,000
2000	9,370,000
2001	9,370,000
2002	9,370,000
2003 and Thereafter	<u>111,041,000</u>
	157,891,000
Amount Representing Interest	<u>(63,898,990)</u>
Total	<u>\$ 93,992,010</u>

STATE OF IDAHO
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NOTE 11. CHANGES IN GENERAL LONG-TERM DEBT

The changes in the General Long-Term Debt Account Group for the fiscal year ended June 30, 1997, are summarized as follows:

	Balances at July 1, 1996 (as restated)	Increases	Decreases	Balances at June 30, 1997
Capital Leases	\$251,055	\$3,751,459	\$299,796	\$3,702,718
Compensated Absences	26,091,699	109,236		26,200,935
Notes, Bonds, and Contracts Payable	<u>55,010,000</u>		<u>3,900,000</u>	<u>51,110,000</u>
Totals	<u>\$81,352,754</u>	<u>\$3,860,695</u>	<u>\$4,199,796</u>	<u>\$81,013,653</u>

Compensated absences are classified in Accounts Payable and Other Liabilities on the Combined Balance Sheet – All Fund Types, Account Groups and Discretely Presented Component Units.

NOTE 12. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The following enterprise funds are intended to be self-supporting through sales and user fees charged for various services to the general public, state, and other governmental entities:

Correctional Industries - provides employment for the inmates of the Department of Correction by producing and selling a wide range of products to wholesalers and state agencies.

Liquor Dispensary - controls the sale and distribution of liquor products in the State.

State Lottery - accounts for the operation of a state lottery to generate revenues for state buildings and public schools.

Petroleum Clean Water Trust - insures owners and operators of eligible petroleum storage tanks in the State for the cost of cleaning up releases of petroleum products and any resulting bodily injury or property damage suffered by third parties.

State Insurance Fund - provides workers' compensation insurance to private and public employers and is financed through employers' premiums.

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Segment information for these enterprise funds is summarized below:

	Enterprise Funds Segment Information					Total
	Correctional Industries	Liquor Dispensary	State Lottery	Petroleum Clean Water Trust	State Insurance Fund	
Operating Revenues	\$6,131,209	\$55,805,616	\$87,646,154	\$88,063	\$130,888,199	\$280,559,241
Depreciation	186,978	29,269	722,163	3,990	643,091	1,585,491
Operating Income (Loss)	815,425	5,637,154	18,408,443	(1,180,870)	3,789,374	27,469,526
Operating Transfers Out		(8,295,000)	(20,000,000)			(28,295,000)
Net Income (Loss)	878,034	(2,327,601)	(1,591,557)	1,071,948	35,521,232	33,552,056
Property, Plant, and Equipment:						
Net Increase (Decrease)	495,815	28,862	(136,582)	(2,562)	(160,580)	224,953
Net Working Capital	1,703,882	4,405,460	14,344,723	36,724,813	309,674,967	366,853,845
Total Assets	4,303,200	10,199,886	117,776,923	37,881,369	403,343,181	573,504,559
Bonds and Other Long-Term Liabilities			84,622,010	5,364,625	144,966,095	234,952,730
Total Equity	3,904,709	4,567,237	17,779,399	31,408,344	174,528,104	232,187,793

NOTE 13. LITIGATION

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

In ISEEO, et al. v. Evans, et al., the plaintiffs allege that the current public school system does not provide a “thorough” education as required by the Idaho Constitution. Plaintiffs allege that approximately \$700 million to \$1 billion in construction expenditures will be needed to bring public schools up to standards. The case has been dismissed twice by the district court and twice the Idaho Supreme Court has reversed the district court. The district court is considering the State’s motions to dismiss or to grant summary judgment.

The State vigorously contests both the allegations that Idaho’s public school system is not thorough and the alleged costs asserted by the plaintiffs. However, if the plaintiffs were ultimately successful, the Legislature would need to address the declaratory judgment requiring substantial expenditures by either raising revenues or reallocating expenditures.

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NOTE 14. CONTINGENCIES

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 federal audits. The opinion of the State is that of these refunds, if any, will not have a significant effect on the financial position of the State.

Idaho Life and Health Insurance Guaranty Association has not assessed or accrued for all potential shortfalls for several insolvent insurers. The total liability relating to these insolvencies is not yet determined. However, management's best estimate of future unrecorded shortfalls at this time is approximately \$12,000,000. Assessments of the shortfall will be made in future periods as amounts become due.

NOTE 15. COMMITMENTS

The accrual basis of accounting provides that expenditures include only amounts associated with goods and services received and liabilities include only the unpaid amounts associated with such expenditures. Accordingly, approximately \$2.6 million of outstanding purchase orders and purchase commitments are encumbered by PERSI but not reported in the general purpose financial statements.

PERSI has entered into a contract with vendors to implement a new information system. The total remaining purchase commitment related to these contracts over three fiscal years, including the amounts encumbered above, is approximately \$7,000,000.

The State Lottery has contracted with GTECH, Inc., to install and operate the on-line lottery system. The contract, which was amended on August 6, 1997, expires June 30, 2000. Effective October 1, 1995, the State Lottery agreed to pay GTECH, Inc. 7.0% of gross, weekly on-line ticket sales and \$6,000 per week for services related to the instant ticket validation system. The State Lottery paid \$2,142,055 and \$2,118,978 to GTECH, Inc. for the years ended June 30, 1997 and 1996, respectively.

The Department of Fish and Game has contracted with GTECH, Inc., to install and operate the point of sale machines for sportsmen licensing. The total remaining purchase commitment related to this contract is \$971,604.

The Department of Administration estimates there will be approximately \$13,174,370 of additional costs to complete state buildings and other assets currently under construction.

The Idaho State University entered into a real estate agreement with an unrelated entity in March 1995. The transaction was to occur in two phases. The counterparty was to pay the University \$780,000 in exchange for land owned by the University. The receipt of this payment was reported in fiscal year 1995 as an "other addition" in the statement of changes in the fund balances. The second phase of the agreement required the University to pay the counterparty \$925,000 in exchange for a building owned by the counterparty. This was scheduled to occur at

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

the earlier of 30 days following the construction of the facility on the property exchanged in phase one by the counterparty, or 24 months following the phase one closing (March 1997). Due to damage caused by a lightning storm, the phase two date has been extended to January 1, 1998.

NOTE 16. RESTATED BEGINNING BALANCES

During fiscal year 1997, additional information became available that required the restatement of fund equity amounts. Also, during the fiscal year ended June 30, 1997, the State re-examined the Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity". This has resulted in several changes to the State's reporting entity, and fund balances have been adjusted accordingly. As a result, the beginning balances of Cash and Cash Equivalents in the Combined Statement of Cash Flows – All Proprietary Fund Types, Similar Trust Funds and Discretely Presented Component Units decreased by \$4,779,001 in the enterprise funds, and by \$1,486,395 in the Component Units. The following is a summary of prior period adjustments, which were subsequently detected and reported in the accompanying financial statements for the year ended June 30, 1997:

Restated Beginning Balances

	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Non-Expendable Trust Funds	General Fixed Assets Account Group	General Long-Term Debt Account Group	Component Units
A	\$277,740,845	\$319,623,017	\$197,873,340	\$29,016,770	\$591,381,932	\$550,491,435	\$22,129,052	\$114,409,890
B		7,959,289	1,238,110			72,724,949	55,010,000	
C		7,953,368						(4,576,467)
D	(24,349,106)	(50,873,469)	(475,713)	21,705,184			4,213,702	
E					(11,642,910)			
F	\$253,391,739	\$284,662,205	\$198,635,737	\$50,721,954	\$579,739,022	\$623,216,384	\$81,352,754	\$109,833,423

- A. Beginning balances, as previously reported
- B. Change in classification of the Idaho Building Authority in accordance with GASB 14 and NCGS 5
- C. Change in classification in accordance with GASB 14
- D. Accounting corrections related to prior years
- E. Reclassification
- F. Beginning balances, as restated

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

**NOTE 17. SEGMENT INFORMATION FOR DISCRETELY PRESENTED
COMPONENT UNITS**

The State has two proprietary type component units. Component units are organizations, which are legally separate, but the State is ultimately financially accountable, or the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The component units are reported in a separate column to emphasize that they are legally separate from the State and governed by separate boards or commissions. The two component units are described in the following paragraphs:

The Idaho Housing and Finance Association. The Idaho Housing and Finance Association was created by the Idaho Legislature in Idaho Code, Title 67, Chapter 62 for the purpose of building and rehabilitating residential housing for persons of low income. The Governor appoints the Board. A financial benefit/burden relationship exists between the State and the Association. The Association is entitled to appropriation from the state sales tax account, up to a maximum of \$89,000,000, if necessary, to maintain the appropriate reserves as determined by Idaho Code. Also, in the event of the dissolution of the Association, any assets remaining after paying all obligations shall revert to the State. The Association is presented discretely as an enterprise fund. Their audit report, dated August 28, 1997, was previously issued under separate cover for the year ended June 30, 1997.

Idaho Life and Health Insurance Guaranty Association. The Idaho Life and Health Insurance Guaranty Association is a nonprofit organization authorized by the Idaho Life and Health Insurance Guaranty Association Act of 1977, Idaho Code, Title 41, Chapter 43. The Act was passed to provide a mechanism for the payment of covered claims under certain insurance policies where the insurer becomes insolvent. The Act applies to direct and supplemental life and disability policies and annuity contracts. All insurance companies, which sell the type of insurance covered under the Act, are required to be members of the Association as a condition of their authority to transact insurance business in Idaho. The board members are selected by member insurers; however, the Director of Insurance has veto power and may dismiss management at will. Insurers may offset assessments against its premium taxes to the extent of twenty percent (20%) of the amount of such assessment for each of the five (5) calendar years following the year in which the assessment was paid. An allowable offset, or portion thereof, not used in any calendar year cannot be carried over or back to any other year. This imposes a direct financial burden on the State. The Association is presented discretely as an enterprise fund. Their audit report, dated March 26, 1997, was previously issued under separate cover for the year ended December 31, 1996.

The following component unit financial statements include condensed information for the above component units:

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

Balance Sheet
Component Units - Proprietary Funds
June 30, 1997

	Idaho Housing and Finance Association	Idaho Life and Health Insurance Guaranty Association	Total
Assets			
Cash and Cash Equivalents	\$28,502,000	\$228,926	\$28,730,926
Investments	285,033,000	13,869,955	298,902,955
Accounts Receivable, Net		66,485	66,485
Deferred Bond Financing Costs	15,678,000		15,678,000
Notes and Mortgages Receivable	993,772,000		993,772,000
Other Assets	1,255,000	2,855	1,257,855
Fixed Assets, Net	9,022,000	1,101	9,023,101
Total Assets	<u>\$1,333,262,000</u>	<u>\$14,169,322</u>	<u>\$1,347,431,322</u>
Liabilities and Equity			
Liabilities			
Accounts Payable and Other Liabilities	3,643,000	870,990	4,513,990
Deposits	15,982,000		15,982,000
Deferred Revenue		4,365	4,365
Notes, Bonds and Contract Payable	1,204,192,000		1,204,192,000
Policy Claim Liabilities		15,000	15,000
Total Liabilities	<u>1,223,817,000</u>	<u>890,355</u>	<u>1,224,707,355</u>
Equity			
Reserved for Bond Indentures	33,706,000		33,706,000
Unreserved	75,739,000	13,278,967	89,017,967
Total Equity	<u>109,445,000</u>	<u>13,278,967</u>	<u>122,723,967</u>
Total Liabilities and Equity	<u>\$1,333,262,000</u>	<u>\$14,169,322</u>	<u>\$1,347,431,322</u>

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

Statement of Revenues, Expenses and Changes in Retained Earnings
Component Units - Proprietary Funds
For the Fiscal Year Ended June 30, 1997

	Idaho Housing and Finance Association	Idaho Life and Health Insurance Guaranty Association	Total
Operating Revenues			
Licenses, Permits and Fees	\$5,432,000	\$3,373,495	\$8,805,495
Sales of Services, Goods and Property		45,385	45,385
Interest and Other Investment Income	66,693,000		66,693,000
Miscellaneous Income	908,000	588,863	1,496,863
Total Operating Revenues	<u>73,033,000</u>	<u>4,007,743</u>	<u>77,040,743</u>
Operating Expenses			
Personnel Costs	3,929,000	91,820	4,020,820
General and Administrative	3,058,000	63,667	3,121,667
Insurance, Utilities and Rent		10,850	10,850
Depreciation	350,000	1,134	351,134
Awards, Contributions and Claims		653,607	653,607
Total Operating Expenses	<u>7,337,000</u>	<u>821,078</u>	<u>8,158,078</u>
Operating Income	<u>65,696,000</u>	<u>3,186,665</u>	<u>68,882,665</u>
Nonoperating Revenues (Expenses)			
Interest Income		656,879	656,879
Investment Income	15,358,000		15,358,000
Interest Expense	(69,820,000)		(69,820,000)
Other	(2,187,000)		(2,187,000)
Total Nonoperating Revenues (Expenses)	<u>(56,649,000)</u>	<u>656,879</u>	<u>(55,992,121)</u>
Net Income	<u>9,047,000</u>	<u>3,843,544</u>	<u>12,890,544</u>
Beginning Retained Earnings, As Adjusted	100,398,000	9,435,423	109,833,423
Ending Retained Earnings	<u>\$109,445,000</u>	<u>\$13,278,967</u>	<u>\$122,723,967</u>

STATE OF IDAHO
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1997

NOTE 18. SUBSEQUENT EVENTS

Subsequent to December 31, 1996, the fiscal year end for the State Insurance Fund (the Fund), the Governor signed into law House Bill No. 289. The law, effective March 24, 1997, resolved a 1995 ruling by the Idaho Supreme Court and provided that transfer fees collected by the Department of Revenue and Taxation (the Department) remitted to the Fund prior to August 1995, shall remain with the Fund. The law further provided for distribution to the Fund in April 1997 of \$3,239,132 (approximately 20% of the accumulated balance in the suspense account) representing the portion of fees derived from the transfer of non-highway related petroleum products. Subsequent to April 1, 1997, the Fund will be apportioned 20% of the transfer fees collected by the Department, which will be distributed to the Fund on a monthly basis thereafter.

Subsequent to June 30, 1997, the Idaho Housing and Finance Association issued Single-Family Mortgage Bonds 1997 Series F in the amount of \$30,000,000.

Subsequent to June 30, 1997, the Idaho State Building Authority purchased land for \$1,260,000 to be used for state government facilities.

Subsequent to June 30, 1997, pursuant to authority granted by the Idaho Legislature, in October 1997, the Idaho Board of Correction awarded a three-year contract to the Corrections Corporation of America (CCA) to build and operate a 1,250-bed prison facility. The building will be built upon land owned by the State and leased to the Idaho Building Authority. The completed building will be leased back to the State for the operation of the prison facility. The Idaho Building Authority will finance the construction project with State Building Revenue Bonds, Series 1998. The Bonds are expected to be offered for sale in February 1998, and proceeds from the sale are estimated to be \$65,000,000. The annual lease payment will equal approximately \$4,500,000 for 25 years. The operation of the prison is expected to begin in July 2000. The estimated operating costs for the three-year contract is \$52,600,000.



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REQUIRED SUPPLEMENTARY INFORMATION



“HARRIMAN STATE PARK”

photo courtesy of Idaho Parks and Recreation

Eastern Idaho ~ This region is the Gateway to Grand Teton and Yellowstone National parks ~Known to fly-fishers throughout the world, the Henry’s Fork River, with cutthroat trout lying deep in its water, makes this by many accounts the single best fly-fishing area in the world ~ Idaho Falls is the principal city, with 48,226 population, second highest in the state.

State of Idaho
Schedules of Funding Progress
For the Fiscal Years 1992 - 1997

Actuarial Valuation Date	(1) Actuarial Market Value of Assets	(2) Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (UAAL) (2) – (1)	(4) Funded Ratios (1) : (2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) : (5)
PERSI Plan (Dollars in Millions)						
7/1/92	\$2,134.8	\$2,841.1	\$ 706.3	75.1%	\$1,286.8	54.9%
7/1/93	2,434.7	3,206.3	771.6	75.9	1,309.0	58.9
7/1/94	2,591.4	3,666.1	1,074.7	70.7	1,402.0	76.7
7/1/95	3,087.3	4,077.8	990.5	75.7	1,525.0	65.0
7/1/96	3,761.2	4,461.5	700.3	84.3	1,520.2	46.1
7/1/97	4,609.8	4,801.9	192.1	96.0	1,575.5	12.2

Firemen's Retirement Fund (Dollars in Millions)

7/1/92	\$ 87.3	\$194.5	\$107.2	44.9%	\$19.7	544.2%
7/1/93			no valuation			
7/1/94	100.6	240.4	139.8	41.8	22.6	618.6
7/1/95			no valuation			
7/1/96	132.1	241.9	109.8	54.8	24.6	446.3
7/1/97			no valuation			

FRF actuarial valuations are performed bi-annually.

Judges' Retirement Plan (Dollars in Thousands)

7/1/95	\$27,075	\$25,999	\$ (1,076)	104.1%	\$3,304	0%
7/1/96			no valuation			
7/1/97	39,720	29,544	(10,176)	134.4	3,611	0

JRP actuarial valuations are performed bi-annually.

State of Idaho
Schedules of Employer Contributions
For the Fiscal Years 1992 - 1997

PERSI Plan
Employer Contributions (Dollars in Millions)

Year Ended June 30	Annual Required Contribution	Annual Required Contribution %	Percentage Contributions
1992	\$114.4	8.89%	100.0%
1993	124.8	9.75	100.0
1994	146.2	10.65	100.0
1995	173.6	11.63	100.0
1996	176.5	11.63	100.0
1997	185.9	11.64	100.0

Firemen's Retirement Fund
Employer Contributions (Dollars in Millions)

Year Ended June 30	Annual Required Contribution	Annual Required Contribution %	Percentage Contributions
1992	\$4.50	23.34%	100.0%
1993		no valuation	
1994	3.60	15.40	100.0
1995		no valuation	
1996	3.80	15.40	100.0
1997		no valuation	

FRF actuarial valuations are performed bi-annually.

State of Idaho
Notes to the Required Supplementary Schedules
For the Fiscal Year Ended June 30, 1997

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

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

	<u>PERSI Plan</u>	<u>FRF</u>
Valuation date	July 1, 1997	July 1, 1996
Actuarial cost method	Entry Age Normal Cost	Entry Age Cost
Amortization method	Level Percentage of Payroll	Level Percentage of Payroll
Remaining amortization period under the open approach	2.6 years	22.6 years
Asset valuation method	Market Value	Market Value
Actuarial assumptions:		
Investment rate of return	8.00%	8.00%
Projected salary increases	5.25%	5.25%
Postretirement benefit increase	1.00%	4.75%
Inflation rate	4.25%	5.00%

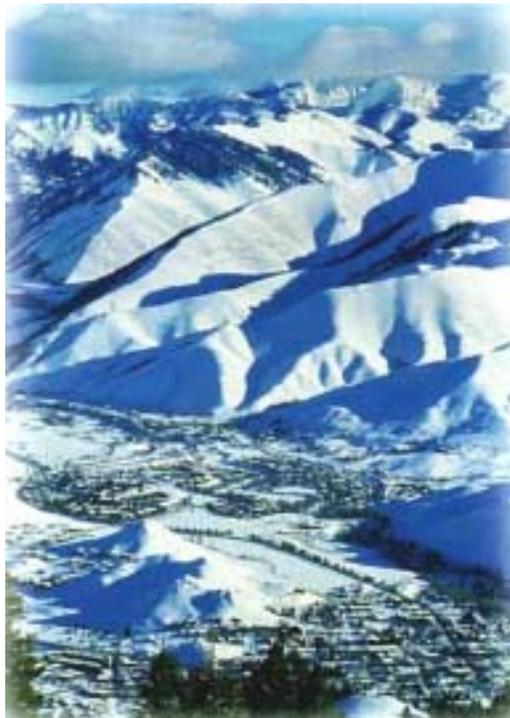
2. Actuarial Information – Judges’ Retirement Plan

Valuation date	July 1, 1997
Actuarial cost method	Entry Age Normal Cost
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	5.00%
Postretirement benefit increase	5.00%



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COMBINING FINANCIAL STATEMENTS AND SCHEDULES



“VIEW OF SUN VALLEY AND KETCHUM FROM BALD MOUNTAIN”
photo courtesy of Sun Valley/Ketchum Chamber of Commerce

Central and Southcentral Idaho ~ In the center of Idaho is Sun Valley, America's first destination ski resort ~ Gushing down steep canyon walls into the river below, hundreds of natural springs are the namesake of the Thousand Springs Scenic Byway. The Source of this water is the Snake River Plains aquifer, one of the largest ground water systems ~ South of Burley is the surreal world of the City of Rocks, where granite spires loom some 60 stories high ~ Shoshone Falls drops 212 feet, 52 feet farther than Niagara Falls.

STATE OF IDAHO

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

The MISCELLANEOUS FUND accounts for revenues, expenditures, and other financial activities associated with general governmental services where the major source of funding is provided by fees, sale of services or goods, federal grants, or other income restricted to expenditure for specific purposes. The Miscellaneous Fund includes the State Building Authority which was created by Idaho Code to construct and finance facilities such as office buildings and parking garages to be used by the State.

**State of Idaho
Combining Balance Sheet
Special Revenue Funds
June 30, 1997**

	Fish and Game	Health and Welfare	Transportation	Federal	Regulatory	Agriculture and Natural Resources	Miscellaneous	Total
Assets								
Cash and Cash Equivalents	\$8,351,204	\$47,547,044	\$85,310,223	\$2,784,228	\$37,923,932	\$58,196,385	\$34,489,424	\$274,602,440
Investments	4,872,220	3,764,823	210,957		376,506	8,222,700	7,634,497	25,081,703
Accounts Receivable, Net	119,463	3,188,893	19,427,073	13,225	172,617	2,347,705	1,302,608	26,571,584
Due from Other Funds		61,345	474,407	192,125	50,356	173,363	177,173	1,128,769
Due from Other Governments	2,610,230	67,005,947	22,748,370	16,032,799		13,270	83,139	108,493,755
Notes and Mortgages Receivable		49,508,949			24,030	7,951,166		57,484,145
Other Assets				20,919	23,725	2,661,266	500	2,706,410
Total Assets	\$15,953,117	\$171,077,001	\$128,171,030	\$19,043,296	\$38,571,166	\$79,565,855	\$43,687,341	\$496,068,806
Liabilities and Fund Balances								
Liabilities								
Accounts Payable and Other Liabilities	\$3,386,694	\$98,566,631	\$47,716,968	\$10,709,064	\$1,618,226	\$2,663,162	\$3,927,674	\$168,588,419
Deposits	7,500	1,891,391	210,957			6,692,938		8,802,786
Due to Other Funds	156,980	842,252	471,687	820,453	109,231	277,176	119,824	2,797,603
Due to Other Governments						1,105		1,105
Deferred Revenue	459,860	13,384	2,405,355	923,086	344,929	7,347,039	217,408	11,711,061
Total Liabilities	4,011,034	101,313,658	50,804,967	12,452,603	2,072,386	16,981,420	4,264,906	191,900,974
Fund Balance								
Reserved for Encumbrances	2,576,481	189,709	43,126,983	1,910,972	336,163	3,665,495	1,272,555	53,078,358
Reserved for Loans and Notes		49,508,949			24,030	7,951,166		57,484,145
Unreserved Fund Balance	9,365,602	20,064,685	34,239,080	4,679,721	36,138,587	50,967,774	38,149,880	193,605,329
Total Fund Balance	11,942,083	69,763,343	77,366,063	6,590,693	36,498,780	62,584,435	39,422,435	304,167,832
Total Liabilities and Fund Balances	\$15,953,117	\$171,077,001	\$128,171,030	\$19,043,296	\$38,571,166	\$79,565,855	\$43,687,341	\$496,068,806

State of Idaho
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Funds
For the Fiscal Year Ended June 30, 1997

	Fish and Game	Health and Welfare	Transportation	Federal	Regulatory	Agriculture and Natural Resources	Miscellaneous	Total
Revenues								
Sales Tax		\$4,800,000	\$2					\$4,800,002
Other Taxes		9,262,167	234,262,536		\$47,629,443	\$30,826,160	\$16,169,551	328,149,857
Licenses, Permits and Fees	\$22,887,863	6,876,287	53,016,275	\$202	26,048,974	24,963,829	942,240	134,735,670
Sale of Services, Goods and Property	819,684	11,131,931	8,931,876	649,593	230,896	6,630,768	9,351,234	37,745,982
Grants and Contributions	18,806,317	515,852,064	151,687,960	183,135,274	59,675	3,390,364	3,546,732	876,478,386
Interest and Other Investment Income	708,639	1,322,132	3,648,729	30,472	525,749	4,201,988	1,138,264	11,575,973
Rent and Lease Income	27,691	87,958	418,829		15,019	773,648	5,821,541	7,144,686
Miscellaneous Income	1,944,568	4,478,701	260,370	135,883	1,747,580	1,676,166	5,073,782	15,317,050
Total Revenues	45,194,762	553,811,240	452,226,577	183,951,424	76,257,336	62,462,923	42,043,344	1,415,947,606
Expenditures								
Current								
General Government		18,000,330		297,957	1,084,506	1,109,731	11,824,484	32,317,008
Public Safety and Corrections				15,125,215			20,710,264	35,835,479
Agriculture and Economic Development	100,000	793,945		47,076,013	27,352,999	28,227,459	13,787,991	117,338,407
Natural Resources	39,252,536	24,787,906		3,339,024	453,946	14,149,029	1,066,382	83,048,823
Health		584,481,952						584,481,952
Education		30,928		11,008,098			4,195,698	15,234,724
Human Services		139,070,832		672,104		331,352	89,543	140,163,831
Transportation			242,946,559			848,412		243,794,971
Capital Outlay	4,012,908	8,451,250	168,093,671	4,062,377	776,793	3,343,046	2,096,905	190,836,950
Intergovernmental		28,447,744	3,064,540	93,809,454		5,021,885	7,974,500	138,318,123
Total Expenditures	43,365,444	804,064,887	414,104,770	175,390,242	29,668,244	53,030,914	61,745,767	1,581,370,268
Revenues Over (Under) Expenditures	1,829,318	(250,253,647)	38,121,807	8,561,182	46,589,092	9,432,009	(19,702,423)	(165,422,662)
Other Financing Sources (Uses)								
Operating Transfers In		230,531,917	803,049	162,422	6,387,788	50,001	19,533,858	257,469,035
Operating Transfers Out		(376,730)	(12,355,985)	(6,286,356)	(50,601,663)	(2,696,817)	(223,195)	(72,540,746)
Total Other Financing Sources (Uses)		230,155,187	(11,552,936)	(6,123,934)	(44,213,875)	(2,646,816)	19,310,663	184,928,289
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,829,318	(20,098,460)	26,568,871	2,437,248	2,375,217	6,785,193	(391,760)	19,505,627
Fund Balances - Beginning of Year, as Adjusted								
	10,112,765	89,861,803	50,797,192	4,153,445	34,123,563	55,799,242	39,814,195	284,662,205
Fund Balances - End of Year	\$11,942,083	\$69,763,343	\$77,366,063	\$6,590,693	\$36,498,780	\$62,584,435	\$39,422,435	\$304,167,832

State of Idaho
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (Budgetary Basis) - Special Revenue Funds
 All Budgeted Funds
 For the Fiscal Year Ended June 30, 1997

	Fish and Game			Health and Welfare			Transportation		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues									
Sales Tax				\$4,800,000	\$4,800,000		\$2	\$2	
Premium Tax									
Other Taxes				9,261,481	9,261,481		234,731,618	234,731,618	
Licenses, Permits and Fees	\$23,104,594	\$23,104,594		6,713,705	6,713,705		\$2,863,070	\$2,863,070	
Sales of Services, Goods and Property	710,602	710,602		18,713,887	18,713,887		8,647,429	8,647,429	
Interest and Other Investment Income	700,608	700,608		1,742,944	1,742,944		3,648,729	3,648,729	
Miscellaneous Income	20,790,153	20,790,153		480,788,059	480,788,059		144,700,475	144,700,475	
Total Revenues	<u>45,305,957</u>	<u>45,305,957</u>		<u>\$22,020,076</u>	<u>\$22,020,076</u>		<u>444,591,323</u>	<u>444,591,323</u>	
Expenditures									
General Government				23,360,187	20,321,834	\$3,038,353			
Human Services				183,241,229	152,215,258	31,025,971			
Public Safety and Corrections									
Health				577,680,664	534,857,697	42,822,967			
Education				98,132	67,204	30,928			
Natural Resources	61,199,324	43,457,327	\$17,741,997	57,581,544	35,178,089	22,403,455			
Agriculture and Economic Development	100,000	100,000		886,020	869,495	16,525			
Transportation							486,225,517	403,363,615	\$82,861,902
Total Expenditures	<u>61,299,324</u>	<u>43,557,327</u>	<u>17,741,997</u>	<u>842,847,776</u>	<u>743,509,577</u>	<u>99,338,199</u>	<u>486,225,517</u>	<u>403,363,615</u>	<u>82,861,902</u>
Revenues Over (Under) Expenditures	<u>(\$15,993,367)</u>	<u>1,748,630</u>	<u>\$17,741,997</u>	<u>(\$320,827,700)</u>	<u>(221,489,501)</u>	<u>\$99,338,199</u>	<u>(\$41,634,194)</u>	<u>41,227,708</u>	<u>\$82,861,902</u>
Other Financing Sources (Uses)									
Operating Transfers In		0			230,531,917			803,049	
Operating Transfers Out		0			(376,730)			(12,355,985)	
Total Other Financing Sources (Uses)		<u>0</u>			<u>230,155,187</u>			<u>(11,552,936)</u>	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		<u>1,748,630</u>			<u>8,665,686</u>			<u>29,674,772</u>	
Reconciling Items									
Changes Effected by Accrued Revenues		(111,195)			31,791,164			7,635,254	
Changes Effected by Accrued Expenditures		191,883			(60,555,310)			(10,741,155)	
Funds Not Annually Budgeted									
Fund Balances - Beginning of Year, as Adjusted		<u>10,112,765</u>			<u>89,861,803</u>			<u>50,797,192</u>	
Fund Balances - End of Year		<u>\$11,942,083</u>			<u>\$69,763,343</u>			<u>\$77,366,063</u>	

State of Idaho
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (Budgetary Basis) - Special Revenue Funds
 All Budgeted Funds
 For the Fiscal Year Ended June 30, 1997

	Federal			Regulatory			Agriculture and Natural Resources		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues									
Sales Tax									
Premium Tax				\$47,202,138	\$47,202,138				
Other Taxes				319,595	319,595		\$7,056,670	\$7,056,670	
Licenses, Permits and Fees				25,658,343	25,658,343		21,778,334	21,778,334	
Sales of Services, Goods and Property	\$338,673	\$338,673		225,356	225,356		7,117,675	7,117,675	
Interest and Other Investment Income	30,472	30,472		525,628	525,628		3,727,641	3,727,641	
Miscellaneous Income	176,763,236	176,763,236		753,942	753,942		2,896,101	2,896,101	
Total Revenues	<u>177,132,381</u>	<u>177,132,381</u>		<u>74,685,002</u>	<u>74,685,002</u>		<u>42,576,421</u>	<u>42,576,421</u>	
Expenditures									
General Government	473,726	291,335	\$182,391				1,828,368	1,206,270	\$622,098
Human Services	5,926,938	5,275,976	650,962						
Public Safety and Corrections	26,850,576	20,037,677	6,812,899						
Health									
Education	100,184,739	83,199,931	16,984,808						
Natural Resources	6,084,501	3,999,034	2,085,467	666,100	451,943	\$214,157	34,165,888	22,134,028	12,031,860
Agriculture and Economic Development	68,932,884	61,246,762	7,686,122	31,009,064	28,513,673	2,495,391	14,600,097	11,662,408	2,937,689
Transportation							1,600,000	673,791	926,209
Total Expenditures	<u>208,453,364</u>	<u>174,050,715</u>	<u>34,402,649</u>	<u>31,675,164</u>	<u>28,965,616</u>	<u>2,709,548</u>	<u>52,194,353</u>	<u>35,676,497</u>	<u>16,517,856</u>
Revenues Over (Under) Expenditures	<u>(\$31,320,983)</u>	<u>3,081,666</u>	<u>\$34,402,649</u>	<u>\$43,009,838</u>	<u>45,719,386</u>	<u>\$2,709,548</u>	<u>(\$9,617,932)</u>	<u>6,899,924</u>	<u>\$16,517,856</u>
Other Financing Sources (Uses)									
Operating Transfers In		162,422			6,387,788			50,001	
Operating Transfers Out		(6,286,356)			(50,601,663)			(2,696,817)	
Total Other Financing Sources (Uses)		<u>(6,123,934)</u>			<u>(44,213,875)</u>			<u>(2,646,816)</u>	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		<u>(3,042,268)</u>			<u>1,505,511</u>			<u>4,253,108</u>	
Reconciling Items									
Changes Effected by Accrued Revenues		6,819,043			487,467			2,508,053	
Changes Effected by Accrued Expenditures		(1,339,527)			381,878			(249,898)	
Funds Not Annually Budgeted					361			273,930	
Fund Balances - Beginning of Year, as Adjusted		<u>4,153,445</u>			<u>34,123,563</u>			<u>55,799,242</u>	
Fund Balances - End of Year		<u>\$6,590,693</u>			<u>\$36,498,780</u>			<u>\$62,584,435</u>	

State of Idaho
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Budgetary Basis) - Special Revenue Funds
All Budgeted Funds
For the Fiscal Year Ended June 30, 1997

	Miscellaneous			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Sales Tax				\$4,800,002	\$4,800,002	
Premium Tax	\$6,332,718	\$6,332,718		53,534,856	53,534,856	
Other Taxes	6,714,264	6,714,264		258,083,628	258,083,628	
Licenses, Permits and Fees	9,066,030	9,066,030		139,184,076	139,184,076	
Sales of Services, Goods and Property	6,764,080	6,764,080		42,517,702	42,517,702	
Interest and Other Investment Income	645,325	645,325		11,021,347	11,021,347	
Miscellaneous Income	7,018,893	7,018,893		833,710,859	833,710,859	
Total Revenues	<u>36,541,310</u>	<u>36,541,310</u>		<u>1,342,852,470</u>	<u>1,342,852,470</u>	
Expenditures						
General Government	5,532,251	5,387,698	\$144,553	31,194,532	27,207,137	\$3,987,395
Human Services	173,664	87,881	85,783	189,341,831	157,579,115	31,762,716
Public Safety and Corrections	25,319,393	22,722,646	2,596,747	52,169,969	42,760,323	9,409,646
Health				577,680,664	534,857,697	42,822,967
Education	8,051,549	6,697,113	1,354,436	108,334,420	89,964,248	18,370,172
Natural Resources	5,159,671	4,172,125	987,546	164,857,028	109,392,546	55,464,482
Agriculture and Economic Development	18,901,638	16,299,182	2,602,456	134,429,703	118,691,520	15,738,183
Transportation				487,825,517	404,037,406	83,788,111
Total Expenditures	<u>63,138,166</u>	<u>55,366,645</u>	<u>7,771,521</u>	<u>1,745,833,664</u>	<u>1,484,489,992</u>	<u>261,343,672</u>
Revenues Over (Under) Expenditures	<u>(\$26,596,856)</u>	<u>(18,825,335)</u>	<u>\$7,771,521</u>	<u>(\$402,981,194)</u>	<u>(141,637,522)</u>	<u>\$261,343,672</u>
Other Financing Sources (Uses)						
Operating Transfers In		19,533,858			257,469,035	
Operating Transfers Out		(223,195)			(72,540,746)	
Total Other Financing Sources (Uses)		<u>19,310,663</u>			<u>184,928,289</u>	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		485,328			43,290,767	
Reconciling Items						
Changes Effected by Accrued Revenues		(645,082)			48,484,704	
Changes Effected by Accrued Expenditures		197,587			(72,114,542)	
Funds Not Annually Budgeted		(429,593)			(155,302)	
Fund Balances - Beginning of Year, as Adjusted		<u>39,814,195</u>			<u>284,662,205</u>	
Fund Balances - End of Year		<u>\$39,422,435</u>			<u>\$304,167,832</u>	



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STATE OF IDAHO

ENTERPRISE FUNDS

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

The CORRECTIONAL INDUSTRIES FUND provides employment for prisoners of the Idaho State Prison. Correctional Industries manufactures and sells a variety of items including license plates, furniture, highway signs, printing services, dairy and meat products, and other miscellaneous products and services.

The LIQUOR DISPENSARY FUND was established by the Legislature in 1939. The Dispensary's purpose is to conduct, license, and regulate the sale of alcoholic beverages. Funding is provided through the sale of products. The surplus from the fund is transferred to the State's General Fund, the Public School Income Fund, and other funds as dictated by Idaho Code. The balance, after the above authorized transfers, is then distributed 40% to counties and 60% to cities.

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

The PETROLEUM CLEAN WATER TRUST provides pollution liability insurance to eligible owners and operators of petroleum storage tanks.

The STATE INSURANCE FUND provides workers' compensation insurance to the general public as well as the various state entities.

**State of Idaho
Combining Balance Sheet
Enterprise Funds
June 30, 1997**

	Correctional Industries	Liquor Dispensary	State Lottery	Petroleum Clean Water Trust	State Insurance Fund	Total
Assets						
Cash and Cash Equivalents	\$1,407,118	\$5,147,443	\$18,183,605	\$2,130,919	\$29,636,578	\$56,505,663
Investments				35,171,891	357,464,017	392,635,908
Accounts Receivable, Net	155,986	42,669	977,445	530,403	6,249,221	7,955,724
Due from Other Funds	429,441					429,441
Grand Prizes Receivable			93,992,010			93,992,010
Other Assets	818,930	4,582,907	3,387,008	48,156	3,761,458	12,598,459
Fixed Assets, Net	1,491,725	426,867	1,236,855		6,231,907	9,387,354
Total Assets	\$4,303,200	\$10,199,886	\$117,776,923	\$37,881,369	\$403,343,181	\$573,504,559
Liabilities and Fund Equity						
Liabilities						
Accounts Payable and Other Liabilities	\$397,305	\$5,617,389	\$6,005,514	\$1,108,400	\$57,607,073	\$70,735,681
Deposits		11,000			26,241,909	26,252,909
Due to Other Funds	1,186	4,260				5,446
Grand Prizes Payable			93,992,010			93,992,010
Policy Claim Liabilities				5,364,625	144,966,095	150,330,720
Total Liabilities	398,491	5,632,649	99,997,524	6,473,025	228,815,077	341,316,766
Fund Equity						
Retained Earnings:						
Unreserved	3,904,709	4,567,237	17,779,399	31,408,344	174,528,104	232,187,793
Total Fund Equity	3,904,709	4,567,237	17,779,399	31,408,344	174,528,104	232,187,793
Total Liabilities and Fund Equity	\$4,303,200	\$10,199,886	\$117,776,923	\$37,881,369	\$403,343,181	\$573,504,559

State of Idaho
Combining Statement of Revenues, Expenses and Changes in Retained Earnings
Enterprise Funds
For the Fiscal Year Ended June 30, 1997

	Correctional Industries	Liquor Dispensary	State Lottery	Petroleum Clean Water Trust	State Insurance Fund	Total
Operating Revenues						
Licenses, Permits and Fees		\$510		\$84,825		\$85,335
Sale of Services, Goods and Property	\$5,990,971	55,787,124	\$86,983,909		\$129,422,032	278,184,036
Miscellaneous Income	140,238	17,982	662,245	3,238	1,466,167	2,289,870
Total Operating Revenues	6,131,209	55,805,616	87,646,154	88,063	130,888,199	280,559,241
Operating Expenses						
Personnel Costs	1,608,572	4,994,838	1,859,855			8,463,265
General and Administrative	288,554	349,191	10,082,708	1,246,824	17,244,504	29,211,781
Travel	29,817	46,735				76,552
Supplies	2,530,970	30,517,313	2,026,764			35,075,047
Insurance, Utilities and Rent	201,719	1,522,138	883,431			2,607,288
Dividends to Policyholders					53,776,978	53,776,978
Miscellaneous	469,174	1,253,929	340,058			2,063,161
Depreciation	186,978	29,269	722,163	3,990	643,091	1,585,491
Awards, Contributions and Claims			53,322,732	18,119	55,434,252	108,775,103
Payment as Agent		11,455,049				11,455,049
Total Operating Expenses	5,315,784	50,168,462	69,237,711	1,268,933	127,098,825	253,089,715
Operating Income (Loss)	815,425	5,637,154	18,408,443	(1,180,870)	3,789,374	27,469,526
Nonoperating Revenues (Expenses)						
Interest Income	62,609	335,287				397,896
Investment Income				2,252,818	31,731,858	33,984,676
Loss on Sale of Fixed Assets		(5,042)				(5,042)
Total Nonoperating Revenues (Expenses)	62,609	330,245		2,252,818	31,731,858	34,377,530
Income (Loss) Before Operating Transfers	878,034	5,967,399	18,408,443	1,071,948	35,521,232	61,847,056
Operating Transfers Out		(8,295,000)	(20,000,000)			(28,295,000)
Net Income (Loss)	878,034	(2,327,601)	(1,591,557)	1,071,948	35,521,232	33,552,056
Beginning Retained Earnings, as Adjusted	3,026,675	6,894,838	19,370,956	30,336,396	139,006,872	198,635,737
Ending Retained Earnings	\$3,904,709	\$4,567,237	\$17,779,399	\$31,408,344	\$174,528,104	\$232,187,793

State of Idaho
Combining Statement of Cash Flows
Enterprise Funds
For the Fiscal Year Ended June 30, 1997

	Correctional Industries	Liquor Dispensary	State Lottery	Petroleum Clean Water Trust	State Insurance Fund	Total
Increase (Decrease) in Cash and Cash Equivalents:						
Cash Flows from Operating Activities						
Receipts from Customers, Loan Interest and Fees	\$1,099,695	\$55,799,784	\$97,294,849	\$87,776	\$122,984,340	\$277,266,444
Receipts from State Agency Customers	4,824,924					4,824,924
Payments to Suppliers	(3,949,428)	(42,350,260)	(13,695,345)	(947,113)	(80,530,512)	(141,472,658)
Payments to Employees for Services and Benefits	(1,593,657)	(4,994,734)	(1,841,122)			(8,429,513)
Payments to State Agency Suppliers	(57,920)	(162,334)				(220,254)
Payments of Awards and Claims			(62,231,796)	(1,678,500)		(63,910,296)
Payments of Dividends to Policyholders					(33,502,035)	(33,502,035)
Net Cash Provided (Used) by Operating Activities	323,614	8,292,456	19,526,586	(2,537,837)	8,951,793	34,556,612
Cash Flows from Noncapital Financing Activities						
Operating Transfers Out		(8,295,000)	(20,000,000)			(28,295,000)
Net Cash Provided (Used) by Noncapital Financing Activities		(8,295,000)	(20,000,000)			(28,295,000)
Cash Flows from Capital and Related Financing Activities						
Proceeds from Disposition of Capital Assets		21,840		477		22,317
Acquisition and Construction of Capital Assets	(81,538)	(148,738)	(585,582)		(95,885)	(911,743)
Net Cash Provided (Used) by Capital and Related Financing Activities	(81,538)	(126,898)	(585,582)	477	(95,885)	(889,426)
Cash Flows from Investing Activities						
Receipt of Interest and Dividends	62,609	335,287			21,399,508	21,797,404
Purchase of Investments			(232,974)	(8,142,094)	(286,768,160)	(295,143,228)
Redemption of Investments	498,198			8,200,000	255,156,949	263,855,147
Investment Income				4,293,247		4,293,247
Other Investing Activities				13,478	(1,281,865)	(1,268,387)
Net Cash Provided (Used) by Investing Activities	560,807	335,287	(232,974)	4,364,631	(11,493,568)	(6,465,817)
Net Increase (Decrease) in Cash and Cash Equivalents	802,883	205,845	(1,291,970)	1,827,271	(2,637,660)	(1,093,631)
Beginning Cash and Cash Equivalents	604,235	4,941,598	19,475,575	303,648	32,274,238	57,599,294
Ending Cash and Cash Equivalents	\$1,407,118	\$5,147,443	\$18,183,605	\$2,130,919	\$29,636,578	\$56,505,663

State of Idaho
Combining Statement of Cash Flows
Enterprise Funds
For the Fiscal Year Ended June 30, 1997

	Correctional Industries	Liquor Dispensary	State Lottery	Petroleum Clean Water Trust	State Insurance Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	815,425	5,637,154	18,408,443	(1,180,870)	3,789,374	27,469,526
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Depreciation	186,978	29,269	722,163	3,990	643,091	1,585,491
(Increase) Decrease in Accounts Receivable, Net	(79,314)	16,004	204,893	118,334	127,431	387,348
(Increase) Decrease in Grand Prize Receivables				12,712		12,712
(Increase) Decrease in Due from Other Funds	(127,277)					(127,277)
(Increase) Decrease in Other Assets	133,638	(15,900)	(269,931)		498,020	345,827
Increase (Decrease) in Accounts Payable and Other Liabilities	(605,836)	2,625,929	(143,456)	(917)	11,421,846	13,297,566
Increase (Decrease) in Grand Prizes Payable			604,474			604,474
Increase (Decrease) in Policy Claim Liabilities				(1,491,086)	(7,527,969)	(9,019,055)
Total Adjustments	(491,811)	2,655,302	1,118,143	(1,356,967)	5,162,419	7,087,086
Net Cash Provided (Used) by Operating Activities	\$323,614	\$8,292,456	\$19,526,586	(\$2,537,837)	\$8,951,793	\$34,556,612

Noncash Transactions:

Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments. The following noncash transaction occurred during the year: The State Lottery, an Enterprise Fund, reported grand prizes claimed in fiscal year 1997 for the amount of \$48,288,730. Annuities were purchased to settle the winning claims. The accretion of grand prize annuities receivable from the Multi-State Lottery Association, with a corresponding increase in the grand prizes payable, totaled \$5,542,808 for the current fiscal year.



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STATE OF IDAHO

INTERNAL SERVICE FUNDS

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

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

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

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

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

**State of Idaho
Combining Balance Sheet
Internal Service Funds
June 30, 1997**

	General Services	Data Processing Services	Group Insurance	Risk Management	Total
Assets					
Cash and Cash Equivalents	\$5,211,331	\$583,035	\$45,653,589	\$17,501,630	\$68,949,585
Accounts Receivable, Net	346,551	3,902		88,558	439,011
Due from Other Funds	895,517	579,255	3,882	4,370	1,483,024
Other Assets	619,015	501,596		88,559	1,209,170
Fixed Assets, Net	1,502,645	1,596,941			3,099,586
Total Assets	\$8,575,059	\$3,264,729	\$45,657,471	\$17,683,117	\$75,180,376
Liabilities and Fund Equity					
Liabilities					
Accounts Payable and Other Liabilities	\$2,525,095	\$315,323	\$1,982,834	\$271,761	\$5,095,013
Due to Other Funds	185,644	2,888	6,767	31,008	226,307
Deferred Revenue	18,202	8,915	5,218,854		5,245,971
Policy Claim Liabilities			15,200,595	11,083,133	26,283,728
Capital Leases	187,864	1,130,374			1,318,238
Total Liabilities	2,916,805	1,457,500	22,409,050	11,385,902	38,169,257
Fund Equity					
Contributed Capital	150,000	14,500			164,500
Retained Earnings:					
Unreserved	5,508,254	1,792,729	23,248,421	6,297,215	36,846,619
Total Fund Equity	5,658,254	1,807,229	23,248,421	6,297,215	37,011,119
Total Liabilities and Fund Equity	\$8,575,059	\$3,264,729	\$45,657,471	\$17,683,117	\$75,180,376

State of Idaho
Combining Statement of Revenues, Expenses and Changes in Retained
Internal Service Funds
For the Fiscal Year Ended June 30, 1997

	General Services	Data Processing Services	Group Insurance	Risk Management	Total
Operating Revenues					
Licenses, Permits and Fees	10,340				10,340
Sale of Services, Goods and Property	21,099,723	5,243,505	54,938,354	4,638,414	85,919,996
Rent and Lease Income	5,060,546				5,060,546
Miscellaneous Income	3,227,336	45,048	5,434,405	70,787	8,777,576
Total Operating Revenues	29,397,945	5,288,553	60,372,759	4,709,201	99,768,458
Operating Expenses					
Personnel Costs	12,573,901	2,335,257	143,374	250,670	15,303,202
General and Administrative	11,413,070	1,750,084	2,094,181	306,050	15,563,385
Travel	143,300	22,413	136	7,449	173,298
Supplies	794,121	304,870	4,197	12,617	1,115,805
Insurance, Utilities and Rent	1,602,306	6,471	16,377	1,352,337	2,977,491
Miscellaneous	458,619	18,508	631	413	478,171
Depreciation	435,846	1,457,874			1,893,720
Awards, Contributions and Claims			76,118,489	2,054,497	78,172,986
Total Operating Expenses	27,421,163	5,895,477	78,377,385	3,984,033	115,678,058
Operating Income (Loss)	1,976,782	(606,924)	(18,004,626)	725,168	(15,909,600)
Nonoperating Revenues (Expenses)					
Interest Income	366,138	50,904	2,676,700	933,045	4,026,787
Interest Expense	(56,001)				(56,001)
Loss on Sale of Fixed Assets		(59,163)			(59,163)
Total Nonoperating Revenues (Expenses)	310,137	(8,259)	2,676,700	933,045	3,911,623
Income (Loss) Before Operating Transfers	2,286,919	(615,183)	(15,327,926)	1,658,213	(11,997,977)
Operating Transfers Out	(1,697,859)		(7,499)	(7,500)	(1,712,858)
Net Income (Loss)	589,060	(615,183)	(15,335,425)	1,650,713	(13,710,835)
Beginning Retained Earnings, as Adjusted	5,069,194	2,422,412	38,583,846	4,646,502	50,721,954
Ending Retained Earnings	\$5,658,254	\$1,807,229	\$23,248,421	\$6,297,215	\$37,011,119

State of Idaho
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 1997

	General Services	Data Processing Services	Group Insurance	Risk Management	Total
Increase (Decrease) in Cash and Cash Equivalents:					
Cash Flows from Operating Activities					
Receipts from Customers, Loan Interest and Fees	\$3,460,028			\$4,714,511	\$8,174,539
Receipts from State Agency Customers	25,899,522	\$6,576,560	\$63,783,113		96,259,195
Payments to Suppliers	(12,232,258)	(3,187,127)	(74,950,223)	(1,912,132)	(92,281,740)
Payments to Employees for Services and Benefits	(12,613,894)	(2,349,793)	(148,400)	(253,354)	(15,365,441)
Payments to State Agency Suppliers	(2,736,472)	(43,807)	(51,033)	(60,826)	(2,892,138)
Payments of Awards and Claims				(2,300,779)	(2,300,779)
Net Cash Provided (Used) by Operating Activities	1,776,926	995,833	(11,366,543)	187,420	(8,406,364)
Cash Flows from Noncapital Financing Activities					
Operating Transfers Out	(1,697,859)		(7,499)	(7,500)	(1,712,858)
Net Cash Provided (Used) by Noncapital Financing Activities	(1,697,859)		(7,499)	(7,500)	(1,712,858)
Cash Flows from Capital and Related Financing Activities					
Proceeds from Disposition of Capital Assets	447				447
Acquisition and Construction of Capital Assets	(965,037)	(1,953,158)	(477)	(6,640)	(2,925,312)
Net Cash Provided (Used) by Capital and Related Financing Activities	(964,590)	(1,953,158)	(477)	(6,640)	(2,924,865)
Cash Flows from Investing Activities					
Receipt of Interest and Dividends	366,866	50,904	2,676,700	933,045	4,027,515
Net Cash Provided (Used) by Investing Activities	366,866	50,904	2,676,700	933,045	4,027,515
Net Increase (Decrease) in Cash and Cash Equivalents	(518,657)	(906,421)	(8,697,819)	1,106,325	(9,016,572)
Beginning Cash and Cash Equivalents	5,729,988	1,489,456	54,351,408	16,395,305	77,966,157
Ending Cash and Cash Equivalents	\$5,211,331	\$583,035	\$45,653,589	\$17,501,630	\$68,949,585

State of Idaho
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 1997

	General Services	Data Processing Services	Group Insurance	Risk Management	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	1,976,782	(606,924)	(18,004,626)	725,168	(15,909,600)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Depreciation	435,846	1,457,873			1,893,719
(Increase) Decrease in Accounts Receivable, Net	(182,164)	(3,650)	20	(88,558)	(274,352)
(Increase) Decrease in Due from Other Funds	(201,128)	(21,734)	21,261	93,867	(107,734)
(Increase) Decrease in Other Assets	(84,316)	(330,125)		(88,559)	(503,000)
Increase (Decrease) in Accounts Payable and Other Liabilities	(204,532)	1,299,095	24,498,617	(562,383)	25,030,797
Increase (Decrease) in Deferred Revenue	(44,508)	5,365	5,218,854		5,179,711
Increase (Decrease) in Due to Other Funds	191,143	559	6,536	(11,249)	186,989
Increase (Decrease) in Policy Claim Liabilities			(23,107,205)	119,134	(22,988,071)
Increase (Decrease) in Capital Leases	(110,197)	(804,626)			(914,823)
Total Adjustments	(199,856)	1,602,757	6,638,083	(537,748)	7,503,236
Net Cash Provided (Used) by Operating Activities	\$1,776,926	\$995,833	(\$11,366,543)	\$187,420	(\$8,406,364)

Noncash Transactions:

Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments. The following noncash transactions occurred during the year: Internal Service Funds acquired fixed assets through capital leases in the amount of \$233,200.



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STATE OF IDAHO

TRUST AND AGENCY FUNDS

TRUST AND AGENCY FUNDS are fiduciary in nature and are maintained to account for assets held by the State acting in the capacity as trustee or agent. The following provides a brief description of the State's significant trust and agency funds:

The TRUST FUNDS:

The EXPENDABLE TRUST FUND Unemployment Compensation pays claims for unemployment to eligible recipients through employer contributions, employer reimbursements, and federal grants.

The NONEXPENDABLE TRUST FUNDS The Endowment Funds account for land grants and the sale or lease of such lands received from the federal Enabling Act. The principal in the fund is perpetual with the earnings used to support education, mental health, corrections, and public buildings.

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

The AGENCY FUNDS:

Joint Exercise of Powers accounts for deposits made with the State Treasurer for investment purposes by various state and local governmental entities.

The Sick Leave/Insurance Reserve Fund provides payment of postretirement health insurance premiums on behalf of former employees of state agencies and school districts in Idaho based on unused accumulated sick leave at their retirement date. The fund accounts for the receipts and disbursements related to the above.

Other Custodial accounts for the receipts and disbursements of monies collected by the State and distributed to other entities.

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

**State of Idaho
Combining Balance Sheet
Trust and Agency Funds
June 30, 1997**

	Expendable Trust Fund	Nonexpendable Trust Funds			Total
	Unemployment Compensation	Endowment Funds	Pension Trust Funds	Agency	
Assets					
Cash and Cash Equivalents	\$278,782,432	\$18,687,385	\$2,364,847	\$3,585,644	\$303,420,308
Investments	48,865,451	637,569,049	4,772,630,067	591,039,976	6,050,104,543
Accounts Receivable, Net	30,042,432	3,356,213	36,404,102	1,049,825	70,852,572
Notes and Mortgages Receivable		4,308,867			4,308,867
Other Assets			13,494,542		13,494,542
Fixed Assets, Net			4,335,287		4,335,287
Total Assets	\$357,690,315	\$663,921,514	\$4,829,228,845	\$595,675,445	\$6,446,516,119
Liabilities and Fund Balances					
Liabilities					
Accounts Payable and Other Liabilities	\$1,158,823	\$3,005,243	\$4,302,860	\$4,560,438	\$13,027,364
Deposits		18,652,613		36,689	18,689,302
Due to Other Governments				591,078,318	591,078,318
Deferred Revenue		7,136,404			7,136,404
Total Liabilities	1,158,823	28,794,260	4,302,860	595,675,445	629,931,388
Fund Balances					
Reserved for Employees' Pension Benefits			4,824,925,985		4,824,925,985
Reserved for Endowment Principal		635,127,254			635,127,254
Unreserved Fund Balance	356,531,492				356,531,492
Total Fund Balances	356,531,492	635,127,254	4,824,925,985		5,816,584,731
Total Liabilities and Fund Balances	\$357,690,315	\$663,921,514	\$4,829,228,845	\$595,675,445	\$6,446,516,119

State of Idaho
Combining Balance Sheet
Nonexpendable Trust Funds
June 30, 1997

	Public School Endowment	Pooled Endowments	Total Endowment Board	Endowment Other	Total Endowment
Assets					
Cash and Cash Equivalents	\$1,888	\$32,884	\$34,772	\$18,652,613	\$18,687,385
Investments	436,923,595	200,645,454	637,569,049		637,569,049
Accounts Receivable, Net	394,884	133,792	528,676	2,827,537	3,356,213
Notes and Mortgages Receivable				4,308,867	4,308,867
Total Assets	\$437,320,367	\$200,812,130	\$638,132,497	\$25,789,017	\$663,921,514
Liabilities and Fund Balance					
Liabilities					
Accounts Payable and Other Liabilities	\$2,092,066	\$913,177	\$3,005,243		\$3,005,243
Deposits				\$18,652,613	18,652,613
Deferred Revenue				7,136,404	7,136,404
Total Liabilities	2,092,066	913,177	3,005,243	25,789,017	28,794,260
Fund Balances					
Reserved for Endowment Principal	435,228,301	199,898,953	635,127,254		635,127,254
Total Fund Balances	435,228,301	199,898,953	635,127,254		635,127,254
Total Liabilities and Fund Balances	\$437,320,367	\$200,812,130	\$638,132,497	\$25,789,017	\$663,921,514

State of Idaho
Combining Statement of Revenues, Expenses and Changes in Fund Balances
Nonexpendable Trust Funds
For the Fiscal Year Ended June 30, 1997

	Public School Endowment	Pooled Endowments	Total Endowment Board	Total Endowment
Operating Revenues				
Sale of Services, Goods and Property	40,215,717	14,152,535	54,368,252	54,368,252
Interest and Other Investment Income	418,951	601,029	1,019,980	1,019,980
Total Operating Revenues	<u>40,634,668</u>	<u>14,753,564</u>	<u>55,388,232</u>	<u>55,388,232</u>
Operating Income (Loss)	<u>40,634,668</u>	<u>14,753,564</u>	<u>55,388,232</u>	<u>55,388,232</u>
Net Income (Loss)	<u>40,634,668</u>	<u>14,753,564</u>	<u>55,388,232</u>	<u>55,388,232</u>
Fund Balances - Beginning of Year, as Adjusted	<u>394,593,633</u>	<u>185,145,389</u>	<u>579,739,022</u>	<u>579,739,022</u>
Fund Balances - End of Year	<u>\$435,228,301</u>	<u>\$199,898,953</u>	<u>\$635,127,254</u>	<u>\$635,127,254</u>



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State of Idaho
Combining Statement of Cash Flows
Nonexpendable Trust Funds
For the Fiscal Year Ended June 30, 1997

	Public School Endowment	Pooled Endowments	Total Endowment Board	Endowment Other	Total Endowment
Increase (Decrease) in Cash and Cash Equivalents:					
Cash Flows from Operating Activities					
Receipts from Customers, Loan Interest and Fees	\$40,213,829	\$15,065,712	\$55,279,541	\$1,297,265	\$56,576,806
Customer Refunds				(2,360,957)	(2,360,957)
Net Cash Provided (Used) by Operating Activities	40,213,829	15,065,712	55,279,541	(1,063,692)	54,215,849
Cash Flows from Investing Activities					
Receipt of Interest and Dividends	817,292	866,098,833	866,916,125		866,916,125
Purchase of Investments	(2,180,931,935)	(881,231,219)	(3,062,163,154)		(3,062,163,154)
Redemption of Investments	2,139,902,702		2,139,902,702		2,139,902,702
Net Cash Provided (Used) by Investing Activities	(40,211,941)	(15,132,386)	(55,344,327)		(55,344,327)
Net Increase (Decrease) in Cash and Cash Equivalents	1,888	(66,674)	(64,786)	(1,063,692)	(1,128,478)
Beginning Cash and Cash Equivalents	99,558	99,558	99,558	19,716,305	19,815,863
Ending Cash and Cash Equivalents	\$1,888	\$32,884	\$34,772	\$18,652,613	\$18,687,385

State of Idaho
Combining Statement of Cash Flows
Nonexpendable Trust Funds
For the Fiscal Year Ended June 30, 1997

	Public School Endowment	Pooled Endowments	Total Endowment Board
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	40,634,668	14,753,564	55,388,232
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
(Increase) Decrease in Accounts Receivable, Net	(420,839)	312,148	(108,691)
(Increase) Decrease in Notes and Mortgages Receivable			
Increase (Decrease) in Deferred Revenue			
Increase (Decrease) in Deposits			
Total Adjustments	(420,839)	312,148	(108,691)
Net Cash Provided (Used) by Operating Activities	\$40,213,829	\$15,065,712	\$55,279,541

Endowment Other	Total Endowment
0	55,388,232
3,667,394	3,558,703
749,309	749,309
(4,506,505)	(4,506,505)
(973,890)	(973,890)
(1,063,692)	(1,172,383)
(\$1,063,692)	\$54,215,849

State of Idaho
Combining Statement of Net Plan Assets
Pension Trust Funds
June 30, 1997

	Public Employee Retirement System of Idaho Plan	Firemen's Retirement Plan	Idaho Super Saver - 401(k) Plan	Judges' Retirement Plan	Total
Assets					
Cash and Cash Equivalents	\$2,227,005	\$75,077		\$62,765	\$2,364,847
Investments	4,574,261,358	154,208,680	\$4,882,283	39,277,746	4,772,630,067
Accounts Receivable, Net	34,907,101	1,098,407		398,594	36,404,102
Other Assets	13,494,542				13,494,542
Fixed Assets, Net	4,335,287				4,335,287
Total Assets	\$4,629,225,293	\$155,382,164	\$4,882,283	\$39,739,105	\$4,829,228,845
Liabilities					
Accounts Payable and Other Liabilities	4,158,552	125,529		18,779	4,302,860
Total Liabilities	4,158,552	125,529		18,779	4,302,860
Net Assets Held in Trust for Employees' Pension Benefi	\$4,625,066,741	\$155,256,635	\$4,882,283	\$39,720,326	\$4,824,925,985



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State of Idaho
Combining Balance Sheet
Agency Funds
June 30, 1997

	Custodial	Payroll	Sick Leave/ Reserve Fund	Total
Assets				
Cash and Cash Equivalents	\$3,083,333	\$472,870	\$29,441	\$3,585,644
Investments	\$524,967,753	2,003,659	64,068,564	591,039,976
Accounts Receivable, Net			1,049,825	1,049,825
Total Assets	\$524,967,753	\$5,086,992	\$65,147,830	\$595,675,445
Liabilities				
Accounts Payable and Other Liabilities	\$37,628	\$4,039,728	\$10,212	\$4,560,438
Deposits		36,689		36,689
Due to Other Governments	524,930,125	1,010,575	65,137,618	591,078,318
Total Liabilities	\$524,967,753	\$5,086,992	\$65,147,830	\$595,675,445

State of Idaho
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 1997

	Balance July 1, 1996	Additions	Deductions	Balance June 30, 1997
Joint Exercise of Powers				
Assets				
Cash and Cash Equivalents		\$89,830,742	\$89,830,742	
Investments	\$435,712,738	89,465,549	210,534	\$524,967,753
Total Assets	\$435,712,738	\$179,296,291	\$90,041,276	\$524,967,753
Liabilities				
Accounts Payable and Other Liabilities	\$17,451	\$3,679,298	\$3,659,121	\$37,628
Due to Other Funds	12,208		12,208	
Due to Other Governments	435,683,079	92,605,848	3,358,802	524,930,125
Total Liabilities	\$435,712,738	\$96,285,146	\$7,030,131	\$524,967,753
Other Custodial				
Assets				
Cash and Cash Equivalents	\$4,004,563	\$23,144,326	\$24,065,556	\$3,083,333
Investments	1,238,760	6,488,320	5,723,421	2,003,659
Total Assets	\$5,243,323	\$29,632,646	\$29,788,977	\$5,086,992
Liabilities				
Accounts Payable and Other Liabilities	\$3,764,282	\$24,871,672	\$24,596,226	\$4,039,728
Deposits	36,689			36,689
Due to Other Funds	16,539		16,539	
Due to Other Governments	1,425,813	4,798,337	5,213,575	1,010,575
Total Liabilities	\$5,243,323	\$29,670,009	\$29,826,340	\$5,086,992
Payroll				
Assets				
Cash and Cash Equivalents	\$456,153	\$834,733,338	\$834,716,621	\$472,870
Total Assets	\$456,153	\$834,733,338	\$834,716,621	\$472,870
Liabilities				
Accounts Payable and Other Liabilities	\$456,153	\$834,708,338	\$834,691,621	\$472,870
Total Liabilities	\$456,153	\$834,708,338	\$834,691,621	\$472,870

	Balance July 1, 1996	Additions	Deductions	Balance June 30, 1997
Sick Leave/Insurance Reserve Fund				
Assets				
Cash and Cash Equivalents	\$46,353	\$10,883,238	\$10,900,150	\$29,441
Investments	48,713,737	15,354,827		64,068,564
Accounts Receivable, Net	893,263	11,020,392	10,863,830	1,049,825
Total Assets	\$49,653,353	\$37,258,457	\$21,763,980	\$65,147,830
Liabilities				
Accounts Payable and Other Liabilities	\$13,113	\$45,962	\$48,863	\$10,212
Due to Other Governments	49,640,240	18,852,626	3,355,248	65,137,618
Total Liabilities	\$49,653,353	\$18,898,588	\$3,404,111	\$65,147,830
Total for All Agency Funds				
Assets				
Cash and Cash Equivalents	\$4,507,069	\$958,591,644	\$959,513,069	\$3,585,644
Investments	485,665,235	111,308,696	5,933,955	591,039,976
Accounts Receivable, Net	893,263	11,020,392	10,863,830	1,049,825
Total Assets	\$491,065,567	\$1,080,920,732	\$976,310,854	\$595,675,445
Liabilities				
Accounts Payable and Other Liabilities	\$4,250,999	\$863,305,270	\$862,995,831	\$4,560,438
Deposits	36,689			36,689
Due to Other Funds	28,747		28,747	
Due to Other Governments	486,749,132	116,256,811	11,927,625	591,078,318
Total Liabilities	\$491,065,567	\$979,562,081	\$874,952,203	\$595,675,445



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STATE OF IDAHO

COLLEGE AND UNIVERSITY FUNDS

COLLEGE AND UNIVERSITY FUNDS account for the financial position and operations of the State's colleges and universities in accordance with existing authoritative accounting and reporting principles as prescribed in the AICPA Industry Guide. Accordingly, college and university funds are an aggregation of the following funds:

STUDENT LOAN FUNDS account for transactions of related resources obtained and used for loans to students.

ENDOWMENT FUNDS account for resources, held by the institutions, that must be administered in accordance with trust agreements.

PLANT FUNDS account for resources available for acquisition, renewal and replacement of institutional properties, resources available to service debt incurred to acquire such properties, and the fixed assets acquired or constructed for use by the institutions.

AGENCY FUNDS account for amounts held in custody for students, institution-related organizations, and others.

The CURRENT FUNDS account for resources that will be expended for performing the primary and support objectives of the institution, i.e., instruction, academic support, student services, institutional support, operations and maintenance of plant, scholarships and fellowships, and auxiliary activities.

**State of Idaho
Combining Balance Sheet
All College and University Funds
June 30, 1997**

	Current Funds			Student Loan	Endowment	Plant	Agency	Total
	Unrestricted	Auxiliary	Restricted					
Assets								
Cash and Cash Equivalents	\$26,147,260	\$8,298,855	\$473,335	\$1,096,210	\$4,632,616	\$14,416,838	\$238,361	\$55,303,475
Investments	20,097,926			1,067,557	58,988,842	35,660,049	5,003,770	120,818,144
Accounts Receivable, Net	21,635,114	1,982,930	18,999,459	390,383	191,391	869,688	494,226	44,563,191
Due from Other Funds	9,403,777	2,248,872	1,297,622	78,390	4,484	3,169,077	2,388	16,204,610
Deferred Bond Financing Costs						2,178,128		2,178,128
Notes and Mortgages Receivable				19,246,812	1,530,872			20,777,684
Other Assets	2,648,322	3,409,299		1,041	1,791,978			7,850,640
Fixed Assets, Net						786,017,775		786,017,775
Total Assets	\$79,932,399	\$15,939,956	\$20,770,416	\$21,880,393	\$67,140,183	\$842,311,555	\$5,738,745	\$1,053,713,647
Liabilities and Fund Balances								
Liabilities								
Accounts Payable and Other Liabilities	\$35,243,426	\$2,736,220	\$5,556,486	\$10,567	\$309,053	\$2,314,499	\$5,738,115	\$51,908,366
Deposits	4,405	564,484		69,115				638,004
Due to Other Funds	3,988,551	2,053,604	8,168,652	72,500	1,918,962	1,711	630	16,204,610
Deferred Revenue	6,361,352	367,011						6,728,363
Notes, Bonds and Contracts Payable						135,690,581		135,690,581
Capital Leases						5,787,182		5,787,182
Total Liabilities	45,597,734	5,721,319	13,725,138	152,182	2,228,015	143,793,973	5,738,745	216,957,106
Fund Balance								
Investment in General Fixed Assets						644,540,011		644,540,011
Unreserved Fund Balance	34,334,665	10,218,637	7,045,278	21,728,211	64,912,168	53,977,571		192,216,530
Total Fund Balance	34,334,665	10,218,637	7,045,278	21,728,211	64,912,168	698,517,582		836,756,541
Total Liabilities and Fund Balances	\$79,932,399	\$15,939,956	\$20,770,416	\$21,880,393	\$67,140,183	\$842,311,555	\$5,738,745	\$1,053,713,647

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



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COMPONENT UNITS



“PAYETTE LAKE”
photo by J.D. Williams

Payette Lake, In McCall is one of Idaho's 2,000 lakes and 93,000 miles of rivers stretching across Idaho which offer challenging or relaxing water recreation opportunities. Three hundred of Idaho's lakes are alpine lakes, hidden in the high country.



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STATE OF IDAHO

DISCRETELY PRESENTED COMPONENT UNITS - PROPRIETARY FUNDS

The **DISCRETELY PRESENTED COMPONENT UNITS - PROPRIETARY FUNDS** - are organizations which are legally separate from the State of Idaho for which the State is financially accountable, or for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete.

IDAHO LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION. The Idaho Life and Health Insurance Guaranty Association is a nonprofit organization formed by the Idaho Life and Health Insurance Guaranty Association Act of 1977. The Act was passed to provide a mechanism for the payment of covered claims under certain insurance policies where the insurer becomes insolvent. The act applies to direct and supplemental life and health policies and annuity contracts. All insurance companies which sell the type of insurance covered under the Act are required to be members of the Association as a condition of their authority to transact insurance business in Idaho.

IDAHO HOUSING AND FINANCE ASSOCIATION. The Idaho Housing and Finance Association is empowered by Idaho Code Chapter 62, Title 67, to issue notes and bonds in furtherance of its purpose of providing safe and sanitary housing for persons of limited income residing in the State of Idaho

State of Idaho
Combining Balance Sheet
Discretely Presented Component Units - Proprietary Funds
June 30, 1997

	Idaho Housing and Finance Association	Idaho Life and Health Insurance Guaranty Association	Total
Assets			
Cash and Cash Equivalents	\$28,502,000	\$228,926	\$28,730,926
Investments	285,033,000	13,869,955	298,902,955
Accounts Receivable, Net		66,485	66,485
Deferred Bond Financing Costs	15,678,000		15,678,000
Notes and Mortgages Receivable	993,772,000		993,772,000
Other Assets	1,255,000	2,855	1,257,855
Fixed Assets, Net	9,022,000	1,101	9,023,101
Total Assets	\$1,333,262,000	\$14,169,322	\$1,347,431,322
Liabilities and Fund Equity			
Liabilities			
Accounts Payable and Other Liabilities	\$3,643,000	\$870,990	\$4,513,990
Deposits	15,982,000		15,982,000
Deferred Revenue		4,365	4,365
Notes, Bonds and Contracts Payable	1,204,192,000		1,204,192,000
Policy Claim Liabilities		15,000	15,000
Total Liabilities	1,223,817,000	890,355	1,224,707,355
Fund Equity			
Retained Earnings:			
Reserved for Bond Indentures	33,706,000		33,706,000
Unreserved	75,739,000	13,278,967	89,017,967
Total Fund Equity	109,445,000	13,278,967	122,723,967
Total Liabilities and Fund Equity	\$1,333,262,000	\$14,169,322	\$1,347,431,322

State of Idaho
Combining Statement of Revenues, Expenses and Changes in Retained
Discretely Presented Component Units - Proprietary Funds
For the Fiscal Year Ended June 30, 1997

	Idaho Housing and Finance	Idaho Life and Health Insurance Guaranty Association	Total
Operating Revenues			
Licenses, Permits and Fees	5,432,000	3,373,495	8,805,495
Sale of Services, Goods and Property		45,385	45,385
Interest and Other Investment Income	66,693,000		66,693,000
Miscellaneous Income	908,000	588,863	1,496,863
Total Operating Revenues	73,033,000	4,007,743	77,040,743
Operating Expenses			
Personnel Costs	3,929,000	91,820	4,020,820
General and Administrative	3,058,000	63,667	3,121,667
Insurance, Utilities and Rent		10,850	10,850
Depreciation	350,000	1,134	351,134
Awards, Contributions and Claims		653,607	653,607
Total Operating Expenses	7,337,000	821,078	8,158,078
Operating Income (Loss)	65,696,000	3,186,665	68,882,665
Nonoperating Revenues (Expenses)			
Interest Income		656,879	656,879
Investment Income	15,358,000		15,358,000
Interest Expense	(69,820,000)		(69,820,000)
Other	(2,187,000)		(2,187,000)
Total Nonoperating Revenues (Expenses)	(56,649,000)	656,879	(55,992,121)
 Net Income (Loss)	 9,047,000	 3,843,544	 12,890,544
 Beginning Retained Earnings, as Adjusted	 100,398,000	 9,435,423	 109,833,423
Ending Retained Earnings	\$109,445,000	\$13,278,967	\$122,723,967

State of Idaho
Combining Statement of Cash Flows
Discretely Presented Component Units - Proprietary Funds
For the Fiscal Year Ended June 30, 1997

	Idaho Housing and Finance Association	Idaho Life and Health Insurance Guaranty Association	Total
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities			
Receipts from Customers, Loan Interest and Fees	\$74,622,000	\$3,787,690	\$78,409,690
Loan Principal Payments	73,849,000		73,849,000
Payments to Suppliers	(5,325,000)		(5,325,000)
Payments to Employees for Services and Benefits	(3,929,000)		(3,929,000)
Payments of Awards and Claims		(128,874)	(128,874)
Loan Principal Additions	<u>(226,616,000)</u>		<u>(226,616,000)</u>
Net Cash Provided (Used) by Operating Activities	<u>(87,399,000)</u>	3,658,816	<u>(83,740,184)</u>
Cash Flows from Noncapital Financing Activities			
Deferred Bond Financing Cost	(3,552,000)		(3,552,000)
Interest Paid	(64,533,000)		(64,533,000)
Payment of Bonds	(96,704,000)		(96,704,000)
Bonds Issued	<u>250,000,000</u>		<u>250,000,000</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>85,211,000</u>		<u>85,211,000</u>
Cash Flows from Capital and Related Financing			
Acquisition and Construction of Capital Assets	<u>(476,000)</u>		<u>(476,000)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(476,000)</u>		<u>(476,000)</u>
Cash Flows from Investing Activities			
Purchase of Investments	(843,269,000)	(3,942,815)	(847,211,815)
Redemption of Investments	829,241,000		829,241,000
Other Investing Activities	<u>15,633,000</u>		<u>15,633,000</u>
Net Cash Provided (Used) by Investing Activities	<u>1,605,000</u>	(3,942,815)	<u>(2,337,815)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,059,000)	(283,999)	(1,342,999)
Beginning Cash and Cash Equivalents	<u>29,561,000</u>	<u>512,925</u>	<u>30,073,925</u>
Ending Cash and Cash Equivalents	<u>\$28,502,000</u>	<u>\$228,926</u>	<u>\$28,730,926</u>

State of Idaho
Combining Statement of Cash
Discretely Presented Component Units - Proprietary
For the Fiscal Year Ended June 30, 1997

	Idaho Housing and Finance Association	Idaho Life and Health Insurance Guaranty Association	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$65,696,000	\$3,186,665	\$68,882,665
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Amortization of Deferred Loan Discounts	(2,190,000)		(2,190,000)
Depreciation	350,000	1,134	351,134
(Increase) Decrease in Accounts Receivable, Net	(920,000)	(55,680)	(975,680)
(Increase) Decrease in Notes and Mortgages Receivable	73,849,000		73,849,000
(Increase) Decrease in Other Assets	713,000		713,000
(Increase) Decrease in Customer Loan Principal	(226,616,000)		(226,616,000)
Increase (Decrease) in Accounts Payable and Other Liabilities		526,697	526,697
Increase (Decrease) in Interest Payable	(77,000)		(77,000)
Increase (Decrease) in Deposits	1,796,000		1,796,000
Total Adjustments	(153,095,000)	472,151	(152,622,849)
Net Cash Provided (Used) by Operating Activities	(\$87,399,000)	\$3,658,816	(\$83,740,184)



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STATISTICAL SECTION



“BEAR LAKE”

photo courtesy of Bear Lake Regional Commission

Southeastern Idaho ~ When people think of Idaho, they think of potatoes and in southeastern Idaho that is what they will find.

Blackfoot is the largest potato producing community in the world, accounting for 33% of the nation's potatoes.

Pocatello is the largest city in the region, with the third highest population in the state ~ Close by is the Fort Hall Indian Reservation, home to 3,035 members of the Shoshone-Bannock tribe ~ In the lower southeast corner of the state, extending into Utah lies Bear Lake, 200 feet deep, 20 miles long, 8 miles wide and in season, a noted Cicso fishing area.



Schedule 1 - Revenues by Source
General Governmental Expenditures and Revenues

Fiscal Years 1993-1997

	%	1997	1996	1995	1994	*1993
Sales Taxes	19.62%	\$623,959,683	\$605,411,579	\$575,751,536	\$541,502,894	\$481,357,865
Individual and Corporate Income Taxes	30.54%	971,289,474	947,764,467	877,443,490	774,013,653	692,813,852
Other Taxes	11.60%	368,926,269	346,681,637	424,512,185	414,493,763	370,835,449
Licenses, Permits, and Fees	4.51%	143,406,694	151,296,763	141,958,958	123,267,206	105,966,763
Sales of Services, Goods, and Property	1.35%	42,817,941	44,156,317	42,555,089	38,991,497	23,669,227
Grants and Contributions	28.15%	895,013,029	805,440,878	724,364,466	676,788,795	634,969,669
Interest and Other Investment Income	2.52%	80,233,205	72,386,195	63,264,871	22,190,217	24,082,507
Rent and Lease Income	0.39%	12,320,261	5,155,123	6,998,254	11,173,620	10,771,374
Miscellaneous Income	1.32%	41,997,956	46,553,716	95,064,332	121,591,734	88,297,287
Total Revenues	100.00%	\$3,179,964,512	\$3,024,846,675	\$2,951,913,181	\$2,724,013,379	\$2,432,763,993

This schedule was prepared on a budgetary basis for years prior to 1996 and on a GAAP basis for 1996-1997.

* The State of Idaho converted to a new accounting system that was fully implemented in FY 93. Comparable information for prior years is not available.

Schedule 2 - Expenditures by Function
General Governmental Expenditures and Revenues

Fiscal Years 1993-1997

	%	1997	1996	1995	1994	*1993
General Government	11.92%	\$383,209,137	\$350,097,056	\$358,242,784	\$316,548,733	\$300,495,156
Public Safety and Corrections	4.90%	157,465,319	137,896,622	128,787,631	104,678,504	95,926,701
Agriculture and Economic Development	4.29%	137,852,628	111,593,306	141,439,539	120,435,892	119,022,911
Natural Resources	3.44%	110,698,917	113,096,458	139,543,089	114,435,265	102,221,944
Health and Human Services	22.91%	736,386,951	698,069,406	637,770,958	566,482,282	563,747,114
Education	30.77%	989,014,311	938,745,436	999,299,701	1,036,956,975	969,223,655
Transportation	7.82%	251,156,403	199,094,940	383,907,339	311,694,499	293,952,674
Capital Outlay**	8.05%	258,696,798	251,088,976			
Intergovernmental**	5.90%	189,671,236	197,942,396			
Total Expenditures	100.00%	\$3,214,151,700	\$2,997,624,596	\$2,788,991,041	\$2,571,232,150	\$2,444,590,155

This schedule was prepared on a budgetary basis for years prior to 1996 and on a GAAP basis for 1996-1997.

* The State of Idaho converted to a new accounting system that was fully implemented in FY 93. Comparable information for prior years is not available.

** Classification structure changed in FY 97 and data from years prior to 1996 is not available.



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

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

Property Taxes by Taxing District

Tax Levy Years 1991-1996 (dollars in millions)

	1996	*1995	1994	1993	1992	1991
County	\$172.7	\$162.3	\$155.3	\$146.9	\$134.9	\$118.3
City	149.1	136.8	127.3	116.5	109.6	100.6
School	301.2	277.0	285.3	253.1	233.9	217.9
Roads/Highways	40.6	38.8	36.2	34.2	33.5	31.7
Community College	9.8	9.5	9.4	8.7	7.4	6.6
All Others	41.6	39.8	38.1	33.8	30.3	27.6
Total Tax	\$715.0	\$664.2	\$651.6	\$593.2	\$549.6	\$502.7

Property Taxes by Category of Property

Tax Levy Years 1991-1996

	1996	*1995	1994	1993	1992	1991
Residential	54.9%	54.4%	52.1%	50.3%	49.3%	47.9%
Commercial/Industrial	30.0%	30.2%	31.0%	32.3%	32.6%	33.1%
Agricultural	6.8%	7.3%	8.0%	8.5%	9.1%	9.5%
Timber	1.5%	1.4%	1.5%	1.2%	1.1%	1.1%
Mining	0.3%	0.3%	0.2%	0.4%	0.4%	0.8%
Operating	6.5%	6.4%	7.2%	7.3%	7.5%	7.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Urban	60.6%	59.7%	58.9%	59.4%	59.1%	58.3%
Rural	39.4%	40.3%	41.1%	40.6%	40.9%	41.7%
% Change Total Tax Collections	7.6%	1.9%	9.8%	8.0%	9.3%	9.1%
Amount Tax Collections (millions)	\$715.0	\$664.2	\$651.6	\$593.2	\$549.5	\$502.7
Amount Market Value (billions)	\$48.8	\$44.2	\$38.7	\$34.7	\$31.5	\$29.5
Average Tax Rate	1.466%	1.502%	1.683%	1.708%	1.744%	1.702%

*HB156 became law in 1995. This included \$40.8M of school Maintenance & Operations (M&O) property tax relief as a result of reducing the maximum M&O tax rate from .4% to .3%.

Also other local M&O taxing district budgets were capped at a 3% increase plus the previous year's M&O tax rate times the taxable value of any new construction.

The school tax relief was paid by state sales tax collections.

Source: Associated Taxpayers of Idaho



STATE OF IDAHO

Schedule 4 - State Sales Tax Revenues

Fiscal Years 1988-1997 (dollars in millions)

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Total Sales	\$34,900	\$32,338	\$29,615	\$26,911	\$24,866	\$22,277	\$20,240	\$19,058	\$16,962	\$15,142
Nontaxable	23,230	21,167	18,992	16,834	15,936	14,142	12,714	11,938	10,534	9,284
Net Taxable	11,670	11,171	10,623	10,077	8,930	8,135	7,526	7,120	6,428	5,858
Use Tax	764	802	768	670	654	536	502	489	427	327
Total Taxable	\$12,434	\$11,973	\$11,391	\$10,747	\$9,584	\$8,671	\$8,028	\$7,609	\$6,855	\$6,185
Tax Amount Received	\$624	\$600	\$574	\$540	\$475	\$421	\$398	\$374	\$347	\$311

Source: Idaho State Tax Commission

Schedule 5 - Total Resident Population and Components of Change

Calendar Years 1988-1997 (figures in thousands)

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Population	1,213.7	1,186.7	1,159.9	1,131.0	1,098.4	1,068.1	1,037.5	1,010.7	996.7	988.5
Population % Change	2.3%	2.3%	2.6%	3.0%	2.8%	3.0%	2.7%	1.4%	0.8%	0.2%
Births Number	18,976	18,482	17,915	17,690	17,575	17,197	16,741	16,423	15,863	15,759
Deaths Number	8,868	8,679	8,553	8,478	8,277	7,887	7,644	7,358	7,389	7,611
Net Migration Number	16,878	16,982	19,563	23,411	20,977	21,365	17,628	4,984	-0.251	-6.249

Note: 1997 numbers are estimates.

Source: Division of Financial Management, Economic Analysis Bureau

Schedule 6 - Residential Building Activity

Housing Starts

Calendar Years 1988-1997

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Idaho	8,610	9,223	9,363	12,765	11,457	9,584	6,600	5,832	4,675	3,334
% Change	-6.7%	-1.5%	-26.6%	11.4%	19.5%	45.2%	13.2%	24.8%	40.2%	-2.2%
National (millions)	1.460	1.467	1.360	1.446	1.292	1.201	1.009	1.203	1.382	1.488
% Change	-0.4%	7.9%	-6.0%	12.0%	7.5%	19.1%	-16.2%	-12.9%	-7.1%	-8.7%

Note: 1997 numbers are estimates.

Source: Division of Financial Management, Economic Analysis Bureau



Schedule 7 - Domestic Financial Institutions Deposits

Calendar Years 1991-1996 (dollars in thousands)

Institution Type	Total No. of Branches	1996	1995	1994	1993	1992	1991
Banks	334	\$9,125,149	\$8,991,366	\$8,423,993	\$7,847,252	\$7,493,972	\$7,246,733
Savings & Loans	48	898,827	854,042	860,648	865,864	869,357	824,832
Credit Unions	86	1,129,960	1,005,891	989,061	934,884	891,843	821,089
Total for Idaho	468	\$11,153,936	\$10,851,299	\$10,273,702	\$9,648,000	\$9,255,172	\$8,892,654

Source: 1997/Sheshunoff Information Services, Inc.

Schedule 8 - Ten Largest Private Employers in Idaho

June 1, 1997

Major Idaho Employers	Employees
Micron Technology	4,000-6,000
Albertsons, Inc.	4,000-6,000
J.R. Simplot Co.	4,000-6,000
Lockheed Idaho Martin Technologies Co.	4,000-6,000
Hewlett-Packard Co.	2,000-4,000
St. Luke's Regional Medical Center	2,000-4,000
St. Alphonsus Regional Medical Center	2,000-4,000
Micron Electronics, Inc.	2,000-4,000
American Micro-Systems, Inc.	1,000-2,000
Eastern Idaho Health Services, Inc.	1,000-2,000

Source: Idaho Department of Labor

Schedule 9 - Employment Comparison

Calendar Years 1987-1996

	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
Idaho Civilian Labor Force	619,304	601,194	591,463	547,678	531,994	508,687	492,619	489,000	479,000	473,000
% Change	3.0%	1.6%	8.0%	2.9%	4.6%	3.3%	0.7%	2.1%	1.3%	
U.S. Civilian Labor										
Force in (thousands)	133,944	132,304	131,056	129,199	128,105	126,346	125,840	123,870	121,669	119,865
% Change	1.2%	1.0%	1.4%	0.9%	1.4%	0.4%	1.6%	1.8%	1.5%	
Idaho Employment	586,874	568,801	558,589	513,653	497,343	477,070	463,484	464,000	451,000	435,000
% Change	3.2%	1.8%	8.7%	3.3%	4.2%	2.9%	-0.1%	2.9%	3.7%	
U.S. Employment (thousands)	126,708	124,900	123,060	120,259	118,492	117,718	118,793	117,342	114,968	112,440
% Change	1.4%	1.5%	2.3%	1.5%	0.7%	-0.9%	1.2%	2.1%	2.2%	

Note: 1986 data is not available.

Source: Idaho Department of Labor



Schedule 10 - Labor Force and Employment by Sector

Calendar Years 1987-1996

	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
Resident Civilian Labor Force and Employment in Idaho										
Civilian Labor Force	619,304	601,194	591,463	547,678	531,994	508,687	492,619	489,000	479,000	473,000
Unemployment	32,430	32,393	32,874	34,025	34,651	31,617	29,135	25,000	28,000	38,000
Total Employment	586,874	568,801	558,589	513,653	497,343	477,070	463,484	464,000	451,000	435,000
Unemployment Percentage Rate	5.2%	5.4%	5.6%	6.2%	6.5%	6.2%	5.9%	5.1%	5.8%	8.0%
Nonagricultural Wage and Salary Workers Employed in Idaho										
Goods Producing Industries										
Mining	3,067	2,725	2,423	2,198	2,603	3,076	3,873	3,677	3,279	2,571
Construction	30,615	29,642	29,017	24,699	22,153	20,152	18,760	16,119	14,210	13,686
Manufacturing- Durable Goods	44,063	42,111	40,615	37,482	34,775	33,143	34,041	32,184	29,570	26,836
Manufacturing- Nondurable Goods	28,831	28,907	31,256	31,759	30,963	30,082	28,827	28,402	28,577	27,250
Total Goods Producing Industries	106,576	103,385	103,311	96,138	90,494	86,453	85,501	80,382	75,636	70,343
Service Producing Industries										
Transportation, Comm., and Utilit.	23,409	22,707	21,882	20,880	20,341	20,029	19,790	19,262	18,491	18,227
Trade	125,199	121,408	116,708	109,395	105,916	101,000	97,092	93,129	87,348	84,893
Finance, Insurance, and Real Estate	25,183	24,981	24,108	22,759	21,474	20,624	19,836	19,299	19,265	19,118
Service	116,019	110,130	102,853	97,234	90,399	85,637	81,772	76,202	71,830	67,970
State and Local Government	82,582	81,693	79,040	76,839	74,524	71,432	68,362	65,188	63,159	61,125
Federal Government	12,895	13,109	13,486	13,572	13,456	12,908	13,051	12,708	12,471	12,173
Total Service Producing Industries	385,287	374,028	358,077	340,679	326,110	311,630	299,903	285,788	272,564	263,506
Nonfarm Wage & Salary Employment	491,863	477,413	461,388	436,817	416,604	398,083	385,404	366,170	348,200	333,849

Source: Idaho Department of Labor



Schedule 11 - Average Annual Wage

Calendar Years 1988-1997

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Idaho	\$24,897	\$24,138	\$23,634	\$22,742	\$21,975	\$21,478	\$20,554	\$19,761	\$18,905	\$18,348
% Change	3.1%	2.1%	3.9%	3.5%	2.3%	4.5%	4.0%	4.5%	3.0%	4.0%
National	\$31,638	\$30,393	\$29,263	\$28,391	\$27,908	\$27,501	\$26,120	\$25,205	\$24,083	\$23,323
% Change	4.1%	3.9%	3.1%	1.7%	1.5%	5.3%	3.6%	4.7%	3.3%	4.6%

Note: 1997 numbers are estimates.

Source: Division of Financial Management, Economic Analysis Bureau

Schedule 12 - Personal Income Comparison

Idaho vs. National

Calendar Years 1988-1997

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
In Current Dollars										
Idaho (millions)	\$24,330	\$23,194	\$21,993	\$20,559	\$19,371	\$17,661	\$16,313	\$15,499	\$14,241	\$12,668
% Change	4.9%	5.5%	7.0%	6.1%	9.7%	8.3%	5.3%	8.8%	12.4%	6.9%
National (billions)	\$6,872	\$6,495	\$6,151	\$5,792	\$5,519	\$5,277	\$4,982	\$4,804	\$4,501	\$4,185
% Change	5.8%	5.6%	6.2%	4.9%	4.6%	5.9%	3.7%	6.7%	7.6%	7.6%
In 1992 Dollars										
Idaho (millions)	\$21,568	\$20,995	\$20,384	\$19,550	\$18,866	\$17,659	\$16,848	\$16,680	\$16,100	\$15,021
% Change	2.7%	3.0%	4.3%	3.6%	6.8%	4.8%	1.0%	3.6%	7.2%	2.6%
National (billions)	\$6,093	\$5,880	\$5,701	\$5,508	\$5,376	\$5,277	\$5,145	\$5,171	\$5,089	\$4,963
% Change	3.6%	3.1%	3.5%	2.5%	1.9%	2.6%	-0.5%	1.6%	2.5%	3.3%

Note: 1997 numbers are estimates.

Source: Division of Financial Management, Economic Analysis Bureau



Schedule 13 - Personal Income by Component

Calendar Years 1988-1997 (dollars in millions)

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Total Personal Income	\$24,330	\$23,194	\$21,993	\$20,559	\$19,371	\$17,661	\$16,313	\$15,499	\$14,241	\$12,668
% Change	4.9%	5.5%	7.0%	6.1%	9.7%	8.3%	5.3%	8.8%	12.4%	6.9%
Wage and Salaries	\$13,093	\$12,365	\$11,741	\$10,930	\$9,998	\$9,311	\$8,533	\$7,971	\$7,241	\$6,699
% Change	5.9%	5.3%	7.4%	9.3%	7.4%	9.1%	7.0%	10.1%	8.1%	8.5%
Farm Proprietors Income	\$436	\$513	\$365	\$399	\$903	\$590	\$596	\$765	\$836	\$472
% Change	-15.0%	40.4%	-8.5%	-55.8%	53.2%	-1.1%	-22.0%	-8.5%	77.2%	7.7%
Nonfarm Proprietors Income	\$2,514	\$2,375	\$2,247	\$2,053	\$1,860	\$1,684	\$1,481	\$1,485	\$1,630	\$1,337
% Change	5.9%	5.7%	9.4%	10.4%	10.4%	13.7%	-0.3%	-8.9%	21.9%	8.5%
Dividends, Rent, Interest	\$3,824	\$3,689	\$3,598	\$3,427	\$3,113	\$2,881	\$2,821	\$2,705	\$2,311	\$2,090
% Change	3.7%	2.5%	5.0%	10.1%	8.0%	2.1%	4.3%	17.0%	10.6%	1.7%
Other Labor Income	\$1,519	\$1,482	\$1,452	\$1,357	\$1,230	\$1,088	\$964	\$867	\$696	\$623
% Change	2.5%	2.1%	7.0%	10.3%	13.0%	12.8%	11.3%	24.6%	11.6%	9.9%
Govt. Transfers to Individuals	\$3,883	\$3,677	\$3,480	\$3,216	\$3,003	\$2,789	\$2,539	\$2,278	\$2,094	\$1,944
% Change	5.6%	5.7%	8.2%	7.1%	7.6%	9.9%	11.5%	8.8%	7.7%	6.9%
Contribution for Social Insurance	\$1,195	\$1,137	\$1,094	\$1,016	\$919	\$850	\$787	\$720	\$698	\$615
% Change	5.1%	3.9%	7.7%	10.5%	8.1%	8.0%	9.3%	3.1%	13.4%	14.2%
Residence Adjustment	\$255	\$230	\$204	\$195	\$183	\$168	\$165	\$148	\$132	\$118
% Change	10.9%	12.7%	5.0%	6.3%	9.3%	1.4%	12.0%	12.0%	11.4%	14.8%

Note: 1997 numbers are estimates.

Source: Division of Financial Management, Economic Analysis Bureau



Schedule 14 - Per Capita Personal Income Comparison

Idaho vs. National

Calendar Years 1988-1997

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
In Current Dollars										
Idaho	\$20,045	\$19,544	\$18,959	\$18,175	\$17,633	\$16,533	\$15,723	\$15,333	\$14,288	\$12,816
% Change	2.6%	3.1%	4.3%	3.1%	6.7%	5.2%	2.5%	7.3%	11.5%	6.7%
National	\$25,593	\$24,412	\$23,336	\$22,188	\$21,357	\$20,633	\$19,688	\$19,196	\$18,174	\$17,059
% Change	4.8%	4.6%	5.2%	3.9%	3.5%	4.8%	2.6%	5.6%	6.5%	6.6%
In 1992 Dollars										
Idaho	\$17,770	\$17,692	\$17,573	\$17,285	\$17,175	\$16,532	\$16,239	\$16,504	\$16,154	\$15,196
% Change	0.4%	0.7%	1.7%	0.6%	3.9%	1.8%	-1.6%	2.2%	6.3%	2.4%
National	\$22,690	\$22,098	\$21,630	\$21,101	\$20,802	\$20,633	\$20,335	\$20,660	\$20,550	\$20,233
% Change	2.7%	2.2%	2.5%	1.4%	0.8%	1.5%	-1.6%	0.5%	1.6%	2.4%

Note: 1997 numbers are estimates.

Source: Division of Financial Management, Economic Analysis Bureau

Schedule 15 - Full-Time Equivalent Positions - State Employees

Fiscal Years 1988-1997

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Health & Welfare	3,655	3,656	4,105	4,080	3,856	3,812	3,338	2,845	2,690	2,625
Corrections	1,156	1,194	1,110	1,084	961	938	833	754	600	527
College and University	3,298	3,272	3,164	3,113	3,044	2,968	2,878	2,743	2,651	2,621
Transportation	1,813	1,811	1,820	1,814	1,812	1,775	1,773	1,759	1,749	1,731
Revenue & Taxation	372	376	375	372	370	381	369	352	342	336
All Other	6,042	6,009	5,804	5,784	5,785	5,654	5,546	5,347	5,179	4,961
State Total	16,336	16,318	16,378	16,247	15,828	15,528	14,737	13,800	13,211	12,801

Source: Executive Budget FY 1998, FY 1994, FY 1993



Schedule 16 - Public School Enrollment Grades K-12

Academic Years 1987/88 - 1996/97

	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
Elementary	129,525	129,570	129,031	128,339	126,562	124,959	125,782	124,209	123,213	121,815
Secondary	115,727	113,627	111,417	108,435	105,106	100,721	96,887	93,060	91,402	90,629
Total All Grades	245,252	243,197	240,448	236,774	231,668	225,680	222,669	217,269	214,615	212,444

Source: Idaho Department of Education

Schedule 17 - Public Higher Education Enrollment

Student Headcount (Calendar Years 1988-1997)

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Boise State University	15,467	15,137	14,969	15,099	15,296	14,908	14,254	13,529	12,586	11,747
Idaho State University	11,870	12,139	12,027	11,875	10,781	10,755	10,048	9,139	8,028	7,616
University of Idaho	11,027	11,133	11,727	11,730	11,543	11,448	10,941	10,544	10,019	9,444
Lewis-Clark State College	3,008	2,967	3,118	3,330	3,226	3,029	2,816	2,667	2,540	2,275
Total Colleges and Universities	41,372	41,376	41,841	42,034	40,846	40,140	38,059	35,879	33,173	31,082
College of Southern Idaho	4,872	4,430	4,359	4,108	3,820	3,523	3,128	2,827	2,811	2,626
North Idaho College	3,597	3,610	3,276	3,317	3,339	3,074	3,093	2,989	2,669	2,600
Total Junior Colleges	8,469	8,040	7,635	7,425	7,159	6,597	6,221	5,816	5,480	5,226
Eastern Idaho Technical College	540	374	409	368	297	339	327	315	338	315
Total System	50,381	49,790	49,885	49,827	48,302	47,076	44,607	42,010	38,991	36,623

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

Source: Idaho Board of Education



Schedule 18 - Average Teacher Salaries

Academic Years 1987/88 - 1996/97

	Elementary Teachers	Secondary Teachers
1987-88	\$21,390	\$22,789
1988-89	21,884	23,564
1989-90	22,973	24,665
1990-91	24,579	26,464
1991-92	26,303	28,078
1992-93	27,112	28,552
1993-94	27,961	29,302
1994-95	29,926	31,259
1995-96	31,096	32,402
1996-97	32,092	33,286

Source: Idaho Department of Education

Schedule 19 - 1996 School District Information

School District Size	Numbers of Districts	Total Enrollment	Student-Teacher Ratio	Money per Student
Over 5,000 students	13	131,060	19.45	\$3,917
2,500 to 4,999 students	13	45,263	19.18	\$3,960
1,000 to 2,499 students	28	44,360	18.68	\$3,960
500 to 999 students	23	16,069	16.23	\$4,608
Less than 500 students	35	8,500	13.74	\$6,063
Statewide Total	112	245,252	18.75	\$4,055

Source: 1997 Idaho Fiscal Facts, Legislative Services Office



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

Calendar Year 1996

Commodity	Rank Among States	Production	Unit	% of U.S.
Crops:				
Potatoes	1	139,960,000	cwt.	28%
Austrian Winter Peas	1	98,000	cwt.	95%
Wrinkled Seed Peas	1	316,000	cwt.	58%
Lentils	2	440,000	cwt.	36%
Sugarbeets	2	4,545,000	ton	17%
Dry Edible Peas	2	590,000	cwt.	26%
Barley	2	53,290,000	bu.	13%
All Mint	3	2,076,000	lb.	18%
Hops	3	5,596,000	lb.	7%
Prunes and Plums (Fresh) ¹	3	5,500	ton	28%
Onions (Summer Storage)	3	5,590,000	cwt.	17%
Other Spring Wheat	5	50,400,000	bu.	7%
Dry Edible Beans	6	1,907,000	cwt.	7%
All Wheat	6	119,200,000	bu.	5%
Sweet Corn for Processing	6	161,350	ton	5%
Sweet Cherries	6	2,200	ton	1%
Alfalfa Hay	7	4,200,000	ton	5%
Winter Wheat	7	68,800,000	bu.	5%
Apples	8	180,000,000	lb.	2%
All Hay	14	4,760,000	ton	3%
Livestock and Livestock Products				
Foodsized Trout ²	1	40,000,000	lb.	75%
American Cheese	4	388,667,000	lb.	12%
All Sheep and Lambs ³	9	285,000	head	4%
Milk Production	9	4,735	mil. lb.	3%
Wool	10	2,228,000	lb.	4%
Milk Cows ⁴	10	256,000	head	3%
Honey	12	4,950,000	lb.	2%
All Cattle and Calves ³	19	1,750,000	head	2%

¹ Includes only Idaho, Washington, Michigan, and Oregon - Fresh basis.

² Foodsized fish are defined as being 12 inches long or longer.

³ January 1, 1997 inventory.

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

Source: Idaho Agricultural Statistics Service



Schedule 21 - Export Statistics

Idaho Export Statistics by Category

Calendar Years 1987-1996 (dollars in millions)

	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
Non-Agriculture	\$1,328.3	\$1,628.1	\$1,322.8	\$1,061.4	\$939.3	\$827.6	\$763.7	\$633.7	\$508.9	\$332.0
Agriculture	901.2	1,108.3	891.5	824.3	779.8	657.2	646.4	724.2	505.7	420.5
Total	\$2,229.5	\$2,736.4	\$2,214.3	\$1,885.7	\$1,719.1	\$1,484.8	\$1,410.1	\$1,357.9	\$1,014.6	\$752.5

Idaho Non-Agriculture Exports by Major Market

Calendar Years 1987-1996 (dollars in millions)

Country	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
Japan	\$197.3	\$246.9	\$266.8	\$212.0	\$391.0	\$318.4	\$327.1	\$231.1	\$128.7	\$80.7
Philippines	119.5	40.7	17.6	9.3	27.6	28.1	46.1	64.2	63.3	50.4
Taiwan	45.3	115.7	98.9	69.5	20.8	19.5	4.0	9.2	16.8	6.8
Singapore	154.3	206.2	148.9	85.4	42.0	16.2	17.5	6.9	4.1	4.1
Indonesia	21.4	4.7	6.3	7.4	>1.0	>1.0	>1.0	>1.0	>1.0	>1.0
Malaysia	41.3	40.6	17.6	9.4	1.3	>1.0	>1.0	>1.0	>1.0	>1.0
China	2.7	11.7	3.2	>1.0	>1.0	>1.0	>1.0	>1.0	>1.0	>1.0
Canada	229.7	245.0	161.1	120.3	138.8	123.6	143.5	108.4	91.2	44.9
Mexico	21.3	16.8	23.7	26.7	22.3	26.4	25.5	18.4	33.6	9.1
European Union	404.1	507.7	411.9	353.9	210.8	225.1	152.7	142.9	111.3	82.8
United Kingdom	113.2	188.8	183.4	139.8	75.5	49.0	56.8	63.5	54.2	36.1
Germany	91.5	82.7	82.1	78.2	64.2	110.2	37.6	21.1	21.2	23.3
Netherlands	66.9	50.4	10.4	49.0	8.2	4.9	2.6	6.5	5.6	6.3

Source: Idaho Department of Commerce

Schedule 22 - Idaho's Gross Domestic Product

Calendar Years 1988-1997 (dollars in billions)

	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Current Dollars	\$8,083.1	\$7,636.0	\$7,265.4	\$6,947.0	\$6,558.1	\$6,244.5	\$5,916.7	\$5,743.8	\$5,438.7	\$5,049.6
% Change	5.9%	5.1%	4.6%	5.9%	5.0%	5.5%	3.0%	5.6%	7.7%	7.6%
1992 Chain-Weighted	\$7,186.5	\$6,928.4	\$6,742.1	\$6,610.7	\$6,389.5	\$6,244.4	\$6,079.4	\$6,136.3	\$6,062.0	\$5,865.2
% Change	3.7%	2.8%	2.0%	3.5%	2.3%	2.7%	-0.9%	1.2%	3.4%	3.8%

Note: 1997 numbers are estimates.

Source: Division of Financial Management, Economic Analysis Bureau



Schedule 23 - Idaho's 1994* Tax Ranking Among the 50 States and D.C.

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

Type of Tax	States w/ Tax	Income Basis For Ranking					Per Capita Basis For Ranking				
		FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994
Property	51	35	35	37	37	37	37	37	39	38	38
Sales	47	28	28	24	27	22	37	36	35	34	34
Individual Income	44	18	13	15	16	15	24	24	25	26	24
Corporate Income	47	20	26	24	25	21	24	28	24	28	24
Motor Vehicle	51	9	9	7	6	6	10	11	13	12	9
Overall	51	27	28	29	33	25	44	42	40	39	38
Per Capita Income Ranking		41	45	40	40	40					

* 1994 Most Current Year Available.

Source: Idaho Tax Commission



Schedule 24 - Assets, Liabilities and Fund Balances - General Fund Accounts

	State General Account	Permanent Building Fund	Warrant Deficiency Fund	Legislative	Budget Reserve	Constitutional Defense Fund	Catastrophic Health Care	Governor's Residence	Endowment Earnings	Sales Tax	Income Tax Refunds	Miscellaneous	Total
Assets													
Cash and Cash Equivalents	\$23,674,476	\$71,732,369	\$507,849	\$2,742,821	\$27,887,895	\$809,453	\$2,636,909	\$1,085,228	\$21,025,755	\$21,424,412	\$3,787,239	\$4,960,525	\$182,274,931
Investments	10,000											720,332	730,332
Accounts Receivable, Net	90,613,836	2,607,453	235,970						604,816	404,213	911,932		95,378,220
Due from Other Funds		519,711							482			53,891	574,084
Due from Other Governments	49,208											3,974,751	4,023,959
Notes and Mortgages Receivable	17,429								742,549				759,978
Other Assets	98,099								1,931,499				2,029,598
Total Assets	\$114,463,048	\$74,859,533	\$743,819	\$2,742,821	\$27,887,895	\$809,453	\$2,636,909	\$1,085,228	\$24,305,101	\$21,828,625	\$4,699,171	\$9,709,499	\$285,771,102
Liabilities and Fund Balance													
Liabilities													
Accounts Payable and Other Liabilities	\$27,235,591	\$4,154,487	\$69,518	\$201,216			\$57,727		\$234,179	\$49,005		\$5,954,439	\$37,956,162
Deposits	129,901								333,091				462,992
Due to Other Funds	406,767	115,233	3,015	2,452			254		49,174			9,067	585,962
Due to Other Governments									11,637,840				11,637,840
Deferred Revenue	23,764	3,532,341							1,867,099				5,423,204
Total Liabilities	27,796,023	7,802,061	72,533	203,668			57,981		14,121,383	49,005		5,963,506	56,066,160
Fund Balance													
Reserved for Encumbrances	3,712,960	20,600							19,504,080		\$3,200,000	94,618	26,532,258
Reserved for Loans and Notes	17,429								742,549				759,978
Unreserved Fund Balance	82,936,636	67,036,872	671,286	2,539,153	\$27,887,895	\$809,453	2,578,928	\$1,085,228	(10,062,911)	21,779,620	1,499,171	3,651,375	202,412,706
Total Fund Balance	86,667,025	67,057,472	671,286	2,539,153	27,887,895	809,453	2,578,928	1,085,228	10,183,718	21,779,620	\$4,699,171	3,745,993	229,704,942
Total Liabilities and Fund Balance	\$114,463,048	\$74,859,533	\$743,819	\$2,742,821	\$27,887,895	\$809,453	\$2,636,909	\$1,085,228	\$24,305,101	\$21,828,625	\$4,699,171	\$9,709,499	\$285,771,102



**Schedule 25 - Revenues, Expenditures and Changes in Fund Balances -
General Fund Accounts**

	State General Account	Permanent Building Fund	Warrant Deficiency Fund	Legislative	Budget Reserve	Constitutional Defense Fund	Catastrophic Health Care	Governor's Residence	Endowment Earnings	Sales Tax	Income Tax Refunds	Miscellaneous	Total
Revenues													
Sales Tax	\$475,806,057	\$500,000								\$140,665,851	\$2,127,037	\$60,736	\$619,159,681
Individual and Corporate Taxes	773,393,429	4,485,662									193,219,508	190,875	971,289,474
Other Taxes	15,543,907	8,097,382							\$4,836,261	67,925	12,230,937		40,776,412
Licenses, Permits and Fees	6,258,991		\$99,132						1,118,511			1,194,390	8,671,024
Sale of Services, Goods and Property	194,950	65	468	\$1,094			\$729,915		1,656,174			2,489,293	5,071,959
Grants and Contributions	56,678								5,423			18,472,542	18,534,643
Interest and Other Investment Income	31,667,825	1,587,143					356,668		34,994,584			51,012	68,657,232
Rent and Lease Income	135,962	108,512							4,872,684			58,417	5,175,575
Miscellaneous Income	(2,502,976)	13,616,311	1,374,084					\$54,182	12,456,667			1,682,638	26,680,906
Total Revenues	1,300,554,823	28,395,075	1,473,684	1,094			1,086,583	54,182	59,940,304	140,733,776	207,577,482	24,199,903	1,764,016,906
Expenditures													
Current													
General Government	51,161,370	3,972,828		3,891,827				6,052		139,782,761	149,233,833	2,843,458	350,892,129
Public Safety and Corrections	112,305,139								2,451,517			6,873,184	121,629,840
Agriculture and Economic Development	10,796,893		59,562				9,272,508					385,258	20,514,221
Natural Resources	24,093,521		3,152,750									403,823	27,650,094
Health	7,729,800								3,509,351				11,239,151
Education	222,844,220								740,917,248			10,018,119	973,779,587
Human Services	502,017												502,017
Transportation	1,833,390	5,528,042											7,361,432
Capital Outlay	16,277,617	50,831,174	4,972	117,101				4,594	419,852			204,538	67,859,848
Intergovernmental	35,145,789		1,978						350,000			15,855,346	51,353,113
Total Expenditures	482,689,756	60,332,044	3,219,262	4,008,928			9,272,508	10,646	747,647,968	139,782,761	149,233,833	36,583,726	1,632,781,432
Revenues Over (Under) Expenditures	817,865,067	(31,936,969)	(1,745,578)	(4,007,834)			(8,185,925)	43,536	(687,707,664)	951,015	58,343,649	(12,383,823)	131,235,474
Other Financing Sources (Uses)													
Operating Transfers In	104,615,399	11,125,289	2,627,490	4,241,200			9,764,600		687,678,482			14,517,571	834,570,031
Operating Transfers Out	(921,782,081)				(\$4,000,000)				(5,738,204)		(56,063,388)	(1,908,629)	(989,492,302)
Total Other Financing Sources (Uses)	(817,166,682)	11,125,289	2,627,490	4,241,200	(4,000,000)		9,764,600		681,940,278		(56,063,388)	12,608,942	(154,922,271)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	698,385	(20,811,680)	881,912	233,366	(4,000,000)		1,578,675	43,536	(5,767,386)	951,015	2,280,261	225,119	(23,686,797)
Fund Balances - Beginning of Year, as Adjusted													
	85,968,640	87,869,152	(210,626)	2,305,787	31,887,895	809,453	1,000,253	1,041,692	15,951,104	20,828,605	2,418,910	3,520,874	253,391,739
Fund Balances - End of Year	\$86,667,025	\$67,057,472	\$671,286	\$2,539,153	\$27,887,895	\$809,453	\$2,578,928	\$1,085,228	\$10,183,718	\$21,779,620	\$4,699,171	\$3,745,993	\$229,704,942



Miscellaneous Statistics

STATE CAPITOL: Boise

ADMITTED TO THE UNION: July 3, 1890

NICKNAME: The "Gem State"

MOTTO: "Esto Perpetua" (Let It Be Perpetual)

1996 POPULATION ESTIMATE: 1,189,251

LAND AREA (SQUARE MILES): 83,557; 13th in Area Size

Federally Owned:	63.7%
State Owned:	5.1%
City/ County Owned:	2%
Privately Owned:	31.0%

WATER AREA (SQUARE MILES): 880

HIGHEST ELEVATION POINT: Mt. Borah; 12,662 Feet Above Sea Level

LOWEST ELEVATION POINT: Snake River, Lewiston; 770 Feet Above Sea Level

NUMBER OF LAKES: More Than 2,000

STATE SONG: "Here We Have Idaho"

STATE INSECT: Monarch Butterfly

STATE FISH: Cutthroat Trout

STATE BIRD: Mountain Bluebird

STATE HORSE: Appaloosa

STATE TREE: Western White Pine

STATE GEM STONE: Idaho Star Garnet

STATE FLOWER: Syringa

TEN LARGEST COMMUNITIES:

Boise	135,506
Idaho Falls	48,226
Pocatello	47,914
Nampa	31,416
Twin Falls	29,684
Lewiston	29,119
Coeur d' Alene	26,611
Caldwell	20,800
Moscow	19,122
Rexburg	14,497

The Following Statistics are from Calendar Year 1996

NUMBER OF LICENSED HOSPITALS: 51

NUMBER OF OPTOMETRISTS: 169

NUMBER OF CHIROPRACTIC PHYSICIANS: 273

NUMBER OF PHYSICIANS: 1969

NUMBER OF DENTISTS: 715

PUBLIC SCHOOLS:

Elementary:	346
Secondary:	256

NON-PUBLIC SCHOOLS:

Elementary:	53
Secondary:	27

COLLEGES AND UNIVERSITIES: 10

NUMBER OF PUBLIC LIBRARIES: 139

Source: Idaho Blue Book, 1997-1998; Idaho Department of Commerce



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