

Single Audit Report

For the Fiscal Year Ended June 30, 2014



State of Idaho

Legislative Services Office – Audits Division



Legislative Services Office

Idaho State Legislature

Eric Milstead
Director

Serving Idaho's Citizen Legislature

March 31, 2015

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

We are pleased to submit the statewide *Single Audit* of the State of Idaho covering the fiscal year ended June 30, 2014. This report complies with the audit requirements placed on the State of Idaho as a condition for receiving \$2,796,317,945 in federal assistance (colleges and universities, Idaho Housing and Finance Association, Idaho Health Insurance Exchange and Idaho Individual High Risk Reinsurance Pool are reported separately).

Idaho does a good job administering its federal funds in compliance with applicable laws and regulations. Questioned costs for fiscal year 2014 totaled \$2,455,078 known, and \$964,754 likely, although several issues are reported for which questioned costs could not be determined.

The federal audit requirements are contained in Title 31, Chapter 75, United States Code, as amended by the Single Audit Act Amendments of 1996. The objectives of the Single Audit Act are:

- To improve the financial management of state and local governments with respect to federal financial assistance programs through improved auditing.
- To establish uniform requirements for audits of federal financial assistance provided to state and local governments.
- To promote the efficient and effective use of audit resources.
- To ensure that federal departments and agencies, to the maximum extent practicable, rely on and use audit work performed pursuant to the requirements of the Single Audit Act.

The Office of Management and Budget (OMB) *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, was issued to facilitate the implementation of the Single Audit Act as amended in 1996. OMB *Circular A-133* places the responsibility for identifying major programs to audit on the auditor. A risk-based approach, which considers current and prior audit experience, federal oversight, and inherent risk, is used to identify major programs. All audit issues are in the section entitled "Auditor's Results." Internal control weaknesses and compliance issues related to federal awards are included in the subsection entitled "Federal Findings and Questioned Costs." Internal control weaknesses and compliance issues related to the basic financial statements are included in the subsection entitled "Basic Financial Statements Findings and Responses."

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

April Renfro, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

This document contains the following reports and schedules:

- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB *Circular A-133*.
- Schedules of Expenditures of Federal Awards.
- Auditor's Results (schedules of current and prior federal findings, as well as current and prior basic financial statements findings).

The complete *Comprehensive Annual Financial Report (CAFR)*, which includes the State's basic financial statements, can be obtained from the Idaho Office of the State Controller (208-334-3100) or accessed on its website at www.sco.idaho.gov.

Sincerely,

A handwritten signature in cursive script that reads "April Renfro".

April Renfro, CPA, Manager
Legislative Audits Division

**STATE OF IDAHO
SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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*The State's basic financial statements are included in the *Idaho Comprehensive Annual Financial Report (CAFR)* published in conjunction with this *Single Audit Report* by the Office of the State Controller. The *CAFR* can be obtained from the Office of the State Controller (208-334-3100) or accessed on its website at www.sco.idaho.gov.



Legislative Services Office

Idaho State Legislature

Eric Milstead
Director

Serving Idaho's Citizen Legislature

December 23, 2014

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Idaho as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State of Idaho's basic financial statements, and have issued our report thereon dated December 23, 2014. Our report includes a reference to other auditors who audited the financial statements of Boise State University, Eastern Idaho Technical College, Idaho State University, Lewis-Clark State College, University of Idaho and their respective component units, nor the Idaho Potato Commission, Idaho Dairy Products Commission, Idaho State Bar, Idaho Wheat Commission, Endowment Fund Investment Board, State Lottery Commission, Public Employee Retirement System of Idaho, Public Employees' Deferred Compensation Plan, Idaho Judges' Retirement Fund, IDEal Idaho College Savings Program, Idaho Individual Risk Reinsurance Pool, Idaho Small Employer Health Reinsurance Program, Idaho Health Insurance Exchange, State of Idaho Idle Pool, Local Government Investment Pool, Diversified Bond Fund, Idaho Building Authority, Bond Bank Authority, and the Idaho Housing and Finance Association as described in our report on the State of Idaho's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Eastern Idaho Technical College Foundation, Boise State University Foundation, Idaho State University Foundation, and the Public Employees' Deferred Compensation Plan were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Idaho's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Idaho's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Idaho's internal control.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

April Renfro, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses: 2014-104 and 2014-105.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies: 2014-101, 2014-102, 2014-103, and 2014-106.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Idaho's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

State of Idaho's Responses to Findings

The State of Idaho's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The State of Idaho's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



April Renfro, CPA, Manager
Legislative Audits Division



Legislative Services Office Idaho State Legislature

Eric Milstead
Director

Serving Idaho's Citizen Legislature

March 31, 2015
December 23, 2014

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the State of Idaho's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the State of Idaho's major federal programs for the year ended June 30, 2014. The State of Idaho's major federal programs are identified in the Schedule of Major Federal Programs in the Auditor's Results section.

The State of Idaho's basic financial statements include the operations of Boise State University, Eastern Idaho Technical College, Idaho State University, Lewis-Clark State College, University of Idaho, Idaho Housing and Finance Association, Idaho Health Insurance Exchange, and Idaho Individual High Risk Reinsurance Pool, which received a combined \$1,104,679,963 in federal awards, which is not included in the Schedule of Expenditures of Federal Awards during the year ended June 30, 2014. Our audit, described below, did not include the operations of the Boise State University, Eastern Idaho Technical College, Idaho State University, Lewis-Clark State College, University of Idaho, Idaho Housing and Finance Association, Idaho Health Insurance Exchange, and Idaho Individual High Risk Reinsurance Pool because these entities engaged other auditors to perform an audit in accordance with OMB *Circular A-133*.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State of Idaho's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Idaho's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

April Renfro, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the State of Idaho’s compliance.

Basis for Qualified Opinion on Rehabilitation Services – Vocational Rehabilitation Grants to States and Low-Income Home Energy Assistance Program

As described in Findings 2014-202 and 2014-216 in the accompanying Schedule of Federal Findings and Questioned Costs, the State of Idaho did not comply with requirements regarding the following:

Finding Number	CFDA Number	Program Name Cluster	Compliance Requirement
2014-202	84.126	Rehabilitation Services – Vocational Rehabilitation Services Grants to States	Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Reporting
2014-216	93.568	Low-Income Home Energy Assistance Program	Matching, Level of Effort, Earmarking

Compliance with such requirements is necessary, in our opinion, for the State of Idaho to comply with the requirements applicable to that program.

Qualified Opinion on Rehabilitation Services – Vocational Rehabilitation Grants to States and Low-Income Home Energy Assistance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State of Idaho complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Rehabilitation Services – Vocational Rehabilitation Grants to States, and Low-Income Home Energy Assistance Program for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State of Idaho complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor’s results section of the accompanying Schedule of Federal Findings and Questioned Costs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB *Circular A-133* and which are described in the accompanying Schedule of Federal Findings and Questioned Costs as items 2014-201, 2014-204, 2014-205, 2014-206, 2014-208, 2014-209, 2014-210, 2014-211, 2014-212, 2014-213, 2014-214, 2014-215, 2014-217, 2014-218, 2014-219, 2014-220, 2014-222, 2014-223, 2014-225, 2014-226, and 2014-227. Our opinion on each major federal program is not modified with respect to these matters.

The State of Idaho’s responses to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Findings and Questioned Costs. The State of Idaho’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the State of Idaho is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State of Idaho’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major

federal program and to test and report on internal control over compliance in accordance with OMB *Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Idaho's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Findings and Questioned Costs as items 2014-202, 2014-203, and 2014-216 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Findings and Questioned Costs as items 2014-201, 2014-204, 2014-205, 2014-206, 2014-207, 2014-208, 2014-209, 2014-210, 2014-211, 2014-212, 2014-213, 2014-214, 2014-215, 2014-217, 2014-218, 2014-219, 2014-220, 2014-221, 2014-222, 2014-223, 2014-224, 2014-225, 2014-226, and 2014-227 to be significant deficiencies.

The State of Idaho's responses to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Findings and Questioned Costs. The State of Idaho's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on those responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB *Circular A-133*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB *Circular A-133*

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Idaho, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State of Idaho's basic financial statements. We issued our report thereon dated December 23, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB *Circular A-133* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records

used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Sincerely,

A handwritten signature in cursive script that reads "April Renfro".

April Renfro, CPA, Manager
Legislative Audits Division

**STATE OF IDAHO
SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**SCHEDULES OF EXPENDITURES
OF FEDERAL AWARDS**



**SCHEDULE
OF
EXPENDITURES OF FEDERAL AWARDS
BY FEDERAL AGENCY**

STATE OF IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
BY FEDERAL AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

CFDA	FEDERAL AGENCY FEDERAL PROGRAM TITLE	STATE AGENCY	AMOUNT	TYPE*
DEPARTMENT OF AGRICULTURE				
SNAP CLUSTER:				
10.551	Supplemental Nutrition Assistance Program (SNAP)	Health and Welfare, Department of	\$309,657,830	NC
10.561	State Administrative Matching Grants - Supplemental Nutrition Assist. Program	Health and Welfare, Department of	9,719,258	
	TOTAL SNAP CLUSTER		<u>\$319,377,088</u>	
CHILD NUTRITION CLUSTER:				
10.553	School Breakfast Program	Superintendent of Public Instruction	\$15,998,648	
10.555	National School Lunch Program	Superintendent of Public Instruction	6,632,890	NC
10.555	National School Lunch Program	Superintendent of Public Instruction	47,467,520	
10.556	Special Milk Program for Children	Superintendent of Public Instruction	156,702	
10.559	Summer Food Service Program for Children	Superintendent of Public Instruction	4,378,054	
	TOTAL CHILD NUTRITION CLUSTER		<u>\$74,633,814</u>	
FOOD DISTRIBUTION CLUSTER:				
10.568	Emergency Food Assistance Program (Administrative Costs)	Health and Welfare, Department of	\$224,080	
10.569	Emergency Food Assistance Program (Food Commodities)	Health and Welfare, Department of	2,464,587	NC
	TOTAL FOOD DISTRIBUTION CLUSTER		<u>\$2,688,667</u>	
NON-CLUSTERED PROGRAMS:				
10.025	Plant and Animal Disease, Pest Control, and Animal Care	Agriculture, Department of	\$918,136	
10.064	Forestry Incentives Program	Lands, Department of	19,483	
10.093	Miscellaneous Commodity Credit Corporation	Fish and Game, Department of	226,011	
10.162	Inspection Grading and Standardization	Agriculture, Department of	57,692	
10.163	Market Protection and Promotion	Agriculture, Department of	31,027	
10.170	Specialty Crop Block Grant Program - Farm Bill	Agriculture, Department of	771,387	R&D
	Research and Development Cluster; Agricultural Marketing Service			
10.557	Supplemental Nutrition for Women, Infants, and Children (WIC)	Health and Welfare, Department of	27,663,903	
10.558	Child and Adult Care Food Program	Superintendent of Public Instruction	7,109,455	
10.560	State Administrative Expenses for Child Nutrition	Superintendent of Public Instruction	1,218,288	
10.574	Team Nutrition Grants	Superintendent of Public Instruction	238,248	
10.579	Child Nutrition Discretionary Grants Limited Availability	Superintendent of Public Instruction	146,886	
10.582	Fresh Fruit and Vegetable Program	Superintendent of Public Instruction	1,771,459	
10.604	Technical Assistance for Specialty Crops	Agriculture, Department of	110,731	
10.664	Cooperative Forestry Assistance	Lands, Department of	2,448,637	
10.676	Forest Legacy Program	Lands, Department of	58,144	
10.680	Forest Health Protection	Agriculture, Department of	369,497	
10.680	Forest Health Protection	Lands, Department of	58,783	
10.688	ARRA - Wildland Fire Management	Agriculture, Department of	522,251	
10.861	Public Television Station Digital Transition Grant Program	Public Television, Idaho	49,935	
10.912	Environmental Quality Incentives Program	Transportation Department, Idaho	5,659	
10.950	Agricultural Statistics Reports	Agriculture, Department of	9,589	
10.999	Forest Service Aquatic Invasive Species Monitoring	Agriculture, Department of	38,565	
10.999	Miscellaneous Forest Service Grants	Fish and Game, Department of	267,664	
10.999	Miscellaneous Natural Resources Conservation Service Grants	Fish and Game, Department of	65,890	
10.999	Idaho Rec. & Tourism Initiative (IRTI) Outfitters/Guide GIS Interface Devel.	Outfitters & Guides	11,881	
10.999	US Forest Services Roadless Cost Share	Species Conservation, Office of	9,834	
	Pass-Through From Non-State Entities:			
10.912	Environmental Quality Incentives Program	Environmental Quality, Department of	19,569	PT
	Willamette Partnership; Grantor No. MOA 6621			
10.999	Idaho Statewide Wood Energy Team	Energy Resources, Office of	12,663	PT
	USDA Forest Service-Northern Region; Grantor No. 13-CA-11010000-022			
	TOTAL NON-CLUSTERED PROGRAMS		<u>\$44,231,267</u>	
	TOTAL DEPARTMENT OF AGRICULTURE		<u>\$440,930,836</u>	
DEPARTMENT OF COMMERCE				
11.407	Interjurisdictional Fisheries Act of 1986	Fish and Game, Department of	\$121	
11.436	Columbia River Fisheries Development Program	Fish and Game, Department of	1,176,254	
11.438	Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program	Fish and Game, Department of	277,121	
11.438	Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program	Species Conservation, Office of	2,874,123	
11.441	Regional Fishery Management Councils	Fish and Game, Department of	38,423	
11.549	State and Local Implementation Grant Program	Military, Division of	87,736	
11.999	Miscellaneous NOAA Grants	Fish and Game, Department of	1,009,014	

*Type of assistance other than direct cash. NC=Non-Cash; PT=Pass-Through; R&D=Research and Development.
The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

**STATE OF IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
BY FEDERAL AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

CFDA	FEDERAL AGENCY FEDERAL PROGRAM TITLE	STATE AGENCY	AMOUNT	TYPE*
11.553	Pass-Through From Non-State Entities: Warning, Alert, and Response Network (WARN) Act Public Broadcasting Service; Grantor No. 51-51-W10606 38	Public Television, Idaho	\$64,495	PT
	TOTAL DEPARTMENT OF COMMERCE		<u>\$5,527,287</u>	
	DEPARTMENT OF DEFENSE			
12.002	Procurement Technical Assistance for Business Firms	Commerce, Department of	\$130,930	
12.113	Agreement Program for the Reimbursement of Technical Services	Environmental Quality, Department of	151,637	
12.401	National Guard Military Operations and Maintenance Projects	Military, Division of	32,927,324	
12.401	National Guard Military Operations and Maintenance Projects	Military, Division of	796,327	NC
12.404	National Guard ChalleNge Program	Military, Division of	2,682,161	
12.900	Language Grant Program	Superintendent of Public Instruction	99,832	
	TOTAL DEPARTMENT OF DEFENSE		<u>\$36,788,211</u>	
	HOUSING AND URBAN DEVELOPMENT			
	CDBG - STATE-ADMINISTERED CDBG CLUSTER:			
14.228	Community Development Block Grants/State's Program	Commerce, Department of	\$6,417,967	
	TOTAL CDBG - STATE-ADMINISTERED CDBG CLUSTER		<u>\$6,417,967</u>	
	NON-CLUSTERED PROGRAMS:			
14.171	Manufactured Home Dispute Resolution	Building Safety, Division of	\$25,650	
	TOTAL NON-CLUSTERED PROGRAMS:		<u>\$25,650</u>	
	TOTAL HOUSING AND URBAN DEVELOPMENT		<u>\$6,443,617</u>	
	DEPARTMENT OF THE INTERIOR			
	FISH AND WILDLIFE CLUSTER:			
15.605	Sport Fish Restoration	Fish and Game, Department of	\$6,212,934	
15.611	Wildlife Restoration and Basic Hunter Education	Fish and Game, Department of	7,506,136	
	TOTAL FISH AND WILDLIFE CLUSTER		<u>\$13,719,070</u>	
	NON-CLUSTERED PROGRAMS:			
15.224	Cultural Resource Management	Historical Society, Idaho State	\$32,056	
15.225	Recreation Resource Management	Fish and Game, Department of	2,000	
15.228	National Fire Plan - Wildland Urban Interface Community Fire Assistance	Transportation, Department of	207,596	
15.230	Invasive and Noxious Plant Management	Fish and Game, Department of	124,011	
15.231	Fish, Wildlife and Plant Conservation Resource Management	Agriculture, Department of	51,751	
15.231	Fish, Wildlife and Plant Conservation Resource Management	Fish and Game, Department of	218,610	
15.231	Fish, Wildlife and Plant Conservation Resource Management	Species Conservation, Office of	8,059	
15.236	Environmental Quality and Protection Resource Management	Environmental Quality, Department of	70,599	
15.238	Challenge Cost Share	Fish and Game, Department of	88,085	
15.238	Challenge Cost Share	Historical Society, Idaho State	519	
15.507	WaterSMART (Sustaining & Manage America's Resources for Tomorrow)	Water Resources, Department of	8,650	
15.517	Fish & Wildlife Coordination Act	Fish and Game, Department of	417,657	
15.524	Recreation Resources Management	Parks and Recreation, Department of	387,839	
15.608	Fish and Wildlife Management Assistance	Species Conservation, Office of	59,260	
15.615	Cooperative Endangered Species Conservation Fund	Fish and Game, Department of	327,129	
15.622	Sportfishing and Boating Safety Act	Parks and Recreation, Department of	7,795	
15.623	North American Wetlands Conservation Fund	Fish and Game, Department of	1,466	
15.631	Partners for Fish & Wildlife	Fish and Game, Department of	25,008	
15.634	State Wildlife Grants	Fish and Game, Department of	1,355,192	
15.649	Service Training and Technical Assistance	Fish and Game, Department of	5,646,644	
15.650	Research Grants (Generic)	Fish and Game, Department of	102,065	
15.657	Endangered Species Conservation - Recovery Implementation Funds	Fish and Game, Department of	134,574	
15.657	Endangered Species Conservation - Recovery Implementation Funds	Species Conservation, Office of	2,650,869	
15.660	Endangered Species - Candidate Conservation Action Funds	Fish and Game, Department of	18,334	
15.808	U.S. Geological Survey - Research and Data Collection Research and Development Cluster; U.S. Geological Survey	Water Resources, Department of	68,485	R&D
15.904	Historic Preservation Fund Grants-in-Aid	Historical Society, Idaho State	477,743	
15.916	Outdoor Recreation - Acquisition, Development, and Planning	Parks and Recreation, Department of	399,573	
15.926	American Battlefield Protection	Historical Society, Idaho State	1,305	
	TOTAL NON-CLUSTERED PROGRAMS		<u>\$12,892,874</u>	
	TOTAL DEPARTMENT OF THE INTERIOR		<u>\$26,611,944</u>	
	DEPARTMENT OF JUSTICE			
	JAG PROGRAM CLUSTER:			
16.738	Edward Byrne Memorial Justice Assistance Grant Program	Police, Idaho State	\$1,190,166	
	TOTAL JAG PROGRAM CLUSTER		<u>\$1,190,166</u>	

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**STATE OF IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
BY FEDERAL AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

CFDA	FEDERAL AGENCY FEDERAL PROGRAM TITLE	STATE AGENCY	AMOUNT	TYPE*
NON-CLUSTERED PROGRAMS:				
16.013	Violence Against Women Act Court Training and Improvement Grants	Judicial Department	\$182,561	
16.017	Sexual Assault Services	Police, Idaho State	288,390	
16.523	Juvenile Accountability Block Grants	Juvenile Corrections, Department of	325,509	
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	Juvenile Corrections, Department of	432,438	
16.543	Missing Children's Assistance	Attorney General, Office of	232,824	
16.548	Title V - Delinquency Prevention Program	Juvenile Corrections, Department of	65,735	
16.550	State Justice Statistics Program for Statistical Analysis Centers	Police, Idaho State	57,096	
16.575	Crime Victim Assistance	Health and Welfare, Department of	2,338,664	
16.576	Crime Victim Compensation	Industrial Commission	800,000	
16.580	Edward Byrne Memorial Law Enforcement Assistance Discretionary Grants	Correction, Department of	114,394	
16.585	Drug Court Discretionary Grant Program	Judicial Department	89,243	
16.588	Violence Against Women Formula Grants	Police, Idaho State	1,030,818	
16.593	Residential Substance Abuse Treatment for State Prisoners	Police, Idaho State	114,724	
16.606	State Criminal Alien Assistance Program	Correction, Department of	165,494	
16.609	Project Safe Neighborhoods	Police, Idaho State	54,241	
16.727	Enforcing Underage Drinking Laws Program	Juvenile Corrections, Department of	259,904	
16.741	DNA Backlog Reduction Program	Police, Idaho State	190,167	
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	Police, Idaho State	244,633	
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	Judicial Department	160,607	
16.753	Congressionally Recommended Awards	Police, Idaho State	45,912	
16.754	Harold Rogers Prescription Drug Monitoring Program	Pharmacy, Board of	142,423	
16.812	Second Chance Act Reentry Initiative Research and Development Cluster; Bureau of Justice Assistance	Juvenile Corrections, Department of	5,923	R&D
16.813	National Criminal History Improvement Program	Police, Idaho State	109,788	
16.922	Equitable Sharing for Law Enforcement Agencies	Police, Idaho State	77,648	
16.999	Organized Crime and Drug Task Force	Police, Idaho State	2,991	
16.999	Miscellaneous Department of Justice Grants	Judicial Department	14,246	
TOTAL NON-CLUSTERED PROGRAMS			<u>\$7,546,373</u>	
TOTAL DEPARTMENT OF JUSTICE			<u>\$8,736,539</u>	
DEPARTMENT OF LABOR				
EMPLOYMENT SERVICE CLUSTER:				
17.207	Employment Service/Wagner-Peyser Funded Activities	Labor, Department of	\$6,614,412	
17.801	Disabled Veterans' Outreach Program	Labor, Department of	691,284	
17.804	Local Veterans' Employment Representative Program	Labor, Department of	129,973	
TOTAL EMPLOYMENT SERVICE CLUSTER			<u>\$7,435,669</u>	
WIA CLUSTER:				
17.258	WIA Adult Program	Labor, Department of	\$3,300,645	
17.259	WIA Youth Activities	Labor, Department of	3,655,785	
17.278	WIA Dislocated Workers	Labor, Department of	3,836,306	
TOTAL WIA CLUSTER			<u>\$10,792,736</u>	
NON-CLUSTERED PROGRAMS:				
17.002	Labor Force Statistics Research and Development Cluster; Bureau of Labor Statistics	Labor, Department of	\$621,714	R&D
17.005	Compensation and Working Conditions	Labor, Department of	5,816	
17.225	Unemployment Insurance	Labor, Department of	165,968,185	
17.235	Senior Community Service Employment Program	Labor, Department of	463,391	
17.245	Trade Adjustment Assistance	Labor, Department of	1,033,045	
17.261	WIA Pilots, Demonstrations, and Research Projects Research and Development Cluster; Employment Training Administration	Labor, Department of	347,584	R&D
17.267	Incentive Grants - WIA Section 503	Labor, Department of	140,682	
17.271	Work Opportunity Tax Credit (WOTC) Program	Labor, Department of	37,632	
17.273	Temporary Labor Certification for Foreign Workers	Labor, Department of	192,883	
17.275	ARRA - Worker Training & Placement in High Growth & Emerging Industry	Labor, Department of	\$104,746	
17.277	WIA National Emergency Grants	Labor, Department of	1,012,318	
17.802	Veterans' Employment Program	Labor, Department of	524,341	
TOTAL NON-CLUSTERED PROGRAMS			<u>\$170,452,337</u>	
TOTAL DEPARTMENT OF LABOR			<u>\$188,680,742</u>	
DEPARTMENT OF TRANSPORTATION				
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER:				
20.205	ARRA - Highway Planning and Construction	Transportation Department, Idaho	\$2,581,705	
20.205	Highway Planning and Construction	Transportation Department, Idaho	280,682,202	
20.219	Recreational Trails Program	Parks and Recreation, Department of	1,286,099	
TOTAL HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			<u>\$284,550,006</u>	

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FOR THE FISCAL YEAR ENDED JUNE 30, 2014

CFDA	FEDERAL AGENCY FEDERAL PROGRAM TITLE	STATE AGENCY	AMOUNT	TYPE*
	FEDERAL TRANSIT CLUSTER:			
20.500	Federal Transit - Capital Investment Grants	Transportation Department, Idaho	\$417,922	
	TOTAL FEDERAL TRANSIT CLUSTER		<u>\$417,922</u>	
	TRANSIT SERVICES PROGRAMS CLUSTER:			
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	Transportation Department, Idaho	\$583,565	
20.516	Job Access - Reverse Commute	Transportation Department, Idaho	869,538	
20.521	New Freedom Program	Transportation Department, Idaho	385,405	
	TOTAL TRANSIT SERVICES PROGRAMS CLUSTER		<u>\$1,838,508</u>	
	HIGHWAY SAFETY CLUSTER:			
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	Transportation Department, Idaho	\$818,132	
20.610	State Traffic Safety Information System Improvement Grants	Transportation Department, Idaho	131,885	
20.612	Incentive Grant Program to Increase Motorcyclist Safety	Transportation Department, Idaho	100,580	
	TOTAL HIGHWAY SAFETY CLUSTER		<u>\$1,050,597</u>	
	NON-CLUSTERED PROGRAMS:			
20.106	Airport Improvement Program	Transportation Department, Idaho	\$87,594	
20.205	Highway Planning and Construction Research and Development Cluster; Federal Highway Administration	Transportation Department, Idaho	6,677,315	R&D
20.218	National Motor Carrier Safety	Police, Idaho State	1,564,622	
20.232	Commercial Driver's License Program Improvement Grant	Transportation Department, Idaho	322,325	
20.233	Border Enforcement Grants	Police, Idaho State	80,959	
20.237	Commercial Vehicle Information Systems and Networks	Transportation Department, Idaho	929,340	
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service	Transportation Department, Idaho	13,804	
20.505	Metro. Transp. Planning/State Non-Metropolitan Planning & Research	Transportation Department, Idaho	110,903	
20.509	ARRA - Formula Grants for Rural Areas	Transportation Department, Idaho	148,945	
20.509	Formula Grants for Rural Areas	Transportation Department, Idaho	5,945,712	
20.514	Public Transportation Research	Transportation Department, Idaho	35,625	
20.600	State and Community Highway Safety	Transportation Department, Idaho	1,641,953	
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	Transportation Department, Idaho	95,243	
20.616	National Priority Safety Programs	Transportation Department, Idaho	738,261	
20.700	Pipeline Safety	Public Utilities Commission	78,500	
20.703	Interagency Hazardous Materials Public Sector Training & Planning Grants	Military, Division of	138,306	
	TOTAL NON-CLUSTERED PROGRAMS		<u>\$18,609,407</u>	
	DEPARTMENT OF TRANSPORTATION		<u>\$306,466,440</u>	
	GENERAL SERVICES ADMINISTRATION			
39.003	Donation of Federal Surplus Personal Property	Administration, Department of	\$1,272,560	NC
39.011	Election Reform	Secretary of State	1,306,411	
	TOTAL GENERAL SERVICES ADMINISTRATION		<u>\$2,578,971</u>	
	NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
43.001	Science	Parks and Recreation, Department of	\$4,927	
43.AAA	Aerospace Education Services Program	Superintendent of Public Instruction	179,020	
	TOTAL NATIONAL AERONAUTICS AND SPACE ADMINISTRATION		<u>\$183,947</u>	
	NATIONAL FOUNDATION ON THE ARTS AND HUMANITIES			
45.024	Promotion of the Arts - Grants to Organizations and Individuals	Superintendent of Public Instruction	\$20,418	
45.025	Promotion of the Arts - Partnership Agreements	Arts, Commission on the	441,443	
45.310	Grants to States	Libraries, Idaho Commission for	1,343,114	
45.312	National Leadership Grants	Libraries, Idaho Commission for	87,826	
45.149	Promotion of the Humanities - Division of Preservation and Access	Historical Society, Idaho State	18,718	
	Pass-Through From Non-State Entities:			
45.129	Promotion of the Humanities - Federal/State Partnership Idaho Humanities Council; Grantor No. IHC2011401	Historical Society, Idaho State	1,200	PT
45.129	Promotion of the Humanities - Federal/State Partnership Idaho Humanities Council; Grantor No. HI3001, HI4001	Libraries, Idaho Commission for	12,854	PT
	TOTAL NATIONAL FOUNDATION ON THE ARTS AND HUMANITIES		<u>\$1,925,573</u>	
	SMALL BUSINESS ADMINISTRATION			
59.061	State Trade and Export Promotion Pilot Grant Program	Commerce, Department of	\$208,142	
	TOTAL SMALL BUSINESS ADMINISTRATION		<u>\$208,142</u>	
	DEPARTMENT OF VETERANS AFFAIRS			
64.014	Veterans State Domiciliary Care	Veterans Services, Division of	\$419,653	
64.015	Veterans State Nursing Home Care	Veterans Services, Division of	11,251,414	
64.101	Burial Expenses Allowances for Veterans	Veterans Services, Division of	338,412	
64.203	State Cemetery Grants	Veterans Services, Division of	1,153,563	
	TOTAL DEPARTMENT OF VETERANS AFFAIRS		<u>\$13,163,042</u>	

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STATE OF IDAHO
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FOR THE FISCAL YEAR ENDED JUNE 30, 2014

CFDA	FEDERAL AGENCY FEDERAL PROGRAM TITLE	STATE AGENCY	AMOUNT	TYPE*
ENVIRONMENTAL PROTECTION AGENCY				
CLEAN WATER STATE REVOLVING FUND CLUSTER:				
66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds	Environmental Quality, Department of	\$566,977	
66.458	Capitalization Grants for Clean Water State Revolving Funds	Environmental Quality, Department of	6,494,140	
TOTAL CLEAN WATER STATE REVOLVING FUND CLUSTER			<u>\$7,061,117</u>	
DRINKING WATER STATE REVOLVING FUND CLUSTER:				
66.468	Capitalization Grants for Drinking Water State Revolving Funds	Environmental Quality, Department of	\$10,939,502	
DRINKING WATER STATE REVOLVING FUND CLUSTER:			<u>\$10,939,502</u>	
NON-CLUSTERED PROGRAMS:				
66.001	Air Pollution Control Program Support	Environmental Quality, Department of	\$1,965,648	
66.032	State Indoor Radon Grants	Health and Welfare, Department of	53,133	
66.034	Surveys, Studies, Res., Invest. Demos & Spec. Purpose Act. - Clean Air Act	Environmental Quality, Department of	392,872	
66.034	Surveys, Studies, Res., Invest. Demos & Spec. Purpose Act. - Clean Air Act	Environmental Quality, Department of	73,339	NC
66.034	Surveys, Studies, Res., Invest. Demos & Spec. Purpose Act. - Clean Air Act	Health and Welfare, Department of	1,723	
66.039	National Clean Diesel Emissions Reduction Program	Environmental Quality, Department of	76,802	
66.040	State Clean Diesel Grant Program	Environmental Quality, Department of	103,009	
66.202	Congressionally Mandated Projects	Environmental Quality, Department of	71,550	
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	Environmental Quality, Department of	2,140,738	
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	Environmental Quality, Department of	8,000	NC
66.432	State Public Water System Supervision	Environmental Quality, Department of	1,292,597	
66.433	State Underground Water Source Protection	Water Resources, Department of	57,602	
66.454	Water Quality Management Planning	Environmental Quality, Department of	103,191	
66.460	Nonpoint Source Implementation Grants	Environmental Quality, Department of	2,006,026	
66.461	Regional Wetland Program Development Grants	Environmental Quality, Department of	296	
66.461	Regional Wetland Program Development Grants	Fish and Game, Department of	48,683	
66.608	Environmental Information Exchange Network Grant Program	Environmental Quality, Department of	141,454	
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	Agriculture, Department of	398,104	
66.708	Pollution Prevention Grants Program	Environmental Quality, Department of	92,878	
66.801	Hazardous Waste Management State Program Support	Environmental Quality, Department of	448,374	
66.802	ARRA - Superfund St., Pol. Sub./Indian Tribe Site - Specific Coop. Agmts.	Environmental Quality, Department of	14,826	
66.802	Superfund St., Pol. Sub./Indian Tribe Site - Specific Coop. Agmts.	Environmental Quality, Department of	14,109,924	
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	Environmental Quality, Department of	\$371,215	
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	Environmental Quality, Department of	579,692	
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	Environmental Quality, Department of	175,215	
66.817	State and Tribal Response Program Grants	Environmental Quality, Department of	642,093	
Pass-Through From Non-State Entities:				
66.606	Surveys, Studies, Investigations and Special Purpose Grants Kootenai Tribe of Idaho; Grantor No. MOA X-97004101-0	Environmental Quality, Department of	(2,064)	PT
TOTAL NON-CLUSTERED PROGRAMS			<u>\$25,366,920</u>	
TOTAL ENVIRONMENTAL PROTECTION AGENCY			<u>\$43,367,539</u>	
DEPARTMENT OF ENERGY				
81.041	ARRA - State Energy Program	Energy Resources, Office of	\$155,005	
81.041	State Energy Program	Energy Resources, Office of	422,695	
81.042	Weatherization Assistance for Low-Income Persons	Health and Welfare, Department of	1,525,199	
81.119	State Energy Program Special Projects	Energy Resources, Office of	70,548	
81.122	ARRA - Electricity Delivery & Energy Reliability, Res., Devel. & Analysis	Public Utilities Commission	241,200	
81.128	ARRA - Energy Efficiency and Conservation Community Block Grant	Energy Resources, Office of	2,060	
81.502	Idaho National Laboratory Oversight	Environmental Quality, Department of	2,565,925	
81.999	Miscellaneous Bonneville Power Administration Grants	Fish and Game, Department of	15,289,253	
81.999	Weatherization Conference	Health and Welfare, Department of	641,704	
81.999	Idaho OSC Accord Planning and Development	Species Conservation, Office of	353,773	
81.999	Upper Salmon Basin Habitat Restoration	Species Conservation, Office of	663,798	
81.999	Exp-Lemhi River Restoration Planning	Species Conservation, Office of	140,913	
81.999	Clearwater Focus Program	Species Conservation, Office of	90,133	
81.999	Exp-Pahsimeroi River Habitat	Species Conservation, Office of	100,324	
81.999	Yankee Fork Side Channel Restoration	Species Conservation, Office of	68,287	
81.999	Lower Clearwater Potlatch Watershed	Species Conservation, Office of	210,968	
81.999	Tributary Water Conservation	Water Resources, Department of	270,576	
Pass-Through From Non-State Entities:				
81.087	Renewable Energy Research and Development Washington State University; Grantor No. G002726 Research and Development Cluster; Department of Energy	Energy Resources, Office of	9,021	PT, R&D
81.106	Transport of Transuranic Wastes to the Waste Isolation Pilot Plant Western Governors Association; Grantor No. MOA 30-316-04A	Environmental Quality, Department of	225,339	PT
81.999	Building a Roadmap Foundation Bonneville Power Administration; Grantor No. SUBGRT-62791	Energy Resources, Office of	59,071	PT
TOTAL DEPARTMENT OF ENERGY			<u>\$23,105,792</u>	

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CFDA	FEDERAL AGENCY FEDERAL PROGRAM TITLE	STATE AGENCY	AMOUNT	TYPE*
DEPARTMENT OF EDUCATION				
SPECIAL EDUCATION CLUSTER (IDEA):				
84.027	Special Education - Grants to States	Superintendent of Public Instruction	\$51,939,721	
84.173	Special Education - Preschool Grants	Superintendent of Public Instruction	1,999,207	
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)			<u>\$53,938,928</u>	
SCHOOL IMPROVEMENT GRANTS CLUSTER:				
84.377	School Improvement Grants	Superintendent of Public Instruction	\$265,418	
84.388	ARRA - School Improvement Grants	Superintendent of Public Instruction	2,904,145	
TOTAL SCHOOL IMPROVEMENT GRANTS CLUSTER			<u>\$3,169,563</u>	
STATEWIDE DATA SYSTEMS CLUSTER:				
84.372	Statewide Longitudinal Data Systems	Education, State Board of	\$624,601	
TOTAL STATEWIDE DATA SYSTEMS CLUSTER			<u>\$624,601</u>	
NON-CLUSTERED PROGRAMS:				
84.002	Adult Education - Basic Grants to States	Professional-Technical Education, Division of	\$2,743,797	
84.010	Title I Grants to Local Educational Agencies	Superintendent of Public Instruction	57,662,199	
84.011	Migrant Education - State Grant Program	Superintendent of Public Instruction	3,866,134	
84.013	Title I State Agency Program for Neglected & Delinquent Children & Youth	Superintendent of Public Instruction	448,910	
84.048	Career and Technical Education - Basic Grants to States	Professional-Technical Education, Division of	6,657,871	
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Blind and Visually Impaired, Commission for the	2,685,370	
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Vocational Rehabilitation, Division of	13,432,742	
84.144	Migrant Education - Coordination Program	Superintendent of Public Instruction	115,353	
84.169	Independent Living - State Grants	Blind and Visually Impaired, Commission for the	137,408	
84.169	Independent Living - State Grants	Vocational Rehabilitation, Division of	129,154	
84.177	Independent Living Services for Older Individuals Who Are Blind	Blind and Visually Impaired, Commission for the	225,000	
84.181	Special Education - Grants for Infants and Families	Health and Welfare, Department of	2,022,291	
84.187	Supported Employment Services for Individuals w/Significant Disabilities	Blind and Visually Impaired, Commission for the	2,343	
84.187	Supported Employment Services for Individuals w/Significant Disabilities	Vocational Rehabilitation, Division of	213,717	
84.196	Education for Homeless Children and Youth	Superintendent of Public Instruction	248,188	
84.265	State Vocational Rehabilitation Unit In-Service Training	Blind and Visually Impaired, Commission for the	19,765	
84.265	State Vocational Rehabilitation Unit In-Service Training	Vocational Rehabilitation, Division of	29,830	
84.287	Twenty-First Century Community Learning Centers	Superintendent of Public Instruction	6,025,940	
84.318	Education Technology State Grants	Superintendent of Public Instruction	81,211	
84.323	Special Education - State Personnel Development	Superintendent of Public Instruction	963,396	
84.330	Advanced Placement Program	Superintendent of Public Instruction	72,270	
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	Superintendent of Public Instruction	1,663,452	
84.358	Rural Education	Juvenile Corrections, Department of	5,980	
84.358	Rural Education	Superintendent of Public Instruction	682,095	
84.365	English Language Acquisition State Grants	Superintendent of Public Instruction	2,290,998	
84.366	Mathematics and Science Partnerships	Superintendent of Public Instruction	674,864	
84.367	Improving Teacher Quality State Grants	Education, State Board of	366,460	
84.367	Improving Teacher Quality State Grants	Superintendent of Public Instruction	11,958,649	
84.369	Grants for State Assessments and Related Activities	Superintendent of Public Instruction	3,713,892	
84.378	College Access Challenge Grant Program	Education, State Board of	1,203,960	
TOTAL NON-CLUSTERED PROGRAMS			<u>\$120,343,239</u>	
TOTAL DEPARTMENT OF EDUCATION			<u>\$178,076,331</u>	
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
AGING CLUSTER:				
93.044	Grants for Supportive Services and Senior Centers	Aging, Commission on	\$1,761,547	
93.045	Nutrition Services	Aging, Commission on	2,654,576	
93.053	Nutrition Services Incentive Program	Aging, Commission on	687,141	
TOTAL AGING CLUSTER			<u>\$5,103,264</u>	
TANF CLUSTER:				
93.558	Temporary Assistance for Needy Families	Health and Welfare, Department of	\$22,121,127	
93.714	ARRA - Emerg. Contingency Fund for Temp. Assist. for Needy Families	Health and Welfare, Department of	434,133	
TOTAL TANF CLUSTER			<u>\$22,555,260</u>	
CCDF CLUSTER:				
93.575	Child Care and Development Block Grant	Health and Welfare, Department of	\$21,676,413	
93.596	Child Care Mandatory & Matching Funds of Child Care & Develop. Fund	Health and Welfare, Department of	2,817,207	
TOTAL CCDF CLUSTER			<u>\$24,493,620</u>	
MEDICAID CLUSTER:				
93.775	State Medicaid Fraud Control Units	Attorney General, Office of	\$489,253	
93.777	State Survey and Certification of Health Care Providers and Suppliers	Health and Welfare, Department of	2,515,724	
93.778	Medical Assistance Program	Health and Welfare, Department of	1,245,597,172	
TOTAL MEDICAID CLUSTER			<u>\$1,248,602,149</u>	

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CFDA	FEDERAL AGENCY FEDERAL PROGRAM TITLE	STATE AGENCY	AMOUNT	TYPE*
NON-CLUSTERED PROGRAMS:				
93.041	Programs for Prevention of Elder Abuse, Neglect, and Exploitation	Aging, Commission on	\$27,750	
93.042	Long Term Care Ombudsman Services for Older Individuals	Aging, Commission on	46,906	
93.043	Disease Prevention and Health Promotion Services	Aging, Commission on	75,944	
93.048	Special Programs for the Aging - Discretionary Projects	Aging, Commission on	514,046	
93.051	Alzheimer's Disease Demonstration Grants to States	Aging, Commission on	20,317	
93.052	National Family Caregiver Support	Aging, Commission on	645,482	
93.069	Public Health Emergency Preparedness	Health and Welfare, Department of	137,077	
93.071	Medicare Enrollment Assistance Program	Aging, Commission on	28,900	
93.072	Lifespan Respite Care Program	Aging, Commission on	12,844	
93.074	Hosp. Prep. Prog. (HPP) & Publ. Health Emerg. Prep. (PHEP) Coop. Agrmts.	Health and Welfare, Department of	6,768,468	
93.079	Promote Adolescent Health - Sch.-Bsd HIV/STD Prev. & Sch.-Bsd Surv.	Superintendent of Public Instruction	53,805	
93.087	Enhance Safety of Children Affected by Substance Abuse	Health and Welfare, Department of	13	
93.090	Guardianship Assistance	Health and Welfare, Department of	26,025	
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	Health and Welfare, Department of	286,765	
93.110	Maternal and Child Health Federal Consolidated Programs	Health and Welfare, Department of	229,364	
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control	Health and Welfare, Department of	167,175	
93.127	Emergency Medical Services for Children	Health and Welfare, Department of	66,059	
93.130	Coop. Agrmts. - States/Territories - Coord. & Develop. of Primary Care Ofcs.	Health and Welfare, Department of	142,719	
93.136	Injury Prevent. & Control Research/State and Community Based Prog.	Health and Welfare, Department of	144,048	
93.150	Projects for Assistance in Transition from Homelessness	Health and Welfare, Department of	303,494	
93.217	Family Planning - Services	Health and Welfare, Department of	1,754,870	
93.240	State Capacity Building	Health and Welfare, Department of	205,931	
93.241	State Rural Hospital Flexibility Program	Health and Welfare, Department of	520,482	
93.243	Substance Abuse & Mental Health Svcs - Proj. of Reg. & Natl. Significance	Drug Policy, Office of	142,691	
93.243	Substance Abuse & Mental Health Svcs - Proj. of Reg. & Natl. Significance	Health and Welfare, Department of	885,311	
93.243	Substance Abuse & Mental Health Svcs - Proj. of Reg. & Natl. Significance	Judicial Department	295,352	
93.243	Substance Abuse & Mental Health Svcs - Proj. of Reg. & Natl. Significance	Superintendent of Public Instruction	344,151	
93.251	Universal Newborn Hearing Screening	Health and Welfare, Department of	192,638	
93.268	Immunization Cooperative Agreements	Health and Welfare, Department of	1,975,827	
93.268	Immunization Cooperative Agreements	Health and Welfare, Department of	17,754,477	NC
93.270	Adult Viral Hepatitis Prevention and Control	Health and Welfare, Department of	20,216	
93.275	Substance Abuse and Mental Health Services - Access to Recovery	Health and Welfare, Department of	2,805,761	
93.283	Centers for Disease Control & Prevention - Investigations & Tech. Assist.	Health and Welfare, Department of	2,353,018	
93.292	National Public Health Improvement Initiative	Health and Welfare, Department of	102,494	
93.301	Small Rural Hospital Improvement Grant Program	Health and Welfare, Department of	200,897	
93.324	State Health Insurance Assistance Program	Insurance, Department of	51,709	
93.414	ARRA - State Primary Care Offices	Health and Welfare, Department of	99,708	
93.505	Affordable Care Act Maternal, Infant, & Early Childhood Home Visit. Prog.	Health and Welfare, Department of	1,002,320	
93.507	PPHF National Public Health Improvement Initiative	Health and Welfare, Department of	142,491	
93.521	Affordable Care Act Build Epi., Lab., & Health Info. Sys. Cap. in ELC & EIP	Health and Welfare, Department of	343,882	
93.544	Coordinated Chronic Disease prevention and Health Promotion Program	Health and Welfare, Department of	110,302	
93.556	Promoting Safe and Stable Families	Health and Welfare, Department of	1,594,932	
93.563	Child Support Enforcement	Health and Welfare, Department of	14,805,886	
93.566	Refugee and Entrant Assistance - State Administered Programs	Health and Welfare, Department of	1,763,179	
93.568	Low-Income Home Energy Assistance	Health and Welfare, Department of	17,607,211	
93.569	Community Services Block Grant	Health and Welfare, Department of	3,714,289	
93.576	Refugee and Entrant Assistance Discretionary Grants	Health and Welfare, Department of	89,588	
93.586	State Court Improvement Program	Judicial Department	393,640	
93.590	Community-Based Child Abuse Prevention Grants	Health and Welfare, Department of	142,377	
93.597	Grants to States for Access and Visitation Programs	Health and Welfare, Department of	99,778	
93.599	Chafee Education and Training Vouchers Program	Health and Welfare, Department of	149,902	
93.600	Head Start	Health and Welfare, Department of	118,627	
93.603	Adoption Incentive Payments	Health and Welfare, Department of	976,307	
93.617	Voting Access for Individuals with Disabilities - Grants to States	Secretary of State	5,515	
93.624	Affordable Care Act Funding for Model Design & Model Testing Assist.	Health and Welfare, Department of	2,375,413	
93.630	Developmental Disabilities Basic Support and Advocacy Grants	Health and Welfare, Department of	421,480	
93.643	Children's Justice Grants To States	Health and Welfare, Department of	136,616	
93.645	Stephanie Tubbs Jones Child Welfare Services Program	Health and Welfare, Department of	601,973	
93.658	Foster Care - Title IV-E	Health and Welfare, Department of	9,344,332	
93.659	Adoption Assistance	Health and Welfare, Department of	6,738,318	
93.667	Social Services Block Grant	Health and Welfare, Department of	11,602,933	
93.669	Child Abuse and Neglect State Grants	Health and Welfare, Department of	239,688	
93.671	Family Violence Prevent & Svcs/Domestic Violence Shelter & Sup. Svcs	Health and Welfare, Department of	827,550	
93.674	Chafee Foster Care Independence Program	Health and Welfare, Department of	631,174	
93.735	State Pub. Health Approach Ensuring Qutline Cap. Funded in part by PPHF	Health and Welfare, Department of	69,514	
93.745	PPHF: Health Care Surveillance/Health Statistics - Surveillance Prog.	Health and Welfare, Department of	36,930	
93.767	Children's Health Insurance Program	Health and Welfare, Department of	49,806,720	
93.779	State Health Insurance Assistance Program	Insurance, Department of	312,205	
93.791	Money Follows the Person Rebalancing Demonstration	Health and Welfare, Department of	2,436,410	
93.889	National Bioterrorism Hospital Preparedness Program	Health and Welfare, Department of	22,436	
93.913	Grants to States for Operation of Offices of Rural Health	Health and Welfare, Department of	182,584	
93.917	HIV Care Formula Grants	Health and Welfare, Department of	2,188,939	

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STATE OF IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
BY FEDERAL AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

CFDA	FEDERAL AGENCY FEDERAL PROGRAM TITLE	STATE AGENCY	AMOUNT	TYPE*
93.919	Comprehensive Breast and Cervical Cancer Early Detection Programs	Health and Welfare, Department of	\$1,479,787	
93.938	Comp. Sch. Health Prog./Prevent Spread - HIV & Other Import. Health Prob.	Superintendent of Public Instruction	67,861	
93.940	HIV Prevention Activities - Health Department Based	Health and Welfare, Department of	774,190	
93.944	HIV/AIDS Surveillance	Health and Welfare, Department of	118,846	
93.945	Assistance Programs for Chronic Disease Prevention and Control	Health and Welfare, Department of	961,137	
93.958	Block Grants for Community Mental Health Services	Health and Welfare, Department of	2,219,957	
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Health and Welfare, Department of	6,733,043	
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	Health and Welfare, Department of	312,711	
93.988	Diabetes Control Programs and Evaluation of Surveillance Systems	Health and Welfare, Department of	29,979	
93.991	Preventive Health and Health Services Block Grant	Health and Welfare, Department of	277,637	
93.994	Maternal and Child Health Services Block Grant to the States	Health and Welfare, Department of	2,987,234	
93.999	Clinical Laboratory Improvement Amendments	Health and Welfare, Department of	151,727	
93.999	Drug Alcohol Information	Health and Welfare, Department of	56,713	
93.999	Food Sanitation Inspection	Health and Welfare, Department of	47,392	
93.999	Mammography Quality	Health and Welfare, Department of	49,048	
93.999	State EPI Outcomes	Health and Welfare, Department of	93,653	
	TOTAL NON-CLUSTERED PROGRAMS		<u>\$186,799,090</u>	
	TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>\$1,487,553,383</u>	
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
94.003	State Commissions	Labor, Department of	\$239,154	
94.006	AmeriCorps	Labor, Department of	1,163,108	
94.007	Program Development and Innovation Grants	Labor, Department of	17,983	
94.009	Training and Technical Assistance	Labor, Department of	5,650	
94.013	Volunteers in Service to America	Superintendent of Public Instruction	45,370	
	TOTAL CORPORATION FOR NATIONAL & COMMUNITY SERVICE		<u>\$1,471,265</u>	
	SOCIAL SECURITY ADMINISTRATION			
	DISABILITY INSURANCE/SSI CLUSTER:			
96.001	Social Security - Disability Insurance	Labor, Department of	\$8,151,352	
	TOTAL DISABILITY INSURANCE/SSI CLUSTER		<u>\$8,151,352</u>	
	NON-CLUSTERED PROGRAMS:			
96.999	Vital Statistics Birth Records Grants	Health and Welfare, Department of	\$52,314	
96.999	Vital Statistics Cooperative Program	Health and Welfare, Department of	199,739	
96.999	Social Security Birth and Death Reports	Health and Welfare, Department of	42,494	
	TOTAL NON-CLUSTERED PROGRAMS		<u>\$294,547</u>	
	TOTAL SOCIAL SECURITY ADMINISTRATION		<u>\$8,445,899</u>	
	DEPARTMENT OF HOMELAND SECURITY			
97.012	Boating Safety Financial Assistance	Parks and Recreation, Department of	\$991,553	
97.023	Community Assistance Program - State Support Services Element	Water Resources, Department of	106,642	
97.029	Flood Mitigation Assistance	Military, Division of	1,018,080	
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Military, Division of	489,008	
97.039	Hazard Mitigation Grant	Military, Division of	353,487	
97.041	National Dam Safety Program	Water Resources, Department of	43,082	
97.042	Emergency Management Performance Grants	Military, Division of	3,090,643	
97.043	State Fire Training Systems Grants	Professional-Technical Education, Division of	11,240	
97.045	Cooperating Technical Partners	Military, Division of	75,594	
97.045	Cooperating Technical Partners	Water Resources, Department of	79,750	
97.047	Pre-Disaster Mitigation	Military, Division of	2,670,062	
97.047	Pre-Disaster Mitigation	Parks and Recreation, Department of	60,000	
97.055	Interoperable Emergency Communications	Military, Division of	66,190	
97.067	Homeland Security Grant Program	Military, Division of	6,977,003	
	Pass-Through From Non-State Entities:			
97.107	National Incident Management System (NIMS) Nat'l Emergency Mgmt Assoc; Grantor No. 12-SA-090-1849	Military, Division of	20,111	PT
	TOTAL DEPARTMENT OF HOMELAND SECURITY		<u>\$16,052,445</u>	
	TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$2,796,317,945</u>	

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**SCHEDULE
OF
EXPENDITURES OF FEDERAL AWARDS
BY STATE AGENCY**

**STATE OF IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
BY STATE AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

CFDA	STATE AGENCY FEDERAL PROGRAM TITLE	FEDERAL DEPARTMENT	AMOUNT	TYPE*
	ADMINISTRATION, DEPARTMENT OF			
39.003	Donation of Federal Surplus Personal Property	General Services Administration	\$1,272,560	NC
	TOTAL ADMINISTRATION, DEPARTMENT OF		<u>\$1,272,560</u>	
	AGING, COMMISSION ON			
17.235	Senior Community Service Employment Program	Department of Labor	\$463,391	
93.041	Programs for Prevention of Elder Abuse, Neglect, and Exploitation	Health and Human Services	27,750	
93.042	Long Term Care Ombudsman Services for Older Individuals	Health and Human Services	46,906	
93.043	Disease Prevention and Health Promotion Services	Health and Human Services	75,944	
93.044	Grants for Supportive Services and Senior Centers	Health and Human Services	1,761,547	
93.045	Nutrition Services	Health and Human Services	2,654,576	
93.048	Special Programs for the Aging - Discretionary Projects	Health and Human Services	514,046	
93.051	Alzheimer's Disease Demonstration Grants to States	Health and Human Services	20,317	
93.052	National Family Caregiver Support	Health and Human Services	645,482	
93.053	Nutrition Services Incentive Program	Health and Human Services	687,141	
93.071	Medicare Enrollment Assistance Program	Health and Human Services	28,900	
93.072	Lifespan Respite Care Program	Health and Human Services	12,844	
	TOTAL AGING, COMMISSION ON		<u>\$6,938,844</u>	
	AGRICULTURE, DEPARTMENT OF			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	Department of Agriculture	\$918,136	
10.162	Inspection Grading and Standardization	Department of Agriculture	57,692	
10.163	Market Protection and Promotion	Department of Agriculture	31,027	
10.170	Specialty Crop Block Grant Program - Farm Bill	Department of Agriculture	771,387	R&D
10.604	Technical Assistance for Specialty Crops	Department of Agriculture	110,731	
10.680	Forest Health Protection	Department of Agriculture	369,497	
10.688	ARRA - Wildland Fire Management	Department of Agriculture	522,251	
10.950	Agricultural Statistics Reports	Department of Agriculture	9,589	
10.999	Forest Service Aquatic Invasive Species Monitoring	Department of Agriculture	38,565	
15.231	Fish, Wildlife and Plant Conservation Resource Management	Department of the Interior	51,751	
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	Environmental Protection Agency	398,104	
	TOTAL AGRICULTURE, DEPARTMENT OF		<u>\$3,278,730</u>	
	ARTS, COMMISSION ON THE			
45.025	Promotion of the Arts - Partnership Agreements	Natl. Found. on Arts & Humanities	\$441,443	
	TOTAL ARTS, COMMISSION ON THE		<u>\$441,443</u>	
	ATTORNEY GENERAL, OFFICE OF THE			
16.543	Missing Children's Assistance	Department of Justice	\$232,824	
93.775	State Medicaid Fraud Control Units	Health and Human Services	489,253	
	TOTAL ATTORNEY GENERAL, OFFICE OF THE		<u>\$722,077</u>	
	BLIND AND VISUALLY IMPAIRED, COMMISSION FOR THE			
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Department of Education	\$2,685,370	
84.169	Independent Living - State Grants	Department of Education	137,408	
84.177	Independent Living Services for Older Individuals Who Are Blind	Department of Education	225,000	
84.187	Supported Employment Services for Individuals w/Significant Disabilities	Department of Education	2,343	
84.265	State Vocational Rehabilitation Unit In-Service Training	Department of Education	19,765	
	TOTAL BLIND AND VISUALLY IMPAIRED, COMMISSION FOR THE		<u>\$3,069,886</u>	
	BUILDING SAFETY, DIVISION OF			
14.171	Manufactured Home Dispute Resolution	Housing and Urban Development	\$25,650	
	TOTAL BUILDING SAFETY, DIVISION OF		<u>\$25,650</u>	
	COMMERCE, DEPARTMENT OF			
12.002	Procurement Technical Assistance for Business Firms	Department of Defense	\$130,930	
14.228	Community Development Block Grants/State's Program	Housing and Urban Development	6,417,967	
59.061	State Trade and Export Promotion Pilot Grant Program	Small Business Administration	208,142	
	TOTAL COMMERCE, DEPARTMENT OF		<u>\$6,757,039</u>	
	CORRECTION, DEPARTMENT OF			
16.580	Edward Byrne Memorial Law Enforcement Assistance Discretionary Grants	Department of Justice	\$114,394	
16.606	State Criminal Alien Assistance Program	Department of Justice	165,494	
	TOTAL CORRECTION, DEPARTMENT OF		<u>\$279,888</u>	

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**STATE OF IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
BY STATE AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

CFDA	STATE AGENCY FEDERAL PROGRAM TITLE	FEDERAL DEPARTMENT	AMOUNT	TYPE*
DRUG POLICY, OFFICE OF				
93.243	Substance Abuse & Mental Health Svcs - Proj. of Reg. & Nat'l Significance	Health and Human Services	\$142,691	
	TOTAL OFFICE OF DRUG POLICY		<u>\$142,691</u>	
EDUCATION, STATE BOARD OF				
84.367	Improving Teacher Quality State Grants	Department of Education	\$366,460	
84.372	Statewide Longitudinal Data Systems	Department of Education	624,601	
84.378	College Access Challenge Grant Program	Department of Education	1,203,960	
	TOTAL EDUCATION, STATE BOARD OF		<u>\$2,195,021</u>	
ENERGY RESOURCES, OFFICE OF				
10.999	Idaho Statewide Wood Energy Team	Department of Agriculture	\$12,663	PT
81.041	ARRA - State Energy Program	Department of Energy	155,005	
81.041	State Energy Program	Department of Energy	422,695	
81.087	Renewable Energy Research and Development	Department of Energy	9,021	PT, R&D
81.119	State Energy Program Special Projects	Department of Energy	70,548	
81.128	ARRA - Energy Efficiency and Conservation Community Block Grant	Department of Energy	2,060	
81.999	Building a Roadmap Foundation	Department of Energy	59,071	PT
	TOTAL ENERGY RESOURCES, OFFICE OF		<u>\$731,063</u>	
ENVIRONMENTAL QUALITY, DEPARTMENT OF				
10.912	Environmental Quality Incentives Program	Department of Agriculture	\$19,569	PT
12.113	Agreement Program for the Reimbursement of Technical Services	Department of Defense	151,637	
15.236	Environmental Quality and Protection Resource Management	Department of the Interior	70,599	
66.001	Air Pollution Control Program Support	Environmental Protection Agency	1,965,648	
66.034	Surveys, Studies, Res., Invest. Demos & Spec. Purpose Act. - Clean Air Act	Environmental Protection Agency	392,872	
66.034	Surveys, Studies, Res., Invest. Demos & Spec. Purpose Act. - Clean Air Act	Environmental Protection Agency	73,339	NC
66.039	National Clean Diesel Emissions Reduction Program	Environmental Protection Agency	76,802	
66.040	State Clean Diesel Grant Program	Environmental Protection Agency	103,009	
66.202	Congressionally Mandated Projects	Environmental Protection Agency	71,550	
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	Environmental Protection Agency	2,140,738	
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	Environmental Protection Agency	8,000	NC
66.432	State Public Water System Supervision	Environmental Protection Agency	1,292,597	
66.454	Water Quality Management Planning	Environmental Protection Agency	103,191	
66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency	566,977	
66.458	Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency	6,494,140	
66.460	Nonpoint Source Implementation Grants	Environmental Protection Agency	2,006,026	
66.461	Regional Wetland Program Development Grants	Environmental Protection Agency	296	
66.468	Capitalization Grants for Drinking Water State Revolving Funds	Environmental Protection Agency	10,939,502	
66.606	Surveys, Studies, Investigations and Special Purpose Grants	Environmental Protection Agency	(2,064)	PT
66.608	Environmental Information Exchange Network Grant Program	Environmental Protection Agency	141,454	
66.708	Pollution Prevention Grants Program	Environmental Protection Agency	92,878	
66.801	Hazardous Waste Management State Program Support	Environmental Protection Agency	448,374	
66.802	ARRA - Superfund St., Pol. Sub./Indian Tribe Site - Specific Coop. Agmts.	Environmental Protection Agency	14,826	
66.802	Superfund St., Pol. Sub./Indian Tribe Site - Specific Coop. Agmts.	Environmental Protection Agency	14,109,924	
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	Environmental Protection Agency	371,215	
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	Environmental Protection Agency	579,692	
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	Environmental Protection Agency	175,215	
66.817	State and Tribal Response Program Grants	Environmental Protection Agency	642,093	
81.106	Transport of Transuranic Wastes to the Waste Isolation Pilot Plant	Department of Energy	225,339	PT
81.502	Idaho National Laboratory Oversight	Department of Energy	2,565,925	
	TOTAL ENVIRONMENTAL QUALITY, DEPARTMENT OF		<u>\$45,841,363</u>	
FISH AND GAME, DEPARTMENT OF				
10.093	Miscellaneous Commodity Credit Corporation	Department of Agriculture	\$226,011	
10.999	Miscellaneous Forest Service Grants	Department of Agriculture	267,664	
10.999	Miscellaneous Natural Resources Conservation Service Grants	Department of Agriculture	65,890	
11.407	Interjurisdictional Fisheries Act of 1986	Department of Commerce	121	
11.436	Columbia River Fisheries Development Program	Department of Commerce	1,176,254	
11.438	Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program	Department of Commerce	277,121	
11.441	Regional Fishery Management Councils	Department of Commerce	38,423	
11.999	Miscellaneous NOAA Grants	Department of Commerce	1,009,014	
15.225	Recreation Resource Management	Department of the Interior	2,000	
15.230	Invasive and Noxious Plant Management	Department of the Interior	124,011	
15.231	Fish, Wildlife and Plant Conservation Resource Management	Department of the Interior	218,610	
15.238	Challenge Cost Share	Department of the Interior	88,085	
15.517	Fish & Wildlife Coordination Act	Department of the Interior	417,657	
15.605	Sport Fish Restoration	Department of the Interior	6,212,934	
15.611	Wildlife Restoration and Basic Hunter Education	Department of the Interior	7,506,136	
15.615	Cooperative Endangered Species Conservation Fund	Department of the Interior	327,129	
15.623	North American Wetlands Conservation Fund	Department of the Interior	1,466	
15.631	Partners for Fish & Wildlife	Department of the Interior	25,008	

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**STATE OF IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
BY STATE AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

CFDA	STATE AGENCY FEDERAL PROGRAM TITLE	FEDERAL DEPARTMENT	AMOUNT	TYPE*
15.634	State Wildlife Grants	Department of the Interior	\$1,355,192	
15.649	Service Training and Technical Assistance	Department of the Interior	5,646,644	
15.650	Research Grants (Generic)	Department of the Interior	102,065	
15.657	Endangered Species Conservation - Recovery Implementation Funds	Department of the Interior	134,574	
15.660	Endangered Species - Candidate Conservation Action Funds	Department of the Interior	18,334	
66.461	Regional Wetland Program Development Grants	Environmental Protection Agency	48,683	
81.999	Miscellaneous Bonneville Power Administration Grants	Department of Energy	15,289,253	
	TOTAL FISH AND GAME, DEPARTMENT OF		\$40,578,279	
	HEALTH AND WELFARE, DEPARTMENT OF			
10.551	Supplemental Nutrition Assistance Program (SNAP)	Department of Agriculture	\$309,657,830	NC
10.557	Supplemental Nutrition for Women, Infants, and Children (WIC)	Department of Agriculture	27,663,903	
10.561	State Administrative Matching Grants - Supplemental Nutrition Assist. Program	Department of Agriculture	9,719,258	
10.568	Emergency Food Assistance Program (Administrative Costs)	Department of Agriculture	224,080	
10.569	Emergency Food Assistance Program (Food Commodities)	Department of Agriculture	2,464,587	NC
16.575	Crime Victim Assistance	Department of Justice	2,338,664	
66.032	State Indoor Radon Grants	Environmental Protection Agency	53,133	
66.034	Surveys, Studies, Res., Invest. Demos & Spec. Purpose Act. - Clean Air Act	Environmental Protection Agency	1,723	
81.042	Weatherization Assistance for Low-Income Persons	Department of Energy	1,525,199	
81.999	Weatherization Conference	Department of Energy	641,704	
84.181	Special Education - Grants for Infants and Families	Department of Education	2,022,291	
93.069	Public Health Emergency Preparedness	Health and Human Services	137,077	
93.074	Hosp. Prep. Prog. (HPP) & Publ. Health Emerg. Prep. (PHEP) Coop. Agrmts.	Health and Human Services	6,768,468	
93.087	Enhance Safety of Children Affected by Substance Abuse	Health and Human Services	13	
93.090	Guardianship Assistance	Health and Human Services	26,025	
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	Health and Human Services	286,765	
93.110	Maternal and Child Health Federal Consolidated Programs	Health and Human Services	229,364	
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control	Health and Human Services	167,175	
93.127	Emergency Medical Services for Children	Health and Human Services	66,059	
93.130	Coop. Agrmts. - States/Territories - Coord. & Develop. of Primary Care Ofcs.	Health and Human Services	142,719	
93.136	Injury Prevent. & Control Research/State and Community Based Prog.	Health and Human Services	144,048	
93.150	Projects for Assistance in Transition from Homelessness	Health and Human Services	303,494	
93.217	Family Planning - Services	Health and Human Services	1,754,870	
93.240	State Capacity Building	Health and Human Services	205,931	
93.241	State Rural Hospital Flexibility Program	Health and Human Services	520,482	
93.243	Substance Abuse & Mental Health Svcs - Proj. of Reg. & Nat'l Significance	Health and Human Services	885,311	
93.251	Universal Newborn Hearing Screening	Health and Human Services	192,638	
93.268	Immunization Cooperative Agreements	Health and Human Services	1,975,827	
93.268	Immunization Cooperative Agreements	Health and Human Services	17,754,477	NC
93.270	Adult Viral Hepatitis Prevention and Control	Health and Human Services	20,216	
93.275	Substance Abuse and Mental Health Services - Access to Recovery	Health and Human Services	2,805,761	
93.283	Centers for Disease Control & Prevention - Investigations & Tech. Assist.	Health and Human Services	2,353,018	
93.292	National Public Health Improvement Initiative	Health and Human Services	102,494	
93.301	Small Rural Hospital Improvement Grant Program	Health and Human Services	200,897	
93.414	ARRA - State Primary Care Offices	Health and Human Services	99,708	
93.505	Affordable Care Act Maternal, Infant, & Early Childhood Home Visit. Prog.	Health and Human Services	1,002,320	
93.507	PPHF National Public Health Improvement Initiative	Health and Human Services	142,491	
93.521	Affordable Care Act Build Epi., Lab., & Health Info. Sys. Cap. in ELC & EIP	Health and Human Services	343,882	
93.544	Coordinated Chronic Disease Prev. & Health Promotion Program	Health and Human Services	110,302	
93.556	Promoting Safe and Stable Families	Health and Human Services	1,594,932	
93.558	Temporary Assistance for Needy Families	Health and Human Services	22,121,127	
93.563	Child Support Enforcement	Health and Human Services	14,805,886	
93.566	Refugee and Entrant Assistance - State Administered Programs	Health and Human Services	1,763,179	
93.568	Low-Income Home Energy Assistance	Health and Human Services	17,607,211	
93.569	Community Services Block Grant	Health and Human Services	3,714,289	
93.575	Child Care and Development Block Grant	Health and Human Services	21,676,413	
93.576	Refugee and Entrant Assistance Discretionary Grants	Health and Human Services	89,588	
93.590	Community-Based Child Abuse Prevention Grants	Health and Human Services	142,377	
93.596	Child Care Mandatory & Matching Funds of Child Care & Develop. Fund	Health and Human Services	2,817,207	
93.597	Grants to States for Access and Visitation Programs	Health and Human Services	99,778	
93.599	Chafee Education and Training Vouchers Program	Health and Human Services	149,902	
93.600	Head Start	Health and Human Services	118,627	
93.603	Adoption Incentive Payments	Health and Human Services	976,307	
93.624	Affordable Care Act Funding for Model Design & Model Testing Assist.	Health and Human Services	2,375,413	
93.630	Developmental Disabilities Basic Support and Advocacy Grants	Health and Human Services	421,480	
93.643	Children's Justice Grants To States	Health and Human Services	136,616	
93.645	Stephanie Tubbs Jones Child Welfare Services Program	Health and Human Services	601,973	
93.658	Foster Care - Title IV-E	Health and Human Services	9,344,332	
93.659	Adoption Assistance	Health and Human Services	6,738,318	
93.667	Social Services Block Grant	Health and Human Services	11,602,933	
93.669	Child Abuse and Neglect State Grants	Health and Human Services	239,688	
93.671	Family Violence Prevent & Svcs/Domestic Violence Shelter & Sup. Svcs	Health and Human Services	827,550	

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**STATE OF IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
BY STATE AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

CFDA	STATE AGENCY FEDERAL PROGRAM TITLE	FEDERAL DEPARTMENT	AMOUNT	TYPE*
93.674	Chafee Foster Care Independence Program	Health and Human Services	\$631,174	
93.714	ARRA - Emerg. Contingency Fund for Temp. Assist. for Needy Families	Health and Human Services	434,133	
93.735	State Pub. Health Approach Ensuring Quiltline Cap. Funded in part by PPHF	Health and Human Services	69,514	
93.745	PPHF: Health Care Surveillance/Health Statistics - Surveillance Prog.	Health and Human Services	36,930	
93.767	Children's Health Insurance Program	Health and Human Services	49,806,720	
93.777	State Survey and Certification of Health Care Providers and Suppliers	Health and Human Services	2,515,724	
93.778	Medical Assistance Program	Health and Human Services	1,245,597,172	
93.791	Money Follows the Person Rebalancing Demonstration	Health and Human Services	2,436,410	
93.889	National Bioterrorism Hospital Preparedness Program	Health and Human Services	22,436	
93.913	Grants to States for Operation of Offices of Rural Health	Health and Human Services	182,584	
93.917	HIV Care Formula Grants	Health and Human Services	2,188,939	
93.919	Comprehensive Breast and Cervical Cancer Early Detection Programs	Health and Human Services	1,479,787	
93.940	HIV Prevention Activities - Health Department Based	Health and Human Services	774,190	
93.944	HIV/AIDS Surveillance	Health and Human Services	118,846	
93.945	Assistance Programs for Chronic Disease Prevention and Control	Health and Human Services	961,137	
93.958	Block Grants for Community Mental Health Services	Health and Human Services	2,219,957	
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Health and Human Services	6,733,043	
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	Health and Human Services	312,711	
93.988	Diabetes Control Programs and Evaluation of Surveillance Systems	Health and Human Services	29,979	
93.991	Preventive Health and Health Services Block Grant	Health and Human Services	277,637	
93.994	Maternal and Child Health Services Block Grant to the States	Health and Human Services	2,987,234	
93.999	Clinical Laboratory Improvement Amendments	Health and Human Services	151,727	
93.999	Drug Alcohol Information	Health and Human Services	56,713	
93.999	Food Sanitation Inspection	Health and Human Services	47,392	
93.999	Mammography Quality	Health and Human Services	49,048	
93.999	State EPI Outcomes	Health and Human Services	93,653	
96.999	Vital Statistics Birth Records Grants	Social Security Administration	52,314	
96.999	Vital Statistics Cooperative Program	Social Security Administration	199,739	
96.999	Social Security Birth and Death Reports	Social Security Administration	42,494	
	TOTAL HEALTH AND WELFARE, DEPARTMENT OF		<u>\$1,835,528,667</u>	
	HISTORICAL SOCIETY, IDAHO STATE			
15.224	Cultural Resource Management	Department of the Interior	\$32,056	
15.238	Challenge Cost Share	Department of the Interior	519	
15.904	Historic Preservation Fund Grants-in-Aid	Department of the Interior	477,743	
15.926	American Battlefield Protection	Department of the Interior	1,305	
45.129	Promotion of the Humanities - Federal/State Partnership	Natl. Found. on Arts & Humanities	1,200	PT
45.149	Promotion of the Humanities - Division of Preservation and Access	Natl. Found. on Arts & Humanities	18,718	
	TOTAL HISTORICAL SOCIETY, IDAHO STATE		<u>\$531,541</u>	
	INDUSTRIAL COMMISSION			
16.576	Crime Victim Compensation	Department of Justice	\$800,000	
	TOTAL INDUSTRIAL COMMISSION		<u>\$800,000</u>	
	INSURANCE, DEPARTMENT OF			
93.324	State Health Insurance Assistance Program	Health and Human Services	\$51,709	
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demos, and Evals.	Health and Human Services	312,205	
	TOTAL INSURANCE, DEPARTMENT OF		<u>\$363,914</u>	
	JUDICIAL DEPARTMENT			
16.013	Violence Against Women Act Court Training and Improvement Grants	Department of Justice	\$182,561	
16.585	Drug Court Discretionary Grant Program	Department of Justice	89,243	
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	Department of Justice	160,607	
16.999	Miscellaneous Department of Justice Grants	Department of Justice	14,246	
93.243	Substance Abuse & Mental Health Svcs - Proj. of Reg. & Natl. Significance	Health and Human Services	295,352	
93.586	State Court Improvement Program	Health and Human Services	393,640	
	TOTAL JUDICIAL DEPARTMENT		<u>\$1,135,649</u>	
	JUVENILE CORRECTIONS, DEPARTMENT OF			
16.523	Juvenile Accountability Block Grants	Department of Justice	\$325,509	
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	Department of Justice	432,438	
16.548	Title V - Delinquency Prevention Program	Department of Justice	65,735	
16.727	Enforcing Underage Drinking Laws Program	Department of Justice	259,904	
16.812	Second Chance Act Reentry Initiative	Department of Justice	5,923	R&D
84.358	Rural Education	Department of Education	5,980	
	TOTAL JUVENILE CORRECTIONS, DEPARTMENT OF		<u>\$1,095,489</u>	
	LABOR, DEPARTMENT OF			
17.002	Labor Force Statistics	Department of Labor	\$621,714	R&D
17.005	Compensation and Working Conditions	Department of Labor	5,816	
17.207	Employment Service/Wagner-Peyser Funded Activities	Department of Labor	6,614,412	
17.225	Unemployment Insurance	Department of Labor	165,968,185	

* Type of assistance other than direct cash. NC=Non-Cash; PT=Pass-Through; R&D=Research and Development.
The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

**STATE OF IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
BY STATE AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

CFDA	STATE AGENCY FEDERAL PROGRAM TITLE	FEDERAL DEPARTMENT	AMOUNT	TYPE*
17.245	Trade Adjustment Assistance	Department of Labor	\$1,033,045	
17.258	WIA Adult Program	Department of Labor	3,300,645	
17.259	WIA Youth Activities	Department of Labor	3,655,785	
17.261	WIA Pilots, Demonstrations, and Research Projects	Department of Labor	347,584	R&D
17.267	Incentive Grants - WIA Section 503	Department of Labor	140,682	
17.271	Work Opportunity Tax Credit (WOTC) Program	Department of Labor	37,632	
17.273	Temporary Labor Certification for Foreign Workers	Department of Labor	192,883	
17.275	ARRA - Worker Training & Placement in High Growth & Emerging Industry	Department of Labor	104,746	
17.277	WIA National Emergency Grants	Department of Labor	1,012,318	
17.278	WIA Dislocated Workers	Department of Labor	3,836,306	
17.801	Disabled Veterans' Outreach Program	Department of Labor	691,284	
17.802	Veterans' Employment Program	Department of Labor	524,341	
17.804	Local Veterans' Employment Representative Program	Department of Labor	129,973	
94.003	State Commissions	Corp. for Natl. & Community Svc.	239,154	
94.006	AmeriCorps	Corp. for Natl. & Community Svc.	1,163,108	
94.007	Program Development and Innovation Grants	Corp. for Natl. & Community Svc.	17,983	
94.009	Training and Technical Assistance	Corp. for Natl. & Community Svc.	5,650	
96.001	Social Security - Disability Insurance	Social Security Administration	8,151,352	
	TOTAL LABOR, DEPARTMENT OF		<u>\$197,794,598</u>	
	LANDS, DEPARTMENT OF			
10.064	Forestry Incentives Program	Department of Agriculture	\$19,483	
10.664	Cooperative Forestry Assistance	Department of Agriculture	2,448,637	
10.676	Forest Legacy Program	Department of Agriculture	58,144	
10.680	Forest Health Protection	Department of Agriculture	58,783	
	TOTAL LANDS, DEPARTMENT OF		<u>\$2,585,047</u>	
	LIBRARIES, IDAHO COMMISSION FOR			
45.129	Promotion of the Humanities - Federal/State Partnership	Natl. Found. on Arts & Humanities	\$12,854	PT
45.310	Grants to States	Natl. Found. on Arts & Humanities	1,343,114	
45.312	National Leadership Grants	Natl. Found. on Arts & Humanities	87,826	
	TOTAL LIBRARIES, IDAHO COMMISSION FOR		<u>\$1,443,794</u>	
	MILITARY, DIVISION OF			
11.549	State and Local Implementation Grant Program	Department of Commerce	\$87,736	
12.401	National Guard Military Operations and Maintenance Projects	Department of Defense	32,927,324	
12.401	National Guard Military Operations and Maintenance Projects	Department of Defense	796,327	NC
12.404	National Guard ChalleNge Program	Department of Defense	2,682,161	
20.703	Interagency Hazardous Materials Public Sector Training & Planning Grants	Department of Transportation	138,306	
97.029	Flood Mitigation Assistance	Department of Homeland Security	1,018,080	
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Department of Homeland Security	489,008	
97.039	Hazard Mitigation Grant	Department of Homeland Security	353,487	
97.042	Emergency Management Performance Grants	Department of Homeland Security	3,090,643	
97.045	Cooperating Technical Partners	Department of Homeland Security	75,594	
97.047	Pre-Disaster Mitigation	Department of Homeland Security	2,670,062	
97.055	Interoperable Emergency Communications	Department of Homeland Security	66,190	
97.067	Homeland Security Grant Program	Department of Homeland Security	6,977,003	
97.107	National Incident Management System (NIMS)	Department of Homeland Security	20,111	PT
	TOTAL MILITARY, DIVISION OF		<u>\$51,392,032</u>	
	OUTFITTERS & GUIDES			
10.999	Idaho Rec. & Tourism Initiative (IRTI) Outfitters/Guide GIS Interface Devel.	Department of Agriculture	\$11,881	
	TOTAL OUTFITTERS & GUIDES		<u>\$11,881</u>	
	PARKS AND RECREATION, DEPARTMENT OF			
15.524	Recreation Resources Management	Department of the Interior	\$387,839	
15.622	Sportfishing and Boating Safety Act	Department of the Interior	7,795	
15.916	Outdoor Recreation - Acquisition, Development, and Planning	Department of the Interior	399,573	
20.219	Recreational Trails Program	Department of Transportation	1,286,099	
43.001	Science	NASA	4,927	
97.012	Boating Safety Financial Assistance	Department of Homeland Security	991,553	
97.047	Pre-Disaster Mitigation	Department of Homeland Security	60,000	
	TOTAL PARKS AND RECREATION, DEPARTMENT OF		<u>\$3,137,786</u>	
	PHARMACY, BOARD OF			
16.754	Harold Rogers Prescription Drug Monitoring Program	Department of Justice	\$142,423	
	TOTAL PHARMACY, BOARD OF		<u>\$142,423</u>	
	POLICE, IDAHO STATE			
16.017	Sexual Assault Services	Department of Justice	\$288,390	
16.550	State Justice Statistics Program for Statistical Analysis Centers	Department of Justice	57,096	
16.588	Violence Against Women Formula Grants	Department of Justice	1,030,818	

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The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

**STATE OF IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
BY STATE AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

CFDA	STATE AGENCY FEDERAL PROGRAM TITLE	FEDERAL DEPARTMENT	AMOUNT	TYPE*
16.593	Residential Substance Abuse Treatment for State Prisoners	Department of Justice	\$114,724	
16.609	Project Safe Neighborhoods	Department of Justice	54,241	
16.738	Edward Byrne Memorial Justice Assistance Grant Program	Department of Justice	1,190,166	
16.741	DNA Backlog Reduction Program	Department of Justice	190,167	
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	Department of Justice	244,633	
16.753	Congressionally Recommended Awards	Department of Justice	45,912	
16.813	National Criminal History Improvement Program	Department of Justice	109,788	
16.922	Equitable Sharing for Law Enforcement Agencies	Department of Justice	77,648	
16.999	Organized Crime and Drug Task Force	Department of Justice	2,991	
20.218	National Motor Carrier Safety	Department of Transportation	1,564,622	
20.233	Border Enforcement Grants	Department of Transportation	80,959	
	TOTAL POLICE, IDAHO STATE		<u>\$5,052,155</u>	
	PROFESSIONAL-TECHNICAL EDUCATION, DIVISION OF			
84.002	Adult Education - Basic Grants to States	Department of Education	\$2,743,797	
84.048	Career and Technical Education - Basic Grants to States	Department of Education	6,657,871	
97.043	State Fire Training Systems Grants	Department of Homeland Security	11,240	
	TOTAL PROFESSIONAL-TECHNICAL EDUCATION, DIVISION OF		<u>\$9,412,908</u>	
	PUBLIC TELEVISION, IDAHO			
10.861	Public Television Station Digital Transition Grant Program	Department of Agriculture	\$49,935	
11.553	Warning, Alert, and Response Network (WARN) Act	Department of Commerce	64,495	PT
	TOTAL PUBLIC TELEVISION, IDAHO		<u>\$114,430</u>	
	PUBLIC UTILITIES COMMISSION			
20.700	Pipeline Safety	Department of Transportation	\$78,500	
81.122	ARRA - Electricity Delivery & Energy Reliability, Res., Devel. & Analysis	Department of Energy	241,200	
	TOTAL PUBLIC UTILITIES COMMISSION		<u>\$319,700</u>	
	SECRETARY OF STATE			
39.011	Election Reform	General Services Administration	\$1,306,411	
93.617	Voting Access for Individuals with Disabilities - Grants to States	Health and Human Services	5,515	
	TOTAL SECRETARY OF STATE		<u>\$1,311,926</u>	
	SPECIES CONSERVATION, OFFICE OF			
10.999	US Forest Services Roadless Cost Share	Department of Agriculture	\$9,834	
11.438	Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program	Department of Commerce	2,874,123	
15.231	Fish, Wildlife and Plant Conservation Resource Management	Department of the Interior	8,059	
15.608	Fish and Wildlife Management Assistance	Department of the Interior	59,260	
15.657	Endangered Species Conservation - Recovery Implementation Funds	Department of the Interior	2,650,869	
81.999	Idaho OSC Accord Planning and Development	Department of Energy	353,773	
81.999	Upper Salmon Basin Habitat Restoration	Department of Energy	663,798	
81.999	Exp-Lemhi River Restoration Planning	Department of Energy	140,913	
81.999	Clearwater Focus Program	Department of Energy	90,133	
81.999	Exp-Pahsimeroi River Habitat	Department of Energy	100,324	
81.999	Yankee Fork Side Channel Restoration	Department of Energy	68,287	
81.999	Lower Clearwater Potlatch Watershed	Department of Energy	210,968	
	TOTAL SPECIES CONSERVATION, OFFICE OF		<u>\$7,230,341</u>	
	SUPERINTENDENT OF PUBLIC INSTRUCTION			
10.553	School Breakfast Program	Department of Agriculture	\$15,998,648	
10.555	National School Lunch Program	Department of Agriculture	6,632,890	NC
10.555	National School Lunch Program	Department of Agriculture	47,467,520	
10.556	Special Milk Program for Children	Department of Agriculture	156,702	
10.558	Child and Adult Care Food Program	Department of Agriculture	7,109,455	
10.559	Summer Food Service Program for Children	Department of Agriculture	4,378,054	
10.560	State Administrative Expenses for Child Nutrition	Department of Agriculture	1,218,288	
10.574	Team Nutrition Grants	Department of Agriculture	238,248	
10.579	Child Nutrition Discretionary Grants Limited Availability	Department of Agriculture	146,886	
10.582	Fresh Fruit and Vegetable Program	Department of Agriculture	1,771,459	
12.900	Language Grant Program	Department of Defense	99,832	
43.AAA	Aerospace Education Services Program	NASA	179,020	
45.024	Promotion of the Arts - Grants to Organizations and Individuals	Natl. Endowment for the Arts	20,418	
84.010	Title I Grants to Local Educational Agencies	Department of Education	57,662,199	
84.011	Migrant Education - State Grant Program	Department of Education	3,866,134	
84.013	Title I State Agency Program for Neglected & Delinquent Children & Youth	Department of Education	448,910	
84.027	Special Education - Grants to States	Department of Education	51,939,721	
84.144	Migrant Education - Coordination Program	Department of Education	115,353	
84.173	Special Education - Preschool Grants	Department of Education	1,999,207	
84.196	Education for Homeless Children and Youth	Department of Education	248,188	
84.287	Twenty-First Century Community Learning Centers	Department of Education	6,025,940	
84.318	Education Technology State Grants	Department of Education	81,211	

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The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

**STATE OF IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
BY STATE AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

CFDA	STATE AGENCY FEDERAL PROGRAM TITLE	FEDERAL DEPARTMENT	AMOUNT	TYPE*
84.323	Special Education - State Personnel Development	Department of Education	\$963,396	
84.330	Advanced Placement Program	Department of Education	72,270	
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	Department of Education	1,663,452	
84.358	Rural Education	Department of Education	682,095	
84.365	English Language Acquisition State Grants	Department of Education	2,290,998	
84.366	Mathematics and Science Partnerships	Department of Education	674,864	
84.367	Improving Teacher Quality State Grants	Department of Education	11,958,649	
84.369	Grants for State Assessments and Related Activities	Department of Education	3,713,892	
84.377	School Improvement Grants	Department of Education	265,418	
84.388	ARRA - School Improvement Grants	Department of Education	2,904,145	
93.079	Promote Adolescent Health - Sch.-Bsd HIV/STD Prev. & Sch.-Bsd Surv.	Health and Human Services	53,805	
93.243	Substance Abuse & Mental Health Svcs - Proj. of Reg. & Nat'l Significance	Health and Human Services	344,151	
93.938	Comp. Sch. Health Prog./Prevent Spread - HIV & Other Import. Health Prob.	Health and Human Services	67,861	
94.013	Volunteers in Service to America	Corp. for Natl. & Community Svc.	45,370	
TOTAL SUPERINTENDENT OF PUBLIC INSTRUCTION			\$233,504,649	
TRANSPORTATION DEPARTMENT, IDAHO				
10.912	Environmental Quality Incentives Program	Department of Agriculture	\$5,659	
15.228	National Fire Plan - Wildland Urban Interface Community Fire Assist.	Department of the Interior	207,596	
20.106	Airport Improvement Program	Department of Transportation	87,594	
20.205	ARRA - Highway Planning and Construction	Department of Transportation	2,581,705	
20.205	Highway Planning and Construction	Department of Transportation	280,682,202	
20.205	Highway Planning and Construction	Department of Transportation	6,677,315	R&D
20.232	Commercial Driver's License Program Improvement Grant	Department of Transportation	322,325	
20.237	Commercial Vehicle Information Systems and Networks	Department of Transportation	929,340	
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service	Department of Transportation	13,804	
20.500	Federal Transit - Capital Investment Grants	Department of Transportation	417,922	
20.505	Metro. Transp. Planning/State Non-Metropolitan Planning & Research	Department of Transportation	110,903	
20.509	ARRA - Formula Grants for Rural Areas	Department of Transportation	148,945	
20.509	Formula Grants for Rural Areas	Department of Transportation	5,945,712	
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	Department of Transportation	583,565	
20.514	Public Transportation Research	Department of Transportation	35,625	
20.516	Job Access - Reverse Commute	Department of Transportation	869,538	
20.521	New Freedom Program	Department of Transportation	385,405	
20.600	State and Community Highway Safety	Department of Transportation	1,641,953	
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	Department of Transportation	818,132	
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	Department of Transportation	95,243	
20.610	State Traffic Safety Information System Improvement Grants	Department of Transportation	131,885	
20.612	Incentive Grant Program to Increase Motorcyclist Safety	Department of Transportation	100,580	
20.616	National Priority Safety Programs	Department of Transportation	738,261	
TOTAL TRANSPORTATION DEPARTMENT, IDAHO			\$303,531,209	
VETERANS SERVICES, DIVISION OF				
64.014	Veterans State Domiciliary Care	Department of Veterans Affairs	\$419,653	
64.015	Veterans State Nursing Home Care	Department of Veterans Affairs	11,251,414	
64.101	Burial Expenses Allowances for Veterans	Department of Veterans Affairs	338,412	
64.203	State Cemetery Grants	Department of Veterans Affairs	1,153,563	
TOTAL VETERANS SERVICES, DIVISION OF			\$13,163,042	
VOCATIONAL REHABILITATION, DIVISION OF				
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Department of Education	\$13,432,742	
84.169	Independent Living - State Grants	Department of Education	129,154	
84.187	Supported Employment Services for Individuals w/Significant Disabilities	Department of Education	213,717	
84.265	State Vocational Rehabilitation Unit In-Service Training	Department of Education	29,830	
TOTAL VOCATIONAL REHABILITATION, DIVISION OF			\$13,805,443	
WATER RESOURCES, DEPARTMENT OF				
15.507	WaterSMART (Sustaining & Manage America's Resources for Tomorrow)	Department of the Interior	\$8,650	
15.808	U.S. Geological Survey - Research and Data Collection	Department of the Interior	68,485	R&D
66.433	State Underground Water Source Protection	Environmental Protection Agency	57,602	
81.999	Tributary Water Conservation	Department of Energy	270,576	
97.023	Community Assistance Program - State Support Services Element	Department of Homeland Security	106,642	
97.041	National Dam Safety Program	Department of Homeland Security	43,082	
97.045	Cooperating Technical Partners	Department of Homeland Security	79,750	
TOTAL WATER RESOURCES, DEPARTMENT OF			\$634,787	
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$2,796,317,945	

* Type of assistance other than direct cash. NC=Non-Cash; PT=Pass-Through; R&D=Research and Development.
The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

**STATE OF IDAHO
NOTES TO SCHEDULES OF
EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1 – PURPOSE OF THE SCHEDULES

The supplementary Schedule of Expenditures of Federal Awards (schedules) are in addition to the State's basic financial statements and are presented for purposes of additional analysis. The schedules are required by the Office of Management and Budget (OMB) *Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations*. OMB *Circular A-133* is issued pursuant to the Single Audit Act of 1984, P.L. 98-502, and the Single Audit Act Amendments of 1996, P.L. 104-156.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The reporting entity includes all State departments and entities included in the State's *Comprehensive Annual Financial Report (CAFR)*. This report includes all federal awards except for the colleges and universities, the Idaho Housing and Finance Association, the Idaho Individual High Risk Reinsurance Pool, and the Idaho Health Insurance Exchange, which are audited by independent certified public accountants and published under separate cover.

B. Basis of Accounting

The schedules were prepared using the cash basis of accounting. Expenditures are recognized when paid rather than when obligations are incurred. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

C. Basis of Presentation

Expenditures of Federal Awards – In accordance with the OMB *Circular A-133*, federal awards are federal cost-reimbursement contracts or federal financial assistance (cash or non-cash) in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance. Awards may be received directly from a federal agency or indirectly from a pass-through entity. Contracts between the State and federal government for which the federal government procures tangible goods or services are not considered to be expenditures of federal awards.

Catalog of Federal Domestic Assistance – The *Catalog of Federal Domestic Assistance (CFDA)* is a list of federal programs available. The OMB *Circular A-133* requires the schedules to provide total federal awards expended by the State for each individual federal program by CFDA number. Federal programs that have not been assigned a specific CFDA number are assigned a miscellaneous CFDA number; the first two digits of a miscellaneous CFDA number identify the federal awarding agency followed by ".999."

Program Clusters – Closely related programs with different CFDA numbers that share common compliance requirements are considered "program clusters." The Schedule of Expenditures of Federal Awards by Federal Agency displays programs by program cluster as mandated by the OMB *Circular A-133 Compliance Supplement*. Programs not included within a designated cluster are presented under the title "NON-CLUSTERED PROGRAMS."

Valuation of Non-Cash Assistance – Non-cash awards are identified by "NC" on the schedules. Non-cash expenditures of federal awards were determined as follows:

1. CFDA 10.551, Supplemental Nutrition Assistance Program (SNAP) – reported at the dollar value of electronic benefit transfers authorized and used for food purchases by recipients.

**STATE OF IDAHO
NOTES TO SCHEDULES OF
EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

2. CFDA 10.555, National School Lunch Program – reported at the fair market value of the food commodities distributed.
3. CFDA 10.569, Emergency Food Assistance Program – reported at the fair market value of the food commodities distributed.
4. CFDA 12.401, National Guard Military Operations and Maintenance Projects – reported at face value of the goods and services rendered through cooperative agreements.
5. CFDA 39.003, Donation of Federal Surplus Personal Property – reported at the fair market value of donated property as determined by General Services Administration.
6. CFDA 66.034, Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act – reported at the fair market value of the goods and services included as in-kind awards.
7. CFDA 66.419, Water Pollution Control State, Interstate, and Tribal Program Support – reported at the fair market value of the goods and services included as in-kind awards.
8. CFDA 93.268, Immunization Cooperative Agreements – reported at the federally assigned value of the serum distributed.

State Funds Included with Federal Funds – State unemployment insurance funds are included with federal funds in the total expenditures for CFDA 17.225. The State portion was \$126,849,766, and the federal portion was \$39,118,419.

NOTE 3 – LOANS OUTSTANDING

The following loan programs are administered on behalf of federal awarding agencies:

1. The Office of Energy Resources administers loan and grant programs (CFDA 81.041) for the U.S. Department of Energy. The original source of these funds was petroleum price violations. The funds are used to finance various energy conservation projects. The outstanding principal and interest at June 30, 2014, was \$345,206. The Office of Energy Resources determined uncollectible accounts to be \$0.
2. The Department of Environmental Quality administers loans for the Capitalization Grants for Clean Water State Revolving Funds (CFDA 66.458) and the Capitalization Grants for Drinking Water State Revolving Funds (CFDA 66.468). These revolving funds make loans to qualified water pollution control projects and public drinking water systems. The loans are funded by the federal capitalization grants, State match, and revolving funds. The loans are disbursed as borrowers incur costs and are repaid within 20 years of project completion. Interest rates vary between 0 percent and 4.5 percent. Management considers all loans to be fully collectible, so no allowance for uncollectible accounts is recorded.

**STATE OF IDAHO
NOTES TO SCHEDULES OF
EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Loan programs at June 30, 2014:

CAPITALIZATION GRANTS FOR CLEAN WATER - CFDA 66.458

	Loan Authorized	Principal Repayments	Remaining Commitment	Receivable Balance
Completed Projects	\$135,294,282	\$22,055,282		\$113,239,000
Projects in Progress	180,067,178		\$108,549,343	71,517,835
Totals	\$315,361,460	\$22,055,282	\$108,549,343	\$184,756,835

Less: Amount Due Within 1 Year				4,491,685
Loans Receivable Net of Current Maturities				<u>\$180,265,150</u>

CAPITALIZATION GRANTS FOR DRINKING WATER - CFDA 66.468

	Loan Authorized	Principal Repayments	Remaining Commitment	Receivable Balance
Completed Projects	\$103,161,288	\$17,592,365		\$85,568,923
Projects in Progress	42,924,460		\$22,182,681	20,741,779
Totals	\$146,085,748	\$17,592,365	\$22,182,681	\$106,310,702

Less: Amount Due Within 1 Year				3,898,670
Loans Receivable Net of Current Maturities				<u>\$102,412,032</u>

NOTE 4 – SNAP BENEFITS (CFDA 10.551)

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents the USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, the USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for 7.79 percent of the USDA's total expenditures for SNAP benefits in the federal fiscal year ended September 30, 2013.

**STATE OF IDAHO
SINGLE AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

AUDITOR'S RESULTS



**STATE OF IDAHO
SINGLE AUDIT REPORT
SUMMARY OF AUDITOR'S RESULTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

BASIC FINANCIAL STATEMENTS

1. The independent auditor's report on the basic financial statements expressed an unqualified opinion.
2. The audit of the basic financial statements disclosed significant deficiencies in internal control. Deficiencies considered to be material weaknesses were also reported.
3. The audit of the basic financial statements did not disclose any noncompliance that is material to the financial statements.

FEDERAL AWARDS

1. The audit of major federal programs in the Schedule of Expenditures of Federal Awards disclosed significant deficiencies in internal control. We consider items 2014-202, 2014-203, and 2014-216 to be material weaknesses.
2. The independent auditor's report on compliance with major federal programs expressed an unqualified opinion for all major programs except for the following programs which were qualified: Rehabilitation Services - Vocational Rehabilitation Grants to States (84.126) and Low-Income Home Energy Assistance Program (93.568).
3. The *Single Audit Report* disclosed findings that are required to be reported in accordance with the criteria in Section 510a of OMB *Circular A-133*.
4. The federal programs identified as major programs are listed on the following page.
5. The dollar threshold used to distinguish between Type A and Type B programs was \$8,388,954.
6. For the fiscal year ended June 30, 2014, the State of Idaho did not meet OMB *Circular A-133's* requirements to qualify as a low-risk auditee.

**STATE OF IDAHO
SINGLE AUDIT REPORT
SCHEDULE OF MAJOR FEDERAL PROGRAMS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

PROGRAM OR CLUSTER TITLE	CFDA
SNAP CLUSTER:	
Supplemental Nutrition Assistance Program (SNAP)	10.551
State Administrative Matching Grants – Supplemental Nutrition Assistance Program	10.561
CHILD NUTRITION CLUSTER:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Milk Program for Children	10.556
Summer Food Service Program for Children	10.559
WIA CLUSTER:	
WIA Adult Program	17.258
WIA Youth Activities	17.259
WIA Dislocated Workers	17.278
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER:	
Highway Planning and Construction	20.205
ARRA – Highway Planning and Construction	20.205
Recreational Trails Program	20.219
CLEAN WATER STATE REVOLVING FUND CLUSTER:	
Capitalization Grants for Clean Water State Revolving Funds	66.458
ARRA – Capitalization Grants for Clean Water State Revolving Funds	66.458
DRINKING WATER STATE REVOLVING FUND CLUSTER:	
Capitalization Grants for Drinking Water State Revolving Funds	66.468
SPECIAL EDUCATION CLUSTER (IDEA):	
Special Education – Grants to States	84.027
Special Education – Preschool Grants	84.173
TANF CLUSTER:	
Temporary Assistance for Needy Families	93.558
ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families	93.714
CCDF CLUSTER:	
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596
MEDICAID CLUSTER:	
State Medicaid Fraud Control Units	93.775
State Survey and Certification of Health Care Providers and Suppliers	93.777
Medical Assistance Program	93.778

**STATE OF IDAHO
SINGLE AUDIT REPORT
SCHEDULE OF MAJOR FEDERAL PROGRAMS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

PROGRAM OR CLUSTER TITLE	CFDA
NON-CLUSTERED PROGRAMS:	
Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557
Unemployment Insurance	17.225
Veterans State Nursing Home Care	64.015
Superfund State, Political Subdivisions, and Indian Tribe Site - Specific Cooperative Agreements	66.802
ARRA – Superfund State, Political Subdivisions, and Indian Tribe Site - Specific Cooperative Agreements	66.802
Miscellaneous Bonneville Power Administration Grants	81.999
Title I Grants to Local Educational Agencies	84.010
Rehabilitation Services – Vocational Rehabilitation Grants to States	84.126
Improving Teacher Quality State Grants	84.367
Child Support Enforcement	93.563
Low-Income Home Energy Assistance	93.568
Foster Care-Title IV-E	93.658
Social Services Block Grant	93.667
Children’s Health Insurance Program	93.767

**STATE OF IDAHO
SINGLE AUDIT REPORT
SCHEDULE OF BASIC FINANCIAL STATEMENTS FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

STATE AGENCY	PAGE
<u>OFFICE OF THE STATE CONTROLLER</u>	
2014-101 Internal control weaknesses allowed misstatements in the statewide financial statements and note disclosures to go undetected.	29
2014-102 Internal control deficiencies over the processing of statutory transfers led to noncompliance as well as miscoded and unsupported transactions.	30
<u>IDAHO STATE DEPARTMENT OF EDUCATION</u>	
2014-103 Errors in the accounts receivable closing package were not detected or prevented by internal control procedures in place.	32
<u>IDAHO DEPARTMENT OF HEALTH AND WELFARE</u>	
2013-104 Deficiencies in internal control allowed several errors in various closing packages to go undetected.	33
<u>IDAHO STATE TAX COMMISSION</u>	
2013-105 Errors in the data used to prepare the taxes receivable estimate were not detected by internal control procedures, resulting in misstatements.	35
<u>IDAHO TRANSPORTATION DEPARTMENT</u>	
2014-106 Internal controls intended to reduce the risk of misstatements in the inventory closing package were not performed at a level of detail necessary to detect significant errors.	37

**STATE OF IDAHO
SINGLE AUDIT REPORT
BASIC FINANCIAL STATEMENTS FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

OFFICE OF THE STATE CONTROLLER (Office)

FINDING 2014-101

Internal control weaknesses allowed misstatements in the statewide financial statements and note disclosures to go undetected.

Type of Finding: Significant Deficiency

Related to Prior Finding: 2013-101

Criteria: The Internal Control Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) provides a basis for organizations to design internal control procedures to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. Components of this framework include risk assessment and control activities. Risk assessment is the identification and analysis of various risks entities face because of changing economic, industry, regulatory, and operating conditions. It provides a basis to develop appropriate responses to manage those risks. Control activities are policies and procedures that help ensure management directives are carried out and risks are mitigated. Verifications, approvals, reconciliations, authorizations, and segregation of duties are all control activities that support this objective.

Condition: Several misstatements were identified that exceeded our trivial materiality threshold, but did not exceed materiality. The misstatements were all communicated during the audit process, however the number of errors indicate weaknesses in the internal control system that could lead to a material error that would go undetected and uncorrected. The most significant errors included incorrect financial statement classifications and note disclosure omissions, misclassifications, and inconsistencies with the financial statements.

Cause: Weaknesses in the internal controls established by the Office allowed misstatements and errors in the financial statements and note disclosures to go undetected.

Effect: The financial statements and note disclosures submitted for audit contained misstatements and errors that were not material but more than inconsequential. All errors except one were corrected before the *Comprehensive Annual Financial Report (CAFR)* was finalized. The remaining error was included on the passed on adjustments schedule.

Recommendation: We recommend that the Office improve the design and effectiveness of internal controls over the compilation of the statewide financial statements and note disclosures.

Management's View and Corrective Action Plan: *We will continue to improve our trend analysis and make modifications to our risk assessment to identify potential errors in the financial statements. Additionally, we will evaluate internal controls over the financial reporting process to ensure changes in the financial statements are subsequently reflected in the relevant note disclosures.*

Scheduled Completion Date for Corrective Action Plan: The Office did not provide a completion date. We will revisit progress on the corrective action during the 90-day follow-up.

**STATE OF IDAHO
SINGLE AUDIT REPORT
BASIC FINANCIAL STATEMENTS FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Contact Person: Brandon Purcell, CGFM, CFE
Chief, Bureau of Reporting & Review
Office of the Idaho State Controller
700 W. State Street
Boise, ID 83720
Phone Number: 208-332-8811

Auditor's Concluding Remarks: We thank the Office for its cooperation and assistance throughout the audit. We will review the status of the Office's corrective action during follow-up procedures completed 90 days after issuance of this report.

FINDING 2014-102

Internal control deficiencies over the processing of statutory transfers led to noncompliance as well as miscoded and unsupported transactions.

Type of Finding: Significant Deficiency

Criteria: The Internal Control Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) provides a basis for organizations to design internal control procedures to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. Components of this framework include risk assessment and control activities. Risk assessment is the identification and analysis of various risks entities face because of changing economic, industry, regulatory, and operating conditions. It provides a basis to develop appropriate responses to manage those risks. Control activities are policies and procedures that help ensure management directives are carried out and risks are mitigated. Verifications, approvals, reconciliations, authorizations, and segregation of duties are all control activities that support this objective.

In addition, Idaho Code Section 67-1001 provides that it is the duty of the State Controller to superintend the fiscal concerns of the State, with its accounting, informational, payroll, and related data processing services. To assist in this duty, Idaho Code Section 67-1007 grants authority to the State Controller to examine any documents (books, papers, accounts, vouchers, and other) of any State officers or custodians of State funds. When a transfer of funds is required, legislation generally states that the State Controller shall perform the transaction. The following legislation is relevant to exceptions noted during our audit.

- House Bill 297 from the 2013 legislative session directed the State Controller to transfer \$25,000 from the State Highway Fund to the Tourism and Promotion Fund to provide matching fund support of the Gateway Visitor Centers.
- Senate Bill 1181 from the 2013 legislative session requested the State Controller to transfer \$627,600 from the Idaho Millennium Income Fund to the Office of Drug Policy for the implementation of a statewide "Lock Your Meds" campaign.
- Idaho Code Section 39-107B requires the approval by the Board of Examiners for transfers requested by the agency director from the General Fund and any other funds appropriated to the Department of Environmental Quality (DEQ).

Condition: The Office processes statutory transfers based on appropriation bills, session law, or agency requests. Some transfers are calculated by the agency making the transfer and reviewed and relied upon by the Office; other transfers are calculated and initiated by the Office. In both situations, with a couple of exceptions, the Bureau Chief of Accounting Operations prepares the batch header to record the transfers; however, there is no review performed to verify that the information on the batch header is correct, accurate, and in compliance with statute.

**STATE OF IDAHO
SINGLE AUDIT REPORT
BASIC FINANCIAL STATEMENTS FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Out of the 54 transfers tested, we noted the following exceptions:

- The \$25,000 transfer from the State Highway fund to the Tourism and Promotion fund was improperly made to the Seminars and Publications fund. Upon further review, we noted that this transfer has been requested annually and improperly coded this way since fiscal year 2004.
- \$627,600 was improperly transferred from the Millennium Income fund to the Office of Energy Resources instead of the Office of Drug Policy. The Office of Drug Policy notified the Office after they were unable to pay expenditures because of unavailable funds. This error was subsequently resolved.
- Idaho Code Section 72-1347B requires a monthly transfer of the unencumbered balance in excess of \$6.0 million from the Workforce Development Training fund to the Employment Security Reserve fund. We determined that no transfer was required in fiscal year 2014; however, the Office was unaware of the transfer required by this code section.
- Four routine transfers requested by the DEQ lacked appropriate Board of Examiner approval. Upon further review of the Board of Examiners' minutes, none of the \$18.5 million in transfers requested by this agency were approved.
- Adequate supporting documentation was not obtained or maintained for two agency initiated transfers.

Cause: Risk assessments performed by the Office did not adequately identify and address risks related to statutory transfers. The Office maintains the view that it is the agency's responsibility to ensure that transfers are correctly made and calculated. Control activities contain deficiencies to ensure statutory transfers are properly identified, approved, and supported. The prior audit recommendation to institute a secondary review of transfers was not implemented. Procedures are inadequate to prevent and detect errors and instances of noncompliance.

Effect: Our testing did not identify any material misstatements or noncompliance. However, statutory transfers totaling \$275,000 over the past eleven years have not been deposited into the Tourism and Promotion fund as specified in session law. In addition, \$18.5 million was transferred into the DEQ Cooperative Welfare fund, without Board of Examiners approval as required by Idaho Code Section 39-107B.

Recommendation: We recommend that the Office perform a risk assessment of statutory transfers. We also recommend that the Office design and implement control procedures to ensure that transfers are properly identified, tracked, supported, and recorded.

Management's View and Corrective Action Plan: *We have modified our review process for statutory transfers by documenting the verification of compliance with Idaho Code, verifying information is keyed correctly, and ensuring supporting documentation is attached. In addition, prior to fiscal year 2016 we will review statutory transfers to identify if there are other risks and whether our new review process can reasonably be expected to preclude those from occurring.*

Scheduled Completion Date for Corrective Action Plan: The Office did not provide a completion date. We will revisit progress on the corrective action during the 90-day follow-up.

Contact Person: Brandon Purcell, CGFM, CFE
Chief, Bureau of Reporting & Review
Office of the Idaho State Controller
700 W. State Street
Boise, ID 83720
Phone Number: 208-332-8811

**STATE OF IDAHO
SINGLE AUDIT REPORT
BASIC FINANCIAL STATEMENTS FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Auditor's Concluding Remarks: We thank the Office for its cooperation and assistance throughout the audit. We will review the status of the Office's corrective action during follow-up procedures completed 90 days after issuance of this report.

IDAHO STATE DEPARTMENT OF EDUCATION (Department)

FINDING 2014-103

Errors in the accounts receivable closing package were not detected or prevented by internal control procedures in place.

Type of Finding: Significant Deficiency

Criteria: Generally Accepted Accounting Principles (GAAP) for government entities require different bases of reporting for different financial statements in the state *Comprehensive Annual Financial Report (CAFR)*. The Office of the State Controller (Office) collects information from State agencies on year-end closing packages to make adjustments from cash basis financial statements to the GAAP basis financial statements included in the *CAFR*.

The accounts receivable closing package reports estimated amounts to be collected within 60 days, one year, and thereafter from the end of the fiscal year. These amounts and collection periods are necessary to comply with GAAP financial reporting requirements. Government-wide financial statements are prepared on the full accrual basis in which revenue is recognized when earned regardless of when it is collected. Governmental fund financial statements are prepared on the modified accrual basis in which revenues are recognized when they are measurable and available, which the State considers to be those collected within 60 days after the fiscal year end. Governmental funds report revenue expected to be collected after 60 days separately as a deferred inflow of resources.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) published the *Internal Control Integrated Framework* which provides a basis for organizations to design internal control procedures to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. A component of this framework is control activities, which are the policies and procedures that help ensure the entity's objectives are met. These activities include adequate review and authorization of financial reporting.

Condition: The Department receives federal grant funds and passes the funds through to school districts. The school districts request reimbursement for qualifying expenditures from the Department, who in turn requests reimbursement from the federal agency. The Department reports amounts due to the districts as a payable and the amounts due from the federal agencies as a receivable.

Many school districts incur qualifying expenditures prior to the State's fiscal year-end, but may not request reimbursement until many months after fiscal year-end. To accurately report accounts receivable in accordance with GAAP and the Office's closing package instructions, the Department must estimate the amount of the reimbursement requests they will pay and the corresponding federal revenue they expect to receive. The Department uses prior year data to create these estimates.

In the initial closing package, the Department reported all accounts receivable as collectible within 60 days after the end of the fiscal year. However, part of the receivable recorded was an estimate based on school district reimbursement requests. The Department did not expect to receive the estimated amount until more than 60 days after the end of the fiscal year.

**STATE OF IDAHO
SINGLE AUDIT REPORT
BASIC FINANCIAL STATEMENTS FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

At fiscal year-end, the Department had requested federal funds for qualifying expenditures but had not received the revenue. This amount was included twice in the accounts receivable calculations causing an overstatement.

Cause: The Department's internal control procedures for completing closing packages include a review prior to final submission to the Office of the State Controller. Review procedures were not performed at the level of detail necessary to detect the closing package errors.

Effect: The entire balance of accounts receivable was reported as collectible within 60 days. This caused the revenue reported as measurable and available on the governmental fund financial statements to be overstated by \$7.3 million, and the amount reported as deferred inflows to be understated by the same amount. Including the same request for federal revenue twice caused the total receivable reported to be overstated by \$269,673.

These errors were less than material, but more than inconsequential to the State financial statements. The errors were corrected and the accounts receivable closing package was resubmitted before the financial statements were issued. However, because the review procedures did not detect the errors, a deficiency exists in the Department's internal control that may result in future errors.

Recommendation: We recommend that the Department improve the design and implementation of internal control procedures intended to detect and prevent closing package errors.

Management's View and Corrective Action Plan: *The Department has taken steps to reduce the risk of such occurrences happening in the future by requiring additional training for employees working on the CAFR and enhancing its review process of closing packages.*

Scheduled Completion Date for Corrective Action Plan: The Department did not provide a completion date. We will revisit progress on the corrective action during the 90-day follow-up.

Contact Person: Louie Konkol
Associate Deputy, Chief Financial Officer
Idaho State Department of Education
650 W. State Street
Boise, ID 83720-0027
Phone Number: 208-332-6874

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during follow-up procedures completed 90 days after issuance of this report.

IDAHO DEPARTMENT OF HEALTH AND WELFARE (Department)

FINDING 2014-104

Deficiencies in internal control allowed several errors in various closing packages to go undetected.

Type of Finding: Material Weakness

Related to Prior Year Finding: 2013-104

STATE OF IDAHO
SINGLE AUDIT REPORT
BASIC FINANCIAL STATEMENTS FINDINGS AND RESPONSES
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Criteria: The *Internal Control Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), identifies control activities that help ensure management directives are carried out and risks are mitigated. These activities include adequate review and authorization of financial reporting and using the general ledger or other reliable records as the basis for reports. Additionally, each year, State agencies are required to report accounting information to the Office of the State Controller (Office) in the form of closing packages, which provide the details necessary to prepare the statewide *Comprehensive Annual Financial Report (CAFR)*. The Office provides instructions for preparing the closing packages in accordance with Generally Accepted Accounting Principles (GAAP).

Condition: The Department's internal control system failed to prevent or detect misstatements in various closing packages. The most significant errors include:

- The Department reports total Medicaid claims that are owed but will not be submitted until after 60 days from the end of the fiscal year as an incurred but not reported amount (IBNR) and an associated amount for grants receivable. This amount was reported twice on the grants receivable closing package, as both collectable within 60 days and collectable greater than 60 days. This resulted in an overstatement of \$28,677,816.
- The Office instructions for the grants receivable closing package indicate that amounts received within the first 60 days following the fiscal year-end should be recognized as revenue. The Department reported receipts received in the first 83 days following the fiscal year-end. This resulted in an overstatement of \$1,274,045.
- The accounts payable closing package failed to include all amounts subject to the reporting guidelines. Audit procedures reviewed the database of transactions occurring in the first 60 days following the fiscal year-end and found qualifying amounts not included in the total amount reported. This resulted in an understatement of \$561,785.
- The capital assets closing package contained an error relating to intangible assets that was carried forward from the prior year's ending balance. Our review found that the original fiscal year 2013 calculation included errors in amounts from three grant numbers. This resulted in a \$20,433,305 overstatement to the fiscal year 2014 intangible assets beginning balance.

Cause: Review procedures were not performed at the level of detail necessary to detect duplicated information and other errors in closing packages prior to submission to the Office.

Effect: Subsequent to communications with the Department regarding the errors noted during the audit, the Department resubmitted information to the Office to correct the material misstatements. The material corrections included a decrease in Grants Receivable by \$28,677,816 and a decrease in the capital assets balance of \$20,433,305. Other errors not material to the statewide financial statements that were not corrected include a grants receivable overstatement of \$1,274,045 and an accounts payable understatement of \$561,785.

Recommendation: We recommend that the Department strengthen the design and effectiveness of internal controls over the completion of closing packages to ensure accurate and reliable financial information is provided to the Office.

Management's View and Corrective Action Plan: *We agree with this finding. Corrective actions have been implemented to reduce errors in future closing packages. Procedures have been updated and documented to prevent these errors from re-occurring. Trend analysis will be documented in some areas to identify anomalies in future closing packages used to report year end estimates.*

Scheduled Completion Date for Corrective Action Plan: The Department did not provide a completion date. We will revisit progress on the corrective action during the 90-day follow-up.

**STATE OF IDAHO
SINGLE AUDIT REPORT
BASIC FINANCIAL STATEMENTS FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Contact Person: Steve Bellomy, CPA
Bureau Chief, Audits and Investigations
Idaho Department of Health and Welfare
450 W. State Street, 10th Floor
Boise, ID 83720-0036
Phone Number: 208-334-5500

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during follow-up procedures completed 90 days after issuance of this report.

IDAHO STATE TAX COMMISSION (Commission)

FINDING 2014-105

Errors in the data used to prepare the taxes receivable estimate were not detected by internal control procedures, resulting in misstatements.

Type of Finding: Material Weakness

Related to Prior Finding: 2013-105

Criteria: Generally Accepted Accounting Principles (GAAP) for government entities require different bases of reporting for different financial statements in the state *Comprehensive Annual Financial Report (CAFR)*. The Office of the State Controller (Office) collects information from State agencies on year-end closing packages to make adjustments from cash basis financial statements to the GAAP basis financial statements included in the *CAFR*.

The accounts receivable closing package reports the taxes receivable, net of allowances for tax refunds and doubtful accounts, and including estimated amounts to be collected within 60 days, one year, and thereafter from the end of the fiscal year. These amounts and collection periods are necessary to comply with GAAP financial reporting requirements. Government-wide financial statements are prepared on the full accrual basis in which revenue is recognized when earned regardless of when it is collected. Governmental fund financial statements are prepared on the modified accrual basis in which revenues are recognized when they are measurable and available, which the State considers to be those collected within 60 days after the fiscal year end. Governmental funds report revenue expected to be collected after 60 days separately as a deferred inflow of resources.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) published the *Internal Control Integrated Framework* which provides a basis for organizations to design internal control procedures to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. Components of this framework include control activities and information and communication.

Management is responsible for establishing a process for preparing accounting estimates based on relevant, sufficient, and reliable data. Control activities are policies and procedures that help ensure management directives are carried out and risks are mitigated. These activities include adequate review and authorization of financial reporting and using the general ledger or other reliable records as the basis for reports. Information and communication is the identification, capture, and exchange of information, including adequate source documentation to support financial transactions.

**STATE OF IDAHO
SINGLE AUDIT REPORT
BASIC FINANCIAL STATEMENTS FINDINGS AND RESPONSES
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Condition: Our audit procedures discovered several errors in the Commission’s taxes receivable closing package, which led to misstatements. Completing the closing package includes preparing an estimate of future tax revenues based on past collections.

The Commission uses GenTax as its system of record for taxpayer information such as personal information, returns filed, payments received, and refunds paid. Financial information from GenTax is summarized and uploaded to Navision, the Commission’s accounting system. Navision uploads to STARS (Statewide Accounting and Reporting System), the State’s accounting system. State financial reporting is based on STARS data.

The Commission’s process for estimating taxes receivable was based on reports from GenTax showing revenue collected in past years. Our testing found that GenTax reports were double counting some revenue types and not correctly counting others, which overstated past revenue collected compared to STARS data and led to a net overstatement of the taxes receivable estimate.

Also, the initial closing package submitted to the Office reported the revenue expected to be received within 30 days of fiscal year-end instead of the required 60 days, causing the available revenue to be understated and the deferred inflow of resources to be overstated.

Cause: Several factors contributed to the taxes receivable errors. The Commission has procedures in place to ensure all closing packages are reviewed prior to submission to the Office; however, the review procedures were not performed at a level of detail necessary to detect the errors.

While preparing the taxes receivable estimate, the Commission was also upgrading the GenTax system from version 6 to version 9, which required considerable time and effort from the financial staff to ensure the new version was working properly and all taxpayer data had been accurately transferred.

To increase the accuracy of the estimate, the Commission used a different method to estimate taxes receivable than in past years, which also required additional time and effort from the financial staff. This new method included estimating future audit collections and required the Commission to create new reports in GenTax version 6, which would be used only for fiscal year 2014 because of the upgrade to version 9.

Effect: Subsequent to communications with the Commission regarding the errors noted during the audit, the closing package was resubmitted to the Office to correct the material misstatements. The net effect of the errors was the following overstatements / (understatements):

- Government-wide Financial Statements, Net Taxes Receivable: \$48,886,028
- Governmental Funds, General Column, Net Taxes Receivable: \$72,610,838
- Governmental Funds, Transportation Column, Net Taxes Receivable: (\$23,081,535)
- Governmental Funds, General Column, Deferred Inflows: \$85,570,612

Recommendation: We recommend that the Commission implement control procedures to ensure closing packages are prepared in accordance with the Office instructions, and the data used to prepare the taxes receivable estimate is relevant, sufficient, and reliable.

Management’s View and Corrective Action Plan: *The methodology for estimating Taxes Receivable at fiscal year-end was significantly changed this year, based on last year's recommendation, to measure returns or taxable events that have not yet been filed or reported within approximately 60 days after the end of the fiscal year. While we can be accurate to the penny with true cash received in the fiscal year, all parties recognize that there are numerous assumptions necessary to purport to capture a reasonable estimate of the unknown 'receivable' at year-end for accounting and reporting purposes. That said, we*

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BASIC FINANCIAL STATEMENTS FINDINGS AND RESPONSES
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acknowledge missing the fact that the reports generated out of our older version of GenTax inadvertently double counted some payment amounts in the estimate. The estimated receivable amounts are large enough that the overstated amounts seemed reasonable, and were reviewed and discussed extensively. It was not a lack of review or effort, but a weakness in our ability to generate accurate reports under limits of time and resources, that mainly contributed to the overstatement. We believe that better information, more readily verifiable, will be available this coming year with our updated version 9 of GenTax. Again, our ultimate objective is to provide the most accurate estimate possible with the continued help, advice, and concurrence of SCO reporting staff and of LSO audit acceptance.

Scheduled Completion Date for Corrective Action Plan: The Commission did not provide a completion date. We will revisit progress on the corrective action during the 90-day follow-up.

Contact Person: Mark Poppler
Fiscal Officer
Idaho State Tax Commission
PO Box 36
Boise, ID 83722-0410
Phone Number: 208-334-7660

Auditor's Concluding Remarks: We thank the Commission for its cooperation and assistance throughout the audit. We will review the status of the Commission's corrective action during follow-up procedures completed 90 days after issuance of this report.

IDAHO TRANSPORTATION DEPARTMENT (Department)

FINDING 2014-106

Internal controls intended to reduce the risk of misstatements in the inventory closing package were not performed at a level of detail necessary to detect significant errors.

Type of Finding: Significant Deficiency

Criteria: The Committee of Sponsoring Organizations of the Treadway Commission (COSO) published the *Internal Control Integrated Framework* which provides a basis for organizations to design internal control procedures to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. Components of this framework include risk assessment, control activities, and information and communication.

Control activities are the policies and procedures that help ensure the entity's objectives are met. These activities include adequate review and authorization of financial reporting, and using the general ledger or other reliable records as the basis for reports. Information and communication is the identification, capture, and exchange of information, including adequate source documentation to support financial transactions.

Each year, State agencies are required to report accounting information to the Office of the State Controller (Office) in the form of closing packages, which provide the details necessary to prepare the statewide *Comprehensive Annual Financial Report*. The Office provides instructions for preparing the closing packages in accordance with Generally Accepted Accounting Principles (GAAP).

**STATE OF IDAHO
SINGLE AUDIT REPORT
BASIC FINANCIAL STATEMENTS FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Condition: Our testing found significant errors in reporting the value of inventory.

Anti-skid material stockpiles are stored in various sheds around the State. Each year, the volume of the piles must be measured to determine and report their value in the accounting system. The value in the accounting system for several piles did not match the value in the support documentation for volume and value calculations. We also found various errors in the calculations used to determine the value of several other piles. These errors included math errors and incorrect formulas used to calculate volume based on the shape of the piles.

The Department also keeps snowplow blades on hand in the various sheds around the State. The six district offices account for snowplow blades in different ways. Some expense them as they are purchased and show \$0 on hand at year-end. Some enter all of them in inventory and track them until they are used. And some districts expense some of the blades and enter others in inventory depending on their storage.

Cause: The Department has implemented internal control procedures designed to reduce the risk of stockpile valuation errors such as reviewing measurements, volume calculations, and entries in the accounting system. However, these internal control procedures were not performed at a level of detail necessary to detect the errors that led to misstatements.

Each of the six district offices determines how they record snowplow blades in the inventory system with no guidance from the Department's headquarters. While this may be efficient operationally, the inconsistent measurement of snowplow blade inventory is not in compliance with GAAP reporting standards and led to misstatements in reporting inventory value on the statewide financial statements.

Effect: The net effect of the inventory errors was not significant to the financial statements because the errors resulted in both overstatements and understatements. However, the errors indicate that internal controls are not effectively designed or implemented to reduce the risk of material misstatements in the statewide financial statements. Following is a summary of the errors we found:

- The calculated value of anti-skid material not matching the recorded value in the accounting system resulted in overstatements of \$550,411 and understatements of \$133,138, which net to an overstatement of \$417,273.
- The errors in calculating the volume of the anti-skid material stockpiles resulted in overstatements of \$7,903 and understatements of \$564,276, which net to an understatement of \$556,373.
- The inconsistent treatment of recording snowplow blades in inventory resulted in an estimated \$653,201 understatement. Our estimate was the result of conversations with Department personnel and analysis of snowplow blade purchases and inventory recorded at the six districts. This process resulted in an estimate that only 50% of the snowplow blades on hand at the end of the fiscal year were recorded as inventory in the accounting system.
- All of the inventory errors net to an understatement of \$792,301.

Recommendation: We recommend that the Department implement internal controls to detect errors in the anti-skid material valuation process and design and implement procedures to ensure the consistent accounting treatment of snowplow blades.

Management's View and Corrective Action Plan: *The Department agrees with this finding. The Department will implement procedures to ensure adequate review of source documentation to support financial transactions to include:*

- *The District Operations Engineer (DOE) will review counts and calculations of stockpile materials for accuracy and completeness. The DOE will initial and date the count sheets evidencing a review of accuracy, completeness and compliance with procedural requirements.*

**STATE OF IDAHO
SINGLE AUDIT REPORT
BASIC FINANCIAL STATEMENTS FINDINGS AND RESPONSES
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- *The District Business Manager will reconcile the reviewed inventory counts and prepare adjustments based on approved count sheets from the DOE's supporting documentation. The District will retain original supporting documentation used in the completion of stockpile material calculations and inventory adjustments and forward a copy to Financial Services.*
- *Financial Services will reconcile balance sheet account balances to a summary compilation of the district count sheets to ensure inventory balances are accurately reflected in the year- end financial report.*
- *Snowplow blades will be accounted for as inventory while they are physically located in a centralized district warehouse and subsequently expensed when issued to a maintenance shed. Financial Services will reconcile the physical inventory count sheets to the appropriate balance sheet accounts.*

The execution of these additional controls should resolve the control weaknesses identified in the recent audit and prevent future failures of the same nature from occurring.

Scheduled Completion Date for Corrective Action Plan: The Department did not provide a completion date. We will revisit progress on the corrective action during the 90-day follow-up.

Contact Person: Brian W. Ness
Director
Idaho Transportation Department
3311 W. State St.
Boise, ID 83703
Phone Number: 208-334-8000

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during follow-up procedures completed 90 days after issuance of this report.

**STATE OF IDAHO
SINGLE AUDIT REPORT
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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2014-210 Internal controls over the federal cash draw process did not identify and correct multiple errors in the calculations in a timely manner.	Department of Health and Human Services	59
2014-211 Client eligibility errors may go undetected and uncorrected due to insufficient internal controls, resulting in improper payments in the Medicaid Cluster and Children’s Health Insurance Program (CHIP).	Department of Health and Human Services	61
2014-212 Internal controls over financial reporting for the Medicaid Cluster and Children’s Health Insurance Program (CHIP) did not effectively prevent inaccuracies and ensure reports are submitted timely.	Department of Health and Human Services	62
2014-213 Internal controls and review procedures in the Medicaid Cluster and Children’s Health Insurance Program (CHIP) failed to identify and correct inconsistencies in the automated interface mapping process between information systems.	Department of Health and Human Services	63
2014-214 The coordination of benefits payment configuration for Medicare in the Medicaid Management Information System (MMIS) is incorrect resulting in overpayments for fiscal years 2011 through 2014.	Department of Health and Human Services	65
2014-215 Two Medicaid approved providers lacked support to verify continued eligibility to deliver services.	Department of Health and Human Services	67
2014-216 The Low-Income Home Energy Assistance Program (LIHEAP) weatherization expenditures exceeded earmarking limits by \$1,883,776 for the 2012 grant award.	Department of Health and Human Services	68
2014-217 Expenditures were incurred for the Low-Income Home Energy Assistance Program (LIHEAP) that were \$140,353 in excess of the carry forward limits established by federal regulations.	Department of Health and Human Services	70
2014-218 The Annual Report on Households Assisted by the Low-Income Home Energy Assistance Program (LIHEAP) lacked adequate support documentation.	Department of Health and Human Services	71
2014-219 Quarterly federal financial reports for the Temporary Assistance for Needy Families (TANF) grant lacked adequate support documentation.	Department of Health and Human Services	72
2014-220 The income eligibility verification system was not used in accordance with federal guidelines for the Temporary Assistance for Needy Families (TANF) program.	Department of Health and Human Services	74

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FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

STATE AGENCY	FEDERAL AGENCY	PAGE
2014-221 Foster Care maintenance payment rates were not consistently reviewed in a timely manner as outlined in regulations and policies.	Department of Health and Human Services	75
2014-222 Supplemental Nutrition Program for Women, Infants, and Children (WIC) formula rebates are not credited to the federal grantor prior to requesting federal funds.	Department of Agriculture	77
2014-223 Procedures are not in place to monitor indirect cost rate plans prepared by the subrecipients of the Supplemental Nutrition Program for Women, Infants, and Children (WIC) grant.	Department of Agriculture	78
2014-224 Adequate internal controls are not in place to ensure timely compliance with Social Services Block Grant (SSBG) earmarking requirements.	Department of Health and Human Services	80
<u>IDAHO DEPARTMENT OF LABOR</u>		
2014-225 Internal controls over federal procurement, suspension, and debarment compliance did not operate as intended for the Workforce Investment Act Program.	Department of Labor	81
2014-226 The Department did not comply with certain program integrity requirements for the Unemployment Compensation Program.	Department of Labor	82
<u>IDAHO DIVISION OF VOCATIONAL REHABILITATION</u>		
2014-227 Documentation to support the performance of internal control procedures and adherence to compliance requirements could not be provided for the Vocational Rehabilitation grants.	Department of Education	84

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FEDERAL FINDINGS AND QUESTIONED COSTS
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IDAHO COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED (Commission)

FINDING 2014-201

Capital expenditures are not excluded from the direct cost base or the indirect cost pools prior to determining the allocation of indirect costs to the Vocational Rehabilitation grants.

CFDA Title: Rehabilitation Services - Vocational Rehabilitation Grants to States

CFDA Number: 84.126

Federal Award Numbers: H126A120017, H126A130017, H126A140017

Program Years: October 1, 2011 to September 30, 2012; October 1, 2012 to September 30, 2013;
October 1, 2013 to September 30, 2014;

Federal Agency: Department of Education

Compliance Requirements: Allowable Costs/Cost Principles; Cash Management; Matching,
Level of Effort, Earmarking

Questioned Costs: Known \$11,415

Type of Finding: Noncompliance and Significant Deficiency

Criteria: The Code of Federal Regulations (CFR) (2 CFR 225, Appendix E) indicates that as part of the allocation process of indirect costs, direct costs and indirect costs shall exclude capital expenditures and unallowable costs; however, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable. The distribution base may be total direct costs (excluding capital expenditures and other distorting items), direct salaries and wages, or another base that would result in an equitable distribution.

The Office of Management and Budget (OMB) *Circular A-102 Grants and Cooperative Agreements With State and Local Governments (Common Rule)* requires that non-federal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program requirements.

Condition: Capital expenditures totaling \$133,979 were not excluded from the direct cost base or the indirect cost pools prior to calculating the allocation of the indirect costs.

Cause: The Commission was not aware that capital expenditures and other distorting items needed to be excluded from the direct cost base and the indirect cost pools as part of the indirect cost allocation process.

Effect: Indirect costs of \$11,415 were inappropriately allocated to the Rehabilitation Services - Vocational Rehabilitation Grants to States program; approximately \$7,586 of which was drawn as federal expenditures, and approximately \$3,829 was considered non-federal match.

Recommendation: We recommend that the Commission implement procedures to ensure that capital expenditures are excluded from the direct cost base and the indirect cost pools prior to allocating the indirect costs.

Management's View and Corrective Action Plan: *We are reviewing the treatment of expenditures for equipment related to the Randolph-Sheppard Act with our Federal fiscal liaison for further guidance and direction. We will implement procedures to ensure that inappropriate expenditures are excluded from the direct cost base and the indirect cost pools prior to allocating the indirect costs.*

Scheduled Completion Date for Corrective Action Plan: June 30, 2015

**STATE OF IDAHO
SINGLE AUDIT REPORT
FEDERAL FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Contact Persons: Angela Jones, Administrator
Trina Ayres, Administrative Services Manager
Idaho Commission for the Blind and Visually Impaired
341 W. Washington St.
Boise, ID 83720-0012
208-334-3220

Auditor's Concluding Remarks: We thank the Commission for its cooperation and assistance throughout the audit. We will review the status of the Commission's corrective action during follow-up procedures completed 90 days after issuance of this report.

FINDING 2014-202

Inaccurate federal financial reporting of the Vocational Rehabilitation grants contributed to the Commission's failure to meet the matching requirement.

CFDA Title: Rehabilitation Services - Vocational Rehabilitation Grants to States
CFDA Number: 84.126
Federal Award Numbers: H126A120017, H126A130017
Program Years: October 1, 2011 to September 30, 2012; October 1, 2012 to September 30, 2013
Federal Agency: Department of Education
Compliance Requirements: Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Reporting
Questioned Costs: Likely \$171,348

Type of Finding: Material Noncompliance and Material Weakness

Related to Prior Finding: 2013-201

Criteria: The Office of Management and Budget (OMB) *Circular A-102 Grants and Cooperative Agreements With State and Local Governments (Common Rule)* requires that non-federal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

The Code of Federal Regulations (CFR) (34 CFR subpart C section 80.20(a-b)) requires the Commission to account for grant funds in accordance with State laws and procedures and that fiscal control and accounting procedures must be sufficient to prepare the required reports and adequately track funds to ensure compliance with applicable statutes. The CFR also requires financial reports to be accurate, current, and to fully disclose the financial results of financially assisted activities in accordance with the financial reporting requirements of the grant.

Instructions for completing the *Federal Financial Report (SF-425)* state that amounts reported should be cumulative from the inception date of the award through the end date of the reporting period specified.

The *Annual Vocational Rehabilitation Program/Cost Report (RSA-2)* instructions effective for the federal fiscal year 2013 state that the amount of funds expended for administrative costs claimed through an approved Cost Allocation Plan should be entered on Schedule I, Line 1b – Indirect Costs. They also indicate that the total on Line 1 – Administration Costs should include the amount reported on Line 1b. The instructions further specify that the report must be submitted to the Rehabilitation Services Administration (RSA) by December 31 following the close of the federal fiscal year.

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The Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* stipulates that the agency's share or match of non-federal expenditures for the Rehabilitation Services - Vocational Rehabilitation Grants to States program (VR grant) is 21.3%. Additionally, the Period of Availability requirement states that funds appropriated for a federal fiscal year remain available for obligation in the succeeding fiscal year only to the extent that the State agency met the matching requirement for those federal funds by obligating the non-federal share in the fiscal year for which the funds were appropriated.

Condition: The VR grants require the Commission to submit an *SF-425* semi-annually showing the cumulative amount of federal funds expended, federal unliquidated obligations, recipient share of non-federal expenditures, and program income earned and expended.

The Commission's internal cost allocation worksheets are used to determine the amounts reported on the *SF-425* reports. The September cost allocation worksheet showed total program expenditures for the 2013 VR grant of \$2,554,961 which included federal expenditures of \$1,937,667, leaving the remaining \$617,294 as the recipient share of non-federal expenditures. The Commission only reported the amount of federal funds drawn to date/received of \$1,772,545 as the federal share of expenditures and reported the recipient share of expenditures as \$782,416.

The *RSA-2* report for the federal fiscal year ended September 30, 2013, reported administrative costs of \$448,027 on Schedule I, Line 1; however, this total represents indirect costs that were claimed through their approved Cost Allocation Plan. Based on the instructions, for this report, this amount should also have been included on Schedule I, Line 1b as well. In addition, the *RSA-2* report for federal fiscal year 2013 was filed on January 11, 2014; 14 days after the deadline of December, 31, 2013.

Cause: The Commission stated that the online federal reporting system would not allow them to enter an amount of federal expenditures on Line 10e of the *SF-425* report that was different than the amount reported as federal cash disbursements on Line 10b. Per communication with the federal agency, this was the case several years ago, but the system has been modified to allow the Commission to accurately report the federal share and recipient share of expenditures as of the end of the reporting period.

The error on the *RSA-2* report was caused by the Commission's misinterpretation of the instructions for the *RSA-2* report. In addition, controls intended to ensure timely reporting were ineffective in ensuring the report was filed by the due date specified.

Effect: The federal share of expenditures reported for the 2013 VR grant were understated by \$165,122, resulting in an over-statement in the recipient share of expenditures of the same amount. As a result, it appeared that the Commission had met the required federal match requirement of \$663,669 at September 30, 2013, when in fact, they had not.

In addition, since the match was not met, the period of availability for this grant would be affected and the Commission would only be granted another year to obligate the remaining federal funds to the extent the match was met. Meaning, the Commission would only be able to obligate federal funds of \$343,133, rather than the presumed \$514,481 during federal fiscal year 2014.

The *RSA-2* report for the federal fiscal year ended September 30, 2013, was not filed timely and did not specify that the administrative expenditures were claimed through the application of the Commission's Cost Allocation Plan.

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Recommendation: We recommend that the Commission accurately report the federal share and recipient share of expenditures on the *SF-425* reports as supported by their accounting records. In addition, we recommend that procedures should be implemented to ensure that reports are submitted by the due dates specified in federal regulations. We further recommend that the Commission improve procedures to ensure that the required non-federal match has been met and that expenditures are obligated during the period of availability.

Management's View and Corrective Action Plan: *We are reviewing these recommendations and will also consult with our federal liaison. We will review, improve and implement procedures as needed to insure accurate and timely reporting.*

Scheduled Completion Date for Corrective Action Plan: June 30, 2015

Contact Persons: Angela Jones, Administrator
Trina Ayres, Administrative Services Manager
Idaho Commission for the Blind and Visually Impaired
341 W. Washington St.
Boise, ID 83720-0012
208-334-3220

Auditor's Concluding Remarks: We thank the Commission for its cooperation and assistance throughout the audit. We will review the status of the Commission's corrective action during follow-up procedures completed 90 days after issuance of this report.

FINDING 2014-203

Federal expenditures reported by the Commission to the Office of the State Controller were understated by \$168,287.

CFDA Titles: Rehabilitation Services - Vocational Rehabilitation Grants to States; Supported Employment Services for Individuals with the Most Significant Disabilities; Independent Living – State Grants

CFDA Numbers: 84.126, 84.187, 84.169

Federal Award Numbers: H126A120017, H126A130017, H126A140017, H187A140018, H169A130018

Program Year: State fiscal year ending June 30, 2014

Federal Agency: Department of Education

Compliance Requirement: OMB *Circular A-133*, Subpart C, section .310b

Questioned Costs: None

Type of finding: Material Misstatement and Material Weakness

Criteria: The Office of Management and Budget (OMB) *Circular A-133* (Subpart C section .310b) requires recipients of federal awards to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the recipient's financial statements. The SEFA must provide the total awards expended for each individual program.

State agencies are required to report federal expenditures incurred for each federal program during the State fiscal year to the Office of the State Controller through a closing package. Agencies are also required to submit a grants receivable closing package for allowable grant expenditures incurred by the agency as of

**STATE OF IDAHO
SINGLE AUDIT REPORT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

the fiscal year end which are reasonably estimable and expected to be collected, but which the agency will not receive reimbursement until after June 30.

Condition: The Commission reported the amount of draws received on the award from the federal grantor during the State fiscal year 2014 rather than the federal expenditures incurred during that period. In addition, no grants receivable were reported in the closing package.

Cause: The Commission incurs expenditures in the final month of the State fiscal year but does not request or receive the reimbursement until the following month. No adjustment is made to the revenue received during the State fiscal year to account for the timing differences between the expenditures incurred and the receipt of the federal reimbursements.

Effect: The Commission underreported federal expenditures of the Rehabilitation Services-Vocational Rehabilitation Grants to States (CFDA 84.126) by \$182,962. In addition, expenditures for Supported Employment Services for Individuals with the Most Significant Disabilities (CFDA 84.187) were understated by \$1,769 and the Independent Living – State Grants (CFDA 84.169) were overstated by \$16,444. The result was a net understatement of federal expenditures of \$168,287.

In addition, the Commission did not submit a grants receivable closing package reflecting the \$307,625 in expenditures they expected to receive as reimbursement from the federal grantor after June 30, 2014.

Recommendation: We recommend that the Commission implement procedures to ensure expenditures of federal awards and grants receivable for the State fiscal year are appropriately reported on the closing packages submitted to the Office of the State Controller.

Management's View and Corrective Action Plan: *ICBVI is in agreement the amounts reported on the Schedule of Expenditures of Federal Awards (SEFA) are not an accurate reflection of expenditures but of federal grant revenues recorded. We are reviewing these recommendations and will review and implement procedures as needed to insure accurate and timely reporting of Federal awards and grants receivable and that they are appropriately reported on state closing packages.*

Scheduled Completion Date for Corrective Action Plan: June 30, 2015

Contact Persons: Angela Jones, Administrator
Trina Ayres, Administrative Services Manager
Idaho Commission for the Blind and Visually Impaired
341 W. Washington St.
Boise, ID 83720-0012
208-334-3220

Auditor's Concluding Remarks: We thank the Commission for its cooperation and assistance throughout the audit. We will review the status of the Commission's corrective action during follow-up procedures completed 90 days after issuance of this report.

IDAHO STATE DEPARTMENT OF EDUCATION (Department)

FINDING 2014-204

Significant deficiencies in the Department's internal control over Federal Funding Accountability and Transparency Act (FFATA) reporting for the Child Nutrition Cluster, Title I A, Title II A, and Individuals with Disabilities in Education (IDEA) grants led to multiple reporting errors.

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SINGLE AUDIT REPORT
FEDERAL FINDINGS AND QUESTIONED COSTS
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CFDA Titles: Child Nutrition Cluster; Title I A – Grants to Local Education Agencies; Title II A – Improving Teacher Quality State Grants; Individuals with Disabilities in Education (IDEA) Grant Cluster

CFDA Numbers: 10.553, 10.555, 10.556, 10.559, 84.010, 84.367, 84.027, 84.173

Federal Award Numbers: 13137IDIDN1099, 14147IDIDN1099, S010A110012-11B, S010A120012-12A, S010A130012, S367A110011-11B, S367A120012-12A, S367A130011-13A, H027A120088-12A, H173A120030

Program Years: October 1, 2012 to September 30, 2013; October 1, 2013 to September 30, 2014

Federal Agencies: Department of Agriculture, Department of Education

Compliance Requirement: Reporting

Questioned Costs: None

Type of Finding: Noncompliance and Significant Deficiency

Criteria: The Federal Funding Accountability and Transparency Act (FFATA) requires the primary recipients of a new Federal award to report any subaward exceeding \$25,000 using the Federal Subaward Reporting System (FSRS). The subaward information will be available on the USAspending.gov website. A new Federal award is defined as an award with a new Federal Assistance Identification Number (FAIN). One of the subaward data elements required to be reported is the Obligation Date, which is the date the agreement was signed. Reports are required to be submitted on the FSRS no later than the last day of the month following the month in which the obligation or award modification was made.

Condition: The Department is a primary recipient of the following grant programs tested as part of our Single Audit procedures:

- Child Nutrition Cluster grant – CFDA 10.553, 10.555, 10.556, and 10.559
- Title I Part A Grants to States – CFDA 84.010
- Title II Part A Improving Teacher Quality – CFDA 83.367
- Individuals with Disabilities in Education Act (IDEA) Cluster – CFDA 84.027 and 84.173

The Department issued multiple subawards in excess of \$25,000 with new Federal Assistance Identification Numbers. Our testing of compliance with the FFATA reporting requirements found the following errors:

Child Nutrition Cluster:

- Our review of the Federal Subaward Reporting System found that the Department had submitted none of the required reports for these subawards.

Title I Part A Grants to States:

- All 14 subawards selected for testing exceeded \$25,000 and were required to be reported, but 1 of the 14 could not be located on USAspending.gov.
- Of the 13 subawards that were reported, the obligation date at USAspending.gov did not match subaward documents on all 13, and none of the 13 subawards were reported within the required reporting period.

Title II Part A Improving Teacher Quality:

- Of the 7 subawards tested that exceeded \$25,000 and were required to be reported, 1 could not be located on USAspending.gov.
- Of the 6 subawards that were reported, the obligation date at USAspending.gov did not match subaward documents on all 6, and none of the 6 subawards were reported within the required reporting period.

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IDEA cluster:

- Of the 15 subawards tested that exceeded \$25,000 and were required to be reported, 4 could not be located on USAspending.gov.
- Of the 11 subawards that were reported, the obligation date of 2 awards at USAspending.gov did not match subaward documents, and 6 were not reported within the required reporting period.

Cause: The Department's procedures for completing FFATA reporting do not include a review process to ensure the accuracy of the reported information or monitoring procedures to ensure reports are submitted timely.

Effect: Information on the USAspending.gov website regarding subawards made for these grants was incorrect or incomplete. The Department was not in compliance with FFATA reporting requirements.

Recommendation: We recommend that the Department implement internal control procedures to ensure Transparency Act reports are completed timely and accurately.

Management's View and Corrective Action Plan: *As of this writing, the FFATA reporting for FY14 is complete and is currently up to date for FY15 in the Child Nutrition, Title IA, Title II A and IDEA programs. The Department is currently undergoing a rewrite of the three primary software applications that prepare the data for FFATA submission. The Grants Reimbursement Application (GRA), Consolidated Federal and State Grant Application (CFSGA) and IDEA Part B Applications are integrating like-data elements and creating linkages for each system to allow approvals, before moving to the next system. Budgets will be entered and approved by program staff in sub-systems, then sent to the GRA where funds will be made available to districts and award letters will be issued. These features will provide greater transparency, better internal controls and cleaner data outputs for FFATA reporting.*

Although the federal submission system continues to be cumbersome and problematic, cleaner reporting data will allow for less manual manipulation of data by department staff, resulting in more timely and accurate uploading submissions.

Scheduled Completion Date for Corrective Action Plan: June 30, 2015

Contact Person: Pete Koehler
Chief Deputy Superintendent of Public Instruction
Idaho State Department of Education
650 W. State Street
Boise, ID 83720-0027
Phone Number: 208-332-6814

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during follow-up procedures completed 90 days after issuance of this report.

FINDING 2014-205

The Department could not provide documentation that procedures were performed to ensure subrecipients were not suspended or debarred prior to issuing subawards for the Title I Part A Grants to Local Education Agencies, Title II Part A Improving Teacher Quality, and Individuals with Disabilities in Education Act (IDEA) grant programs.

**STATE OF IDAHO
SINGLE AUDIT REPORT
FEDERAL FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

CFDA Titles: Title I A – Grants to Local Education Agencies; Title II A – Improving Teacher Quality State Grants; Individuals with Disabilities in Education (IDEA) Grant Cluster

CFDA Numbers: 84.010, 84.367, 84.027, 84.173

Federal Award Numbers: S010A110012-11A, S010A120012-12A, S010A130012, S367A110011-11B, S367A120012-12A, S367A130011-13A, H027A11088-11B, H027A120088-12A, H027A13088-13A, H173A110030, H173A120030, H173A130030

Program Years: July 1, 2011 to September 30, 2012; July 1, 2012 to September 30, 2013; July 1, 2013 to September 30, 2014; July 1, 2011 to September 30, 2013; July 1, 2012 to September 30, 2014; July 1, 2013 to September 30, 2015

Federal Agency: Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Questioned Costs: None

Type of Finding: Noncompliance and Significant Deficiency

Criteria: The Federal Office of Management and Budget (OMB) issues guidance in the form of circulars applicable to Federal agencies and non-Federal entities. OMB *Circular A-133* describes the non-Federal entity's responsibility for managing Federal assistance programs, including the requirement to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Non-Federal entities are prohibited from making subawards under covered transactions to parties that are suspended or debarred.

Condition: The Department uses an electronic application process for Title I Part A Grants to Local Education Agencies (Title I A), Title II Part A Improving Teacher Quality (Title II A), and Individuals with Disabilities in Education Act (IDEA) grant programs. Local Education Agencies (LEAs, i.e. school districts) create a user account and logon to the Department's system to apply for grant funds each year. The application process includes a page of assurances that the LEAs must read and acknowledge they will comply. The LEA must click a box to indicate they understand and comply with the assurances in order for the application to be completed. Included in the assurances is a clause that the LEA attests it is not on the Federal suspension or debarment list.

Our testing to verify the Department performed procedures to determine that subrecipients were not suspended or debarred prior to issuing subawards found the following documentation issues:

Title I A and Title II A Grants

- Some LEAs were unable to use the electronic application system and used a paper copy instead which should include a clause to which the LEA attests it is not suspended or debarred by the signature of an appropriate LEA official. The Department used 2 paper applications for the Title I A grant and 3 for the Title II A grant in fiscal year 2014. We tested all 5 and found that 3 of the 5 applications were missing an attestation that the LEA was not suspended or debarred.
- The intent of the electronic application system is to keep a record of the user at the LEA who signed on to the system and completed the application. In each grant we tested 24 electronic applications and found 20 applications (40 of 48 total) in which the username on the LEA's account was a user at the Department. The Department determined the system was overwriting the LEA username with the next user who logged on to the system to look at the applications. Because of this we were unable to determine that an appropriate LEA official had attested that the LEA was not suspended or debarred.

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IDEA Grant

- In the application for fiscal year 2014 the assurances page included a clause that the LEA would follow all applicable provisions of OMB *Circulars A-133 and A-87* and the applicable Codes of Federal Regulations, but did not specifically state that the LEA is not on the Federal suspension or debarment list. The Department did not perform other procedures to determine if the LEAs were suspended or debarred prior to issuing the subawards.

Cause: The Department indicated the system is not designed to overwrite the users who completed the Title I A and Title II A electronic grant applications and they were unsure why the error occurred.

The Department's internal control procedures did not detect the omission of the suspension and debarment clause in the Title I A and Title II A paper applications or the IDEA electronic applications prior to use for the fiscal year 2014 grants.

Effect: None of the LEAs we tested were on the Federal suspended or debarred list; however, the omission of the clause in the grant application increased the risk that the Department could have made a subaward to a suspended or debarred LEA.

Recommendation: We recommend that the Department implement internal control procedures to ensure applicants for subawards are not suspended or debarred and proper documentation is maintained to demonstrate compliance with Federal grant regulations.

Management's View and Corrective Action Plan: *At the time of the audit it was discovered the CFSGA system controlling suspended and debarred assurances for Title I A & Title II A had a glitch. The system was overriding the assurance information authorized by the grant recipient. Once discovered, the problem was fixed and the CFSGA system is currently collecting the verifications needed. In addition to the system change the department has also added a manual process where a final review of the assurance information is verified by adding the review to the final approval checklist.*

The IDEA Part B Application collects assurance data for the IDEA program. For FY14 the application did not contain the statement necessary to ensure compliance with the suspended and debarred provision, although none of its recipients were contained on this list. The application has already been enhanced to include this statement and assurance of its compliance. In addition and as part of the administrative review, a manual verification is done by department staff that confirms the attestation of the recipient.

Scheduled Completion Date for Corrective Action Plan: June 30, 2015

Contact Person: Pete Koehler
Chief Deputy Superintendent of Public Instruction
Idaho State Department of Education
650 W. State Street
Boise, ID 83720-0027
Phone Number: 208-332-6814

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during follow-up procedures completed 90 days after issuance of this report.

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FINDING 2014-206

The Federal award identification number and Federal awarding agency were not identified to Child Nutrition Cluster, Title I Part A Grants to Local Education Agencies, and Title II Part A Improving Teacher Quality grant subrecipients as required.

CFDA Titles: Child Nutrition Cluster; Title I A – Grants to Local Education Agencies; Title II A – Improving Teacher Quality State Grants

CFDA Numbers: 10.553, 10.555, 10.556, 10.559, 84.010, 84.367

Federal Award Numbers: 13137IDIDN1099, 14147IDIDN1099, S010A110012-11B, S010A120012-12A, S010A130012, S367A110011-11B, S367A120012-12A, S367A130011-13A

Program Years: July 1, 2011 to September 30, 2012; July 1, 2012 to September 30, 2013; July 1, 2013 to September 30, 2014; July 1, 2011 to September 30, 2013; July 1, 2012 to September 30, 2014; July 1, 2013 to September 30, 2015

Federal Agencies: Department of Agriculture; Department of Education

Compliance Requirement: Subrecipient Monitoring

Questioned Costs: None

Type of Finding: Noncompliance and Significant Deficiency

Criteria: The Federal Office of Management and Budget (OMB) issues guidance in the form of circulars applicable to Federal agencies and non-Federal entities. OMB *Circular A-133* describes the non-Federal entity's responsibility for managing Federal assistance programs, including the requirement to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Pass-through entities are responsible for identifying to subrecipients the Federal award information, including the Catalog of Federal Domestic Assistance (CFDA) title and number; award name and number; if the award is research and development; the name of Federal awarding agency; as well as applicable compliance requirements.

Condition: The Department is a pass-through entity for the Child Nutrition Cluster, Title I Part A Grants to Local Education Agencies (Title I A) and Title II Part A Improving Teacher Quality grant (Title II A) programs.

For the Child Nutrition Cluster the Department uses an internal system called MyIdahoCNP to accept applications for subawards. This system is also used to communicate to subrecipients when awards have been made. Our testing of subawards made in fiscal year 2014 found that the CFDA title and number were included in the award documentation, but the Federal Award Identification Number and Federal Awarding Agency were not included.

Subrecipients use a combined online application system called the Consolidated Federal and State Grant Application to apply for subawards under several U.S. Department of Education grants including the Title I A and Title II A programs. Applications are reviewed and successful applicants are sent an award letter with grant information including the Program Title, CFDA number, and amount allocated. However, the Federal award number was not included in the award letter as required by Federal regulations.

Cause: The Child Nutrition Program staff did not have internal control procedures in place to detect the omission of the Federal Award Identification number and Federal Awarding Agency prior to using the fiscal year 2014 applications and award documentation in the MyIDahoCNP system.

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Department staff preparing the Title I A and Title II A award letters were unaware of the requirements to identify the Federal award number to subrecipients. The staff also pointed out that the Federal award number was available to subrecipients on the Division's website through their Single Audit Report Generator.

Effect: The required award information was not communicated to Federal award subrecipients in accordance with Federal regulations.

Recommendation: We recommend that the Department implement internal controls to ensure all required Federal award information is communicated to subrecipients.

Management's View and Corrective Action Plan: *As of this writing, the Child Nutrition program has implemented a new process for displaying the FAIN numbers. Since Child Nutrition programs are entitlements, notifications are done on the MyIdahoCNP application and not on an award letter. As new funding becomes available, notifications including the FAIN number will be displayed on the MyIdahoCNP Message Board. In addition, a composite sheet with both current and historical FAIN numbers will be made available on each recipient's home page within the application.*

To handle notifications of FAIN numbers in the Title I A & Title II A grants, the Department is currently rewriting the GRA and CFSGA applications to provide this information. Both systems will provide this data, along with additional transparency information which will be made available to recipient's program and accounting staff.

Scheduled Completion Date for Corrective Action Plan: June 30, 2015

Contact Person: Pete Koehler
Chief Deputy Superintendent of Public Instruction
Idaho State Department of Education
650 W. State Street
Boise, ID 83720-0027
Phone Number: 208-332-6814

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during follow-up procedures completed 90 days after issuance of this report.

FINDING 2014-207

Significant deficiencies exist in the Department's internal control procedures intended to ensure compliance with the Maintenance of Effort and Earmarking requirements of the Individuals with Disabilities in Education Act (IDEA) grant cluster.

CFDA Title: Individuals with Disabilities in Education (IDEA) Grant Cluster

CFDA Numbers: 84.027, 84.173

Federal Award Numbers: H027A120088-12A, H027A130133-13A, H173A120030,
H173A130030

Program Years: July 1, 2012 to September 30, 2013; July 1, 2013 to September 20, 2014

Federal Agency: Department of Education

Compliance Requirements: Matching, Level of Effort, Earmarking

Questioned Costs: None

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Type of Finding: Significant Deficiency

Criteria: The Code of Federal Regulations, Title 34, Subtitle B, Chapter 3 contains requirements for states receiving Federal assistance under the Individuals with Disabilities in Education (IDEA) grants. To qualify for grant funds, states and local education agencies (LEAs, i.e. school districts) must meet Maintenance of Effort (MOE) and Earmarking requirements. To meet MOE requirements for a fiscal year, states and LEAs must expend, for the education of children with disabilities, at least the same total or per-capita amount from non-Federal sources as was expended in the prior fiscal year. As part of the monitoring and grant application processes, states must also ensure that LEAs have met MOE requirements for the prior year and budgeted enough to meet requirements in the current year. Earmarking requirements determine the amounts of IDEA funds states can spend on certain activities such as statewide administration and pass-through payments to LEAs.

The Federal Office of Management and Budget (OMB) issues guidance in the form of circulars applicable to Federal agencies and non-federal entities. OMB *Circular A-133* describes the non-Federal entity's responsibility for managing Federal assistance programs, including the requirement to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. A suggested internal control procedure for MOE and Earmarking is the supervisory review of MOE and earmarking activities performed to assess the accuracy and allowability of transactions and determinations at the time reports on Federal awards are prepared.

Condition: Our procedures found several control weaknesses which may allow errors or noncompliance with MOE and Earmarking requirements to occur and remain undetected.

- To determine state compliance with the MOE requirements the Department uses a spreadsheet to compile total spending on the education of children with disabilities at the LEA level and also at other state agencies. This spreadsheet is compiled by multiple people and is reviewed for reasonableness before final submission to the Federal Department of Education, but the review does not include verification of key calculations or data entry.
- To determine LEA compliance with MOE requirements, the Department uses a similar spreadsheet to compile total spending on the education of children with disabilities at the LEA level and compares it to the LEA spending from the prior year. LEAs also submit their budgeted amounts for the upcoming year to demonstrate their ability to comply with the requirements. This spreadsheet is compiled with no review of the data entry or calculations.
- When IDEA funds are awarded the Department uses a spreadsheet to calculate the funds earmarked for specified activities. These calculations are performed by a single individual and no review of the data entry or calculations occurs prior to the earmarked amounts being entered into the Department's accounting and budgeting system.

Cause: The Department makes the information available on their website for LEAs to review and recalculate the amounts if they wish. The Department stated that detailed reviews were not performed because the personnel performing the compilations and calculations were highly experienced and knowledgeable about the processes and detailed reviews were too time consuming for the workload and number of personnel available.

Effect: Our testing found no errors or noncompliance with MOE or earmarking requirements. However, a review only for reasonableness may not detect an error of a magnitude that could affect compliance.

Recommendation: We recommend that the Department design and implement internal control procedures to review MOE and earmarking calculations at a level of detail that would allow errors affecting compliance to be detected and corrected.

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Management's View and Corrective Action Plan: *There are three separate processes related to this finding. Process 1: The department creates a spreadsheet with data compiled from LEAs and other entities to determine compliance with state MOE requirements. Process 2: The department creates a spreadsheet to compile spending and budget data from LEAs to compare previous year's support for MOE verification and to demonstrate support for future years. Process 3: A spreadsheet is created to calculate individual allocations to recipients and to set budgets for internal use.*

In each case, the responsibility of the processes falls on a single staff member to compile. The computations were not directly verified by other staff members although in most cases the final outputs were reviewed by others for reasonableness.

The department has implemented the following changes for these processes. Once the data is compiled by the responsible staff member, a random generator will provide a sample set of data to be tested. A separate and qualified staff member will test the selected data for accuracy. Any discrepancies will be followed up on, until the data is deemed accurate. Once verified and signed by the Lester, the spreadsheet will resume its regular flow. Where data is uploaded into the GRA and/or the IDEA Part B Application, a separate staff member will review the final uploaded data. Discrepancies will be resolved and communications of approval will be documented.

Scheduled Completion Date for Corrective Action Plan: June 30, 2015

Contact Person: Pete Koehler
Chief Deputy Superintendent of Public Instruction
Idaho State Department of Education
650 W. State Street
Boise, ID 83720-0027
Phone Number: 208-332-6814

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during follow-up procedures completed 90 days after issuance of this report.

IDAHO DEPARTMENT OF HEALTH AND WELFARE (Department)

FINDING 2014-208

Multiple federal programs incurred expenditures prior to the period of availability due to weaknesses in the design of internal controls.

CFDA Titles: SNAP Cluster, TANF Cluster

CFDA Numbers: 10.551, 10.561 (SNAP); 93.558, 93.714 (TANF)

Federal Award Numbers: 13137IDID452514, 14147IDID4S2514 (SNAP); 1302IDTANF, 1402IDTANF (TANF)

Program Years: October 1, 2012 to September 30, 2013; October 1, 2013 to September 30, 2014

Federal Agencies: Department of Agriculture; Department of Health and Human Services

Compliance Requirement: Period of Availability of Federal Funds

Questioned Costs: Known \$433 (SNAP); Known \$418,164 (TANF)

Type of Finding: Noncompliance and Significant Deficiency

Related to Prior Findings: 12F-9 and 2013-207

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Criteria: The Office of Management and Budget (OMB) *Circular A-102 Grants and Cooperative Agreements with State and Local Governments (Common Rule)* requires that non-federal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Additionally, *Common Rule* states that when a funding period is specified, a non-federal entity may charge to the award only costs resulting from obligations incurred during the funding period. Obligations are orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the Department during the same or a future period.

Condition: We identified several transactions in which the underlying obligation occurred prior to the beginning of the grant period of availability:

- Supplemental Nutrition Assistance Program (SNAP) – 9 of 62 transactions tested, or 15 percent
- Temporary Assistance for Needy Families Cluster (TANF) – 4 of 68 transactions tested, or 6 percent

We have spoken with the federal grantor regarding this issue, as it was also identified in the prior *Single Audit Report*. They have provided additional criteria for certain programs affected by this process that allowed these expenditures. The Department continues to work with the federal grantor to resolve the remaining issue.

Cause: The Department uses the Financial Information System and Cost Allocation (FISCAL) and it contains data related to the period of availability for each federal grant in a grant control table. The table looks to the start and end dates to ensure that the current date is within the allowed range each time a transaction is processed based on how the transaction is coded by staff using a Program Cost Account (PCA). PCAs direct charges to the grant phase (or fiscal year) based on the dates in the grant control table. Programs may establish new PCAs for each grant phase, or existing PCAs may be rolled forward as the new grant phase begins.

When a PCA is rolled forward, the grant control table in the accounting system is updated with the new period of availability dates. In this situation, staff is not able to direct the charges to the correct grant phase based on the underlying obligation. However, because of the rolling of the PCAs every year in these programs, overall costs may be offset within a specific grant phase. FISCAL does not have an edit check to verify the date the underlying obligation occurred nor is there a process to manually review and adjust transactions to the correct grant phase.

Effect: The Department used funds awarded for federal fiscal year 2014 to pay for obligations incurred prior to the period of availability. The results of testing identified the following known costs charged to the incorrect grant period:

- SNAP – \$433
- TANF – \$418,164

Due to the nature of these errors, we are unable to project the questioned costs.

Recommendation: We recommend that the Department design and implement procedures to ensure that grant costs are not incurred prior to the period of availability.

Management's View and Corrective Action Plan: *The Department disagrees with this finding. Adopting this recommendation would require the department to transition from a cash accounting basis to an expensive and unnecessary accrual accounting basis. The Department firmly believes federal*

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regulations allow cash basis accounting. The federal agencies involved are not requiring Idaho to convert from the current cash-based accounting system, which Idaho and other states have been using since the 1960s. Unfortunately, other states have abused the cash accounting basis in these programs, so the Department can understand the auditors' findings. However, Idaho has accounting safeguards in place to prevent abuse. The Department is working with the federal grantees to explore other approaches to alleviate the concerns of this finding, yet maintain the highly efficient and cost-effective cash-based system currently being used.

Scheduled Completion Date for Corrective Action Plan: The Department disagrees with the finding, and at this time, there is no date of completion.

Contact Person: Steve Bellomy, CPA
Bureau Chief, Audits and Investigations
Department of Health and Welfare
P.O. Box 83720
Boise, ID 83720-0036
208-334-0609

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. We continue to assert that the Department incurred costs for the identified programs prior to the period of availability. As the Department works with the federal grantor for the programs impacted by this accounting process, we will review documentation provided to resolve the issue.

FINDING 2014-209

Multiple federal programs failed to report subawards as required under the Federal Funding Accountability and Transparency Act.

CFDA Titles: Supplemental Nutrition Program for Women, Infants, and Children (WIC); TANF Cluster; Social Services Block Grant (SSBG); Low-Income Home Energy Assistance Program (LIHEAP)

CFDA Numbers: 10.557 (WIC); 93.558, 93.714 (TANF); 93.667 (SSBG); 93.568 (LIHEAP)

Federal Award Numbers: 13137IDID7W1006, 13137IDID7W1003, 14147IDID7W1006, 14147IDID7W1003 (WIC); 1302IDTANF, 1402IDTANF (TANF); 1301IDSOSR, 1401IDSOSR (SSBG); 13B1IDLIEA, 14B1IDLIEA (LIHEAP)

Program Years: October 1, 2012 to September 30, 2013; October 1, 2013 to September 30, 2014 (WIC, TANF); October 1, 2012 to September 30, 2014; October 1, 2013 to September 30, 2015 (SSBG, LIHEAP)

Federal Agencies: Department of Agriculture; Department of Health and Human Services

Compliance Requirement: Reporting

Questioned Costs: None

Type of Finding: Noncompliance and Significant Deficiency

Related to Prior Year Finding: 12F-13 and 12F-14

Criteria: The Code of Federal Regulations (CFR) (2 CFR part 170) provides guidance to agencies to establish requirements for recipients reporting information on subawards required by the Federal Funding Accountability and Transparency Act of 2006 (FFATA), as amended. As a primary recipient of a federal grant, the Department is required to report each subaward or subaward amendment that results in an

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obligation of \$25,000 or greater in federal funds no later than the end of the month following the month in which the subaward was made.

The Office of Management and Budget (OMB) *Circular A-102 Grants and Cooperative Agreements With State and Local Governments (Common Rule)* requires that non-federal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Condition: The Department makes subawards to various entities. During fiscal year 2014, multiple subawards were made that exceeded \$25,000 for the following federal programs:

- Supplemental Nutrition Program for Women, Infants, and Children
 - 9 subawards in fiscal year 14 totaling \$8,200,711
 - 9 FFATA reports submitted in February 2015
- Temporary Assistance for Needy Families Cluster
 - 1 subaward in fiscal year 14 totaling \$504,000
 - No FFATA report submitted
- Social Services Block Grant
 - 3 subawards in fiscal year 14 totaling \$160,000
 - 2 FFATA reports submitted with inaccurate information
- Low-Income Housing Energy Assistance Program
 - 1 subaward in fiscal year 14 totaling \$5,716,000
 - No FFATA report submitted

Overall, reporting does not comply with the Federal Funding Accountability and Transparency Act requirements since obligations were reported late, inaccurately, or not at all in the fiscal year 2014.

Cause: The Department did not design and implement an effective internal control structure to ensure complete, accurate, and timely reporting in accordance with the federal requirements.

Effect: The Department failed to report the subawards made during the fiscal year in a timely manner and in compliance with the FFATA.

Recommendation: We recommend that the Department develop procedures to identify subawards and accurately and timely report the required information according to federal regulations.

Management's View and Corrective Action Plan: *The Department agrees with this finding. The Department has initiated a workgroup, which includes Financial Services, Contracts, and the Division of Health. This group will recommend and develop processes and procedures that will be implemented in SFY 2016 that will bring the Department into compliance with FFATA reporting requirements.*

Scheduled Completion Date for Corrective Action Plan: June 30, 2015

Contact Person: Steve Bellomy, CPA
Bureau Chief, Audits and Investigations
Department of Health and Welfare
P.O. Box 83720
Boise, ID 83720-0036
208-334-0609

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Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during follow-up procedures completed 90 days after issuance of this report.

FINDING 2014-210

Internal controls over the federal cash draw process did not identify and correct multiple errors in the calculations in a timely manner.

CFDA Titles: Medicaid Cluster; Children's Health Insurance Program (CHIP)

CFDA Numbers: 93.777, 93.778 (Medicaid); 93.767 (CHIP)

Federal Award Numbers: ID20142, ID20143, ID20144, ID20145 (Medicaid); ID20143T21 (CHIP)

Program Year: October 1, 2013 to September 30, 2014

Federal Agency: Department of Health and Human Services

Compliance Requirement: Cash Management

Questioned Costs: None

Type of Finding: Noncompliance and Significant Deficiency

Criteria: The Cash Management Improvement Act of 1990 (CMIA) in the Code of Federal Regulations (CFR), 31 CFR part 205 indicates that the State must minimize the time between the deposit of federal funds and the disbursement of funds for program purposes. The State enters into a Treasury-State Agreement (TSA) with the U.S. Department of the Treasury to set forth terms and conditions for implementing the CMIA. The TSA outlines the funding technique and the clearance pattern to be used for each federal program. Generally, conformance with the TSA assures that the State will not owe the federal government interest and vice versa.

Federal regulations (42 CFR section 433.10) provides for payments on the basis of a federal medical assistance percentage (FMAP) for part of their expenditures for services under an approved state plan. Using these allowable costs, the Medicaid Cluster is reimbursed by the FMAP rate and the Children's Health Insurance Program (CHIP) is reimbursed by the Enhanced FMAP rate.

The Office of Management and Budget (OMB) *Circular A-102 Grants and Cooperative Agreements With State and Local Governments (Common Rule)* requires that non-federal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include review supporting worksheets to ensure calculations are correct.

Condition: A review of the cash draw calculations found multiple errors. The following errors exceeded \$10,000:

- The federal fiscal year 2014 FMAP rate for Medicaid was 71.64 percent and the Enhanced FMAP rate for CHIP) was 80.15 percent. The FMAP and Enhanced FMAP rates in the supporting calculations for drug related cash draws were not updated from the federal fiscal year 2013 rates of 71.0 percent and 79.7 percent. This understated cash draws in the State fiscal year 2014 by \$927,209. The error occurred in the second, third, and fourth quarters of the State fiscal year 2014.
- Additional review procedures found that the appropriate CMIA clearance pattern was not used; resulting in understated cash draw amounts on the first day of each thirteen day clearance pattern. The total understatement was \$4,401,022; however, all federal funds were collected within the thirteen day time period. The error occurred in the second, third, and fourth quarters of the State fiscal year 2014.

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- An error was found in the Medicaid and CHIP School Based Service formula that overstated cash draws by \$1,866,002. The error occurred in the second, third, and fourth quarters of the State fiscal year 2014.
- The incorrect FMAP rate was used for the Medicaid and CHIP School Based Service grant that resulted in an understated cash draw of \$18,102. The error occurred in the second quarter of the State fiscal year 2014.

The errors above were identified, and the worksheets were corrected by the Department during the State fiscal year 2015.

In addition, errors were identified in the Low-Income Home Energy Assistance Program (LIHEAP) and Child Care Cluster cash draws. Each program had one isolated error below the \$10,000 reporting threshold.

The Department performs a cash draw adjustment for each federal program on a regular basis. Reconciliations are completed quarterly to compare the total draws to the federal expenditure information directly from the Department's accounting system. The quarterly reconciliations are completed independently by the budget analysts, while the cash draw calculations are completed by the cash manager. For the Medicaid Cluster and CHIP, the reconciliation amounts are multiplied by the appropriate FMAP rate. The Department then adjusts the cash draw amounts based on this information. While the quarterly cash draw adjustment is sufficient to compensate for the miscalculations, it does not identify specific errors within the spreadsheets used for the daily cash draws. As a result, the errors may continue to occur over a period of time without being corrected.

Cause: Internal controls failed to identify and correct calculation errors in a timely manner. These include using the incorrect FMAP and Enhanced FMAP rates, following incorrect CMIA clearance patterns, and various other formula errors.

Effect: Multiple errors with the cash draw calculations were not detected or corrected in a timely manner resulting in overstated and understated cash draws. The Department was not in compliance with the CMIA when using incorrect FMAP rates, Enhanced FMAP rates, and CMIA clearance patterns. However, because of the quarterly cash draw adjustment, there are no questioned costs associated with the CHIP and Medicaid programs. The errors identified in LIHEAP and the Child Care Cluster were below \$10,000.

Recommendation: We recommend that the Department strengthen controls over the cash draw process to ensure compliance with federal regulations and to reduce the risk of further errors in the future. This process should include a complete review of the cash draw worksheets to ensure that the current rates and correct formulas are updated and accurate.

Management's View and Corrective Action Plan: *The Department agrees with this finding and has strengthened internal controls over the cash draw process to ensure compliance with federal regulations and mitigate the risk of future errors.*

Scheduled Completion Date for Corrective Action Plan: June 30, 2015

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Contact Person: Steve Bellomy, CPA
Bureau Chief, Audits and Investigations
Department of Health and Welfare
P.O. Box 83720
Boise, ID 83720-0036
208-334-0609

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during follow-up procedures completed 90 days after issuance of this report.

FINDING 2014-211

Client eligibility errors may go undetected and uncorrected due to insufficient internal controls, resulting in improper payments in the Medicaid Cluster and Children's Health Insurance Program (CHIP).

CFDA Titles: Medicaid Cluster; Children's Health Insurance Program (CHIP)

CFDA Numbers: 93.777, 93.778 (Medicaid); 93.767 (CHIP)

Federal Award Numbers: ID20142, ID20143, ID20144, ID20145 (Medicaid); ID20143T21 (CHIP)

Program Year: October 1, 2013 to September 30, 2014

Federal Agency: Department of Health and Human Services

Compliance Requirement: Eligibility

Questioned Costs: Known \$14, Likely \$76,710 (Medicaid); Known \$438, Likely \$588,817 (CHIP)

Type of Finding: Noncompliance and Significant Deficiency

Related to Prior Audit Findings: 12F-5 and 2013-217

Criteria: The Office of Management and Budget (OMB) *Circular A-102 Grants and Cooperative Agreements with State and Local Governments (Common Rule)* requires that non-federal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Improper payments, as defined by the Improper Payments and Information Act of 2002, include those payments that should not have been made under statutory, contractual, administrative, or other legally applicable requirements.

Condition: In 1 of 60 Medicaid and 1 of 60 CHIP transactions reviewed, or two percent for each program, claims were paid on behalf of ineligible clients resulting in improper payments. The claims were processed in the pharmacy claims component of the Medicaid Management Information System (MMIS) for the ineligible Medicaid client and in the medical claims component of MMIS for the ineligible CHIP client.

Cause: The Department utilizes the Idaho Benefit Eligibility System (IBES) in making eligibility determinations and redeterminations and MMIS, comprised of the medical and pharmacy claims components, for processing claims submitted by providers. A daily automated interface uploads changes made within IBES to the components of MMIS. An Alert ID is created when the medical claims component of MMIS is unable to update using the information in IBES. The Alert ID errors are compiled in a daily report and sent from MMIS to IBES to be investigated and resolved.

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However, there was no Alert ID or error reporting function for the pharmacy claims component of MMIS until November 2014. As a result, the discrepancy in client eligibility end dates between IBES and the pharmacy claims component was not identified.

In addition, one interface file between the medical claims component of MMIS and IBES was not uploaded for 22 days. At the time of the audit, the Department was unable to identify the reason for this delay.

Effect: Testing identified the following improper payments made to ineligible clients:

- Medicaid Cluster – one claim for \$14 projects to \$76,710.
- CHIP – one claim for \$438 projects to \$588,817. This claim amount was subsequently adjusted, but the error and correction were not a result of the internal controls in place during the audit period.

Recommendation: We recommend that the Department improve controls related to the eligibility interface between IBES and the pharmacy claims component of MMIS. We further recommend that the Department complete a reconciliation of eligibility between IBES and the pharmacy claims component. We also recommend that the Department determine why the client termination in IBES was delayed in the medical claims component interface file and develop procedures to prevent future occurrences.

Management's View and Corrective Action Plan: *The Department agrees with this finding. The Department has implemented improvements to reduce eligibility errors. Eligibility information is now sent from the IBES source system to the Base Component of the MMIS, which shares eligibility information with the Magellan pharmacy system. An internal MMIS reconciliation of eligibility information is conducted monthly. An additional monthly reconciliation process is conducted between the MMIS and the source system. Eligibility errors are also addressed throughout the month between all systems. The Department plans to improve timeliness for correcting termination errors by changing reporting for these errors from the end of the month to the beginning of the month.*

The Federal Grantor recognizes that eligibility systems are vastly complex. As a result, Federal Guidance prohibits the Federal Medicaid Agency from recovering overpayments as a result of eligibility errors as long as the State's payment accuracy rate falls within the Federal limits.

Scheduled Completion Date for Corrective Action Plan: June 30, 2015

Contact Person: Steve Bellomy, CPA
Bureau Chief, Audits and Investigations
Department of Health and Welfare
P.O. Box 83720
Boise, ID 83720-0036
208-334-0609

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during follow-up procedures completed 90 days after issuance of this report.

FINDING 2014-212

Internal controls over financial reporting for the Medicaid Cluster and Children's Health Insurance Program (CHIP) did not effectively prevent inaccuracies and ensure reports are submitted timely.

CFDA Title: Medicaid Cluster; Children's Health Insurance Program (CHIP)
CFDA Numbers: 93.777, 93.778 (Medicaid); 93.767 (CHIP)

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Federal Award Numbers: ID20134, ID20141, ID20142, ID20143, ID20144 (Medicaid);
1205ID5021, 1305ID5021 (CHIP)

Program Years: October 1, 2012 to September 30, 2013; October 1, 2013 to September 30, 2014

Federal Agency: Department of Health and Human Services

Compliance Requirement: Reporting

Questioned Costs: None

Type of Finding: Noncompliance and Significant Deficiency

Criteria: The Office of Management and Budget (OMB) *Circular A-102 Grants and Cooperative Agreements with State and Local Governments (Common Rule)* requires that non-federal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

The quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (CMS-64) is the accounting statement that the Department must submit each quarter in accordance with the Code of Federal Regulations (CFR) (42 CFR section 430.30(c)). The form shows the medical assistance expenditures by categories of service as well as adjustments increasing or decreasing claims for prior quarters.

Regulations under 42 CFR section 457.630(c) require that the Department submit the Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program Form (CMS-64) and the Quarterly Children's Health Insurance Program Statement of Expenditures for Title XXI Form (CMS-21) no later than 30 days after the end of the quarter.

Condition: The Department identified categories of service within the Medicaid Management Information System (MMIS) that were incorrectly mapped in previous quarters, resulting in a necessary adjustment for the CMS-64 report. One category of service on the report was overstated and another category was understated because of the mapping error. The Department completed no adjustments to correct the report; however, the combined errors had a net zero dollar value.

In addition, two out of four CHIP reports and two out of four Medicaid reports reviewed were submitted more than 30 days after the end of the respective quarters in the State fiscal year 2014.

Cause: The formulas included in the spreadsheet used to compile the CMS-64 report were not properly updated to include all lines of the adjustments. In addition, ineffective internal controls over the reporting process failed to ensure that all reports were correct and submitted in a timely manner according to federal regulations.

Effect: The CMS-64 report for the quarter ended September 30, 2013, included one line that was overstated and another line that was understated by \$101,179. Also, federal program reports are consistently submitted after the reporting deadline included in the federal regulations.

Recommendation: We recommend that the Department strengthen internal controls related to the compilation and submission of federal reports. This should include reviews and monitoring to ensure the reports are accurate and submitted timely.

Management's View and Corrective Action Plan: *The Department agrees with this finding. The adjustment from the formula error will be submitted with the next quarterly financial report as a prior period adjustment. In addition, we strengthened our reviews as we complete the quarterly reporting by*

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paying significant attention to the formulas. Finally, we will make sure that reports are submitted within 30 days after the end of the quarter.

Scheduled Completion Date for Corrective Action Plan: June 30, 2015

Contact Person: Steve Bellomy, CPA
Bureau Chief, Audits and Investigations
Department of Health and Welfare
P.O. Box 83720
Boise, ID 83720-0036
208-334-0609

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during follow-up procedures completed 90 days after issuance of this report.

FINDING 2014-213

Internal controls and review procedures in the Medicaid Cluster and Children's Health Insurance Program (CHIP) failed to identify and correct inconsistencies in the automated interface mapping process between information systems.

CFDA Titles: Medicaid Cluster; Children's Health Insurance Program (CHIP)

CFDA Numbers: 93.777, 93.778 (Medicaid); 93.767 (CHIP)

Federal Award Numbers: ID20134, ID20141, ID20142, ID20143, ID20144 (Medicaid);
1205ID5021, 1305ID5021 (CHIP)

Program Years: October 1, 2012 to September 30, 2013; October 1, 2013 to September 30, 2014

Federal Agency: Department of Health and Human Services

Compliance Requirement: Reporting

Questioned Costs: None

Type of Finding: Noncompliance and Significant Deficiency

Criteria: The Office of Management and Budget (OMB) *Circular A-102 Grants and Cooperative Agreements with State and Local Governments (Common Rule)* requires that non-federal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

The Code of Federal Regulations (CFR) (45 CFR section 92.20) further establishes standards that the financial management systems of the grantee should meet. It requires that accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

Condition: The Department's Financial Information System and Cost Allocation (FISCAL) accounting system utilizes mapping tables that direct transactions to the appropriate accounting codes based on data entered. From the task code and eligibility rate in the Medicaid Management Information System (MMIS), FISCAL assigns the claims to a grant code and task code. In Medicaid, 3 out of 62 transactions tested, or 5 percent, were coded to a grant task in MMIS that mapped to an incorrect grant task in FISCAL. In CHIP, 5 out of 60 transactions tested, or 8 percent, were coded to a grant task in MMIS that mapped to incorrect grant task codes in FISCAL. Task code descriptions between the two systems should be similar.

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Cause: The mapping tables in FISCAL were incorrectly established or modified for the transactions tested. The Department's internal controls failed to identify and correct the error in a timely manner.

Effect: The reported claims in one task code for the State fiscal year 2014 was understated by \$178,650, while the same amount was overstated in another task code. These errors were reported on the Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program Form (CMS-64) with the corresponding understated and overstated amounts.

The amount of CHIP claims on the Quarterly Children's Health Insurance Program Statement of Expenditures for Title XXI Form (CMS-21) for a single grant task for the State fiscal year 2014 was overstated by \$19,097. There was a combined understatement of the same amount for other CHIP grant tasks.

The Department corrected the mapping errors as of October 1, 2014. Appropriate adjustments were made in FISCAL for the State fiscal year 2015.

Recommendation: We recommend that the Department improve internal controls over the review of the mapping of grant tasks in order to detect errors and make corrections in a timelier manner. Additional scrutiny should be given when new grant tasks are established and when current grant tasks are modified.

Management's View and Corrective Action Plan: *The Department agrees with this finding. The Department will complete a full reconciliation of the Task Code mapping and then will implement an ongoing and periodic reconciliation process.*

Scheduled Completion Date for Corrective Action Plan: June 30, 2015

Contact Person: Steve Bellomy, CPA
Bureau Chief, Audits and Investigations
Department of Health and Welfare
P.O. Box 83720
Boise, ID 83720-0036
208-334-0609

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during follow-up procedures completed 90 days after issuance of this report.

FINDING 2014-214

The coordination of benefits payment configuration for Medicare in the Medicaid Management Information System (MMIS) is incorrect resulting in overpayments for fiscal years 2011 through 2014.

CFDA Title: Medicaid Cluster

CFDA Numbers: 93.777, 93.778

Federal Award Numbers: ID20104, ID20111, ID20112, ID20113, ID20114, ID20121, ID20122, ID20123, ID20124, ID20131, ID20132, ID20133, ID20134, ID20141, ID20142, ID20143, ID20144

Program Years: October 1, 2009 to September 30, 2010; October 1, 2010 to September 30, 2011; October 1, 2011 to September 30, 2012; October 1, 2012 to September 30, 2013; October 1, 2013 to September 30, 2014

Federal Agency: Department of Health and Human Services

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Compliance Requirement: Allowable Costs/Cost Principles
Questioned Costs: Known \$485, Likely \$127,879

Type of Finding: Noncompliance and Significant Deficiency

Criteria: The State Plan for the Medicaid program provides the payment methodology which allows Medicare Part A to be paid at the Medicare Rate and Medicare Part B to be paid at the State Plan Rate. The State Plan Rate for Medicare Part B is calculated as the lesser of the Medicaid allowed amount minus the Medicare payment or the Medicare co-insurance and deductible amounts added together.

The Office of Management and Budget (OMB) *Circular A-102 Grants and Cooperative Agreements with State and Local Governments (Common Rule)* requires that non-federal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Condition: Testing identified 2 out of 62 transactions, or 3 percent, that were reimbursed at incorrect amounts. Both claims paid an amount calculated as the Medicare coinsurance and deductible amounts added together. The clients had Medicare Part B, and the claims should have been paid at the State Plan Rate for the outpatient services.

Cause: The new MMIS was configured in June 2010 to pay based on if the claim was a facility (hospitals) claim or non-facility (other providers) claim. The configuration erroneously assumed that all facility claims were Medicare Part A and all non-facility claims were Medicare Part B. This issue was not identified by the Department until 2014, prior to the audit.

Effect: The payment configuration permitted claims to be paid at a higher than allowed rate. Our testing identified \$485 in errors, which projects to \$127,879. The Department estimates it paid approximately \$2.6 million in overpayments annually since 2011.

In addition, the Department is reporting incorrect amounts on the quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (CMS-64) due to the error in the calculation for claims.

The Department is in the process of developing a plan to correct the payment configuration; however, a final plan has not been established and claims continue to be calculated incorrectly.

Recommendation: We recommend that the Department correct the payment configuration to ensure future claims are calculated in compliance with the State Plan. We further recommend that the Department make adjustments to correct the amounts paid in error.

Management's View and Corrective Action Plan: *The Department agrees with this finding. The Federal Medicaid program has approved the Department for a project to improve the processing of Medicare Part B claims. The Department is working with the Federal Medicaid program to resolve the questioned claims.*

Scheduled Completion Date for Corrective Action Plan: To be determined

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SINGLE AUDIT REPORT
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Contact Person: Steve Bellomy, CPA
Bureau Chief, Audits and Investigations
Department of Health and Welfare
P.O. Box 83720
Boise, ID 83720-0036
208-334-0609

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during follow-up procedures completed 90 days after issuance of this report.

FINDING 2014-215

Two Medicaid approved providers lacked support to verify continued eligibility to deliver services.

CFDA Title: Medicaid Cluster

CFDA Numbers: 93.777, 93.778

Federal Award Numbers: ID20134, ID20141, ID20142, ID20143, ID20144

Program Years: October 1, 2012 to September 30, 2013; October 1, 2013 to September 30, 2014

Federal Agency: Department of Health and Human Services

Compliance Requirement: Special Tests and Provisions #4

Questioned Costs: Not Determinable

Type of Finding: Noncompliance and Significant Deficiency

Criteria: The Office of Management and Budget (OMB) *Circular A-102 Grants and Cooperative Agreements with State and Local Governments (Common Rule)* requires that non-federal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Improper payments, as defined by the Improper Payments and Information Act of 2002, include those payments that should not have been made under statutory, contractual, administrative, or other legally applicable requirements.

According to the Code of Federal Regulations (CFR), providers must be licensed in accordance with federal, state, and local laws, and regulations to participate in the Medicaid program and receive payments (42 CFR section 431.107 and 42 CFR section 447.10). The Medicaid State Plan gives assurance that the Department has a method for verifying providers licensed by the State and that such provider licenses have not expired or have no current limitations (42 CFR section 455.412).

Condition: Support for current licenses was not obtained for 2 of the 60 providers reviewed, resulting in a 3 percent error rate.

Cause: A contract term is entered into the Medicaid Management Information System (MMIS) by provider type. The contract end date prompts the Department to obtain current license information to recertify a provider as eligible. For certain provider types, the Department did not have a procedure in place to obtain the current license for previously enrolled providers as the contract term was not required to be entered into the system. In addition, the established edits within MMIS would not prevent claims from being processed for certain provider types with an expired license.

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Effect: Providers were paid when the Department did not have evidence of a current license. The eligibility of the providers is in question without the licensure documentation and may result in improper payments.

Recommendation: We recommend that the Department develop procedures to ensure that the required licenses are obtained for continued eligibility for these provider types. We further recommend that the Department review the provider enrollment instructions to include that all provider types must submit verification of current licenses.

Management's View and Corrective Action Plan: *The Department agrees with this finding. A license is required for the identified provider/type specialty combinations. At the time these licenses were submitted, there was no requirement to enter a term date on the credential or on the provider's contract. When it was discovered that the current license edit did not include all provider types and specialties with licensure requirements, the Department updated enrollment procedures to ensure termination dates were added for all contracts matching the license termination date. This ensures that claims cannot be paid beyond the license termination date.*

A review has recently been completed of all provider enrollment requirements and provider enrollment forms. An automated solution is in development to include edits for all provider types/specialties with licensure requirements.

Scheduled Completion Date for Corrective Action Plan: June 30, 2015

Contact Person: Steve Bellomy, CPA
Bureau Chief, Audits and Investigations
Department of Health and Welfare
P.O. Box 83720
Boise, ID 83720-0036
208-334-0609

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during follow-up procedures completed 90 days after issuance of this report.

FINDING 2014-216

The Low-Income Home Energy Assistance Program (LIHEAP) weatherization expenditures exceeded earmarking limits by \$1,883,776 for the 2012 grant award.

CFDA Title: Low-Income Home Energy Assistance Program

CFDA Number: 93.568

Federal Award Number: 12B1IDLIEA

Program Year: October 1, 2011 to September 30, 2012

Federal Agency: Department of Health and Human Services

Compliance Requirements: Matching, Level of Effort, Earmarking

Questioned Costs: \$1,883,776

Type of Finding: Material Noncompliance and Material Weakness

Criteria: The United States Code (USC) (42 USC 8624(k)) states that no more than 15 percent of the greater of the funds allotted or available for a federal fiscal year may be used for low-cost residential

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weatherization or other energy-related home repairs for low-income households. The Department can request a waiver to increase this weatherization limit up to 25 percent.

The Code of Federal Regulations (CFR) (45 CFR section 92.42) states that all financial and programmatic records must be retained for three years from the starting date, which is typically the day the grantee submits its last expenditure report to the awarding agency.

The Office of Management and Budget (OMB) *Circular A-102 Grants and Cooperative Agreements With State and Local Governments (Common Rule)* requires that non-federal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure all earmarking requirements are met and supporting evidence is properly maintained.

Condition: The Department indicated that the program requested and received the waiver from the federal grantor for the fiscal year 2012 award. However, the Department was unable to produce a copy of the approved waiver. Without the documented waiver, the LIHEAP program is limited to 15 percent of the greater of the funds allotted or available for weatherization expenditures.

The 2012 allotted funds available for the calculation base totaled \$19,578,114 and the amount allowed for weatherization expenditures could not exceed 15 percent, or \$2,936,717. However, \$4,820,493 was spent for weatherization, resulting in excess weatherization expenditures of \$1,883,776.

Cause: Documentation of the approved waiver from the federal grantor was not maintained to support the increased earmarking limit. In addition, adequate internal controls and procedures were not in place to ensure compliance with the federal requirements.

Effect: The Department expended \$1,883,776 in excess of the earmarking limit of 15 percent without the waiver.

Recommendation: We recommend that the Department improve internal controls to ensure federal grant expenditures comply with federal earmarking regulations. Procedures should include maintaining documentation of applicable waivers from the federal grantor.

Management's View and Corrective Action Plan: *The Department partially agrees with this finding. The Department is certain that the waiver authorizing the additional spending was approved by the Federal Grantor because it is referenced in communications. However, the Department could not locate the document in question and as of the date of this response, the Federal Grantor has not provided the Department with a copy. The Department will follow up with the Federal Grantor to obtain the approved waiver. Additionally, we've improved procedures to ensure future waiver documentation is safeguarded when there is staff turnover.*

Scheduled Completion Date for Corrective Action Plan: June 30, 2015

Contact Person: Steve Bellomy, CPA
Bureau Chief, Audits and Investigations
Department of Health and Welfare
P.O. Box 83720
Boise, ID 83720-0036
208-334-0609

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Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. If the Department is able to provide documentation of the waiver for fiscal year 2012, we will review it and determine the impact on the amount of questioned costs. In addition, we will review the status of the Department's corrective action during follow-up procedures completed 90 days after issuance of this report.

FINDING 214-217

Expenditures were incurred for the Low-Income Home Energy Assistance Program (LIHEAP) that were \$140,353 in excess of the carry forward limits established by federal regulations.

CFDA Title: Low-Income Home Energy Assistance Program

CFDA Number: 93.568

Federal Award Number: 12B1IDLIEA

Program Year: October 1, 2011 to September 30, 2012

Federal Agency: Department of Health and Human Services

Compliance Requirement: Period of Availability of Federal Funds

Questioned Costs: \$140,353

Type of Finding: Noncompliance and Significant Deficiency

Criteria: The Code of Federal Regulations (CFR) (45 CFR section 96.14) prescribes a maximum of 10 percent of the award amount may be held available for the next fiscal year. In addition, the 45 CFR section 96.81 states that the program is allowed to request an amount to hold available for obligation in the next fiscal year, not to exceed 10 percent of the funds payable to the Department.

The Office of Management and Budget (OMB) *Circular A-102 Grants and Cooperative Agreements With State and Local Governments (Common Rule)* requires that non-federal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Condition: Funds in excess of the 10 percent maximum allowed for the 2012 award were held available for the next fiscal year. The 2012 grant award totaled \$19,615,505. The program expended \$17,513,601 in federal fiscal year 2012 and carried forward the remaining balance of \$2,101,904 to federal fiscal year 2013. Ten percent of the federal award equals \$1,961,550; therefore, the amount carried forward and expended in federal fiscal year 2013 exceeded the 10 percent limit allowed by federal regulations.

Cause: Adequate procedures and internal controls were not in place to ensure that no more than 10 percent of the federal award was carried forward to the following fiscal year.

Effect: The Department expended federal fiscal year 2012 grant funds in excess of the amount allowed to be carried forward, resulting in questioned costs of \$140,353.

Recommendation: We recommend that the Department improve monitoring procedures to ensure that grant funds in excess of 10 percent are not expended after the period of availability.

Management's View and Corrective Action Plan: *The Department agrees with this finding. We have implemented procedures to prevent exceeding the carryover amount in the future. We believe the amount of the noted finding expenditures is overstated by at least \$37,391 (LIHEAP Leveraging Incentive award) since some of the grant finds identified were not subject to the 10% carryover limitation.*

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Scheduled Completion Date for Corrective Action Plan: June 30, 2015

Contact Person: Steve Bellomy, CPA
Bureau Chief, Audits and Investigations
Department of Health and Welfare
P.O. Box 83720
Boise, ID 83720-0036
208-334-0609

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. If the Department is able to provide documentation showing that the identified expenditures of \$2,101,904 included obligated Leveraging funds, we will review it and determine the impact on the amount of questioned costs. In addition, we will review the status of the Department's corrective action during follow-up procedures completed 90 days after issuance of this report.

FINDING 2014-218

The Annual Report on Households Assisted by the Low-Income Home Energy Assistance Program (LIHEAP) lacked adequate support documentation.

CFDA Title: Low-Income Home Energy Assistance Program
CFDA Number: 93.568
Federal Award Number: 13B1IDLIEA
Program Year: October 1, 2012 to September 30, 2014
Federal Agency: Department of Health and Human Services
Compliance Requirement: Reporting
Questioned Costs: None

Type of Finding: Noncompliance and Significant Deficiency

Related to Prior Year Finding: 2013-214

Criteria: The Office of Management and Budget (OMB) *Circular A-102 Grants and Cooperative Agreements with State and Local Governments (Common Rule)* requires that non-federal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure adequate documentation is properly maintained to support amounts and items reported.

The Code of Federal Regulations (CFR) (45 CFR section 96.82) require that, as part of the application for block grant funds each year, the Department of Health and Welfare submit data on the number of households receiving LIHEAP assistance by heating, cooling, crisis, and weatherization. This is done through the Annual Report on Households Assisted by LIHEAP.

Condition: Supporting documentation was not adequate to support the values reported on the Annual Report on Households Assisted by LIHEAP. The prior audit noted that documentation was not retained by the Department or readily available from the contractor. During the current audit, the Department retained the documentation submitted by the contractor for the report; however, the data provided did not agree to the information included on the federal report.

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Cause: The internal controls designed to ensure that adequate documentation is maintained to support federal reports were not operating as designed.

Effect: Documentation was maintained for the annual report submitted during the current audit period; however, the reported amounts were not supported by the information retained. As a result, we were unable to verify the accuracy of the report.

Recommendation: We recommend that the Department strengthen internal controls to ensure that adequate documentation is retained that supports amounts presented in federal reports.

Management's View and Corrective Action Plan: *The Department agrees with this finding. After receiving the prior audit finding (2013-214), the Department worked with its contractor to establish internal controls to ensure the maintenance of adequate documentation in accordance with federal program guidance. New control measures were approved by the Department effective the beginning of FFY15. The Department's monitor of the FFY14 year, scheduled spring 2015, will allow us to determine if the approved changes were effective in safeguarding the program from future findings.*

Scheduled Completion Date for Corrective Action Plan: June 30, 2015

Contact Person: Steve Bellomy, CPA
Bureau Chief, Audits and Investigations
Department of Health and Welfare
P.O. Box 83720
Boise, ID 83720-0036
208-334-0609

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during follow-up procedures completed 90 days after issuance of this report.

FINDING 2014-219

Quarterly federal financial reports for the Temporary Assistance for Needy Families (TANF) grant lacked adequate support documentation.

CFDA Title: TANF Cluster

CFDA Numbers: 93.558, 93.714

Federal Award Numbers: 1102IDTANF, 1302IDTANF, 1402IDTANF

Program Years: October 1, 2010 to September 30, 2011; October 1, 2012 to September 30, 2013; October 1, 2013 to September 30, 2014

Federal Agency: Department of Health and Human Services

Compliance Requirement: Reporting

Questioned Costs: Not Determinable

Type of Finding: Noncompliance and Significant Deficiency

Related to Prior Year Finding: 2013-213

Criteria: The Office of Management and Budget (OMB) Circular A-102 *Grants and Cooperative Agreements with State and Local Governments (Common Rule)* requires that non-federal entities receiving

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federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

The instructions provided by the Administration for Children and Families (ACF) for the ACF-196 report references the Code of Federal Regulations (CFR) (45 CFR section 92.3) for the definition of an obligation, which includes amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the grantee during the same or a future period.

TANF guidelines (45 CFR 265.7(d)) require that the financial report be complete and accurate, meaning that the reported data accurately reflects information available in case records, financial records, and automated data systems.

Condition: Four ACF-196 reports were reviewed. Two reports included unsupported amounts provided as unliquidated obligations and the remaining two reports showed \$0 as unliquidated obligations. None of the amounts reported as unliquidated obligations were supported with adequate documentation indicating that the underlying obligation exists.

The amount reported as a transfer from TANF to the Child Care Discretionary Fund (CCDF) on the quarter ended March 31, 2014 report did not agree to supporting documentation. The amount included on the federal report was \$3,915,600 while the financial records supported \$4,071,227. This is a difference of \$155,627.

Cause: It appears that the Department has historically reported what is defined as an unobligated balance as an unliquidated obligation on the report. Adequate internal controls are not in place to ensure appropriate support documentation is available for all information reported.

The amount reported as transferred to CCDF was calculated based on the estimated TANF grant and the amount allowed to be transferred. Each quarter, one fourth of this calculation is added to the cumulative total on the federal reports. The internal controls were not designed to ensure that actual transfers were reported on the ACF-196 report in accordance with federal guidelines.

Effect: The amounts reported on the quarterly federal reports were not adequately supported for unliquidated obligations and unobligated balances.

While the final grant report agrees to the actual amount transferred as supported by the financial records, the interim quarterly reports did not accurately reflect the transfers. In addition, the final report indicated that the Department was in compliance with the maximum transfer amounts allowed during state fiscal year 2014.

Recommendation: We recommend that the Department implement procedures to ensure that federal reports are based on actual expenditures, accurate, supported by adequate documentation, and in compliance with federal regulations.

Management's View and Corrective Action Plan: *The Department agrees with this finding. The Department has implemented a procedure to report actual amounts for the first three Federal quarters rather than estimated amounts. Historically, the Department has reported the remaining balance of TANF as unliquidated obligations, when they should have been reported as unobligated balances. We will revise the report to show balances as unobligated.*

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FEDERAL FINDINGS AND QUESTIONED COSTS
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Scheduled Completion Date for Corrective Action Plan: June 30, 2015

Contact Person: Steve Bellomy, CPA
Bureau Chief, Audits and Investigations
Department of Health and Welfare
P.O. Box 83720
Boise, ID 83720-0036
208-334-0609

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during follow-up procedures completed 90 days after issuance of this report.

FINDING 2014-220

The income eligibility verification system was not used in accordance with federal guidelines for the Temporary Assistance for Needy Families (TANF) program.

CFDA Title: TANF Cluster

CFDA Numbers: 93.558, 93.714

Federal Award Numbers: 1302IDTANF, 1402IDTANF

Program Years: October 1, 2012 to September 30, 2013; October 1, 2013 to September 30, 2014

Federal Agency: Department of Health and Human Services

Compliance Requirement: Eligibility; Special Tests and Provisions #2

Questioned Costs: Not Determinable

Type of Finding: Noncompliance and Significant Deficiency

Related to Prior Year Finding: 2013-211

Criteria: The Office of Management and Budget (OMB) *Circular A-102 Grants and Cooperative Agreements with State and Local Governments (Common Rule)* requires that non-federal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

The Code of Federal Regulations (CFR) (45 CFR section 205.55-.56) indicates that each state shall participate in an income eligibility and verification system. The State is required to coordinate data exchanges with other federally assisted benefit programs, request and use income and benefit information when making eligibility determinations, and adhere to standardized formats and procedures in exchanging information with other programs and agencies. Specific requirements include obtaining wage information from the State Wage Information Collection Agency (SWICA) for all applicants at the first opportunity following receipt of the application and for all recipients on a quarterly basis. In addition, the Department is required to obtain Unemployment Compensation (UC) information for all applicants at the first opportunity and in each of the first three months in which the individual is receiving aid. UC information should also be obtained in each of the first three months following any recipient-reported loss of employment. If an individual is found to be receiving UC, the information should be requested until benefits are exhausted.

Condition: The Department of Labor serves as the SWICA for the State of Idaho. Department personnel utilize an income eligibility verification system, eVerif-I, to obtain wage and unemployment information from the Department of Labor for all applicants at the first opportunity; however, wage information is not obtained quarterly for all applicants. In addition, UC information is not obtained in each of the first three

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months following any recipient-reported loss of employment nor is it requested until benefits are exhausted when an individual is found to be receiving UC.

Cause: The Department's internal controls over compliance related to the income eligibility and verification system were not adequately designed to ensure the policies and procedures implemented complied with applicable laws and regulations. The Department policy required information only be obtained at six month intervals, which was not compliant with the federal requirement. The Department requested a federal exemption waiver in response to the related *Single Audit* 2013 finding, but the waiver request was denied. The Department put procedures in place to comply starting July 1, 2014.

Effect: Testing did not identify any payments made for ineligible participants. However, the Department did not comply with federal regulations in a timely manner relating to the use of an income eligibility and verification system.

Recommendation: We recommend that the Department implement procedures to verify wage and unemployment compensation information as required by the federal grantor. We further recommend that the Department implement control procedures to ensure that the policies and procedures comply with federal regulations.

Management's View and Corrective Action Plan: *The Department agrees with this finding. The Federal Grantor denied the Department's waiver request for this requirement from the prior fiscal year finding (2013-211). As a result, the Department implemented a process to obtain unemployment compensation in each of the first three months following any recipient reported loss of employment.*

Scheduled Completion Date for Corrective Action Plan: July 1, 2014

Contact Person: Steve Bellomy, CPA
Bureau Chief, Audits and Investigations
Department of Health and Welfare
P.O. Box 83720
Boise, ID 83720-0036
208-334-0609

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during follow-up procedures completed 90 days after issuance of this report.

FINDING 2014-221

Foster Care maintenance payment rates were not consistently reviewed in a timely manner as outlined in regulations and policies.

CFDA Title: Foster Care – Title IV-E

CFDA Number: 93.658

Federal Award Numbers: 1301ID1401, 1401ID1401

Program Years: October 1, 2012 to September 30, 2013; October 1, 2013 to September 30, 2014

Federal Agency: Department of Health and Human Services

Compliance Requirement: Special Tests and Provisions #1

Questioned Costs: Not Determinable

Type of Finding: Significant Deficiency

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Criteria: The Office of Management and Budget (OMB) *Circular A-102 Grants and Cooperative Agreements With State and Local Governments (Common Rule)* requires that non-federal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Additionally, federal guidelines for the Foster Care program (42 United States Code (USC) 671(a)(11)) and 45 Code of Federal Regulations (CFR) section 1356.21(m)(1)) require that agencies establish rates for maintenance payments (e.g., payments to foster parents, child care institutions or directly to youth). The agency's plan, approved by the Administration for Children and Families (ACF), provides for periodic reviews of rates for foster care maintenance payments at reasonable, specific, time-limited periods established by the agency to assure the rate's continuing appropriateness for the administration of the program.

Condition: The State Plan for Foster Care establishes a Department policy to review maintenance payment rates on an annual basis. We were unable to obtain evidence of this annual review. In addition, the Department indicated that, while the rates were reviewed and changed for the State fiscal year 2014 in the last legislative session, the rates had not been reviewed for a number of previous years. Also, the policy language is vague as to the procedures that will be used to review and establish the new rates.

Further review of maintenance rates for out-of-state child placements showed that payment amounts are entered manually into iCARE, the Department's database and case management system. After these out-of-state maintenance payments are initially entered, the monthly payments are automatically generated. The maintenance rate manually entered was not updated to reflect the newest rates for those payments established at the beginning of the State fiscal year 2014.

Cause: Adequate procedures were not in place to ensure maintenance payment rates are reviewed as required. Current procedures also failed to adequately train staff on newly implemented maintenance rates for those that are manually entered into the system.

Effect: While foster care maintenance payments were reviewed by staff in the State fiscal year 2014, they were not consistently reviewed in prior years to assure their continued appropriateness. In addition, certain payments were not properly adjusted and were understated. Though the projected error is under \$10,000, the lack of monitoring of current payment rates is a significant deficiency in the internal control process.

Recommendation: We recommend that the Department implement internal control procedures to provide for the periodic review and correct implementation of rates for foster care maintenance payments in compliance with the program requirements and the State plan.

Management's View and Corrective Action Plan: *The Department agrees with this finding. The Department updated the policies and procedures for reviewing and documenting foster care rates annually. The updated policy also provides greater detail for the procedures used to establish new rates.*

The Department will also develop procedures to ensure that out-of-state placement payment rates are reviewed and updated as necessary when in-state rates change.

Scheduled Completion Date for Corrective Action Plan: June 30, 2015

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Contact Person: Steve Bellomy, CPA
Bureau Chief, Audits and Investigations
Department of Health and Welfare
P.O. Box 83720
Boise, ID 83720-0036
208-334-0609

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during follow-up procedures completed 90 days after issuance of this report.

FINDING 2014-222

Supplemental Nutrition Program for Women, Infants, and Children (WIC) formula rebates are not credited to the federal grantor prior to requesting federal funds.

CFDA Title: Supplemental Nutrition Program for Women, Infants, and Children (WIC)

CFDA Number: 10.557

Federal Award Numbers: 13137IDID7W1006, 13137IDID7W1003, 14147IDID7W1006,
14147IDID7W1003

Program Years: October 1, 2012 to September 30, 2013; October 1, 2013 to September 30, 2014

Federal Agency: Department of Agriculture

Compliance Requirements: Allowable Costs/Cost Principles; Cash Management

Questioned Costs: None

Type of Finding: Noncompliance and Significant Deficiency

Criteria: The Code of Federal Regulations (CFR) (7 CFR section 3016.21(f)(2)) indicates that the grantee should disburse program income, rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments.

Additionally, the Office of Management and Budget (OMB) *Circular A-102 Grants and Cooperative Agreements With State and Local Governments (Common Rule)* requires that non-federal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure cash management requirements are met.

Condition: The Department receives monthly WIC formula rebates. These are evenly distributed over multiple days prior to and after receiving the actual rebate. This process does not allow for the immediate credit to the federal grantor of the full rebate amount against federal expenditures when the rebate is received.

Cause: Internal controls failed to identify a process that is inconsistent with federal regulations. A justification was not immediately available as to why this process was employed rather than recognizing the rebate amounts immediately once received.

Effect: The cash management procedures were not in compliance with federal regulations. During this process, the Department understates daily cash draws before the rebate is received by reducing reimbursable expenditures by the allocation of the rebate not yet received. Once the rebate was received, daily cash draws were overstated by reducing program expenditures by the allocation of the rebate rather than immediately recognizing the full rebate amount. There are no questioned costs associated with the

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issue because the process results in the understatements and overstatements offsetting each other during the month.

Recommendation: We recommend that the Department modify the cash management process used to credit WIC rebates to WIC program expenditures in compliance with federal requirements.

Management's View and Corrective Action Plan: *The Department agrees with this finding and will modify our cash management process used to credit WIC rebates against WIC program expenditures to be in compliance with federal requirements.*

Scheduled Completion Date for Corrective Action Plan: June 30, 2015

Contact Person: Steve Bellomy, CPA
Bureau Chief, Audits and Investigations
Department of Health and Welfare
P.O. Box 83720
Boise, ID 83720-0036
208-334-0609

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during follow-up procedures completed 90 days after issuance of this report.

FINDING 2014-223

Procedures are not in place to monitor indirect cost rate plans prepared by the subrecipients of the Supplemental Nutrition Program for Women, Infants, and Children (WIC) grant.

CFDA Title: Supplemental Nutrition Program for Women, Infants, and Children (WIC)

CFDA Number: 10.557

Federal Award Numbers: 13137IDID7W1006, 13137IDID7W1003, 14147IDID7W1006,
14147IDID7W1003

Program Years: October 1, 2012 to September 30, 2013; October 1, 2013 to September 30, 2014

Federal Agency: Department of Agriculture

Compliance Requirement: Subrecipient Monitoring

Questioned Costs: Not Determinable

Type of Finding: Noncompliance and Significant Deficiency

Related to Prior Audit Finding: 12F-15

Criteria: The Office of Management and Budget (OMB) *Circular A-102 Grants and Cooperative Agreements With State and Local Governments (Common Rule)* requires that non-federal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Additionally, OMB *Circular A-133 Compliance Supplement* states that where a local government receives funds as a subrecipient only, the primary recipient will be responsible for negotiation and/or monitoring the subrecipient's indirect cost rate plan.

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Condition: The Department makes subawards to seven Idaho public health districts and two Native American Tribal agencies that provide services for WIC. The Department developed policies and procedures in the State fiscal year 2013 and hired staff in the State fiscal year 2014 to be responsible for negotiating and monitoring indirect cost rate plans submitted by the subrecipients. During the State fiscal year 2014, the Department reviewed two plans; however, no additional subrecipients' indirect cost rate plans were negotiated and/or monitored as of December 2014.

Cause: The Department has not completely implemented monitoring procedures regarding a review of indirect cost rate plans for all of the subrecipients.

Effect: The Department failed to negotiate and/or monitor indirect cost rate plans prepared by seven of the nine subrecipients, resulting in an undeterminable amount of questioned costs.

Recommendation: We recommend that the Department continue to implement procedures to negotiate and monitor the indirect cost rate plans prepared by subrecipients.

Management's View and Corrective Action Plan: *The Department disagrees with this finding. During the State Fiscal Year 2014, the condition indicates the Department monitored only two of nine indirect cost rate plans for the tribal agencies and Local Public Health Districts; however documentation has been provided to the Legislative Services Office showing the Department (specifically the WIC Program) monitored five indirect cost rate plans for public health districts and one tribal agency plan. According to Federal Regulations, WIC monitoring must be done once every two years. Since there is an odd number of Districts, the number monitored each year alternates between three and four districts per year. Finally, the WIC program has not been given the ability to negotiate indirect rates with local health departments. Rather, as an agency, DHW accepts and reviews the indirect cost rate plan developed by each health district. The certifications of these plans are collected and reviewed by the Department annually.*

As a final note, the monitoring procedures used by the WIC Program have been approved and deemed sufficient by the federal funding agency. Per the Food and Nutrition Services Financial Management Review dated September 10, 2012: "We agree with the State WIC program's response for obtaining breakout of financial indirect cost information and using it for Local Agency on site reviews". In response to verification of indirect costs on local agency invoices: "We (FNS) find the proposed corrective action by IDHWH acceptable; however, we will need a copy of the tracking sheet with the added column and formula". Monitoring procedures were put into place in Fiscal year 12 by the program and sent with supporting documents to the FNS (Food and Nutrition Services the Federal Grantor).

Scheduled Completion Date for Corrective Action Plan: The Department disagrees with the finding, and at this time, there is no date of completion.

Contact Person: Steve Bellomy, CPA
Bureau Chief, Audits and Investigations
Department of Health and Welfare
P.O. Box 83720
Boise, ID 83720-0036
208-334-0609

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. We continue to assert that the Department is not adequately monitoring the indirect cost rates for the subrecipients. According to the Code of Federal Regulations (CFR) (2 CFR 225,

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Appendix E, Section D), when a local government only receives funds as a subrecipient, the primary recipient is responsible for negotiating and/or monitoring the subrecipient's plan. While the Department receives the subrecipient's certifications, the underlying supporting worksheets and other documentation required by federal regulations is not received or reviewed by the Department. In addition, of the monitoring documentation provided by the Department, only those included in the pilot project included procedures to specifically review at least one allocated invoice. We also identified an instance where the invoice selected for review was related to training; however training was not identified as an allocable expenditure per the health district's cost allocation pools. It appears the subrecipient is allocating costs not in accordance with their plan; however, the Department's documentation did not make note of this discrepancy.

FINDING 2014-224

Adequate internal controls are not in place to ensure timely compliance with Social Services Block Grant (SSBG) earmarking requirements.

CFDA Title: Social Services Block Grant

CFDA Number: 93.667

Federal Award Number: 1401IDSOSR

Program Year: October 1, 2013 to September 30, 2014

Federal Agency: Department of Health and Human Services

Compliance Requirement: Matching, Level of Effort, Earmarking

Questioned Costs: None

Type of Finding: Significant Deficiency

Related to Prior Audit Finding: 12F-10

Criteria: The Office of Management and Budget (OMB) *Circular A-102 Grants and Cooperative Agreements With State and Local Governments (Common Rule)* requires that non-federal entities receiving federal awards establish and maintain internal controls designed to reasonable ensure compliance with federal laws, regulations, and program compliance requirements.

The United States Code Title 42 section 604 (d)(3)(A) requires that the Department use Temporary Assistance for Needy Families (TANF) funds transferred to SSBG for programs and services to children or their families whose income meets specific income restrictions.

Condition: The Department utilizes funds transferred from TANF for costs associated with SSBG client's mental health services. Funds are transferred from TANF to SSBG on a quarterly basis. The Behavioral Health Division produces a report for fiscal staff to review that shows that TANF funds are utilized for clients that meet the income restriction requirements. The review of this report helps ensure compliance with earmarking requirements; however, no report was produced during the current audit period. Subsequent to our audit inquiry, a report for the State fiscal years 2013 and 2014 was produced and reviewed in December 2014.

Cause: Internal controls were not in place to ensure a quarterly report is produced and reviewed to help ensure compliance in a timely manner.

Effect: The reports received in December 2014 indicated that the Department was in compliance with transfers made during the State fiscal years 2013 and 2014. No review was completed at the time transfers

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were made from TANF to SSBG to ensure that the funds represented expenditures incurred by families whose income met the earmarking income restrictions.

Recommendation: We recommend that the Department strengthen internal controls over earmarking to ensure compliance with grant requirements in a timelier manner.

Management's View and Corrective Action Plan: *The Department agrees with this finding. Beginning with the next adjustment, the Behavioral Health report "CMH FPL Summary" will be automatically provided via e-mail subscription to the FACS budget analyst prior to the quarterly TANF adjustment. The report will document the percentage of Children's Mental Health clients who are TANF eligible and will be attached to the adjustment documents and placed in the grant work paper file folder.*

Scheduled Completion Date for Corrective Action Plan: June 30, 2015

Contact Person: Steve Bellomy, CPA
Bureau Chief, Audits and Investigations
Department of Health and Welfare
P.O. Box 83720
Boise, ID 83720-0036
208-334-0609

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during follow-up procedures completed 90 days after issuance of this report.

IDAHO DEPARTMENT OF LABOR (Department)

FINDING 2014-225

Internal controls over federal procurement, suspension, and debarment compliance did not operate as intended for the Workforce Investment Act Program.

CFDA Title: Workforce Investment Act Cluster

CFDA Numbers: 17.258, 17.259, 17.278

Federal Award Numbers: AA213921155A16, AA229321255A16, AA240891355A16,
AA253501455A16, AA213921155A16, AA229321255A16,
AA240891355A16, A253501455A16, AA213921155A16,
AA229321255A16, AA240891355A16, AA253501455A16

Program Years: July 1, 2011 to June 30, 2017

Federal Agency: Department of Labor

Compliance Requirement: Procurement and Suspension and Debarment

Questioned Costs: None

Type of finding: Noncompliance and Significant Deficiency

Criteria: The Code of Federal Regulations (CFR) (2 CFR part 180) prohibits non-federal entities from entering into covered transactions with parties that are suspended or debarred. Covered transactions include procurement of goods and services expected to equal or exceed \$25,000.

The CFR (2 CFR 180.300) also states that the Department must verify that a party to a covered transaction is not excluded or debarred by checking the System for Award Management (SAM) exclusions list

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maintained by the General Services Administration, collecting a certification from the party, or adding a clause or condition to the contract with the party.

The Department policy for maintaining compliance with the federal procurement, suspension, and debarment requirements include a staff member checking the SAM list for each covered transaction.

Condition: During fiscal year 2014, the Department entered into 10 covered transactions. The Department did not review the SAM list for any of the vendors for the covered transactions as required by Department policy. The Department did check the vendors against the SAM list after a request for audit evidence and found that none of the vendors were excluded.

Cause: The Department staff member assigned to check the SAM list was completing other assignments and overlooked the requirement.

Effect: The federal debarment and suspension system is in place to ensure the integrity of federal programs by only conducting business with responsible parties (2 CFR 180.125 (a)). The Department's internal controls, which are intended to ensure compliance, were not properly executed. Testing of fiscal year 2014 transactions revealed 10 vendors that the Department paid a total of \$489,000 as part of covered transactions. We cross checked the vendors with the SAM list and found none to be suspended or debarred.

Recommendation: We recommend that the Department follow the control procedures in place for the vendor review to ensure compliance with federal requirements for procurement, suspension, and debarment.

Management's View and Corrective Action Plan: *The SAM list has been reviewed for covered purchases in SFY 2015. The Financial Executive Officer will review covered purchases quarterly and verify the SAM list has been checked. Additionally, in the future, covered purchases will be processed through the Division of Purchasing.*

Scheduled Completion Date for Corrective Action Plan: The agency did not provide a completion date.

Contact Person: Joni Booth
Financial Executive Office, Accounting
Idaho Department of Labor
317 West Main Street
Boise, ID 83735
208-332-3570 ext. 3165

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during follow-up procedures completed 90 days after issuance of this report.

FINDING 2014-226

The Department did not comply with certain program integrity requirements for the Unemployment Compensation Program.

CFDA Title: Unemployment Insurance

CFDA Number: 17.225

Federal Award Numbers: UI-23888-13-55-A-16, UI-25199-14-55-A-16

Program Years: October 1, 2012 to September 30, 2016

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Federal Agency: Department of Labor
Compliance Requirement: Special Tests and Provisions #5
Questioned Costs: None

Type of finding: Noncompliance and Significant Deficiency

Criteria: The United States Trade Adjustment Assistance Extension Act of 2011 includes Public Law No. 112-40 which became effective October 21, 2013. Public Law No. 112-40 was enacted in an attempt to improve program integrity and reduce overpayments related to the Unemployment Compensation Program (UC). A portion of Public Law No. 112-40 requires states to properly identify and handle overpayments, including, as applicable, assessment and deposit of penalties and not relieving employers of charges when their untimely or inaccurate responses cause improper payments.

The Code of Federal Regulations (CFR) (29 CFR subpart C section 97.20(a)(1-2)) requires a state to account for grant funds in accordance with state laws and procedures. The CFR also specifies that fiscal control and accounting procedures must be sufficient to prepare the required reports and adequately track funds to ensure compliance with applicable statutes.

Idaho Code Section 72-1351B was enacted during 2013. The employment security law added to and amended existing law relating to employment security law to prohibit certain relief from liability relating to benefits paid to a claimant that are subsequently determined to be overpaid.

Condition: During State fiscal year 2014, the Department did not have a process to identify overpayments resulting from employer's untimely or inaccurate responses for information from the Department, as required by Idaho Code Section 72-1351B. The implementation of the Department's iUS system in September 2014 provided the ability to track these overpayments. The Department provided data to show that these overpayments were minimal between September 2014 and January 2015.

Cause: The Department determined that the cost of implementing a process to identify these payments into an old information technology system for a short time period did not outweigh the benefit of tracking the overpayments. Some of the factors included the small number of cases associated with the specific compliance requirement and the preference for focusing the computer programming staff time to the new iUS system versus the system going offline in September 2014.

Effect: The Department did not have proper processes in place to ensure compliance with Idaho Code Section 72-1351B related to overpayments as a result of employer's untimely or inaccurate responses from October 21, 2013 through the end of fiscal year 2014. Based on the absence of the required tracking, improper overpayments may have occurred based on employer's untimely responses to Department requests for information.

Recommendation: We recommend that the Department improve internal controls to ensure compliance with federal requirements for the Unemployment Compensation Program.

Management's View and Corrective Action Plan: *The federal code provision prohibiting the relief from charges to an experience rated employer's account when overpayments are the result of the employer's failure to respond timely or adequately to a request from the Department of Labor for information about a claimant's work history, wages, and reason for separation, Idaho Code 72-1351B became effective 10/21/13.*

Although the exact number of occurrences where the code was not enforced cannot be determined from the period of 10/21/13 through 6/30/14, we can conclude that it was a very limited number of employers based

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on a current sampling of the annual peak filing period from 10/1/14 through 12/31/15. The late fall/winter period is historically when the occurrences of filing for UI claims are at their highest.

From 10/1/2014 through 12/31/2015 the Idaho department of labor processed 4562 unemployment claims. Of those 4562 claims, a total of 92 employers had an occurrence where they failed to provide information in a timely fashion. Of those 92, eight were subject to the provision regarding relief from charges because it was their second occurrence. All eight were notified of the determination of chargeability and none of the eight protested. Based on the current numbers, it can be reasonably concluded that the number of potential employers impacted by IDOL's inability to track them was very small. For the period of time sampled, the number of claims that would have been subject to the law would have been .00175 % (8 out of 4562).

The Department has developed a new Unemployment Insurance tax and benefit system, iUS. When Idaho Code 72-1351B went into effect, the iUS project was in final development and it was known that with the implementation of the new system, the employers subject to this new statute would be tracked. Because of limited development resources, there was not enough time or personnel in the information technology bureau to create a separate tracking mechanism in the legacy mainframe system, given the short period of time prior to iUS deployment.

It was with all of these factors in mind that the decision was made to wait for the deployment of iUS to begin tracking the employer reporting requirements applicable to I.C. 72-1351B. Since the implementation of iUS on September 12, 2014, the Department is complying with Idaho Code Section 72-1351B.

Scheduled Completion Date for Corrective Action Plan: September 12, 2014

Contact Person: Joni Booth
Financial Executive Office, Accounting
Idaho Department of Labor
317 West Main Street
Boise, ID 83735
208-332-3570 ext. 3165

Auditor's Concluding Remarks: We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during follow-up procedures completed 90 days after issuance of this report.

IDAHO DIVISION OF VOCATIONAL REHABILITATION (Division)

FINDING 2014-227

Documentation to support the performance of internal control procedures and adherence to compliance requirements could not be provided for the Vocational Rehabilitation grants.

CFDA Titles: Rehabilitation Services - Vocational Rehabilitation Grants to States

CFDA Number: 84.126

Federal Award Numbers: H126A130016, H126A140016

Program Years: October 1, 2012 to September 30, 2013; October 1, 2013 to September 30, 2014

Federal Agency: Department of Education

Compliance Requirements: Allowable Costs/Cost Principles; Procurement and Suspension and Debarment

Questioned Costs: None

Type of finding: Noncompliance and Significant Deficiency

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Criteria: The Office of Management and Budget (OMB) *Circular A-102 Grants and Cooperative Agreements With State and Local Governments (Common Rule)* requires that non-federal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program requirements. Evidence of the performance of controls is necessary to determine whether control procedures have been implemented.

The Code of Federal Regulations (CFR) (2 CFR 225, Appendix E, section D(3)) requires each indirect cost rate proposal to include a certification that the proposal has been reviewed and that costs included in this proposal are allowable and allocable to the program in accordance with the requirements of the federal award(s) to which they apply and 2 CFR part 225.

In addition, the CFR (34 CFR 80 Subpart C, section 80.42) generally requires grantees to retain financial and programmatic, supporting documents, and other records for a minimum of three years after the grantee submits its final expenditure report. Documents and supporting records for indirect cost rate proposals are required to be retained for three years from the date of submission to the Federal Government.

Condition: The schedule of adjustments included in the indirect costs rate proposal for State fiscal year 2014 made reference to Exhibit B; however, this exhibit was not included in the proposal packet submitted to the U.S. Department of Education. We also noted that a signed copy of the required certification of the Indirect Cost Rate Proposal (ICRP) was not retained by management, and there was no evidence that the ICRP was reviewed for accuracy prior to its submission.

In addition, in our attempt to test the Division's control procedures to ensure they were not contracting or making subawards to suspended or debarred parties, the Division was not able to provide the report that is run in July comparing vendors against the federal Excluded Parties List System (EPLS).

Cause: The Division experienced turnover in management and staff positions in December 2014. As a result, the current staff was unable to locate documentation or provide evidence of procedures performed by previous staff and compliance requirements.

Effect: We were unable to determine if the Division complied with the requirement to certify the ICRP or whether internal controls were appropriately implemented.

Recommendation: We recommend that the Division retain documentation of compliance and performance of internal control procedures in an organized and known location so that, in the event of expected or unexpected staff turnover, documents may be accessible and retrieved.

Management's View and Corrective Action Plan: *While the Division could not locate a copy of Schedule B or a copy of the signed certification page of the Indirect Cost Rate Proposal (ICRP), the ICRP was accepted and approved by U.S. Department of Education. The U.S. Department of Education would not accept the ICRP without the signed certification. As for Schedule B, it was simply a schedule summarizing numbers from various parts of the ICRP and was not a required schedule.*

The Division could not locate the report that compares vendors against the federal Excluded Parties List System (EPLS), however; the Division does run the report and take action if necessary.

Since the turnover in staff mentioned above, there has been an effort to cross-train others as to where files are kept and how work is to be completed. In addition, the fiscal staff will review what documents need to be saved for internal control documentation and compliance reasons and include a reference to where these documents are filed in their desktop manuals. The Division is also now checking new vendors against the

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EPLS and keeping a copy of the printout with the new vendor file. The Division will continue to run the report to check all vendors against the EPLS list annually and document that it was done.

Scheduled Completion Date for Corrective Action Plan: May 31, 2015

Contact Person: Stephen Strong
Fiscal Manager
Division of Vocational Rehabilitation
650 W. State Street Room 150
Boise, ID 83720
208-334-3390

Auditor's Concluding Remarks: We thank the Division for its cooperation and assistance throughout the audit. We will review the status of the Division's corrective action during follow-up procedures completed 90 days after issuance of this report.

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SINGLE AUDIT REPORT
SCHEDULE OF PRIOR BASIC FINANCIAL STATEMENTS FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

STATE AGENCY	CURRENT STATUS	PAGE
<u>OFFICE OF THE STATE CONTROLLER</u>		
2013-101 Internal control weaknesses allowed misstatements in the statewide financial statements to go undetected.	Open; Current Finding 2014-101	88
2013-102 Reporting for the Idle pool in the statewide financial statements contains a \$27.2 million understatement and a \$20.8 overstatement for a net understatement of \$6.4 million.	Closed	88
<u>IDAHO DEPARTMENT OF HEALTH AND WELFARE</u>		
2013-103 Hospital assessments of \$14.7 million were levied and collected without statutory authority.	Closed	88
2013-104 Financial reporting processes contain significant deficiencies in internal control allowing several errors in various closing packages to go undetected.	Open; Current Finding 2014-104	89
<u>IDAHO STATE TAX COMMISSION</u>		
2013-105 Estimates used to determine the amount of taxes receivable accrued at year-end are not properly evaluated for reliability, resulting in misstatements.	Open; Current Finding 2014-105	89
<u>OFFICE OF THE STATE TREASURER</u>		
2013-106 The Office of the State Treasurer inappropriately transferred investments from the Local Government Investment Pool to the Idle Pool resulting in a disproportionate share of investment losses incurred by the State.	Closed	90
2013-107 The Office of the State Treasurer misclassified one security in the Idle Pool investment closing package.	Closed	90

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OFFICE OF THE STATE CONTROLLER (Office)

FINDING 2013-101

Internal control weaknesses allowed misstatements in the statewide financial statements to go undetected.

Recommendation: We recommended that the Office improve the design and effectiveness of internal controls over the compilation of the statewide financial statements.

Audit Follow-up: The Office has become more conscious of ensuring consistency, accuracy, and completeness when coding and compiling information for the State's *Comprehensive Annual Financial Report (CAFR)*, especially related to coding financial information for entities that receive an outside audit. The Office made changes to the instructions for the compilation process which include comparing prior and current year coding of financial statement line items, reviewing prior errors identified by auditors and Office staff, and examining details of the notes to audited financial statements of entities that are incorporated into the *CAFR*.

In addition, the Office developed a memo to document the general treatment and resolution of classification discrepancies between the audit reports received for the colleges and universities and their respective foundations. The Office has also been in communication with foundation fiscal staff to better understand classification differences encountered between the audits received.

The Office began performing trend analyses over select closing package information during this audit period, in addition to the trend procedures they already complete on the financial statements. However, a significant number of errors, though not material individually or in the aggregate, indicate significant deficiencies in the internal controls over the preparation of the statewide financial statements and note disclosures still exist.

Current Status: Open; repeated as current year Finding 2014-101

FINDING 2013-102

Reporting for the Idle Pool in the statewide financial statements contains a \$27.2 million understatement and a \$20.8 million overstatement for a net understatement of \$6.4 million.

Recommendation: We recommended that the Office continue to gain a greater understanding of the underlying data in STARS and reported by Office of the State Treasurer for the Idle Pool. This understanding should be used to develop an appropriate method of evaluating the mark-to-market adjustment and reconciling cash to supported reports.

Audit Follow-up: The Office held meetings and continues to be in communication with the Office of the State Treasurer to gain a better understanding of their systems, processes, and the information they provide. Additionally, the Office of the State Treasurer obtained an independent audit of the investment pools for fiscal year 2014. The independent audit results were provided to the Office to be included in the statewide *Comprehensive Annual Financial Report* and a mark-to-market adjustment was calculated and completed by the Office. We noted no misstatements or errors.

Current Status: Closed

IDAHO DEPARTMENT OF HEALTH AND WELFARE (Department)

FINDING 2013-103

Hospital assessments of \$14.7 million were levied and collected without statutory authority.

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Recommendation: We recommended that the Department strengthen internal controls over compliance with laws and regulations to ensure fees charged and collected are appropriately authorized. We also recommended that the Department clarify the purpose and legislative intent for the hospital assessment fees and, if necessary, work to amend Idaho Code, Section 56-1404.

Audit Follow-up: The Department implemented new procedures relating to the review of legislation pertaining to hospital assessments and other areas with potential financial impact to the Department. Review by members of the Department's Administrative Rules Unit is now logged on a tracking document, and proposed legislation is monitored as it moves through the processes involved in becoming law. Additionally, House Bill 561 was passed and signed into law effective March 26, 2014. It removes the fiscal year limitations on the authority to levy and collect hospital assessments.

Current Status: Closed

FINDING 2013-104

Financial reporting processes contain significant deficiencies in internal control allowing several errors in various closing packages to go undetected.

Recommendation: We recommended that the Department strengthen the design and effectiveness of internal controls over the completion of closing packages. We also recommended that the Department enhance the monitoring of internal controls to ensure they are operating as designed to comply with GAAP reporting requirements and SCO closing package instructions. We further recommended that the Department strengthen the review process to ensure accurate and reliable financial information is provided to the SCO.

Audit Follow-up: The Department made changes to staff assignments to ensure those staff responsible for duties related to closing package preparation obtained the necessary training. Additionally, new procedures were implemented for tracking progress of assigned tasks related to closing package preparation, such as research of new guidance. However, material errors were still identified during the fiscal year 2014 audit.

Current Status: Open; repeated as current year Finding 2014-104

IDAHO STATE TAX COMMISSION (Commission)

FINDING 2013-105

Estimates used to determine the amount of taxes receivable accrued at year-end are not properly evaluated for reliability, resulting in misstatements.

Recommendation: We recommended that the Commission implement closing package procedures to ensure that all tax types and collection methods are considered in the estimate for taxes receivable and that the estimate is compared to actual results for reasonableness.

Audit Follow-up: The Commission established a new method of estimating taxes receivable at year-end, based on looking back at the previous five years of collection data, which includes all tax types and collection methods. To implement this new method, the Commission created new reports in their stand alone tax accounting system, GenTax version 6. These reports were intended to enable the Commission to create the estimate and later compare the estimate to the actual amounts collected. The Commission is upgrading GenTax to version 9, which will be completed in fiscal year 2015. Version 9 has greater reporting and user interface capabilities that will streamline the process of creating and verifying the taxes receivable estimate. The new method of creating the taxes receivable estimate, and the additional step of

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comparing the estimate to the actual amounts collected, address the recommendation. However, material errors were still identified during the fiscal year 2014 audit.

Current Status: Open; repeated as current year Finding 2014-105

OFFICE OF THE STATE TREASURER (Office)

FINDING 2013-106

The Office of the State Treasurer inappropriately transferred investments from the Local Government Investment Pool to the Idle Pool resulting in a disproportionate share of investment losses incurred by the State.

Recommendation: We recommended that the Office strengthen processes to reduce the risk of management override of controls. This could include the addition of an independent oversight function in the form an investment board and financial consultants with specific expertise related to investment pools and activities. We also recommended that the Office evaluate the structure of all investments, including securities lending agreements, to ensure the preservation of their fiduciary duty of undivided loyalty to both the State's Idle Pool and the LGIP. The Office should design and implement appropriate internal controls to segregate investment activities and decision making between the two pools. We further recommended that the Office review the Securities Lending Agreement activity since July 1, 2008, to identify all losses incurred by the Idle Pool due to the inappropriate reallocation of assets.

Audit Follow-up: The first two recommendations were addressed through the enactment of Senate Bill No. 1350 during the 2014 legislative session. This legislation created a State Treasurer Investment Advisory Board (Board). The Board will provide recommendations on the types and kinds of investments made by the State Treasurer as well as investment policies governing the investment of funds by the State Treasurer. As of the issuance of this report, the Board members have been appointed. Meetings of the board will commence after Senate confirmations have been completed. Additionally, the legislation amended Idaho Code Section 67-1210A and added Idaho Code Section 67-1210B to remove securities lending agreements as an allowable investment of the State Treasurer in the future.

Subsequent to completion of the *90-Day Follow-Up Report* issued June 26, 2014, the Office provided documentation to support a completed review of the securities lending transactions for reallocation of assets between investment portfolios directed by the Office. The reviews included analysis of securities lending statements and searches of electronic records including email communications, hard drives, and server archives for topics related to securities lending transactions. The Office determined that there were no further reallocations to report.

Current Status: Closed

FINDING 2013-107

The Office of the State Treasurer misclassified one security in the Idle Pool investment closing package.

Recommendation: We recommended that the Office strengthen the review process over closing package preparation to ensure that amounts reported in the investment pool schedules are properly classified.

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Audit Follow-up: The Office obtained an independent audit of the investment pools for fiscal year 2014. The independent audit results were provided to the Office of the State Controller to be included in the statewide *Comprehensive Annual Financial Report* and no misstatements were noted in the presentation included in the statewide financial statements and note disclosures.

Current Status: Closed

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<u>IDAHO COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED</u>				
2013-201	Federal financial reports for the Vocational Rehabilitation Grants to States are not supported by the Commission's accounting records.	Department of Education	Open; Current Finding 2014-202	96
2013-202	Internal controls designed to ensure compliance with federal allowable cost requirements and detect or prevent misappropriation of assets are not adequately designed or monitored.	Department of Education	Closed	96
2013-203	Internal controls over federal procurement, suspension, and debarment compliance are not adequately designed or implemented.	Department of Education	Closed	96
<u>IDAHO DEPARTMENT OF ENVIRONMENTAL QUALITY</u>				
2013-204	Loan principal forgiveness amounts are not supported by the accounting records.	Environmental Protection Agency	Closed	97
2013-205	The review and approval of timely Federal Funding Accountability and Transparency Act reporting was not properly documented.	Environmental Protection Agency	Closed	97
<u>IDAHO DEPARTMENT OF FISH AND GAME</u>				
2013-206	\$23,670 of vendor payments related to the Bonneville Power Administration grant were incurred and paid outside the Period of Availability for Federal funds.	Department of Energy	Closed	97
<u>IDAHO DEPARTMENT OF HEALTH AND WELFARE</u>				
11F-15	Access Idaho invoices contain insufficient documentation to determine allowability to the Child Support Enforcement grant.	Department of Health and Human Services	Closed	98
11F-17	System edit controls intended to ensure that only allowable costs are charged to the Social Services Block Grant (SSBG) were over-ridden without proper authority or monitoring.	Department of Health and Human Services	Closed	98
12F-5	Client eligibility errors may go undetected and uncorrected due to insufficient internal controls, resulting in improper payments.	Department of Health and Human Services	Open; Prior Finding 2013-217; Current Finding 2014-211	99
12F-9	Child care costs incurred prior to the period of availability were inappropriately charged to the Child Care grant.	Department of Health and Human Services	Open	99

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STATE AGENCY	FEDERAL AGENCY	CURRENT STATUS	PAGE	
12F-10	Internal controls designed to ensure compliance with federal earmarking requirements for the Social Services Block Grant (SSBG) are not adequately designed or monitored.	Department of Health and Human Services	Open; Current Finding 2014-224	99
12F-13	Subawards made from the Social Services Block Grant totaling \$55,996 were not reported as required under the Federal Funding Accountability and Transparency Act.	Department of Health and Human Services	Open; Current Finding 2014-209	100
12F-14	Subawards made from the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) grant totaling \$8.3 million were not reported as required under the Federal Funding Accountability and Transparency Act.	Department of Agriculture	Open; Current Finding 2014-209	100
12F-15	Procedures are not in place to negotiate and/or monitor indirect cost rate plans prepared by the various subrecipients of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) grant, and the amounts submitted on monthly invoices are not adequately reviewed prior to processing payments.	Department of Agriculture	Open; Current Finding 2014-223	100
2013-207	Multiple federal programs incurred expenditures prior to the period of availability due to weaknesses in the design of internal controls.	Department of Agriculture Department of Health and Human Services	Open; Current Finding 2014-208	101
2013-208	Federal funds of \$96,781 were used inappropriately to meet state matching requirements for the Supplemental Nutrition Assistance Program (SNAP).	Department of Agriculture	Closed	101
2013-209	\$2.5 million in Federal unobligated balances carried forward from fiscal year 2008 were inappropriately expended for non-assistance in the Temporary Assistance for Needy Families (TANF) program.	Department of Health and Human Services	Closed	101
2013-210	Contractor reimbursements for likely costs of \$37,572 incurred by the Temporary Assistance for Needy Families (TANF) program were made without adequate supporting documentation.	Department of Health and Human Services	Closed	102
2013-211	The income eligibility verification system was not used in accordance with federal guidelines for the Temporary Assistance for Needy Families (TANF) program.	Department of Health and Human Services	Open; Current Finding 2014-220	102

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STATE AGENCY	FEDERAL AGENCY	CURRENT STATUS	PAGE
2013-212 Costs related to child support receipting services were not properly allocated resulting in \$11,679 of costs benefitting the Child Support Enforcement grant being charged to the TANF grant.	Department of Health and Human Services	Closed	102
2013-213 Internal controls over financial reporting for the Temporary Assistance for Needy Families (TANF) grant and the Child Care Cluster were not adequately designed to prevent inaccuracies.	Department of Health and Human Services	Open; Current Finding 2014-219	103
2013-214 Federal special reports for the Low-Income Home Energy Assistance Program (LIHEAP) lacked support.	Department of Health and Human Services	Open; Current Finding 2014-218	103
2013-215 Amounts reported as expenditures of the Low-Income Home Energy Assistance Program (LIHEAP) included \$18,322 in unallowable costs.	Department of Health and Human Services	Closed	103
2013-216 Health and safety requirements are not monitored for In-Home Child Care providers.	Department of Health and Human Services	Closed	103
2013-217 Client eligibility errors may go undetected and uncorrected due to insufficient internal controls, resulting in improper payments in the Medicaid Cluster and Children's Health Insurance Program (CHIP).	Department of Health and Human Services	Open; Current Finding 2014-211	104
2013-218 Children's Health Insurance Program (CHIP) performance bonus funding of \$785,015 was expended on unallowable costs.	Department of Health and Human Services	Closed	104
<u>IDAHO DEPARTMENT OF LABOR</u>			
2013-219 Cash draw amounts were not reconciled to federal Unemployment Insurance benefits expenditures.	Department of Labor	Closed	104
2013-220 Internal control weaknesses exist in the processes for completing the Employment and Training Administration (ETA) 227 reports on Overpayment Detection and Recovery Activities.	Department of Labor	Closed	105
2013-221 The Schedule of Expenditures of Federal Awards (SEFA) submitted to the Office of the State Controller was understated by \$5.1 million.	Department of Labor	Closed	105
2013-222 Some Benefits Accuracy Measurement (BAM) case files were not available for review.	Department of Labor	Closed	105

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STATE AGENCY	FEDERAL AGENCY	CURRENT STATUS	PAGE
<u>IDAHO DIVISION OF VETERANS SERVICES</u>			
2013-223 A payment of \$110,000 made to a not-for-profit for a suicide prevention hotline was not specifically allowable to the Veterans State Nursing Home grant.	Department of Veterans Affairs	Closed	105
<u>IDAHO DIVISION OF VOCATIONAL REHABILITATION</u>			
2013-224 The Federal financial reports for the Vocational Rehabilitation Grants to States are not supported by the Division's accounting records and include misstatements.	Department of Education	Closed	106
2013-225 The indirect cost rate for the Vocational Rehabilitation Grants to States was incorrectly applied and controls were ineffective in detecting errors.	Department of Education	Closed	106
2013-226 The maintenance of effort federal requirement was not met for the Vocational Rehabilitation Grants to States.	Department of Education	Closed	107

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IDAHO COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED (Commission)

FINDING 2013-201

Federal financial reports for the Vocational Rehabilitation Grants to States are not supported by the Commission's accounting records.

Recommendation: We recommended that the Commission develop a process to identify and utilize accurate and reliable financial records that are reconciled to the statewide accounting system when preparing federal reports. We further recommended that the Commission strengthen internal controls over the federal reporting process to ensure compliance with federal reporting requirements.

Audit Follow-up: Our testing of the *Federal Financial Reports (SF-425)* and the *Annual Vocational Rehabilitation Program/Cost Report (RSA-2)* during the fiscal year 2014 Single Audit indicated that amounts reported did not agree to the amounts shown in the Commission's accounting records.

Current Status: Open; repeated as current year Finding 2014-202

FINDING 2013-202

Internal controls designed to ensure compliance with federal allowable cost requirements and detect or prevent misappropriation of assets are not adequately designed or monitored.

Recommendation: We recommended that the Commission implement internal controls to properly monitor and review all purchase card transactions to ensure compliance with federal allowable cost requirements. We also will be referring this issue to the Attorney General's Office in accordance with Idaho Code Section 67-702(e).

Audit Follow-up: The Commission has taken steps to improve internal controls over purchase card transactions. All purchase card transactions, regardless of amount, are now reviewed and approved by a supervisor. Our testing during the fiscal year 2014 Single Audit indicated that purchase card transactions are being reviewed and approved and no questionable purchase card transactions were identified.

Current Status: Closed

FINDING 2013-203

Internal controls over federal procurement, suspension, and debarment compliance are not adequately designed or implemented.

Recommendation: We recommended that the Commission implement internal controls to ensure compliance with federal procurement, suspension and debarment requirements.

Audit Follow-up: The Commission has implemented and documented internal controls over federal procurement and suspension and debarment requirements. W-9 forms are obtained from new vendors and vendors are checked against the *Excluded Parties List System (EPLS)* maintained by the General Services Administration at www.sam.gov. A report of Commission vendors receiving 1099-Misc forms is reviewed near the end of the calendar year and vendors who received more than \$10,000 are checked against the *EPLS*. In addition, at the end of each fiscal year all vendors who have received more than \$10,000 are reviewed against the *EPLS*. The Commission completed and documented these reviews during State fiscal year 2014.

Current Status: Closed

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IDAHO DEPARTMENT OF ENVIRONMENTAL QUALITY (Department)

FINDING 2013-204

Loan principal forgiveness amounts are not supported by the accounting records.

Recommendation: We recommended that the Department design and implement internal controls to ensure accounting records adequately identify grant activity in accordance with federal laws, regulations, and program requirements including loan principal forgiveness in the DWSRF program.

Audit Follow-up: The Department has developed and implemented new procedures to ensure that programmatic requirements are met and accounted for properly. The new procedures include communication between fiscal and program staff, the creation of loan forgiveness tracking spreadsheets, enhancements to the loan system, and a joint review of loan forgiveness status before the preparation of each final financial report.

We observed the enhancements to the loan system, reviewed the new loan forgiveness tracking spreadsheets, and reviewed the electronic communications between fiscal staff and loan program staff documenting a joint review of loan forgiveness status. The new procedures have strengthened internal controls and provide for adequate accounting records of loan principal forgiveness.

Current Status: Closed

FINDING 2013-205

The review and approval of timely Federal Funding Accountability and Transparency Act reporting was not properly documented.

Recommendation: We recommended that the Department implement internal controls to properly document the review and approval of timely FFATA reporting.

Audit Follow-up: The Department took immediate measures to strengthen and document internal controls over the FFATA reporting process. The Department prints a PDF of the FFATA report when data is entered into the federal reporting system. The report indicates both the loan obligation date and the report month, which enables verification of compliance with FFATA reporting requirements. In addition, a supervisor documents a review of each report, and the reports are stored in the Department's TRIM system.

We reviewed current FFATA reports and verified the implementation of the internal controls which include documenting the review and timing of the reports.

Current Status: Closed

IDAHO DEPARTMENT OF FISH AND GAME (Department)

FINDING 2013-206

\$23,670 of vendor payments related to the Bonneville Power Administration grant were incurred and paid outside the Period of Availability for Federal funds.

Recommendation: We recommended that the Department strengthen the documentation and implementation of internal controls over federal grant expenditures to ensure compliance with the period of availability.

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Audit Follow-up: The Department has performed a risk assessment and determined that expenditures charged to a federal program near the beginning and end of the contract period are at greater risk of being coded to a contract outside of its period of availability. Based on this risk assessment, the Department has implemented additional reviews of expenditures charged to federal contracts prior to submitting a request for reimbursement to the grantor. The reviews include examining the invoice description field for the inclusion of dates outside of the contract period and reviewing the detail of invoices and supporting documentation to further determine the appropriateness of the contract being charged. Adjustments for errors found are made prior to submitting their request to the grantor for reimbursement and prior to closing the contract.

We were provided with six examples of errors that had been identified and corrected since the completion of the audit period. Using one of the examples provided, we walked through their new process with staff.

The Department has worked with Bonneville Power Administration and has resolved the out-of-period costs. They have re-submitted paperwork to adjust the erroneous charges between contracts, where possible. The unresolved amount of \$2,056 has been submitted to Bonneville Power Administration.

Current Status: Closed

IDAHO DEPARTMENT OF HEALTH AND WELFARE (Department)

FINDING 11F-15

Access Idaho invoices contain insufficient documentation to determine allowability to the Child Support Enforcement grant.

Recommendation: We recommended that the Department require detailed invoices from Access Idaho to ensure the accuracy and allowability of those charges.

Audit Follow-up: An Access Idaho account was created for the Division of Welfare that provides additional information. It allows the Department staff to review the accuracy of the invoices and the allowability of the items being charged. Adequate details are now provided to help ensure expenditures comply with federal program requirements.

Current Status: Closed

FINDING 11F-17

System edit controls intended to ensure that only allowable costs are charged to the Social Services Block Grant (SSBG) were overridden without proper authority or monitoring.

Recommendation: We recommended that the Department improve procedures and internal controls over grant accounting to ensure that system edit checks are not overridden and provide adequate training to personnel.

Audit Follow-up: The Department implemented procedures that improved internal controls over grant accounting. Procedures require changes to system edit checks to be reviewed and approved by a Bureau Chief and a Program Manager prior to changes being made. Quarterly expenditure reviews are also completed by fiscal and program staff to help ensure the appropriate changes were made.

Current Status: Closed

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FINDING 12F-5

Client eligibility errors may go undetected and uncorrected due to insufficient internal controls, resulting in improper payments.

Recommendation: We recommended that the Department implement procedures to ensure all Alert IDs are included in the investigation and resolution of errors identified by the interface between IBES and MMIS. We further recommended that the Department increase monitoring of internal controls to ensure they are operating effectively and that claims are only processed for eligible clients.

Audit Follow-up: The Department implemented procedures to investigate and resolve Alert ID errors between the medical claims component of MMIS and IBES. However, no Alert ID or error reporting function for the pharmacy claims component of MMIS was implemented until November 2014.

Current Status: Open; previously repeated as Finding 2013-217 and repeated again as current year Finding 2014-211

FINDING 12F-9

Child care costs incurred prior to the period of availability were inappropriately charged to the Child Care grant.

Recommendation: We recommended that the Department implement control procedures to ensure that grant costs are not incurred prior to the period of availability.

Audit Follow-up: Initially, the Department agreed with this finding; however due to related Single Audit findings in 2013 (2013-207) and 2014 (2014-208), the Department now disagrees with it based on the view taken with the related findings. The Department has received verbal communication from the federal grantor indicating that these expenditures for certain programs were acceptable. This is based on a conference call between the Centers for Medicare and Medicaid Services (CMS), the Administration for Children and Families (ACF), the Department and the Legislative Services Office. As such, the Department continues to work with the federal grantor to resolve this finding.

Current Status: Open

FINDING 12F-10

Internal controls designed to ensure compliance with federal earmarking requirements for the Social Services Block Grant (SSBG) are not adequately designed or monitored.

Recommendation: We recommended that the Department strengthen internal controls over earmarking to ensure that amounts transferred from TANF are used only for programs or services to children or their families whose income is less than 200% of the official poverty guidelines. We further recommended that the Department contact the federal grantor to resolve the questioned costs.

Audit Follow-up: The Department provided documentation that indicates the amounts transferred from TANF for State fiscal years 2013 and 2014 were used for programs or services to children or their families whose income is less than 200% of the official poverty guidelines. However, this report was not produced and reviewed until December 2014, subsequent to our audit inquiry.

Current Status: Open; partially repeated as current year Finding 2014-224

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FINDING 12F-13

Subawards made from the Social Services Block Grant totaling \$55,996 were not reported as required under the Federal Funding Accountability and Transparency Act.

Recommendation: We recommended that the Department implement internal control procedures to identify and appropriately respond to specific risks of noncompliance with federal awards. We further recommended that the Department submit the appropriate reports required under the Transparency Act.

Audit Follow-up: The Department submitted the appropriate reports required under the Transparency Act in response to this finding. However, procedures have not been implemented to consistently identify subawards and accurately and timely report the required information.

Current Status: Open; repeated as current year Finding 2014-209

FINDING 12F-14

Subawards made from the Supplemental Nutrition Program for Women, Infants, and Children (WIC) grant totaling \$8.3 million were not reported as required under the Federal Funding Accountability and Transparency Act.

Recommendation: We recommended that the Department implement internal control procedures to identify and appropriately respond to specific risks of noncompliance with federal awards. We further recommended that the Department submit the appropriate reports required under the Transparency Act.

Audit Follow-up: The Department submitted the appropriate reports required under the Transparency Act in response to this finding; however, procedures have not been implemented to consistently identify subawards and accurately and timely report the required information.

Current Status: Open; repeated as current year Finding 2014-209

FINDING 12F-15

Procedures are not in place to negotiate and/or monitor indirect cost rate plans prepared by the various subrecipients of the Supplemental Nutrition Program for Women, Infants, and Children (WIC) grant, and the amounts submitted on monthly invoices are not adequately reviewed prior to processing payments.

Recommendation: We recommended that the Department implement internal control procedures to negotiate and monitor the indirect cost rate plans prepared by subrecipients. We further recommended training related to the proper application of the indirect cost rates be provided for staff assigned to review monthly invoices from subrecipients.

Audit Follow-up: The Department developed and implemented Fiscal Monitoring Policies and Procedures to address subrecipient monitoring, including the application of the indirect cost rate. Reviews were completed for two subrecipients that included sampling transactions and reviewing invoices to determine if they were allowable costs. The Department receives a document from the subrecipient certifying the indirect cost rate and the pools used in the calculation. However, no underlying support is provided for the indirect rate proposal as required by the Code of Federal Regulations (CFR) (2 CFR 225, Appendix E, Section D). Without this information, the Department is unable to sufficiently negotiate and/or monitor the subrecipient's rate.

Current Status: Open; substantially repeated as current year Finding 2014-223

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FINDING 2013-207

Multiple federal programs incurred expenditures prior to the period of availability due to weaknesses in the design of internal controls.

Recommendation: We recommended that the Department implement internal control procedures to ensure that grant costs are not incurred prior to the period of availability for the grant. We further recommended that the Department contact the federal grantors to resolve the questioned costs.

Audit Follow-up: The Department has received verbal communication from the federal grantor indicating that these expenditures for certain programs were acceptable. This is based on a conference call between the Centers for Medicare and Medicaid Services (CMS), the Administration for Children and Families (ACF), the Department and the Legislative Services Office. As such, the Department continues to disagree with this finding and continues to work with the federal grantor to resolve it.

Current Status: Open; repeated as current year Finding 2014-208

FINDING 2013-208

Federal funds of \$96,781 were used inappropriately to meet state matching requirements for the Supplemental Nutrition Assistance Program (SNAP).

Recommendation: We recommended that the Department implement internal control procedures to ensure that only allowable sources are used to meet the matching requirements. We further recommended that the Department contact the federal grantor to resolve the questioned costs.

Audit Follow-up: The Department provided documentation during the current audit period showing that funds were appropriately accounted for through the year-end reporting process. We determined the Department complied with the state matching requirements for this program in fiscal year 2013 and fiscal year 2014.

Current Status: Closed

FINDING 2013-209

\$2.5 million in Federal unobligated balances carried forward from fiscal year 2008 were inappropriately expended for non-assistance in the Temporary Assistance for Needy Families (TANF) program.

Recommendation: We recommended that the Department implement internal control procedures to ensure that appropriate grant costs are charged to the correct period of availability. We further recommended the Department contact the federal grantor to resolve the questioned costs.

Audit Follow-up: Subsequent to the issuance of the *2013 Single Audit Report*, the Department requested clarification on the use of carryover funds from the federal grantor on April 4, 2014. The federal grantor responded to the Department's request stating that the rule change was applicable to all funds carried over into federal fiscal year 2009, thus supporting that the Department was allowed to spend these funds on salary and other indirect costs.

Current Status: Closed

STATE OF IDAHO
SINGLE AUDIT REPORT
PRIOR FEDERAL FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FINDING 2013-210

Contractor reimbursements for likely costs of \$37,572 incurred by the Temporary Assistance for Needy Families (TANF) program were made without adequate supporting documentation.

Recommendation: We recommended that the Department strengthen monitoring of internal controls to ensure the controls are operating as designed and expenditures comply with federal program requirements. We further recommended that the Department contact the federal grantor to resolve the questioned costs.

Audit Follow-up: The Department revised and clarified their policies and procedures related to contractor reimbursements and contract compliance. The changes adequately addressed the internal control deficiencies previously noted. Current audit fieldwork determined that support documentation for expenditures was adequate to determine compliance with federal program requirements and monitoring procedures were consistently completed.

Current Status: Closed

FINDING 2013-211

The income eligibility verification system was not used in accordance with federal guidelines for the Temporary Assistance for Needy Families (TANF) program.

Recommendation: We recommended that the Department implement procedures to verify wage and unemployment compensation information as required by the Federal grantor. We further recommended that the Department implement control procedures to ensure that policies and procedures implemented comply with federal regulations.

Audit Follow-up: The Department was denied a waiver from the federal grantor, who indicated that the waivers discussed in regulations revolve around alternative reporting methods but do not allow for extended time frames for reporting. The Department implemented a new process effective July 1, 2014 to perform quarterly reviews as required by the federal regulations. The finding will remain open as no changes were implemented during State fiscal year 2014.

Current Status: Open; repeated as current year Finding 2014-220

FINDING 2013-212

Costs related to child support receipting services were not properly allocated resulting in \$11,679 of costs benefitting the Child Support Enforcement grant being charged to the TANF grant.

Recommendation: We recommended that the Department strengthen internal control procedures to ensure that PCAs are properly used and only allowable costs are charged to federal programs. We further recommended that the Department contact the federal grantor to resolve the questioned costs.

Audit Follow-up: The Department implemented additional review procedures to help ensure the correct PCAs are utilized as well as a quarterly budget to actual comparison of the PCAs involved. Based on testing, the current review procedures are adequate to ensure the proper PCA is utilized and errors are prevented or detected and corrected in a timely manner.

Current Status: Closed

STATE OF IDAHO
SINGLE AUDIT REPORT
PRIOR FEDERAL FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FINDING 2013-213

Internal controls over financial reporting for the Temporary Assistance for Needy Families (TANF) grant and the Child Care Cluster were not adequately designed to prevent inaccuracies.

Recommendation: We recommended that the Department strengthen internal controls over the reporting process to ensure that reports are completed accurately and in accordance with federal regulations.

Audit Follow-up: Current year testing determined that amounts reported on the federal reports for the Child Care Cluster are supported with adequate documentation and this portion of the finding is closed. The amounts included on the TANF report did not agree to support and this portion of the finding remains open.

Current Status: Open; partially repeated as current year Finding 2014-219

FINDING 2013-214

Federal special reports for the Low-Income Home Energy Assistance Program (LIHEAP) lacked support.

Recommendation: We recommended that the Department strengthen internal controls over records retention processes to ensure that supporting documentation for all reports is maintained in accordance with federal regulations.

Audit Follow-up: The Department implemented monitoring procedures that included a review of the supporting documentation maintained by the contractor. However, the documentation of the report details maintained by the Department provided during the current audit failed to support the information reported.

Current Status: Open; substantially repeated as current year Finding 2014-218

FINDING 2013-215

Amounts reported as expenditures of the Low-Income Home Energy Assistance Program (LIHEAP) included \$18,322 in unallowable costs.

Recommendation: We recommended that the Department strengthen internal controls over the adjustment process and that adjustments to personnel costs be posted only based upon actual activities performed. We further recommended that the Department contact the federal grantor regarding the questioned costs.

Audit Follow-up: The Department has implemented changes to their adjustment procedures to obtain an Employee Certification for payroll adjustments over \$25,000. The adjustment in question was substantiated, after the issuance of the 2013 *Single Audit Report*, with an Employee Certification signed in March 2014 for the payroll adjustment related to wages earned during the months of May through September 2012. Based on testing, adequate controls were implemented regarding payroll adjustments.

Current Status: Closed

FINDING 2013-216

Health and safety requirements are not monitored for In-Home Child Care providers.

Recommendation: We recommended that the Department correct the inconsistency between the guidance within the Child Care Program State Plan and IDAPA rules. We also recommended that the Department implement internal controls to ensure compliance with such regulations.

**STATE OF IDAHO
SINGLE AUDIT REPORT
PRIOR FEDERAL FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Audit Follow-up: The applicable IDAPA rules were updated to be consistent with the State plan and current practices of the Department. The new rules went into effect in March 2014.

Current Status: Closed

FINDING 2013-217

Client eligibility errors may go undetected and uncorrected due to insufficient internal controls, resulting in improper payments in the Medicaid Cluster and Children's Health Insurance Program (CHIP).

Recommendation: We recommended that the Department implement procedures to ensure all Alert IDs are included in the investigation and resolution of errors identified by the interface between IBES and MMIS. We also recommended that the Department increase monitoring of internal controls to ensure they are operating effectively and that claims are only processed for eligible clients. We further recommend that the Department contact the federal grantor to resolve the questioned costs.

Audit Follow-up: The Department implemented procedures to investigate and resolve Alert ID errors between the medical claims component of MMIS and IBES. However, no Alert ID or error reporting function for the pharmacy claims component of MMIS was implemented until November 2014.

Current Status: Open; repeated as current year Finding 2014-211

FINDING 2013-218

Children's Health Insurance Program (CHIP) performance bonus funding of \$785,015 was expended on unallowable costs.

Recommendation: We recommended that the Department strengthen internal controls procedures to prevent noncompliance with federal requirements. We further recommended that the Department contact the federal grantor to resolve the questioned costs.

Audit Follow-up: The Department has received communication from the federal grantor indicating that, if it could demonstrate that the funds were not used for matching purposes, the incurred expenditures would be an acceptable use of the funds. The federal grantor has received acceptable documentation and recommends that the finding be closed.

Current Status: Closed

IDAHO DEPARTMENT OF LABOR (Department)

FINDING 2013-219

Cash draw amounts were not reconciled to federal Unemployment Insurance benefits expenditures.

Recommendation: We recommended that the Department implement internal controls to ensure federal funding activities are reconciled and that amounts drawn for the UI program are supported by amounts expended.

Audit Follow-up: The Department has implemented new policies and procedures relating to federal cash draws. The Department performs monthly reconciliations for the UI program to help ensure federal funds drawn down do not exceed federal expenditures. Audit procedures completed during the 2014 Single Audit indicated that the policies and procedures were implemented and that the reconciliations were performed on a timely basis.

STATE OF IDAHO
SINGLE AUDIT REPORT
PRIOR FEDERAL FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Current Status: Closed

FINDING 2013-220

Internal control weaknesses exist in the processes for completing the Employment and Training Administration (ETA) 227 reports on Overpayment Detection and Recovery Activities.

Recommendation: We recommended that the Department design and implement internal controls over the preparation of the ETA 227 reports, including a review of the reports by a staff member separate from the preparer.

Audit Follow-up: The Department has provided more training to the individuals compiling the reports. In addition, the Department now has an individual designated to compile the reports and a separate supervisor designated to review and approve the reports. Testing performed during the 2014 Single Audit indicated that the additional training along with the implementation of internal controls was effective.

Current Status: Closed

FINDING 2013-221

The Schedule of Expenditures of Federal Awards (SEFA) submitted to the Office of the State Controller was understated by \$5.1 million.

Recommendation: We recommended that the Department ensure that accurate SEFA information is reported to the Office of the State Controller. We further recommended that the Department provide training to appropriate staff to complete proper SEFA reporting.

Audit Follow-up: The Department has updated their policies for preparing the SEFA. Testing performed during the 2014 Single Audit indicated that the implementation of the new SEFA preparation policies was effective.

Current Status: Closed

FINDING 2013-222

Some Benefits Accuracy Measurement (BAM) case files were not available for review.

Recommendation: We recommended that the Department implement internal controls to ensure proper creation and retention of records to comply with federal requirements including BAM Quality Control and audit functions.

Audit Follow-up: The Department has policies in place that prevent the completion of a BAM case file without the creation of an electronic backup file and a review completed by the BAM supervisor. Testing performed during the 2014 Single Audit indicated that the implementation of the new procedures was effective.

Current Status: Closed

IDAHO DIVISION OF VETERANS SERVICES (Division)

FINDING 2013-223

A payment of \$110,000 made to a not-for-profit for a suicide prevention hotline was not specifically allowable to the Veterans State Nursing Home grant.

**STATE OF IDAHO
SINGLE AUDIT REPORT
PRIOR FEDERAL FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Recommendation: We recommended that the Division design and implement internal control procedures to reduce the risk of including unallowable costs in the monthly cost of care calculations.

Audit Follow-up: The Division compiles a monthly report to calculate the cost of care related to the grant. The report is submitted to the Veterans Administration (VA) to receive per diem payments under the grant. The Division uses an Excel spreadsheet to create the monthly report and codes the hotline donation payments to a Program Cost Account (PCA) to specifically identify them as unallowable costs. The spreadsheet includes a line for the PCA and a formula to remove it from the monthly cost of care. The Division has added an additional review of the cost of care calculations, including the amounts and formulas in the spreadsheet, prior to completing the monthly report.

A hotline donation payment reviewed was correctly identified through these procedures and excluded from the cost of care calculation during fiscal year 2014. In addition, 2014 cost of care calculations were tested, and no errors were identified.

Current Status: Closed

IDAHO DIVISION OF VOCATIONAL REHABILITATION (Division)

FINDING 2013-224

The Federal financial reports for the Vocational Rehabilitation Grants to States are not supported by the Division's accounting records and include misstatements.

Recommendation: We recommended that the Division develop a process to identify and use accurate and reliable financial records that are reconciled to the statewide accounting system when preparing federal reports. We further recommended that the Division implement adequate internal controls over the reporting process such as reviews by someone knowledgeable about the required reporting information and the underlying data to ensure the report is prepared in accordance with the instructions and requirements.

Audit Follow-up: The Division has made significant improvements over the last few years in their use of the statewide accounting and reporting system (STARS) to accurately track and account for federal expenditures by specific grant awards. They are now utilizing reports and data generated from STARS to complete their *Federal Financial Reports (SF-425)*. Financial information included in the *Annual Vocational Rehabilitation Program/Cost Report (RSA-2)* is now based on STARS data; however, non-financial client information is still taken from their case management system. Our testing determined performed for the 2014 Single Audit indicates that the Division's financial reports were adequately reviewed prior to being submitted and are supported by the accounting records.

Current Status: Closed

FINDING 2013-225

The indirect cost rate for the Vocational Rehabilitation Grants to States was incorrectly applied and controls were ineffective in detecting errors.

Recommendation: We recommended that the Division provide staff with training to ensure adequate knowledge of the compliance requirements in the CFR (2 CFR Part 225). We further recommended that the Division design adequate internal controls to review and approve the calculation of cash draw requests and ensure the proper indirect cost rate is correctly applied to the appropriate base prior to completing cash draws.

**STATE OF IDAHO
SINGLE AUDIT REPORT
PRIOR FEDERAL FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Audit Follow-up: The Division has reassigned the duties related to the indirect cost rate application and cash draw calculations. The assigned staff member is knowledgeable and adequately trained to properly complete the tasks. Cash draw calculations are now reviewed and approved prior to being submitted. During our 2014 Single Audit we reviewed the calculation of federal cash draws and determined the indirect cost rate was appropriately applied.

Current Status: Closed

FINDING 2013-226

The maintenance of effort federal requirement was not met for the Vocational Rehabilitation Grants to States.

Recommendation: We recommended that the Division properly monitor maintenance of effort requirements to ensure compliance.

Audit Follow-up: The Division feels the ability to meet their maintenance of effort is dependent on the appropriations granted from the Legislature and they continue to advocate for adequate general fund appropriations during the budgeting process. In addition, fiscal staff monitors compliance and strive to comply with the federal requirements. The Division met the required maintenance of effort in federal fiscal year 2013.

Current Status: Closed

State of IDAHO

Comprehensive Annual Financial Report



For the Fiscal Year Ended June 30, 2014

Unique Idaho



Bruneau Sand Dunes

On the cover: **Boulder Mountain**

All photos courtesy of Idaho Tourism

State of
IDAHO

Comprehensive Annual Financial Report



For the Fiscal Year Ended June 30, 2014

C.L. "Butch" Otter
Governor

Brandon D Woolf
State Controller

Prepared by the Office of the State Controller

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



Office of the State Controller

IDAHO

Brandon D Woolf
State Controller

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Merideth Hackney, CGFM
Administrator
Division of Statewide Accounting

Brandon Purcell, CGFM, CFE
Bureau Chief
Bureau of Reporting and Review

Carol Bearce, CGFM
Jennifer Bonilla
Ethan Draves
Chris Floyd, CPA
Tiffini LeJeune, CGFM
Matt McBride, CGFM
Chris Stratton, CGFM

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

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



Comprehensive Annual Financial Report

IDAHO

For The Fiscal Year Ended June 30, 2014

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Introductory Section



Shoshone Falls



STATE OF IDAHO
OFFICE OF THE STATE CONTROLLER
Brandon D Woolf

December 23, 2014

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

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

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

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

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

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

PROFILE OF THE GOVERNMENT

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

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

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

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

ECONOMIC CONDITION

Financial Policies

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

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

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

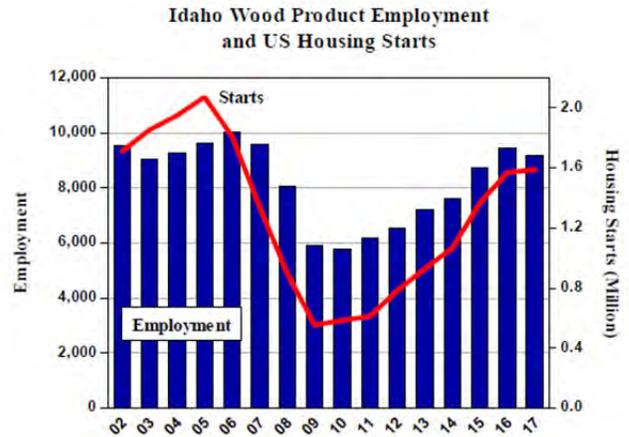
Note 14 contains additional detailed information regarding reserve funds.

Economy

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

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

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



Graph provided by the Division of Financial Management.

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

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

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

Long-Term Financial Planning

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

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

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

Major Initiatives

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

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

AWARDS AND ACKNOWLEDGEMENTS

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

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

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

Respectfully submitted,



Brandon D Woolf
Idaho State Controller

Government Finance Officers Association

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

Presented to

State of Idaho

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013



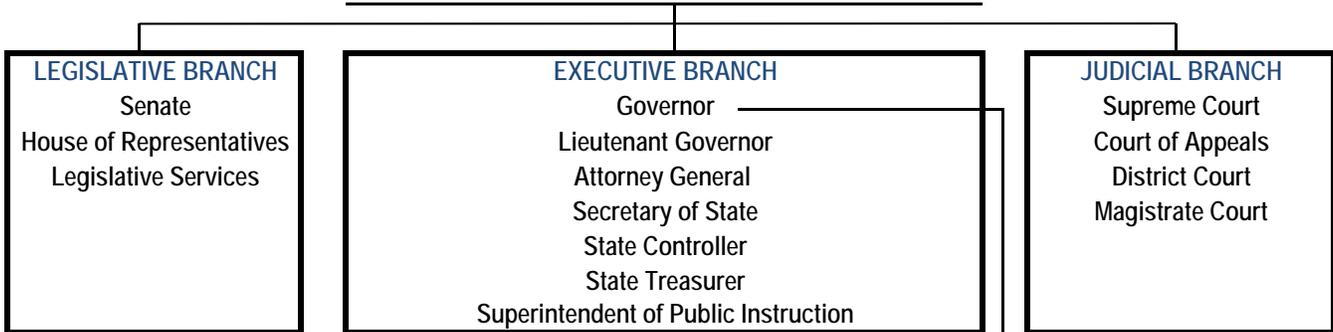
Executive Director/CEO



State Government Organization

IDAHO

Citizens of Idaho



State Entities by Function

General Government	Education	Natural Resources	Economic Development
<ul style="list-style-type: none"> Board of Tax Appeals Commissions: <ul style="list-style-type: none"> Aging Arts Blind and Visually Impaired Idaho Code Tax Uniform Laws Department of Administration Divisions of: <ul style="list-style-type: none"> Financial Management Human Resources Liquor Military Offices of: <ul style="list-style-type: none"> Drug Policy Species Conservation Public Employee Retirement System State Bar State Building Authority 	<ul style="list-style-type: none"> Boise State University Division of Professional-Technical Education Eastern Idaho Technical College Idaho State University Lewis-Clark State College Public Broadcasting State Board of Education University of Idaho Vocational Rehabilitation <hr/> <p>Public Safety</p> <ul style="list-style-type: none"> Brand Inspector Commissions: <ul style="list-style-type: none"> Pardons and Parole Racing Correctional Industries Departments of: <ul style="list-style-type: none"> Correction Juvenile Corrections Idaho State Police 	<ul style="list-style-type: none"> Departments of: <ul style="list-style-type: none"> Environmental Quality Fish and Game Lands Parks and Recreation Water Resources Endowment Fund Investment Board Office of Energy Resources Lava Hot Springs Foundation Wolf Control Board <hr/> <p>Health and Human Services</p> <ul style="list-style-type: none"> Catastrophic Health Care Department of Health and Welfare 	<ul style="list-style-type: none"> Appellate Public Defender Boards of: <ul style="list-style-type: none"> Accountancy Dentistry Engineers and Surveyors Examiners Medicine Nursing Outfitters and Guides Pharmacy Veterinary Medicine Bureau of Occupational Licenses Commissions: <ul style="list-style-type: none"> Dairy Products Hispanic Affairs Industrial Libraries Potato Public Defender Public Utilities Real Estate Soil and Water Conservation Wheat Departments of: <ul style="list-style-type: none"> Agriculture Commerce Finance Insurance Labor Transportation Divisions of: <ul style="list-style-type: none"> Building Safety Veterans Services Idaho State Lottery State Historical Society



Statewide Elected Officials

IDAHO



C.L. "Butch" Otter
Governor



Ben Ysursa
Secretary of State



Brandon D Woolf
State Controller



Brad Little
Lieutenant Governor



Ron G. Crane
State Treasurer



Lawrence G. Wasden
Attorney General



Tom Luna
*Superintendent of
Public Instruction*



Scott Bedke
*Speaker,
Idaho House of
Representatives*



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



Brent Hill
*President
Pro Tempore,
Idaho State Senate*



Financial Section



City of Rocks



Legislative Services Office

Idaho State Legislature

Eric Milstead
Director

Serving Idaho's Citizen Legislature

December 23, 2014

Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

<u>Government-Wide Financial Statements</u>	<u>Percent of Assets</u>	<u>Percent of Revenues</u>
Primary Government – Governmental Activities	37.0%	6.1%
Primary Government – Business-Type Activities	70.6%	66.2%
Aggregate Discretely Presented Component Units	98.8%	97.4%

<u>Fund Financial Statements</u>	<u>Percent of Assets</u>	<u>Percent of Revenues</u>
Governmental Funds Land Endowments – Major Fund	100.0%	100.0%
Proprietary Funds College and Universities – Major Fund	100.0%	100.0%
Aggregate Remaining Fund Information	97.6%	84.4%

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

April Renfro, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

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

Other Reporting Required by Government Auditing Standards

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

Sincerely,

A handwritten signature in black ink that reads "April Renfro". The signature is written in a cursive, flowing style.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

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

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

Other Supplementary Information

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

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Position

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

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

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

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

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

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

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

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

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

Change in Net Position

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

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

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

*Amounts in these columns have been restated.

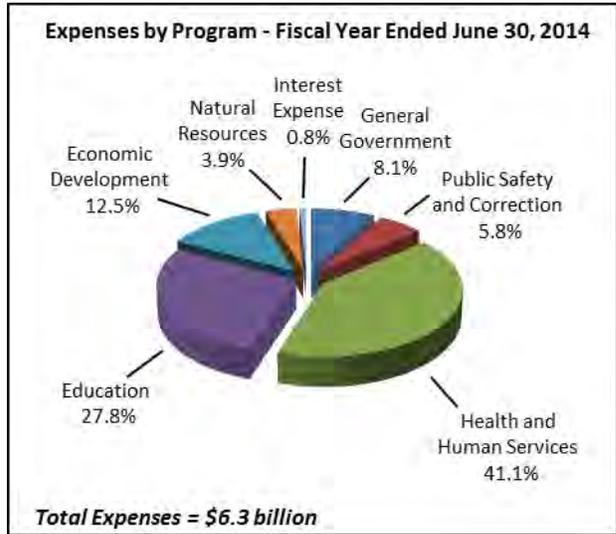
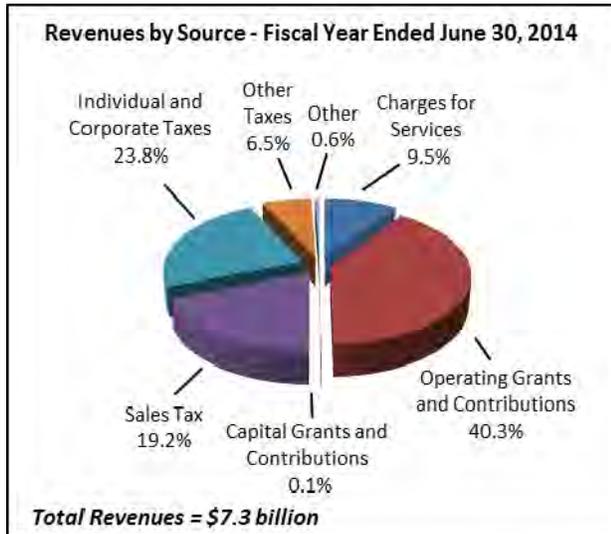
The Total Percent Change column shows the percentage change in operation from fiscal year 2013 to 2014 for each line item. Readers should be cautious when using this column to evaluate the overall change in net position. Although a line may show a large percentage change (e.g., negative 53.1 percent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

Governmental Activities

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

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

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



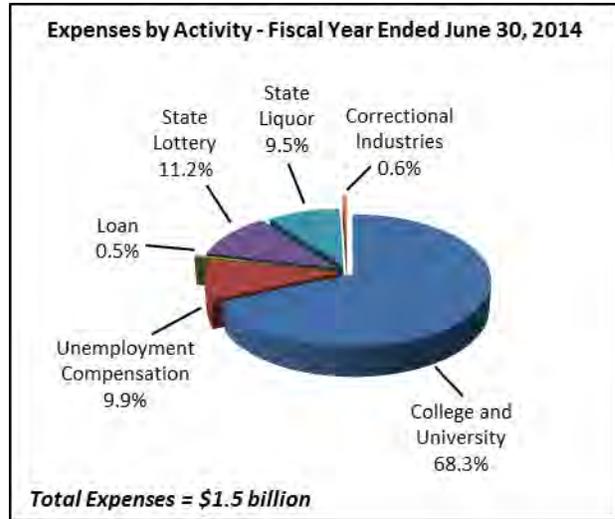
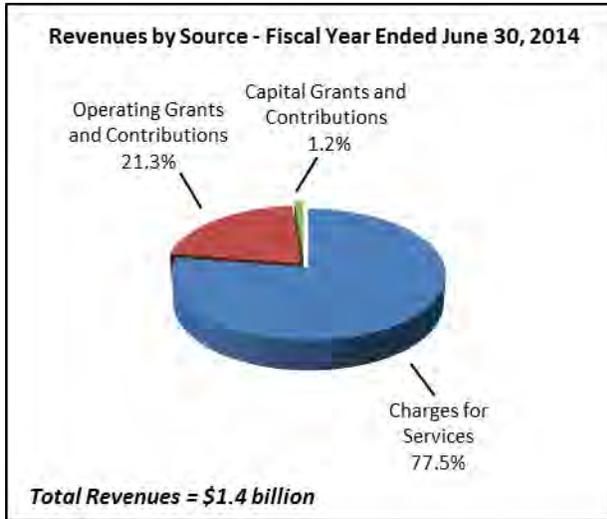
Business-Type Activities

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

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

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

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



FINANCIAL ANALYSIS OF THE STATE’S FUNDS

Governmental Funds

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

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

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

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

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

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

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

Proprietary Funds

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

Capital Assets as of June 30, 2014 and 2013

(Net of depreciation, dollars in thousands)

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

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

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

health and welfare software development and implementation.

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

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

Long-Term Debt

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

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

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

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

ECONOMIC FACTS AND NEXT YEAR'S BUDGET

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

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

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

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, the Legislature, investors, and creditors with a general overview of the State's finances and to show the State's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the State Controller, 700 West State Street, P.O. Box 83720, Boise, ID 83720-0011, (208) 334-3150, or cafr@sc0.idaho.gov.

Basic Financial Statements



Craters of the Moon

Statement of Net Position

June 30, 2014

(dollars in thousands)

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

**Component
Units**

\$73,323
1,970
579,865

23,481

9,804
1,911
723,044

1,229,430
9,205

40,596
266,641

14,349
37,399

3,011,018

80,915

\$3,091,933

\$11,520
675

22,203
38,471
377

198,288

156,855
1,914,601

2,342,990

2,501

29,725

135,850

162,700
314,545
67,284
36,338

746,442

\$3,091,933

Statement of Activities

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

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

Net (Expense) Revenue and Changes in Net Position
Primary Government

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

Balance Sheet

Governmental Funds

June 30, 2014

(dollars in thousands)

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

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



Reconciliation of the Governmental Funds Balance Sheet

To the Statement of Net Position

June 30, 2014

(dollars in thousands)

Total Fund Balances - Governmental Funds \$3,324,049

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of the following:

Land and Land Use Rights	\$1,068,026	
Capital Assets in Progress	1,063,354	
Infrastructure	3,498,966	
Historical Art and Collections	72	
Buildings and Improvements	937,475	
Improvements Other Than Buildings	109,394	
Machinery, Equipment, and Other	564,858	
Accumulated Depreciation	<u>(963,224)</u>	
Total Capital Assets		6,278,921

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds. 16,822

Deferred Outflows of Resources benefit future periods and are not reported in the funds. The deferred outflows of resources consist of the following:

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

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. 77,528

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of the following:

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

Deferred Inflows of Resources benefit future periods. The deferred inflows of resources consist of the following:

Unavailable Revenue	<u>461,645</u>	
Total Deferred Inflows of Resources		<u>461,645</u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

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

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

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

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



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

Net Change in Fund Balances - Governmental Funds		\$349,650
<p>Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, these costs are allocated as depreciation expense. Capital outlays exceeded depreciation expense in the current year by the following amount:</p>		
Capital Outlay	\$264,865	
Depreciation Expense	<u>(88,162)</u>	176,703
<p>Miscellaneous transactions involving capital assets such as sales (gain/loss) and donations are reported in the Statement of Activities but only proceeds from sales are reported in the governmental funds.</p>		
		(15,643)
<p>Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
		272,393
<p>The issuance of long-term debt provides current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. In the current year the following debt was incurred:</p>		
Bonds and Notes	(65,457)	
Capital Leases	<u>(9)</u>	(65,466)
<p>Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year these amounts consisted of:</p>		
Bond and Note Principal	50,790	
Capital Leases	<u>1,544</u>	52,334
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. Some expenditures reported in the governmental funds either increase or decrease long-term liabilities reported in the Statement of Net Position. In the current year these amounts consisted of:</p>		
Accrued Interest and Amortization	(2,817)	
Compensated Absences	(1,163)	
Claims and Judgments	26,829	
Other Long-Term Liabilities	<u>(545)</u>	22,304
<p>Internal service funds are reported separately from governmental fund in the funds statements. In the government-wide statements, internal service funds are included with governmental activities.</p>		
		<u>(1,370)</u>
Change in Net Position - Governmental Activities		<u><u>\$790,905</u></u>

Statement of Net Position

Proprietary Funds

June 30, 2014

(dollars in thousands)

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

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

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

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

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

Proprietary Funds

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

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

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

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

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

Noncash Transactions (dollars in thousands):

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

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

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

(dollars in thousands)

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

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

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

Statement of Net Position

Component Units

June 30, 2014

(dollars in thousands)

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

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

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

Component Units

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Reporting Entity

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

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

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

Blended Component Unit

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

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

Discretely Presented Component Units

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Related Organizations

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

B. Government-Wide and Fund Financial Statements

Government-Wide Statements

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

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

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

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

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

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

Fund Statements

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

The State reports the following major governmental funds:

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

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

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

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

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

The State reports the following major proprietary funds:

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

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

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

Additionally the State reports the following fund types:

Governmental Fund Types

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

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

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

Proprietary Fund Types

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

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

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

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

Fiduciary Fund Types

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

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

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

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

Classification of Revenues and Expenses of Proprietary Funds

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

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

Reconciling Government-Wide Statements to the Fund Statements

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

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

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

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

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

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

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

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

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

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

D. Financial Statement Elements

Assets

Cash and Cash Equivalents

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

Pooled Cash and Investments

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

Investments

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

Securities Lending Collateral

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

Receivables, Net

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

Internal Balances

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

Inventories and Prepaid Items

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

Other Assets

Other assets include interest receivable, and other miscellaneous items.

Restricted Assets

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

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

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

Capital Assets, Net

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

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

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

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

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

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

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

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

See Note 6 for more information on capital assets.

Deferred Outflows of Resources

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

Liabilities

Payables

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

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

Unearned Revenue

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

Amounts Held in Trust for Others

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

Obligations Under Securities Lending

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

Other Accrued Liabilities

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

Long-Term Liabilities

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

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

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

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

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

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

Deferred Inflows of Resources

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

E. Net Position / Fund Balance

Net Position

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

Net position is displayed in the following three categories:

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

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

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

Fund Balance

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

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

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

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

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

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

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

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

See Note 14 for more information.

NOTE 2. DEPOSITS, INVESTMENTS, AND RESTRICTED ASSETS

A. Deposits

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

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

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

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

B. Investments

General Investment Policies

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

to be followed by state investment personnel. The

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

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

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

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

Types of Investments

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

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

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

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

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

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

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

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

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

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

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

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

Custodial Credit Risk of Investments

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

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

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

Interest Rate Risk of Debt Securities

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

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

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

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

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

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

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

Endowment Funds Interest Rate Risk at June 30, 2014

(dollars in thousands)

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

PERSI Investments at June 30, 2014

(dollars in thousands)

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

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

PERSI Effective Duration of Fixed Income Assets by Security Type at June 30, 2014
(dollars in thousands)

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

*Duration calculations for some securities are not available.

Idaho College Savings Program Investments at June 30, 2014
(dollars in thousands)

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

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

Deferred Compensation Plan Investments at December 31, 2013

(dollars in thousands)

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

All investments are unrated.

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

Component Units Maturity of Debt Investments at June 30, 2014

(dollars in thousands)

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

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

Credit Risk of Debt Securities

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

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

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

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

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

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

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

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

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

Reinvestment of Securities Lending Collateral:

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

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

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

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

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

**PERSI Credit Quality Ratings of Fixed-Income Securities at
June 30, 2014**
(dollars in thousands)

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

Component Units Credit Quality Ratings of Debt Securities at June 30, 2014
(dollars in thousands)

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

Concentration of Credit Risk

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

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

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

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

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

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

(dollars in thousands)

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

Component Unit Concentration of Credit Risk at June 30, 2014

(dollars in thousands)

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

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

Foreign Currency Denominated Investments

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

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

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

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

Endowment Funds Foreign Currency Risk at June 30, 2014

(dollars in thousands)

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

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

PERSI Foreign Currency Risk at June 30, 2014

(dollars in thousands)

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

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

College and University Foundations

Foreign Currency Risk at June 30, 2014

(dollars in thousands)

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

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

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

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

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

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

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

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

Repurchase Agreements

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

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

Securities Lending Agreements

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

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

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

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

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

C. Restricted Assets

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

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

Primary Government and Component Units Restricted Assets at June 30, 2014 <i>(dollars in thousands)</i>	
Purpose	Amount
<u>Governmental Activities:</u>	
Restricted Cash:	
Bond Covenants	\$ 360
Debt Service	41,815
Donations for Various Projects	7,160
Group Insurance Reserves	27,089
Juvenile Corrections Social Security Benefits	591
Legislation and Donations	7,010
Matching Fund Contributions	32,207
Petroleum Violation Escrow	4,112
Pollution Clean Up	9,116
The Idaho State Bar Client Assistance Fund	699
Restricted Investments:	
Debt Service	3,420
Donations for Various Projects	5,103
Legal Settlements	2,508
Legislation and Donations	230,083
Pollution Clean Up	22,644
Total Governmental Activities	<u>\$ 393,917</u>
<u>Business-Type Activities:</u>	
Restricted Cash:	
Bond Indentures	\$ 11,366
Debt Service	553
Idaho Lottery Dividends Payout	47,739
Wastewater Facility Loan Program and Drinking Water Systems Loan Program	41,908
Restricted Investments:	
Bond Indentures	601
Wastewater Facility Loan Program and Drinking Water Systems Loan Program	119,313
Total Business-Type Activities	<u>\$ 221,480</u>
<u>Component Units:</u>	
Restricted Cash:	
Donations for the College and University Foundations	\$ 25,378
Bond Indentures and Escrow and Reserve Deposits	15,218
Restricted Investments:	
Donations for the College and University Foundations	266,641
Total Component Units	<u>\$ 307,237</u>

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

NOTE 3. DERIVATIVE INSTRUMENTS

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

Primary Government

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

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

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

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

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

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

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

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

Component Units

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

Series	Notional Amount	Fair Value	Change in Fair Value	Inception Date	Termination Date	Terms	
						Fixed Rate Paid	Variable Rate Received
2003 Series A	\$ 7,570	\$ (1,198)	\$ 169	11/6/2008	1/1/2026	4.5190%	SIFMA+.20% (LIBOR < 3.5%)/68% LIBOR
2003 Series B	6,375	(772)	131	11/6/2008	7/1/2024	4.0360%	SIFMA+.20%
2003 Series C	4,355	(487)	72	11/6/2008	1/1/2025	3.7800%	SIFMA+.20%
2003 Series D	5,510	(946)	458	11/6/2008	7/1/2025	4.8400%	SIFMA+.20%
2003 Series E	6,620	(1,027)	147	11/6/2008	7/1/2025	4.5300%	SIFMA+.20%

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

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

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

Idaho Housing and Finance Association - Investment Derivative Instruments

Interest Rate Swap Agreements at June 30, 2014

(dollars in thousands)

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

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

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

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

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

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

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

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

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

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

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

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

Idaho Housing and Finance Association - Investment Derivative Instruments

TBA Forward Contracts at June 30, 2014

(dollars in thousands)

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



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

NOTE 4. INTRAENTITY TRANSACTIONS

A. Interfund Balances

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

	Interfund Payables								
	General Fund	Health and Welfare	Transportation	Nonmajor Governmental	College and University	Nonmajor Enterprise	Internal Service	Pension Trust	Total
General Fund		\$ 154	\$ 6	\$ 104	\$ 1,142	\$ 5,651			\$ 7,057
Nonmajor Governmental	\$ 7	74	439	323		273			1,116
College and University	1,927	444	57	1,053					3,481
Unemployment Compensation	180								180
Nonmajor Enterprise	22	13	16	11		10			72
Internal Service	152	421	80	72	26		\$ 6		757
Pension Trust								\$ 1,718	1,718
Total	\$ 2,288	\$ 1,106	\$ 598	\$ 1,563	\$ 1,168	\$ 5,934	\$ 6	\$ 1,718	\$ 14,381

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

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

B. Interfund Transfers

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

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

Interfund transfers are primarily performed for two reasons:

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

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

During fiscal year 2014 the following nonroutine transfers were made:

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

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

C. Significant Transactions with Related Parties

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

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

infrastructure projects.

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

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

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

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

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

NOTE 5. NONCURRENT RECEIVABLES

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

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

Noncurrent interfund receivables are discussed in Note 4.

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

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

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

NOTE 6. CAPITAL ASSETS

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

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

* Beginning balances were restated due to prior period adjustments.

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

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

Governmental Activities:	
General Government	\$ 12,289
Public Safety and Correction	9,421
Health and Human Services	20,702
Education	3,401
Economic Development	30,941
Natural Resources	11,408
In addition, depreciation on capital assets held by the State's internal service funds is charged to the various functions based on their usage of the assets	1,728
Total Accumulated Depreciation Increase for Governmental Activities	\$ 89,890

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

* Beginning balances were restated due to prior period adjustments.

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

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

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

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

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

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

A. Deferred Outflows of Resources (dollars in thousands)

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

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

B. Deferred Inflows of Resources (dollars in thousands)

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

NOTE 8. PENSION PLANS

A. Summary of Public Employee Retirement System of Idaho Plans

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

Summary of Significant Accounting Policies

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

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

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

1. PERSI Base Plan

Plan Description

Organization and Purpose

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

Membership

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

Benefits

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

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

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

Funding Policy

Contributions and Vesting

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

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

The contribution rates for the year were as follows:

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

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

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

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

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

Funding

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

2. Firefighters' Retirement Fund

Plan Description

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

3. Defined Contribution Retirement Plans

Plan Description

Organization and Purpose

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

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

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

Membership

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

Summary of Significant Accounting Policies

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

Funding Policy

Contributions

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

B. Other State-Sponsored Retirement Plans

1. Judges' Retirement Fund

Plan Description

Organization and Purpose

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

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

Membership and Vesting

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

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

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

Benefits

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

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

In addition to the above benefits, Option B includes:

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

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

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

Summary of Significant Accounting Policies

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

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

Funding Policy

Contributions

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

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

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

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

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

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

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

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

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

2. College and University Optional Retirement Plan

Plan Description

Organization and Purpose

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

Membership

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

Funding Policy

Contributions and Vesting

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

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

3. Department of Labor Retirement Plan

Plan Description

Organization and Purpose

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

Membership

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

Retirees and Beneficiaries	349
Inactive Participants	5
Current Active Employees	<u>10</u>
Total	364

Benefits

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

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

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

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

Funding Policy

Contributions

Until August 1999, 7 percent of payroll was contributed

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

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Summary of Plans

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

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

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

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

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

Classes of Employees and Number of Participating Employers

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

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

Plan Descriptions and Funding Policy

Retiree Healthcare Plan

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

Long-Term Disability Plan

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

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

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

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

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

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

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

Retiree Life Insurance Plan

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

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

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

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

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

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

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

University of Idaho Plan

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

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

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

Summary of Significant Accounting Policies

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

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

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

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

Annual OPEB Cost

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

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

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

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

Annual OPEB Cost Comparison

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

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

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

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

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

Funded Status and Funding Progress

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

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

Actuarial Methods and Assumptions

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

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

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

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

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

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

NOTE 10. RISK MANAGEMENT

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

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

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

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

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

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

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

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



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 11. LEASES

A. State as Lessee

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

Operating Leases

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

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

Capital Leases

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

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

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

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

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

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

B. State as Lessor

Operating Leases

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

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

Capital Leases

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

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

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

NOTE 12. SHORT-TERM DEBT

Primary Government

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

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

Component Units

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

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

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

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

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

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

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

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

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

A. Compensated Absences

Primary Government

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

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

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

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

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

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

B. Revenue Bonds

Primary Government

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

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

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

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

Component Units

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

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

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

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

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

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

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

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

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

C. Advance and Current Refundings

Primary Government

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

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

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

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

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

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

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

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

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

D. Notes Payable

Primary Government

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

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

The Department of Administration purchased operating

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

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

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

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

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

Component Units

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

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

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

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

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

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

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

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

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

E. Claims and Judgments

Primary Government

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

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

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

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

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

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

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

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

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

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

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

Component Units

The component units recorded the following claims and judgments:

F. Changes in Long-Term Liabilities

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

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

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

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

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

G. Conduit Debt

Primary Government

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

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

Component Unit

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

NOTE 14. EQUITY

A. Restatement of Beginning Fund Balances and Net Position

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

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

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

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

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

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

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

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

B. Net Position Restricted by Enabling Legislation

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

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

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

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

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

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

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

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

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

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

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

D. Budget Stabilization and Minimum Fund Balance

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

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

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

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

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

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

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



NOTE 15. DONOR-RESTRICTED ENDOWMENTS

Primary Government

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

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

Component Units

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

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

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

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

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

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

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

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

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

NOTE 16. LITIGATION, CONTINGENCIES, COMMITMENTS, AND ENCUMBRANCES

A. Litigation and Contingencies

Primary Government

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

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

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

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

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

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

Component Units

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

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

B. Commitments

Primary Government

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

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

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

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

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

C. Encumbrances

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

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

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

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

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

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

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

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

The Public Employee Retirement System of Idaho has a total of \$525.2 million and €3.3 million in outstanding commitments for investments to private equity partnerships.

Component Unit

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

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

NOTE 17. SUBSEQUENT EVENTS

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

Primary Government

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

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

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

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





Required Supplementary Information



Sawtooth Mountains

Required Supplementary Information
Budgetary Comparison Schedule
General Fund and Major Special Revenue Funds
For the Fiscal Year Ended June 30, 2014
(dollars in thousands)

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

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

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

NOTE TO BUDGETARY REPORTING

Budgetary Process and Control

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

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

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

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

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

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

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

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

Budgetary Basis of Accounting

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

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

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

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

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

INFRASTRUCTURE – MODIFIED APPROACH REPORTING

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

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

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

Measurement Scale

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

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

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

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

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

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

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

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

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

Established Condition Level

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

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

Assessed Condition Ratings of State Roadways

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

Estimated and Actual Costs to Maintain

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

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

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

PENSION – SCHEDULE OF FUNDING PROGRESS

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

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

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

OTHER POSTEMPLOYMENT BENEFITS

Schedule of Funding Progress (dollars in thousands):

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

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

Schedule of Employer Contributions (dollars in thousands):

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

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

Combining Financial Statements



Coeur d'Alene River

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

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

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

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

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

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

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

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

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

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

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2014

(dollars in thousands)

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

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

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

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

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

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

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

Budget and Actual

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

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

continued

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

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

Budget and Actual

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

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

continued

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

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

Budget and Actual

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

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

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

**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Major Permanent Fund
For the Fiscal Year Ended June 30, 2014
(dollars in thousands)**

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

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

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

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

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

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2014

(dollars in thousands)

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

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

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

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

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

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

Noncash Transactions (dollars in thousands):

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

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

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

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

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

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

Combining Statement of Net Position

Internal Service Funds

June 30, 2014

(dollars in thousands)

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

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

Internal Service Funds

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

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

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2014

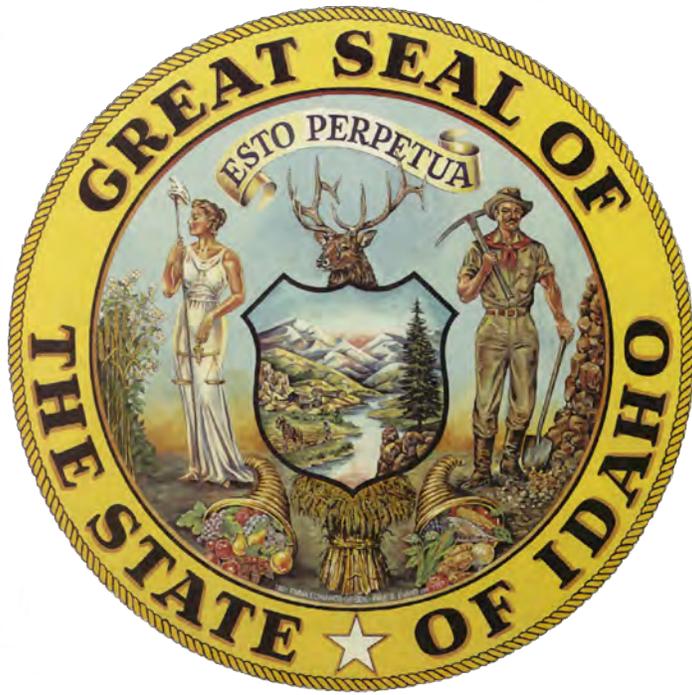
(dollars in thousands)

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

Noncash Transactions (dollars in thousands):

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

June 30, 2014

(dollars in thousands)

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

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

Combining Statement of Changes in Fiduciary Net Position

Pension and Other Employee Benefit Trust Funds

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

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

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

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

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

Combining Statement of Changes in Fiduciary Net Position

Investment Trust Funds

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

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

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

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

Combining Statement of Changes in Assets and Liabilities

Agency Fund

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

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

Statistical Section



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

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

Schedule 1 - Net Position by Component

Fiscal Years 2005-2014

(accrual basis of accounting, dollars in thousands)

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

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

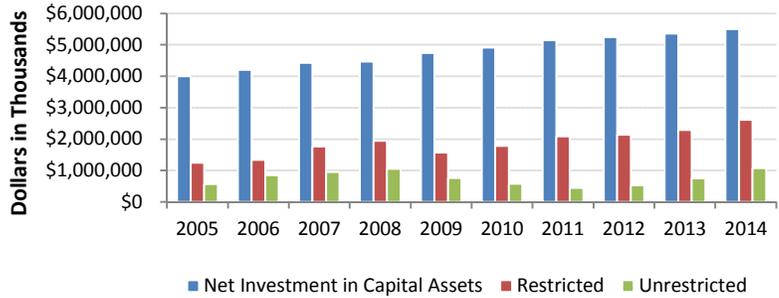
²Large fluctuations in governmental activities unrestricted net position balances occurred primarily as income tax and sales tax revenues increased and decreased due to significant changes in economic conditions. The Property Tax Relief Act of 2006 increased the sales tax by 1 percent and reduced property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

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

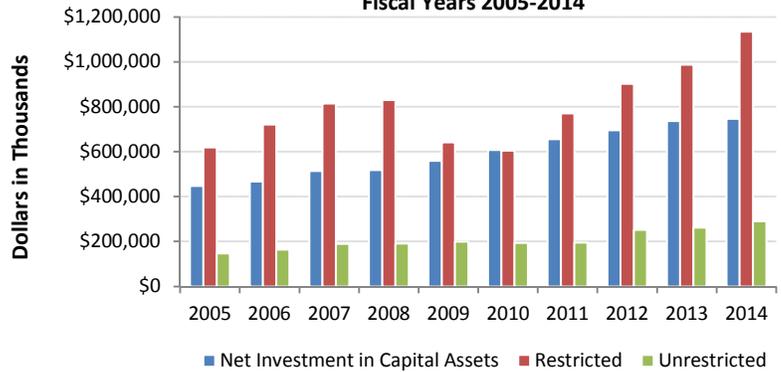
⁴FY2012 and FY2014 net position increased primarily due to increased student tuition and fees for the colleges and universities.

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

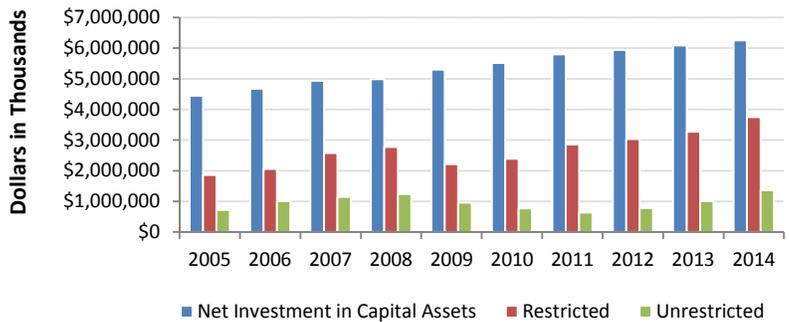
**Governmental Activities Net Position by Component
Fiscal Years 2005-2014**



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



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



Schedule 2 - Changes in Net Position

Fiscal Years 2005-2014

(accrual basis of accounting, dollars in thousands)

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

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

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

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

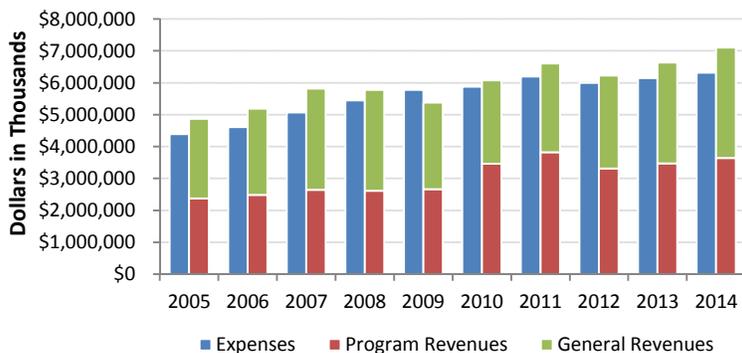
⁴In FY2010 and FY2011 fluctuations in other activities revenue were caused by a change in the way revenue is recorded. In FY2012 Department of Health & Welfare grant revenue decreased due to a reduction in American Recovery and Reinvestment Act funding.

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

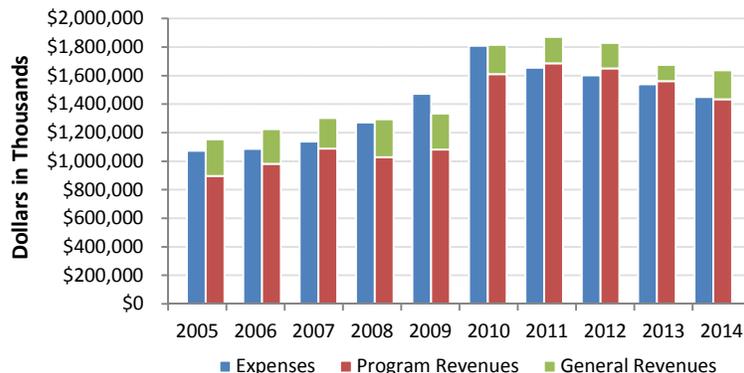
2011 (as restated)	2012 (as restated)	2013 (as restated)	2014
\$ 426,506	\$ 413,832	\$ 440,769	\$ 513,746
296,034	335,493	352,409	364,998
2,577,700	2,396,437	2,545,283	2,592,563
1,777,026	1,712,567	1,707,233	1,756,231
829,130	820,530	806,801	785,184
241,203	264,080	244,032	247,294
50,773	50,372	49,961	51,600
<u>6,198,372</u>	<u>5,993,311</u>	<u>6,146,488</u>	<u>6,311,616</u>
109,387	97,411	104,973	90,314
248,199	266,320	252,221	271,894
133,317	159,633	151,126	175,271
163,505	118,255	127,082	161,452
3,160,919	2,664,743	2,828,808	2,941,720
6,058	2,568	10,492	5,317
<u>3,821,385</u>	<u>3,308,930</u>	<u>3,474,702</u>	<u>3,645,968</u>
<u>(2,376,987)</u>	<u>(2,684,381)</u>	<u>(2,671,786)</u>	<u>(2,665,648)</u>
1,165,095	1,213,623	1,315,002	1,400,547
1,296,558	1,390,226	1,533,850	1,739,957
231,732	216,249	237,647	262,479
227,075	240,757	220,507	213,434
24,576	21,103	24,912	27,450
18,516	17,365	19,142	14,374
<u>(184,569)</u>	<u>(178,453)</u>	<u>(195,507)</u>	<u>(201,688)</u>
<u>2,778,983</u>	<u>2,920,870</u>	<u>3,155,553</u>	<u>3,456,553</u>
<u>\$ 401,996</u>	<u>\$ 236,489</u>	<u>\$ 483,767</u>	<u>\$ 790,905</u>

\$ 923,760	\$ 969,419	\$ 989,412	\$ 990,777
482,087	358,283	251,016	144,190
14,571	7,112	6,480	7,915
112,003	134,055	150,599	162,144
117,039	123,656	134,117	137,906
6,727	8,030	7,560	8,011
<u>1,656,187</u>	<u>1,600,555</u>	<u>1,539,184</u>	<u>1,450,943</u>
405,450	436,208	445,649	459,380
337,479	351,781	314,630	258,072
147,849	176,547	198,169	209,642
160,749	175,435	180,645	185,082
606,597	485,777	383,575	305,150
27,861	24,944	38,364	17,594
<u>1,685,985</u>	<u>1,650,692</u>	<u>1,561,032</u>	<u>1,434,920</u>
<u>29,798</u>	<u>50,137</u>	<u>21,848</u>	<u>(16,023)</u>
	(80,990)		
<u>184,569</u>	<u>178,453</u>	<u>195,507</u>	<u>201,688</u>
<u>184,569</u>	<u>178,453</u>	<u>114,517</u>	<u>201,688</u>
<u>\$ 214,367</u>	<u>\$ 228,590</u>	<u>\$ 136,365</u>	<u>\$ 185,665</u>
<u>\$ 616,363</u>	<u>\$ 465,079</u>	<u>\$ 620,132</u>	<u>\$ 976,570</u>

Expenses and Revenues - Governmental Activities
Fiscal Years 2005-2014



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



⁶The state sales tax increased from 5 percent to 6 percent on May 1, 2003, and reverted to 5 percent on July 1, 2005. In FY2007 the state sales tax permanently increased from 5 percent to 6 percent. In FY2009-2010 and FY2012-2013 sales tax revenue increased and decreased due to swings in the economy and changes of employment and personal income levels.

⁷In FY2006-2014 individual and corporate income tax revenues increased and decreased due to changes in the economy and levels of employment and personal income.

⁸Decreases and increases in unemployment compensation expenses in FY2008-2014 relate to the degradation and improvement of economic conditions.

⁹In FY2010-2012 unemployment compensation revenues increased due to increased assessment collections for unemployment benefits. In FY2013-2014 unemployment compensation revenues decreased due to a lower employer contribution rate.

¹⁰In FY2010 operating grants and contributions grew because of increased federal grant revenue for unemployment benefits.

Schedule 3 - Fund Balances - Governmental Funds

Fiscal Years 2005-2014

(modified accrual basis of accounting, dollars in thousands)

	2005 (as restated)	2006 (as restated)	2007 (as restated)	2008 (as restated)	2009 (as restated)	2010 (as restated)
General Fund						
Nonspendable						
Restricted ¹	\$ 66,792	\$ 31,817	\$ 62,996	\$ 85,636	\$ 98,801	\$ 130,261
Committed ²	46,230	57,283	355,735	369,896	213,835	154,168
Assigned	22,529	23,389	34,870	40,949	35,221	45,936
Unassigned ³	402,069	676,152	649,565	704,776	426,885	320,487
Total General Fund	537,620	788,641	1,103,166	1,201,257	774,742	650,852
All Other Governmental Funds						
Nonspendable ⁴	845,563	952,488	1,140,718	1,128,417	923,217	1,043,787
Restricted ⁵	299,795	324,076	489,564	510,715	451,173	461,572
Committed	78,399	49,956	59,079	77,621	83,527	86,434
Assigned	1,726	1,402	1,115	1,012	1,298	1,320
Unassigned ⁶						
Total All Other Governmental Funds	1,225,483	1,327,922	1,690,476	1,717,765	1,459,215	1,593,113
Total Fund Balances - Governmental Funds	\$ 1,763,103	\$ 2,116,563	\$ 2,793,642	\$ 2,919,022	\$ 2,233,957	\$ 2,243,965

Note: GASB Statement No. 54 was implemented in fiscal year 2011. The standard required the reclassification of fund balances. Prior years have been restated.

¹Increases and decreases in the General Fund restricted fund balance in each fiscal year occurred primarily due to changes in sales tax revenue caused by prevailing economic conditions. In fiscal year (FY) 2007 the fund balance also increased due to the funding of the Millennium Permanent Endowment fund and the Capitol restoration project.

²Fluctuations in the General Fund committed fund balance in each fiscal year resulted primarily from changes in personal and corporate income tax revenue. Significant variances occurred in response to prevailing economic conditions.

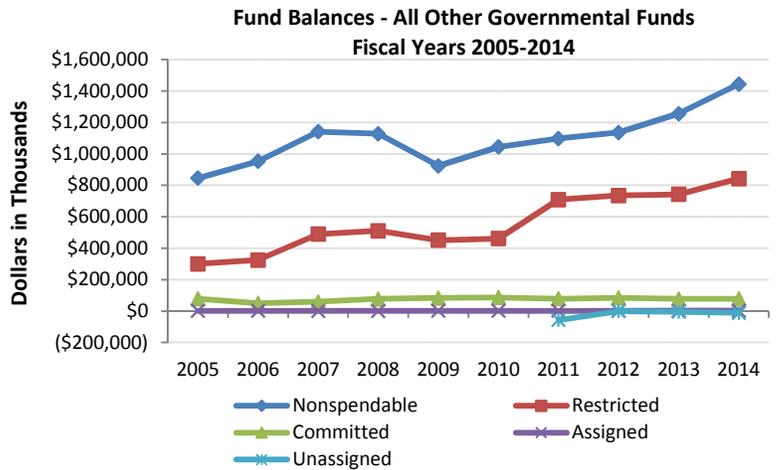
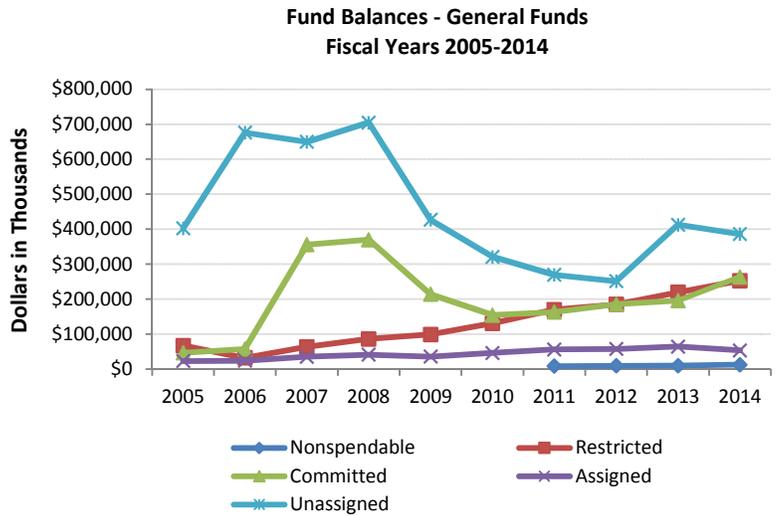
³Increases and decreases in the General Fund unassigned fund balance resulted from surging and weakening economic conditions.

⁴Large changes in the Governmental Funds nonspendable fund balance occurred primarily because of significant variances in Land Endowment fund fair market value.

⁵In FY2007 the Governmental Funds restricted fund balance increased predominantly because of additional investment income, timber sales, and land leases receipts. In FY2011 the fund balance increased largely due to receiving American Recovery and Reinvestment Act funds for the Idaho Transportation Department.

⁶In FY2011, FY2013 and FY2014 the Department of Health and Welfare reported a negative unassigned fund balance due to increased expenditures for health and human services.

2011 (as restated)	2012 (as restated)	2013 (as restated)	2014
\$ 7,922	\$ 8,837	\$ 9,292	\$ 12,012
169,753	184,437	219,270	252,627
162,583	185,098	195,479	263,443
55,778	57,271	63,806	53,086
269,251	251,023	412,738	385,555
665,287	686,666	900,585	966,723
1,097,816	1,135,746	1,255,497	1,443,868
709,521	735,415	742,385	842,953
78,794	85,124	77,505	79,082
1,651	2,238	2,689	2,477
(57,026)		(4,262)	(11,054)
1,830,756	1,958,523	2,073,814	2,357,326
\$ 2,496,043	\$ 2,645,189	\$ 2,974,399	\$ 3,324,049



Schedule 4 - Changes in Fund Balances - Governmental Funds

Fiscal Years 2005-2014

(modified accrual basis of accounting, dollars in thousands)

	2005 (as restated)	2006 (as restated)	2007 (as restated)	2008 (as restated)	2009 (as restated)	2010 (as restated)
Revenues						
Sales Tax ¹	\$ 1,137,138	\$ 1,060,612	\$ 1,300,416	\$ 1,333,018	\$ 1,174,802	\$ 1,122,384
Individual and Corporate Taxes ²	1,176,903	1,436,168	1,598,702	1,587,694	1,325,996	1,228,463
Other Taxes	406,620	406,336	417,763	414,671	398,639	409,924
Licenses, Permits, and Fees	244,165	256,900	273,223	279,156	277,354	275,018
Sale of Goods and Services	231,728	235,410	235,750	231,885	232,526	137,947
Grants and Contributions ³	1,757,713	1,806,749	1,880,049	1,962,931	2,251,714	2,808,307
Investment Income ⁴	104,557	144,559	225,717	63,406	(123,820)	191,596
Tobacco Settlement	23,151	21,253	23,712	28,504	30,965	25,990
Other Income	48,047	47,606	65,538	61,530	61,943	78,565
Total Revenues	5,130,022	5,415,593	6,020,870	5,962,795	5,630,119	6,278,194
Expenditures						
General Government ⁵	143,584	147,445	151,358	177,312	186,119	208,784
Public Safety and Correction	233,598	253,504	269,874	300,106	305,141	284,457
Health and Human Services ⁶	1,561,765	1,641,421	1,701,863	1,775,609	2,096,507	2,111,265
Education ^{5,7}	1,324,069	1,379,775	1,683,254	1,777,690	1,843,401	1,810,276
Economic Development	346,256	358,814	368,439	390,424	406,694	416,776
Natural Resources	178,401	188,784	186,179	217,214	212,398	214,291
Capital Outlay ^{5,8}	433,096	423,582	452,755	545,059	634,187	677,097
Intergovernmental Revenue Sharing	393,195	425,414	441,421	452,089	436,866	459,716
Debt Service:						
Principal	10,880	10,751	12,403	92,377	55,645	33,222
Interest	17,671	20,736	25,576	45,365	49,368	46,648
Total Expenditures	4,642,515	4,850,226	5,293,122	5,773,245	6,226,326	6,262,532
Revenues Over (Under) Expenditures	487,507	565,367	727,748	189,550	(596,207)	15,662
Other Financing Sources (Uses)						
Bonds and Notes Issued	26	10,790	155,463	187,603	152,641	163,562
Issuance of Refunding Bonds						
Premium/(Discount) on Bonds Issued		(23)	6,533			
Payment to Refunded Bond Escrow Agent ⁹			(4,765)			
Capital Lease Acquisitions	3,757	5,697		1,039	22	23,745
Sale of Capital Assets	8,037	17,193	7,066	11,590	11,947	13,436
Transfers In	594,877	640,776	713,275	731,774	700,654	630,563
Transfers Out	(849,861)	(886,340)	(928,241)	(996,176)	(954,122)	(836,960)
Total Other Financing Sources (Uses)	(243,164)	(211,907)	(50,669)	(64,170)	(88,858)	(5,654)
Net Changes in Fund Balances	\$ 244,343	\$ 353,460	\$ 677,079	\$ 125,380	\$ (685,065)	\$ 10,008
Debt Service as a Percentage of Noncapital Expenditures	<1	<1	<1	2.5	1.8	1.3

¹From May 1, 2003, to July 1, 2005, the Legislature imposed a temporary sales tax increase from 5 percent to 6 percent. On October 1, 2006, the state sales tax rate permanently increased from 5 percent to 6 percent. In fiscal years (FY) 2009-2014 sales tax revenue changed in response to fluctuating levels of employment and personal income.

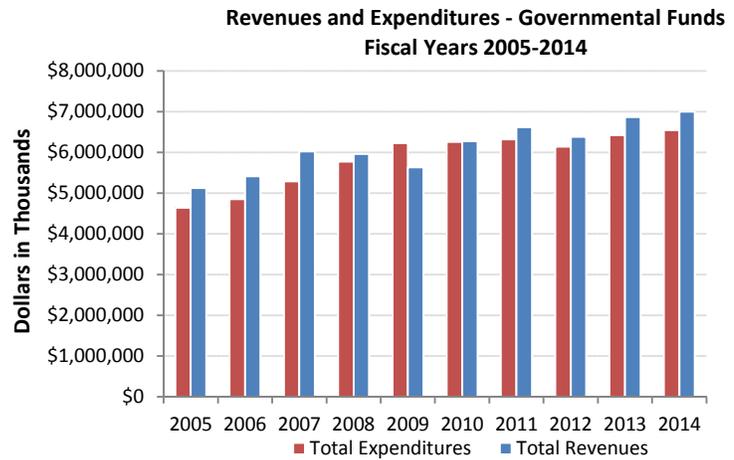
²Individual and corporate income tax revenues increased and decreased due to the relative strengthening and weakening of the economy.

³In FY2009-2011 grants and contributions increased primarily due to American Recovery and Reinvestment Act funds for health, transportation, and education.

⁴Investment income increased and decreased primarily due to changes in the fair values of investments in the Land Endowment fund.

⁵In FY2011 and FY2012 decreases in expenditures were necessary to balance the State's budget.

2011 (as restated)	2012 (as restated)	2013 (as restated)	2014
\$ 1,163,526	\$ 1,214,491	\$ 1,318,383	\$ 1,379,105
1,288,869	1,389,291	1,531,975	1,497,935
459,162	456,720	458,291	470,226
296,827	310,828	317,854	325,172
168,369	198,438	237,268	260,489
2,850,294	2,638,570	2,695,371	2,658,143
302,488	51,264	217,357	324,835
24,445	24,922	24,912	27,450
65,361	101,828	69,185	61,016
6,619,341	6,386,352	6,870,596	7,004,371
172,779	157,283	168,253	201,654
284,208	302,809	324,717	338,865
2,346,165	2,329,848	2,544,890	2,560,052
1,768,616	1,687,084	1,685,252	1,733,263
418,866	392,242	420,668	435,037
213,912	215,354	210,376	218,812
574,305	501,522	497,087	468,817
448,249	453,799	471,269	488,585
45,871	47,954	49,679	52,334
51,689	50,804	49,100	48,926
6,324,660	6,138,699	6,421,291	6,546,345
294,681	247,653	449,305	458,026
125,862	146,219	61,347	65,457
		10,945	
	7,219	1,304	
	(88,044)	(11,441)	
2,603		178	9
14,462	16,871	15,414	30,382
678,794	815,041	858,585	855,318
(864,324)	(995,813)	(1,056,427)	(1,059,542)
(42,603)	(98,507)	(120,095)	(108,376)
\$ 252,078	\$ 149,146	\$ 329,210	\$ 349,650
1.7	1.7	1.6	1.6



⁶In FY2007-2013 health and human services expenditures increased and decreased due to changes in medical assistance payments related to Medicaid and rehabilitation services.

⁷In FY2007-2009 education expenditures increased because of an increased public school distribution for facilities improvements, salaries, and operating expenses. In FY2014 expenditures from federal grants increased.

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

⁹In FY2007, FY2012, and FY2013 the Idaho State Building Authority defeased bond debt to achieve better interest rates.

Schedule 5 - Revenue Base

Fiscal/Calendar Years 2005-2014 (dollars in thousands)

Taxable Sales by Industry

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
Commercial Farms	\$ 8,687	\$ 10,093	\$ 11,416	\$ 11,680	\$ 10,055	\$ 9,005
Agricultural/Forestry, Fishing, and Other	85,183	99,736	124,479	127,115	111,834	101,936
Mining	53,612	67,655	72,407	74,440	54,148	43,224
Construction	410,645	484,901	572,823	583,884	486,661	427,769
Manufacturing	1,026,590	998,714	1,403,805	1,050,425	813,738	755,948
Transportation and Public Utilities	253,306	250,375	347,677	390,536	361,449	361,995
Wholesale Trade	1,246,743	1,481,922	1,766,289	1,870,820	1,679,196	1,632,262
Retail Trade	12,769,055	14,083,361	15,364,551	14,963,180	13,418,803	13,360,965
Finance, Insurance, and Real Estate	117,091	153,983	149,466	155,363	143,608	136,907
Services	1,884,819	2,105,191	2,330,698	2,409,065	2,161,247	2,213,003
State and Local Government	671,249	690,509	782,729	817,606	703,459	680,446
Total Taxable Sales	\$ 18,526,980	\$ 20,426,440	\$ 22,926,340	\$ 22,454,114	\$ 19,944,198	\$ 19,723,460
Direct Sales Tax Rate	6.0%	5.0%	6.0%	6.0%	6.0%	6.0%

Personal Income by Industry¹

	Calendar Year					
	2005	2006	2007	2008	2009	2010
Farm Earnings	\$ 1,202,029	\$ 1,085,571	\$ 1,591,127	\$ 1,823,050	\$ 1,366,345	\$ 1,586,920
Agricultural/Forestry, Fishing, and Other	347,609	381,697	376,541	368,535	368,289	421,777
Mining	182,004	233,063	239,201	319,740	185,676	231,474
Construction/Utilities	3,088,709	3,673,356	3,774,380	3,236,864	2,638,763	2,571,594
Manufacturing	3,514,775	3,888,775	4,004,593	3,869,544	3,367,249	3,448,766
Transportation	985,081	1,061,721	1,106,927	1,081,747	1,045,070	1,061,431
Wholesale Trade	1,415,812	1,544,743	1,706,799	1,690,502	1,602,712	1,633,474
Retail Trade	2,729,869	3,066,228	3,120,288	2,813,672	2,717,251	2,742,300
Finance, Insurance, and Real Estate	1,852,608	2,091,062	1,896,144	1,607,340	2,263,727	2,336,854
Services	10,056,973	11,162,232	11,646,424	11,995,784	11,894,427	12,067,324
Federal, Civilian	957,024	985,671	1,010,629	1,031,211	1,073,648	1,115,347
Military	453,743	452,550	473,785	504,056	535,821	531,786
State and Local Government	4,322,653	4,555,094	4,725,189	4,943,146	5,035,938	5,073,169
Other ²	11,723,068	12,866,877	14,082,190	15,069,507	15,162,104	15,597,492
Total Personal Income	\$ 42,831,957	\$ 47,048,640	\$ 49,754,217	\$ 50,354,698	\$ 49,257,020	\$ 50,419,708
Total Direct Personal Income Tax Rate	7.7%	7.7%	7.7%	7.6%	7.6%	7.6%

Corporate Income by Category³

	Calendar Year					
	2005	2006	2007	2008	2009	2010
Corporations	\$ 54,837	\$ 6,080	\$ 146,513	\$ (759,563)	\$ (1,025,574)	\$ (28,603)
Sub-S Corporations	126,174	87,233	72,520	(35,677)	41,005	43,487
Partnerships	(2,182)	(1,257)	(82,978)	(125,039)	(126,283)	(115,646)
Fiduciary	57,112	42,999	70,944	22,495	(5,038)	6,843
Total Corporate Income	\$ 235,941	\$ 135,055	\$ 206,999	\$ (897,784)	\$ (1,115,890)	\$ (93,919)
Direct Corporate Income Tax Rate	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%

Vehicle Fuel Sales by Category (in thousands of gallons)

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
Diesel	241,079	258,715	284,008	282,617	237,206	236,002
Gasoline	625,453	636,565	647,363	636,125	584,872	632,004
Propane	98	78	62	53	107	32
Natural Gas ⁴	16	13				
Aviation	2,512	2,512	2,598	2,461	1,864	1,814
Jet	28,250	31,038	33,591	36,217	29,697	23,347
Total Fuel Sales	897,408	928,921	967,622	957,473	853,746	893,199
Total Direct Fuel Tax Rate (per gallon of fuel)	\$ 0.243	\$ 0.243	\$ 0.242	\$ 0.242	\$ 0.243	\$ 0.245

Sources: Taxable sales, corporate income, and vehicle fuel sales--Idaho State Tax Commission; Personal income--U.S. Bureau of Economic Analysis and the Idaho State Tax Commission.

¹Personal income data for calendar years 2005-2014 are estimates. The U.S. Bureau of Economic Analysis revised personal income amounts for all calendar years shown to reflect revisions to the national income and product accounts and to incorporate newly available state-level source data.

²Other personal income includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

³Corporate income data is currently not available for calendar years 2013 and 2014.

⁴The natural gas distributors reported no vehicle fuel sales for fiscal years (FY) 2007-2011. FY14 saw a shift towards using/producing cleaner fuel types.

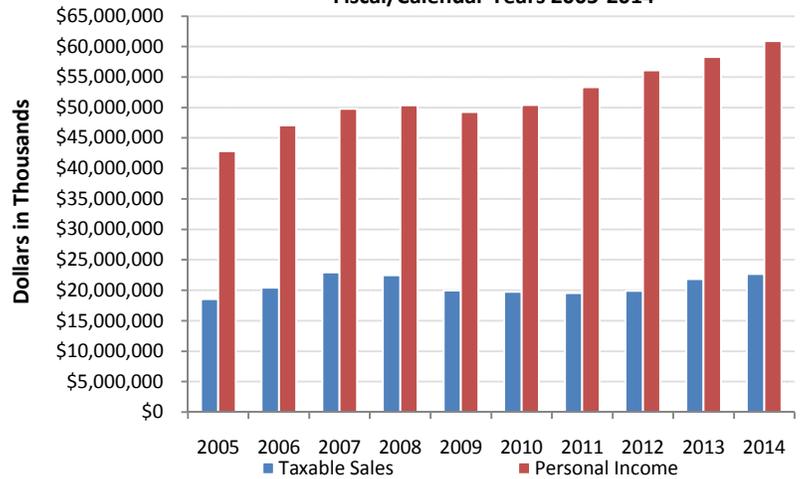
2011	2012	2013	2014
\$ 10,847	\$ 14,204	\$ 11,733	\$ 11,756
94,138	100,206	106,731	112,719
43,947	47,130	52,671	55,851
409,010	489,893	434,218	422,849
996,988	819,403	807,950	844,024
700,557	546,466	705,692	543,205
1,641,485	1,765,478	2,033,097	2,281,830
12,752,289	13,221,360	14,568,624	15,057,644
133,522	136,687	142,282	157,134
2,099,385	2,101,112	2,225,229	2,367,364
657,345	646,121	751,309	811,377
\$ 19,539,513	\$ 19,888,060	\$ 21,839,536	\$ 22,665,753
6.0%	6.0%	6.0%	6.0%

2011	2012	2013	2014
\$ 2,296,408	\$ 2,378,791	\$ 2,772,604	\$ 3,144,797
425,849	437,554	458,488	538,681
273,151	294,840	303,324	326,416
2,421,782	2,528,027	2,734,678	2,910,105
3,547,496	3,773,155	4,166,099	4,660,007
1,137,743	1,220,784	1,260,029	1,281,413
1,706,000	1,808,380	1,970,612	2,111,534
2,790,105	2,970,125	3,158,981	3,329,191
2,206,547	2,203,976	2,352,168	2,405,713
12,426,978	12,580,270	13,144,263	13,725,676
1,113,990	1,131,770	1,110,874	1,109,469
501,530	495,662	484,332	477,056
5,006,237	5,102,987	5,176,620	5,240,771
17,488,210	19,145,613	19,179,154	19,639,841
\$ 53,342,026	\$ 56,071,934	\$ 58,272,226	\$ 60,900,670
7.6%	7.3%	NA	NA

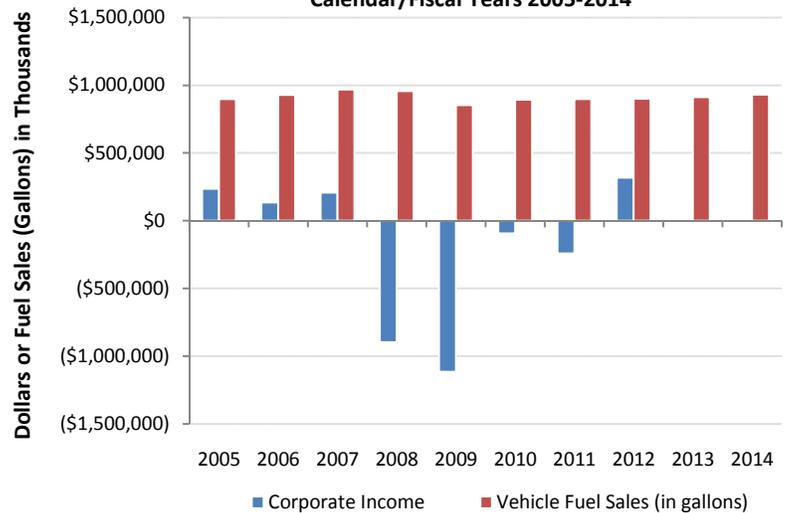
2011	2012	2013	2014
\$ 49,806	\$ 502,747	NA	NA
24,196	106,971	NA	NA
(287,303)	(352,035)	NA	NA
(28,687)	61,134	NA	NA
\$ (241,988)	\$ 318,817	NA	NA
7.6%	7.4%	7.4%	7.4%

2011	2012	2013	2014
239,708	242,617	250,299	255,171
633,337	629,252	631,697	643,806
79	23	61	151
	33	97	1,392
1,797	1,811	1,720	1,678
23,225	25,903	28,995	27,389
898,146	899,639	912,869	929,587
\$ 0.245	\$ 0.244	\$ 0.244	\$ 0.244

**Taxable Sales and Personal Income
Fiscal/Calendar Years 2005-2014**



**Corporate Income and Vehicle Fuel Sales
Calendar/Fiscal Years 2005-2014**



Schedule 6 - Revenue Rates
Fiscal/Calendar Years 2005-2014

Personal Income Tax Rates¹

	Calendar Year					
	2005	2006	2007	2008	2009	2010
Tax Rate	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Income Levels (S, MFS) ²	\$0-1,158	\$0-1,198	\$0-1,237	\$0-1,271	\$0-1,320	\$0-1,315
Income Levels (MFJ, HoH, QW) ²	\$0-2,318	\$0-2,395	\$0-2,474	\$0-2,544	\$0-2,642	\$0-2,632
Tax Rate	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Income Levels (S, MFS)	\$1,159-2,317	\$1,199-2,396	\$1,238-2,474	\$1,272-2,543	\$1,321-2,641	\$1,316-2,631
Income Levels (MFJ, HoH, QW)	\$2,319-4,636	\$2,396-4,791	\$2,475-4,948	\$2,545-5,088	\$2,643-5,284	\$2,633-5,264
Tax Rate	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%
Income Levels (S, MFS)	\$2,318-3,476	\$2,397-3,594	\$2,475-3,710	\$2,544-3,815	\$2,642-3,962	\$2,632-3,947
Income Levels (MFJ, HoH, QW)	\$4,637-6,953	\$4,792-7,187	\$4,949-7,420	\$5,089-7,632	\$5,285-7,926	\$5,265-7,896
Tax Rate	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%
Income Levels (S, MFS)	\$3,477-4,635	\$3,595-4,793	\$3,711-4,947	\$3,816-5,087	\$3,963-5,283	\$3,948-5,263
Income Levels (MFJ, HoH, QW)	\$6,954-9,271	\$7,188-9,585	\$7,421-9,894	\$7,633-10,176	\$7,927-10,568	\$7,897-10,528
Tax Rate	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
Income Levels (S, MFS)	\$4,636-5,793	\$4,794-5,991	\$4,948-6,184	\$5,088-6,359	\$5,284-6,603	\$5,264-6,579
Income Levels (MFJ, HoH, QW)	\$9,272-11,589	\$9,586-11,981	\$9,895-12,368	\$10,177-12,720	\$10,569-13,208	\$10,529-13,160
Tax Rate	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%
Income Levels (S, MFS)	\$5,794-8,691	\$5,992-8,996	\$6,185-9,276	\$6,360-9,539	\$6,604-9,906	\$6,580-9,869
Income Levels (MFJ, HoH, QW)	\$11,590-17,383	\$11,982-17,971	\$12,369-18,552	\$12,721-19,080	\$13,209-19,814	\$13,161-19,740
Tax Rate	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%
Income Levels (S, MFS)	\$8,692-23,177	\$8,997-23,963	\$9,277-24,736	\$9,540-25,440	\$9,907-26,417	\$9,870-26,319
Income Levels (MFJ, HoH, QW)	\$17,384-46,356	\$17,972-47,925	\$18,553-49,472	\$19,081-50,882	\$19,815-52,836	\$19,741-52,640
Tax Rate ³	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Income Levels (S, MFS)	\$23,178 +	\$23,964 +	\$24,737 +	\$25,441 +	\$26,418 +	\$26,320+
Income Levels (MFJ, HoH, QW)	\$46,357 +	\$47,926 +	\$49,473 +	\$50,883 +	\$52,837 +	\$52,641+
Total Direct Rate⁴	7.7%	7.7%	7.7%	7.6%	7.6%	7.6%

Vehicle Fuel Tax Rates per Gallon

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
Diesel	\$0.250	\$0.250	\$0.250	\$0.250	\$0.250	\$0.250
Gasoline	0.250	0.250	0.250	0.250	0.250	0.250
Propane	0.181	0.181	0.181	0.181	0.181	0.181
Natural Gas	0.197	0.197	0.197	0.197	0.197	0.197
Aviation	0.055	0.055	0.055	0.070	0.070	0.070
Jet	0.045	0.045	0.045	0.060	0.060	0.060
Total Direct Rate (per gallon of fuel)	\$0.243	\$0.243	\$0.242	\$0.242	\$0.243	\$0.245

Source: Idaho State Tax Commission.

Note: The Idaho State Legislature can raise the income and vehicle fuel tax rates by legislation, no vote of the populace is required per Idaho Constitution Art. VII Section 16, and Idaho Code Sections 63-3024 and 63-2402.

¹Idaho's personal income tax brackets are adjusted each year for inflation.

²Income categories are as follows: S = Single, MFS = Married Filing Separately, MFJ = Married Filing Jointly, HoH = Head of Household, QW = Qualifying Widower.

³Fiscal year 2012 legislative action reduced the top personal income tax rate from 7.8% to 7.4%.

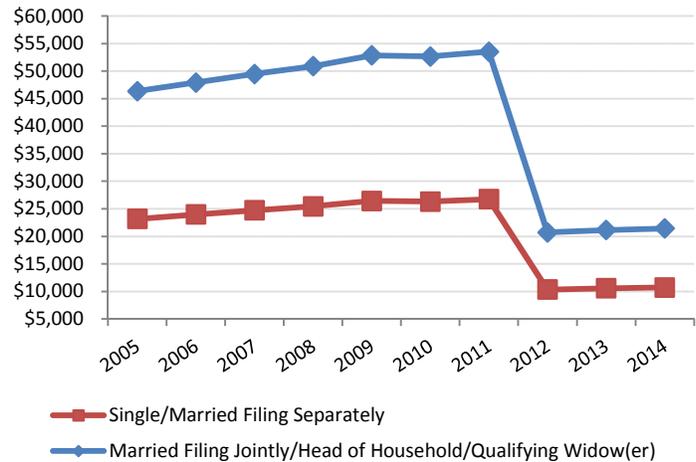
⁴Personal Income data is currently not available for calendar years 2013 and 2014.

2011	2012	2013	2014
1.6%	1.6%	1.6%	1.6%
\$0-1,337	\$0-1,379	\$0-1,408	\$0-1,428
\$0-2,675	\$0-2,759	\$0-2,817	\$0-2,857
3.6%	3.6%	3.6%	3.6%
\$1,338-2,675	\$1,380-2,759	\$1,409-2,817	\$1,429-2,857
\$2,676-5,351	\$2,760-5,519	\$2,818-5,635	\$2,858-5,715
4.1%	4.1%	4.1%	4.1%
\$2,676-4,013	\$2,760-4,139	\$2,818-4,226	\$2,858-4,286
\$5,352-8,027	\$5,520-8,279	\$5,636-8,453	\$5,716-8,573
5.1%	5.1%	5.1%	5.1%
\$4,014-5,351	\$4,140-5,519	\$4,227-5,635	\$4,287-5,715
\$8,028-10,703	\$8,280-11,039	\$8,454-11,271	\$8,574-11,431
6.1%	6.1%	6.1%	6.1%
\$5,352-6,689	\$5,520-6,899	\$5,636-7,044	\$5,716-7,144
\$10,704-13,379	\$11,040-13,799	\$11,272-14,089	\$11,432-14,289
7.1%	7.1%	7.1%	7.1%
\$6,690-10,034	\$6,900-10,349	\$7,045-10,567	\$7,145-10,717
\$13,380-20,069	\$13,800-20,699	\$14,090-21,135	\$14,290-21,435
7.4%	7.4%	7.4%	7.4%
\$10,035-26,759	\$10,350+	\$10,568+	\$10,718+
\$20,070-53,519	\$20,700+	\$21,136+	\$21,436+
7.8%			
\$26,760+			
\$53,520+			

7.6% 7.3% NA NA

2011	2012	2013	2014
\$0.250	\$0.250	\$0.250	\$0.250
0.250	0.250	0.250	0.250
0.181	0.181	0.181	0.181
0.197	0.197	0.197	0.197
0.070	0.070	0.070	0.070
0.060	0.060	0.060	0.060
\$0.245	\$0.244	\$0.244	\$0.244

**Personal Taxable Income Level for Top Rate Payers
Calendar Years 2005-2014**



Schedule 7 - Revenue Payers by Industry/Category
 Historical Comparison and Most Current Fiscal/Calendar Year
 (dollars in thousands)

Sales Tax	As of June 30, 2004				As of June 30, 2013			
	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
Farm Earnings	319	0.5	\$ 430	0.1	543	0.8	\$ 678	0.1
Agricultural	1,004	1.7	4,675	0.5	1,062	1.7	6,429	0.5
Mining	125	0.2	2,893	0.3	161	0.3	3,004	0.2
Construction	3,637	6.1	18,484	1.7	3,964	6.2	23,349	1.8
Manufacturing	3,677	6.2	59,991	5.8	5,716	8.9	48,640	3.7
Transportation & Utilities	1,205	2.0	12,089	1.1	1,245	1.9	43,918	3.4
Wholesale trade	1,982	3.3	64,145	6.2	3,998	6.2	119,805	9.2
Retail trade	27,812	46.4	720,774	69.8	23,279	36.3	868,955	66.6
Finance, Insurance, and Real Estate	627	1.0	6,753	0.7	848	1.3	8,592	0.7
Services	18,968	31.6	110,877	10.7	20,437	31.9	134,574	10.3
Government	575	1.0	31,943	3.1	2,867	4.5	45,587	3.5
Total	59,931	100.0	\$ 1,033,054	100.0	64,120	100.0	\$ 1,303,531	100.0

Personal Income Tax	As of December 31, 2003				As of December 31, 2012			
	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
Income Level								
Under \$50,000	525,359	88.7	\$ 358,941	41.3	603,626	84.3	\$ 385,399	27.9
\$50,000 - \$99,999	50,770	8.6	230,310	26.5	77,938	10.9	360,913	26.2
\$100,000 - \$249,999	12,823	2.1	128,470	14.8	27,210	3.8	270,854	19.7
\$250,000 - \$999,999	3,129	0.5	92,383	10.6	6,040	0.9	185,512	13.5
\$1,000,000 and higher	377	0.1	58,954	6.8	912	0.1	175,635	12.7
Total	592,458	100.0	\$ 869,058	100.0	715,726	100.0	\$ 1,378,313	100.0

Corporate Income Tax	As of Tax Year 2003				As of Tax Year 2012			
	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
Corporations	13,165	21.3	\$ 71,162	86.2	13,979	16.4	\$ 122,588	82.1
Sub-S Corporations	21,870	35.4	5,431	6.6	30,387	35.7	10,386	7.0
Partnerships	18,345	29.6	2,356	2.8	30,764	36.1	4,984	3.3
Fiduciary	8,454	13.7	3,616	4.4	10,005	11.8	11,379	7.6
Total	61,834	100.0	\$ 82,565	100.0	85,135	100.0	\$ 149,337	100.0

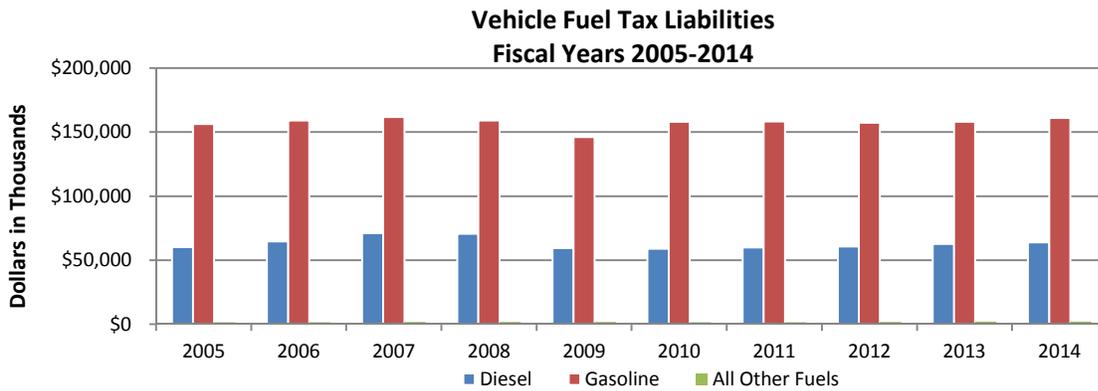
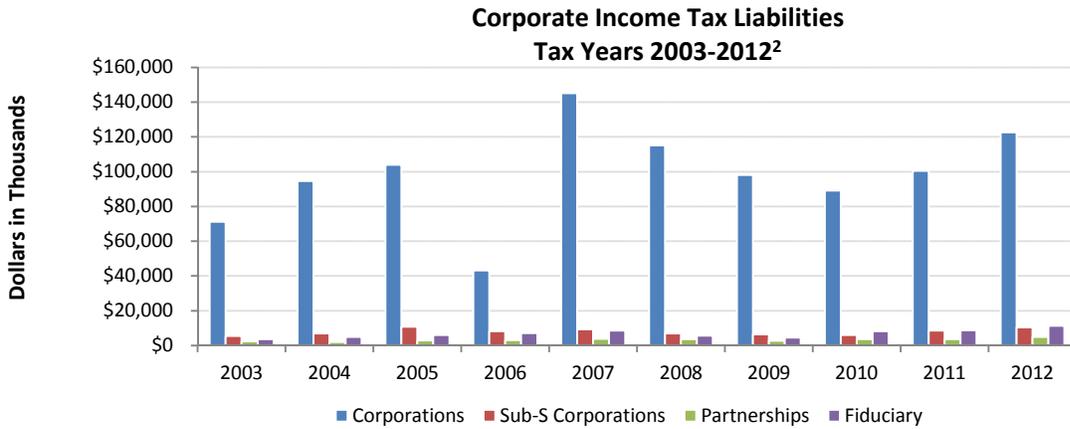
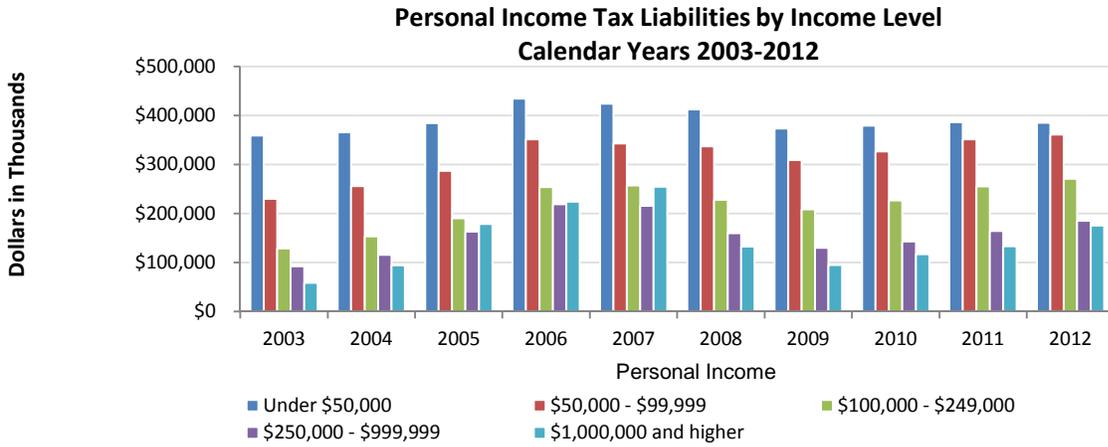
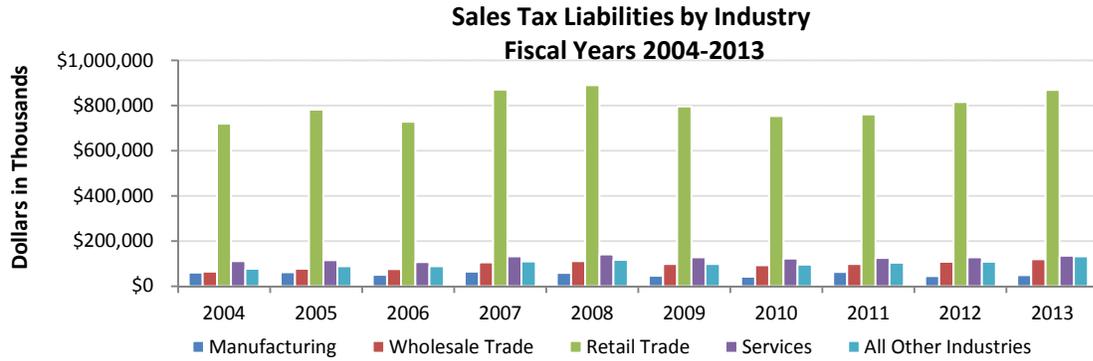
Vehicle Fuel Tax	As of June 30, 2005				As of June 30, 2014			
	Number of Filers ¹	Percent of Total	Tax Liability	Percent of Total	Number of Filers ¹	Percent of Total	Tax Liability	Percent of Total
Diesel	115	41.6	\$ 60,251	27.6	108	41.3	\$ 63,796	28.1
Gasoline	110	39.9	156,293	71.7	113	43.1	160,966	71.0
Propane	25	9.1	40	0.0	15	5.7	28	0.0
Natural Gas	1	0.4	9	0.0	4	1.5	274	0.1
Aviation	10	3.6	138	0.1	6	2.3	118	0.1
Jet	15	5.4	1,271	0.6	16	6.1	1,643	0.7
Total	276	100.0	\$ 218,002	100.0	262	100.0	\$ 226,825	100.0

Source: Idaho State Tax Commission.

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. The most current period for personal and corporate income tax information is calendar year 2012.

¹The total number of filers for vehicle fuel tax may contain the same filers counted more than once as some filers distribute more than one type of fuel.

²The corporate tax liability amounts for tax years 2006 through 2010 are revised based on data provided by Idaho State Tax Commission.



Schedule 8 - Outstanding Debt Ratios

Fiscal Years 2005-2014

(dollars in thousands, except per capita amount)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
		(as restated)		(as restated)	(as restated)	(as restated)		(as restated)		
Governmental Activities										
Revenue Bonds ¹	\$203,067	\$205,203	\$324,657	\$306,159	\$281,322	\$257,088	\$233,246	\$207,106	\$197,624	\$170,640
Capital Leases ²	9,428	13,929	12,209	11,997	11,475	33,229	32,761	28,967	27,394	25,862
Notes Payable ³	1,189	3,776	29,626	98,186	220,163	375,344	480,064	524,813	554,892	595,362
Total Governmental Activities	\$213,684	\$222,908	\$366,492	\$416,342	\$512,960	\$665,661	\$746,071	\$760,886	\$779,910	\$791,864
Business-Type Activities										
Revenue Bonds ⁴	\$329,835	\$319,308	\$402,181	\$443,016	\$449,410	\$473,667	\$457,631	\$457,113	\$455,097	\$445,651
Capital Leases	5,107	5,131	4,541	4,056	3,279	2,845	2,353	2,316	1,663	1,158
Notes Payable ⁵	17,104	16,284	16,802	20,155	50,195	216,183	214,144	204,745	156,449	105,919
Total Business-Type Activities	\$352,046	\$340,723	\$423,524	\$467,227	\$502,884	\$692,695	\$674,128	\$664,174	\$613,209	\$552,728
Total Primary Government	\$565,730	\$563,631	\$790,016	\$883,569	\$1,015,844	\$1,358,356	\$1,420,199	\$1,425,060	\$1,393,119	\$1,344,592
Debt as a Percentage of Personal Income⁶	1.3%	1.2%	1.6%	1.8%	2.1%	2.7%	2.7%	2.6%	2.5%	2.2%
Amount of Debt Per Capita⁶	\$396.5	\$384.4	\$525.9	\$577.2	\$655.2	\$863.9	\$897.0	\$893.1	\$863.3	\$821.5

Note: The Idaho Constitution Article VIII Section 1 amended in 1998 specifies that the Legislature shall not create any debts or liabilities, except in extreme emergencies, unless authorized by law and then approved by the people at a general election. This does not apply to liabilities incurred for ordinary operating expenses, nor debts or liabilities that are repaid by the end of the fiscal year. The debts or liabilities of independent public bodies corporate and politic created by law and which have no power to levy taxes or obligate the General Fund of the State are not debts or liabilities of the State of Idaho. Details regarding the State's debt can be found in Note 13 to the financial statements.

¹In fiscal years (FY) 2006 and 2007 the Idaho State Building Authority issued revenue bonds for state building projects.

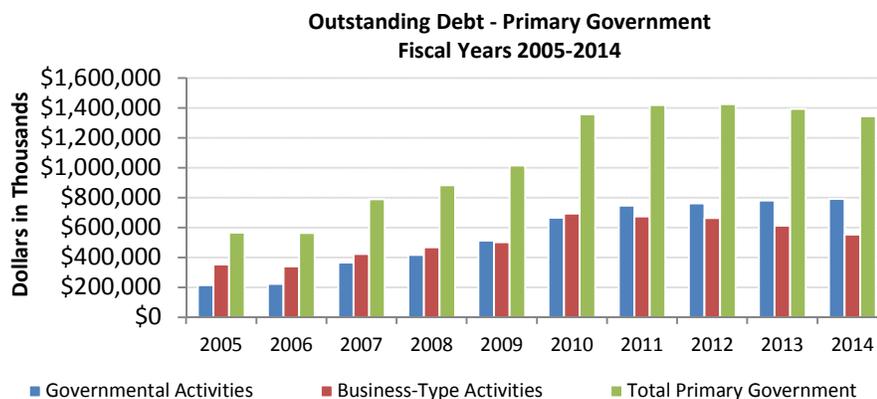
²In FY2010 the increase in capital leases is mainly attributable to new leases for land and buildings at the Department of Correction and the Department of Fish and Game.

³From FY2007-FY2014 the Idaho Transportation Department issued notes payable to the Idaho Housing and Finance Association for road and infrastructure improvements.

⁴For FY2007-FY2010 the colleges and universities issued revenue bonds for various projects.

⁵In FY2009 and FY2010 the increases in notes payable are mainly attributable to unemployment compensation loan funds received from the federal government. Changes in Notes Payable from 2012-2013 and 2013-2014 resulted from repayment of loans from the Idaho Housing and Financing Association.

⁶These ratios are calculated using personal income and population for the current calendar year. See Schedule 11 for personal income and population data.



Schedule 9 - Other Long-Term Liabilities

Fiscal Years 2005-2014

(dollars in thousands)

	2005 (as restated)	2006 (as restated)	2007 (as restated)	2008 (as restated)	2009 (as restated)	2010 (as restated)	2011 (as restated)	2012	2013	2014
Governmental Activities										
Compensated Absences	\$ 54,664	\$ 56,245	\$ 56,629	\$ 56,599	\$ 54,893	\$ 51,996	\$ 61,095	\$ 62,775	\$ 56,470	\$ 49,466
Policy Claim Liabilities	37,263	36,002	17,867	20,164	19,753	16,956	13,869	15,450	17,963	14,305
Claims and Judgments ^{1,2}	36,990	34,486	33,825	141,777	113,115	79,970	180,773	178,173	96,324	69,495
Net Pension Obligation ³	621	1,071	1,714	2,375	2,711	11,140	12,508	13,596	13,989	14,271
Net OPEB Obligation ⁴				20,018	20,373	22,169	23,851	24,720	24,607	24,496
Other Long-Term Liabilities										6,114
Total Governmental Activities	\$ 129,538	\$ 127,804	\$ 110,035	\$ 240,933	\$ 210,845	\$ 182,231	\$ 292,096	\$ 294,714	\$ 209,353	\$ 178,147
Business-Type Activities										
Compensated Absences	\$ 16,814	\$ 16,986	\$ 18,381	\$ 20,067	\$ 20,814	\$ 20,882	\$ 21,041	\$ 22,648	\$ 22,239	\$ 20,844
Claims and Judgments ²				445	528	1				
Net OPEB Obligation ⁴				7,858	9,233	11,267	13,707	15,513	17,143	18,847
Voluntary Termination Benefits ⁵						894				
Other Long-Term Liabilities						124	416	633	1,004	1,309
Total Business-Type Activities	\$ 16,814	\$ 16,986	\$ 18,381	\$ 28,370	\$ 30,575	\$ 33,168	\$ 35,164	\$ 38,794	\$ 40,386	\$ 41,000
Total Primary Government	\$ 146,352	\$ 144,790	\$ 128,416	\$ 269,303	\$ 241,420	\$ 215,399	\$ 327,260	\$ 333,508	\$ 249,739	\$ 219,147

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

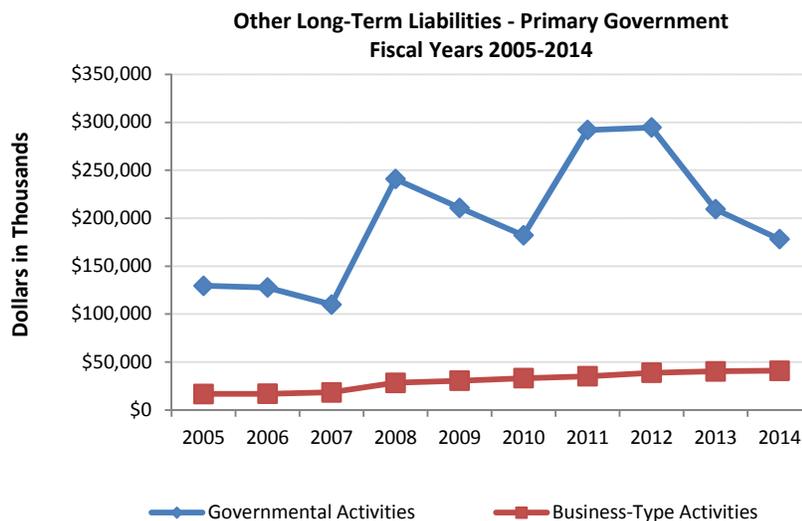
¹In fiscal year (FY) 2008 the Department of Health and Welfare changed its method of reporting Medicaid claims to include an estimate for incurred but not reported claims from providers. The changes between FY2008 and FY2011 are due to fluctuations in payment cycles caused by budget shortfalls and migrating to a new payment system.

²Claims and Judgments include arbitrage liabilities for FY2007-2014. Decrease to claims and judgements resulted from a decrease in Medicaid claims.

³In FY2010 the increase in the net pension obligation is mainly attributable to a restatement of the Idaho Judges' Retirement Fund due to a new actuarial valuation.

⁴Net OPEB obligation was not required to be reported prior to fiscal year 2008.

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



Schedule 10 - Pledged Revenue Coverage

Fiscal Years 2005-2014

(dollars in thousands)

	2005	2006	2007	2008	2009	2010
Governmental Activities						
Notes Payable - Idaho Transportation Department¹						
Revenue:						
Federal Highway Grants ²			\$ 282,848	\$ 300,680	\$ 234,667	\$ 355,288
State Funds			2,059	3,349	2,439	3,255
Available Revenue			\$ 284,907	\$ 304,029	\$ 237,106	\$ 358,543
Debt Service:						
Principal			\$ 2,426	\$ 20,240	\$ 30,589	\$ 8,176
Interest			6,766	8,245	11,787	19,074
Coverage			31.0	10.7	5.6	13.2
Business-Type Activities						
Revenue Bonds - Colleges and Universities						
Revenue:						
Student Fees Pledged	\$ 131,669	\$ 138,670	\$ 144,471	\$ 179,630	\$ 197,711	\$ 212,768
Sale of Goods and Services Pledged	66,414	66,000	71,770	85,348	84,327	91,258
Other Income Pledged ³		7,178	9,867	31,174	25,337	22,641
Less: Operating Expenses	(50,720)	(51,842)	(52,020)	(58,259)	(59,487)	(61,226)
Net Available Revenue	\$ 147,363	\$ 160,006	\$ 174,088	\$ 237,893	\$ 247,888	\$ 265,441
Debt Service:						
Principal	\$ 8,940	\$ 10,725	\$ 11,890	\$ 15,610	\$ 9,755	\$ 13,190
Interest	15,220	15,217	13,728	20,793	19,473	20,339
Coverage	6.1	6.2	6.8	6.5	8.5	7.9
Revenue Bonds - Idaho Water Resources Board⁴						
Revenue:						
Sale of Goods and Services	\$ 926	\$ 876	\$ 908	\$ 816	\$ 886	\$ 983
Less: Operating Expenses	(191)	(101)	(162)	(117)	(149)	(117)
Net Available Revenue	\$ 735	\$ 775	\$ 746	\$ 699	\$ 737	\$ 866
Debt Service:						
Principal	\$ 80	\$ 100	\$ 290	\$ 305	\$ 325	\$ 340
Interest	363	357	310	294	277	259
Coverage	1.7	1.7	1.2	1.2	1.2	1.4
Notes Payable - Colleges and Universities⁵						
Revenue:						
Student Fees Pledged	\$ 157	\$ 147	\$ 148	\$ 148	\$ 146	\$ 142
Housing Fees Pledged	NA	NA	NA	NA	417	445
Other Income Pledged						
Less: Operating Expenses	NA	NA	NA	NA	(297)	(154)
Net Available Revenue	\$ 157	\$ 147	\$ 148	\$ 148	\$ 266	\$ 433
Debt Service:						
Principal ⁶	\$ 94	\$ 98	\$ 102	\$ 106	\$ 127	\$ 114
Interest	45	41	37	33	63	25
Coverage	1.1	1.1	1.1	1.1	1.4	3.1

Note: Details regarding the State's outstanding bonds can be found in Note 13 to the financial statements. Operating expenses do not include interest or depreciation expense. Coverage equals net available revenue divided by debt service.

¹For fiscal years (FY) 2007-2014 the Idaho Transportation Department issued notes payable to the Idaho Housing and Finance Association to finance road and infrastructure improvements.

²In FY2009 federal highway grants received by the Idaho Transportation Department decreased mainly due to the delay in awarding construction contracts, the delay of related federal awards reimbursements, and decreased construction costs. FY2010 grants increased because of the delayed reimbursement of FY2009 federal construction awards. FY2012 and FY2013 grants decreased due to the near-term completion of the American Recovery and Reinvestment Act stimulus program.

³In FY2008 other pledged income increased mainly due to revenues pledged as collateral for all outstanding bond issuances by the University of Idaho.

⁴In FY2006 the Board issued Series 2006 Refunding Bonds, defeasing the 1999 Series, accounting for the increase in debt service for FY2007.

⁵In FY2009 Lewis-Clark (LCSC) issued notes payable to purchase a residence hall; housing fees associated with the residence hall account for the increase in available revenue. In FY2012 and FY2013 LCSC issued notes payable to refinance Student Fee Refunding Revenue Bonds.

⁶FY2013-2014 the increase resulted from LCSC's principal only payments.

	2011	2012	2013	2014
\$	399,049	334,747	292,619	294,620
	3,509	3,829	4,033	4,329
\$	402,558	338,576	296,652	298,949
\$	20,936	19,957	21,975	24,203
	25,862	26,836	28,188	28,417
	8.6	7.2	5.9	5.7

\$	236,690	257,850	268,014	276,964
	84,978	90,136	93,356	89,031
	36,803	35,990	35,828	38,158
	(61,342)	(65,802)	(69,901)	(69,339)
\$	297,129	318,174	327,297	334,814
\$	15,085	14,090	16,585	16,714
	20,243	21,524	19,440	20,018
	8.4	8.9	9.1	9.1

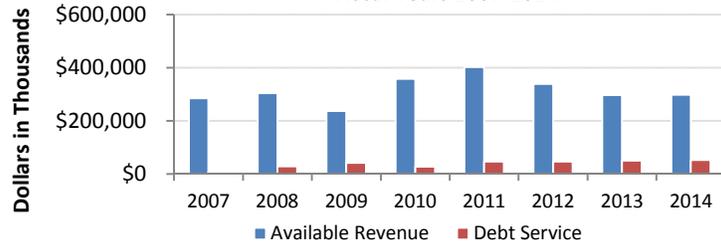
\$	990	1,059	993	983
	(124)	(136)	(161)	(123)
\$	866	923	832	860

\$	360	380	400	425
	240	220	198	175
	1.4	1.5	1.4	1.4

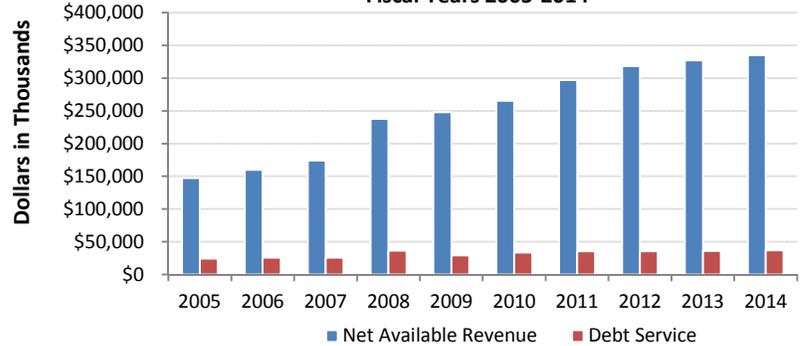
\$	169	1,001	1,062	1,108
	430	429	441	469
	76	110	101	81
	(107)	(410)	(402)	(442)
\$	568	1,130	1,202	1,216

\$	366	334	786	1,366
	176	138	171	118
	1.0	2.4	1.3	0.8

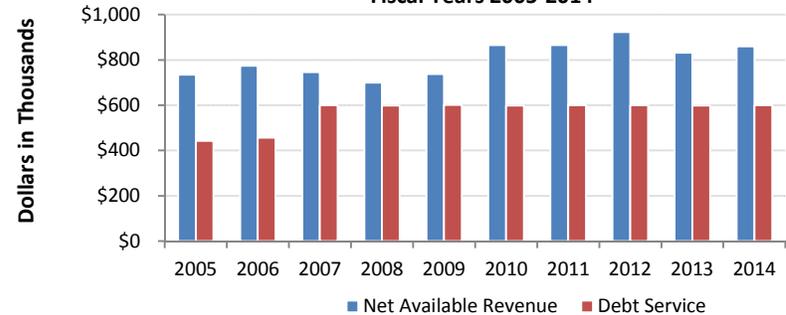
**Idaho Transportation Department, Notes Payable
Revenue and Debt Service
Fiscal Years 2007-2014**



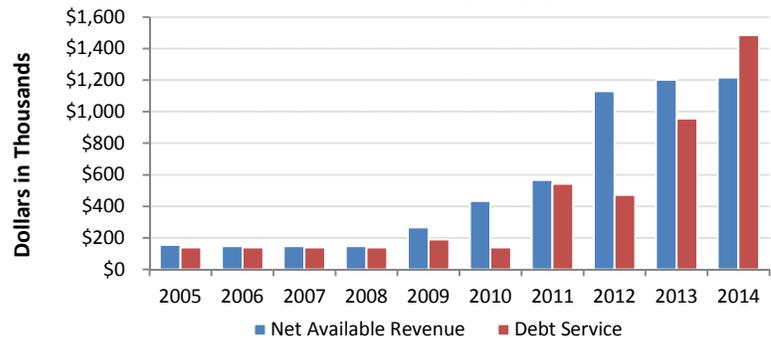
**Colleges and Universities, Revenue Bonds
Revenue and Debt Service
Fiscal Years 2005-2014**



**Idaho Water Resources Board, Revenue Bonds
Revenue and Debt Service
Fiscal Years 2005-2014**



**Colleges and Universities, Notes Payable
Revenue and Debt Service
Fiscal Years 2005-2014**



Schedule 11 - Demographic and Economic Indicators
Calendar Years 2005-2014

	2005	2006	2007	2008	2009	2010
Population						
Idaho (in thousands)	1,427	1,466	1,502	1,531	1,551	1,572
Change	2.5%	2.8%	2.4%	1.9%	1.3%	1.4%
National (in thousands)	296,460	299,282	302,227	304,948	307,580	310,070
Change	0.9%	1.0%	1.0%	0.9%	0.9%	0.8%
Total Personal Income¹						
Idaho (in billions)	\$ 43	\$ 47	\$ 50	\$ 50	\$ 49	\$ 50
Change	6.2%	9.8%	5.8%	1.2%	-2.2%	2.4%
National (in billions)	\$ 10,609	\$ 11,389	\$ 11,995	\$ 12,430	\$ 12,087	\$ 12,429
Change	5.6%	7.3%	5.3%	3.6%	-2.8%	2.8%
Per Capita Personal Income						
Idaho	\$ 30,014	\$ 32,085	\$ 33,120	\$ 32,893	\$ 31,769	\$ 32,065
Change	3.6%	6.9%	3.2%	-0.7%	-3.4%	0.9%
National	\$ 35,785	\$ 38,053	\$ 39,687	\$ 40,760	\$ 39,299	\$ 40,085
Change	4.6%	6.3%	4.3%	2.7%	-3.6%	2.0%
Median Age - Idaho²						
	34	34.2	34.2	34.2	34.4	34.6
Educational Attainment³						
8th Grade or Less	4.5%	4.5%	3.9%	5.0%	4.5%	4.2%
Some High School, No Diploma	8.7%	8.2%	7.8%	7.1%	7.1%	7.5%
High School Diploma	29.6%	30.1%	29.9%	27.7%	28.8%	28.6%
Some College, No Degree	25.8%	25.4%	25.4%	27.6%	27.3%	27.0%
Associate, Bachelor or Graduate Degree	31.2%	31.7%	33.1%	32.5%	32.2%	32.7%
Resident Civilian Labor Force and Employment in Idaho						
Civilian Labor Force	722,190	740,105	749,993	757,783	751,556	760,951
Employed	695,428	718,077	727,728	721,370	695,576	694,744
Unemployed	26,762	22,028	22,265	36,413	55,980	66,207
Unemployment Rate	3.7%	3.0%	3.0%	4.8%	7.4%	8.7%
Nonfarm Wage and Salary Workers Employed in Idaho						
Goods Producing Industries						
Mining	2,160	2,372	2,665	2,767	2,163	2,296
Logging and Wood Products	9,618	10,036	9,585	8,065	5,899	5,793
Computer and Electronics	16,181	16,663	16,216	14,305	11,098	10,575
Construction	45,127	52,044	52,592	45,009	34,401	31,292
Manufacturing-Durable Goods ⁴	16,305	17,904	18,401	17,498	15,207	14,805
Manufacturing-Nondurable Goods	22,927	23,234	23,861	24,583	23,634	23,260
Total Goods Producing Industries	112,318	122,253	123,320	112,227	92,402	88,021
Non-Goods Producing Industries						
Trade	103,675	107,465	111,651	110,452	102,267	100,832
Service	280,741	292,713	304,461	307,042	295,838	296,251
State and Local Government	101,865	103,528	103,972	105,984	105,992	104,876
Federal Government	13,084	12,879	12,820	13,200	13,496	13,691
Total Non-Goods Producing Industries	499,365	516,585	532,904	536,678	517,593	515,650
Total Nonfarm Wage and Salary Employment	611,683	638,838	656,224	648,905	609,995	603,671

Sources: Idaho Division of Financial Management, Idaho Department of Labor, Idaho State Board of Education, U.S. Bureau of Economic Analysis, and U.S. Census Bureau.

Note: Amounts for calendar years 2012-2014 are estimates. Prior year amounts may change due to revisions by the U.S. Bureau of Economic Analysis and the U.S. Census Bureau.

¹Total personal income is comprised of earned income, dividends, interest, rents, and government transfer payments.

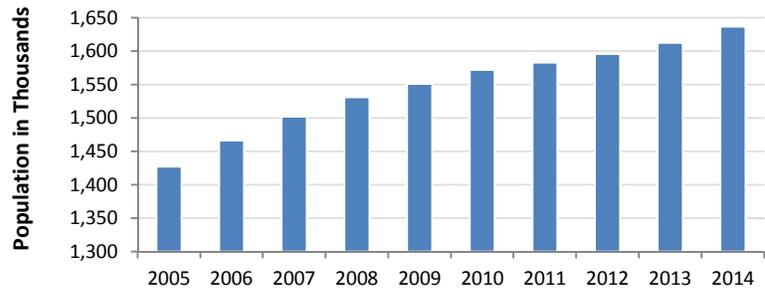
²Median age data for Idaho is not currently available for calendar year 2014.

³Educational attainment information is not currently available for calendar year 2014. Figures for 2005 through 2012 are revised.

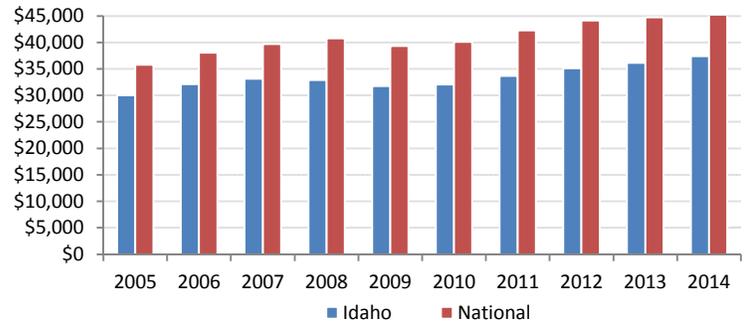
⁴"Manufacturing-Durable Goods" amounts are net of "Logging and Wood Products" and "Computer and Electronics" amounts, which are presented separately in this schedule.

	2011	2012	2013	2014
	1,583	1,596	1,613	1,637
	0.7%	0.8%	1.1%	1.5%
	312,315	314,524	316,746	319,016
	0.7%	0.7%	0.7%	0.7%
\$	53	56	58	61
	5.8%	5.1%	3.9%	5.0%
\$	13,202	13,888	14,167	14,768
	6.2%	5.2%	2.0%	4.2%
\$	33,689	35,138	36,137	37,386
	5.1%	4.3%	2.8%	3.5%
\$	42,271	44,153	44,726	46,292
	5.5%	4.5%	1.3%	3.5%
	34.9	35.2	35.5	NA
	4.5%	4.1%	4.3%	NA
	6.9%	6.1%	6.3%	NA
	27.5%	27.7%	27.4%	NA
	26.9%	27.6%	26.7%	NA
	34.2%	34.5%	35.3%	NA
	765,974	772,046	775,407	777,206
	701,946	715,749	727,230	739,550
	64,028	56,297	48,177	37,656
	8.4%	7.3%	6.2%	4.8%
	2,583	2,696	2,578	2,625
	6,205	6,525	7,172	7,218
	11,192	11,626	11,317	11,327
	30,347	31,407	33,853	36,106
	15,280	16,079	17,453	17,927
	23,364	24,018	25,328	25,493
	88,971	92,351	97,701	100,696
	101,878	104,934	107,638	110,372
	302,681	307,687	316,583	328,386
	104,514	104,600	105,589	106,871
	12,654	12,641	12,414	12,119
	521,727	529,862	542,224	557,748
	610,698	622,213	639,925	658,444

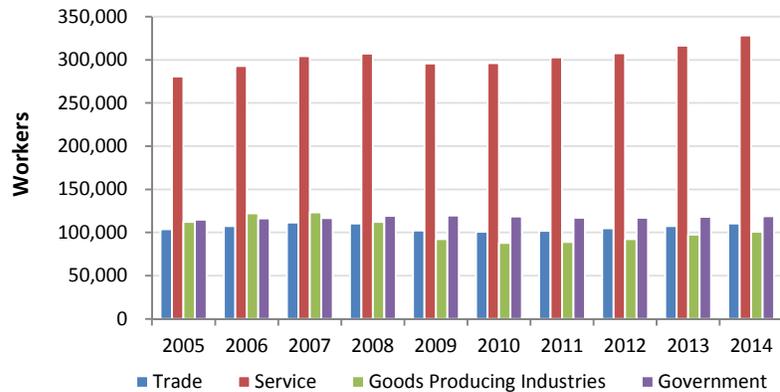
**Idaho Population
Calendar Years 2005-2014**



**Per Capita Personal Income
Calendar Years 2005-2014**



**Nonfarm Wage and Salary Workers
Employed in Idaho
Calendar Years 2005-2014**



Schedule 12 - Principal Employers
Current Year and Nine Years Ago

Major Idaho Employers	As of June 30, 2005			As of June 30, 2014		
	Number of Employees	Rank	Percent of Total State Employment	Number of Employees	Rank	Percent of Total State Employment
State of Idaho ¹	17,500-18,000	1	2.6	19,000-19,500	1	2.6
Federal Government	13,000-13,500	2	1.9	12,000-12,500	2	1.7
St Luke's Health System	4,000-4,500	7	0.6	11,500-12,000	3	1.6
Wal-Mart Associates, Inc.	6,000-6,500	4	0.9	6,500-7,000	4	0.9
Micron Technology, Inc.	9,500-10,000	3	1.4	5,500-6,000	5	0.8
Brigham Young University-Idaho				4,500-5,000	6	0.7
Meridian Joint School District #2	3,500-4,000	10	0.5	4,000-4,500	7	0.6
Boise Independent School District #1	3,500-4,000	8	0.5	3,500-4,000	8	0.5
Battelle Energy Alliance ²	5,000-5,500	5	0.8	3,000-3,500	9	0.4
St Alphonsus Regional Medical Center				3,000-3,500	10	0.4
J.R. Simplot Co.				3,000-3,500	11	0.4
Albertsons / Supervalu	4,500-5,000	6	0.7	3,000-3,500	12	0.4
Hewlett-Packard Co.	3,500-4,000	9	0.5			
Total	72,500		10.4	81,500		11.0

Source: Idaho Department of Labor, except state employee data, which comes from the Office of the Idaho State Controller.

Note: All figures are based on a calendar year average. Total number of employees is based on the sum of the mid-points in the ranges given.

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

²Battelle Energy Alliance was formerly known as Bechtel BWXT Idaho

Schedule 13 - Education Enrollment

Public School Enrollment Grades K-12
Academic Years 2004/05-2013/14

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Elementary	137,606	141,921	146,253	150,094	151,902	154,368	153,298	154,691	156,742	160,412
Secondary	118,478	120,061	121,347	122,025	123,252	124,236	125,237	126,149	127,576	128,651
Total All Grades	256,084	261,982	267,600	272,119	275,154	278,604	278,535	280,840	284,318	289,063

Source: Idaho Department of Education

Public Higher Education Enrollment
Student Headcount¹ (Calendar Years 2005-2014)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Boise State University	18,650	18,880	19,542	19,670	18,936	19,993	19,664	22,638	21,981	22,239
Idaho State University	13,977	12,679	13,362	12,644	13,493	12,595	12,587	13,860	13,351	13,455
University of Idaho	12,476	11,739	11,636	11,791	11,957	12,302	12,312	12,493	11,884	11,534
Lewis-Clark State College	3,222	3,211	3,269	3,334	3,521	3,822	3,761	3,830	3,585	3,616
Eastern Idaho Technical College	753	758	762	768	870	862	829	709	725	686
Total Colleges and Universities	49,078	47,267	48,571	48,207	48,777	49,574	49,153	53,530	51,526	51,530

Source: Idaho State Board of Education

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

¹Figures are based on fall enrollment numbers for each year.

Schedule 14 - State Employees by Function

Fiscal Years 2005-2014

Full-Time Employees

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Tax Commission	383	387	389	392	393	368	373	406	426	425
Department of Administration	157	153	164	138	142	139	141	137	136	137
All Other	1,069	1,069	1,093	1,144	1,161	1,133	1,098	1,058	1,091	1,127
Public Safety and Correction										
Department of Correction	1,407	1,454	1,516	1,560	1,586	1,543	1,529	1,517	1,550	1,544
Idaho State Police	455	462	467	469	485	465	452	458	479	480
Department of Juvenile Corrections	328	333	342	350	396	381	382	387	384	387
All Other	333	333	339	336	349	327	362	354	373	566
Health and Human Services										
Department of Health and Welfare	2,687	2,764	2,885	2,917	2,922	2,887	2,642	2,606	2,611	2,647
Education										
Colleges and Universities	5,776	5,878	6,004	6,063	6,124	6,242	6,093	6,436	6,548	6,721
All Other	538	540	480	456	468	469	473	361	371	376
Economic Development										
Idaho Transportation Department	1,774	1,745	1,717	1,726	1,758	1,772	1,742	1,714	1,683	1,642
Department of Commerce and Labor ¹	580	553	496							
Department of Labor ¹				440	436	506	532	514	547	547
Department of Agriculture	281	302	307	301	293	279	245	249	253	261
All Other	819	840	840	933	932	909	981	966	992	990
Natural Resources										
Department of Environmental Quality	352	345	352	356	365	340	328	331	332	328
Department of Fish and Game	497	500	506	502	513	504	535	545	534	534
Department of Lands	231	225	234	244	242	235	227	231	239	238
Department of Parks and Recreation	147	146	141	146	155	147	131	132	136	132
All Other	182	182	181	193	195	182	174	171	167	162
State Total	17,996	18,211	18,453	18,666	18,915	18,828	18,440	18,573	18,852	19,244

Part-Time and Temporary Employees²

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	356	363	361	405	334	385	362	388	342	349
Public Safety and Correction	186	207	195	223	192	159	174	202	178	203
Health and Human Services	589	654	591	620	400	286	256	229	257	243
Education	2,779	2,638	2,740	3,347	2,880	2,532	2,509	2,587	2,655	2,514
Economic Development	984	936	900	896	907	838	884	774	732	705
Natural Resources	591	590	608	686	603	518	440	433	431	465
State Total	5,485	5,388	5,395	6,177	5,316	4,718	4,625	4,613	4,595	4,479

Source: Office of the Idaho State Controller.

¹In fiscal year (FY) 2008 legislative action separated the Department of Commerce from the Department of Labor.

²Part-time and temporary employees are those working less than full-time, including board and commission members.

Schedule 15 - Operating Indicators by Function
Calendar/Fiscal Years 2005-2014

	2005	2006	2007	2008	2009	2010
General Government						
Tax Commission						
Number of Returns Filed (<i>in thousands</i>)	2,117	2,204	2,180	2,292	2,220	2,226
Number of Returns Filed Electronically (<i>in thousands</i>)	310	345	386	436	457	492
Department of Administration						
Construction Projects Administered	186	424	538	529	443	431
Employees Covered by Benefit Plans	18,495	18,829	19,045	19,319	19,507	19,343
Public Safety and Correction						
Department of Correction¹						
Incarcerated Offenders	6,526	6,976	7,357	7,338	7,283	7,504
Supervised Offenders (as restated)	10,926	11,825	12,581	13,361	13,756	13,902
Idaho State Police						
Drug Related Arrests ²	779	598	989	850	895	982
DUI Arrests ²	1,461	817	1,744	1,654	1,977	2,441
All Other Arrests ²	849	724	811	1,278	1,281	1,163
Department of Juvenile Corrections						
Number of Juveniles in the System	709	725	710	744	659	568
Rate of Recombitment to DJC Custody	15.2%	11.0%	11.6%	11.7%	18.4%	17.0%
Health and Human Services						
Department of Health and Welfare¹						
Medicaid Enrollees ³	178,694	178,858	184,508	184,465	191,989	209,126
Percent of Population	12.5%	12.2%	12.3%	12.0%	12.4%	13.3%
Food Stamp Recipients	94,956	91,032	86,946	95,433	124,826	179,074
Percent of Population	6.7%	6.2%	5.8%	6.2%	8.1%	11.4%
Education						
Colleges and Universities¹						
Enrollment	49,078	47,267	48,571	48,207	48,777	49,574
Number of Certificates and Degrees Awarded	8,506	8,386	8,733	8,550	8,739	8,760
Economic Development						
Idaho Transportation Department						
Percent of Pavement Which is Deficient ¹	19%	19%	20%	19%	20%	18%
Vehicles Weighed (<i>in thousands</i>)	2,760	3,090	2,800	2,700	2,400	2,400
Department of Labor						
Individuals Registered for Employment	206,422	184,178	175,178	222,606	284,205	334,896
Job Openings Received	83,951	101,502	96,239	77,012	46,967	47,956
Department of Agriculture						
Conduct Disease Tests on Animals ⁴	253,960	118,821	208,338	303,184	367,698	362,905
Inspections of Dairy Farms	3,378	6,866	6,632	5,897	7,919	6,932
Natural Resources						
Department of Environmental Quality						
Air Quality Sites Monitored	37	42	35	31	42	41
Water Sites Monitored ⁵	673	658	506	610	0	128
Department of Fish and Game						
Citations and Warnings Issued	4,681	4,790	6,140	5,411	5,435	4,799
Hatchery Fish Raised (<i>in thousands</i>) ²	41,740	40,649	35,502	29,573	22,676	27,085
Hunting and Fishing Licenses Sold ²	539,590	521,489	572,617	536,681	571,179	548,949
Department of Lands¹						
Forest Products Harvested (<i>in million board feet</i>)	188	206	215	225	190	212
Fires Responded to on IDL Land	228	445	349	247	352	183
Department of Parks and Recreation						
Park Visitation (<i>in thousands</i>) ^{1, 2, 6}	2,648	2,738	4,248	4,203	4,460	4,389
Recreational Registrations (<i>in thousands</i>) ⁶	237	256	273	274	286	272

Sources: Idaho Division of Financial Management; Idaho State Tax Commission; Office of the Idaho State Controller; Idaho State Police; Idaho State Board of Education; and the Idaho Departments of Administration, Correction, Juvenile Corrections, Health and Welfare, Transportation, Labor, Agriculture, Environmental Quality, Fish and Game, Lands, and Parks and Recreation.

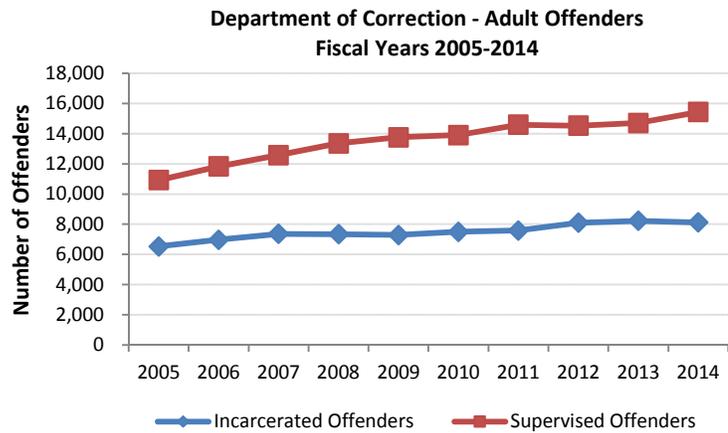
Note: Operating indicators for fiscal years (FY) 2013 and 2014 are estimates unless otherwise noted below.

¹Operating indicators for 2013 are actual amounts, not estimates.

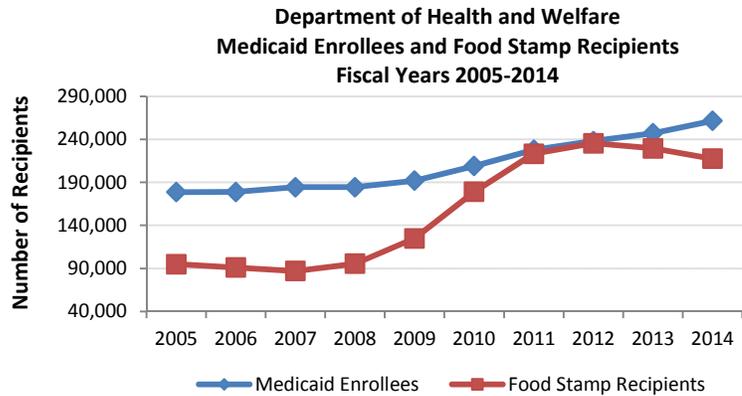
²Operating indicators are reported on a calendar year basis.

³In FY2007 the Department of Health and Welfare changed methods for calculating the number of Medicaid enrollees.

2011	2012	2013	2014
2,260	2,316	2,350	2,390
543	568	587	616
399	345	293	296
18,942	19,018	19,247	19,592
7,578	8,097	8,221	8,120
14,595	14,530	14,705	15,433
1,021	1,454	1,411	1,559
2,003	1,845	1,659	1,304
1,262	1,145	1,101	1,071
529	553	550	498
15.0%	12.0%	18.2%	13.0%



227,991	238,165	247,151	261,639
14.4%	14.9%	15.3%	16.0%
223,370	235,502	229,586	217,553
14.1%	14.8%	14.2%	13.3%



49,153	53,530	51,526	51,530
9,306	9,980	10,382	10,356

16%	13%	14%	14%
2,400	2,314	2,281	2,433

331,449	301,338	277,111	255,891
69,323	57,189	80,283	101,897

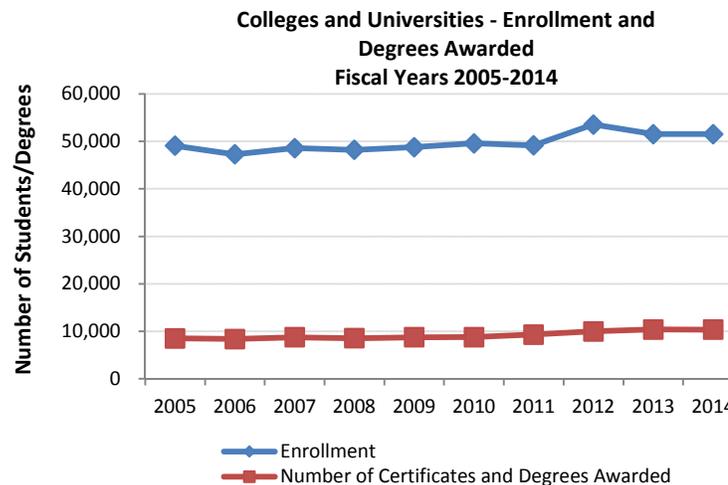
676,604	100,454	110,944	105,090
7,653	8,024	8,786	8,854

43	39	40	40
101	237	237	290

4,053	4,175	3,480	4,868
32,351	23,007	23,837	35,253
523,698	573,714	566,460	576,063

273	287	290	NA
249	187	322	NA

4,783	4,638	4,777	NA
268	262	275	NA



⁴In FY2011 and FY2012 the increase and decrease in disease testing on animals is attributed to brucellosis testing.

⁵In FY2009 the Department of Environmental Quality suspended surface water monitoring activities due to the FY2009 budget cuts.

⁶Park visitation is counted in visitor days. Recreational registrations include boats, snowmobiles, all-terrain vehicles, and Park N' Ski permits.

Schedule 16 - Capital Assets by Function
Fiscal Years 2005-2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Department of Administration										
Buildings (<i>square footage in thousands</i>)	733	741	741	728	728	728	728	728	728	719
Public Safety and Correction										
Department of Correction										
Buildings	93	94	97	97	98	101	104	105	80	84
Vehicles	334	339	353	392	342	359	367	384	401	394
Idaho State Police										
Vehicles	425	422	441	431	443	431	459	419	430	466
Machinery and Equipment ¹	812	783	846	867	928	810	915	857	886	1,084
Department of Juvenile Corrections										
Buildings (<i>square footage in thousands</i>)	252	252	252	250	250	239	239	242	224	224
Vehicles	53	53	52	54	53	56	56	54	56	60
Health and Human Services										
Department of Health and Welfare										
Buildings (<i>square footage in thousands, restated</i>) ²	928	928	914	914	978	1,705	1,700	1,698	1,715	1,726
Vehicles	490	517	539	518	520	501	485	480	431	494
Education										
Colleges and Universities										
Buildings (<i>square footage in thousands</i>)	11,919	12,265	12,539	12,890	13,612	13,931	14,198	15,024	15,098	15,161
Economic Development										
Idaho Transportation Department										
Highway Lane Miles ³	11,874	11,874	11,877	11,930	11,944	11,989	11,998	12,222	12,222	12,236
Vehicles ⁴	755	804	818	801	837	848	823	841	823	766
Heavy Equipment ⁴	1,443	1,382	1,444	1,494	1,535	1,536	1,532	1,543	1,407	1,192
Department of Agriculture										
Scientific and Laboratory Equipment	147	156	162	165	176	165	153	160	152	156
Vehicles	166	191	209	201	195	196	177	195	203	223
Natural Resources										
Department of Environmental Quality										
Air Monitoring Instruments	126	131	119	124	166	167	171	196	185	185
Water Sampling/Quality Equipment	88	94	87	88	76	78	78	80	81	81
Department of Fish and Game										
Hatcheries	19	19	19	22	22	23	23	23	23	23
Vehicles	766	692	646	621	670	636	638	665	682	704
Boats	302	296	289	286	287	281	280	279	287	284
Wildlife Management Areas	33	33	33	33	33	32	32	32	32	32
Department of Lands										
Acres of Land (<i>in thousands</i>) ³	2,460	2,460	2,460	2,461	2,460	2,446	2,449	2,448	2,448	2,442
Vehicles	341	346	353	351	350	356	343	362	359	371
Department of Parks and Recreation										
State Parks	34	34	35	35	35	30	30	30	30	30
Acres of State Park Land (<i>in thousands</i>)	60	60	61	61	61	60	60	60	60	60
Buildings	286	295	324	329	336	351	349	365	368	372
Vehicles	240	257	288	312	343	329	320	313	327	318

Sources: Office of the Idaho State Controller; Idaho Departments of Juvenile Corrections, Health and Welfare, Transportation, Environmental Quality, Fish and Game, Lands, and Parks and Recreation; and Idaho colleges and universities.

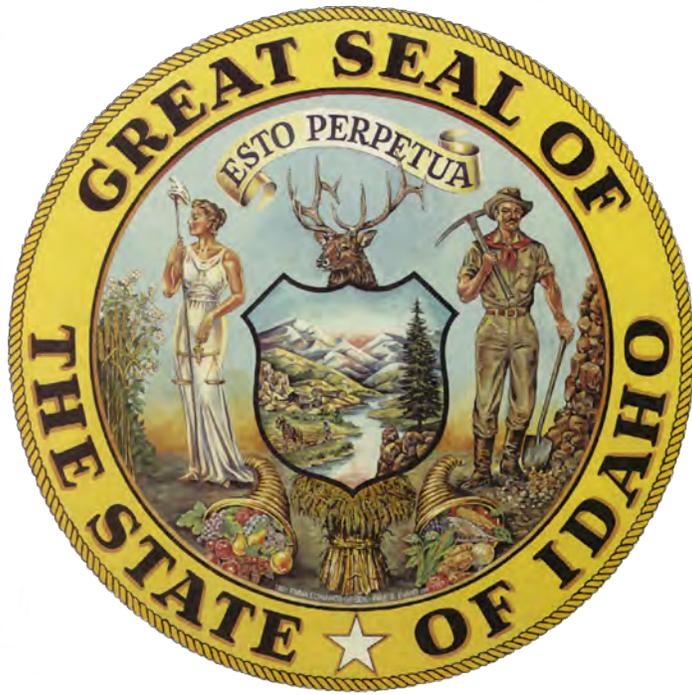
Note: The Idaho State Tax Commission, the Department of Commerce, and the Department of Labor are not capital-asset intensive.

¹In fiscal year (FY) 2014 Idaho State Police ordered more vehicles and related equipment than in prior years.

²FY2010-2014 include leased buildings and have been restated.

³Highway lane miles and acres of land for FY2014 are based on estimates.

⁴Idaho Department of Transportation (ITD) vehicles and heavy equipment have been restated for FY2005-2013. During FY2014 ITD actively reduced the amount of heavy equipment.



Schedule 17 - Assets, Liabilities, and Fund Balances

General Fund Accounts

June 30, 2014

(dollars in thousands)

	State General Account	Permanent Building	Budget Stabilization	Millennium
ASSETS				
Cash and Cash Equivalents	\$2			
Pooled Cash and Investments	284,346	\$52,343	\$170,191	\$32,306
Investments		11,015		(1)
Securities Lending Collateral	93,601		82,656	
Accounts Receivable, Net	283	(1)		12,500
Taxes Receivable, Net	483,886	3,075		
Interfund Receivables	5,647	1,144		
Inventories and Prepaid Items	2,504	67		
Loans, Notes, and Pledges Receivable, Net				
Other Assets	421	42	366	
Restricted Assets:				
Cash and Cash Equivalents				4
Investments				219,074
Total Assets	870,690	67,685	253,213	263,883
Total Assets and Deferred Outflows of Resources	\$870,690	\$67,685	\$253,213	\$263,883
LIABILITIES				
Accounts Payable	\$230,057	\$3,173		\$101
Payroll and Related Liabilities	15,015	120		
Interfund Payables	1,792	7		
Due to Other Entities	42		\$37	
Unearned Revenue	227	5,862		
Amounts Held in Trust for Others	2,035			
Obligations Under Securities Lending	94,975		83,869	
Other Accrued Liabilities	237	998	14	
Total Liabilities	344,380	10,160	83,920	101
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows	297,020	60		12,500
Fund Balances				
Nonspendable:				
Inventories and Prepaid Items	2,504	67		
Noncurrent Receivables				
Restricted				227,026
Committed		57,398		
Assigned	4,275			
Unassigned	222,511		169,293	24,256
Total Fund Balances	229,290	57,465	169,293	251,282
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$870,690	\$67,685	\$253,213	\$263,883

Income Earnings	Sales Tax	Income Tax Refunds	Catastrophic Health Care	Legislative	Warrant Deficiency	Miscellaneous	Total
\$124,290	\$43,025	\$2,478	\$3,177	\$3,676	(\$17,983)	\$1,466	\$1,468
127						104,835	802,684
61,270						23,607	34,748
						52,203	289,730
					8,217	1,484	22,483
346	19,227	84,548				652	591,734
10						256	7,057
					9,026	326	11,923
						2,228	2,228
271						334	1,434
	466					2,228	2,698
						1,183	220,257
186,314	62,718	87,026	3,177	3,676	(740)	190,802	1,988,444
\$186,314	\$62,718	\$87,026	\$3,177	\$3,676	(\$740)	\$190,802	\$1,988,444
\$408			\$156			\$1,592	\$235,487
48				\$145	\$57	1,649	17,034
487						2	2,288
27	\$62,627					23	62,756
						2,123	8,212
						21,531	23,566
62,170						52,969	293,983
3						31	1,283
63,143	62,627		156	145	57	79,920	644,609
	1,746	\$65,754				32	377,112
					9,026	326	11,923
						89	89
		21,272				4,329	252,627
123,171			3,021			79,853	263,443
				3,531	173	45,107	53,086
	(1,655)				(9,996)	(18,854)	385,555
123,171	(1,655)	21,272	3,021	3,531	(797)	110,850	966,723
\$186,314	\$62,718	\$87,026	\$3,177	\$3,676	(\$740)	\$190,802	\$1,988,444

Schedule 18 - Revenues, Expenditures, and Changes in Fund Balances

General Fund Accounts

For the Fiscal Year Ended June 30, 2014

(dollars in thousands)

	State General Account	Permanent Building	Budget Stabilization	Millennium	Income Earnings
REVENUES					
Sales Tax	\$1,149,562	\$5,000			
Individual and Corporate Taxes	1,470,642	6,764			\$503
Other Taxes	21,638	28,191			3,937
Licenses, Permits, and Fees	8,915				1,211
Sale of Goods and Services	1,015	135			4,389
Grants and Contributions	37				28
Investment Income	9,515	694	\$1	\$31,826	487
Tobacco Settlement				27,450	
Other Income	2,330	34			91
Total Revenues	2,663,654	40,818	1	59,276	10,646
EXPENDITURES					
Current:					
General Government	92,055	28,484		1,409	34
Public Safety and Correction	259,641			2,402	1,839
Health and Human Services				2,649	3,791
Education	108,539				1,330,017
Economic Development	21,222				643
Natural Resources	16,609				
Capital Outlay	13,633	21,979			1,663
Intergovernmental Revenue Sharing	22,367			64	5,068
Debt Service:					
Principal Retirement	885	201			
Interest and Other Charges	11,889	123			
Total Expenditures	546,840	50,787		6,524	1,343,055
Revenues Over (Under) Expenditures	2,116,814	(9,969)	1	52,752	(1,332,409)
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	209				
Transfers In	2,814,241	81,286	28,657	13,013	1,458,921
Transfers Out	(4,976,792)	(55,747)		(13,015)	(105,785)
Total Other Financing Sources (Uses)	(2,162,342)	25,539	28,657	(2)	1,353,136
Net Changes in Fund Balances	(45,528)	15,570	28,658	52,750	20,727
Fund Balances - Beginning of Year, as Restated	274,818	41,895	140,635	198,532	102,444
Fund Balances - End of Year	\$229,290	\$57,465	\$169,293	\$251,282	\$123,171

Sales Tax	Income Tax Refunds	Catastrophic Health Care	Legislative	Warrant Deficiency	Miscellaneous	General Account Transfer Eliminations	Total
\$210,628	\$3,798				\$4,762		\$1,373,750
	10,894				9,132		1,497,935
	8,707				711		63,184
		\$101		\$98	8,289		18,614
				41	23,871		29,451
					15,562		15,627
		71			1,489		44,083
							27,450
		2,759		7,210	28,157		40,581
210,628	23,399	2,931		7,349	91,973		3,110,675
			\$6,052	82	12,306		140,422
					6,490		270,372
		28,543			16		34,999
		1			44,796		1,483,353
				387	18,978		41,230
				21,286	4,043		41,938
		1	77	121	3,700		41,174
223,224	459				3,532		254,714
							1,086
							12,012
223,224	459	28,545	6,129	21,876	93,861		2,321,300
(12,596)	22,940	(25,614)	(6,129)	(14,527)	(1,888)		789,375
					89		298
		34,830	6,149	11,876	69,016	(\$4,327,900)	190,089
	(26,155)	(6,431)			(57,600)	4,327,900	(913,625)
	(26,155)	28,399	6,149	11,876	11,505		(723,238)
(12,596)	(3,215)	2,785	20	(2,651)	9,617		66,137
10,941	24,487	236	3,511	1,854	101,233		900,586
(\$1,655)	\$21,272	\$3,021	\$3,531	(\$797)	\$110,850		\$966,723

Schedule 19 - Miscellaneous Statistics

State Facts		Twenty Largest Communities in Idaho		
		2005	2014	
State Capital	Boise	Boise	190,122	214,237
Admitted to the Union	July 3, 1890	Nampa	68,156	86,518
Nickname	The Gem State	Meridian	44,962	83,596
Motto	Esto Perpetua (Let It Be Perpetual)	Idaho Falls	52,148	58,292
Population	1,636,800	Pocatello	50,723	54,350
Highest Elevation Point	Mt. Borah	Caldwell	32,718	48,957
	12,662 Feet Above Sea Level	Coeur d'Alene	38,388	46,402
Lowest Elevation Point	Snake River at Lewiston	Twin Falls	37,619	45,981
	710 Feet Above Sea Level	Lewiston	31,028	32,401
Number of Lakes	More Than 2,000	Post Falls	21,351	29,357
State Bird	Mountain Bluebird	Rexburg	24,733	26,520
State Fish	Cutthroat Trout	Moscow	21,900	24,534
State Flower	Syringa	Eagle	16,176	21,646
State Gem Stone	Idaho Star Garnet	Kuna	N/A	16,532
State Horse	Appaloosa	Ammon	N/A	14,460
State Insect	Monarch Butterfly	Chubbuck	10,492	14,125
State Song	"Here We Have Idaho"	Mountain Home	11,427	13,805
State Tree	Western White Pine	Hayden	11,086	13,681
		Blackfoot	10,707	11,854
		Garden City	11,173	11,260

Source: *Idaho Blue Book, 2013-2014*
Idaho Fiscal Facts, 2014

Source: *Idaho Fiscal Facts, 2005 & 2014*

Land Area and Use	
<i>(in square miles)</i>	
Land Area	83,557
Water Area	880
Federal Land	52,715
Total Non-Federal Land	30,842
Total Rural Land	79,379
Agricultural Land	12,534
Range Land	34,258
Forest Land	32,587

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

Source: *Idaho Blue Book, 2013-2014*
Idaho Fiscal Facts, 2014

Idaho Commodity Rankings		
Commodity	U.S. Rank	U.S. %
Potatoes	1	31
Austrian Winter Peas	2	35
Wrinkled Seed Peas	2	30
Barley	2	24
Sugarbeets	2	18
All Mint	3	21
Hops	3	7
Lentils	4	7
Dry Edible Peas	4	4
Dry Edible Beans	5	9
Sweet Cherries	5	1
All Wheat	7	4
Apples	9	1
All Hay	5	4

Source: *Idaho Fiscal Facts, 2014*



Perrine Bridge



Boise Skyline

Office of the State Controller

700 W. State Street
P.O. Box 83720-0011
(208) 344-3150

www.sco.idaho.gov
