

State of Idaho**Statement of Net Assets****June 30, 2009***(dollars in thousands)*

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Cash Equivalents	\$12,516	\$109,712	\$122,228
Pooled Cash and Investments	920,080	79,765	999,845
Investments	1,101,688	238,595	1,340,283
Securities Lending Collateral	599,673	68,006	667,679
Accounts Receivable, Net	102,689	116,217	218,906
Taxes Receivable, Net	279,350		279,350
Internal Balances	2,563	(2,563)	
Due from Other Entities	282,623		282,623
Inventories and Prepaid Items	46,062	20,455	66,517
Due from Primary Government			
Due from Component Unit		64,618	64,618
Loans, Notes, and Pledges Receivable, Net	15,387	272,667	288,054
Other Assets	7,910	13,493	21,403
Restricted Assets:			
Cash and Cash Equivalents	127,728	84,139	211,867
Investments	78,999	62,555	141,554
Capital Assets:			
Nondepreciable	4,092,320	154,355	4,246,675
Depreciable, Net	1,142,341	848,454	1,990,795
Total Assets	\$8,811,929	\$2,130,468	\$10,942,397
LIABILITIES			
Accounts Payable	\$114,553	\$35,704	\$150,257
Payroll and Related Liabilities	33,851	35,497	69,348
Medicaid Payable	139,892		139,892
Due to Other Entities	60,944	4,680	65,624
Unearned Revenue	32,339	40,640	72,979
Amounts Held in Trust for Others	8,199	2,203	10,402
Due to Primary Government			
Due to Component Unit		404	404
Obligations Under Securities Lending	600,962	68,006	668,968
Other Accrued Liabilities	47,319	10,368	57,687
Long-Term Liabilities:			
Due Within One Year	180,044	42,880	222,924
Due in More Than One Year	543,175	490,556	1,033,731
Total Liabilities	1,761,278	730,938	2,492,216
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	4,721,700	560,232	5,281,932
Restricted for:			
Claims and Judgments	83,659		83,659
Debt Service	8,558	553	9,111
Intergovernmental Revenue Sharing	14,735		14,735
Transportation	156,710		156,710
Regulatory	60,263		60,263
Natural Resources and Recreation	80,738	330,354	411,092
Unemployment Compensation		112,686	112,686
Permanent Trust - Expendable	205,397	100,119	305,516
Permanent Trust - Nonexpendable	834,251	62,392	896,643
Other Purposes	122,437	34,621	157,058
Unrestricted	762,203	198,573	960,776
Total Net Assets	7,050,651	1,399,530	8,450,181
Total Liabilities and Net Assets	\$8,811,929	\$2,130,468	\$10,942,397

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

Component Units
\$31,692
545
1,026,627
11,833
24
2,383
218,248
1,746,810
73,255
39,701
2,790
4,421
38,542
<u>\$3,196,871</u>
\$2,605
709
21,619
34,457
64,618
181,542
84,982
2,360,185
<u>2,750,717</u>
7,196
96,379
95,625
170,529
1,607
74,818
<u>446,154</u>
<u>\$3,196,871</u>



March 10, 2010

WGBH
One Guest Street
Boston
Massachusetts 02135

617 300 2000 tel
617 787 0714 fax
www.wgbh.org

WGBH is pleased to support the Idaho Commission for Libraries Round 2 BTOP application. We plan to work with the Commission to develop an edition of our *Teachers' Domain* digital library service that can provide thousands of free media resources to support staff-managed activities and independent student learning in library settings. *Teachers' Domain* is an online digital library service for educators and students, created by public television station WGBH and a number of public media partners.

First launched in 2002 with a small set of resources in science, *Teachers' Domain* has grown in content and popularity. Today, *Teachers' Domain* has over 2500 digital media resources that support state and national education standards and has 370,000 registered users in the United States, who represent about 76% of U.S. K-12 schools. A college edition also serves post-secondary users.

Teachers' Domain media content is drawn from popular PBS shows such as *Nova*, *Frontline*, and *American Experience*, as well as from a range of governmental and academic sources. The media resources are supported by text materials that orient users to content and provide teaching and learning tips. Online activities in the service with specific content or skill-development goals (such as literacy improvement) guide students through interactions with video and interactive media resources.

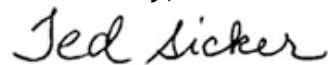
Custom editions for specific states or user groups can organize and present these materials in ways that are most useful to the target audience. Media is made accessible to audiences through closed captioning, and in some cases, descriptive video soundtracks. Spanish-language soundtracks can also be provided if developed for selected media.

WGBH, as a partner to the Idaho Commission for Libraries in this effort, commits to the following activities:

- a) To assist Idaho Public Television in developing an Idaho edition of the Teachers Domain, designed specifically for students to use through public libraries in Idaho.
- b) Assist Idaho Public Television in training librarians as guides for students using Teachers Domain in the public library public computing center.

We believe that libraries are an important venue for access to a service like Teachers' Domain, where students can supplement in-class activity with further experience. This is especially true in a state like Idaho where distances are so great, and local libraries can serve a key role in providing services to the community.

Yours truly,

A handwritten signature in cursive script that reads "Ted Sicker".

Ted Sicker
Executive Producer, *Teachers' Domain*
WGBH Educational Foundation



IDAHO STATE BOARD OF EDUCATION

650 W. State Street P.O. Box 83720 Boise, ID 83720-0037

208/334-2270 FAX: 208/334-2632

e-mail: board@osbe.idaho.gov

www.boardofed.idaho.gov

March 10, 2010

RE: Idaho Libraries Broadband Technology Opportunity Project (BTOP) Grant

Dear BTOP Proposal Reviewer,

On behalf of the Idaho State Board of Education, I respectfully submit this letter of support for the Idaho Commission for Libraries' (ICFL) Public Computing Center application. In expanding free access to informal learning resources for citizens of Idaho, ICFL is working in alignment with SBOE's vision for the state: that through innovation, the creation of new knowledge, and a sustainable seamless education system, the people of Idaho are afforded the opportunity to reach their full potential.

The SBOE is the governing agency for all public education in Idaho and, as such, is supportive of significant initiatives to provide access to the rural, underserved areas. Idaho's beautiful, yet rugged, geography makes residential access to technology and education services sometimes difficult. While most of these rural towns have public libraries where citizens can access the Internet, they need access to technology that is on par with more urban locations. ICFL's Public Computing Center would provide technological support in areas where little to none was previously available.

The SBOE is committed to partner with ICFL in participating in multiagency training workshops, facilitating partnerships between public postsecondary institutions and local libraries, and providing information for data collection where necessary and appropriate. We appreciate the opportunity to endorse ICFL in providing these enhanced technological services to our rural Idaho communities.

Sincerely,

A handwritten signature in cursive script that reads "Mike Rush".

Mike Rush

Executive Director

mike.rush@osbe.idaho.gov

jdp

March 12, 2010

Dear BOTP Proposal Reviewer,

I am writing in support of the Idaho Commission of Libraries' proposal to establish computerized instructional software throughout Idaho libraries via the BTOP grant of the American Recovery and Reinvestment Act of 2009. The Commission of Libraries' proposal will help improve access to computerized instruction for Idaho students and will expand these services to many of the residents living in rural communities in Idaho.

The Idaho Commission of Libraries brought together Idaho's Workforce Development partners and other community stakeholders as part of the planning process for this proposal. The group discussed the barriers we face in providing educational and work related services to individuals in our state, including how we address rural areas, and how we address the fact that Idaho is a working poor state where many individuals work more than one job to provide a living wage for their family. Given these circumstances, it was clear that our students need a variety of options for accessing instructional services in our state.

As the primary provider for basic skills instruction, the Adult Basic Education (ABE) program at the Division of Professional-Technical Education (PTE) supports this effort to expand access to basic skills software. Currently, PTE delivers basic skills instruction through the technical college system, fifty-eight ABE outreach centers, as well as jails and Juvenile Corrections facilities.

The ABE centers provide comprehensive basic skills instruction, but will refer their students to the library when those students are in need of additional time on task. Free access to the library's Learning Express software will provide additional support to adult learners, as well as provide another fast-track option for higher level adult learners in need of obtaining a GED. Likewise, the public libraries will refer adult learners in need of further instructional assistance to the ABE programs if they find participants require more immediate instruction and feedback to successfully meet their goals..

We are committed to our partnership with the Idaho Commission for Libraries (ICL) in successfully implementing the BTOP by assuring this effort is integrated with our service delivery to assure enhanced access by Idahoans who need these services.

Sincerely,



Ann Stephens
State Administrator

CE/av

March 12, 2010

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Sincerely,



Ann Stephens
State Administrator

CE/av

Adult Basic Education

March 2, 2010

Dear BTOP proposal reviewer,

Adult Basic Education (ABE) is a federally funded program that provides basic skills instruction to adults who fall below a 12th grade level in reading, writing, or math. We also provide instruction in English as a Second Language for students who cannot speak, read, or write the English language. Because we are a federally funded program, we are able to offer our classes to students at no cost.

The ABE Program in Idaho is administrated nationally by the Department of Education, Office of Adult and Vocational Education. The grant is administered in Idaho by the Division of Professional-Technical Education. Funding is currently distributed to six technical colleges in Idaho who then provide instruction at the local level.

Idaho ABE's Vision Statement: "We will be an innovative, accountable, and well integrated program that is recognized as the primary provider of basic skills instruction in our communities. We will help our students set and reach achievable learning goals through quality instruction in a welcoming environment. Our students will leave our program prepared for postsecondary education, training, or employment and will have the foundational skills necessary to function in the 21st century."

To be eligible for our program, a student must be over the age of 16, not currently enrolled in any public high school, and have skills below the 12th grade (high school graduate) level. High school and college graduates can still qualify for the ABE program if their skill level has fallen below the 12th grade level and they need some refreshing.

Students enroll for many different reasons. Some people want to prepare for taking the GED and others want to improve their skills so they can find a better job. Some want to learn how to speak English, while others just want to be able to read to their kids. Some of the most common goals our students have are: to improve their skills, get their GED, find a job, keep their job, get into college, or start a technical training program.

ABE students participate in a mixture of instructional settings, such as traditional classroom, computer lab, tutoring, and independent study. Pre- and post-testing provide the measures necessary to determine student performance and educational success. This data is then collected at the site, regional and state levels to ensure adherence to a high level of accountability.

The Region 1 ABE Program encompasses the five northern counties of Idaho. Services are provided at nine sites in nine different communities. FY 2009 data, for our region, indicates the following demographics:

Total students served in the Region 1 North Idaho College Adult Basic Education Program: 661 students with 12+ hours of instruction in our program. Over 7,000 adults were served in ABE programs across Idaho.

Ethnicity:

American Indian: 35 students
 Asian: 15 students
 Black or African American: 11 students
 Hispanic or Latino: 29 students
 Native Hawaiian or Other Pacific Islander: 4 students
 White: 547 students

Age:

16-18 years of age: 289 students
 19-24 years of age: 149 students
 25-44 years of age: 162 students
 45-59 years of age: 51 students
 60 & Older: 10 students

Status:

Disabled: 96 students self-reported
 Learning Disabled: 74 students self-reported
 Unemployed: 301 students self-reported
 Dislocated Worker: 6 students self-reported
 Displaced Homemaker: 15 students self-reported
 Low Income: 139 students self-reported
 Single Parent: 56 students self-reported

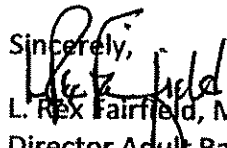
Trying to meet the increasing demand for services with limited funding is becoming a very challenging dilemma. Unemployment numbers in the five northern counties are continuing to climb and are not expected to rebound for a number of months. The North Idaho College ABE Program is experiencing a 19% increase (region-wide) in the number of students accessing our services. The Coeur d'Alene Adult Education Center is currently experiencing a 24% increase in

student numbers compared to this same time period last year. Students are engaging in more instruction, staying longer, and having greater expectations of success in achieving their goals. This is true in our ABE programs across the state of Idaho. Classroom space is maximized at the Coeur d'Alene Center and additional resources are not available to acquire additional room. So, we are identifying community partners with space availability to establish new educational centers throughout Idaho's five northern counties. The dilemma then becomes one of having the resources to hire additional instructional staff to meet the demand. Ultimately, sustainability becomes the common denominator to the success of a project such as this. Success of the "ReTool Box" program will rest upon the collaboration of the Coeur d'Alene Public Library, North Idaho College and Idaho Department of Labor.

Through collaborative efforts, such as this, it is hoped that adult education can be expanded to meet the ever increasing need to create a skilled workforce in spite of the rural nature of Idaho. Students will be able to augment their educational pursuit within ABE through access of additional online adult learning opportunities including; Learning Express Library, tutoring, basic computer literacy instruction, GED preparation, and career development resources. Many of our students cannot afford web access, let alone computers. This endeavor will provide a solution to accessibility, affordability, and continued education in assisting students in achieving their lifelong learning and/or vocational goals.

North Idaho College (NIC) has offered the following commitment to the grant in the following manner:

- *NIC is committed to serve as a partner in the ReTool Box program by providing instructional support and personnel through the Workforce Training and Adult Basic Education programs, and as resources allow.
- *Training will be offered on an as-needed basis according to demand starting in September, 2010 through June, 2011. Volunteer instructors will also be recruited from the Department of Labor.
- *NIC will assist the Coeur d'Alene Public Library Foundation with marketing the ReTool Box Program to let residents of Kootenai County and North Idaho know about the program.
- *NIC's ABE program and the Library will develop a referral process between programs to better assist students/patrons in accessing appropriate and desired services, as well as collect student data that documents the basic skills outcomes of adults utilizing these services.

Sincerely,

 L. Rex Fairfield, M.Ed., LPC, CRC
 Director Adult Basic Education/GED
 North Idaho College
 Office Phone: 208.676.8005

16. Rural Communities Broadband Initiative Grant Application Authorize the Chairman's signature on a support letter to the United States Department of Agriculture Rural Utilities Services regarding the State of Idaho's Rural Communities Broadband Initiative Grant application.
17. Pi-Nee-Waus Public Address System Authorize the purchase of a public address system from Hoffman Pro Systems, Spokane, WA , in the amount of \$2,625.00 for the Pi-Nee-Waus Community Center from the funds raised by the Community Center Coordinator.
18. January 2010 NPTEC Treasurer's Report Accept the January 2010 NPTEC Treasurer's Report.
19. Council of Energy Resource Tribes (CERT) Dues Approve payment of FY 2010 CERT dues in the amount of \$500.00 from the NPTEC supplies line item.

LAW & ORDER/INTERGOVERNMENTAL SUBCOMMITTEE - MARCH 1, 2010

20. Memorandum of Understanding Authorize a Memorandum of Understanding between the Nez Perce Tribe and State of Idaho regarding operation of the Public Sex Offender Registry Database.
21. Hunter and Gun Safety Education Program Authorize the Tribal Law Enforcement Office to proceed with a Hunter and Gun Safety Education program for Tribal members.
22. Listening Session Schedule Law and Order Listening Sessions in Orofino and Kamiah from 5:00 to 7:00 p.m. on March 24th and 25th, 2010.

OFFICE OF LEGAL COUNSEL

23. Selway Bitterroot Foundation Support H540 for a wilderness speciality license plate that would benefit the stewardship of north-central Idaho's wildlands.
24. Muddy Sled Project Approve comments to the Wallowa Ranger District regarding the Muddy Sled Project Environmental Assessment.

TABLED BUSINESS

25. BIA Single Line Agreement Refer Columbia River Scenic Act budget for Fiscal Year 2010 for the Cultural Resources Program in the amount of \$51,595.00.
REFERRED



Nez Perce

TRIBAL EXECUTIVE COMMITTEE

P.O. BOX 305 • LAPWAI, IDAHO 83540 • (208) 843-2253

March 11, 2010

Mr. Greg Zickau, Chief Technical Officer
State of Idaho, Office of CIO, Department of Administration
650 West State Street
Boise, ID 83702

Re: United States Department of Agriculture Rural Utilities Services
Broadband Initiatives Program
Grant Application – March 15, 2010

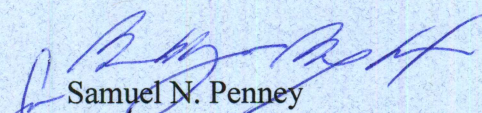
Dear Mr. Zickau:

The Nez Perce Tribe writing this letter in support of the State of Idaho's Rural Communities Broadband Initiative Grant Application, which involves schools, libraries, health care providers and private sector partners. These partners have been brought together by the Idaho Educational Network.

In the Round 2 NTIA- BTOP call for proposals, the Nez Perce Tribe's response will develop a 200Megabit wireless internet backbone connecting the Reservation communities of Lapwai, Winchester, Culatesac, Lenore, Peck, Ahsahka, Orofino, Nezperce, Kamiah, Kooskia, Stites and the territories therein in partnership with two last mile service providers. Service resulting from this project will include: internet, data and cellular communications middle and last mile; and, a disaster recovery center for public and private users across the Nez Perce Tribe Reservation.

The State of Idaho project has defined and developed a much needed plan to provide broadband services through the most rural portions of Idaho and within the Nez Perce Reservation has integrated with the Nez Perce Tribe's Round 2 BTOP project to enhance middle mile capacity. These project plans and grant applications have been developed in the true spirit of the requirements for funding under the Broadband Initiatives Program (BIP) Grant. The Nez Perce Tribe is pleased to partner with the State of Idaho on this endeavor and request your favorable consideration of the Grant funding requested to assist in the implementation of this project.

Sincerely,


Samuel N. Penney
Chairman



Nez Perce

TRIBAL EXECUTIVE COMMITTEE

P.O. BOX 305 • LAPWAI, IDAHO 83540 • (208) 843-2253

March 11, 2010

Dear BTOP proposal reviewer,

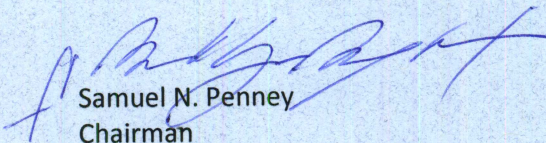
The Nez Perce Tribe is pleased to be a collaborating partner with the Idaho Commission for Libraries in their Round 2 BTOP Public Computing Center grant project. The Tribe is also submitting a Round 2 Comprehensive Community Infrastructure application that includes connecting to our broadband network facilities four libraries which are included in the Commission's project located within the Nez Perce Reservation.

The Nez Perce Tribe's Round 2 BTOP project will develop a 200Megabit wireless backbone connecting the Reservation communities of Lapwai, Winchester, Culdesac, Lenore, Peck, Ahsahka, Orofino, Nezperce, Kamiah, Kooskia, Stites and the territories therein. The project is a public/private partnership with two private sector last mile service providers in the region. Service resulting from this project will include: Internet, data and cellular communications middle and last mile; and, a disaster recovery center for public and private users across the Nez Perce Tribe Reservation.

The libraries served by the Nez Perce Tribe Round 2 BTOP proposal include: Prairie-Valley Library District Lapwai, Culdesac, Peck and Kooskia facilities. The middle mile infrastructure will enable the Library District to connect to the World Wide Web via last mile options that are currently unavailable due to the lack of service provider access on the two ILEC's infrastructure.

The Nez Perce Tribe support the Commission's BTOP application to expand public access to the Internet through public computing centers in the public libraries on the Reservation.

Sincerely,


Samuel N. Penney
Chairman

Letters of Commitment

The Honorable Butch Otter, Governor of Idaho

The Bill and Melinda Gates Foundation

Idaho Commission for Libraries

Letters of Commitment: Content Partners

Idaho Department of Labor

Idaho State Board of Education

Idaho Public Television

WGBH

State Superintendent of Public Instruction

Idaho Division of Professional-Technical Education

Adult Basic Education, North Idaho College

Idaho Business Coalition for Education Excellence

Idaho Association of Counties

Apangea

College of Southern Idaho

Idaho Library Association

Idaho Rural Partnership

Letters of Commitment: Connectivity Partners

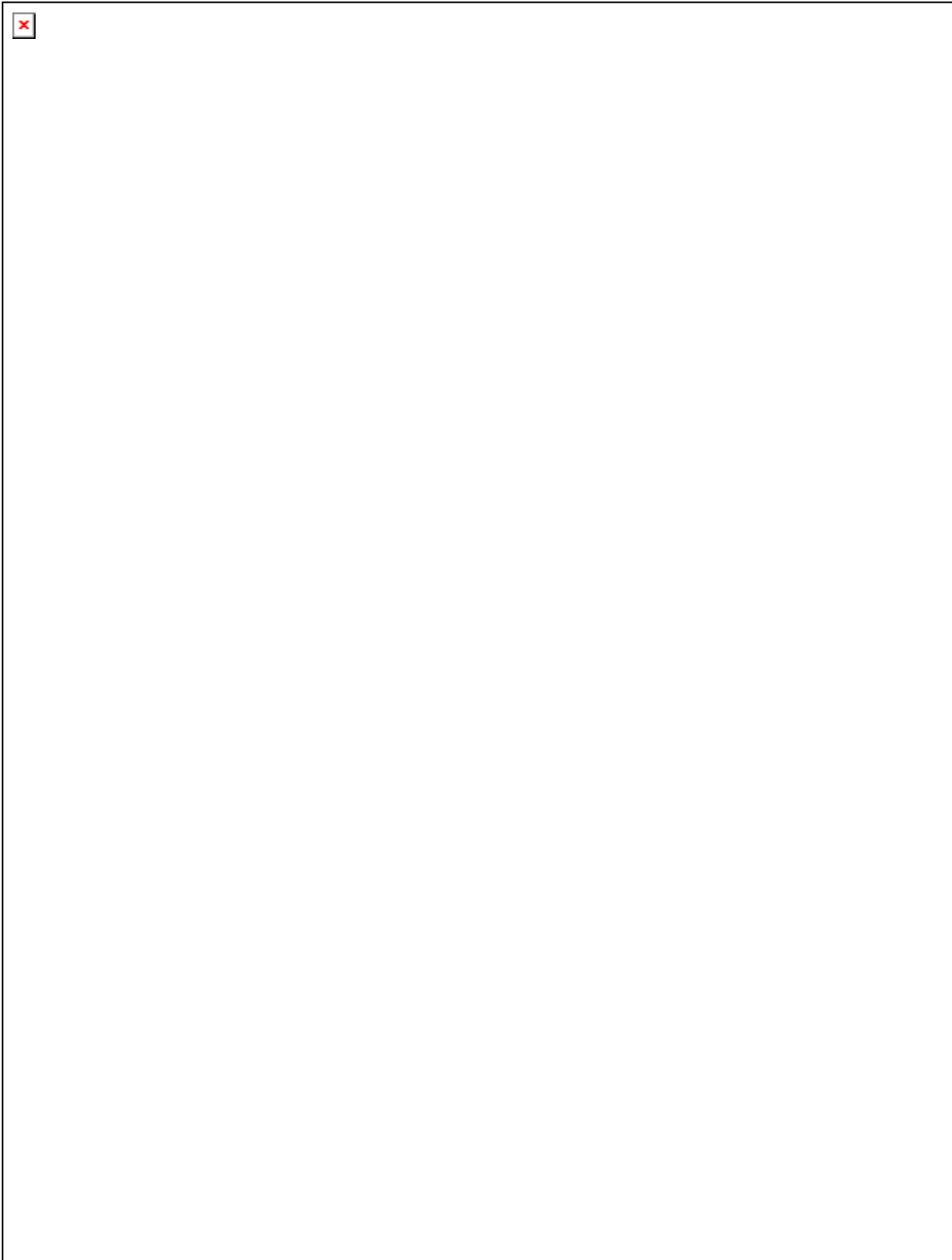
Idaho Regional Optical Network

Coeur d'Alene Tribe

Nez Perce Tribe

First Step Internet

Supplemental Information: Map of Libraries Included in Proposal



BTOP PCC Application

Easy Grants ID	6743
Applicant	Idaho Commission for Libraries
Project Title	High Quality Public Computing in Idaho Libraries

Letters of Commitment

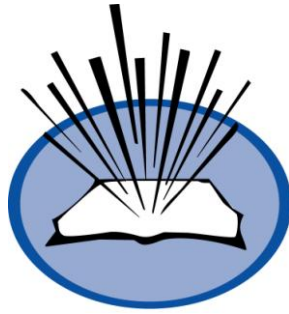
The Honorable Butch Otter, Governor of Idaho

The Bill and Melinda Gates Foundation

Idaho Commission for Libraries







IDAHO COMMISSION FOR LIBRARIES

325 West State Street Boise, Idaho 83702 | ph. 208.334.2150 | 800.458.3271 | Fax: 208.334.4016

13 March 2010

Dear BTOP Review Committee:

The Idaho Board of Library Commissioners has formally endorsed the Commission's role as applicant for this BTOP project.

Need

As described in the application, the small and rural nature of most Idaho public libraries means that their ability to provide a wide array of digital resources is limited. Since 1998, the Commission has, with state funding, provided access to the LiLI Databases so all Idaho libraries have can offer the same suite of digital resources to their users. Over the past year, public libraries have experienced increased demand for content in the areas of education, unemployment, workforce development, and e-government services. Most have also seen high demand for public access computers, especially by K-12 students during after school hours. In order to deliver those services, our least connected libraries must increase both their computing and connectivity capacity. BTOP offers the Commission and Idaho public libraries a unique opportunity to make significant progress in meeting these needs. We could not attempt this project now or in the foreseeable future without BTOP funding.

Partnerships

I am particularly pleased with the partnerships the Commission has developed over the past year that will be strengthened by this project. Building on a collaborative effort a year ago to deliver the Idaho

Department of Labor's Career Information System and IdahoWorks online resources through public libraries, we've added Adult Basic Education, the community colleges, Idaho Public Television, the Department of Education, and the Department of Administration. This project will extend the reach of each of these state entities by making their online resources readily available through public libraries, supported by coordinated publicity and training for librarians and end users.

Authority

Idaho Code 33-2501 states that "the Idaho commission for libraries is hereby established for the purpose of assisting libraries to build the capacity to better serve their clientele."

Idaho Code 33-2503(6) authorizes the Commission "to accept, receive, administer and expend, in accordance with the terms thereof, any moneys, materials or other aid granted, appropriated, or made available to Idaho by the United States, or any of its agencies, or by any other public or private source, for library purposes."

Commitment for match

The Commission is committed to meet the matching requirement for this project.

- No federal funds are used as matching funds.
- All Commission in-kind match is from state general funds, and is not allocated as match to any other program. State funds have been appropriated to the Commission through June 2010, and will be used to fund grant activities during that period. The Legislature is in the FY2011 appropriation process now, and projections for FY2012 general fund appropriations have been made. The Commission can draw from its Library Services Improvement Fund to temporarily bridge any unanticipated changes in the timing of in-kind expenditures. The Governor's commitment to this project (see letter) further assures that the designated in-kind funding will be available.
- The Bill and Melinda Gates Foundation's significant commitment of cash match is described in its letter.
- The Idaho Regional Optical Network (IRON) and Idaho Public Television have worked closely with the Commission on development of this proposal. Their commitment to the project and to providing match is described in their respective letters.

Thank you for your consideration of the Commission's application.

Ann Joslin

Ann Joslin

State Librarian



March 12, 2010

Dear BTOP proposal reviewer:

Idaho Regional Optical Network (IRON) is pleased to be a partner with the Idaho Commission for Libraries in their Round 2 BTOP Public Computing Center grant project. IRON has provided grant preparation support to the Commission throughout the application process and will be involved in the implementation.

IRON is a not-for-profit corporation formed to provide an economical high-speed infrastructure for the State of Idaho. Its mission is to facilitate, build and operate a powerful optical infrastructure targeting Idaho's research, education, health care and government entities to enable research, teaching, learning, collaborations throughout the state. IRON is Idaho's connection to research and education networks throughout the U.S. and around the world. IRON is funded by universities and hospitals, the Idaho National Labs and the Idaho Department of Administration.

IRON will be extending Internet 2 membership to all public libraries in Idaho through the Associate Membership of the Idaho Commission for Libraries. IRON will also contract to do the telecom and ISP provisioning for expanded broadband connectivity after the RFP process is completed.

As partners in this effort, we (have and) are committed to the following activities:

Activity	Cost Type	Cost
Assist the Commission in developing the Round 2 BTOP application	In-Kind Contribution	\$10,000
Assist the Commission in developing the Round 2 BTOP application	Contract	\$35,000
Provide provisioning of the telecom and ISP services for public libraries after vendor selection	Contract	\$180,000
Extend Internet 2 membership to public libraries in Idaho through the Commission's Associate Membership	Contract	\$5,000

Sincerely,

Victor E. Braud, III
General Manager
Idaho Regional Optical Network

Office: 208-350-6543
FAX: 208-629-0721
E-mail: victor.braud@ironforidaho.net



Idaho Library Association

March 2, 2010

Dear BTOP proposal reviewer:

As president of the Idaho Library Association (ILA), I'm pleased to enthusiastically support the Idaho Commission for Libraries (ICFL) Computer Center project proposal. Our state library association has always worked closely with ICFL and we've seen countless examples of their work improving services, training library staff, and creating and sponsoring collaborative programs. The BTOP proposal you're reviewing will undoubtedly be another success story.

Libraries everywhere are struggling but that has always been the case in Idaho. These difficult economic times have frequently turned challenges into obstacles for library users and library staff. This project will significantly impact those obstacles. It has the capacity to make a difference in the lives of countless Idaho residents.

ICFL works tirelessly to improve library services for every Idaho citizen and this proposal will allow them to further develop their program. This proposal addresses critical needs throughout the state. People in Idaho must have libraries with adequate bandwidth, computers, access to databases, and training in order to use these services.

The Idaho Library Association represents all types of libraries across the state but, more importantly, we are advocates for great library service for every single citizen. In that capacity, we're endorsing this application for this extremely worthwhile project.

Sincerely,

Bette Ammon, President



2270 Old Penitentiary Road • Boise, Idaho 83712 • (208) 332-8687 • Fax (208) 334-2378 • <http://www.irp.idaho.gov>

March 4, 2010

Ann Joslin
State Librarian
Idaho Commission for Libraries
325 West State Street
Boise, ID, 83702

Dear Ann,

The Idaho Rural Partnership is pleased to support the Broadband Technology Opportunities Program in its purpose to enhance the public access of computers in the rural public libraries. The Idaho Rural Partnership joins diverse public and private resources in innovative collaborations to strengthen communities and improve life in rural Idaho. We believe that this will provide the much-needed assistance to the rural business community who wishes to receive the necessary training to remain competitive in these tough economic times.

The completion in 2011 of BTOP will greatly support the relationships between Workforce Connections, One-Stops, business communities, community college and the Libraries in rural Idaho. Since rural Idaho does not have high speed broadband access either because it is prohibitively expensive or because it is unavailable, it is vital that all our libraries are up-to-date with technology. Computer access at the libraries is a key component for the sustainability of our rural communities, as a place where people can go for government information, for home-work assignments, for doing their business and banking, for keeping in touch with the troops overseas, for job search, training on using computers and the skills needed for the 21st Century.

Thank you for the opportunity to participate with you in this State wide effort.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike", is positioned below the word "Sincerely,".

Mike Field
Executive Director
Idaho Rural Partnership

The Idaho Rural Partnership (IRP) joins diverse public and private resources in innovative collaborations to strengthen communities and improve life in rural Idaho.



P.O. Box 53720
Boise, ID 83720-0027

STATE OF IDAHO
STATE SUPERINTENDENT OF PUBLIC INSTRUCTION
Mr. Tom Luna

Phone (208) 332-6815
Fax (208) 332-6836

March 12, 2010

Dear BTOP Proposal Reviewer,

It is with pleasure that I write this letter in support of the Idaho Commission for Libraries Broadband Technology Opportunity Program (BTOP) application, which will expand access to online education programs through increased broadband connectivity in rural public libraries.

The Idaho State Department of Education is determined to create a customer-driven education system that meets the needs of every student in Idaho and prepares our students to live, work and succeed in the 21st century. Idaho's rugged geography poses challenges in delivering broadband connectivity to rural areas of the state. Harnessing current technology in instructing students – whether in the classroom or outside school – is critical to providing a 21st century education.

Idaho students have made great academic progress in recent years. The number of schools making our Adequate Yearly Progress (AYP) goals has increased from 26 percent to 66 percent in just two years. For the past two years, our state has led the nation in the increase in the number of schools meeting this high bar. While we celebrate these achievements, we recognize we still have a long way to go in helping all Idaho students reach their full potential. That is why the State Department of Education is proud to support the Idaho Commission for Libraries (ICL) in its grant application.

Through this grant, the Commission will be able to expand effective educational programs to public libraries so students have access outside of school. Currently, many rural Idaho schools operate with little or no access to high-speed internet access. The Idaho Education Network (IEN) is working to connect all Idaho high schools to broadband technology, including video conferencing technology. Ann Joslin, State Librarian for the Idaho Commission for Libraries, sits on the IEN Technical Advisory Committee. The Broadband Technology Opportunity Program (BTOP) Grant would greatly help build upon these efforts to expand broadband in education efforts to ensure students have access throughout the community. BTOP would ensure rural libraries are equipped with the K-12 online tutoring service PLATO and the web-based Apangea Math. Library staff will also receive the training they need to assist students on these programs. In addition, Idaho Public Television will be working to create a teachers' domain library to provide K-12 teachers with audio/visual resources throughout the school year.

For these reasons, the Department is committed to our partnership with the ICL in successfully implementing the BTOP proposals to provide public education resources to students across Idaho. This will be accomplished by the department: 1) coordinating public information and outreach efforts with ICL, and by providing these materials to libraries; 2) participating in multi-agency training workshops associated with delivering and promoting the online resources provided in this proposal; 3) facilitating partnerships between school districts and local libraries; 4) referring teachers and students to libraries to access online education resources; and 5) providing information for data collection where necessary and as appropriate.

Thank you for your consideration in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tom Luna', with a long horizontal flourish extending to the right.

Tom Luna
Superintendent of Public Instruction



**IDAHO PUBLIC
TELEVISION**
idahoptv.org

Making a better world by
inspiring, enriching, and educating
the people we serve.

1455 North Orchard Street Boise ID 83706
FAX: (208) 373-7245 (208) 373-7220

March 10, 2010

Dear BTOP Proposal Reviewer,

Idaho Public Television is pleased to collaborate with the Idaho Commission for Libraries in their efforts to bring additional connectivity and resources to the underserved rural areas throughout Idaho.

Idaho Public Television is committed to support the Idaho Commission for Libraries Round 2 BTOP application by developing the Idaho PTV Teachers Domain Library edition with WGBH, and to offer this online resource through the statewide library system. In addition to the award winning resources from NOVA, FRONTLINE, and AMERICAN EXPERIENCE and other national productions, Idaho Public Television would customize this service with Idaho resources, such as our award winning fourth grade history series; our science program for elementary students, D4K; and a number of our specials including the Emmy award winning program about Idaho's teacher in space astronaut, Barbara Morgan.

By any measure, Idaho is one of the most rural states in the nation. As a result, isolation is one of the biggest threats to an improved quality of life. Over the last 40 years, Idaho Public Television has created a broadcast system that serves more than 97% of the state's population and is the only statewide medium (print, radio or television) in the state of Idaho.

As a State Board of Education entity, education is at the core of Idaho Public Television's mission. We broadcast over 60 hours a week of high quality, educational children's programming for both pre-school and early childhood viewers and 20 hours of programming a week is aired that is selected specifically for use in the K-12 classroom and for teacher professional development. For those wanting to further their educational opportunities we air 8-10 telecourses each semester offered for college credit.

Idaho Public Television views learning as a life-long process and in addition to the resources available for the K-14 audience on our main channel, we have dedicated one of our new digital channels to learners of all ages. The Learn/Create channel divides the programming day between professional development courses for teachers and how-to programs for those who are seeking learning opportunities outside the classroom setting.

To further expand Idaho Public Television's educational services, we developed a website, www.idahoptv.org in 1995 to augment our programming and outreach services. Fifteen years later, the website has grown in size and scope to over a million visitors and approximately 4 million page views a year. Our website provides opportunities for learners of all ages to expand their knowledge and horizons both in the classroom and from the comfort of their home or library.

Because of our unique position to disseminate information to a large number of people through our broadcast, cablecast and satellite signal, we are committed to creating informational interstitials and be responsible for assisting with the public information campaign regarding the expanded opportunities at rural libraries. We are also committed to collect and measure the usage and success of this service to inform decision making for services in the future.



As partners in this effort, we are committed to the following activities:

- Develop the IdahoPTV Teachers Domain Library edition with WGBH, and to offer this online resource through the statewide library system at a cost of \$75,000.
- Develop localized assets for the IdahoPTV digital library at a cost of \$25,000 to be provided as in-kind match.
- Provide trainings/webinars to library staff so that they are able to navigate the program and assist patrons in its use at a cost of \$3,500 to be provided as in-kind match.
- Work with the Idaho Commission for Libraries to coordinate public information and outreach at a cost of \$ 2,500 to be provided as in-kind match.
- Produce and air interstitials promoting the Teachers Domain Library and other LiLI resources for K-14 students at a cost \$32,500 to be provided as in-kind match.
- Provide associated public information materials to libraries at a cost of \$8,000 to be provided as in-kind match.
- Participate in data collection activities to measure usage and success of the service at a cost of \$3,500 to be provided as in-kind match.

Idaho Public Television is committed to serving the residents of Idaho by providing quality educational, cultural and entertaining programming; statewide delivery systems; outreach; online services and local programming. This collaboration with the Idaho Commission for libraries for extending services to rural library patrons is a perfect match between a number of entities that are all dedicated to improving the lives of Idaho citizens.

Sincerely,



Ron Pisaneschi

Director of Content

ron.pisaneschi@idahoptv.org

State of Idaho**Statement of Activities****For the Fiscal Year Ended June 30, 2009***(dollars in thousands)*

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS				
Primary Government				
Governmental Activities				
General Government	\$450,875	\$93,376	\$55,919	\$8,258
Public Safety and Correction	326,125	30,925	15,663	139
Health and Human Services	2,115,148	89,487	1,487,968	
Education	1,850,258	11,196	246,626	391
Economic Development	743,811	256,184	339,114	8
Natural Resources	241,108	133,138	(110,495)	96
Interest Expense	46,767			
Total Governmental Activities	5,774,092	614,306	2,034,795	8,892
Business-Type Activities				
College and University	896,993	339,989	235,470	21,154
Unemployment Compensation	338,600	130,879	34,046	
Loan	5,910	14,513	24,157	
State Lottery	105,780	140,316		
Liquor Dispensary	117,185	132,999		
Correctional Industries	8,323	8,971		
Total Business-Type Activities	1,472,791	767,667	293,673	21,154
Total Primary Government	\$7,246,883	\$1,381,973	\$2,328,468	\$30,046
Component Units				
Idaho Housing and Finance Association	\$132,172	\$97,648	\$2,577	
College and University Foundation	48,699	4,507	27,701	
Petroleum Clean Water Trust Fund	1,785	3,238		
Health Reinsurance	12,279	5,194	967	
Bond Bank Authority	5,642	5,656		
Total Component Units	\$200,577	\$116,243	\$31,245	

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 Assets****Net Assets - Beginning of Year, as Restated****Net Assets - End of Year**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
(\$293,322)		(\$293,322)	
(279,398)		(279,398)	
(537,693)		(537,693)	
(1,592,045)		(1,592,045)	
(148,505)		(148,505)	
(218,369)		(218,369)	
(46,767)		(46,767)	
<u>(3,116,099)</u>		<u>(3,116,099)</u>	
	(\$300,380)	(300,380)	
	(173,675)	(173,675)	
	32,760	32,760	
	34,536	34,536	
	15,814	15,814	
	648	648	
	<u>(390,297)</u>	<u>(390,297)</u>	
<u>(3,116,099)</u>	<u>(390,297)</u>	<u>(3,506,396)</u>	
			(\$31,947)
			(16,491)
			1,453
			(6,118)
			14
			<u>(53,089)</u>
1,177,106		1,177,106	
1,320,968		1,320,968	
214,113		214,113	
186,489		186,489	
31,094		31,094	
36,139		36,139	
			7,390
			5,980
(251,847)	251,847		
<u>2,714,062</u>	<u>251,847</u>	<u>2,965,909</u>	<u>13,370</u>
<u>(402,037)</u>	<u>(138,450)</u>	<u>(540,487)</u>	<u>(39,719)</u>
<u>7,452,688</u>	<u>1,537,980</u>	<u>8,990,668</u>	<u>485,873</u>
<u>\$7,050,651</u>	<u>\$1,399,530</u>	<u>\$8,450,181</u>	<u>\$446,154</u>

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

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.

In November 2006 the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement establishes requirements for accounting and reporting obligations to address the current or potential detrimental effects of existing pollution. The State implemented this Statement during the fiscal year ended June 30, 2009. See Note 12 for more information.

In November 2007 the GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes requirements for endowments to report their land and other real estate investments at fair value and requires the changes in fair value be reported as investment income. The State implemented this Statement during the fiscal year ended June 30, 2009. See Note 2 for more information.

In March 2009 the GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to incorporate the hierarchy of GAAP for state and local governments into the GASB's authoritative literature. The State implemented this Statement during the fiscal year ended June 30, 2009.

In March 2009 the GASB issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles—related party transactions, going concern considerations, and subsequent events. The State implemented this Statement during the fiscal year ended June 30, 2009.

The financial statements are presented for the fiscal year ended June 30, 2009, except for the Idaho State Bar, the Idaho Dairy Products Commission (nonmajor special revenue funds), the Petroleum Clean Water Trust Fund, the Idaho Individual High Risk Reinsurance Pool, and the Idaho Small Employer Health Reinsurance Program (discretely presented component units), whose

statements are for the fiscal year ended December 31, 2008; and the Idaho Potato Commission (nonmajor special revenue fund) whose statements are for the fiscal year ended August 31, 2008.

A. Reporting Entity

The State of Idaho is governed under the Idaho Constitution of 1890, as amended. Legislative power is vested in a 35-member Senate and a 70-member House of Representatives; executive power is vested in the Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General, and Superintendent of Public Instruction; and judicial power is vested in the Idaho Supreme Court, Idaho Court of Appeals, and district courts.

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 or other organizations for which the nature and significance of their relationships with the State are such that exclusion would cause the financial statements to be misleading or incomplete. 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

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

be used and leased by the State. The Authority relies on the State's leasing agreements, resulting in a significant financial benefit/burden relationship; and the Authority provides services entirely to the State of Idaho. The Idaho State Building Authority is blended as a nonmajor special revenue fund.

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. The State's discretely presented component units are as follows:

The *Idaho Housing and Finance Association* fund includes the Association and its component unit, The Housing Company. The Association was created by Idaho Code, Section 67-6202, for the purpose of building and rehabilitating residential housing for persons of low income and for facilitating the issuance of bonds or notes to finance projects for transportation infrastructure of the primary government. The Association is authorized to enter into agreements with the Idaho Transportation Department to facilitate transportation projects, including issuing bonds, thereby creating a financial benefit/burden relationship. The Governor appoints the Association board members.

The *College and University Foundation* fund includes the foundations of Boise State University, Eastern Idaho Technical College, Idaho State University, Lewis-Clark State College, and the University of Idaho. The foundations were established for the purpose of soliciting donations and to hold and manage invested donations for the primary benefit of the respective colleges and universities.

The *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 Fund is subject to the direction and supervision of the manager of the State Insurance Fund. The State approves, and may modify, the Fund's annual budget and thereby has the ability to impose its will on the Fund.

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. Both 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 and facilitate the guaranteed issue of standardized state-

approved health benefit plans. Both 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. Due to the level of authorized oversight by the Department of Insurance, the State has the ability to impose its will on these programs. The Pool is partially funded through state premium tax revenue creating a financial burden for the State. The assets of the Pool and the Program are restricted for specific purposes and are not subject to appropriation by the Idaho Legislature for other uses.

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, 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.

Financial statements for the component units may be obtained as follows:

Idaho State Building Authority
755 West Front Street, Suite 200
Boise, ID 83702

Idaho Housing and Finance Association
565 West Myrtle
P.O. Box 7899
Boise, ID 83707-1899

The Housing Company
P.O. Box 7899
Boise, ID 83707

Boise State University Foundation, Inc.
2225 University Drive
Boise, ID 83706

Eastern Idaho Technical College Foundation, Inc.
1600 South 25th East
Idaho Falls, ID 83404

Idaho State University Foundation, Inc.
921 South 8th Avenue
Campus Box 8050
Pocatello, ID 83209

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

Lewis-Clark State College Foundation, Inc.
Lewis-Clark State College
Controller's Office
500 8th Avenue
Lewiston, ID 83501

University of Idaho Foundation, Inc.
714 West State Street, Suite 240
Boise, ID 83702

Idaho Petroleum Clean Water Trust Fund
1215 West State Street
P.O. Box 83720
Boise, ID 83720-0044

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

Idaho Bond Bank Authority
State Treasurer's Office
P.O. Box 83720
Boise, ID 83720-0091

Related Organizations

The *State Insurance Fund*, created by Idaho Code, Section 72-901, and the *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 Assets* and *Statement of Activities* report information on nonfiduciary activities of the primary government and its component units. Primary government activities distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Internal service funds are included with governmental activities in the government-wide statements and are included with the proprietary funds in the fund statements.

The *Statement of Net Assets* presents the State's nonfiduciary assets and liabilities, with the difference

reported as net assets. Net assets are displayed in the following three categories:

Invested in Capital Assets, Net of Related Debt, consists of capital assets net of accumulated depreciation and reduced by outstanding related debt.

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

Unrestricted Net Assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets may have constraints or designations placed upon them by management, which can be unilaterally removed.

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

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

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 required to be accounted for in another fund.

The *Health and Welfare* fund accounts for resources used for public assistance, medical care, foster care, and other relief for eligible citizens of Idaho.

The *Transportation* fund accounts for resources used for administration, construction, and maintenance of the state highway and aviation systems.

The *Land Endowments* 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 to expenditures for specified purposes.

The *capital projects fund* accounts for revenues designated to finance construction of transportation infrastructure.

Permanent funds account for resources that are legally restricted to the extent that only earnings, and

not principal, may be used for purposes that support certain state programs.

Proprietary Fund Types

Enterprise funds account for governmental operations that function in a manner similar to private business enterprises. The intent is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

Fiduciary Fund Types

Pension trust funds account for resources held in trust for the members and beneficiaries of the State's defined benefit pension plans, defined contribution plans, and other employee benefits.

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

Agency funds account 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 as well as employee payroll deductions.

The *private-purpose trust fund* accounts for resources legally 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, P.O. Box 55253, Boston, MA 02205-5253.

Operating and Nonoperating 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.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

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.

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

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary (except agency) 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. Agency funds report only assets and liabilities using the accrual basis of accounting; they have no measurement focus.

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

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Significant revenue sources susceptible to accrual include sales tax, individual and corporate taxes, motor fuel taxes, and federal grants. Licenses, permits, fees, and other miscellaneous revenues, which are derived from an underlying transaction, are recognized when received since they are normally only measurable at that time. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, 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. They also follow all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. The State has elected not to apply FASB pronouncements issued after November 30, 1989, for business-type activities.

The foundations of Boise State University (BSU), Eastern Idaho Technical College (EITC), and Idaho State University (ISU), and The Housing Company issue financial statements using FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. The financial statements of the foundations (BSU, EITC and, ISU), and The Housing Company have been reformatted to comply with GASB requirements. Note disclosures for the foundations (BSU, EITC, and ISU) have been reformatted to comply with GASB requirements. The Housing Company's note disclosures have not been reformatted to comply with GASB requirements; therefore they are not included in the note disclosures.

D. Assets and Liabilities

Cash and Cash Equivalents

Cash and Cash Equivalents consist of bank accounts; petty cash; cash in transit; money markets; 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 STO manages investments of state funds and funds of other qualified entities within the State in accordance with Idaho Code, Sections 67-1210 and 67-1210A. See Note 2 for more information.

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,

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

which are not held for investment purposes, are carried at historical cost in the State's agency funds. 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.

The Public Employee Retirement System of Idaho, the Judges' Retirement fund, and the Land Endowments fund are permitted to make investments in accordance with the Idaho Uniform Prudent Investor Act, Sections 68-501 through 68-514, of the Idaho Code.

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 Notes 2 and 3 for more information.

Receivables, Net

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

Internal Balances

Interfund receivables and payables consist of unpaid balances for goods and services provided by one fund to another. 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 Assets, 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, generally using the first-in, first-out method. The consumption method of inventory accounting is used. Prepaid

expenses represent amounts paid in the current period for services that will benefit future periods. 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 restrictions on asset use are imposed by constitutional provisions, enabling legislation, or external parties, and the constraints change the nature or normal understanding of the availability of the asset.

Capital Assets, Net

Capital assets include land, buildings and improvements, construction in progress, historical art and collections, improvements other than buildings, machinery and equipment, all infrastructure regardless of acquisition date, and other capital assets. Assets with a cost of \$5,000 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 recorded at cost or estimated historical cost, if actual cost is not available. In cases where historical cost is not available, assets are valued using comparables indexed forward or backward with the consumer price index. Donated capital assets are recorded at estimated fair value at the date of donation. Endowment land originally granted to the State by the federal government is valued at one dollar per acre.

Capital assets are depreciated or amortized with the exception of roads, rights-of-way, land, construction in progress, historical art and collections, and certain intangible assets with an indefinite useful life. 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	30 - 50
Improvements Other Than Buildings	5 - 50
Machinery, Equipment, and Other	3 - 40
Bridges	75

Roads and rights-of-way 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

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

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 are not capitalized unless those collections were already capitalized on June 30, 1999. Historical art and collections include historical artifacts, documents, rare books, paintings, portraits, state capitol-related artifacts, furnishings, films, statues, and monuments. Historical art and collections are on public display, preserved and protected, and are used in the furtherance of historical education or are involved in advancement of artistic or historical research. If sold, the proceeds are used to acquire other items for the collection. See Note 6 for more information.

Payables

Payables in the General Fund consist primarily of sales taxes due to local governments and vendor obligations. Payables in the special revenue funds relate primarily to vendor obligations, fuel taxes to be distributed to local governments, and Medicaid. Medicaid Payable includes the amount the State expects to pay within 60 days of fiscal year end. The remaining amount, estimated 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 Assets. Proprietary fund payables consist mostly of payroll liabilities, unemployment compensation, and vendor obligations. The pension trust fund payable is comprised primarily of investments purchased by the Public Employee Retirement System of Idaho.

Unearned/Deferred Revenue

Unearned revenue is recorded when cash is received prior to being earned. In the governmental fund statements, deferred revenue includes unearned revenue in addition to revenue that is earned but not available.

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 Notes 2 and 3 for more information.

Other Accrued Liabilities

Other accrued liabilities primarily consist of construction and infrastructure expenses, contract retentions, interest payable, unclaimed property, and other miscellaneous liabilities.

Long-Term Liabilities

Government-wide and proprietary financial statements report long-term obligations as liabilities, with the portion payable within twelve months designated separately from the portion payable in more than twelve 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, as well as issuance costs, are deferred and amortized over the life of the loan. See Note 12 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 10 for more information.

Claims and Judgments are payables on behalf of the State and its agencies for various legal proceedings and claims. See Note 12 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 12 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 9 and 12 for more information.

Other Long-Term Liabilities consists of a net pension obligation, net other postemployment benefits obligation, and an arbitrage rebate liability. See Notes 7, 8, and 12 for more information.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

E. Equity

Equity represents the difference between assets and liabilities. The governmental fund equity is called fund balance; the government-wide, proprietary, and fiduciary fund equity are called net assets. Reserved fund balance and restricted net assets identify equity that is not available for appropriation for expenditures or is legally segregated for a specific future use.

F. Newly Issued Accounting Pronouncements

In June 2007 the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement defines an intangible asset's required characteristics and generally requires that they be treated as capital assets. Management has not yet determined the impact this standard will have on the State's financial statements. The requirements of this Statement are effective for the fiscal year ending June 30, 2010.

In June 2008 the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative*

Instruments. This Statement establishes recognition, measurement, and disclosure requirements for derivative instruments. Management has not yet determined the impact this standard will have on the State's financial statements. The requirements of this Statement are effective for the fiscal year ending June 30, 2010.

In February 2009 the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Management has not yet determined the impact this standard will have on the State's financial statements. The requirements of this Statement are effective for the fiscal year ending June 30, 2011.

NOTE 2. DEPOSITS AND INVESTMENTS

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 Idaho Bond Bank Authority, the Idaho Housing and Finance Association, the Idaho Individual High Risk Reinsurance Pool, the Idaho Small Employer Health Reinsurance Program, the college and university foundations, the Idaho State Building Authority, some of the endowment fund accounts, the State Bar, the Potato Commission, the Dairy Products Commission, the Wheat Commission, some of the colleges and universities accounts, and some of the Public Employee Retirement

System of Idaho accounts. 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 248 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.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

Custodial Credit Risk at June 30, 2009

(dollars in thousands)

	Governmental and Business- Type Activities	Fiduciary Funds	Component Units
Bank Value of Deposits	\$300,582	\$9,732	\$66,138
Uninsured and Uncollateralized Deposits	35,587	3,436	8,973
Uninsured Deposits Collateralized with Securities Held by the Pledging Financial Institution	7,939		
Uninsured Deposits Collateralized with Securities Held by the Pledging Financial Institution's Trust Department or Agent, but not in the State's Name			14,819

B. Investments

General Investment Policies

The Idaho Uniform Prudent Investor Act, Idaho Code, Sections 68-501 through 68-514, stipulates the standard to be followed by state investment personnel. The primary focus of the Act is preservation of capital and avoidance of speculative transactions through exercise of reasonable care, skill, and caution. The goal is to provide a reasonable return while following specific objectives of various trusts. The Act may be expanded, restricted, eliminated, or altered by provisions of Idaho statute or a trust.

The STO invests idle moneys, other than the public endowment funds, in accordance with Idaho Code, Sections 67-1210, 67-1210A, and 67-2739. The STO Investment Division handles short-term investing and outsources long-term investing.

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
- Securities lending agreements
- 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

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

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:

- Domestic equities and high-yield bonds
- International equities
- Collateralized mortgage obligations
- Fixed-income securities with a minimum Baa rating by Moody's or equivalent rating, Yankee bonds with a minimum A rating, equity-linked debt with a minimum rating of A, pass-through mortgage-backed securities with a minimum Aaa or equivalent rating
- Derivative instruments, specifically, covered call options
- Forward foreign currency contracts
- Forward and futures contracts to buy or sell a specified amount of an underlying security at a given delivery or maturity date for an agreed upon price

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

- Derivative instruments, specifically, futures, options, swaps, repurchase agreements, 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 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 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 Idaho State Treasurer 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 \$235.0 million.

The Judges' Retirement fund held \$9.7 million of government agency securities, \$0.2 million of foreign agency securities, \$3.8 million of corporate bonds, \$0.7 million of mortgage backed securities and \$33.6 million of equity securities held by the broker-dealer, not in the fund's name. The fund's investment policy does not contain legal or policy requirements that would limit exposure to custodial credit risk.

The PERSI investment policy mitigates custodial credit risk, to the extent possible, by requiring that investments 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 \$16.9 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 \$3.5 million of U.S. Treasury bonds, \$13.4 million of corporate bonds, \$10.9 million of bond mutual funds, \$2.0 million of certificates of deposits, \$38.9 million of equity mutual funds, and \$1.1 million of private equity funds that were uninsured and held in the name of the broker.

Interest Rate Risk of Debt Securities

Investments in debt securities that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. All investment managers are governed by the Idaho Uniform Prudent Investor Act as detailed in Idaho Code, Sections 68-501 through 68-514. 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 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.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

• 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 Endowment Funds interest rate risk

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 be 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, 2009.

Primary Government and Fiduciary Funds Investments and Maturities at June 30, 2009
(Except Endowment Funds, PERSI, and Idaho College Savings Program)
(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	Total Fair Value
Debt Securities:								
Money Market Funds	\$1,253,950							\$1,253,950
Certificates of Deposit	45,075	\$155						45,230
Commercial Paper	14,997							14,997
U.S. Government Obligations	699,719	50,833	\$1,546			\$29		752,127
U.S. Gov't Agency Obligations	843,060	111,730	30,323	\$4,136	\$348	6,356	\$25,753	1,021,706
U.S. Gov't Agency Mortgage-Backed Securities*	8,631	228,743	33,291					270,665
U.S. Gov't Corporation Mortgage-Backed Securities*		22,402						22,402
Asset-Backed Securities*	894	3,001						3,895
Commercial Mortgages*		59	17,833					17,892
Corporate Obligations	5,030	42,956	16,600			700	528	65,814
Municipal and Public Entity Obligations	21,855	64						21,919
Bond Mutual Funds and Other Pooled Fixed-Income Securities	62,846	329						63,175
Foreign Agency Obligations		79	170					249
Idaho Small Business Loans	40	863	210	331				1,444
External Investment Pools	91,019							91,019
Total Debt Securities	3,047,116	461,214	99,973	4,467	348	7,085	26,281	3,646,484
Reinvestment of Securities Lending Collateral:								
Money Market Funds	380,921							380,921
Repurchase Agreements	770,544							770,544
Asset-Backed Securities*	6,395	33,098						39,493
Corporate Obligations	298,500	49,667						348,167
Total Debt Securities and Reinvestment of Securities Lending Collateral	\$4,503,476	\$543,979	\$99,973	\$4,467	\$348	\$7,085	\$26,281	5,185,609
Other Investments:								
Mutual Funds								764
Preferred Stock								4,400
Domestic Equity Securities								33,975
Foreign Equity Securities								116
Total								\$5,224,864

*Mortgage-backed and asset-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, 2009**

Endowment Funds Interest Rate Risk at June 30, 2009
(dollars in thousands)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Modified Duration In Years</u>
<u>Debt Securities:</u>		
Barclays Capital Aggregate Bond	\$175,332	4.35
U.S. Treasury Inflation-Protected Securities	27,654	4.20
Total Endowment Fund Debt Securities	<u>202,986</u>	
<u>Other Investments:</u>		
Equity Investments	655,710	
Money Market Funds	58,647	
Securities Lending Collateral	91,211	
Total Other Endowment Fund Investments	<u>805,568</u>	
<u>Unsettled Trades:</u>		
Receivable for Investments Sold	(29,734)	
Payable for Investments Purchased	3,195	
Total Endowment Fund Investments	<u><u>\$982,015</u></u>	

PERSI Investments at June 30, 2009
(dollars in thousands)

<u>Investment Type</u>	<u>Fair Value</u>
Domestic Fixed-Income	\$2,111,302
Commingled Domestic Fixed-Income	53,263
Short-Term Domestic Investments	362,525
Idaho Commercial Mortgages	431,916
International Fixed-Income	34,058
Domestic Equities	2,896,235
Domestic Equities - Convertibles	511
International Equities	2,045,062
Real Estate	485,331
Private Equity	617,456
Mutual Funds	286,164
Co-mingled Domestic Equity - Domestic	102,783
Co-mingled Domestic Equity - International	30,249
Total Fair Value of PERSI Investments	<u><u>\$9,456,855</u></u>

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

PERSI Effective Duration of Fixed Income Assets by Security Type at June 30, 2009
(dollars in thousands)

<u>Investment Type</u>	<u>Domestic Securities</u>		<u>International Securities</u>		<u>Total Fair Value</u>
	<u>Fair Value</u>	<u>Effective Duration in Years</u>	<u>Fair Value</u>	<u>Effective Duration in Years</u>	
Asset-Backed Securities	\$3,991	0.39	\$256	3.49	\$4,247
Asset-Backed Securities Mortgages	1,516	*	43	*	1,559
Mortgages	27,631	1.89			27,631
Mortgages	2,807	*			2,807
Commercial Paper	238,394	0.07			238,394
Commercial Paper	23,385	*			23,385
Corporate Bonds	345,269	5.83	1,456	4.84	346,725
Corporate Bonds	10	*			10
Fixed-Income Derivatives	(56)	24.37	(15)	*	(71)
Fixed-Income Derivatives	(69)	*			(69)
Government Agencies	184,427	3.51	8,341	3.62	192,768
Government Bonds	238,383	6.16	23,977	4.89	262,360
Government Mortgage-Backed Securities	215,717	2.95			215,717
Pooled Investments	18,876	0.08			18,876
Pooled Investments	53,263	*			53,263
Preferred Stock	225	1.51			225
Preferred Stock	244	*			244
Private Placements	30,679	2.11			30,679
Private Placements	111,245	*			111,245
U.S. Treasury Inflation-Protected Securities	1,013,667	4.86			1,013,667
Idaho Mortgages	431,916	*			431,916
Total PERSI Fixed Income Securities	\$2,941,520		\$34,058		\$2,975,578

*Duration calculations for some securities are not available.

Idaho College Savings Program Investments at June 30, 2009
(dollars in thousands)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Maturity In Years</u>
Money Market Fund	\$14,915	Less than 1
Bond Fund	50,132	6.7
Inflation-Linked Bond Fund	7,517	9.1
Equity Funds	46,114	
International Equity Funds	11,555	
TIAA-CREF	9,106	
Total Idaho College Savings Program Investments	\$139,339	

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

Component Units Maturity of Debt Investments at June 30, 2009
(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	\$213,446								\$213,446
Certificates of Deposit	168	\$589							757
U.S. Government Obligations	7,047	14,335	\$4,100	\$3,692	\$6,878	\$13	\$166		36,231
U.S. Gov't Agency Obligations	2,035	39,419	11,689	4,067	12,419	15,361	70,519		155,509
Corporate Obligations	13,555	28,138	17,367	1,170	1,149	2,672	4,600	\$3,645	72,296
Municipal Obligations	178	376	421		134	28			1,137
Bond Mutual Funds	5	94	10,782						10,881
Total Debt Securities	\$236,434	\$82,951	\$44,359	\$8,929	\$20,580	\$18,074	\$75,285	\$3,645	490,257
Other Investments									
Cash Equivalents included with Investments									2,005
Domestic Equities									75,165
Foreign Equities									461
Private Equities									3,644
Investment Agreements									347,106
Corporate Obligations Without Maturity Dates									4,163
Equity and Income Mutual Funds									46,027
Mutual Funds									32,403
International Equity Funds									3,231
Real Estate and Perpetual Trusts									3,678
Insurance Annuities									255
Hedge Funds									5,735
Land Held by Endowment*									13,766
Component Units Investments									\$1,027,896

*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 Aa grade or better and commercial paper of prime or equivalent grade without prior Board approval.
- The EFIB investment policy states that fixed-income securities must be rated Baa 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 or Moody's.

- The PERSI has no strict limitations for credit risk exposures. Each PERSI portfolio is managed in accordance with operational guidelines that are specific as to expected portfolio characteristics that usually, but not always, include credit quality and exposure levels. Per the PERSI policy these characteristics are established and monitored within each portfolio, with variances reported by the manager.
- The Idaho Housing and Finance Association policies permit investments for each bond issue in accordance with the various bond indentures and bond resolutions adopted by the Association. Program account investments are restricted to those allowed by Idaho Code, Section 67-6215B, or by federal regulations. The Association has adopted resolutions as policy for authorized investments in the Affordable Housing Investment Trust and the Bond Rating Compliance and Loan Guaranty Trust. The Board has not adopted a formal policy related to the Association's business operations investments.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

**Primary Government and Fiduciary Funds Credit Quality Ratings of Debt Securities at June 30, 2009
(Except Endowment Funds and PERSI)
(dollars in thousands)**

Investment Type	Fair Value	Aaa	Aa	A	Baa	Ba	B	Caa	C	A1-P1	Unrated
Money Market Funds*	\$1,328,243	\$1,300,013								\$2,164	\$26,066
Certificates of Deposit	45,230				\$30						45,200
Commercial Paper	14,997									14,997	
U.S. Gov't Agency Obligations	1,021,706	1,020,855	\$162								689
U.S. Gov't Agency Mortgage-Backed Securities	270,665	269,983									682
Asset-Backed Securities	3,895	3,001	894								
Commercial Mortgages	17,892	17,892									
Corporate Obligations	70,596	6,761	30,754	\$20,787	12,284	\$10					
Municipal and Public Entity Obligations	21,919	44			20						21,855
Bond Mutual Funds and Other Pooled Fixed-Income Securities	120,824		905								119,919
Foreign Agency Obligations	249		22	114	113						
External Investment Pools	91,019	91,019									
Total Before Securities Lending	3,007,235	2,709,568	32,737	20,901	12,447	10	0	0	0	17,161	214,411
Reinvestment of Securities Lending Collateral:											
Money Market Funds	380,921	166,312							\$17,226		197,383
Repurchase Agreements	770,544										770,544
Asset-Backed Securities	39,493	3,198		3,197	5,471		\$18,465	\$9,162			
Corporate Obligations	348,167		39,999	222,002					40,414		45,752
Total	\$4,546,360	\$2,879,078	\$72,736	\$246,100	\$17,918	\$10	\$18,465	\$9,162	\$57,640	\$17,161	\$1,228,090

*Includes \$59.4 million of money market funds that are reported with cash and cash equivalents.

**Endowment Funds
Credit Quality Ratings of Debt Investments at June 30, 2009
(dollars in thousands)**

Investment Type	Fair Value	Average S & P Rating
Barclays Capital Aggregate Bond	\$175,332	AA
Northern Money Market Fund	58,647	A
Securities Lending Collateral	91,211	A
Total	\$325,190	

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

PERSI Credit Quality of Fixed-Income Securities at June 30, 2009

(dollars in thousands)

S & P Rating Level	Fair Value	Investment Type	
		Domestic Securities	International Securities
Agency (A-1+)	\$337,351	\$337,351	
AAA	102,293	86,554	\$15,739
AA	22,495	20,999	1,496
A	317,633	305,875	11,758
BBB	116,655	114,799	1,856
BB	18,982	18,953	29
B	15,662	15,655	7
CCC	7,151	7,151	
CC	751	751	
C	26	26	
D	2,012	1,999	13
Not Rated	278,462	275,302	3,160
Total	\$1,219,473	\$1,185,415	\$34,058

Component Units Credit Quality Ratings of Debt Securities at June 30, 2009

(dollars in thousands)

Investment Type	Fair Value	Aaa	Aa	A	Baa	Ba	B	Caa	C	Unrated
Money Market Funds	\$213,446	\$3,735								\$209,711
Certificates of Deposit	757	589								168
U.S. Government Agency Obligations	155,509	150,842								4,667
Corporate Obligations	72,296	7,478	\$18,448	\$20,460	\$17,004	\$3,380	\$1,281	\$3,411	\$431	403
Municipal Obligations	1,137	178	331	543		32				53
Bond Mutual Funds	10,881	4,327	6,456	82						16
Total	\$454,026	\$167,149	\$25,235	\$21,085	\$17,004	\$3,412	\$1,281	\$3,411	\$431	\$215,018

Concentration of Credit Risk

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The GASB has adopted a principle that governments should provide note disclosure when 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, the STO pool portfolio, and the colleges and universities have not adopted a formal policy to address concentration of credit risk.

- 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, 2009**

Primary Government Concentration of Credit Risk at June 30, 2009

(dollars in thousands)

Portfolio	Issuer	Fair Value	Percent of Portfolio Investments
Idaho Potato Commission:	Federal Home Loan Mortgage Corporation	\$866	100.0
STO Pool:	Federal Home Loan Bank	89,474	5.6
	Federal Home Loan Mortgage Corporation	140,163	8.7
	Federal National Mortgage Association	94,781	5.9
Boise State University:	Federal Home Loan Bank	9,979	9.0

Component Unit Concentration of Credit Risk at June 30, 2009

(dollars in thousands)

Component Unit	Issuer	Fair Value	Percent of Portfolio Investments
Idaho Housing and Finance Association:	Federal Farm Credit Bank	\$53,804	7.9
	Transamerica Life Insurance Corporation	170,424	24.9
	Trinity Plus Funding Company	133,074	19.4
Health Reinsurance:	Federal Farm Credit	1,003	5.5
	Federal Home Loan Bank	9,594	52.7
	Federal Home Loan Mortgage Corporation	4,014	22.1
	Federal National Mortgage Association	3,589	19.7

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 16 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.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

Endowment Funds Foreign Currency Risk at June 30, 2009
(dollars in thousands)

<u>Currency</u>	<u>Investment Type</u>	<u>Fair Value in U.S. Dollars</u>
Australian Dollar	Common Stock	\$3,198
Canadian Dollar	Common Stock	521
Danish Krone	Common Stock	1,530
Euro	Common Stock	26,339
Hong Kong Dollar	Common Stock	7,143
Japanese Yen	Common Stock	32,730
Norwegian Krone	Common Stock	1,129
Singapore Dollar	Common Stock	1,273
South African Rand	Common Stock	2,443
South Korean Won	Common Stock	1,598
Swedish Krona	Common Stock	514
Swiss Franc	Common Stock	8,735
U.K. Pound	Common Stock	10,257
Total		<u><u>\$97,410</u></u>

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

PERSI Foreign Currency Risk at June 30, 2009
(stated at fair value of U.S. dollars in thousands)

Currency	Investment Type			Fair Value of Currency in U.S. Dollars
	Short-Term Investments	Equities	Fixed Income	
Australian Dollar	(\$3,157)	\$78,815	\$3,645	\$79,303
Brazilian Real	1,060	91,851	1,675	94,586
British Pound Sterling	2,681	275,184	3,150	281,015
Canadian Dollar	(2,856)	37,781	11,358	46,283
Chilean Peso	50	2,698		2,748
Chinese Yuan Renminbi		27		27
Czech Koruna	51	3,337		3,388
Danish Krone	38	5,900		5,938
Egyptian Pound		17,125		17,125
Euro	(4,062)	543,617	6,752	546,307
Hong Kong Dollar	4,941	174,103		179,044
Hungarian Forint	32	9,913		9,945
Indonesian Rupian	20	60,846		60,866
Israeli Shekel	41	17,464		17,505
Japanese Yen	(8,567)	288,586		280,019
Kenyan Shilling		290		290
Malaysian Ringgit		7,506		7,506
Mexican New Peso	(4,699)	14,254	5,036	14,591
New Taiwan Dollar	1,620	54,798		56,418
New Turkish Lira	(375)	60,643		60,268
New Zealand Dollar	4	2,196		2,200
Norwegian Krone	138	6,528		6,666
Philippines Peso	66	2,721		2,787
Polish Zloty	(1,419)		2,939	1,520
South African Rand	755	101,760		102,515
Singapore Dollar	151	22,030		22,181
South Korean Won	1,064	97,676		98,740
Sri Lanka Rupee		427		427
Swedish Krona	15	23,134		23,149
Swiss Franc	879	75,228		76,107
Thailand Baht	218	31,029		31,247
Zimbabwe Dollar		342		342
Total	(\$11,311)	\$2,107,809	\$34,555	\$2,131,053

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009

College and University Foundation Foreign Currency Risk at June 30, 2009
(dollars in thousands)

Currency	Investment Type	Fair Value in U.S. Dollars
Australian Dollar	Equities	\$1,851
Brazilian Real	Equities	12
Canadian Dollar	Equities	64
Chinese Yuan	Equities	28
Danish Krone	Equities	30
Euro	Equities	2,353
Hong Kong Dollar	Equities	2,977
Indian Rupee	Equities	10
Israeli Shekel	Equities	18
Japanese Yen	Equities	4,386
Mexican Peso	Equities	19
New Zealand Dollar	Equities	295
Norwegian Krone	Equities	7
Portuguese Escudo	Equities	3
Russian Ruble	Equities	7
Singapore Dollar	Equities	984
Swedish Krona	Equities	779
Swiss Franc	Equities	892
Turkish Lira	Equities	10
U.K. Pound	Equities	4,185
Total		\$18,910

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 \$27.7 million, and the PERSI had investments in TIPS with a fair value of \$1.0 billion.

The Idaho Housing and Finance Association has five U.S. agency obligations with an aggregate value of \$8.3 million with call options.

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 \$7.0 million with Wells Fargo Bank and \$9.7 million with KeyBank Bank.

Idaho State University Foundation invests idle cash in uninsured repurchase agreements that are fully collateralized by the U.S. government. The Foundation had repurchase agreements of \$2.9 million with Key Bank National Association.

Securities Lending Agreements

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. Idaho Code, Section 67-1210A, authorizes the STO to engage in securities 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

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

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, 2009, more than 73 percent of the portfolio was invested in instruments with a one-day maturity and the weighted average maturity of the cash collateral portfolio was 88 days.

**Primary Government and Fiduciary Funds
Balances of Securities Lending Transactions at June 30, 2009
(dollars in thousands)**

<u>Securities Lent for Cash Collateral</u>	<u>Fair Value of Lent Securities</u>	<u>Cash Collateral Received for Lent Securities</u>
U.S. Treasury Obligations	\$555,669	\$566,881
U.S. Government Agency Obligations	855,185	872,490
Mortgage-Backed Securities	141,719	144,845
Corporate Debt Instruments	22,558	23,223
Total	<u>\$1,575,131</u>	<u>\$1,607,439</u>

The STO pool portfolio and internal participants' portions of the LGIP reinvestment of securities lending balances are reported in the General Fund. The reinvestment of securities lending balances attributable to the LGIP and the DBF external participants are reported in the investment trust funds. These amounts do not include the EFIB or Judges' securities lending balances.

The EFIB engages in securities lending agreements. The EFIB custodian, Northern Trust Company, lends securities for collateral in the form of cash, irrevocable letters of credit or securities worth at least 102 percent of the lent securities' fair value, (105 percent for international securities). At year-end the EFIB had no credit risk exposure to borrowers because the collateral exceeded the amounts borrowed. The securities loans can be terminated on demand by either the EFIB or the borrower. The EFIB is indemnified if the borrowers fail to return the securities or fail to pay the EFIB for income distributions by the securities issuers while the securities are on loan. At June 30, 2009, the average term of a loan was 46 days. The maturities of loans are affected by the securities loans made by other entities that use the agent's pool. The EFIB cannot pledge or sell collateral securities unless the borrower defaults.

The Judges' Retirement fund engages in securities lending transactions. The Judges' custodian, Northern Trust Company, lends securities for collateral in the form of cash, securities and irrevocable letters of credit worth at least 102 percent of the lent securities' fair value, (105 percent for international securities). The carrying amount and fair value of the securities on loan was approximately \$4.4 million and the underlying collateral for these securities has a market value of approximately

\$4.2 million. Because these securities cannot be pledged or sold unless the borrower defaults, the collateral and related liability are not presented in the statement of net assets. The fund is indemnified for losses by the custodian in the event the borrowers fail to return the securities, the collateral received is insufficient to replace the securities, or the borrowers fail to pay the fund for income distributions by the securities issuers while the securities are out on loan. All loans of securities can be terminated on demand by either the fund or the borrower.

Derivatives

Derivatives are financial obligations whose value is derived from underlying debt or equity securities, commodities, or currencies. Derivatives are designed, among other things, to help investors protect themselves against the risk of price changes.

The Idaho State Building Authority established a forward interest rate swap contract with Lehman Brothers Financial Products, Inc. on the 1998 Prison Project (1998 Series A Bonds). This forward interest rate contract can be terminated by the Authority at any time from origination on September 19, 2003, to the expiration date of September 1, 2025. The Authority executed this forward interest rate swap contract for a specified proposed refunding of the 1998A bonds. The Authority

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

intended to terminate the swap contract prior to the implementation date if the termination payment to be received by the Authority equaled or exceeded two times the present value savings for the bonds for which the swap contract was executed. The contract was implemented as of June 3, 2008. In September 2008, Lehman filed for bankruptcy. On December 1, 2008, the Authority terminated the swap contract by paying Lehman \$7.1 million. The Authority entered into a new swap contract with Barclays Capital on December 1, 2008, and received \$7.4 million. The contract is in a liability position of \$6.7 million. The position is determined by the difference between a fixed 4.3 percent and 67 percent of the 1-month London Interbank Offered Rate (LIBOR). The swap agreement is characterized as a derivative and is carried on the Statement of Net Assets as Other Accrued Liabilities at fair value.

The EFIB periodically invests in forward and futures contracts representing agreements to buy or sell a specified amount of an underlying security at a given delivery or maturity date. The EFIB's use of these securities is limited to small positions in the EFIB international and domestic equity portfolios established primarily for hedging or passive rebalancing. At June 30, 2009, the EFIB held 42 S&P 500 contracts with a fair value of \$9.6 million and 460 10-year treasury contracts with a fair value of \$53.5 million. The mark-to-market payable as of that date was \$16,305, which was paid on July 1, 2009.

The PERSI permits a few selected managers to use derivatives. In every case, the type of derivatives used and limits on their use are defined in manager contracts and are monitored on an ongoing basis. At June 30, 2009, the PERSI reported the following derivative and hedging activity:

- Futures contracts with a fair value of (\$59,242), which is included in Fixed-Income Investments. Cash equivalents and short-term investments in amounts necessary to settle the futures contracts were held in the portfolio so that no leverage was employed. The PERSI had the following net futures contracts exposure:
 - (a) Cash and cash equivalents (Euro) of \$39.4 million
 - (b) U.S. Treasury bond futures of (\$2.0) million
 - (c) U.S. Treasury note futures of \$39.4 million
 - (d) German Treasury note futures of \$6.8 million

- Option contracts give the PERSI the right, but not the obligation, to purchase or sell a financial instrument at a specified price within a specified time. Options strategies used by the PERSI are designed to provide exposures to positive market moves and limit exposures to interest rate and currency fluctuations. The PERSI had option contracts payable with a fair value of \$92,691, which is included in the liabilities as Investments Purchased.

The PERSI had the following option contracts exposure:

- (a) Cash and cash equivalents written call options of \$3,488
 - (b) Cash and cash equivalents written put options of \$1,000
 - (c) Fixed-income written call options of \$76,734
 - (d) Fixed-income written put options of \$11,469
- The PERSI has entered into forward foreign currency exchange contracts to purchase or sell currency at various dates in the future at a specific price. Some of the PERSI's international and real estate investment managers use forward contracts to hedge the exposure of investments to fluctuations in foreign currency. The PERSI and the investment managers have established controls to monitor the creditworthiness of the counterparties. The PERSI had entered into forward currency contracts to sell foreign currencies with a fair value of \$952.6 million and had entered into forward currency contracts to buy foreign currencies with a fair value of \$958.8 million. Forward currency contracts are receivables or liabilities reported as Investments Sold or Investments Purchased.

The Idaho Housing and Finance Association established interest swap contracts with Lehman Brothers Derivative Products Inc. on several single-family mortgage bond issues. The Association also issued variable rate debt in connection with the same bond issues. The swap agreements, when combined with the associated variable rate debt, create a synthetic fixed-rate debt obligation. During the fiscal year, the Association terminated its interest swap contracts with Lehman Brothers Derivative Products Inc. on several single-family mortgage bond issues. Concurrently, the Association established contracts with Barclays Capital. The swap agreements are carried on the Statement of Net Assets in Other Accrued Liabilities at fair value, with changes in the value recognized in earnings of the current period. The impact on Other Accrued Liabilities was an aggregate amount of \$82.4 million.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

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 Assets. The break out of purpose and amount are as follows:

**Primary Government and Component Units
Restricted Assets at June 30, 2009
(dollars in thousands)**

Purpose	Amount
<u>Governmental Activities:</u>	
Restricted Cash:	
Group Insurance Reserves	\$40,305
Pollution Clean Up	3,819
Bond Covenants	703
Matching Fund Contributions	10,110
Donors for Various Projects	6,641
Petroleum Violation Escrow	4,175
Legal Settlements	424
Transportation Project Costs	86
Legislation and Donations	5,141
The Idaho State Bar Client Assistance Fund	382
Debt Service	55,942
Restricted Investments:	
Matching Fund Contributions	370
Donors for Various Projects	3,266
Legal Settlements	2,164
Legislation and Donations	73,199
	<u>\$206,727</u>
<u>Business-Type Activities:</u>	
Restricted Cash:	
Debt Service	\$553
Wastewater Facility Loan Program and Drinking Water Systems Loan Program	23,830
Bond Indentures	25,381
Idaho Lottery Dividends Payout	34,375
Restricted Investments:	
Wastewater Facility Loan Program and Drinking Water Systems Loan Program	61,382
Bond Indentures	1,173
	<u>\$146,694</u>
<u>Component Units:</u>	
Restricted Cash:	
Single-Family and Multi-Family Escrow Deposits	\$25,371
Multi-Family Escrow Deposits	1,698
Donors for the College and University Foundations	12,632
Restricted Investments:	
Donors for the College and University Foundations	2,790
	<u>\$42,491</u>

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

NOTE 3. EXTERNAL INVESTMENT POOLS

A. Overview of the External Investment Pools

Idaho Code, Sections 67-1301 and 67-2328 authorizes the State Treasurer to combine the money of public agencies jointly in 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 LGIP is a short-term investment pool. Participants have overnight availability to their funds, up to \$10.0 million. Withdrawals of more than \$10.0 million require 3 business days' notification. The weighted average maturity of investments in the LGIP at June 30, 2009, was 58 days. The LGIP distributes earnings monthly to the participants based on their average daily balance as a percentage of the total pool. The STO created the DBF for those state and public agencies able to exchange current liquidity for potentially greater returns over the long run (3.5 years or longer). Withdrawals of \$10.0 million or less generally require 5 business days' notification prior to the last day of the month. Withdrawals of more than \$10.0 million require 25 business days' notification prior to the last day of the month. All withdrawals from the DBF occur on the last day of the month. The weighted average maturity of investments in the DBF at June 30, 2009, was 2.8 years. The DBF distributes earnings monthly to the participants based on their average daily balance as a percentage of the total pool.

The STO must operate and invest the funds of both pools for the benefit of the participants. The STO makes investments in accordance with Idaho Code, Sections 67-1210 and 67-1210A. The Pools are not registered with the Securities and Exchange Commission or any other regulatory body. Both pools are rated 'AAA' by Standard & Poor's Ratings Services. The STO does not provide any legally binding guarantees to support the value of shares to the participants. Each month the STO transfers funds to cover administrative costs associated with the specific pool to the STO operating fund.

The LGIP and the DBF are reported as fiduciary-type investment trust funds. The Pools have not issued separate reports as external investment pools. The assets and liabilities in these notes will not agree to the amounts shown on the fiduciary fund financial statements because only the external portion of investment pool assets is required to be reported in the investment trust funds. The internal portion of pool assets is reported in the appropriate individual fund or component unit.

Investments were valued through a quoted market price at June 30, 2009. The LGIP provides participants with a net asset valuation factor that enables them to convert their monthly statement balance to fair value. The DBF reports participants' balances at fair value on their monthly statements. The State uses the aggregate method to determine the increase or decrease in fair value of each pool.

In March 2009 the DBF received \$0.7 million as a result of litigation of Tyco International. Internal participant funds generally receive the income from investments generated by their participation in the external investment pools, with the exception of the Unemployment Compensation enterprise fund whose investment income is assigned to the Miscellaneous Special Revenue fund (a nonmajor governmental fund) per Idaho Code 72-1347A.

The LGIP and the DBF engage in securities lending transactions. A securities lending agent manages the securities lending program. During the year, the agent lent securities for cash collateral. The cash collateral can be pledged without borrower default. The securities 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 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 had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed and no custodial credit risk existed because the securities were held by the State's agent in the STO's name. No restrictions exist on the amount of loans that can be made. Substantially all securities loans can be terminated on demand either by the State or by the borrower. Generally the average term of these loans is under 10 days. The cash collateral received is invested by the agent in marketable securities with maturities ranging between one day and three years. As of June 30, 2009, more than 75 percent of the LGIP cash collateral was invested in instruments with a one-day maturity and the weighted average maturity of all collateral investments was 61 days; more than 83 percent of the DBF cash collateral was invested in instruments with a one-day maturity and the weighted average maturity of all cash collateral investments was 15 days.

The Pools disclose certain risks that may be associated with their deposits and investments. Disclosures are made under each individual pool for the following required risk disclosures:

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

Interest rate risk occurs when investments are fixed for longer periods. The Pools do not have a formally adopted policy to address interest rate risk.

Concentration of credit risk results when investments are concentrated in one issuer and represents heightened risk of potential loss. No specific percentage identifies when concentration of credit risk is present. The GASB has adopted a principle that when governments invest discretely on behalf of their various funds, such as the LGIP or the DBF, they should disclose the amount and percentage when 5 percent of the total fund 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. The Pools do not have a formally adopted policy to address the amount that may be invested with any one issuer.

Credit risk associated with investments is the risk that an issuer of debt securities or another counterparty to an investment transaction will not fulfill its obligation. Obligations explicitly guaranteed by the U.S. government are not considered to have credit risk. The Pools do not have a formally adopted policy to address credit risk associated with investments.

B. Local Government Investment Pool

**Local Government Investment Pool
Condensed Statement of Net Assets
June 30, 2009
(amounts in thousands)**

Assets	
Investments, at Fair Value	\$1,571,980
Interest Receivable to the Pool	1,044
Reinvestment of Securities Lending Collateral	966,308
Securities Lending Income Receivable	386
Total Assets	<u>2,539,718</u>
Liabilities	
Distributions Payable	682
Administrative Fees Payable	33
Obligations Under Securities Lending	966,308
Securities Lending Agent Fees Payable	43
Securities Lending Borrower Rebates Payable	216
Total Liabilities	<u>967,282</u>
Net Assets Held in Trust for Pool Participants	<u>\$1,572,436</u>
Net Assets Consist of:	
Net Assets Held in Trust for External Participants (\$1.00 par)	\$1,485,290
Net Assets Held in Trust for Internal Participants (\$1.00 par)	87,146
Net Assets Held in Trust for Pool Participants	<u>\$1,572,436</u>
Total Participant Units Outstanding (\$1.00 par)	1,563,660
Participant Net Asset Value, Offering Price and Redemption Price Per Share (\$1,572,436 divided by 1,563,660 units)	<u>\$1.01</u>

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

**Local Government Investment Pool
Condensed Statement of Operations and Changes in Net Assets
For the Fiscal Year Ended June 30, 2009
(dollars in thousands)**

Investment Income		
Interest Income		\$21,386
Securities Lending Income		8,653
Change in Fair Value of Investments		8,784
Total Investment Income		<u>38,823</u>
Expense		
Administrative Fees		(439)
Securities Lending Agent Fees		(339)
Securities Lending Borrower Rebates		(7,296)
Total Investment Expense		<u>(8,074)</u>
Net Investment Income		30,749
Distributions to Participants		
Distributions Paid and Payable		(29,646)
Share Transactions at Net Asset Value of \$1.00 per Share		
Pooled Participant Deposits	\$3,498,967	
Pooled Participant Withdrawals	<u>(3,521,399)</u>	
Change in Net Assets and Shares Resulting From Share Transactions		<u>(22,432)</u>
Total Change in Net Assets		(21,329)
Net Assets Held in Trust for Pool Participants		
Beginning of Period		<u>1,593,765</u>
End of Period		<u><u>\$1,572,436</u></u>

**Local Government Investment Pool
Summary of Fair Value and Interest Rate Risk at June 30, 2009
(dollars in thousands)**

Investment Type	Fair Value	Interest Rates	Investment Maturities	
			Less than 1	1-5
Money Market Mutual Funds	\$524,046	0.400% -0.470%	\$524,046	
Corporate Debt Instruments	9,978	0.934% -8.300%	5,006	\$4,972
U.S. Government Agency Obligations	698,245	0.150% -3.750%	628,161	70,084
U.S. Treasury Obligations	<u>339,711</u>	0.160% -0.390%	<u>339,711</u>	
Total Securities	<u>1,571,980</u>		<u>1,496,924</u>	<u>75,056</u>
Accrued Interest	1,044		1,044	
Reinvestment of Securities Lending Collateral:				
Money Market Mutual Funds	185,854	0.000% -0.243%	185,854	
Repurchase Agreements	534,920	0.340% -0.740%	534,920	
Corporate Debt Instruments	223,052	0.370% -1.211%	177,358	45,694
Asset-Backed Securities*	22,482	0.290% -0.375%	3,198	19,284
Securities Lending Income Receivable	<u>386</u>		<u>386</u>	
Total Assets	<u><u>\$2,539,718</u></u>		<u><u>\$2,399,684</u></u>	<u><u>\$140,034</u></u>

*These securities are reported using weighted-average maturity to more accurately reflect the projected term of the security, considering interest rates and repayment terms.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

Local Government Investment Pool

Change in Fair Value

(dollars in thousands)

Fair Value of Investments at June 30, 2009	\$1,571,980
Proceeds of Investments Sold in FY2009	8,285,025
Cost of Investments Purchased in FY2009	(8,257,943)
Fair Value at June 30, 2008	(1,590,278)
Change in Fair Value of Investments During FY 2009	\$8,784

**Local Government Investment Pool
Concentration of Credit Risk at June 30, 2009**

(dollars in thousands)

Issuer	Fair Value	Percent of Total LGIP Investments
Federal Home Loan Bank	\$169,728	6.69
Federal Home Loan Mortgage Corporation	168,028	6.62
Federal National Mortgage Association	189,998	7.49

**Local Government Investment Pool
Credit Quality Ratings of Debt Securities at June 30, 2009**

(dollars in thousands)

Investment Type	Fair Value	Aaa	Aa	A	Baa	B	Caa	C	Unrated
Money Market Mutual Funds	\$524,046	\$524,046							
Corporate Debt Instruments	9,978		\$506	\$9,472					
U.S. Government Agency Obligations	698,245	698,245							
Reinvestment of Securities Lending Collateral:									
Money Market Mutual Funds	185,854	33,144						\$7,544	\$145,166
Repurchase Agreements	534,920								534,920
Corporate Debt Instruments	223,052		24,998	198,054					
Asset-Backed Securities	22,482			3,198	\$5,471	\$9,232	\$4,581		
Total Investments	\$2,198,577	\$1,255,435	\$25,504	\$210,724	\$5,471	\$9,232	\$4,581	\$7,544	\$680,086

Moody's or equivalent credit quality ratings have been used.

**Local Government Investment Pool
Balances of Securities Lending Transactions at June 30, 2009**

(dollars in thousands)

Securities Lent for Cash Collateral	Fair Value of Lent Securities	Cash Collateral Received for Lent Securities
Corporate Debt Instruments	\$154	\$160
U.S. Government Agency Obligations	628,277	640,766
U.S. Treasury Obligations	339,711	345,963
Total	\$968,142	\$986,889

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

C. Diversified Bond Fund

**Diversified Bond Fund
Condensed Statement of Net Assets
June 30, 2009
(amounts in thousands)**

Assets	
Investments, at Fair Value	\$383,695
Interest Receivable to the Pool	2,167
Reinvestment of Securities Lending Collateral	190,514
Securities Lending Income Receivable	75
Total Assets	<u>576,451</u>
Liabilities	
Distributions Payable	1,134
Administrative Fees Payable	5
Obligations Under Securities Lending	190,514
Securities Lending Agent Fees Payable	7
Securities Lending Borrower Rebates Payable	47
Total Liabilities	<u>191,707</u>
Net Assets Held in Trust for Pool Participants	<u>\$384,744</u>
Net Assets Consist of:	
Net Assets Held in Trust for External Participants (\$1.00 par)	\$100,779
Net Assets Held in Trust for Internal Participants (\$1.00 par)	283,965
Net Assets Held in Trust for Pool Participants	<u>\$384,744</u>
Total Participant Units Outstanding (\$1.00 par)	377,875
Participant Net Asset Value, Offering Price and Redemption Price Per Share (\$384,744 divided by 377,875 units)	<u>\$1.02</u>

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

**Diversified Bond Fund
Condensed Statement of Operations and Changes in Net Assets
For the Fiscal Year Ended June 30, 2009
(dollars in thousands)**

Investment Income		
Interest Income		\$17,941
Securities Lending Income		1,297
Change in Fair Value of Investments		5,297
Tyco Settlement		700
Total Investment Income		<u>25,235</u>
Expense		
Administrative Fees		(778)
Securities Lending Agent Fees		(43)
Securities Lending Borrower Rebates		(1,125)
Total Investment Expense		<u>(1,946)</u>
Net Investment Income		23,289
Distributions to Participants		
Distributions Paid and Payable		(15,518)
Share Transactions at Net Asset Value of \$1.00 per Share		
Pooled Participant Deposits	\$76,842	
Pooled Participant Withdrawals	(91,300)	
Change in Net Assets and Shares Resulting From Share Transactions		<u>(14,458)</u>
Total Change in Net Assets		(6,687)
Net Assets Held in Trust for Pool Participants		
Beginning of Period		<u>391,431</u>
End of Period		<u><u>\$384,744</u></u>

**Diversified Bond Fund
Summary of Fair Value and Interest Rate Risk at June 30, 2009
(dollars in thousands)**

Investment Type	Fair Value	Interest Rates	Investment Maturities		
			Less than 1	In Years 1-5	6-10
Money Market Mutual Fund	\$62,819		\$62,819		
Corporate Debt Instruments	25,955	1.639%-5.900%		\$16,844	\$9,111
Asset-Backed Securities*	3,029	4.900%-6.590%		3,029	
Mortgage-Backed Securities*	11,865	6.020%		36	11,829
U.S. Gov't Agency Obligations	30,144	2.750%-5.000%		22,733	7,411
U.S. Gov't Agency Mortgage-Backed Securities*	184,467	4.000%-6.500%	6,041	150,291	28,135
U.S. Gov't Corporation Mortgage-Backed Securities*	13,358	5.250%-6.000%		13,358	
U.S. Treasury Obligations	52,058	1.375%-6.500%	19,926	32,132	
Total Securities	<u>383,695</u>		<u>88,786</u>	<u>238,423</u>	<u>56,486</u>
Accrued Interest	2,167		2,167		
Reinvestment of Securities Lending Collateral:					
Money Market Mutual Fund	50,884	0.000%-0.243%	50,884		
Corporate Debt Instruments	31,948	0.370%-0.670%	27,975	3,973	
Repurchase Agreements	107,682	0.490%-0.700%	107,682		
Securities Lending Income Receivable	75		75		
Total Assets	<u><u>\$576,451</u></u>		<u><u>\$277,569</u></u>	<u><u>\$242,396</u></u>	<u><u>\$56,486</u></u>

*These securities are reported using weighted-average maturity to more accurately reflect the projected terms of the securities, considering interest rates and repayment terms.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

**Diversified Bond Fund
Change in Fair Value
(dollars in thousands)**

Fair Value of Investments at June 30, 2009	\$383,695
Proceeds of Investments Sold in FY2009	422,410
Cost of Investments Purchased in FY2009	(410,705)
Fair Value at June 30, 2008	(390,103)
Change in Fair Value of Investments	\$5,297

**Diversified Bond Fund
Concentration of Credit Risk at June 30, 2009
(dollars in thousands)**

Issuer	Fair Value	Percent of Total DBF Investments
Citigroup	\$37,000	6.44
Federal Home Loan Mortgage Corporation	78,828	13.73
Federal National Mortgage Association	114,346	19.91
Goldman Sachs	37,064	6.45
Morgan Stanley	38,000	6.62

**Diversified Bond Fund
Credit Quality Ratings of Debt Securities at June 30, 2009
(dollars in thousands)**

Investment Type	Fair Value	Aaa	Aa	A	Baa	C	Unrated
Money Market Mutual Fund	\$62,819	\$62,819					
Corporate Debt Instruments	25,955		\$18,167	\$4,382	\$3,406		
Asset-Backed Securities	3,029	3,029					
Mortgage-Backed Securities	11,865	11,865					
U.S. Gov't Agency Obligations	30,144	30,144					
U.S. Gov't Agency Mortgage-Backed Securities	184,467	184,467					
Reinvestment of Securities Lending Collateral:							
Money Market Mutual Fund	50,884	29,193				\$1,691	\$20,000
Corporate Debt Instruments	31,948		8,000	23,948			
Repurchase Agreements	107,682						107,682
Total Investments	\$508,793	\$321,517	\$26,167	\$28,330	\$3,406	\$1,691	\$127,682

Moody's or the equivalent credit quality ratings have been used.

**Diversified Bond Fund
Balances of Securities Lending Transactions at June 30, 2009
(dollars in thousands)**

Securities Lent for Cash Collateral	Fair Value of Lent Securities	Cash Collateral Received for Lent Securities
Corporate Debt Instruments	\$9,201	\$9,517
U.S. Treasury Obligations	52,058	53,778
Mortgage-Backed Securities	94,617	96,586
U.S. Government Agency Obligations	30,144	30,983
Total	\$186,020	\$190,864

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

NOTE 4. INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

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

		Interfund Payables							
		General Fund	Health and Welfare	Trans- portation	Nonmajor Govern- mental	College and University	Nonmajor Enterprise	Pension Trust	Total
Interfund Receivables	General Fund				\$536	\$5,299	\$835		\$6,670
	Health and Welfare				12				12
	Nonmajor Governmental		\$110	\$131	1,756				1,997
	College and University	\$1,569	369	161	1,244				3,343
	Nonmajor Enterprise	11		164	53	20			248
	Internal Service	17	388	48	45				498
	Pension Trust							\$1,626	1,626
	Total	\$1,597	\$867	\$504	\$3,646	\$5,319	\$835	\$1,626	\$14,394

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. 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, and 3) payments between funds are made.

The receivables not expected to be collected within one year include \$0.3 million advanced by the General Fund to nonmajor special revenue funds and \$1.4 million advanced by nonmajor special revenue funds to other nonmajor special revenue funds.

B. Interfund Transfers

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

		Transfers In							
		General Fund	Health and Welfare	Land Endow- ments	Nonmajor Govern- mental	College and University	Loan	Internal Service	Total
Transfers Out	General Fund		\$491,806		\$16,920	\$311,601	\$3,084	\$1,830	\$825,241
	Health and Welfare				231				231
	Transportation				15,602				15,602
	Land Endowments	\$42,413							42,413
	Nonmajor Governmental	64,869	2,210	\$2,164	276	100	1,016		70,635
	Unemployment Compensation				13,766				13,766
	Loan				86				86
	Nonmajor Enterprise	45,844	2,730		1,528				50,102
	Internal Service	209							209
Total	\$153,335	\$496,746	\$2,164	\$48,409	\$311,701	\$4,100	\$1,830	\$1,018,285	

Interfund transfers are primarily performed for two reasons:

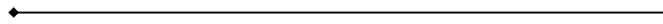
- 1) Taxes, fees, penalties, earnings, and other revenues are transferred from the agencies that initially collect them (such as the Tax Commission) to the General Fund and other funds as dictated by state law.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

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

- \$2.2 million to the General Fund from the Consumer Protection Fund to help balance the fiscal year 2009 budget.

During fiscal year 2009 the following nonroutine statutory transfer was made:



NOTE 5. NONCURRENT RECEIVABLES

Primary Government

Loans and notes receivable in the General Fund consist of long-term receivables from low interest loans made available to upgrade and modernize Idaho's freight-shipping infrastructure in the amount of \$2.6 million, which is not expected to be collected within one year. Taxes receivable not expected to be collected within one year in the General Fund consist of income and sales tax and overpaid tax refunds in the amount of \$38.2 million, net of allowance for doubtful accounts of \$0.4 million.

Loans and notes receivable in the Transportation fund consist of long-term receivables from the sale of capital assets in the amount of \$0.3 million, which is not expected to be collected within one year. Taxes receivable in the Transportation fund consist of long-term receivables for fuel tax in the amount of \$22.9 million, of which \$1.5 million is not expected to be collected within one year.

Loans and notes receivable in the nonmajor special revenue funds consist of long-term receivables for energy and soil conservation projects and for the construction of an irradiation facility in the amount of \$12.0 million. The amount not expected to be collected within one year is \$10.2 million. Accounts receivable not expected to be collected within one year in the nonmajor special revenue funds includes \$2.6 million, net of allowance for doubtful accounts of \$1.9 million. These amounts are related to compliance penalties, restitution to crime victims who have suffered an economic loss, and cost of supervision of individuals on probation and parole.

Loans and notes receivable in the Loan fund consist of long-term receivables for water project development, drinking water system improvements, and wastewater facility enhancements in the amount of \$246.5 million, of which \$236.2 million is not expected to be collected within one year.

Loans and notes receivable in the College and University fund consist of student loans in the amount of \$26.1 million, net of allowance for doubtful accounts of \$2.0 million. The amount not expected to be collected within one year is \$22.8 million.

Noncurrent interfund receivables are discussed in Note 4.

Component Units

Loans, notes, and pledges receivable for the Idaho Housing and Finance Association consist of long-term receivables from single-family mortgage loans in the amount of \$1.5 billion. The amount not expected to be collected within one year is \$1.4 billion.

Loans, notes, and pledges receivable for the College and University Foundation consist of long-term receivables mainly from pledges in the amount of \$33.5 million, net of allowance for doubtful accounts of \$1.0 million. The amount not expected to be collected within one year is \$23.9 million.

Loans, notes, and pledges receivable for the Bond Bank Authority consist of long-term receivables from loans to municipalities in the amount of \$176.7 million. The amount not expected to be collected within one year is \$172.6 million.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

NOTE 6. CAPITAL ASSETS

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

Primary Government

Governmental Activities:	Balances at July 1, 2008	Increases	Decreases	Balances at June 30, 2009
Capital Assets not Being Depreciated:				
Land	\$948,599	\$30,615	(\$5,735)	\$973,479
Construction in Progress	968,930	363,051	(243,786)	1,088,195
Infrastructure	1,919,944	122,653	(12,073)	2,030,524
Historical Art and Collections	122			122
Total Capital Assets not Being Depreciated	3,837,595	516,319	(261,594)	4,092,320
Capital Assets Being Depreciated:				
Buildings and Improvements	659,098	47,059	(7,354)	698,803
Improvements Other Than Buildings	59,015	10,009	(742)	68,282
Machinery, Equipment, and Other	337,411	56,512	(34,496)	359,427
Infrastructure	630,198	71,769	(5,123)	696,844
Total Capital Assets Being Depreciated	1,685,722	185,349	(47,715)	1,823,356
Less Accumulated Depreciation for:				
Buildings and Improvements	(249,577)	(15,609)	1,521	(263,665)
Improvements Other Than Buildings	(17,170)	(3,229)	41	(20,358)
Machinery, Equipment, and Other	(212,041)	(26,432)	11,602	(226,871)
Infrastructure	(159,286)	(11,717)	882	(170,121)
Total Accumulated Depreciation	(638,074)	(56,987)	14,046	(681,015)
Total Capital Assets Being Depreciated, Net	1,047,648	128,362	(33,669)	1,142,341
Governmental Activities Capital Assets, Net	\$4,885,243	\$644,681	(\$295,263)	\$5,234,661

Note: \$716 was received in insurance recoveries for damage to capital assets, which is reported as other income.

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

General Government	\$8,732
Public Safety and Correction	7,423
Health and Human Services	3,270
Education	2,283
Economic Development	24,373
Natural Resources	8,697
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	2,209
Total Depreciation Expense for Governmental Activities	\$56,987

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

Business-Type Activities:	Balances at July 1, 2008 As Restated*	Increases	Decreases	Balances at June 30, 2009
Capital Assets not Being Depreciated:				
Land	\$68,800	\$3,928	(\$1,863)	\$70,865
Construction in Progress	73,337	63,233	(79,620)	56,950
Historical Art and Collections	2,144	24	(10)	2,158
Intangible Assets--Water Rights	44,382		(20,000)	24,382
Total Capital Assets not Being Depreciated	188,663	67,185	(101,493)	154,355
Capital Assets Being Depreciated:				
Buildings and Improvements	980,178	102,646	(417)	1,082,407
Improvements Other Than Buildings	47,146	1,090	(62)	48,174
Machinery, Equipment, and Other	326,772	28,662	(11,519)	343,915
Total Capital Assets Being Depreciated	1,354,096	132,398	(11,998)	1,474,496
Less Accumulated Depreciation for:				
Buildings and Improvements	(325,780)	(26,602)	128	(352,254)
Improvements Other Than Buildings	(25,578)	(1,918)	60	(27,436)
Machinery, Equipment, and Other	(233,991)	(22,640)	10,279	(246,352)
Total Accumulated Depreciation	(585,349)	(51,160)	10,467	(626,042)
Total Capital Assets Being Depreciated, Net	768,747	81,238	(1,531)	848,454
Business-Type Activities Capital Assets, Net	\$957,410	\$148,423	(\$103,024)	\$1,002,809
Component Units:				
Capital Assets not Being Depreciated:				
Land	\$4,401		(\$3,394)	\$1,007
Total Capital Assets not Being Depreciated	4,401	0	(3,394)	1,007
Capital Assets Being Depreciated:				
Buildings and Other Improvements	12,179		(2,190)	9,989
Improvements Other than Buildings	495	\$97	(55)	537
Machinery, Equipment, and Other	3,307	361	(255)	3,413
Total Capital Assets Being Depreciated	15,981	458	(2,500)	13,939
Less Accumulated Depreciation for:				
Buildings and Other Improvements	(4,915)	(222)	528	(4,609)
Improvements Other than Buildings	(253)	(9)	55	(207)
Machinery, Equipment, and Other	(3,003)	(186)	255	(2,934)
Total Accumulated Depreciation	(8,171)	(417)	838	(7,750)
Total Capital Assets Being Depreciated, Net	7,810	41	(1,662)	6,189
Component Unit Activities Capital Assets, Net	\$12,211	\$41	(\$5,056)	\$7,196

* Beginning balances for business-type activities were adjusted for the transfer of water rights.

* Beginning balances for component units were adjusted between asset classes.

Note: Capital assets of \$35,767 are not included above for The Housing Company (THC), which prepared financial statements under FASB standards. THC is a component unit of the Idaho Housing and Finance Association.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

NOTE 7. RETIREMENT PLANS

A. Summary of Public Employee Retirement System of Idaho Plans

The Public Employee Retirement System of Idaho (PERSI) administers the Public Employee Retirement System Base Plan (PERSI Base Plan), the Firefighters' Retirement Fund (FRF), and the 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 and establishing funding policy. 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 accrual basis of accounting. Employee and employer contributions are recognized as additions to net assets 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. The pension funds are accounted for on a flow of economic resources measurement focus.

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 held by the PERSI Base Plan and the FRF are pooled.

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, Sections 59-1301 through 59-1399.

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 724.

Benefits

The benefit structure is based on each member's years of service, age, and highest average salary. 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.

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 funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined 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 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.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

The last actuarial valuation was performed as of July 1, 2009. Normal cost is 14.62 percent of covered payroll and the amount available to amortize the unfunded actuarial liability is 2.27 percent of covered payroll.

The contribution rates for the year were as follows:

Employee Group	Employer	Employee
General	10.39%	6.23%
Police and Fire	10.73%	7.65%

Employer contributions required and paid were \$68.5 million, \$72.5 million, and \$74.3 million for the fiscal years ended June 30, 2007, 2008, and 2009, 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. Interest is compounded monthly per annum and accrued at 1 percent January 1 through June 30, 2009; and 17.51 percent July 1 through December 31, 2008. 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. Eastern Idaho Technical College is required to contribute 3.83 percent to the PERSI Base Plan through July 1, 2011.

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 applicable 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, Sections 72-1401 through 72-1472. 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-three employer units, all consisting of local fire departments, were participating 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, Sections 59-1301 through 59-1399. The 414(k) plan was established for gain sharing allocations from the PERSI Base Plan. The gain-sharing amount (if any) is based on funding levels in the PERSI Base Plan.

Membership

The 401(k) plan is open to all active PERSI Base Plan members and was established February 1, 2001. Eligibility for the 414(k) gain sharing requires 12 months of active PERSI membership as defined in Idaho statutes and PERSI rules. On February 1, 2001, all eligible PERSI Base Plan members who were active as of June 30, 2000, and eligible to receive gain sharing contributions, received an allocation. The plans have 724 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

Beginning in January 2002 employees in the 401(k) plan could 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 without restriction and may elect to change their salary deferral. On May 1, 2001, the 401(k) plan became open to voluntary employer matching contributions at rates determined by the employers.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

Employers and participants in the plans contributed \$0.2 million and \$35.7 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

Members become fully vested in their retirement benefits after four years of credited service. If a member terminates from the retirement plan prior to 4 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 71 retired members or beneficiaries collecting benefits, 8 terminated members entitled to, but not yet receiving benefits, and 49 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 5 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.

Summary of Significant Accounting Policies

The JRF's financial statements are prepared using the accrual basis of accounting and flow of 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. The fair value of investments is based on published market prices and quotations from major investment brokers when available. 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. Purchases and sales are recorded at the trade date.

Funding Policy

Contributions and Vesting

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.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

Members and the Judicial Department contribute to the JRF during the members' first 20 years of employment. Member and Department contributions are a percentage of the member compensation as defined by state law. The JRF policy provides for Department and member contributions at 7 percent and 6 percent, respectively, of annual covered payroll. The payroll for members covered by the JRF was approximately \$6.1 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 biennially 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 7.5 percent investment rate of return, projected annual salary increases of 3 percent, and annual postretirement benefit increases of 3 percent. Assets are presented at market value. Based on the most recent actuarial valuation as of June 30, 2009, the annual required contribution (ARC) is \$2.4 million. Total Judicial Department and member contributions to the pension plan for the fiscal year amounted to \$2.4 million, of which \$1.7 million was received from filing fees, \$0.4 million from the Judicial Department, and \$0.3 million from the members. Net pension obligation increased from \$2.4 million in 2008 to \$2.7 million in 2009 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 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)
6/30/09	\$48,439	\$75,345	\$26,906	64.3%	\$5,960	451

The State's annual pension cost and net pension obligation to the JRF for the current year and two preceding years are as follows:

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

	2007	2008	2009
Annual Required Contribution (ARC)	\$2,523	\$2,582	\$2,377
Interest on Net Pension Obligation (NPO)	80	129	178
Adjustment to ARC	(96)	(154)	(213)
Annual Pension Cost (APC)	2,507	2,557	2,342
Employer Contributions Made	(1,864)	(1,896)	(2,006)
Increase in NPO	643	661	336
Prior Year NPO	1,071	1,714	2,375
Current Year NPO	\$1,714	\$2,375	\$2,711
Percentage of APC Contributed	74.3	74.2	85.7

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. Vendor options include Teachers' Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company. The Plan is administered by TIAA-CREF, and they may be reached at (800) 842-2009.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

Membership

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

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 \$38.6 million, which consisted of \$22.0 million from the colleges and universities and \$16.6 million from employees. The contribution rates as a percentage of payroll for the fiscal year are as follows:

<u>Employee Group</u>	<u>Employer</u>	<u>Employee</u>
Boise State University	9.26%	6.97%
Eastern Idaho Technical College	7.72%	6.97%
Idaho State University	9.30%	6.97%
Lewis-Clark State College	9.35%	6.97%
University of Idaho	9.26%	6.97%

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 ext. 3228.

Membership

As of September 30, 2008, the number of Idaho Department of Labor members and actual benefit recipients are as follows:

Retirees and Beneficiaries	401
Inactive Participants	10
Current Active Employees	<u>28</u>
Total	439

Benefits

The 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. Once an annuity is purchased 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, 2008, the last actuarial valuation date, no unfunded liability existed. The normal service retirement allowance is the average annual salary for the highest three consecutive years times 2 percent for each year of credited service.

The present value of future retirement benefits is \$122.2 million. The average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6 percent for 2009. Net assets available for benefits (at fair value) are \$179.4 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, 2009, consistent with the most recent actuarial valuations. This valuation certified that the total contribution rate should remain at zero through September 30, 2010. The total employer contribution for federal fiscal year 2008 was zero. The employer payments have been fully funded by federal revenues from the U.S. Department of Labor.

NOTE 8. 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

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

plans are reported as agent multiple-employer defined benefit plans. The Life Insurance benefit is a single-employer defined benefit plan. Idaho Code, Sections 67-5760 to 67-5768 and 72-1335, establishes the benefits and contribution obligations. The plans do not issue publicly available financial reports. The most recent actuarial valuation is as of July 1, 2008. 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, \$0.30 per person per month for fiscal year 2009. This rate is reviewed annually.

Each of the participating employers is required by GASB Statement No. 45 to disclose additional information regarding funding policy, the employer’s annual 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, P.O. Box 443166, Moscow, ID 83844-3166. The plan obligations are actuarially determined. The most recent actuarial valuation is as of July 1, 2008. 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, 2008. The cost of administering the medical and dental portion 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:

	Participating Employers and Classes of Employees					
	Retiree Healthcare Plan	Long-Term Disability Plan			Life Insurance Plan	University of Idaho Plan
		Income	Healthcare	Life Insurance		
Active Employees	20,107	-	20,107	20,107	4,719	1,272
Retired/Disabled Employees	3,092	148	125	572	1,290	837
Terminated, Vested Employees	3,484	-	3,484	3,484	11	-
Number of participating employers	27	27	27	27	1	1

Plan Descriptions and Funding Policy

Retiree Healthcare Plan

A retired officer or employee of a state agency, department, institution, or other political subdivision, including an elected official, who 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 unreduced PERSI monthly benefit at the time of retirement must meet or exceed the monthly cost of single retiree health insurance coverage, or employees must have 10 or more years (20,800 or more hours) of credited service. Effective July 1, 2009, changes to this benefit regarding eligibility stipulate that an officer or employee must be an active employee on or before June 30, 2009, and retire directly from State service; the maximum benefit is \$1,860 per retiree per year. Additionally, any retiree who is currently eligible will remain so until they are eligible for Medicare. Beginning January 1, 2010, coverage will not be available to Medicare-eligible retirees or their Medicare-

eligible dependents. These changes have significantly reduced the liability.

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. In fiscal year 2009 retired plan members contributed 83.3 percent of the total premium cost. In fiscal year 2009 employers were charged \$26.00 per active employee per month towards the retiree premium cost, 16.7 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

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

disability or exhaustion of accrued sick leave must be met.

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 benefits has been effectively transferred. The employer pays 100 percent of the cost of the premiums; the contribution rate for the period was 0.328 percent of payroll. The employers' actual contribution was \$2.9 million in fiscal year 2009. This portion of the long-term disability income benefit is not included in the actuarial estimate as this is considered an insured benefit.

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 2009 employers were charged \$6.96 per active employee per month.

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 employer pays 100 percent of the cost of the premiums; the contribution is actuarially determined based on actual claims experience.

Life Insurance Plan

Boise State University, Eastern Idaho Technical College, Idaho State University, and Lewis-Clark State College provide basic life insurance to certified retired employees. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at

least 80 to qualify for this benefit. Eligible retirees receive basic life insurance coverage equal to 100 percent of their annual salary at retirement.

The Judicial Department provides basic life insurance for life to all retired Idaho Supreme Court justices, state court of appeals judges, district court judges, magistrate judges, and court administrators. Eligible retirees receive life insurance coverage equal to 100 percent of the annual salary of the position from which they retire.

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

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

Life Insurance Contribution Rates

	Under Age 65	Age 65 - 69	Age 70 and Over	All Ages
Colleges and Universities	2.037%	1.568%	1.081%	
Judicial Department	1.940%	1.471%	0.984%	
Department of Labor				0.984%

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 premium 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 \$150,000 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.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

Summary of Significant Accounting Policies

The financial statements of the OPEB plans are reported using the accrual basis of accounting. Revenues and contributions are recorded when earned and expenses, including benefits and refunds paid, are recorded when a

liability is incurred, regardless of the timing of cash flows. Investments are reported at fair value. The financial position of each of the State's OPEB plans is as follows:

Statement of Plan Net Assets						
<i>(dollars in thousands)</i>						
	Retiree Healthcare Plan	Long-Term Disability Plan		Retiree Life Insurance Plan	University of Idaho Plan	
		Income	Healthcare	Life Insurance		
ASSETS						
Pooled Cash and Investments	\$225		\$105			\$136
Interest Receivable						5
Investments, at Fair Value						
Fixed Income Securities						2,383
Equity Securities						2,114
Total Assets	<u>\$225</u>	<u>\$0</u>	<u>\$105</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,638</u>
LIABILITIES						
Deferred Revenue	\$225		\$105			
Total Liabilities	<u>\$225</u>	<u>\$0</u>	<u>\$105</u>	<u>\$0</u>	<u>\$0</u>	<u>0</u>
NET ASSETS						
Net Assets Held in Trust for OPEB						4,638
Total Net Assets						<u>4,638</u>
TOTAL LIABILITIES AND NET ASSETS						<u>\$4,638</u>

Statement of Changes in Plan Net Assets
(dollars in thousands)

	University of Idaho Plan
ADDITIONS	
Contributions	
Employer	\$5,295
Total Contributions	<u>5,295</u>
Interest	82
Realized Capital Gains	<u>37</u>
Total Additions	<u>\$5,414</u>
DEDUCTIONS	
Unrealized loss on investments	\$775
Administrative expenses	<u>1</u>
Total Deductions	<u>\$776</u>
Net Increase in Plan Net Assets	\$4,638
Net Plan Assets, Beginning of Year	<u>0</u>
Net Plan Assets, End of Year	<u>\$4,638</u>

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

Annual OPEB Cost

The Annual OPEB Cost (AOC) is actuarially determined based on the annual required contribution (ARC) of the employer in accordance with GASB Statement Nos. 43 and 45. The following table illustrates the annual OPEB

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

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

	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	University of Idaho Plan
		Income	Healthcare	Life Insurance		
Annual required contribution	\$3,272	\$881	\$1,573	\$703	\$2,673	\$6,362
Interest on NOO	1,139	(32)	30	14	93	
Adjustment to ARC	(1,560)	43	(41)	(19)	(127)	
Total Annual OPEB Cost	2,851	892	1,562	698	2,639	6,362
Contributions Made	(3,165)	(857)	(1,500)	(1,029)	(961)	(6,430)
Increase (Decrease) in NOO	(314)	35	62	(331)	1,678	(68)
NOO (Funding Excess) – Beginning of Year	25,476	(646)	674	317	2,055	(77)
NOO (Funding Excess) – End of Year	\$25,162	(\$611)	\$736	(\$14)	\$3,733	(\$145)

Annual OPEB Cost Comparison

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

OPEB obligation (funding excess) for the current and prior year.

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

		Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	University of Idaho Plan
			Income	Healthcare	Life Insurance		
Annual OPEB Cost	2008	\$33,311	\$238	\$1,540	\$706	\$2,542	\$7,157
	2009	\$2,851	\$892	\$1,562	\$698	\$2,639	\$6,362
Percentage of AOC Contributed	2008	23.5%	371.3%	56.2%	55.1%	19.2%	101.1%
	2009	111.0%	96.0%	96.1%	147.4%	36.4%	101.1%
NOO (Funding Excess) – End of Year	2008	\$25,476	(\$646)	\$674	\$317	\$2,055	(\$77)
	2009	\$25,162	(\$611)	\$736	(\$14)	\$3,733	(\$145)

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

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
		Income	Healthcare	Life Insurance		
Actuarial Valuation Date	7/1/2008	7/1/2008	7/1/2008	7/1/2008	7/1/2008	7/1/2008
1 Actuarial Value of Assets	\$0	\$0	\$0	\$0	\$0	\$8,333
2 Actuarial Accrued Liability (AAL)	21,603	5,813	9,975	8,344	33,482	77,141
3 Unfunded AAL (UAAL) (2) - (1)	\$21,603	\$5,813	\$9,975	\$8,344	\$33,482	\$68,808
4 Funded Ratios (1) : (2)	0.0%	0.0%	0.0%	0.0%	0.0%	10.8%
5 Annual Covered Payroll	\$803,608	\$803,608	\$803,608	\$803,608	\$248,565	\$129,435
6 UAAL as a Percentage of Covered Payroll (3) : (5)	2.7	0.7	1.2	1.0	13.5	53.2

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.

Any variations in future experience from that expected based on these assumptions will result in corresponding changes in the estimated costs of the benefits. 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
		Income	Healthcare	Life Insurance		
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level	Level	Level	Level	Level	Level Dollar
Amortization Period	Percentage of Payroll	Level Dollar Amount	Percentage of Payroll	Percentage of Payroll	Percentage of Payroll	Level Dollar
Assumptions:	11 years, Closed	8 years, Closed	30 years, Open	30 years, Open	30 years, Open	30 years, Open
Inflation Rate	3.0%	3.0%	3.0%	3.0%	3.0%	N/A
Investment Return	4.50%	5.25%	4.50%	5.25%	4.50%	6.25%
OPEB Increases	N/A	N/A	N/A	N/A	3.75%	N/A
Projected Salary Increases	3.75%	3.75%	3.75%	3.75%	3.75%	3.00%
Healthcare Cost Initial Trend Rate	13.60%	N/A	13.60%	N/A	N/A	11.00%
Healthcare Cost Ultimate Trend Rate	5.00%	N/A	5.00%	N/A	N/A	5.00%

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

NOTE 9. 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 Risk Management and Group Insurance internal service funds and various outside entity insurance providers.

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 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 \$17.1 million of unpaid claim liabilities for Risk Management are presented at present value, \$15.8 million, using a 3.5 percent discount interest rate.

The Group Insurance fund is used to account for and finance life, health, and disability insurance programs. Life, health, and disability insurance programs 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 13.5 percent of the annual premiums for medical, 10 percent for dental, and 10 percent 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 claims that have been incurred but not reported and are net of any contractual adjustments and coordination of benefits. The fiscal year 2009 refunds from the Group Insurance carriers reflect favorable claims experience. Unpaid claim liabilities at fiscal year-end of \$3.9 million for Group Insurance are not discounted. The State maintains program and premium stabilization balances; these amounts are included with restricted net assets in the Group Insurance fund.

All state entities may participate in the Risk Management and Group Insurance programs. Payments are made to the Risk Management fund based on actuarial estimates, loss experience, exposure, and asset value covered. Payments made to the Group Insurance fund are based on actuarial estimates of the amounts needed to pay for negotiated coverage and projected claims experience. 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. Changes in policy claim liabilities are as follows (*dollars in thousands*):

	Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimate	Claims (Payments) Refunds	Ending Balance
Risk Management	2008	\$15,183	\$5,840	(\$3,915)	\$17,108
	2009	\$17,108	\$2,509	(\$3,792)	\$15,825
Group Insurance	2008	\$2,684	\$18,338	(\$17,966)	\$3,056
	2009	\$3,056	(\$4,436)	\$5,308	\$3,928

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

NOTE 10. LEASES

A. State as Lessee

The State leases office 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, executory costs, 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 2009 were \$28.0 million for the primary government and \$38,082 for component units. Operating leases contain various renewal options, as well as some purchase options.

Capital Leases

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

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

<u>Asset Class</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Land	\$390		\$390
Buildings and Improvements	12,230	\$6,973	19,203
Improvements Other Than Buildings	609		609
Machinery, Equipment, and Other	4,182	2,595	6,777
Total Capital Leases	\$17,411	\$9,568	\$26,979

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

Fiscal Year	<u>Operating Leases</u>		<u>Capital Leases</u>			
	<u>Primary Government</u>	<u>Component Units</u>	<u>Governmental Activities</u>	<u>Business-Type Activities With Third Parties</u>	<u>Business-Type Activities With Component Units</u>	<u>Total Primary Government</u>
2010	\$27,259	\$9	\$1,769	\$466	\$423	\$2,658
2011	23,659	9	1,554	168	430	2,152
2012	20,958	9	1,373	34	426	1,833
2013	17,884	10	1,238		431	1,669
2014	13,502	12	1,156		429	1,585
2015 - 2019	26,528	73	4,377		1,280	5,657
2020 - 2024	5,096	99	3,707			3,707
2025 - 2029	4,139	139	539			539
2030 - 2034		48				
2035 - 2039		49				
Total Payments	\$139,025	\$457	15,713	668	3,419	19,800
Less Imputed Interest			(4,238)	(41)	(767)	(5,046)
Total Present Value of Minimum Lease Payments			\$11,475	\$627	\$2,652	\$14,754

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

B. State as Lessor

Operating Leases

Non-state parties rent land, buildings, and improvements other than buildings under operating leases from the Departments of Correction, Health and Welfare, Juvenile Corrections, Lands, and Parks and Recreation; the Lava Hot Springs Foundation; and Idaho State University.

Capital Leases

The Boise State University Foundation, a component unit, leases a building, land, and equipment 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.

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

<u>Asset Class</u>	<u>Fair Market Value at Date of Acquisition</u>	<u>Accumulated Depreciation</u>	<u>Current Book Value</u>
Land	\$1,218		\$1,218
Buildings and Improvements	19,590	(\$1,140)	18,450
Improvements Other Than Buildings	10	(5)	5
Total	<u>\$20,818</u>	<u>(\$1,145)</u>	<u>\$19,673</u>

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>
	<u>Primary Government</u>	<u>Component Unit</u>
2010	\$9,813	\$423
2011	6,528	430
2012	3,544	426
2013	2,890	431
2014	2,271	429
2015 - 2019	8,109	1,280
2020 - 2024	6,333	
2025 - 2029	5,029	
Total Rentals and Receivables	<u>\$44,517</u>	<u>\$3,419</u>

Net Investment in Direct Financing Lease:

Minimum Lease Payments Receivable	\$3,419
Less Unearned Income	(767)
Net Investment in Direct Financing Lease	<u>\$2,652</u>

NOTE 11. 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 2009 the State anticipated that 42 percent of General Fund revenues would be received in the first six months; however, disbursements during the same period were expected to account for 67.8 percent of total expenditures, mainly due to public school aid and Health and Welfare expenditures. The notes sold on

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

the open market were issued on July 1, 2008, and were redeemed on June 30, 2009.

The University of Idaho entered into a line of credit agreement to finance safety renovations and improvements for the University's Kibbie Dome athletic facility. The total available line of credit extended to the University under this agreement is \$10.0 million. The University is required to make quarterly payments of accrued interest on this line of credit beginning March 31, 2009, with the entire principal balance and remaining accrued interest to be paid on December 31, 2010. This line of credit carries an indexed variable interest rate which was 2.6 percent as of June 30, 2009. The line of credit is secured by the University's cash and investments held in the accounts of Wells Fargo and/or any Wells Fargo affiliates.

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 on an interim basis and to finance multi-family construction loans. As of June 30, 2009, the Association has commercial paper outstanding, maturing within 30 to 90 days from date of issue, with a weighted average interest rate of 2.5 percent.

The Idaho Small Employer Health Reinsurance Program has a \$1.0 million line-of-credit commitment from a local bank. Interest on the advances is payable monthly at prime rate plus 8 percent per annum. The line matures November 2, 2009, and is not secured.

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

	<u>Beginning Balance</u>	<u>Issued/Draws</u>	<u>Redeemed/ Repayments</u>	<u>Ending Balance</u>
Primary Government				
Governmental Activities:				
External Tax Anticipation Notes	\$0	\$600,000	(\$600,000)	\$0
Business-Type Activities:				
Line of Credit	\$0	\$1,880	\$0	\$1,880
Component Units				
Commercial Paper	\$30,000	\$1,089,000	(\$1,089,000)	\$30,000
Line of Credit	\$285	\$857	(\$882)	\$260

NOTE 12. 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

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

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. A compensated absences liability is recorded for the actuarial accrued unfunded liability on the government-wide statements.

B. Revenue Bonds

Primary Government

The Idaho State Building Authority is authorized by Idaho Code Title 67, Chapter 64, to issue bonds to finance construction, restoration, or acquisitions of facilities for lease to state agencies per prior legislative approval. Bonds are direct obligations of the Authority. The Authority has surety bonds in amounts up to the reserve requirements for all outstanding bonds except the Series 2008A bonds, for which the Authority has a funded debt service reserve. No amounts were outstanding at June 30, 2009, under these surety bonds. The Authority has recorded an estimated arbitrage rebate liability of \$0.2 million for the Series 2005A bonds and the Series 2006A 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 \$616.2 million in bonds between 1996 and 2009. Annual principal and interest payments on the bonds are expected to require less than 11.8 percent of the revenues. The total principal and interest payments remaining on the bonds is \$731.7 million, payable through 2041. For the current year principal and interest payments and total pledged revenues were \$29.2 million and \$247.9 million, respectively. Boise State University has recorded an estimated arbitrage rebate liability of \$0.5 million.

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, and the assignment of water rights. These bonds are not considered general obligations of the State. The bonds are secured by a reserve fund with the trustee bank. A portion of the bonds is further secured by a reserve requirement 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 125 percent of the current 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. Total principal and interest remaining on the bonds is \$6.0 million, payable through 2019. Annual principal and interest payments on the bonds are expected to require less than 81.6 percent of the revenues. For the current year principal and interest payments and total pledged revenues were \$0.6 million and \$0.7 million, respectively.

Component Units

The Idaho Housing and Finance Association is authorized to issue and sell revenue bonds under provisions of Idaho Code, Sections 67-6201 through 67-6226. The Association issued bonds to finance various single and multi-family housing developments and the construction of highway transportation projects. The bonds are either special or general obligations of the Association and do not constitute a debt of the State or any of its political subdivisions. The bonds have been issued in a variable rate mode. The bulk of the bonds are re-marketed on a weekly basis at the prevailing interest rates. The multi-family housing bonds are limited obligations of the Association and are secured by the respective mortgages on each development as well as a lien on all revenues as defined in each respective bond indenture. The transportation bonds are secured by principal and interest payments from the Idaho Transportation Department. The Association issued \$539.6 million in Grant Anticipation Revenue Vehicle (GARVEE) bonds between 2006 and 2009 for the construction of highway transportation projects. The total principal and interest payments remaining on the bonds is \$753.7 million, payable through 2028. Annual principal and interest payments on the bonds are expected to require more than 100 percent of the revenues. For the current year principal and interest payments and total pledged revenues were \$53.7 million and \$42.4 million, respectively.

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 BSU Foundation issued \$4.9 million in bonds during 2002. The total principal and interest payments remaining on the bonds is \$3.9 million, payable through 2018. Annual principal and interest payments on the bonds are expected to require 100 percent of the revenues. For the current year principal and interest payments and total pledged revenues were \$0.4 million and \$0.4 million, respectively.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

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 67-8728. 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.

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

Fiscal Year Ending June 30	Primary Government							
	Governmental Activities		Business-Type Activities				Total	
	Nonmajor Special Revenue		College and University		Loan			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$23,272	\$12,339	\$14,065	\$20,458	\$340	\$259	\$37,677	\$33,056
2011	23,053	11,340	13,990	19,726	360	240	37,403	31,306
2012	24,210	10,289	12,195	18,728	380	220	36,785	29,237
2013	25,370	9,148	15,950	17,985	400	198	41,720	27,331
2014	25,620	7,943	14,410	17,256	425	175	40,455	25,374
2015-2019	51,170	30,121	74,640	73,738	2,515	477	128,325	104,336
2020-2024	50,080	19,823	74,050	52,067			124,130	71,890
2025-2029	18,935	10,515	47,635	35,926			66,570	46,441
2030-2034	10,270	8,184	47,850	22,755			58,120	30,939
2035-2039	13,230	5,258	36,105	7,879			49,335	13,137
2040-2044	14,155	1,571	93,735	509			107,890	2,080
Total	\$279,365	\$126,531	\$444,625	\$287,027	\$4,420	\$1,569	\$728,410	\$415,127
Interest Rate	2.50% to 5.98%		2.00% to 5.80%		5.46% to 6.28%			

Fiscal Year Ending June 30	Component Units							
	Idaho Housing and Finance Association		College and University Foundations		Idaho Bond Bank Authority		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$69,830	\$75,603	\$375	\$423	\$4,015	\$8,139	\$74,220	\$84,165
2011	51,365	74,170	445	409	4,250	7,826	56,060	82,405
2012	52,265	71,789	455	395	5,335	7,634	58,055	79,818
2013	55,710	69,318	475	379	5,650	7,411	61,835	77,108
2014	59,320	66,791	5,548	199	6,155	7,168	71,023	74,158
2015-2019	347,460	290,837	4,430	282	31,150	31,952	383,040	323,071
2020-2024	412,385	213,067	7,235	36	46,525	23,153	466,145	236,256
2025-2029	451,495	123,747			51,935	11,216	503,430	134,963
2030-2034	362,140	63,801			12,835	3,389	374,975	67,190
2035-2039	305,320	23,533			8,805	1,088	314,125	24,621
2040-2044	22,845	1,067					22,845	1,067
Total	\$2,190,135	\$1,073,723	\$18,963	\$2,123	\$176,655	\$108,976	\$2,385,753	\$1,184,822
Interest Rate	0.598% to 7.709%		*4.55% to 5.35%		2.50% to 5.625%			

* Interest for the ISU Foundation is re-marketed weekly and priced off the SIFMA index.

C. Advance Refundings

Primary Government

During the current year Boise State University issued \$42.6 million, at par, of General Revenue and Refunding Series 2009A bonds. Proceeds from the Series 2009A

bonds in the amount of \$30.8 million were received by the University for designated projects and costs of issuance. Additionally, \$12.1 million was deposited in

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

trust to refund portions of the Series 1998 Student Refunding and Improvement bonds, Series 1998 Student Union and Housing System Refunding bonds, and the Series 2001 Student Building Fee Revenue bonds. The aggregate difference in the debt service between the refunding debt and refunded debt was \$0.9 million and the net present value of the savings due to the refunding was \$0.8 million.

In prior years the Idaho State Building Authority defeased several 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 and the University of Idaho defeased several bonds by placing the proceeds of general revenue and refunding bonds into escrow accounts in amounts sufficient to pay all future debt service payments on those bonds. The related liabilities were appropriately removed from the financial statements in the year of defeasance.

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

<u>Issuer</u>	<u>Debt Issue</u>	<u>Amount Defeased</u>	<u>Remaining Liability</u>
Idaho State Building Authority	2003 Series B Bonds	\$4,765	\$4,765
Boise State University	2001 Series Bonds	3,350	3,350
	2002 Series Bonds	34,710	34,710
University of Idaho	2001 Series Bonds	38,035	1,055

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 \$268.3 million in notes payable to the Idaho Housing and Finance Association (IHFA). The notes are related to GARVEE bonds 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 less than 19 percent of the revenues. The total principal and interest payments remaining on the notes is \$366.9 million, payable through 2028. For the current year principal and interest payments and total pledged revenues were \$42.4 million and \$223.7 million, respectively. The amount of the balance owing does not equal the amount of the receivable recorded by IHFA 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 notes payable.

The State's colleges and universities purchased land and financed various construction projects through the issuance of notes payable. Two of the notes are secured by student fees and other revenue. Lewis-Clark State College issued \$5.6 million in notes payable between 2003 and 2009. Annual principal and interest payments on the notes are expected to require less than 71.1 percent of the revenues. The total principal and interest remaining on the notes is \$5.5 million, payable through 2014. For the current year principal and interest payments and total pledged revenues were \$0.2 million and \$0.3 million, respectively.

The Department of Labor issued a \$27.0 million note payable to the federal government to cover the deficit in the Unemployment Trust Fund. The fund's unemployment insurance receipts for the year fell short of the amount needed to pay the current year unemployment benefits. The State anticipates requesting another loan to cover future deficits in the fund.

The Idaho Water Resource Board issued an \$8.4 million note payable to purchase water rights in a prior year. The water rights were owned by the Bell Rapids Mutual Irrigation Company and the purchase was authorized by the Legislature to address statewide water issues driven by drought, water supply, and basic demands of economic development.

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2009

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

Primary Government								
Governmental Activities								
Fiscal Year Ending June 30	Transportation		Nonmajor Special Revenue		Internal Service		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$8,176	\$19,061	\$70	\$95	\$134	\$228	\$8,380	\$19,384
2011	20,713	22,666	78	87	127	176	20,918	22,929
2012	9,044	14,207	82	83	146	168	9,272	14,458
2013	7,120	13,897	87	78	166	160	7,373	14,135
2014	13,810	13,512	91	74	187	151	14,088	13,737
2015 - 2019	77,388	55,656	538	287	1,315	571	79,241	56,514
2020 - 2024	63,627	12,434	704	121	1,393	146	65,724	12,701
2025 - 2029	15,167	380					15,167	380
Total	\$215,045	\$151,813	\$1,650	\$825	\$3,468	\$1,600	\$220,163	\$154,238
Interest Rate	2.60% to 5.25%		5.52%		5.34%			
Business-Type Activities								
Fiscal Year Ending June 30	College and University		Unemployment Compensation		Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$5,424	\$843			\$1,675		\$7,099	\$843
2011	8,155	596	\$26,973				35,128	596
2012	1,602	370					1,602	370
2013	1,492	296					1,492	296
2014	1,568	221					1,568	221
2015 - 2019	3,309	234					3,309	234
Total	\$21,550	\$2,560	\$26,973	\$0	\$1,675	\$0	\$50,198	\$2,560
Interest Rate	*2.64% to 8.50%		0.00%		0.00%			

* Notes payable for BSU include interest rates of the 30 day LIBOR plus 2.35% and 49% of lender's prime rate.

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 2009 but not reported at year end in the amount of \$82.8 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 \$1.1 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 2008 amended remediation cost estimate was \$134.6 million, which was measured using the expected cash flow technique. The State's share was \$13.5 million. The State has expended \$13.0 million toward the required match leaving a liability of \$0.5 million. 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

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

Basin Commission that will direct clean up of the Coeur d'Alene Basin in Idaho. The EPA issued a record of decision in September 2002. The State and federal government signed the Coeur d'Alene Basin Superfund contract on October 2, 2003. The current estimate of the remediation cost is \$355.0 million; Idaho's match is 10 percent or \$31.0 million, which was measured using the expected cash flow technique. The State has expended \$2.5 million toward the required match, leaving a liability of \$28.5 million; Washington State will match the remainder of the liability. Work began in 2003 and will take 30 years to complete. Environmental liability estimates are subject to amendment due to changes in prices, technology, laws, regulations, and other factors. The State does not anticipate any recovery from other parties for the Coeur d'Alene Basin project. The

present value of operational and maintenance costs are estimated at \$41.0 million.

Component Units

The component units recorded the following claims and judgments:

The Petroleum Clean Water Trust Fund had policy claim liabilities of \$7.4 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 \$5.0 million for unpaid claims.

F. Changes in Long-Term Liabilities

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

Long-Term Liabilities	Balances at July 1, 2008 As Restated	Increases	Decreases	Balances at June 30, 2009	Amounts Due Within One Year
Primary Government					
Governmental Activities:					
Revenue Bonds	\$303,070		(\$23,705)	\$279,365	\$23,272
Premiums/Discounts/Other	3,089		(1,131)	1,958	
Notes Payable	3,543	\$1,650	(75)	5,118	204
Notes Payable to Component Unit	94,643	150,991	(30,589)	215,045	8,176
Total Bonds and Notes Payable	404,345	152,641	(55,500)	501,486	31,652
Capital Leases	11,997	1,018	(1,540)	11,475	1,185
Compensated Absences	56,599	54,041	(55,756)	54,884	53,549
Policy Claim Liabilities	20,164	(1,935)	1,524	19,753	9,675
Claims and Judgments	139,887	2,504	(29,456)	112,935	83,983
Net Pension Obligation	2,375	336		2,711	
Net OPEB Obligation	20,018		(223)	19,795	
Arbitrage Rebate Liability	1,890		(1,710)	180	
Total Governmental Activity	\$657,275	\$208,605	(\$142,661)	\$723,219	\$180,044
Business-Type Activities:					
Revenue Bonds	\$442,530	\$42,595	(\$36,080)	\$449,045	\$14,405
Premiums/Discounts	486	102	(223)	365	(143)
Notes Payable	20,163	33,340	(3,305)	50,198	7,099
Premiums/Discounts	(8)	5		(3)	
Total Bonds and Notes Payable	463,171	76,042	(39,608)	499,605	21,361
Capital Leases	1,139		(512)	627	430
Capital Leases to Component Unit	2,917		(265)	2,652	275
Compensated Absences	20,067	20,656	(19,909)	20,814	20,814
Net OPEB Obligation	7,858	1,359	(7)	9,210	
Arbitrage Rebate Liability	445	83		528	
Total Business-Type Activity	\$495,597	\$98,140	(\$60,301)	\$533,436	\$42,880

Business-Type Activities Premiums/Discounts were restated due to BSU change in accounting principal.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

Long-Term Liabilities	Balances at July 1, 2008 As Restated	Increases	Decreases	Balances at June 30, 2009	Amounts Due Within One Year
Component Units					
Revenue Bonds	\$2,141,240	\$407,818	(\$163,305)	\$2,385,753	\$74,220
Premiums/Discounts	13,308	9,437	(636)	22,109	
Total Bonds Payable	2,154,548	417,255	(163,941)	2,407,862	74,220
Policy Claim Liabilities	10,975	14,104	(12,694)	12,385	6,844
Total Component Unit Activity	\$2,165,523	\$431,359	(\$176,635)	\$2,420,247	\$81,064

Internal service funds predominantly serve the governmental funds. Accordingly, \$0.7 million of compensated absences, \$19.8 million of policy claim liabilities, and \$1.0 million of capital leases were included in the governmental activities for internal service fund liabilities.

The compensated absences liability attributable to governmental activities will be liquidated by the General Fund, special revenue, and internal service funds. In the past approximately 29.6 percent has been paid by the General Fund, 67.3 percent by special revenue funds, and the remainder by 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, nonmajor special revenue funds, and the Loan Fund.

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 property financed 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. Six series of Water Resource Bonds that qualified as conduit debt are outstanding with an aggregate principal amount payable of \$78.6 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 property financed 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. Twenty-two series of bonds that meet the description of conduit debt obligations are outstanding with an aggregate principal amount payable of \$94.9 million.

NOTE 13. EQUITY

A. Restatement of Beginning Fund Balances and Net Assets

During fiscal year 2009, additional information became available that required the restatement of the beginning fund balances or net assets for the following funds:

The General Fund beginning fund balance decreased by \$11.2 million because of an overstatement of revenues and an understatement of expenditures due to the estimate for unclaimed property liabilities. Nonmajor governmental funds beginning fund balances increased by \$27.0 million because of an understatement of

revenue. The Loan Fund beginning fund balance decreased by \$1.0 million due to an overstatement of revenue related to the transfer of water rights.

Component Unit beginning net assets increased by \$5.8 million due to the inclusion of new component units. Beginning net assets decreased by \$36.4 million due to Boise State University Foundation's decision to follow financial reporting standards established by the Financial Accounting Standards Board.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

The government-wide Statement of Activities beginning net assets balance includes the above adjustments. In addition to the above adjustments, the beginning net assets of governmental activities on the government-wide Statement of Activities were adjusted by the following amounts:

- A net decrease of \$32.7 million due to an understatement of expenditures for incurred but not reported Medicaid claims and an understatement of revenues for the related receivable from the federal government
- An increase of \$18.6 million due to an overstatement of expenditures related to a note payable to a component unit

B. Net Assets Restricted by Enabling Legislation

Net assets are reported as restricted when constraints are placed on net asset 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 mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

The government-wide Statement of Net Assets reported restricted net assets of \$1.6 billion for governmental activities, \$640.7 million for business-type activities, and \$364.1 million for component units. These amounts include \$312.4 million of net assets restricted by enabling legislation for governmental activities and \$330.4 million of net assets restricted by enabling legislation for business-type activities.

C. Designated Governmental Fund Balances

Designated fund balances are included in the Unreserved Fund Balances reported on the Governmental Fund Balance Sheet. Designations represent management's tentative self-imposed decisions about the future use of unreserved fund balances. Designated fund balances include the following:

- General Fund: \$22.2 million for repair, remodel, and restoration of the State Capitol Building
- Transportation fund: \$69.8 million for trustee and benefit payments, highway projects, and matching federal dollars on state transportation projects
- Nonmajor governmental funds: \$19.7 million for air and water quality programs and environmental remediation projects, and \$5.2 million for parks and recreation capital projects

NOTE 14. 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. No net appreciation on investments of the donor-restricted endowments was available for the Land Board or the EFIB to authorize expenditures for the Land Endowments fund. 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.

In fiscal year 2008 the Department of Parks and Recreation received a \$1.0 million donor-restricted

endowment for the preservation, operation, and management of the Ritter Island Unit of the Thousand Springs Complex. 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. In the first two years after the donation no less than \$30,000 is to be distributed to the Board. 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, no net appreciation was available for expenditure.

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

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

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. During the fiscal year the Foundation received new contributions of \$2.8 million. The amount permanently restricted by donors was \$58.8 million which is included in net assets restricted for permanent trust-nonexpendable. The amount temporarily restricted by donors was \$0.6 million which is included in net assets restricted for permanent trust-expendable. The endowments did not have any net appreciation during the fiscal year for expenditure. Accumulated earnings are reported in net assets 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. During the fiscal year the Foundation did not receive any new contributions. The amount permanently restricted by donors was \$0.7 million which is included in net assets restricted for permanent trust-nonexpendable. Accumulated earnings are reported in net assets 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. During the fiscal year the Foundation received new contributions of \$3.9 million. The amount permanently restricted by donors was \$26.3 million which is included in net assets restricted for permanent trust-nonexpendable. The amount temporarily restricted by donors was \$7.0 million which is included in net assets restricted for permanent trust-expendable. The endowments did not have any net appreciation during the fiscal year for expenditure. Accumulated earnings are reported in net assets 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 4.5 percent of its endowment fund's average fair value over the prior 12 quarters

through the calendar year-end preceding the fiscal year in which the distributions are planned.

The Lewis-Clark State College Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the College. During the fiscal year the Foundation received \$0.5 million in new contributions. The amount permanently restricted by donors was \$0.2 million which is included in net assets restricted for permanent trust-nonexpendable. The endowments did not have any net appreciation during the fiscal year for expenditure. Accumulated earnings are reported in net assets 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 Foundation received \$6.4 million in new contributions during the fiscal year. The amount permanently restricted by donors was \$82.2 million which is included in net assets restricted for permanent trust-nonexpendable. The endowments did not have any net appreciation during the fiscal year for expenditure. Unrealized appreciation is included in net assets restricted for permanent trust-nonexpendable. All other appreciation is also included in restricted net assets as expendable or nonexpendable permanent trust depending on the terms of the endowment agreements. The Foundation has the following two-tier spending policy dependent upon the endowment agreement that exists for each endowment:

1. Endowments with agreements that require reinvestment of all realized capital gains as principal can distribute only realized interest and dividends, and all realized gains are reinvested.
2. For endowments without restrictive reinvestment language, the Board of Directors establishes an annual spending rate. For the fiscal year 2009, the spending rate was set at 4 percent of the three-year rolling average of the endowments' monthly fair market value. If the total realized dividends, interest, and short-term capital gains are less than the total amount required to make a distribution based on the established spending rate, realized long-term capital gains will be used to make up the shortfall.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

NOTE 15. LITIGATION, CONTINGENCIES, AND COMMITMENTS

A. Litigation and Contingencies

Primary Government

In November 1998 a Master Settlement Agreement was reached between the 5 largest tobacco manufacturers and 46 states. Since then more than 40 tobacco companies have joined the Agreement. Under the terms of the Agreement, the State of Idaho anticipates receiving annual payments in perpetuity, subject to numerous adjustments. The State received cash payments of \$31.0 million during fiscal year 2009. A number of tobacco manufacturers allege that Idaho has not diligently enforced the Idaho Master Settlement Agreement Act, and therefore should have one or more of its annual payments eliminated. While Idaho believes the allegations regarding Idaho enforcement are without merit, the litigation, until resolved, threatens one or more future payments.

The State is also 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, 2009, the principal amount of qualified bonds outstanding to school districts was \$617.6 million, and the interest amount outstanding was \$221.6 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, 2009, the Idaho Bond Bank Authority had a principal amount of qualified bonds outstanding to municipalities of \$176.7 million and the interest amount outstanding was \$109.0 million.

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 Department of Health and Welfare had \$13.9 million of questioned costs at June 30, 2008. These costs will be contested with the federal agency involved. Management estimates the liability to be less than the questioned amounts. Audits for the fiscal year ended June 30, 2009 are in process.

The Idaho Transportation Department (ITD) faces a potential liability of \$3.1 million for unpaid contractual claims. A probable cost of \$1.1 million has been recognized as a liability with a remaining contingent liability of \$2.0 million.

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

B. Commitments

Primary Government

The Public Employee Retirement System of Idaho has a total of \$505.3 million in outstanding commitments for investments to private equity partnerships.

The ITD has a total of \$253.6 million in outstanding commitments for infrastructure and \$2.2 million for other capital asset-related construction projects underway at year-end. In addition, the ITD has a commitment to repay Idaho Housing and Finance Association \$539.6 million in principal and \$278.3 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 ITD has borrowed \$268.3 million against the total; of that amount, \$53.3 million has been repaid, resulting in a \$215.0 million liability being recorded. Details can be found in Note 12.

The Department of Administration has a total of \$147.5 million in outstanding commitments for capital asset-related construction projects underway at year-end.

The colleges and universities estimate costs of \$99.1 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

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

a financing source for the construction of publicly owned wastewater and drinking water treatment facilities. The Clean Water Loan fund had loan commitments of \$68.5 million. Most of these loan commitments will be funded from accumulated repayments and investment revenue which are perpetually appropriated for this purpose. The Drinking Water Loan fund had \$37.2 million of loan commitments that are funded with approximately 80 percent federal funds and 20 percent state matching dollars. DEQ also has committed to various contracts addressing pollution remediation, best management practice implementation, and other environmental projects totaling \$6.8 million.

The Department of Correction has a contract with Corrections Corporation of America to operate a 1,514-plus bed prison. The estimated cost for fiscal year 2010 is \$26.3 million. The Department has a second contract with Corrections Corporation of America which will expire in August 2009. The estimated cost for fiscal year 2010 is \$0.3 million. The Department has a contract until June 30, 2010 with Correctional Medical Services, Inc. to provide medical services for inmates. The estimated cost for fiscal year 2010 is approximately \$22.0 million. The Department also has a contract with the Ada County Sheriff's Office to house an average of 50 inmates in a work release program. The fiscal year 2010 estimated cost is \$0.8 million.

The Department of Parks and Recreation has a total of \$10.9 million in outstanding commitments for capital asset-related construction projects underway at year-end.

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 2010 is \$9.5 million.

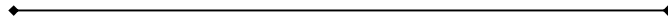
The Department of Fish and Game has a contract with Outdoor Central to facilitate selling hunting and fishing licenses. The contract will expire in March 2012 and the total estimated cost is \$5.5 million.

The Dairy Products Commission annually commits to participate in a national advertising pool administered by Dairy Management, Inc. By contractual agreement, the Commission's 2009 advertising pool commitment is \$4.2 million.

The State Lottery contracted with INTRALOT, Inc. through February 18, 2014, to pay 1.98 percent of total net sales and a \$4,306 monthly fee for a wireless tablet-reporting system to be used by Lottery's regional sales representatives.

Component Units

Idaho Housing and Finance Association has commitments to purchase \$70.1 million of single-family mortgages.



NOTE 16. SUBSEQUENT EVENTS

Subsequent to June 30, 2009, the following events occurred:

Primary Government

On July 1, 2009, the Office of the State Treasurer issued tax anticipation notes in the amount of \$500.0 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 2010 fiscal year. The notes mature on June 30, 2010.

Component Units

On July 8, 2009, the Idaho Housing and Finance Association issued single-family mortgage bonds Series 2009 A and B in the amount of \$207.1 million. The Series 2009 A and B bonds are being issued to provide money for the issuer to purchase and refund certain outstanding bonds of the Association originally issued to finance the making or purchase of mortgage loans to low income persons for single family, owner-occupied housing within the State and to pay certain costs of issuance of the Series 2009 A and B bonds.

BTOP Public Computer Center and Sustainable Broadband Detailed Budget

Please complete the Detailed Budget, breaking out individual line items under each category heading (add rows to each section as necessary to accommodate your line items). Please ensure line item total columns in the "General" and "Detail" sections are equal for each line item (a yellow highlight indicates an inconsistency). Also, you may utilize the provided space for additional notes, if desired (there is also a Budget Narrative question in the application in which you provide narrative detail on this budget).

Specifics needed for each cost category line item:

Personnel: For each position, list the number of positions, the location or geography of position, the job/task responsibilities for the position, the annual salary, and the percent of time a person at the position will spend working on the proposed BTOP project. For lines with more than one position, the Quarters Employed field should represent number of quarters per person (e.g. for two employees each working for one year, Quarters Employed should be 4 rather than 8).

Fringe: For each position, note the number of positions, the annual salary, the percent of time a person filling this position will spend working on the proposed BTOP project, and the fringe rate applicable to the position. For lines with more than one position, the Quarters Employed field should represent number of quarters per person (e.g. for two employees each working for one year, Quarters Employed should be 4 rather than 8).

Equipment: List all equipment units required for the project and provide program purpose. For each item, note the number of units and the unit cost. The multiple of these two factors will yield the total for that line item. For example, an Applicant planning to buy 100 laptops at \$500/laptop would have a total line item cost of \$50,000. Again, although unit costs may include cents, once multiplied by the number of units, the result must be rounded to the nearest whole dollar. Clearly separate *IT* equipment and user equipment, as indicated in the detailed budget template. When providing unit cost indicate whether the unit cost has been impacted by a discount and for software equipment list specific package names.

Travel: For each trip list the program purpose of the trip, destination city and the number of people traveling. For each line item (e.g., trip), note the number of trips and the cost per trip. The multiple of these two factors will yield the total for that line item. For example, if the Applicant was accounting for 10 trips at \$25 per trip, the total cost would be \$250. The cost per trip should be justified on its own, *not* derived by dividing the line item total by the number of trips. Such calculation will prompt further inquiry from the reviewers about justification for the trip cost. The *total* trip cost should be derived from the number of trips *times* the justifiable cost per trip.

Supplies: Separate supplies by item type, describing the program purpose or use. For each line item, note the number of units and the unit costs. The multiple of these two factors will yield the total for that line item. For example, an Applicant planning to buy 20 boxes of printer paper at \$30/box would have a total line item cost of \$600. Again, although unit costs may include cents, once multiplied by the number of units, the result must be rounded to the nearest whole dollar.

Other: Separate item types; for awareness program cost items, such as ads, separate ad type (radio, newspaper, etc) and include geography in which they will run.

Contractual: For each line item, identify the contractor and note the number of contracted hours and hourly rate, if applicable. For example, an Applicant planning to hire a technology consultant

100 hours at a rate of \$40/hour would have a total line item cost of \$4,000.

Indirect: Provide the indirect rate and basis used. In the space provided at the bottom of the page, briefly explain the calculation used to derive the indirect costs (including the indirect rate and basis included in the basis). If a negotiated indirect cost rate agreement exists and is being used, identify the cognizant agency.

The category subtotals for this Detailed Budget should correspond to the data provided in SF-424A, and both the SF-424 budget and this Detailed Budget should match the Federal Grant Request and Total Match Amount provided on the Project Budget page of the application. Review both budget attachments, the budget narrative in the application, and the Project Budget page for consistency before submitting the application. If you are submitting a PCC project as an SF-424C instead of an SF-424A, the sections of this Detailed Budget will not align directly with the categories of the SF-424C, but you should complete this Detailed Budget, allocating costs to appropriate cost categories.

The data provided via this attachment will be subject to automated processing. Applicants are therefore required to provide this attachment as an Excel file, and not to convert it to a PDF. When submitting a copy of their application on an appropriate electronic medium, such as a DVD, ROM, or flash drive. Additionally, applicants should not modify the format of this file.

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**BTOP Public Computer Center and Sustainable Broadband Adoption
Detailed Budget Template**

Easy Grants ID: **6743**
 Applicant: Idaho Commission for Libraries
 Project Title: High Quality Public Computing in Idaho Libraries

SF-424A Object Class Category	General				Detail				
	Position	Federal Support	Matching Support	Total	# of Positions	Salary	% Time Spent on Project	Quarters Employed	Total
a. Personnel - List position, number of staff, annual salaries, % time spent on project									
Computers: Provisioning Coordinator	ICFL IT Info Systems Technician		\$39,478.00	\$39,478.00	1	\$39,478.40	100%	4.00	\$39,478.00
Outreach and Training: E-Rate	ICFL Continuing Education Consultant		\$18,870.00	\$18,870.00	1	\$47,174.40	20%	8.00	\$18,870.00
Outreach and Training: Public Information Coordinator	ICFL Public Information Specialist		\$16,505.00	\$16,505.00	1	\$33,009.60	25%	8.00	\$16,505.00
Project Management: Fiscal Agent	ICFL Associate State Librarian (Fiscal Manager)		\$20,360.00	\$20,360.00	1	\$67,870.40	15%	8.00	\$20,360.00
Grant Prep: ICFL	ICFL State Librarian		\$6,285.00	\$6,285.00	1	\$93,808.00	40%	0.67	\$6,285.00
Grant Prep: ICFL	ICFL Support Services Supervisor		\$759.00	\$759.00	1	\$36,233.60	13%	0.67	\$759.00
Grant Prep: ICFL	ICFL Library Consultant (FN)		\$732.00	\$732.00	1	\$56,742.40	8%	0.67	\$732.00
Grant Prep: ICFL	ICFL Associate State Librarian (MH)		\$646.00	\$646.00	1	\$63,211.20	6%	0.67	\$646.00
Grant Prep: ICFL	ICFL Program Supervisor		\$665.00	\$665.00	1	\$52,208.00	8%	0.67	\$665.00
Grant Prep: ICFL	ICFL Associate State Librarian (RW)		\$364.00	\$364.00	1	\$67,870.40	3%	0.67	\$364.00
Grant Prep: ICFL	ICFL Continuing Education Consultant		\$1,335.00	\$1,335.00	1	\$47,174.40	17%	0.67	\$1,335.00
Grant Prep: ICFL	ICFL Public Information Specialist		\$575.00	\$575.00	1	\$33,009.60	10%	0.67	\$575.00
Subtotal		\$0.00	\$106,574.00	\$106,574.00					

b. Fringe Benefits - Include salaries and fringe rate.	Position	Federal Support	Matching Support	Total	# of Positions	Salary	% Time Spent on Project	Quarters Employed	Fringe Rate	Total
Computers: Provisioning Coordinator	ICFL IT Info Systems Technician		\$16,660.00	\$16,660.00	1	\$39,478.40	100%	4.00	42.20%	\$16,660.00
Outreach and Training: E-Rate	Continuing Education Consultant		\$7,302.00	\$7,302.00	1	\$47,174.40	20%	8.00	38.70%	\$7,302.00
Outreach and Training: Public Information Coordinator	Public Information Specialist		\$7,658.00	\$7,658.00	1	\$33,009.60	25%	8.00	46.40%	\$7,658.00
Project Management: Fiscal Agent	ICFL Associate State Librarian (Fiscal Manager)		\$6,780.00	\$6,780.00	1	\$67,870.40	15%	8.00	33.30%	\$6,780.00
Grant Prep: ICFL	ICFL State Librarian		\$1,873.00	\$1,873.00	1	\$93,808.00	40%	0.67	29.80%	\$1,873.00
Grant Prep: ICFL	ICFL Support Services Supervisor		\$334.00	\$334.00	1	\$36,233.60	13%	0.67	44.10%	\$334.00
Grant Prep: ICFL	ICFL Library Consultant (FN)		\$261.00	\$261.00	1	\$56,742.40	8%	0.67	35.70%	\$261.00
Grant Prep: ICFL	ICFL Associate State Librarian (MH)		\$221.00	\$221.00	1	\$63,211.20	6%	0.67	34.20%	\$221.00
Grant Prep: ICFL	ICFL Program Supervisor		\$246.00	\$246.00	1	\$52,208.00	8%	0.67	37.00%	\$246.00
Grant Prep: ICFL	ICFL Associate State Librarian (RW)		\$121.00	\$121.00	1	\$67,870.40	3%	0.67	33.30%	\$121.00
Grant Prep: ICFL	ICFL Continuing Education Consultant		\$518.00	\$518.00	1	\$47,174.40	17%	0.67	38.70%	\$518.00
Grant Prep: ICFL	ICFL Public Information Specialist		\$267.00	\$267.00	1	\$33,009.60	10%	0.67	46.40%	\$267.00
Subtotal		\$0.00	\$42,241.00	\$42,241.00						\$0.00

c. Travel - For significant costs, include details such as number and purpose of trips, destinations.	Purpose of Trip	Federal Support	Matching Support	Total	# of Trips	Cost per Trip	Total
Outreach and Training: E-Rate	On-site library training		\$12,699.00	\$12,699.00	187	\$67.91	\$12,699.00
Outreach and Training: Public Information Specialist	Regional Workshops	\$3,159.00		\$3,159.00	6	\$526.40	\$3,159.00
Outreach and Training: Continuing Education Consultant	Regional Workshops	\$857.00	\$2,301.00	\$3,158.00	6	\$526.40	\$3,158.00
Subtotal		\$4,016.00	\$15,000.00	\$19,016.00			

d. Equipment Costs - List equipment with # of units and unit costs. Distinguish between equipment intended for applicant use versus equipment for the end user.		Federal Support	Matching Support	Total	#Units	Unit Cost	Total
Equipment Description							
Applicant Equipment							
Connectivity: RF equipment	Turn-key radio local loop connectivity	\$758,000.00		\$758,000.00	41	\$18,487.80	\$758,000.00
Connectivity: equipment for fiber use	Switch/router at library	\$42,000.00		\$42,000.00	14	\$3,000.00	\$42,000.00
Computers: workstation hardware	Dell laptops	\$4,825.00		\$4,825.00	5	\$965.00	\$4,825.00
Computers: workstation software	Microsoft Office	\$325.00		\$325.00	5	\$65.00	\$325.00
Computers: workstation software	Symantec Anti-Virus	\$105.00		\$105.00	5	\$21.00	\$105.00
User Equipment							
Computers: workstation hardware	Dell desktops and laptops	\$32,825.00	\$232,550.00	\$265,375.00	275	\$965.00	\$265,375.00
Computers: workstation hardware	Logitech headset	\$8,800.00		\$8,800.00	275	\$32.00	\$8,800.00
Computers: workstation software	Microsoft Office	\$17,875.00		\$17,875.00	275	\$65.00	\$17,875.00
Computers: workstation software	Other software	\$35,200.00		\$35,200.00	275	\$128.00	\$35,200.00
Computers: workstation peripherals	Installation/Cabling/Connectors	\$17,600.00		\$17,600.00	55	\$320.00	\$17,600.00
Computers: workstation peripherals	Power Strip	\$660.00		\$660.00	55	\$12.00	\$660.00
Computers: workstation peripherals	WiFi router	\$8,250.00		\$8,250.00	55	\$150.00	\$8,250.00
Computers: workstation peripherals	Server/Router/Firewalls	\$11,000.00		\$11,000.00	55	\$200.00	\$11,000.00
Subtotal		\$937,465.00	\$232,550.00	\$1,170,015.00			

e. Supplies - List costs associated with materials/printing, curriculum, translations, and other supplies		Federal Support	Matching Support	Total	#Units (If Applicable)	Unit Cost (If Applicable)	Total
Description							
End User Training	Curriculum, printing, usage instructions, creation of support materials,	\$5,000.00	\$0.00	\$5,000.00			\$0.00
Public Info Coordination	Library posters, distribution materials, internal reference documents, etc.	\$7,500.00		\$7,500.00			\$0.00
Subtotal		\$12,500.00	\$0.00	\$12,500.00			

f. Contractual - List contractors with purpose of contract, hourly rate or total fixed rate.		Federal Support	Matching Support	Total	# Hours (If Applicable)	Hourly Rate (If Applicable)	Total Contract
Contractor							
Connectivity: RFP	Steve Maloney	\$0.00	\$75,000.00	\$75,000.00			\$0.00
Connectivity: Provisioning	IRON	\$180,000.00	\$0.00	\$180,000.00			\$0.00
Connectivity: recurring charges for connection increases	Various Providers	\$87,450.00	\$232,550.00	\$320,000.00			\$0.00
							\$0.00
Computers: procurement and implementation	TBD	\$25,000.00		\$25,000.00			\$0.00
Remote Authentication	TBD	\$15,000.00		\$15,000.00			\$0.00
Online resources: subscription to Learning Express Library (quoted rate from contractor)		\$228,000.00		\$228,000.00			\$0.00
Online resources: subscription to IdahoPTV (in-kind) (quoted rate from contractor)	Idaho PTV (in-kind)	\$75,000.00	\$75,000.00	\$150,000.00			\$0.00
Online resources: Internet2 Membership (quoted rate from contractor)	IRON	\$5,000.00		\$5,000.00			\$0.00
Outreach and Training: E-Rate Specialist	TBD		\$50,000.00	\$50,000.00			\$0.00
Outreach and Training: E-Rate Online Library Training	WebJunction		\$10,000.00	\$10,000.00			\$0.00
Outreach and Training: End-User Training	TBD	\$70,000.00		\$70,000.00			\$0.00

Outreach and Training: Public Information Coordinators	TBD	\$30,000.00		\$30,000.00			\$0.00
Project Management: PM for monitoring, reporting, oversight of contracts, etc.	Gens Johnson	\$150,000.00		\$150,000.00			\$0.00
				\$0.00			\$0.00
Grant Preparation: IRON	IRON (in-kind)	\$35,000.00	\$10,000.00	\$45,000.00			\$0.00
Grant Preparation: Consultant	Gates (in-kind)		\$79,900.00	\$79,900.00			\$0.00
Subtotal		\$900,450.00	\$532,450.00	\$1,432,900.00			

g. Construction - If applicable, list construction costs	Description	Federal Support	Matching Support	Total
		\$0.00	\$0.00	\$0.00
				\$0.00
				\$0.00
				\$0.00
Subtotal		\$0.00	\$0.00	\$0.00

h. Other - List costs associated with grant subrecipients as well as other costs not listed above such as rent, technology (website hosting, internet connection), advertising (TV, radio, online), etc.	Description	Federal Support	Matching Support	Total	#Units (If Applicable)	Unit Cost (If Applicable)	Total
Project Management: Admin Overhead	0.5% for administrative overhead associated with ARRA projects	\$0.00	\$14,000.00	\$14,000.00			\$0.00
Legal Fee--State Required	Payment to Attorney General's office for required legal actions	\$5,000.00		\$5,000.00			\$0.00
Subtotal		\$5,000.00	\$14,000.00	\$19,000.00			

i. Total Direct Charges (sum of a-h)		\$1,859,431.00	\$942,815.00	\$2,802,246.00
j. Indirect Charges			\$0.00	\$0.00
Total Eligible Project Costs		\$1,859,431.00	\$942,815.00	\$2,802,246.00
Match Percentage		33.6%		

Explanation of Indirect Charges

Additional Budget Notes