

**FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**STATE OF IDAHO**  
**IDAHO BOND BANK AUTHORITY**

**STATE OF IDAHO  
IDAHO BOND BANK AUTHORITY**

Table of Contents

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	<u>Page</u>
<b>ACCOUNTANTS' COMPILATION REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statement of Net Assets	2
Statement of Revenues, Expenses, and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5



## ACCOUNTANTS' COMPILATION REPORT

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To the Authority Members and Executive Director  
Idaho Bond Bank Authority

We have compiled the accompanying basic financial statements of the Idaho Bond Bank Authority, ("Authority"), a component unit of the State of Idaho, as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has not presented the management's discussion and analysis information that the Governmental Accounting Standards Board has determined is required to supplement, although not required to be a part of, the basic financial statements.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Boise, Idaho  
September 26, 2008

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**STATE OF IDAHO**  
**IDAHO BOND BANK AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

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**ASSETS**

**CURRENT ASSETS**

Loans and notes receivable	\$ 2,465,000
Deferred costs	1,274,057
Interest receivable	<u>620,037</u>
Total current assets	4,359,094

**NONCURRENT ASSETS**

Loans and loans receivable	<u>66,105,000</u>
Total noncurrent assets	<u>66,105,000</u>

Total assets	<u><u>\$ 70,464,094</u></u>
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**LIABILITIES**

**CURRENT LIABILITIES**

Bonds and notes payable	\$ 2,465,000
Deferred revenue	181,565
Interest payable	<u>620,037</u>
Total current liabilities	3,266,602

**NONCURRENT LIABILITIES**

Bonds and notes payable	<u>67,197,492</u>
Total noncurrent liabilities	67,197,492

Total liabilities	70,464,094
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**NET ASSETS**

Unrestricted	<u>-</u>
Total net assets	-
Total liabilities and net assets	<u><u>\$ 70,464,094</u></u>

**STATE OF IDAHO**  
**IDAHO BOND BANK AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2008**

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OPERATING REVENUES	
Interest on loans receivable	\$ 1,891,023
Other income	74,075
Total operating revenues	<u>1,965,098</u>
OPERATING EXPENSES	
Interest expense	1,891,023
Amortization expense	71,964
Other expense	2,111
Total operating expenses	<u>1,965,098</u>
CHANGE IN NET ASSETS	-
TOTAL NET ASSETS, BEGINNING OF YEAR, as restated	<u>-</u>
TOTAL NET ASSETS, END OF YEAR	<u><u>\$ -</u></u>

**STATE OF IDAHO**  
**IDAHO BOND BANK AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2008**

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CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from bonds issued	\$ 33,758,314
Receipts of loan principal	1,590,000
Receipts of loan interest	1,615,768
Disbursements of loans receivable	(33,086,480)
Payments on bond principal	(1,590,000)
Payments of bond interest	(1,615,768)
Payments of issue costs	(671,834)

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES -

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS -

CASH EQUIVALENTS AND CASH WITH TREASURER,  
BEGINNING OF YEAR -

CASH EQUIVALENTS AND CASH WITH TREASURER,  
END OF YEAR \$ -

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income	\$ -
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Amortization	(71,964)
Net changes in assets and liabilities	
Interest receivable	(275,255)
Deferred costs	(527,906)
Premiums and discounts on the issuance of debt	54,462
Deferred revenue	545,408
Interest payable	275,255

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES \$ -

**STATE OF IDAHO**  
**IDAHO BOND BANK AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Idaho Bond Bank Authority ("Authority"), 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 the governmental accounting and financial reporting principles. The financial statements are presented as of and for the year ended June 30, 2008.

*Reporting Entity*

The Idaho Bond Bank Authority was created by Idaho Code, Section 67-8703, authorizing the Authority to issue bonds to make loans to local governments for infrastructure. The objective of the Authority is to obtain lower interest rate and underwriting costs than local governments 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 is included as a component unit in the State of Idaho financial statements. The Authority can obligate state sales tax revenue as a source of payment or security for bonds issued, which imposes a potential direct financial burden on the State.

*Basis of Accounting and Financial Statement Presentation*

The Authority is accounted for and reported as a proprietary-type enterprise fund. Accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. The statement of net assets and the statement of revenues, expenses, and changes in net assets display information about the Authority. These statements include the financial activity of the overall reporting entity. These statements report all activities of the Authority as a business type activity. Operations are financed primarily from interest income.

The Authority has chosen not to apply all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued after November 30, 1989.

The Statement of Net Assets presents the Authority's assets and liabilities, with the difference reported as net assets. Net assets are displayed as unrestricted net assets; however, unrestricted net assets may have constraints or designations placed upon them by management, which can be unilaterally removed.

*Basis of Presentation*

The Authority is accounted for and reported as a proprietary-type enterprise fund using the accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

*Use of Estimates*

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

## NOTES TO FINANCIAL STATEMENTS

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### *Cash*

Cash and cash equivalents consist of bank accounts.

### *Deferred Revenue*

Deferred revenue represents the excess note receivable balance over the cash that was distributed to the participants. The deferred revenue is amortized over the life of the notes and recognized as revenue in correlation with the amortization of the deferred charges.

### *Loans and Notes Receivable*

Loans and notes receivable consist of loans to local governments in order to finance infrastructure needs.

### *Deferred Charges*

Deferred charges represent those direct costs associated with the issuance of the bonds. These costs are capitalized and amortized over the life of the bond. The Authority has incurred \$1,432,786 in bond issuance costs with accumulated amortization as of June 30, 2008 of \$158,730, related to these costs.

### *Provisions for Loan Losses*

Periodic evaluation of the loans receivable portfolio is performed in order to determine whether an allowance for loan losses should be established and reflected in current operations. Due to various levels of security and the Authority's low delinquency rates in its loan portfolio, management determined that no allowance for loan losses was necessary for the year ended June 30, 2008.

### *Bonds and Notes Payable*

Bonds and notes payable include bonds issued to make loans to local governments in order to finance infrastructure needs. Bond premiums, as well as issuance costs, are deferred and amortized over the life of the loan. See Note 2 for further explanation. The Authority's financial statements report long-term obligations, such as bonds and notes payable, as liabilities, with the portion payable within twelve months designated separately from the portion payable in more than twelve months.

### *State Appropriation*

The State provides employees who perform services associated with the Authority. These services are donated to the Authority and recorded at the value of the salaries and benefits. In the current year the amount appropriated was \$2,111.

## **NOTE 2 – LONG-TERM LIABILITIES**

The 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 local governments in order to finance infrastructure needs. The bonds are limited obligations of the Authority and do not constitute a debt of the State of Idaho or any of its political subdivisions. Revenue Bonds

## NOTES TO FINANCIAL STATEMENTS

Series 2004A were originally issued in the amount of \$11,070,000, Series 2006A bonds had an original issue amount of \$17,415,000, the 2006B issue, consisting of series and term bonds, had an original issue amount of \$9,780,000, the 2007A issue, had an original issue amount of \$11,700,000, the 2007B issue, had an original issue amount of \$145,000, the 2008A issue, had an original issue amount of \$14,625,000, and the 2008B issue, had an original issue amount of \$7,095,000.

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Series 2004A		Series 2006A		Series 2006B		Series 2007A	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 785,000	\$ 399,305	\$ 575,000	\$ 726,738	\$ 495,000	\$ 427,500	\$ 345,000	\$ 472,666
2010	800,000	367,530	610,000	703,038	520,000	405,931	410,000	457,094
2011	845,000	326,405	630,000	678,238	270,000	389,313	425,000	439,872
2012	885,000	283,155	660,000	652,438	565,000	372,444	445,000	421,928
2013	930,000	237,780	685,000	625,538	590,000	349,344	460,000	403,550
2014-2018	3,195,000	584,005	3,290,000	2,652,388	3,385,000	1,281,844	2,590,000	1,717,978
2019-2023	1,435,000	130,660	3,930,000	1,869,471	975,000	691,619	3,165,000	1,136,928
2024-2028	-	-	3,910,000	935,095	765,000	517,594	3,860,000	419,488
2029-2033	-	-	1,375,000	382,838	970,000	305,078	-	-
2034-2039	-	-	990,000	68,175	940,000	79,613	-	-
Total	<u>\$ 8,875,000</u>	<u>\$ 2,328,840</u>	<u>\$ 16,655,000</u>	<u>\$ 9,293,957</u>	<u>\$ 9,475,000</u>	<u>\$ 4,820,280</u>	<u>\$ 11,700,000</u>	<u>\$ 5,469,504</u>

Fiscal Year Ending June 30	Series 2007B		Series 2008A		Series 2008B		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 10,000	\$ 4,872	\$ 255,000	\$ 635,116	\$ -	\$ 261,552	\$ 2,465,000	\$ 2,927,749
2010	15,000	5,224	405,000	651,694	-	313,863	2,760,000	2,904,374
2011	15,000	4,676	420,000	635,194	-	313,863	2,605,000	2,787,561
2012	15,000	4,121	450,000	617,794	175,000	310,800	3,195,000	2,662,680
2013	15,000	3,559	465,000	600,150	185,000	304,500	3,330,000	2,524,421
2014-2018	75,000	9,071	2,795,000	2,661,844	1,040,000	1,412,731	16,370,000	10,319,861
2019-2023	-	-	3,440,000	1,995,559	1,375,000	1,182,200	14,320,000	7,006,437
2024-2028	-	-	4,335,000	1,077,375	2,930,000	668,225	15,800,000	3,617,777
2029-2033	-	-	1,205,000	314,625	1,390,000	63,225	4,940,000	1,065,766
2034-2039	-	-	855,000	111,375	-	-	2,785,000	259,163
Total	<u>\$ 145,000</u>	<u>\$ 31,523</u>	<u>\$ 14,625,000</u>	<u>\$ 9,300,726</u>	<u>\$ 7,095,000</u>	<u>\$ 4,830,959</u>	<u>\$ 68,570,000</u>	<u>\$ 36,075,789</u>

3.625% to 4.125%

3.250% to 5.000%

3.500% to 5.000%

2.50% to 5.00%

4.00% to 5.00%

4.00% to 5.00%

3.40% to 4.25%

The revenue bonds are secured by loan payments from local governments, investment earnings on amounts held by the trustee, and any other monies received by the Authority as designated revenues. The Series 2006A bonds are further secured by monies in the debt service reserve funds held by each participant. The reserve requirement is equal to the lesser of 125 percent of the annual debt service, the maximum annual debt service, or 10 percent of the original issue amount.

## NOTES TO FINANCIAL STATEMENTS

The changes in long-term liabilities for the fiscal year ended June 30, 2008 are as follows:

Long-Term Liabilities	Balances at July 1, 2007	Increases	Reductions	Balances at June 30, 2008	Amounts Due Within One Year
Revenue Bonds - 2004A	\$ 9,625,000	\$ -	\$ (750,000)	\$ 8,875,000	\$ 785,000
Revenue Bonds - 2006A	17,190,000	-	(535,000)	16,655,000	575,000
Revenue Bonds - 2006B	9,780,000	-	(305,000)	9,475,000	495,000
Revenue Bonds - 2007A	-	11,700,000	-	11,700,000	345,000
Revenue Bonds - 2007B	-	145,000	-	145,000	10,000
Revenue Bonds - 2008A	-	14,625,000	-	14,625,000	255,000
Revenue Bonds - 2008B	-	7,095,000	-	7,095,000	-
Total Revenue Bonds	36,595,000	33,565,000	(1,590,000)	68,570,000	2,465,000
Premiums/Discounts	1,038,030	173,314	(118,853)	1,092,492	-
Total bonds payable	\$ 37,633,030	\$ 33,738,314	\$ (1,708,853)	\$ 69,662,492	\$ 2,465,000

### NOTE 3 – FUND EQUITY

During fiscal year 2008, additional information became available that required the restatement of the beginning net assets.

The beginning net assets decreased by \$1,323 due to an overstatement of investments in the prior report.