



Financial Statements
June 30, 2022

Idaho State Building Authority

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Independent Auditor's Report

To the Commissioners of the
Idaho State Building Authority
Boise, Idaho

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Idaho State Building Authority (the Authority), a component unit of the State of Idaho as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2022, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements of the Authority, are intended to present the financial position and changes in financial position of the Authority. They do not purport to, and do not present fairly the financial position of the State of Idaho as of June 30, 2022, or the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the Authority has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information


Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority’s financial statements. The combining statements and related footnotes listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and related footnotes are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2022 on our consideration of the Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority’s internal control over financial reporting and compliance.


Boise, Idaho
November 1, 2022

Commission Members and Administrative Officers

The Board of Commissioners of the Idaho State Building Authority includes:

<u>Commissioner</u>	<u>Term Expiration</u>
V. L. “Bud” Tracy, Chairman	January 1, 2021
James C. Hammond, Vice Chairman	January 1, 2027
Dale McOmbler, Commissioner	January 1, 2024
Timothy Anderson, Commissioner	January 1, 2023
Shelly Enderud, Commissioner	January 1, 2026
Mark Ciavarella	January 1, 2022
Anthony Vahsholtz	January 1, 2024

Commissioners are appointed by the Governor with the advice and consent of the Senate for staggered terms of five years. Commissioners hold office for their respective terms and until a successor shall have been appointed and qualified.

The law firm Meuleman Law Group, PLLC (the “Firm”) of Boise, Idaho is general legal counsel to the Authority. Wayne Meuleman, a partner of the Firm, serves as Executive Director and Secretary of the Authority. The Firm provides all administrative and management services for the Authority. The Authority has no employed staff and engages outside professional services as needed in conducting the business of the Authority.

Operations and Proceedings

The Board of Commissioners held one regular meeting during the fiscal year ending June 30, 2022 to conduct the general and ordinary business of the Authority. No new financings were undertaken in fiscal year 2022.

Authority Facilities

All facilities financed by the Authority are leased to the State of Idaho (“State”) or community college districts (“Districts”) under separate annually renewable leases. The State and Districts have continuously renewed each lease and continue in possession of each project. Under the leases, the State and Districts are responsible for maintenance, repair and operation of each facility and all costs related thereto. The following describes each facility financed by the Authority:

Project No. 1 - The Authority's Project No. 1 was financed in 1978 and included three office buildings and related improvements constructed by the Authority in the cities of Boise, Lewiston, and Idaho Falls, Idaho, for use as state office facilities. The office in Boise is a ten-story building located in the Capitol Mall Complex. The office building constructed in Lewiston is located in the downtown area near Lewiston City Hall and Nez Perce County government building. The office building located in downtown Idaho Falls is adjacent to the central commercial district. All bonds issued for Project No. 1 have been paid in full and all facilities have been conveyed to the State without consideration.

Project No. 2 - Project No. 2 was financed in 1985 and involved the renovation of certain buildings and construction of new facilities for the Idaho State School for the Deaf and Blind at Gooding, Idaho. All bonds issued for Project No. 2 were paid in full and the school property and facilities were conveyed to the State without consideration.

Project No. 3 - In 1987, the Authority issued bonds to finance the purchase of the Idaho Industrial Administration Building located at 317 Main Street, Boise, Idaho, from the State of Idaho. All bonds issued for Project No. 3 were paid in full and the Idaho Industrial Building was conveyed to the State without consideration.

Project No. 4 - In 1988, the Authority financed the construction of a new 248-inmate medium/maximum security prison adjacent to the Idaho State Correctional Institution south of Boise, Idaho, and a 96-inmate addition at the Idaho State Correctional Institution at Orofino, Idaho. All bonds issued for Project No. 4 were paid in full and the Authority conveyed the Idaho Maximum Security Institution in Boise and the Idaho Correctional Institution in Orofino to the State without consideration.

Project No. 5 - In 1992, the Authority financed a new men's dormitory prison facility. The facility includes a minimum-security men's housing unit to accommodate 189 inmates, counseling offices, and two multi-purpose rooms for education and other functions. All bonds issued for Project No. 5 were paid in full and the Authority conveyed the Southern Idaho Correctional Facility's Prison Dormitory to the State without consideration.

Project No. 6 - Also in 1992, the Authority financed the costs of a new psychiatric hospital constructed in Orofino, Idaho for use by the Department of Health & Welfare. The hospital consists of a new 70-bed alcohol, drug, and psychiatric treatment hospital and includes support areas for administration, training, food service, therapeutic recreation, medical services, pharmacy, lab service, housekeeping, laundry and maintenance. All bonds issued for Project No. 6 were paid in full and the Authority conveyed the State Hospital North to the State without consideration.

Project No. 7 - In 1994, the Authority financed headquarters offices and related facilities for the Department of Parks and Recreation. The facilities are located in Ada County on approximately 18 acres on Idaho State Highway 21, approximately 4 miles southeast of Boise, Idaho. All bonds issued for Project No. 7 were paid in full and the Idaho Department of Parks and Recreation Office Building has been conveyed to the State without consideration.

Project No. 8 - In 1998, the Authority financed and developed a 1,250-inmate medium/minimum security prison for the Idaho Board of Corrections and its Department of Correction. The facilities are leased to the Department of Correction. Project No. 25, IDOC Prison Industries (PI) Warehouse Building Conversion involved renovation of a warehouse building constructed as part of Project No. 8 to convert the building to a prison housing facility.

Project No. 9 - In 2000, the Lava Hot Springs Foundation (the Foundation) entered into agreements with the Authority for the purpose of acquiring and financing certain access improvements and recreational facilities (the Improvements). The Authority approved funding of the Improvements totaling approximately \$400,000 from unrestricted funds of the Authority and entered into a lease agreement with the Foundation for the Improvements. All outstanding debt for Project No. 9 was paid in full. The Improvements to the Lava Hot Springs Foundation have been conveyed to the Foundation without consideration.

Project No. 10 - In 2001, the Authority issued bonds to finance an exchange of property for certain Idaho endowment lands and improvements adjoining Ponderosa State Park in McCall, Idaho. The acquired properties were leased to Idaho Department of Parks and Recreation to be used as additions to Ponderosa State Park. All bonds issued for Project No. 10 were paid in full. The acquired properties adjoining Ponderosa State Park have been conveyed to the State without consideration.

Project No. 11 - In 2001, the Authority issued bonds to finance new living and treatment facilities for 60 residents on the existing campus of the Idaho State School and Hospital in Nampa, Idaho. The project was constructed on property within the campus of Idaho State School and Hospital leased to the Authority and the project is leased back to the IDHW pursuant to an annually renewable lease. On April 10, 2012, to achieve a debt service savings, the Authority issued Refunding Revenue Bonds, Series 2012A, to refund the 2001B revenue bonds.

Project No. 12 - In 2001, the Authority issued bonds and entered into an agreement with the Idaho Department of Parks and Recreation (IDPR) to finance the acquisition of certain properties and improvements located along Billingsley Creek near Hagerman, Idaho, for multiple uses. The properties were purchased in September 2001 and leased to IDPR. On October 4, 2012, the 2001C Bonds were refunded by Series 2012J. A primary purpose of the refunding was to substitute the lease of the Billingsley Creek Properties with a lease of an existing office building that is utilized as the state-wide headquarters for Idaho Department of Parks and Recreation. Upon refunding, the Billingsley Creek properties were deeded to the State of Idaho. See Project No. 27 regarding the substituted lease for the IDPR headquarters building.

Project No. 13 - In March 2002, the Legislature adopted House Concurrent Resolution No. 60 authorizing the University of Idaho (UI), Idaho State University (ISU) and Idaho Department of Water Resources (IDWR) to enter into agreements with the Authority to provide for the financing and development of several new facilities in Boise, Idaho, including office, research and educational buildings and related improvements. In December 2002, the Authority issued its State Building Revenue Bonds Series 2003A and 2003B to finance an office and education building, known as the Idaho Water Center. Construction commenced in early February 2003 was substantially complete on August 10, 2004. The State decided not to proceed with the financing and development of additional facilities authorized by House Concurrent Resolution No. 60. On June 19, 2012, to achieve a debt service savings, the Authority issued Refunding Revenue Bonds, Series 2012B, to refund the 2003A tax-exempt revenue bonds. In December, 2019, the Authority issued State Building Refunding Revenue Bonds, Series 2019A (Water Center Project) (Federally Taxable) to refund the outstanding State Building Revenue Bonds, Series 2012B to achieve debt service savings.

Projects No. 14 through 20: The Legislature adopted House Concurrent Resolution No. 30 in May 2003 authorizing Boise State University (BSU), University of Idaho (UI), Idaho State University (ISU), Lewis and Clark State College (LCSC), North Idaho College (NIC), College of Southern Idaho (CSI), and the Idaho State Police (ISP) each to enter into agreements with the Authority to finance and develop new educational facilities to be located throughout the State. NIC and CSI are community college districts. All others are state colleges, state universities or state agencies. The Authority issued bonds totaling \$64,795,000 on July 17, 2003 to finance the proposed projects. The Idaho Department of Administration, through the Division of Public Works (DPW), was responsible for the construction of these projects and performed all construction administration services for each project. A summary of each project is as follows:

Project No. 14 – Idaho State University Classroom/Multi Use Complex: This project consists of a multi-use complex that includes the classroom building along with a 25,000 square foot Student Union Annex, and housing for 300 students. Of the total budget, the Authority provided financing for \$12,177,000, the State of Idaho contributed \$4,317,086 in non-bond proceeds, and ISU contributed the balance of \$27,015,000. The Development Agreement among the Authority, the Department of Administration and ISU determined a substantial completion date of December 30, 2006. The construction was substantially complete on August 10, 2007. On April 10, 2012, to achieve a debt service savings, the Authority issued Refunding Revenue Bonds, Series 2012C, to refund the 2003D revenue bonds.

Project No. 15– College of Western Idaho Academic Building, [formerly part of the Boise State University West Campus]: This project is a three-story building which includes a lecture hall, classrooms of various configurations, science laboratories, computer lab, library, offices, bookstore, and multi-use dining spaces. Completed in 2005, the project was used by Boise State University. In 2008, with the consent of the Authority, Boise State University transferred its interest in the project and surrounding property to College of Western Idaho, an Idaho community college district formed in 2007. On April 10, 2012, to achieve a debt service savings, the Authority issued Refunding Revenue Bonds, Series 2012D, to refund the 2003E revenue bonds.

Project No. 16 – University of Idaho Teaching and Learning Center: The project is a comprehensive renovation of the University Classroom Center. The facility supports general education; tutoring and mentoring services; student life; support and other functions, services and activities. The project was completed June 2007. On April 10, 2012, to achieve a debt service savings, the Authority issued Refunding Revenue Bonds, Series 2012E, to refund the 2003F revenue bonds.

Project No. 17 – Lewis-Clark State College Campus Classroom and Activity Center: The facility consists of an events center-gym, multi-purpose room, classrooms, conditioning and workout rooms, and locker room/shower facilities, treatment and exam spaces, office and related support spaces, concession facilities, storage areas, public lobbies and restroom facilities, and storage areas and building mechanical spaces. Site work consists of the addition of several new parking lots, new access road and sidewalks, a new trash pickup facility, various new utility installations and site landscaping. The project was completed January 6, 2006. On April 10, 2012, to achieve a debt service savings, the Authority issued Refunding Revenue Bonds, Series 2012F, to refund the 2003G revenue bonds.

Project No. 18 – North Idaho College (NIC) Allied Health, Nursing and Life Science Building: The project provides a new facility for Science/Nursing/Allied Health programs on the campus of NIC. The building provides a full range of instructional spaces including classrooms, laboratories, preparation rooms, offices, computer laboratories, and distance education facilities. The project was completed August 30, 2005. On April 10, 2012, to achieve a debt service savings, the Authority issued Refunding Revenue Bonds, Series 2012G, to refund the 2003H revenue bonds.

Project No. 19 – College of Southern Idaho Fine Arts Addition: This project involves an addition to the existing CSI Fine Arts Building and includes a new 360-seat (+/-) Proscenium Theater with primary support spaces, general use lecture and classroom spaces, and specialized instructional spaces. The Authority provided financing totaling \$5,402,000, non-bond proceeds were provided by the State of Idaho totaling \$1,857,000, and CSI contributed \$898,332. The project was completed December 1, 2005. On April 10, 2012, to achieve a debt service savings, the Authority issued Refunding Revenue Bonds, Series 2012H, to refund the 2003I revenue bonds.

Project No. 20 – Idaho State Police POST Academy: This project houses ISP/POST basic and in-service training program for the Department of Correction and the Department of Juvenile Corrections. The project has two large theater-style classrooms, two additional standard classrooms, computer lab, cellblock and living unit simulation areas, as well as an administrative area. The project was completed January 14, 2005. On April 10, 2012, to achieve a debt service savings, the Authority issued refunding bonds, Series 2012I, to refund the 2003J revenue bonds.

Project No. 21 – College of Eastern Idaho (formerly Eastern Idaho Technical College (EITC) Health Education Building: The project consists of approx. 40,000 gross square feet and provides a new facility for the Nursing/Health Education programs on the campus of EITC. The building provides a full range of instruction spaces including classrooms, laboratories, preparation rooms, offices, computer laboratories, and distance education facilities. The project was completed December 31, 2007. On March 14, 2013, to achieve a debt service savings, the Authority issued Refunding Revenue Bonds, Series 2013B, to refund the callable portion of the 2005A revenue bonds. In 2018, with consent of the Authority, the State subleased the facilities to Eastern Idaho College, a newly formed community college district in Idaho Falls, Idaho. The State also transferred the remaining portion of the EITC campus and improvements to Eastern Idaho College which assumed full responsibility for operation of the campus and education programs.

Project No. 22 – Idaho State Capitol Restoration and Expansion: House Concurrent Resolution No. 47 adopted in 2006 by the Second Regular Session of the Fifty-eighth Idaho Legislature authorized the Idaho Capitol Commission to enter into agreements with the Authority to provide financing for the restoration and expansion of the Idaho Capitol Building. The project includes restoration of the existing structure and addition of underground wings to the east and west ends of the Capitol Building. On September 27, 2006, the Authority authorized the issuance of bonds in the amount of \$127,090,000 to fund the estimated costs of the project. Substantial completion was achieved on November 12, 2009. When the project reached final completion in June 2011, all unexpended construction funds and related funds totaling \$16,819,593 were transferred to the Debt Service Account. As of September 1, 2014, all outstanding State Building Revenue Bonds, Series 2006 were paid in full. In November 2014, the Facilities Lease and Premises Lease were terminated and all of the Authority's interest in the project transferred to the State without consideration.

Project No. 23 – Lava Hot Springs Foundation, 2008 Recreational Improvements: Senate Concurrent Resolution No. 133, of the Fifty-ninth legislature, Second Regular Session, authorized the Lava Hot Springs Foundation of the State of Idaho to enter into an agreement or agreements with the Authority to finance certain improvements and recreational equipment for the Foundation. The Authority issued its Revenue Note, Series 2008 in the sum of \$1,650,000 to U.S. Bank, NA. to finance the costs of acquiring and constructing the Improvements and to pay the related costs. The project was completed and was opened to the public on May 15, 2009. The Revenue Note was paid in full in August 2018 and the Improvements were transferred to the Foundation.

Project No. 24 – Idaho Department of Correction (IDOC) Secure Mental Health Treatment Facility: House Concurrent Resolution No. 58, of the Fifty-ninth legislature, Second Regular Session, authorized the Board of Correction to enter into agreements with the Authority to finance and build a 300-bed secure mental health treatment facility on state-owned land. IDOC transferred \$2.9 million to the Authority to pay for initial project development costs, including the administration, coordination and technical support to establish planning, site analysis and selection, preliminary plans, and the project development budget. A site was selected and design development drawings were completed. At the direction of the Board of Correction, IDOC instructed the Authority to return unexpended project funds to the State and financing and development of the project has been terminated.

Project No. 25 – Idaho Department of Correction Prison Industries (PI) Warehouse Building Conversion: In August 2008, the Idaho Department of Correction transferred \$5,265,000 to the Authority to pay costs incurred to convert the Prison Industry Enterprise building to additional housing units at the Idaho Correctional Center. Construction of the renovation was completed in August 2009 and is occupied. The additional work required to increase the capacity of the facility's wastewater treatment operations to accommodate increases to the facility's inmate population was completed and unused construction funds returned to the Idaho Department of Correction in December 2011. In fiscal year 2013, accounting for this project was merged with Project No. 8, State Prison Facility.

Project No. 26 – University of Idaho Livestock and Environmental Research: In November 2008, the University of Idaho transferred \$90,000 to the Authority for costs for preliminary design services which were completed in April, 2009. The project was terminated by the University of Idaho and the predesign work was transferred to the University.

Project No. 27 – Office Building, Idaho Department of Parks and Recreation (IDPR): State Concurrent Resolution No. 123 adopted in 2012, authorized IDPR to enter into agreements with the Authority to pay all Series 2001C bonds issued for Project No. 12, the Vardis Fisher and Billingsley Creek properties in the Hagerman Valley, by substituting existing property or facilities held by IDPR to support a new bond issue. On October 24, 2012, the Authority issued Refunding Revenue Bonds, Series 2012J to refund the 2001C revenue bonds. Project 27 was paid in full during 2022, the lease agreements were terminated.

Project No. 28 – Capitol Mall Parking Facility: House Concurrent Resolution No. 47, adopted by the State Legislature during the Second Regular Session of the Sixty-First Legislature and Resolution No. 2013-1 of the Authority adopted on February 12, 2013, authorized the State, acting through the Idaho Department of Administration, to enter into agreements with the Authority to provide financing for the construction of a parking garage, surface parking and related improvements in the Capitol Mall area of Boise, Idaho. On March 14, 2013, the Authority authorized the issuance of bonds in the amount of \$9,045,000 to fund the estimated costs of the project. Project construction began in July 2013, and the primary parking garage was sufficiently completed to allow the State to commence use in August 2014. Construction of the remaining improvements was completed in February 2015.

Project No. 29 – State Office Campus Project: State Concurrent Resolution No. 29 as adopted by the First Regular Session of the Sixty-Fourth Idaho Legislature, authorized Idaho Department of Administration (IDOA) to enter into agreements with the Authority to acquire office buildings and related facilities known as the HP Campus for the State. The Authority issued its State Building Revenue Bonds, Series 2017A in the amount of \$46,025,000 and Series 2017B in the amount of \$98,525,000 in December 2017 and purchased the property. The Authority has leased all land and facilities to the State. Additionally, the sum of \$29,350,000 was deposited into a construction fund of the Authority to pay costs incurred by the State for improvements to be constructed to accommodate relocation of state agencies to the new state office complex. Construction of improvements by the State completed in fiscal year 2021.

Project No. 30 – Idaho State Board of Education Project: House Concurrent Resolution No. 105, as adopted by the First Regular Session of the Sixty-Fourth Idaho Legislature, authorized Idaho State Board of Education (SBOE) to enter into agreements with the Authority to provide two buildings on SBOE-owned property adjacent to the Idaho National Laboratory campus at Idaho Falls, Idaho. The new facilities are to be used for research and related uses by Idaho National Laboratory in collaboration with Idaho universities and colleges, and other parties. In April 2018, the Authority issued its State Building Revenue Bonds, Series 2018A in the amount of \$83,165,000 to fund costs of design and construction of the new facilities. In addition, Idaho National Laboratory acting through its Operating Contractor, contributed the sum of \$24,510,913 to pay for certain special improvements to be constructed as part of the facilities. Construction was substantially completed on both buildings as of August 31, 2019 and both have been placed in service. The unexpended balance in the Construction Fund totaling approximately \$3,890,000 was disbursed as directed by State Board of Education to reimburse design costs paid by Battelle Energy Alliance, LLC, Idaho National Laboratory's Operating Contractor, prior to construction of the project.

Project No. 31 – Idaho Department of Health and Welfare Project: Senate Concurrent Resolution No. 140, adopted in 2018 by the State Legislature during the Second Regular Session of the Sixty-Fourth Legislature, authorized the Department of Health and Welfare (IDHW) to enter into agreements with the Authority to finance, design and construct a new skilled nursing facility on the campus of Idaho's State Hospital South in Blackfoot, Idaho. Pursuant to the agreements with IDHW, the Authority issued its State Building Revenue Bonds, Series 2018B, in the sum of \$35,120,000 dated October 30, 2018 to finance the project and entered into agreements for the design and construction of the project. Construction began in June 2019 and the primary nursing facility was substantially completed in August 2020 and has been in service and fully occupied since September 2020. The additional construction work to demolish the old nursing building and related landscaping has been completed.

FINANCIAL CONDITION

The Authority's financial statements are presented in accordance with applicable provisions of the Governmental Accounting Standards Board Statements.

Using the Financial Statements

The financial statements report short and long-term financial information about the Authority. The Statement of Net Position provides information about the nature and amounts of investments in resources (assets and deferred outflows) and obligations (liabilities and deferred inflows) at the close of fiscal year 2022. The Statement of Revenues, Expenses, and Changes in Net Position reports the Authority's operations for fiscal year 2022 and the resulting increase or decrease in net position. The Statement of Cash Flows provides information about the Authority's cash receipts, cash payments and net changes in cash resulting from operations, investing and financial activities and the flow of cash during the fiscal year.

The Idaho State Building Authority is a single-purpose governmental entity and is an enterprise fund for financial reporting with revenues and expenses recognized on the accrual basis. Capital assets are capitalized and depreciated over their useful lives. The notes to the financial statements contain, among other information, descriptions of the Authority's significant accounting policies and are an integral part of the financial statements.

The combining statements, as shown on the table of contents, provide a detailed view of the Authority's activities by presenting the financial information of the individual bond issues.

Financial Highlights

The regular financial activity for the year involved receipt of annual rentals for the lease of the various projects. Rental receipts are deposited into the respective Revenue Funds of the bonds issued to finance each project and are then transferred to the respective Debt Service Accounts to be applied to principal and interest on the bonds due within the applicable fiscal year and to the Administrative Fund as Additional Rent to pay administrative fees for the fiscal year. During fiscal years 2022 and 2021, there were no unusual or excessive administrative expenses; however, there were significant changes in the way lease revenue is recognized due to the implementation of GASB 87.

The following table summarizes the Authority's assets, deferred outflows, deferred inflows, liabilities and net position as of June 30, 2022 and 2021.

	<u>2022</u>	<u>2021*</u>
Other Assets	\$ 193,830,339	\$ 18,592,651
Lease and accrued interest receivables	329,528,378	-
Net Capital Assets	<u>358,183,931</u>	<u>369,244,929</u>
Total Assets	<u>881,542,648</u>	<u>387,837,580</u>
Deferred Outflows	<u>4,405,602</u>	<u>4,759,072</u>
Current Liabilities	24,224,592	25,690,510
Long-Term Liabilities	<u>309,974,108</u>	<u>328,883,324</u>
Total Liabilities	<u>334,198,700</u>	<u>354,573,834</u>
Deferred Inflows	<u>322,036,958</u>	<u>-</u>
Net Investment in Capital Assets	49,605,778	42,798,364
Amounts Restricted for		
Debt Service	15,056,826	9,177,110
Bond Defeasance	175,770,264	
Unrestricted	<u>(10,720,276)</u>	<u>(13,952,656)</u>
Total Net Position	<u><u>\$ 229,712,592</u></u>	<u><u>\$ 38,022,818</u></u>

*2021 was not restated for the implementation of GASB 87.

Total Assets of the Authority as of June 30, 2022 were \$881,542,648 compared to \$387,837,580, as of June 30, 2021. The increase in total assets is primarily made up of the large deposit received before year end for bond defeasance in the FY2023 year and the lease receivables associated with GASB 87.

Total Deferred Outflows decreased by \$353,470 due to amortization

Total Liabilities decreased by \$20,375,134. This was mostly due to repayment of long-term debt. This was offset by amortization of bond premiums. Total liabilities at June 30, 2022 were \$334,198,700 compared to \$354,573,834 as of June 30, 2021. Total bonds/notes payable as of June 30, 2022 was \$328,039,108 as compared to \$346,358,324 as of June 30, 2021.

Total Deferred Inflows increased by \$322,036,958 due to the deferred lease inflows accrued as a result of the GASB 87 adoption.

Total Net Position as of June 30, 2022 is \$229,712,592, and is comprised of \$49,605,778 in net investment in capital assets, \$15,056,826 restricted for payment of debt service, \$175,770,264 restricted through state appropriation for bond defeasance, and a \$(10,720,276) deficit in unrestricted. Restricted net position primarily increased due to state apportioned funds that were received to fully defease bonds in the FY23 year. This compares to a balance as of June 30, 2021 of \$38,022,818. Total Net Position increased by \$191,689,774.

The following table summarizes the Authority's revenues and expenses and changes in net position for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021*</u>
Lease Rent for Revenue Bonds	\$ 26,015,727	\$ 36,670,735
Additional Rent	486,213	455,000
Lease interest revenue	12,896,707	-
Investment Income	29,707	291,073
Total operating revenue	<u>39,428,354</u>	<u>37,416,808</u>
Operating and Administrative	496,811	473,285
Depreciation Expense	11,060,998	9,856,258
Interest Expense	11,934,715	12,004,879
Total operating expenses	<u>23,492,524</u>	<u>22,334,422</u>
Operating Income	<u>15,935,830</u>	<u>22,334,422</u>
State Appropriation for Bond Defeasance	<u>175,753,944</u>	<u>-</u>
Total Other Financing Sources	<u>175,753,944</u>	<u>-</u>
Change in Net Position	191,689,774	15,082,386
Net Position, Beginning of Year	<u>38,022,818</u>	<u>22,940,432</u>
Net Position, End of Year	<u>\$ 229,712,592</u>	<u>\$ 38,022,818</u>

*2021 was not restated for the implementation of GASB 87.

Total Revenues of the Authority for fiscal year 2022 were \$39,428,354, consisting primarily of \$26,501,940 of rental revenue recognized in accordance with GASB 87, \$12,896,707 in lease interest revenues, and \$29,707 of investment income. This compares to total revenues for fiscal year 2021 of \$37,416,808 consisting primarily of \$37,125,735 of rental payments, \$291,073 of investment income.

Total Expenses increased primarily due an increase in depreciation expense as the projects 30 and 31 had their first full year of depreciation. Total expenses for fiscal year 2022 of \$23,492,524 consisted of \$496,811 of administrative expense, \$11,060,998 of depreciation and \$11,934,715 of interest expense. Total expenses increased by \$1,158,102.

Total Other Financing Sources consist entirely of \$175,753,944 of state appropriated funds to defease bonds in FY 23. Any amount not used to defease bonds will be remitted back to the State.

The total **Change in Net Position** for fiscal year 2022 was an increase of \$191,689,774.

LEASE RECEIVABLES, CAPITAL ASSETS, AND LONG-TERM DEBT

Lease Receivables

At June 30, 2022, the Authority had \$329,528,378 in total receivables that were accrued per the new lease structure as implemented by the GASB 87 adoption. This amount is made up of \$17,507,252 of current lease receivable, \$303,006,277 of long-term lease receivable, and \$9,014,849 of lease interest receivable. Additional information regarding the lease receivables and GASB 87 adoption is presented in Note 7 to the financial statements.

Capital Assets

At June 30, 2022, the Authority had \$358,183,931 invested in capital assets that are leased to the State. This represents a net decrease (including additions and deletions) of \$11,060,998 from June 30, 2021. The decrease is mostly a result of depreciation. Additional information regarding capital assets is presented in Notes 2 and 4 to the financial statements.

Long-Term Debt

At June 30, 2022, the Authority had \$323,675,000 in bonds and notes outstanding compared to \$341,150,000 as of June 30, 2021. This was a decrease of \$17,475,000 which consist entirely of a reduction of bond principal. Additional information regarding long-term debt is presented in Notes 2 and 5 to the financial statements.

Requests for Information

If you have questions about this report or need additional financial information, contact the Executive Director at: 950 W. Bannock Street, Suite 490, Boise, ID 83702.

Idaho State Building Authority
Statement of Net Position
June 30, 2022

Assets

Cash and cash equivalents	
Money market funds	\$ 3,003,249
Money market funds, restricted for capital outlay and debt service	15,056,826
Money market funds, restricted for bond defeasance	175,770,264
Lease interest receivable	9,014,849
Lease receivables	320,513,529
Depreciable capital assets, net of accumulated depreciation	329,595,741
Non-depreciable capital assets	28,588,190
	<u>881,542,648</u>

Deferred Outflows

Deferred amount on refundings	4,405,602
	<u>4,405,602</u>

Liabilities

Accounts payable	8,273
Accrued interest payable	3,982,412
Advanced rent	2,168,907
Long-term liabilities	
Bonds/notes payable - due within one year	18,065,000
Bonds/notes payable - due after one year	309,974,108
	<u>334,198,700</u>

Deferred Inflows

Lease related	322,036,958
	<u>322,036,958</u>

Net Position

Net investment in capital assets	49,605,778
Amounts restricted for	
Debt service	15,056,826
Bond Defeasance	175,770,264
Unrestricted	(10,720,276)
	<u>(10,720,276)</u>
	<u>\$ 229,712,592</u>

Idaho State Building Authority
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022

Operating Revenues	
Rent for revenue bonds	\$ 26,015,727
Additional rent	486,213
Lease interest revenue	12,896,707
Investment income	29,707
	<hr/>
Total operating revenues	39,428,354
	<hr/>
Operating Expenses	
Operating and administrative	496,811
Depreciation expense	11,060,998
Interest expense	11,934,715
	<hr/>
Total operating expenses	23,492,524
	<hr/>
Operating Income	15,935,830
	<hr/>
Other Financing Sources	
State appropriation for bond defeasance	175,753,944
	<hr/>
Total other financing sources	175,753,944
	<hr/>
Change in Net Position	191,689,774
	<hr/>
Total Net Position, Beginning of Year	38,022,818
	<hr/>
Total Net Position, End of Year	\$ 229,712,592
	<hr/> <hr/>

Idaho State Building Authority
Statement of Cash Flows
Year Ended June 30, 2022

Operating Activities	
Lease principal and interest receipts	\$ 30,698,413
Bond/note interest payments	(12,682,406)
Payments to vendors	<u>(498,607)</u>
Net Cash from Operating Activities	<u>17,517,400</u>
Capital and Related Financing Activities	
Bond/note principal and refunding payments	(17,475,000)
Payments on capital assets prior year construction accounts payable	<u>(574,976)</u>
Net Cash used for Capital and Related Financing Activities	<u>(18,049,976)</u>
Noncapital Financing Activities	
Proceeds from state appropriation	<u>175,770,264</u>
Net Cash from Noncapital Financing Activities	<u>175,770,264</u>
Net Change in Cash and Cash Equivalents	175,237,688
Cash and Cash Equivalents, Beginning of Year	<u>18,592,651</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 193,830,339</u></u>
Reconciliation of Operating Income to Net Cash and Equivalents from Operating Activities	
Operating income	\$ 15,935,830
Adjustments to reconcile total operating income to net cash and equivalents from operating activities	
Depreciation	11,060,998
Accretion of deferred interest, bond discounts, gain on refunding GASB 87 implementation	(490,746)
Change in assets, liabilities, and deferred inflows	(9,014,849)
Interest receivable	281,536
Accounts payable	(1,796)
Accrued interest payable	(256,945)
Advanced rent	<u>3,372</u>
Net Cash from Operating Activities	<u><u>\$ 17,517,400</u></u>

Note 1 - Summary of Significant Accounting Policies

Authorizing Legislation

The Idaho State Building Authority (the Authority) was created in 1974 by the Idaho State Legislature under provisions of the Idaho State Building Authority Act of 1974 (the Act). The Act empowers the Authority, among other things, to issue notes and bonds to finance the construction or acquisition of facilities for lease to the State of Idaho (the State) and community college districts (Districts), subject to prior legislative approval. Under the Act, the Governor, with advice and consent of the State Senate, appoints the seven commissioners of the Authority for five-year terms. The Act also provides that (a) the property of the Authority and its income are exempt from taxation and (b) the obligations of the Authority shall not become an indebtedness or obligation of the State or any of its entities.

The Act, along with the bond resolutions adopted by the Authority, contains specific provisions pertaining to (a) the use of the proceeds from the sale of notes and bonds, (b) the application of rent and other revenues, (c) the creation and maintenance of certain funds and (d) the accounting policies for such funds.

The viability of the Authority is dependent upon the continued leasing of its properties by the State and Districts or disposition of such properties in amounts sufficient to repay any remaining debt related to the properties. As of June 30, 2022, all rent is paid to the Authority by the State or Districts of the State. The State or agencies of the State sublets portions of certain facilities.

Financial Reporting Entity

The Authority follows Governmental Accounting Standards Board (GASB) in determining the reporting entity. Accordingly, the financial statements include all funds for which the Authority is financially accountable.

The Authority is included as a component unit in the State of Idaho financial statements based on certain criteria in GASB. These statements present only the funds of the Authority and are not intended to present the financial position and results of operations of State of Idaho in conformity with generally accepted accounting principles of the United States of America.

Basis of Presentation

The Authority applies the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues are those revenues that are generated from the primary operations of the Authority. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the Authority. All other expenses are reported as non-operating expenses.

Budget

Pursuant to lease agreements and bond resolutions, the Authority annually adopts a budget of administrative expenses and prepares a budget of general revenue and expenses. The Authority is not required by law to adopt or publish an overall budget for operations.

Cash and Cash Equivalents

Cash and cash equivalents for the Statement of Cash Flows includes all cash and money market funds with an original maturity of three months or less.

Investments

Bond resolutions and Idaho law limit investments to certain types of securities which meet defined standards.

The Authority categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Lease Receivables

Lease receivables are recorded by the Authority as the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate the Authority charges the lessee.

Leased Facilities

In the Statement of Net Position, capital assets, which include property, plant, equipment, and infrastructure assets, are reported as assets. All direct costs of acquisition or construction of the facilities are capitalized. All depreciable facilities leased to the State and Districts are depreciated on the straight-line method over 40 years.

Upon full payment of bonds related to leased facilities developed on Authority-owned land, the Authority is not required to, but may, transfer ownership of the facilities to the State, agencies of the State or Districts at the end of the lease period. The Authority has previously conveyed leased assets to the State at the expiration of the lease period. Upon full payment of bonds related to leased facilities developed on State or District owned land, the leases automatically terminate and the improvements revert to the State or District. Currently, all assets of the Authority are leased to the State, agencies of the State or Districts. The final maturity of bonds issued to finance acquisition and construction of facilities is generally shorter than the asset life of facilities funded by such bond and, based on the 40-year depreciable life of the asset, it is likely there will be remaining asset cost at the time such bonds are paid in full. Given this, it is possible that the Authority will incur a loss upon disposition of assets to the State or Districts at less than the remaining asset value.

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time.

Deferred losses on bond refundings are deferred and amortized over the life of the bonds using the straight-line method. The net deferred loss on bond refundings totaled \$4,405,602 at June 30, 2022. Amortization of the deferred loss on bond refundings was \$353,471 for the year ended June 30, 2022, and is included in the caption “Interest expense” on the Statement of Revenues, Expenses, and Changes in Net Position. As a result of these bond refundings, the Authority has reduced future debt payments associated with those bonds.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows relate to leases where the Authority is the lessor and is reported in the statement of net position. The deferred inflows of resources related to leases are recognized as an inflow of resources (revenue) on a straight-line basis over the term of the lease.

Advanced Rent

Advance rent represents lease payments made for facilities in advance of the payment due date.

Long-term Obligations

In the Statement of Net Position, long-term debt is reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

The net premiums and discounts on the bonds totaled \$4,364,108 at June 30, 2022. Amortization of the bond premiums and discounts was a net of \$844,216 for the year ended June 30, 2022, and is included in the caption “Interest expense” on the Statement of Revenues, Expenses, and Changes in Net Position.

Significant 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. Significant estimates used in preparing these financial statements include those assumed in determining the useful lives on capital assets and the collectability of lease receivables. It is at least reasonably possible that the significant estimates used will change within the next year.

Implementation of New Accounting Standards

GASB Statement No. 87

As of July 1, 2021, the Authority adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain right to use leased assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard also requires lessors to recognize a lease receivable and deferred inflow of resources. As a result of implementing this standard the Authority recognized a lease receivable and deferred inflow of resources in the amount \$346,635,932 and \$346,635,932 as of July 1, 2021, respectively. In addition, there was \$1,241,893 in advanced payments received at the inception of the lease that were reclassified from a liability to a deferred inflow as of July 1, 2021. As a result of these adjustments there was no effect on beginning net position. The additional disclosures required by this standard are included in Notes 7.

GASB Statement No. 89

As of July 1, 2021, the Authority adopted GASB Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period by requiring that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred, instead of capitalization. The implementation of this standard was applied prospectively.

Note 2 - Projects

The lease agreements for each project provide that the State or Districts have the option to renew the lease for successive fiscal years, subject to annual appropriation by the State Legislature. Annual rent typically is equal to (1) the annual debt service requirement, net of any monies available to the Authority for payment of such debt service, and (2) the portion of the Authority’s budget for operating and administrative expenses related to each project. See Note 7 for additional disclosures on the effect of GASB 87 on future lease revenue.

A. Expected Future Principal Payments by Project:

The expected principal future lease receipts or application of advanced rent to be used for debt service are as follows:

		<u>2022</u>
Project 8	State Prison Facility Project	\$13,777,705
Project 11	State School and Hospital Project	1,703,350
Project 13	Idaho Water Center Project	37,449,221
Project 14	Idaho State University Classroom and Portion of Residence Building Project	1,738,695
Project 15	College of Western Idaho Academic Building	1,239,070
Project 16	University of Idaho Teaching and Learning Center Project	1,663,750
Project 17	Lewis-Clark State College Campus Classroom and Activity Center Project	1,428,928
Project 18	North Idaho College Allied Health, Nursing & Life Sciences Building Project	1,573,819
Project 19	College of Southern Idaho Fine Arts Addition Project	769,422
Project 20	Idaho State Police POST Training Facility Project	329,752
Project 21	Eastern Idaho Technical College, Health Education Building Project	3,323,021
Project 28	Capitol Mall Parking Project	6,250,668
Project 29	State Office Campus	140,045,725
Project 30	Idaho State Board of Education Facilities	74,715,585
Project 31	Idaho Department of Health and Welfare Nursing Facilities	<u>34,504,818</u>
		<u><u>\$320,513,529</u></u>

B. Description of the Facilities Leased:

Project No. 8 - 1998 State Prison Facility Project (Series 2018C Bonds)

Under a “Ground Lease”, the Authority leased land from the State. Under an annually renewable “Agreement of Lease” with the State, the Authority constructed a new prison facility in Boise and the facilities are leased to the State. The 1998 Series A State Building Revenue Bonds were issued for the purpose of financing the acquisition, construction, improvement, and equipping of new facilities. The State has the option to purchase the facilities from the Authority at any time for the greater of the fair market value of the facilities or the amount required to satisfy all outstanding indebtedness related to the facilities. The 2008 Series A State Building Refunding Variable Rate Revenue Bonds were issued to retire \$47,705,000 of the 1998 Series A State Building Revenue Bonds. In October 2018, the State Building Refunding Bonds, Series 2018C, were issued to fully refund the 2008A Series Bonds.

Project No. 11 - State School and Hospital Project (Series 2012A Bonds)

Under a “Ground Lease”, the Authority leased land from the State. Under an annually renewable “Facilities Lease” with the State, the Authority began construction of a new State School and Hospital in Nampa and the facilities are leased to the State. The State transferred \$399,840 to the Authority for the commencement of this project. The balance of the costs of the facilities was financed through the proceeds of the sale of the 2001 Series B Revenue Bonds. On April 10, 2012, to achieve a debt service savings, the Authority issued Refunding Revenue Bonds, Series 2012A, to refund the 2001B revenue bonds.

Project No. 13 - Idaho Water Center Project (Series 2003B Bonds and Series 2019A Bonds)

Pursuant to an Agreement for Financing and Development of the Idaho Water Center entered into as of December 17, 2002, between the Authority and Idaho Department of Water Resources (IDWR), the Regents of the University of Idaho (University), the University of Idaho Foundation, Inc. (UIF), and the Authority agreed to provide for the financing and development of new office, education and research facilities to be known as the Idaho Water Center in Boise, Idaho. Simultaneously, the Authority entered into a Facilities Lease whereby IDWR and the University have leased the new facilities on an annually renewable basis and have agreed to assume all costs and responsibilities for the operation and maintenance of the facilities during the lease term and each renewal term. The Facilities Lease contemplates that certain office and research space within the facilities will be made available to the United States Forest Service for its use related to water resource management and research and potentially to other private or public uses. An Operating Agreement entered into between IDWR and the University sets forth the manner in which IDWR and the University will share responsibilities and costs under the Facilities Lease. Also on December 17, 2002, the Authority issued its State Building Revenue Bonds, Series 2003A and 2003B, to finance the costs of the Idaho Water Center project, including site purchase, facility design, and construction. On June 19, 2012, to achieve a debt service savings, the Authority issued Refunding Revenue Bonds, Series 2012B, to refund the 2003A tax-exempt revenue bonds. In December 2019, the State Building Refunding Bonds, Series 2019A, were issued to fully refund the 2012B Series Bonds.

Project No. 14 - Idaho State University Project (Series 2012C Bonds)

Under a “Development Agreement” and an annually renewable “Site and Facilities Lease” with the State, the Authority will use the proceeds of the 2003 Series D bonds to pay for the design, construction and development of a central classroom building on the Idaho State University campus in Pocatello, Idaho on a site leased by the Authority from the Idaho State University pursuant to a “Site Lease”. The building is being leased to the State acting through the Idaho Department of Administration (IDOA) and Idaho State University pursuant to a “Facilities Lease”, with annual rent payable from the funds appropriated annually by the Idaho State Legislature. On April 10, 2012, to achieve a debt service savings, the Authority issued Refunding Revenue Bonds, Series 2012C, to refund the 2003D revenue bonds.

Project No. 15 - College of Western Idaho Academic Building, [formerly part of the Boise State University West Campus]: (Series 2012D Bonds)

Under a “Development Agreement” and an annually renewable “Site and Facilities Lease” with the State, the Authority used the proceeds of the 2003 Series E bonds to pay for the design, construction and development of a classroom building known as the West Campus Academic Building for Boise State University’s West Campus in Nampa, Idaho on a site leased by the Authority from Boise State University pursuant to a “Site Lease”. The facility was leased to the State acting through the IDOA and Boise State University pursuant to a “Facilities Lease”, with annual rent payable from the funds appropriated annually by the Idaho State Legislature. With consent of the Authority, in 2008 Boise State University transferred its interest in the project and surrounding property to College of Western Idaho, an Idaho community college district formed in 2007. On April 10, 2012, to achieve a debt service savings, the Authority issued Refunding Revenue Bonds, Series 2012D, to refund the 2003E revenue bonds.

Project No. 16 - University of Idaho Project (Series 2012E Bonds)

Under a “Development Agreement” and an annually renewable “Site and Facilities Lease” with the State, the Authority used the proceeds of the 2003 Series F bonds to pay for the design, construction and development of a renovation of the University Classroom Center as the Teaching and Learning Center at the University of Idaho in Moscow, Idaho which includes reconfiguration of current classroom spaces to enhance teaching and learning on a site leased by the Authority from University of Idaho pursuant to a “Site Lease”. The facility is being leased to the State acting through the IDOA and University of Idaho pursuant to a “Facilities Lease”, with annual rent payable from the funds appropriated annually by the Idaho State Legislature. On April 10, 2012, to achieve a debt service savings, the Authority issued Refunding Revenue Bonds, Series 2012E, to refund the 2003F revenue bonds.

Project No. 17 - Lewis-Clark State College Project (Series 2012F Bonds)

Under a “Development Agreement” and an annually renewable “Site and Facilities Lease” with the State, the Authority used the proceeds of the 2003 Series G bonds to pay for the design, construction and development of a multi-purpose educational facility for Lewis-Clark State College in Lewiston, Idaho on a site leased by the Authority from Lewis-Clark State College pursuant to a “Site Lease”. The facility is being leased to the State acting through the IDOA and Lewis-Clark State College pursuant to a “Facilities Lease”, with annual rent payable from the funds appropriated annually by the Idaho State Legislature. On April 10, 2012, to achieve a debt service savings, the Authority issued Refunding Revenue Bonds, Series 2012F, to refund the 2003G revenue bonds.

Project No. 18 - North Idaho College Project (Series 2012G Bonds)

Under a “Development Agreement” and an annually renewable “Site and Facilities Lease” with the State and the District, the Authority used the proceeds of the 2003 Series H bonds to pay for the design, construction and development of a Health Sciences Building at North Idaho College in Coeur d’Alene, Idaho on a site leased by the Authority from North Idaho College pursuant to a “Site Lease”. The facility is being leased to the State, acting through the IDOA, and North Idaho College pursuant to a “Facilities Lease”, with annual rent payable from the funds appropriated annually by the Idaho State Legislature. On April 10, 2012, to achieve a debt service savings, the Authority issued Refunding Revenue Bonds, Series 2012G, to refund the 2003H revenue bonds.

Project No. 19 - College of Southern Idaho Project (Series 2012H Bonds)

Under a “Development Agreement” and an annually renewable “Site and Facilities Lease” with the State and the District, the Authority used the proceeds of the 2003 Series I bonds to pay the costs of renovating an existing Fine Arts building and to pay for the design, construction and development of an enclosure and an addition to such building, all for the College of Southern Idaho in Twin Falls, Idaho on a site leased by the Authority from College of Southern Idaho pursuant to a “Site Lease”. The facility is being leased to the State, acting through the IDOA, and College of Southern Idaho pursuant to a “Facilities Lease”, with annual rent payable from the funds appropriated annually by the Idaho State Legislature. On April 10, 2012, to achieve a debt service savings, the Authority issued Refunding Revenue Bonds, Series 2012H, to refund the 2003I revenue bonds.

Project No. 20 - Idaho State Police / POST Academy Project (Series 2012I Bonds)

Under a “Development Agreement” and an annually renewable “Site and Facilities Lease” with the State, the Authority used the proceeds of the 2003 Series J bonds to pay for the design, construction and development of a training facility to be used by the Idaho State Police / POST Academy for basic training for new police recruits and in-service training for police officers on a site leased by the Authority from the Idaho State Board of Commissioners pursuant to a “Site Lease”. The facility is being leased to the State acting through the IDOA and Idaho State Police pursuant to a “Facilities Lease”, with annual rent payable from the funds appropriated annually by the Idaho State Legislature. On April 10, 2012, to achieve a debt service savings, the Authority issued Refunding Revenue Bonds, Series 2012I, to refund the 2003J revenue bonds.

Project No. 21 - College of Eastern Idaho (formerly Eastern Idaho Technical College Project (Series 2013B Bonds)

Under a “Development Agreement” and an annually renewable “Site and Facilities Lease” with the State, the Authority used the proceeds of the 2005 Series A bonds to pay for the design, construction and development of an educational facility to be used by the Eastern Idaho Technical College for the Nursing/Health Education programs on the Campus on a site leased by the Authority from the Idaho State Board of Commissioners pursuant to a “Site Lease”. The facility is being leased to the State acting through the IDOA and Eastern Idaho Technical College pursuant to a “Facilities Lease”, with annual rent payable from the funds appropriated annually by the Idaho State Legislature. On March 14, 2013, to achieve a debt service savings, The Authority issued Refunding Revenue Bonds, Series 2013B, to refund the callable portion of the 2005A revenue bonds. In September 2015, the 2005A Revenue bonds were paid in full.

Project No. 25 - Idaho Department of Correction Prison Industries (PI) Warehouse Building Conversion

Under a “Prison Expansion Agreement” and an annually renewable “Prison Facilities Lease”, the Authority used funds transferred to it by the Idaho Department of Correction to pay for the design and construction of the conversion of a warehouse building to additional inmate housing and related uses. The improvements are part of the Prison Facilities leased by the Department of Correction in accordance with the “Prison Facilities Lease”, with annual rent payable from the funds appropriated annually by the Idaho Legislature. Upon completion of this project, it was combined with Project No. 8 in fiscal year 2013.

Project No. 27 – Office Building, Idaho Department of Parks and Recreation (Series 2012J Bonds)

Senate Concurrent Resolution No. 123 authorized the Department of Parks and Recreation to enter into agreements with the Authority to restructure financing of the Series 2001C bonds issued to acquire properties along Billingsley Creek in Hagerman Valley and to facilitate the exchange of property. In conjunction with the issuance of the Series 2012J Bonds, the Authority executed a new lease with the State acting by and through its Department of Administration (IDOA) and the Idaho Parks and Recreation Board through IDPR replacing the lease of the Billingsley Creek properties with a lease of an existing office building and related improvements of the IDPR statewide headquarter building. The site is leased by the Authority from the State acting by and through IDPR pursuant to a “Premises Lease”. The facility is leased to the State, acting through IDOA, pursuant to a “Facilities Lease,” with annual rent payable from the funds appropriated annually by the Idaho State Legislature. The project was paid in full during 2022, the lease agreements were terminated.

Project No. 28 – Capitol Mall Parking Garage (Series 2013A Bonds)

Under a “Development Agreement” and an annually renewable “Site and Facilities Lease” with the State, the Authority used the proceeds of the Series 2013A Bonds to pay for the design, construction and development of the Capitol Mall Parking Garage on a site leased by the Authority from the State acting by and through its IDOA pursuant to a “Site Lease.” The facility is being leased to the State acting through the IDOA pursuant to a “Facilities Lease” with annual rent payable from funds appropriated annually by the State Legislature.

Project No. 29 – State Office Campus Project (Series 2017A and 2017B Bonds)

State Concurrent Resolution No. 29 as adopted by the First Regular Session of the Sixty-Fourth Idaho Legislature, authorized Idaho Department of Administration (IDOA) to enter into agreements with the Authority to acquire office buildings and related facilities known as the HP Campus for the State. The Authority issued its State Building Revenue Bonds, Series 2017A in the amount of \$46,025,000 and Series 2017B in the amount of \$98,525,000 in December 2017 and purchased the property. The Authority has leased all of the land and facilities to the State. Additionally, the sum of \$29,350,000 was deposited into a construction fund of the Authority to pay costs incurred by the State for improvements to be constructed to accommodate relocation of state agencies to the new state office complex. Construction of improvements by the State were completed in fiscal year 2021.

Project No. 30 – Idaho State Board of Education Project (Series 2018A Bonds)

House Concurrent Resolution No. 105, as adopted by the First Regular Session of the Sixty-Fourth Idaho Legislature, authorized Idaho State Board of Education (SBOE) to enter into agreements with the Authority to provide two buildings on SBOE-owned property adjacent to the Idaho National Laboratory campus at Idaho Falls, Idaho. The new facilities are to be used for research and related uses by Idaho National Laboratory in collaboration with Idaho universities and colleges, and other parties. In April 2018, the Authority issued its State Building Revenue Bonds, Series 2018A in the amount of \$83,165,000 to fund costs of design and construction of the new facilities. In addition, Idaho National Laboratory acting through its Operating Contractor, contributed the sum of \$24,510,913 to pay for certain special improvements to be constructed as part of the facilities. Construction was substantially completed on both buildings as of August 31, 2019 and both are placed in service. The unexpended balance in the Construction Fund totaling approximately \$3,870,000 was disbursed as directed by State Board of Education to reimburse design costs paid by Battelle Energy Alliance, LLC, Idaho National Laboratory’s Operating Contractor during fiscal year 2021.

Project No. 31 – Idaho State Board of Education Project (Series 2018B Bonds)

Senate Concurrent Resolution No. 140, adopted in 2018 by the State Legislature during the Second Regular Session of the Sixty-Fourth Legislature, authorized the Department of Health and Welfare (IDHW) to enter into agreements with the Authority to finance, design and construct a new skilled nursing facility on the campus of Idaho’s State Hospital South in Blackfoot, Idaho. Pursuant to the agreements with IDHW, the Authority issued its State Building Revenue Bonds, Series 2018B, in the sum of \$35,120,000 dated October 30, 2018 to finance the project and entered into agreements for the design and construction of the project. and the primary nursing facility was substantially completed in August 2020 and has been in service and fully occupied since September 2020. The additional construction work to demolish the old nursing building and related landscaping has been completed.

Note 3 - Money Market Funds and Investments

Idaho Code, Section 67-6409(m), stipulates the standard to be followed by the Authority in investing funds. The Code provides for investing any funds not needed for immediate use or disbursement, including any funds held in reserve, in:

1. bonds, notes and other obligations of the United States or any agency or instrumentality thereof and other securities secured by such bonds, notes or other obligation;
2. money market funds which are insured or the assets of which are limited to obligations of the United States or any agency or instrumentality thereof;
3. time certificates of deposit and savings accounts;
4. commercial paper which, at the time of its purchase, is rated in the highest category by a nationally recognized rating service; and
5. property or securities in which the state treasurer may invest funds in the state treasury pursuant to section 67-1210, Idaho Code.

The Authority is further restricted in its investments by the individual bond documents and all holdings are in accordance with those restrictions.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All money market funds and other investments are uninsured and uncollateralized and are held in the Authority’s name in custody of Zions National. As of June 30, 2022, the carrying amount and bank balances of money market funds were \$193,830,339. There were no other investments as of June 30, 2022.

Credit Risk

The risk that an issuer of securities or a counterparty to an investment will not fulfill its obligation is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody’s, Standard & Poor’s and Fitch’s. The ratings presented in current investments below use the Moody’s scale.

Interest Rate Risk

Investments in securities that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. The table in current investments below depicts the maturities of investments.

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. GASB has adopted a principle that governments should provide note disclosures when 5% of the total entities' investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The Authority places no limit on the amount it may invest in any one issuer. See information in current investments regarding the portfolio percentage of current investment holdings in the table below.

Authority Policy

Except as expressly provided by the above referenced statutory standards or the individual bond documents, the Authority does not have formal policies relating to custodial credit risk, credit risk, interest rate risk and concentration of credit risk.

Investments

As of June 30, 2022, the cost and fair market values of the Authority's money market funds were as follows:

	<u>Cost</u>	<u>Market</u>	<u>Portfolio %</u>	<u>Maturity</u>	<u>Rating</u>
Morgan Stanley Ins.					
Liq Govt (MGOXX)	\$ 178,773,523	\$ 178,773,523	92.2%	N/A	AAA
Goldman Financial Treasury					
Treasury (506 FTIXX)	5,927,011	5,927,011	3.1%	N/A	AAA
Morgan Stanley Ins.					
Liq Trs Security (MSUXX)	9,129,805	9,129,805	4.7%	N/A	AAA
	<u>\$ 193,830,339</u>	<u>\$ 193,830,339</u>	<u>100%</u>		

Note 4 - Capital Assets

Capital assets activity for the year ended June 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not depreciated					
Land	\$ 28,588,190	\$ -	\$ -	\$ -	\$ 28,588,190
Total capital assets, not depreciated	<u>28,588,190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,588,190</u>
Capital assets, depreciated					
Facilities	442,439,897	-	-	-	442,439,897
Total capital assets	471,028,087	-	-	-	471,028,087
Accumulated depreciation					
Facilities	(101,783,158)	(11,060,998)	-	-	(112,844,156)
Capital assets, net	<u>\$369,244,929</u>	<u>\$(11,060,998)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 358,183,931</u>

Note 5 - Bonds Payable and Other Long-Term Debt

Bonds payable as of June 30, 2022:

Project 8 - State Building Refunding Revenue Bonds, 2018 Series C, interest from 4% to 5%. Principal payments due September 1, 2019 through September 1, 2025.	\$ 13,770,000
Project 11 - State Building Refunding Revenue Bonds, 2012 Series A, interest from 2% to 5% maturing annually on September 1 through 2026. The Series 2012 A Bonds are subject to mandatory redemption and retirement prior to maturity on or after September 1, 2019 to 2024, at 100% of the principal amount, plus any accrued interest.	1,705,000
Project 13 - State Building Revenue Bonds, 2003 Series B, interest from 4.93% to 5.98%, interest only through 2010, maturing annually on September 1, 2010 through 2029.	5,635,000
Project 13 - State Building Refunding Revenue Bonds, 2019 Series A, interest from 1.7% to 3.2% maturing annually on September 1, 2020 through 2037. The Bonds maturing on and after September 1, 2030, are subject to optional redemption on September 1, 2029, and on any date thereafter in whole or part (with maturities to be selected by the Authority) at the principal amount thereof, plus interest accrued to the date of redemption. The Bonds maturing on September 1, 2037 are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof plus accrued interest.	37,570,000
Project 14 - State Building Refunding Revenue Bonds, 2012 Series C, interest from 3% to 5% maturing annually on September 1 through 2023. The Series 2012 C Bonds are subject to mandatory redemption and retirement prior to maturity on or after September 1, 2019 to 2023, at 100% of the principal amount, plus any accrued interest.	1,740,000
Project 15 - State Building Refunding Revenue Bonds, 2012 Series D, interest from 3% to 5% maturing annually on September 1 through 2023. the Series 2012D Bonds are subject to mandatory redemption and retirement prior to maturity on or after September 1, 2019 to 2023, at 100% of the principal amount, plus any accrued interest.	1,240,000

<p>Project 16 - State Building Refunding Revenue Bonds, 2012 Series E, interest from 3% to 5% maturing annually on September 1 through 2023. The Series 2012 E Bonds are subject to mandatory redemption and retirement prior to maturity on or after September 1, 2019 to 2023, at 100% of the principal amount, plus any accrued interest.</p>	1,665,000
<p>Project 17 - State Building Refunding Revenue Bonds, 2012 Series F, interest from 3% to 5% maturing annually on September 1 through 2023. The Series 2012 F Bonds are subject to mandatory redemption and retirement prior to maturity on or after September 1, 2019 to 2023, at 100% of the principal amount, plus any accrued interest.</p>	1,430,000
<p>Project 18 - State Building Refunding Revenue Bonds, 2012 Series G, interest from 3% to 5% maturing annually on September 1 through 2023. The Series 2012 G Bonds are subject to mandatory redemption and retirement prior to maturity on or after September 1, 2019 to 2023, at 100% of the principal amount, plus any accrued interest.</p>	1,575,000
<p>Project 19 - State Building Refunding Revenue Bonds, 2012 Series H, interest from 3% to 5% maturing annually on September 1 through 2023. The Series 2012 H Bonds are subject to mandatory redemption and retirement prior to maturity on or after September 1, 2019 to 2023, at 100% of the principal amount, plus any accrued interest.</p>	770,000
<p>Project 20 - State Building Refunding Revenue Bonds, 2012 Series I, interest from 3% to 5% maturing annually on September 1 through 2023. The Series 2012 I Bonds are subject to mandatory redemption and retirement prior to maturity on or after September 1, 2019 to 2023, at 100% of the principal amount, plus any accrued interest.</p>	330,000
<p>Project 21 - State Building Refunding Revenue Bonds, 2013 Series B, interest from 2.4% to 4%, maturing annually on September 1, 2016 through 2026. The Authority has the option to redeem the bonds on September 1, 2024 or September 1, 2026 at par value.</p>	3,355,000
<p>Project 28 - State Building Refunding Revenue Bonds, 2013 Series A, interest from 2% to 4.5%. Principal payments due September 1, 2014 through September 1, 2033. The Authority has the option to call the bonds on September 1, 2023.</p>	6,160,000
<p>Project 29 - State Building Revenue Bonds, 2017 Series A. Interest from 3% to 4% and principal payments of \$9,805,000 and \$36,220,000 due September 1, 2043 and September 1, 2048 for 2017 Series A. The Series 2017 A Bonds maturing on September 1, 2027 are subject to optional redemption at that date and on any date thereafter in whole or part at the principal amount, plus any accrued interest. The Series 2017 A Bonds maturing on September 1, 2042, and 2043 are subject to mandatory sinking fund redemption and retirement, by lot, prior to maturity on or after September 1, 2023 to 2040, at 100% of the principal amount, plus any accrued interest. The Series 2017 A Bonds maturing on September 1, 2048 are subject to mandatory sinking fund redemption and retirement, by lot, prior to maturity on or after September 1, 2044 to 2048, at 100% of the principal amount, plus any accrued interest.</p>	46,025,000

Project 29 - State Building Revenue Bonds, 2017 Series B. Interest from 2.79% to 3.87% and principal payments due September 1, 2019 through September 1, 2043 for 2017 Series B. The Series 2017 B Bonds maturing on or after September 1, 2028 are subject to optional redemption at that date and on any date thereafter in whole or part (with bonds selected for redemption based on a "pro rata pass-through distribution of principal" basis) at the principal amount, plus any accrued interest. In addition, the Series 2017 B bonds are subject to optional redemption in whole or in part on any date with the maturities and interest rates selected by the Authority, at a make-whole redemption price. The Series 2017 B Bonds maturing on September 1, 2037 are subject to mandatory sinking fund redemption based on a "pro rata pass-through distribution of principal" basis) prior to maturity on or after September 1, 2033 to 2037, at 100% of the principal amount, plus any accrued interest. The Series 2017 B Bonds maturing on September 1, 2043 are subject to mandatory sinking fund redemption based on a "pro rata pass-through distribution of principal" basis) prior to maturity on or after September 1, 2038 to 2043, at 100% of the principal amount, plus any accrued interest.

89,605,000

Project 30 - State Building Refunding Revenue Bonds, 2018 Series A, interest from 2.582% to 4.124%. Principal payments due September 1, 2021 through September 1, 2040.

77,185,000

Project 31 - State Building Refunding Revenue Bonds, 2018 Series B, interest from 2.5% to 5%. Principal payments due September 1, 2020 through September 1, 2048. The Authority has the option to call the bonds on September 1, 2025 & September 1, 2028.

33,915,000

Bonds/notes payable 323,675,000

Net unamortized premium and discount on bonds payable 4,364,108

Total bonds/notes payable \$ 328,039,108

Maturities of bonds/notes payable is as follows for the years ended June 30:

	Principal	Interest
2023	\$ 18,065,000	\$ 11,950,058
2024	18,805,000	11,198,201
2025	14,805,000	10,522,901
2026	14,820,000	9,940,642
2027	11,360,000	9,451,393
2028-2032	60,500,000	41,465,484
2033-2037	70,885,000	29,616,908
2038-2042	52,335,000	16,834,077
2043-2047	42,570,000	8,217,588
2048-2049	19,530,000	789,000
	<u>\$ 323,675,000</u>	<u>\$ 149,986,253</u>

All bonds referred to above are direct obligations of the Authority payable from and secured by a pledge of lease revenues and other funds and reserves held under the bond resolutions. There is no debt service reserve requirements for any of the outstanding bonds.

Changes to long-term debt are as follows:

Balance, June 30, 2021	\$ 346,358,324
Bond/note principal payments	(17,475,000)
Amortization of premiums and discounts	<u>(844,216)</u>
Balance, June 30, 2022	<u><u>\$ 328,039,108</u></u>

Defeasance of Debt

The Authority defeased certain other bonds by placing funds into an irrevocable trust that are sufficient to provide for all future debt payments on these bonds. Consequently, the related liability was appropriately removed from the financial statements in the year of defeasance.

The remaining outstanding debt payable as of June 30, 2022 for the defeased bond issue follows:

Bond Issue	Amount Defeased	Remaining Liability
2003 Series B 2027-2030	\$ 4,765,000	\$ 4,765,000
2012 Series B 2020-2040	<u>36,175,000</u>	<u>35,620,000</u>
	<u><u>\$ 40,940,000</u></u>	<u><u>\$ 40,385,000</u></u>

Arbitrage

Based upon currently available information regarding earnings subject to arbitrage limitations, no arbitrage liability has been determined or recorded as of June 30, 2022.

Note 6 - Related Party Transactions

During the fiscal year ended June 30, 2022, a partner in a law firm, which acts as general counsel for the Authority, served as Executive Director of the Authority. During 2022, the Authority expensed \$122,200 as fees and other reimbursable costs to the law firm of which the Executive Director is a partner. The Authority owed \$8,273 of this amount at June 30, 2022.

Note 7 - Lessor Activities

The Authority leases facilities financed by its bonds to various state government bodies and community college districts which are renewable annually by the leases. The Authority, receives annual rent paid in advance under each lease equal to (a) debt service (principal and interest) payable on bonds issued to finance such facilities for the annual lease term, plus (b) additional rent equal to the proportionate share of the Authority's annual operating and administrative expenses during the lease year. The amount of Authority operating and administrative expense are only calculated for the upcoming year and are not included in the lease calculations. The facilities lease agreements are terminatable at such time all non-defeased outstanding bonds or notes relating to such leases have been paid in full at which time the facilities are conveyed to the lessee without consideration paid therefore.

The Authority has accrued for 15 project leases. The remaining receivable for these leases was \$320,513,529 for the year ended June 30, 2022. Deferred inflows related to these leases were \$322,036,958 as of June 30, 2022. Interest revenue recognized on these leases was \$12,896,707 for the year ended June 30, 2022. Principal receipts of \$26,121,813 were recognized during the fiscal year. The interest rate on the leases ranged from 3.33%-5.00%. Final receipt is expected through fiscal year 2049.

Variable Payments-The lease agreements call for payments that are variable and therefore were not included in lease receivable or deferred inflow of resources for leases. These variable payments are based on the participant's proportionate share of the Authority's estimated annual operating expenses. A total of \$486,213 was recognized as revenue from these variable payments for the year ended June 30, 2022.

The following table shows future minimum lease receivable and interest payments for fiscal year 2023 through fiscal year 2049.

Fiscal Year Ended June 30	Principal	Interest	Total
2023	\$ 17,507,252	\$ 12,505,031	\$ 30,012,283
2024	18,291,245	11,709,332	30,000,577
2025	14,329,865	11,001,411	25,331,276
2026	14,373,876	10,385,104	24,758,980
2027	10,956,724	9,854,668	20,811,392
2028 - 2032	59,360,379	42,605,105	101,965,484
2033 - 2037	70,907,833	29,594,074	100,501,907
2038 - 2042	52,810,821	16,358,254	69,169,075
2043 - 2047	42,692,460	8,095,128	50,787,588
2048 - 2049	19,283,074	1,035,927	20,319,001
	<u>\$ 320,513,529</u>	<u>\$ 153,144,034</u>	<u>\$ 473,657,563</u>

Note 8 - Bond Defeasance Appropriation

During the fiscal year ended June 30, 2022 the Idaho State Legislature appropriated \$175,754,000 to be applied by the Authority to defease certain outstanding bonds. The Board of Commissioners of the Authority adopted Resolution No. 2022-001 on May 4, 2022 authorizing the Executive Director to receive the appropriated funds and arrange for defeasing the outstanding bonds listed below. On July 20, 2022, the amount of \$161,655,034 was used by the Authority to defease such bonds. The following schedule details the amount defeased by project and bond series. Any unused funds will be remitted back to the state after all costs are paid.

<u>Project</u>	<u>Bond</u>	<u>Amount Defeased</u>
Project 8	2018 C	\$ 14,588,963
Project 11	2012 A	1,784,436
Project 14	2012 C	889,053
Project 15	2012 D	634,326
Project 16	2012 E	854,097
Project 17	2012 F	729,221
Project 18	2012 G	804,143
Project 19	2012 H	394,582
Project 20	2012 I	169,821
Project 21	2005 A, 2013 B	2,703,780
Project 28	2013 A	5,709,856
Project 29	2017 A, 2017 B	132,392,756
Total defeased		<u><u>\$ 161,655,034</u></u>



Other Supplementary Information
June 30, 2022

Idaho State Building Authority

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	Project 8 2018 C Revenue Bonds	Project 11 2012 A Revenue Bonds	Project 13 2003 B 2012 B Revenue Bonds	Project 14 2012 C Revenue Bonds	Project 15 2012 D Revenue Bonds
Assets					
Money market funds	\$ -	\$ -	\$ -	\$ -	\$ -
Money market funds, restricted	618	42	433	58	41
Money market funds, restricted	14,588,963	1,784,436	-	889,053	634,326
Lease interest receivable	227,347	28,979	742,592	29,590	21,087
Lease receivable	13,777,705	1,703,350	37,449,221	1,738,695	1,239,070
Depreciable capital assets, net of accumulated depreciation	29,588,585	4,705,791	24,176,907	10,956,330	5,613,747
Non-depreciable capital assets	40,050	-	2,069,340	-	-
Total assets	58,223,268	8,222,598	64,438,493	13,613,726	7,508,271
Deferred Outflows					
Deferred amount on refundings	154,435	51,144	4,200,023	-	-
Total deferred outflows	154,435	51,144	4,200,023	-	-
Liabilities					
Accounts payable	-	-	-	-	-
Accrued interest payable	202,917	23,667	445,546	21,900	15,625
Unavailable rent	-	-	-	-	-
Long-term liabilities					
Bonds/notes payable - due within one year	3,190,000	570,000	2,070,000	850,000	605,000
Bonds/notes payable - due after one year	11,228,662	1,175,446	41,135,000	917,615	654,587
Total liabilities	14,621,579	1,769,113	43,650,546	1,789,515	1,275,212
Deferred Inflows					
Lease related	13,068,111	1,582,280	37,513,438	1,715,489	1,062,556
Total deferred inflows	13,068,111	1,582,280	37,513,438	1,715,489	1,062,556
Net Position					
Net investment in capital assets	15,364,408	3,011,489	(12,758,730)	9,188,715	4,354,160
Amounts restricted for:					
Debt service	618	42	433	58	41
Bond Defeasance	14,588,963	1,784,436	-	889,053	634,326
Unrestricted (deficit)	734,024	126,382	232,829	30,896	181,976
Total net position	\$ 30,688,013	\$ 4,922,349	\$ (12,525,468)	\$ 10,108,722	\$ 5,170,503

See Notes to Supplementary Information

Idaho State Building Authority
Combining Statement of Net Position
June 30, 2022

Project 16 2012 E Revenue Bonds	Project 17 2012 F Revenue Bonds	Project 18 2012 G Revenue Bonds	Project 19 2012 H Revenue Bonds	Project 20 2012 I Revenue Bonds	Project 21 2005 A 2013 B Revenue Bonds	Project 27 2012J Refunding Bonds	Project 28 2013A Revenue Bonds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
56	48	53	26	11	40	-	47
854,097	729,221	804,143	394,582	169,821	2,703,780	-	5,709,856
28,314	24,318	26,784	13,094	5,612	49,233	-	65,471
1,663,750	1,428,928	1,573,819	769,422	329,752	3,323,021	-	6,250,668
7,274,680	8,298,279	6,933,183	4,994,932	1,250,433	6,781,498	-	7,666,448
-	-	-	-	-	-	-	-
<u>9,820,897</u>	<u>10,480,794</u>	<u>9,337,982</u>	<u>6,172,056</u>	<u>1,755,629</u>	<u>12,857,572</u>	<u>-</u>	<u>19,692,490</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
21,000	18,000	19,833	9,708	4,167	37,117	-	71,819
-	-	-	-	-	-	-	-
810,000	700,000	770,000	375,000	160,000	670,000	-	410,000
882,539	753,133	828,796	407,121	175,190	2,770,864	-	5,952,501
<u>1,713,539</u>	<u>1,471,133</u>	<u>1,618,629</u>	<u>791,829</u>	<u>339,357</u>	<u>3,477,981</u>	<u>-</u>	<u>6,434,320</u>
1,424,209	1,254,126	1,353,811	672,911	279,287	3,251,432	-	6,192,854
<u>1,424,209</u>	<u>1,254,126</u>	<u>1,353,811</u>	<u>672,911</u>	<u>279,287</u>	<u>3,251,432</u>	<u>-</u>	<u>6,192,854</u>
5,582,141	6,845,146	5,334,387	4,212,811	915,243	3,340,634	-	1,303,947
56	48	53	26	11	40	-	47
854,097	729,221	804,143	394,582	169,821	2,703,780	-	5,709,856
246,855	181,120	226,959	99,897	51,910	83,705	-	51,466
<u>\$ 6,683,149</u>	<u>\$ 7,755,535</u>	<u>\$ 6,365,542</u>	<u>\$ 4,707,316</u>	<u>\$ 1,136,985</u>	<u>\$ 6,128,159</u>	<u>\$ -</u>	<u>\$ 7,065,316</u>

Idaho State Building Authority
Combining Statement of Net Position
June 30, 2022

	Project 29 2017A&B Revenue Bonds	Project 30 2017A&B Revenue Bonds	Project 31 2018B Revenue Bonds	Unreserved Funds	Administrative Fund	Totals
Assets						
Money market funds	\$ -	\$ -	\$ -	\$ 2,867,496	\$ 135,753	\$ 3,003,249
Money market funds, restricted	600,987	8,528,731	5,925,635	-	-	15,056,826
Money market funds, restricted	132,392,756	-	-	14,115,230	-	175,770,264
Lease interest receivable	3,935,160	2,605,233	1,212,035	-	-	9,014,849
Lease receivable	140,045,725	74,715,585	34,504,818	-	-	320,513,529
Depreciable capital assets, net of accumulated depreciation	107,830,502	71,054,227	32,470,199	-	-	329,595,741
Non-depreciable capital assets	25,478,300	1,000,500	-	-	-	28,588,190
Total assets	410,283,430	157,904,276	74,112,687	16,982,726	135,753	881,542,648
Deferred Outflows						
Deferred amount on refundings	-	-	-	-	-	4,405,602
Total deferred outflows	-	-	-	-	-	4,405,602
Liabilities						
Accounts payable	-	-	-	-	8,273	8,273
Accrued interest payable	1,624,873	959,938	506,302	-	-	3,982,412
Unavailable rent	-	-	2,168,907	-	-	2,168,907
Long-term liabilities						
Bonds/notes payable - due within one year	3,115,000	3,120,000	650,000	-	-	18,065,000
Bonds/notes payable - due after one year	133,853,807	74,065,000	35,173,847	-	-	309,974,108
Total liabilities	138,593,680	78,144,938	38,499,056	-	8,273	334,198,700
Deferred Inflows						
Lease related	141,816,280	75,768,593	35,081,581	-	-	322,036,958
Total deferred inflows	141,816,280	75,768,593	35,081,581	-	-	322,036,958
Net Position						
Net investment in capital assets	(3,059,018)	3,398,458	2,571,987	-	-	49,605,778
Amounts restricted for:						
Debt service	600,987	8,528,731	5,925,635	-	-	15,056,826
Bond Defeasance	132,392,756	-	-	14,115,230	-	175,770,264
Unrestricted (deficit)	(61,255)	(7,936,444)	(7,965,572)	2,867,496	127,480	(10,720,276)
Total net position	\$ 129,873,470	\$ 3,990,745	\$ 532,050	\$ 16,982,726	\$ 127,480	\$ 229,712,592

	Project 8 2018 C Revenue Bonds	Project 11 2012 A Revenue Bonds	Project 13 2003 B 2012 B Revenue Bonds	Project 14 2012 C Revenue Bonds	Project 15 2012 D Revenue Bonds
Operating Revenues					
Rent for revenue bonds	\$ 4,020,957	\$ 703,235	\$ 2,459,898	\$ 1,372,397	\$ 850,046
Additional rent	60,425	9,553	56,061	13,041	9,404
Lease interest revenue	710,234	90,689	1,907,463	94,682	67,486
Investment income	40	6	56	8	6
Total operating revenues	4,791,656	803,483	4,423,478	1,480,128	926,942
Operating Expenses					
Operating and administrative	-	-	-	-	-
Depreciation expense	1,568,177	244,847	1,078,129	429,767	251,048
Interest expense	409,057	76,285	1,681,524	59,696	42,704
Total operating expenses	1,977,234	321,132	2,759,653	489,463	293,752
Operating Income (Loss)	2,814,422	482,351	1,663,825	990,665	633,190
Excess (Deficiency) of Revenues over (Under) Expenditures	2,814,422	482,351	1,663,825	990,665	633,190
Other Financing Sources (Uses)					
State appropriation for defeasance	14,588,963	1,784,436	-	889,053	634,326
Operating transfers out	(60,425)	(9,555)	(56,061)	(13,041)	(9,408)
Operating transfers in	-	-	-	-	-
Total Transfers	14,528,538	1,774,881	(56,061)	876,012	624,918
Change in Net Position	17,342,960	2,257,232	1,607,764	1,866,677	1,258,108
Net Position, Beginning of Year	13,345,053	2,665,117	(14,133,232)	8,242,045	3,912,395
Net Position, End of Year	\$ 30,688,013	\$ 4,922,349	\$ (12,525,468)	\$ 10,108,722	\$ 5,170,503

See Notes to Supplementary Information

Idaho State Building Authority
Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022

Project 16 2012 E Revenue Bonds	Project 17 2012 F Revenue Bonds	Project 18 2012 G Revenue Bonds	Project 19 2012 H Revenue Bonds	Project 20 2012 I Revenue Bonds	Project 21 2005 A 2013 B Revenue Bonds	Project 27 2012 J Refunding Bonds	Project 28 2013 A Revenue Bonds
\$ 1,139,366	\$ 1,003,300	\$ 1,083,048	\$ 538,329	\$ 223,429	\$ 765,043	\$ 136,823	\$ 550,477
12,744	10,884	11,950	5,870	2,484	11,053	-	9,266
90,641	77,800	85,715	41,889	17,977	138,429	-	199,365
8	7	7	4	2	13	1	13
<u>1,242,759</u>	<u>1,091,991</u>	<u>1,180,720</u>	<u>586,092</u>	<u>243,892</u>	<u>914,538</u>	<u>136,824</u>	<u>759,121</u>
-	-	-	-	-	-	-	-
322,456	353,023	301,438	212,951	55,731	265,446	-	235,287
55,922	48,495	55,511	26,565	11,436	88,352	4,241	191,356
<u>378,378</u>	<u>401,518</u>	<u>356,949</u>	<u>239,516</u>	<u>67,167</u>	<u>353,798</u>	<u>4,241</u>	<u>426,643</u>
<u>864,381</u>	<u>690,473</u>	<u>823,771</u>	<u>346,576</u>	<u>176,725</u>	<u>560,740</u>	<u>132,583</u>	<u>332,478</u>
<u>864,381</u>	<u>690,473</u>	<u>823,771</u>	<u>346,576</u>	<u>176,725</u>	<u>560,740</u>	<u>132,583</u>	<u>332,478</u>
854,097	729,221	804,143	394,582	169,821	2,703,780	-	5,709,856
(12,744)	(10,892)	(11,950)	(5,870)	(2,484)	(11,050)	(26)	(9,266)
-	-	-	-	-	-	-	-
<u>841,353</u>	<u>718,329</u>	<u>792,193</u>	<u>388,712</u>	<u>167,337</u>	<u>2,692,730</u>	<u>(26)</u>	<u>5,700,590</u>
1,705,734	1,408,802	1,615,964	735,288	344,062	3,253,470	132,557	6,033,068
<u>4,977,415</u>	<u>6,346,733</u>	<u>4,749,578</u>	<u>3,972,028</u>	<u>792,923</u>	<u>2,874,689</u>	<u>(132,557)</u>	<u>1,032,248</u>
<u>\$ 6,683,149</u>	<u>\$ 7,755,535</u>	<u>\$ 6,365,542</u>	<u>\$ 4,707,316</u>	<u>\$ 1,136,985</u>	<u>\$ 6,128,159</u>	<u>\$ -</u>	<u>\$ 7,065,316</u>

Idaho State Building Authority
Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022

	Project 29 2017A&B Revenue Bonds	Project 30 2018A Revenue Bonds	Project 31 2018B Revenue Bonds	Unreserved Funds	Administrative Fund	Totals
Operating Revenues						
Rent for revenue bonds	\$ 5,402,526	\$ 4,430,412	\$ 1,336,441	\$ -	\$ -	\$ 26,015,727
Additional rent	148,080	85,196	40,202	-	-	486,213
Lease interest revenue	4,753,358	3,156,617	1,464,362	-	-	12,896,707
Investment income	673	6,596	3,655	18,493	119	29,707
Total operating revenues	10,304,637	7,678,821	2,844,660	18,493	119	39,428,354
Operating Expenses						
Operating and administrative	-	-	17,691	-	479,120	496,811
Depreciation expense	2,992,887	1,915,460	834,351	-	-	11,060,998
Interest expense	4,826,061	2,937,787	1,419,723	-	-	11,934,715
Total operating expenses	7,818,948	4,853,247	2,271,765	-	479,120	23,492,524
Operating Income (Loss)	2,485,689	2,825,574	572,895	18,493	(479,001)	15,935,830
Excess (Deficiency) of Revenues over (Under) Expenditures	2,485,689	2,825,574	572,895	18,493	(479,001)	15,935,830
Other Financing Sources (Uses)						
State appropriation for defeasance	132,392,756	-	-	14,098,910	-	175,753,944
Operating transfers out	(148,079)	(85,195)	(40,200)	-	-	(486,246)
Operating transfers in	-	-	-	-	486,246	486,246
Total Transfers	132,244,677	(85,195)	(40,200)	14,098,910	486,246	175,753,944
Change in Net Position	134,730,366	2,740,379	532,695	14,117,403	7,245	191,689,774
Net Position, Beginning of Year	(4,856,896)	1,250,366	(645)	2,865,323	120,235	38,022,818
Net Position, End of Year	\$ 129,873,470	\$ 3,990,745	\$ 532,050	\$ 16,982,726	\$ 127,480	\$ 229,712,592

Note 1 - Negative Unrestricted Net Position

The following is the analysis of the negative unrestricted net position as of June 30, 2022 as shown on the Combining Statement of Net Position:

	Bond Series	Unrestricted Net Position
Project 29	2017A&B	\$ (61,255)
Project 30	2018A	(7,936,444)
Project 31	2018B	(7,965,572)

"Unrestricted" Net Position on the Combining Statement of Net Position is calculated as follows: "Net Position, End of Year" (from the Combining Statement of Revenues, Expenses and Changes in Net Position), less "Net Investment in Capital Assets" (on the Combining Statement of Net Position), less "Restricted" Net Position (on the Combining Statement of Net Position). Negative unrestricted net position occurs in several circumstances:

Project 29, 30, & 31 and have negative unrestricted net position due to large restricted debt service payments.



Other Information
June 30, 2022

Idaho State Building Authority



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

To the Commissioners of the
Idaho State Building Authority
Boise, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Idaho State Building Authority (the Authority) which comprise the statement of net position and the related statement of revenues, expenses, and changes in net position, and cash flows, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated November 1, 2022.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Authority's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eric Sully LLP".

Boise Idaho
November 1, 2022

2022-001 Audit Adjustment-Material Weakness

Criteria:

Management should have an internal control system in place designed to provide for the preparation of the financial statements being audited including the preparation of the footnote disclosures required by the Governmental Accounting Standards Board (GASB) that do not require significant adjustments during the audit process.

Condition:

As part of our audit procedures, we identified material misstatements in the calculation of the lease receivable, lease interest receivable, lease revenues, deferred inflow, and interest revenues related to Project 29.

Cause:

Controls were not in place to ensure the appropriate discount rate was used to calculate the original lease receivable and deferred inflow as of the implementation date.

Effect:

Audit adjustments were required to correct the accounting records and financial statements. Adjusting journal entries were required to correct lease receivable, lease interest receivable, lease revenues, deferred inflow, and interest revenues related to Project 29 during the course of audit fieldwork.

Recommendation:

Management should assess the benefit of implementing an internal control system that includes these adjustments in relation to the cost or other considerations.

Views of Responsible Officials:

We agree with the recommendation and will assess the cost benefit of implementing an internal control system that includes these adjustments in relation to the cost or other considerations.