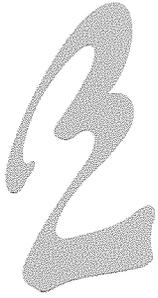


**State of Idaho Capitol Permanent
Endowment Fund
Administered by the Endowment
Fund Investment Board**

**Financial Information and Independent
Auditors' Report for the Year Ended
June 30, 2004**

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INDEPENDENT AUDITORS' REPORT

Investment Board
State of Idaho Capitol Permanent Endowment Fund
Administered by the Endowment
Fund Investment Board
Boise, Idaho

We have audited the accompanying financial statements of the State of Idaho Capitol Permanent Endowment Fund administered by the Endowment Fund Investment Board (the "EFIB"), a component unit of the State of Idaho, as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the management of the EFIB. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of Idaho Capitol Permanent Endowment Fund administered by EFIB, as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2004, on our consideration of the EFIB's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis listed in the table of contents is not a required part of the financial statements but is supplementary information required by U.S generally accepted accounting principles. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Balukoff, Lindstrom & Co., P.A.

August 13, 2004

STATE OF IDAHO CAPITOL PERMANENT ENDOWMENT FUND
ADMINISTERED BY THE ENDOWMENT FUND INVESTMENT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2004

The Capitol Permanent Endowment Fund was established to provide a steady stream of revenues that will pay for the repair and remodeling projects of the State Capitol. Our discussion and analysis of the State of Idaho Capitol Permanent Endowment Fund (the Fund), administered by the Endowment Fund Investment Board (the "EFIB") financial performance provides an overview of the EFIB's financial activities for the fiscal year ended June 30, 2004.

USING THIS ANNUAL REPORT

The annual report consists of the independent auditors' report; the financial statements; the notes to the financial statements; and the independent auditors' report on compliance and an internal control over financial reporting.

The independent auditors' report summarizes the audit work performed with respect to the financial statements and expresses their opinion regarding the fairness and accuracy of the financial statements. The financial statements and the notes to the financial statements are prepared by the Fund's management. They consist of a statement of net assets and a statement of activities. The notes to the financial statements are an integral part of the financial statements and provide additional information on the Fund and its operation.

Statement of Net Assets

	2004
Cash and Investments	\$6,225,441
Receivables	766,016
Total Assets	6,991,457
Current Liabilities	766,016
Principal Net Assets - Restricted	\$6,225,441

STATE OF IDAHO CAPITOL PERMANENT ENDOWMENT FUND
ADMINISTERED BY THE ENDOWMENT FUND INVESTMENT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2004

Statement of Activities

Program Revenues	
Receipts from Department of Lands	\$591
Increase in fair value of investments	<u>126,733</u>
	127,324
General Revenues	
Receipts from State Treasurer	<u>2,750,000</u>
Increase in Net Assets	<u><u>\$2,877,324</u></u>

Revenues increased by \$2.8 million over 2003. The increase was caused primarily by \$2.75 million receipt from the State Treasurer. Investments increased by a similar amount.

FACTORS THAT MAY AFFECT FINANCIAL POSITION

The Capitol Permanent Endowment Fund is distinct in that all income is distributed to the State Treasurer and not reinvested. Receipts from the Department of Lands are additions to the fund. The Permanent Endowment Fund was transferred to the EFIB as of July 1, 2004, and will be reported as part of the Pooled Endowment Fund as of that date.

STATE OF IDAHO CAPITOL PERMANENT ENDOWMENT FUND
ADMINISTERED BY THE ENDOWMENT FUND INVESTMENT BOARD
STATEMENT OF NET ASSETS
June 30, 2004

Assets	
Investments, at Fair Value	\$6,225,441
Interest Receivable	16,016
Receivable from State of Idaho Endowment Funds	<u>750,000</u>
Total Assets	<u>6,991,457</u>
Liabilities	
Payable to the State Treasurer	16,016
Payable to Northern Trust	<u>750,000</u>
Total Liabilities	<u>766,016</u>
Net Assets	
Restricted	<u><u>\$6,225,441</u></u>

See notes to financial statements.

STATE OF IDAHO CAPITOL PERMANENT ENDOWMENT FUND
ADMINISTERED BY THE ENDOWMENT FUND INVESTMENT BOARD
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

Program Revenues		
Receipts from Department of Lands		\$591
Increase in fair value of investments		126,733
		127,324
General Revenues		
Receipts from State Treasurer		2,750,000
Increase in Net Assets		2,877,324
Net Assets, beginning of year		3,348,117
Net Assets, end of year		\$6,225,441

See notes to financial statements

STATE OF IDAHO CAPITOL PERMANENT ENDOWMENT FUND
ADMINISTERED BY THE ENDOWMENT FUND INVESTMENT BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE A- GENERAL DESCRIPTION OF THE FUNDS

Accounts Under Jurisdiction of the Endowment Fund Investment Board

The Endowment Fund Investment Board (the "EFIB"), a component unit of the State of Idaho, is charged with the administration and investment of the permanent endowment funds of the State of Idaho (the "State"). Beginning July 1, 1998, the EFIB was charged with the administration and investment of the State of Idaho Capitol Permanent Endowment Fund (the "Fund"). The Fund was created under Section 67-1610 of the Idaho Code and is overseen by the Idaho State Capitol Commission. The monies in the Fund are invested to produce income for the repair of the capitol building. The Fund is considered part of the State of Idaho financial reporting entity and is included in the State of Idaho Comprehensive Annual Financial Report (CAFR).

The Fund consists entirely of a principal fund as the income is paid by the trustee directly to the State Treasurer as described in Note B. Additions to the Fund consist primarily of proceeds from the sale of public lands held by the State Land Board and the change in fair value of investment securities. The EFIB has no jurisdiction over assets held by the State Land Board or other agencies; therefore, the EFIB gives accounting recognition only when a transaction has been consummated by the State Land Board.

The EFIB employs a manager of investments for management of the Fund.

NOTE B- SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The EFIB follows Governmental Accounting Standards Board (GASB) Statement No. 39 in determining the reporting entity. Accordingly, the financial statements include all funds for which the EFIB is financially accountable.

The EFIB is included as a component unit in the State of Idaho financial statements based on certain criteria in GASB Statement No. 14. These statements present only the funds of the EFIB and are not intended to present the financial position and results of operations of State of Idaho in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

The EFIB is accounted for and reported as a permanent fund as defined by GASB Statement No. 34 and uses the accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred. The statement of net assets and the statement of activities display information about the EFIB. These statements include the financial activity of the overall reporting entity. These statements report all activities of the EFIB as a governmental type activity.

STATE OF IDAHO CAPITOL PERMANENT ENDOWMENT FUND
ADMINISTERED BY THE ENDOWMENT FUND INVESTMENT BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting. As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the EFIB has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

Investments

The Investment Board is authorized to invest the Fund in certain fixed income, equity investments, and money market funds as defined by the policy of the Investment Board and is consistent with the prudent investor rule in Section 57-723 of the Idaho Code. Funds may be invested in United States treasury bills and notes, other United States Government debt instruments, obligations guaranteed by the United States Government, and any equity instruments. In addition, investments are authorized in money market mutual funds whose assets are limited to obligations of the United States Government; time certificates of deposit; savings accounts; state and municipal obligations which, for other than Idaho obligations, have an AAA credit rating or higher at the time of purchase; corporate bonds, debentures, or notes which have an A credit rating or higher at the time of purchase; and corporate convertible debt securities, including zero coupon bonds, that have a BBB or higher credit rating at the time of purchase. As of June 30, 2004, all investment securities of the Capitol Permanent Fund are registered in the EFIB's name and are in compliance with the EFIB's policy and the Idaho Code.

Investment securities are stated at fair market value in accordance with GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The fair market value of investment securities is based on published market prices and quotations from major investment brokers when available. Purchase and sale transactions are recorded on the trade date.

Income from Investments

Income from investments, exclusive of realized and unrealized gains and losses on investments, is paid directly to the State Treasurer in accordance with Section 67-1611 of the Idaho Code. Investment income is recognized and distributed to the State Treasurer when earned.

Gains and Losses on Sale of Investments

The Investment Board accounts for gains or losses on the sale of investments as principal transactions, in accordance with Section 67-1610 of the Idaho Code. Gains or losses on sale or maturity of investments are computed using the difference between actual proceeds received and the costs of investments.

NOTE C- INVESTMENTS

Investments are required by GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, to be categorized to give an indication of the level of custodial credit risk as follows: Category 1 (the lowest level of risk) includes insured or registered investments, or investments held by the Fund or its agent in the Fund's name;

STATE OF IDAHO CAPITOL PERMANENT ENDOWMENT FUND
ADMINISTERED BY THE ENDOWMENT FUND INVESTMENT BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Category 2 includes uninsured and unregistered investments held by the broker or dealer's trust department or agent in the Fund's name; and Category 3 (the highest level of risk) includes uninsured and unregistered investments held by the broker or dealer, or by its trust department or agent, but not in the Fund's name. At June 30, 2004 all Fund investments were subject to categorization and in Category 1.

The investments are currently held under a safekeeping agreement with Northern Trust. Investments at June 30, 2004 are as follows:

	2004		
	Investments as a Percentage of Cost	Cost	Fair Market Value
Fund Investments			
Marketable Securities:			
Corporate Debentures	43.80%	\$2,671,080	\$2,643,435
Equity	56.20%	3,427,596	3,582,006
Total Fund Investments	100.00%	\$6,098,676	\$6,225,441

NOTE D- EXPENSES

Expenses of the Fund are paid by the General Account of the State of Idaho. Aggregate expenses for fiscal year 2004 were not significant to the fund. The EFIB is not required by law to adopt or publish an overall budget for operations.

NOTE E- FINANCIAL INSTRUMENTS

Investments have risks that the other parties to securities transactions do not fulfill their contractual obligations. The Investment Board attempts to minimize such risks by diversifying portfolio investments, monitoring investment grade and quality, and purchasing only high-grade or government backed securities as prescribed by the Idaho Code.

NOTE F- SUBSEQUENT EVENT

The Capitol Permanent Endowment Fund was transferred to the EFIB as of July 1, 2004, and will be reported as part of the Pooled Endowment Fund as of that date.



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Investment Board
State of Idaho Capitol Permanent Endowment Fund
Administered by the Endowment Fund
Investment Board
Boise, Idaho

We have audited the financial statements of the State of Idaho Capitol Permanent Endowment Fund administered by the Endowment Fund Investment Board (the "EFIB"); a component unit of the State of Idaho, as of and for the year ended June 30, 2004, and have issued our report thereon dated August 13, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the EFIB's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Investment Board
State of Idaho Capitol Permanent Endowment Fund
Administered by the Endowment Fund
Investment Board
Page 2

This report is intended solely for the information and use of the Legislature of the State of Idaho, the EFIB, the Idaho Capitol Commission, and management of the EFIB and is not intended to be and should not be used by anyone other than these specified parties.

Balukoff, Lindstrom & Co., P.A.

August 13, 2004