

State Board of Land Commissioners Open Meeting Checklist

Meeting Date: December 17, 2019

Regular Meetings

11/26/19	Notice of Meeting posted in prominent place in IDL's Boise Headquarters office five (5) or more calendar days before meeting.
11/26/19	Notice of Meeting posted in prominent place in IDL's Coeur d'Alene Headquarters office five (5) or more calendar days before meeting.
11/26/19	Notice of Meeting posted in prominent place at meeting location five (5) or more calendar days before meeting.
11/26/19	Notice of Meeting emailed/faxed to list of media and interested citizens who have requested such notice five (5) or more calendar days before meeting.
11/26/19	Notice of Meeting posted electronically on IDL's public website www.idl.idaho.gov five (5) or more calendar days before meeting.
12/11/19	Agenda posted in prominent place in IDL's Boise Headquarters office forty-eight (48) hours before meeting.
12/11/19	Agenda posted in prominent place in IDL's Coeur d'Alene Headquarters office forty-eight (48) hours before meeting.
12/11/19	Agenda posted in prominent place at meeting location forty-eight (48) hours before meeting.
12/11/19	Agenda emailed/faxed to list of media and interested citizens who have requested such notice forty-eight (48) hours before meeting.
12/11/19	Agenda posted electronically on IDL's public website www.idl.idaho.gov forty-eight (48) hours before meeting.
12/19/18 8/14/19 9/18/19 10/4/19	Land Board annual meeting schedule posted – Director's Office, Boise and Staff Office, CDA and IDL's public website www.idl.idaho.gov

Special Meetings

	Notice of Meeting and Agenda posted in a prominent place in IDL's Boise Headquarters office twenty-four (24) hours before meeting.
	Notice of Meeting and Agenda posted in a prominent place in IDL's Coeur d'Alene Headquarters office twenty-four (24) hours before meeting.
	Notice of Meeting and Agenda posted at meeting location twenty-four (24) hours before meeting.
	Notice of Meeting and Agenda emailed/faxed to list of media and interested citizens who have requested such notice twenty-four (24) hours before meeting.
	Notice of Meeting and Agenda posted electronically on IDL's public website www.idl.idaho.gov twenty-four (24) hours before meeting.
	Emergency situation exists – no advance Notice of Meeting or Agenda needed. "Emergency" defined in Idaho Code § 74-204(2).

Executive Sessions *(If only an Executive Session will be held)*

	Notice of Meeting and Agenda posted in IDL's Boise Headquarters office twenty-four (24) hours before meeting.
	Notice of Meeting and Agenda posted in IDL's Coeur d'Alene Headquarters office twenty-four (24) hours before meeting.
	Notice of Meeting and Agenda emailed/faxed to list of media and interested citizens who have requested such notice twenty-four (24) hours before meeting.
	Notice of Meeting and Agenda posted electronically on IDL's public website www.idl.idaho.gov twenty-four (24) hours before meeting.
	Notice contains reason for the executive session and the applicable provision of Idaho Code § 74-206 that authorizes the executive session.

Renée Miller

Recording Secretary

December 11, 2019

Date



Idaho State Board of Land Commissioners

Brad Little, Governor and President of the Board

Lawrence E. Denney, Secretary of State

Lawrence G. Wasden, Attorney General

Brandon D Woolf, State Controller

Sherri Ybarra, Superintendent of Public Instruction

Dustin T. Miller, Director and Secretary to the Board

NOTICE OF PUBLIC MEETING DECEMBER 2019

The Idaho State Board of Land Commissioners will hold a Regular Meeting on Tuesday, December 17, 2019 in the State Capitol, Lincoln Auditorium (WW02), Lower Level, West Wing, 700 W Jefferson St., Boise. The meeting is scheduled to begin at 9:00 AM (Mountain).

***Please join Land Board members and staff prior to the scheduled meeting
for carols and refreshments in the Capitol Rotunda, 2nd Floor, at 8:30 AM***

This meeting will be live streamed via audio at this website address <https://idahoptv.org/shows/idahoinsession/>

Please note: Garden Level entrances into the Capitol, from 6th Street and 8th Street, are closed except during Legislative Session. Open public entrances are located on Jefferson Street, State Street, and there are first and second floor entries on the east and west sides of the Capitol.

First Notice Posted: 11/26/2019-IDL Boise; 11/26/2019-IDL CDA

This notice is published pursuant to § 74-204 Idaho Code. For additional information regarding Idaho's Open Meeting law, please see Idaho Code §§ 74-201 through 74-208.

Idaho Department of Lands, 300 N 6th Street, Suite 103, Boise ID 83702, 208.334.0242



Idaho State Board of Land Commissioners

Brad Little, Governor and President of the Board
Lawrence E. Denney, Secretary of State
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State Board of Land Commissioners Regular Meeting

December 17, 2019 – 9:00 AM (MT)

Final Agenda

Capitol, Lincoln Auditorium (WW02), Lower Level, West Wing, 700 W. Jefferson St., Boise, Idaho

*Please join us @ 8:30 AM for carols and refreshments.
Capitol Rotunda, 2nd Floor*

Department of Lands' Year-in-Review Presentation will immediately precede the State Land Board Meeting

- 8:30 AM in the 2nd Floor Capitol Rotunda
 - Capital High School Choir
 - Big Check Presentation
 - Refreshments
 - 9:00 AM in the Lincoln Auditorium (WW02)
 - Year-in-Review Video Presentation
1. **Department Report** – *Presented by Dustin Miller, Director*

Endowment Transactions

- A. Timber Sales – October/November 2019
- B. Leases and Permits – October/November 2019

2. **Endowment Fund Investment Board Report** – *Presented by Chris Anton, EFIB Manager of Investments*

- A. Manager's Report
- B. Investment Report
- C. Annual Audit Report

3. **Performance Review of Total Endowment** – *Presented by Dustin Miller, Director*

Consent—Action Item(s)

4. **Forest Legacy Project, Hall Mountain-Kootenai Valley: Lefebvre Family** – *Presented by Craig Foss, Division Administrator-Forestry and Fire*
5. **Forest Legacy Project, Hall Mountain-Kootenai Valley: Placer Creek** – *Presented by Craig Foss, Division Administrator-Forestry and Fire*
6. **Forest Legacy Project, Hall Mountain-Kootenai Valley: North Bench 9** – *Presented by Craig Foss, Division Administrator-Forestry and Fire*
7. **Approval of Minutes** – October 17, 2019 Regular Meeting (Boise)

Regular—Action Item(s)

None

Information

None

Executive Session

None





Idaho Statutes

TITLE 74
TRANSPARENT AND ETHICAL GOVERNMENT
CHAPTER 2
OPEN MEETINGS LAW

74-206. EXECUTIVE SESSIONS — WHEN AUTHORIZED. (1) An executive session at which members of the public are excluded may be held, but only for the purposes and only in the manner set forth in this section. The motion to go into executive session shall identify the specific subsections of this section that authorize the executive session. There shall be a roll call vote on the motion and the vote shall be recorded in the minutes. An executive session shall be authorized by a two-thirds (2/3) vote of the governing body. An executive session may be held:

(a) To consider hiring a public officer, employee, staff member or individual agent, wherein the respective qualities of individuals are to be evaluated in order to fill a particular vacancy or need. This paragraph does not apply to filling a vacancy in an elective office or deliberations about staffing needs in general;

(b) To consider the evaluation, dismissal or disciplining of, or to hear complaints or charges brought against, a public officer, employee, staff member or individual agent, or public school student;

(c) To acquire an interest in real property not owned by a public agency;

(d) To consider records that are exempt from disclosure as provided in chapter 1, title 74, Idaho Code;

(e) To consider preliminary negotiations involving matters of trade or commerce in which the governing body is in competition with governing bodies in other states or nations;

(f) To communicate with legal counsel for the public agency to discuss the legal ramifications of and legal options for pending litigation, or controversies not yet being litigated but imminently likely to be litigated. The mere presence of legal counsel at an executive session does not satisfy this requirement;

(g) By the commission of pardons and parole, as provided by law;

(h) By the custody review board of the Idaho department of juvenile corrections, as provided by law;

(i) To engage in communications with a representative of the public agency's risk manager or insurance provider to discuss the adjustment of a pending claim or prevention of a claim imminently likely to be filed. The mere presence of a representative of the public agency's risk manager or insurance provider at an executive session does not satisfy this requirement; or

(j) To consider labor contract matters authorized under section 74-206A (1)(a) and (b), Idaho Code.

(2) The exceptions to the general policy in favor of open meetings stated in this section shall be narrowly construed. It shall be a violation of this chapter to change the subject within the executive session to one not identified within the motion to enter the executive session or to any topic for which an executive session is not provided.

(3) No executive session may be held for the purpose of taking any final action or making any final decision.

(4) If the governing board of a public school district, charter district, or public charter school has vacancies such that fewer than two-thirds (2/3) of board members have been seated, then the board may enter into executive session on a simple roll call majority vote.

History:

[74-206, added 2015, ch. 140, sec. 5, p. 371; am. 2015, ch. 271, sec. 1, p. 1125; am. 2018, ch. 169, sec. 25, p. 377; am. 2019, ch. 114, sec. 1, p. 439.]

STATE BOARD OF LAND COMMISSIONERS

December 17, 2019
Endowment Transactions

Timber Sales

During October 2019, the Department of Lands sold three endowment timber sales at auction. The endowment net sale value represents a 20.5% up bid over the advertised value.

TIMBER SALE AUCTIONS								
SALE NAME	AREA	SAWLOGS MBF	CEDAR PROD MBF	PULP MBF	APPRAISED NET VALUE	SALE NET VALUE	NET \$/MBF	PURCHASER
Wet Boot	POL	4,115			961,827.00	\$ 1,213,453.00	\$294.89	IFG Timber LLC
Mountain Lion	PL	5,300			785,631.00	\$ 785,631.00	\$148.23	IFG Timber LLC
Drift Creek	POND	8,130	575		1,651,973.50	\$ 2,096,261.05	\$240.81	IFG Timber LLC
Endowment		17,545	575	0	\$ 3,399,431.50	\$ 4,095,345.05	\$226.01	

During November 2019, the Department of Lands sold seven endowment timber sales at auction. The endowment net sale value represents an 8% up bid over the advertised value.

TIMBER SALE AUCTIONS								
SALE NAME	AREA	SAWLOGS MBF	CEDAR PROD MBF	PULP MBF	APPRAISED NET VALUE	SALE NET VALUE	NET \$/MBF	PURCHASER
Ruby Cedar Mine	POND	1,255	90		489,503.50	\$ 490,718.50	\$364.85	McFarland
High School OSR	POL	2,480			455,122.50	\$ 455,122.50	\$183.52	IFG Timber LLC
Turner Knob	POL	1,485			357,272.00	\$ 363,261.00	\$244.62	IFG Timber LLC
Evans OSR	CLW	1,520			295,974.00	\$ 318,468.00	\$209.52	Empire Lumber
Blind Elk	CLW	2,910			685,208.50	\$ 722,749.00	\$248.37	IFG Timber LLC
Whiskey Branch	CLW	3,910			614,624.00	\$ 767,657.10	\$196.33	IFG Timber LLC
Capitol OSR	MICA	3,470			557,466.50	\$ 616,872.00	\$177.77	IFG Timber LLC
Endowment		17,030	90	0	\$ 3,455,171.00	\$ 3,734,848.10	\$218.16	

PROPOSED TIMBER SALES FOR AUCTION				
Sale Name	Volume MBF	Advertised Net Value	Area	Estimated Auction Date
North Operations				
Misplaced 40	6,100	\$ 1,073,334	SJ	12/10/2019
South Boehls	6,325	\$ 745,566	SJ	12/10/2019
Pierce Poke	2,575	\$ 642,041	SJ	12/10/2019
	15,000	\$ 2,460,941		
South Operations				
Lower Cranberry	7,570	\$ 1,163,177	CLW	12/12/2019
Camp R Cedar	2,130	\$ 1,078,956	CLW	12/12/2019
Eastside School	6,585	\$ 1,718,144	MC	12/6/2019
	16,285	\$ 3,960,276		

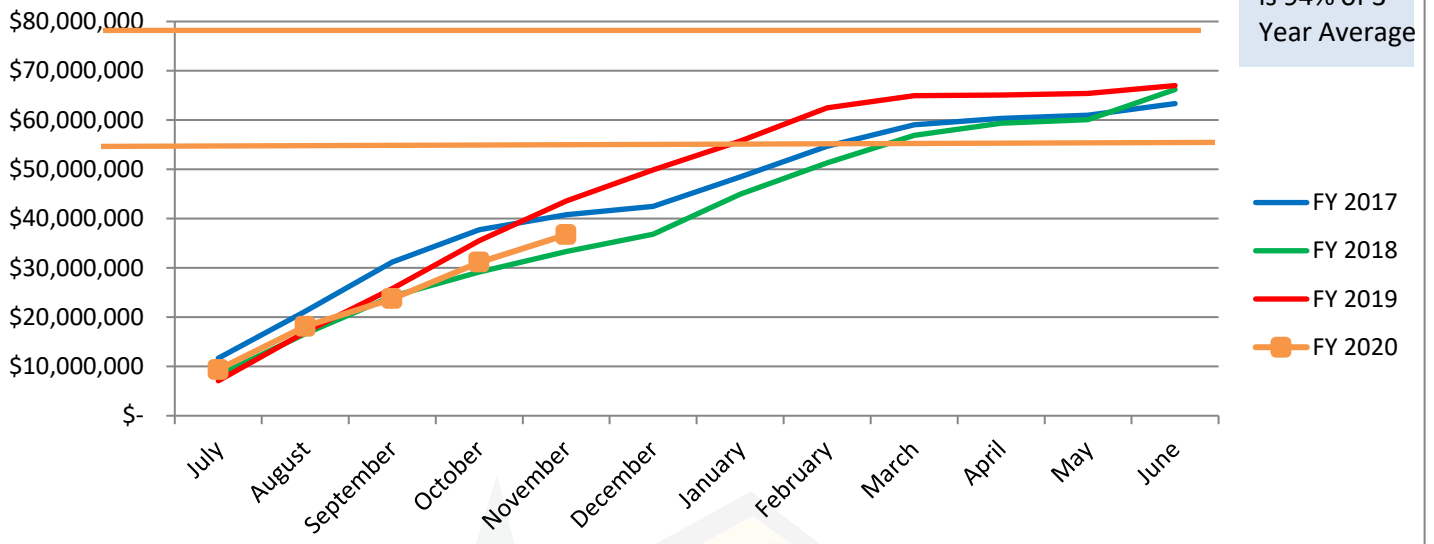
VOLUME UNDER CONTRACT as of November 30, 2019				
	Public School	Pooled	Total	3 Year Avg.
Active Contracts			159	179
Total Residual MBF Equivalent	349,516	201,388	550,904	509,735
Estimated residual value	\$92,322,231	\$54,454,048	\$146,776,279	\$144,347,964
Residual Value (\$/MBF)	\$264.14	\$270.39	\$266.43	\$282.93

TIMBER HARVEST RECEIPTS							
	November		FY to date		December Projected		
	Stumpage		Interest		Harvest Receipts		
	Stumpage		Interest		Stumpage		Interest
Public School	\$	3,742,284.77	\$	342,346.75	\$	24,755,133.07	\$ 3,461,810.34 \$ 320,469.81
Pooled	\$	1,372,258.72	\$	134,791.36	\$	11,971,266.79	\$ 1,251,252.42 \$ 128,313.16
General Fund	\$	66.35	\$	4.63	\$	79.68	\$ 366.29 \$ 27.53
TOTALS	\$	5,114,609.84	\$	477,142.74	\$	36,726,479.54	\$ 4,713,429.05 \$ 448,810.50

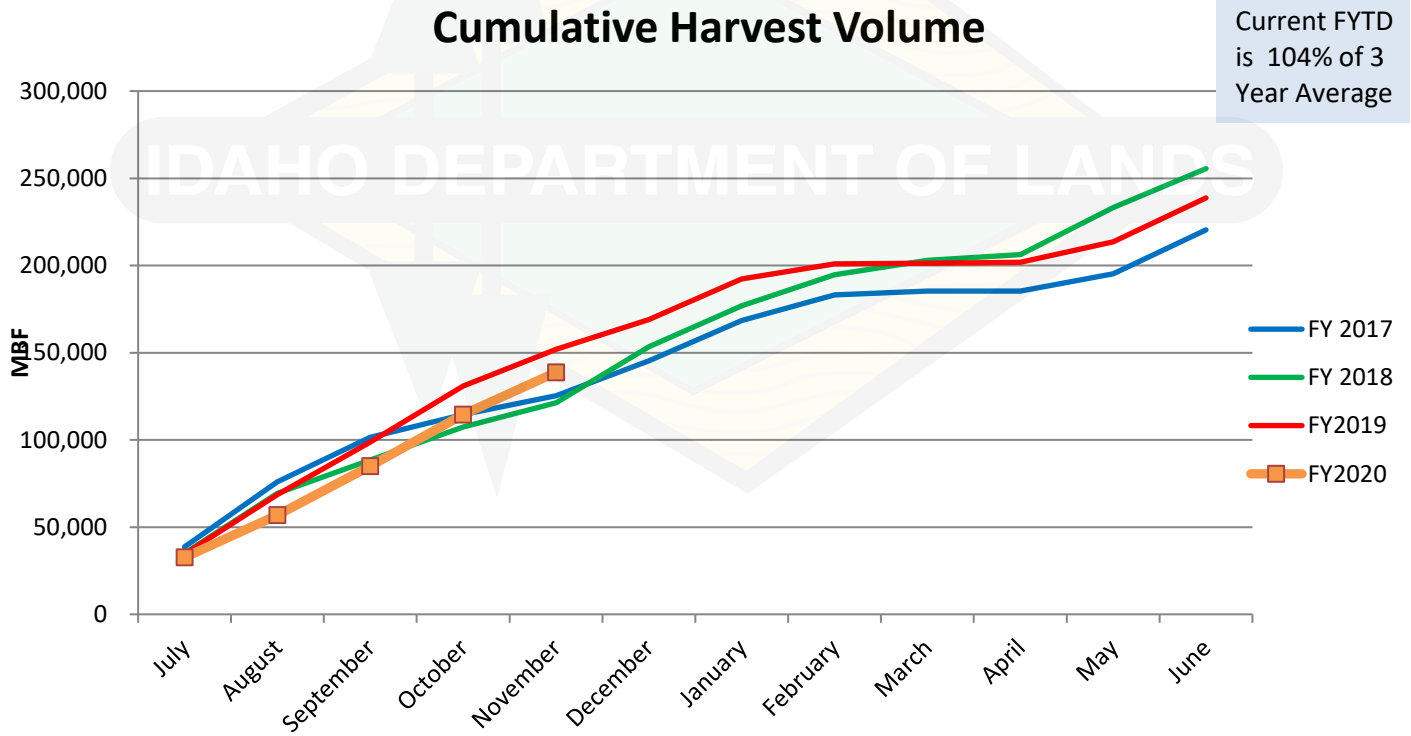
Status of FY 2020 Timber Sale Program						
	MBF Sawlog			Number Poles		
	Public School	Pooled	All Endowments	Public School	Pooled	All Endowments
Sold as of November 30, 2019	74,007	23,322	97,329	2,003	0	2,003
Currently Advertised	19,765	17,155	36,920	0	5,650	5,650
In Review	15,912	14,516	30,428	2,800	0	2,800
Did Not Sell ¹	0	0	0	0	0	0
TOTALS	109,684	54,993	164,677	4,803	5,650	10,453
FY-2020 Sales Plan			267,395			17,953
Percent to Date			62%			58%

¹ After three attempts at auction.

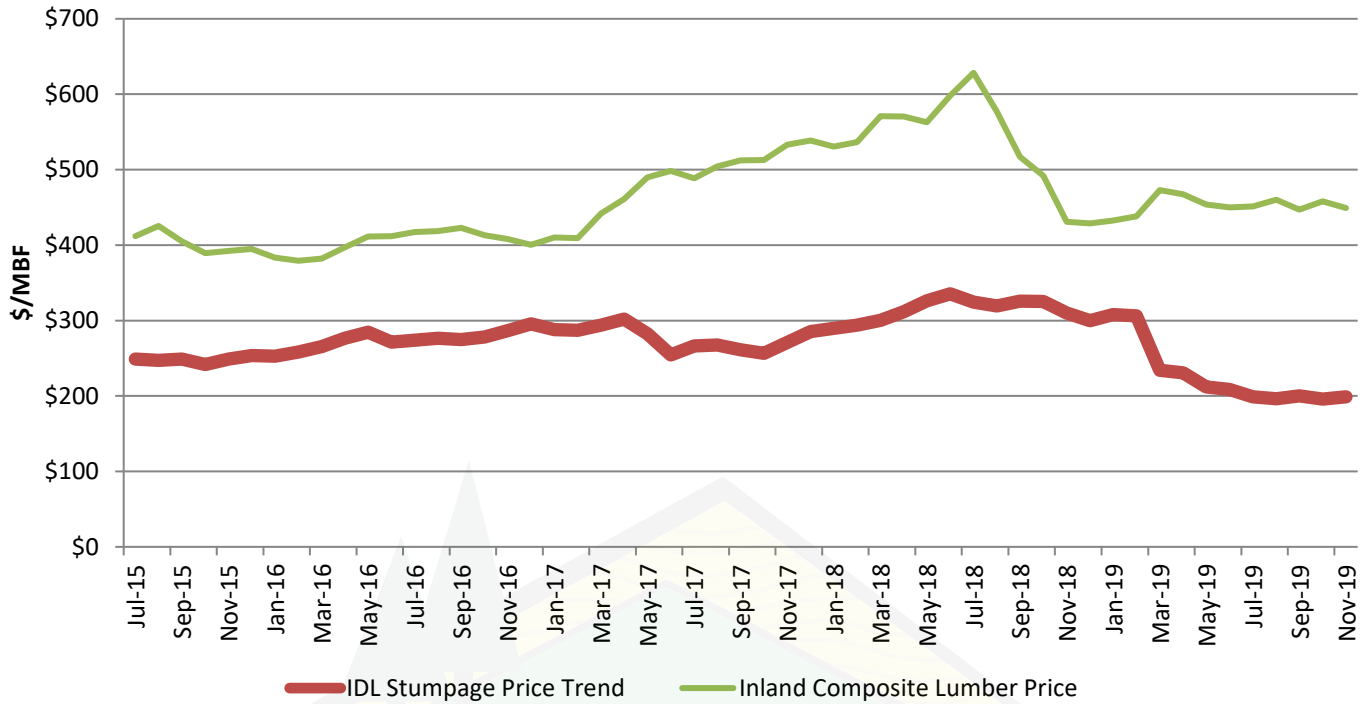
Cumulative Harvest Receipts



Cumulative Harvest Volume



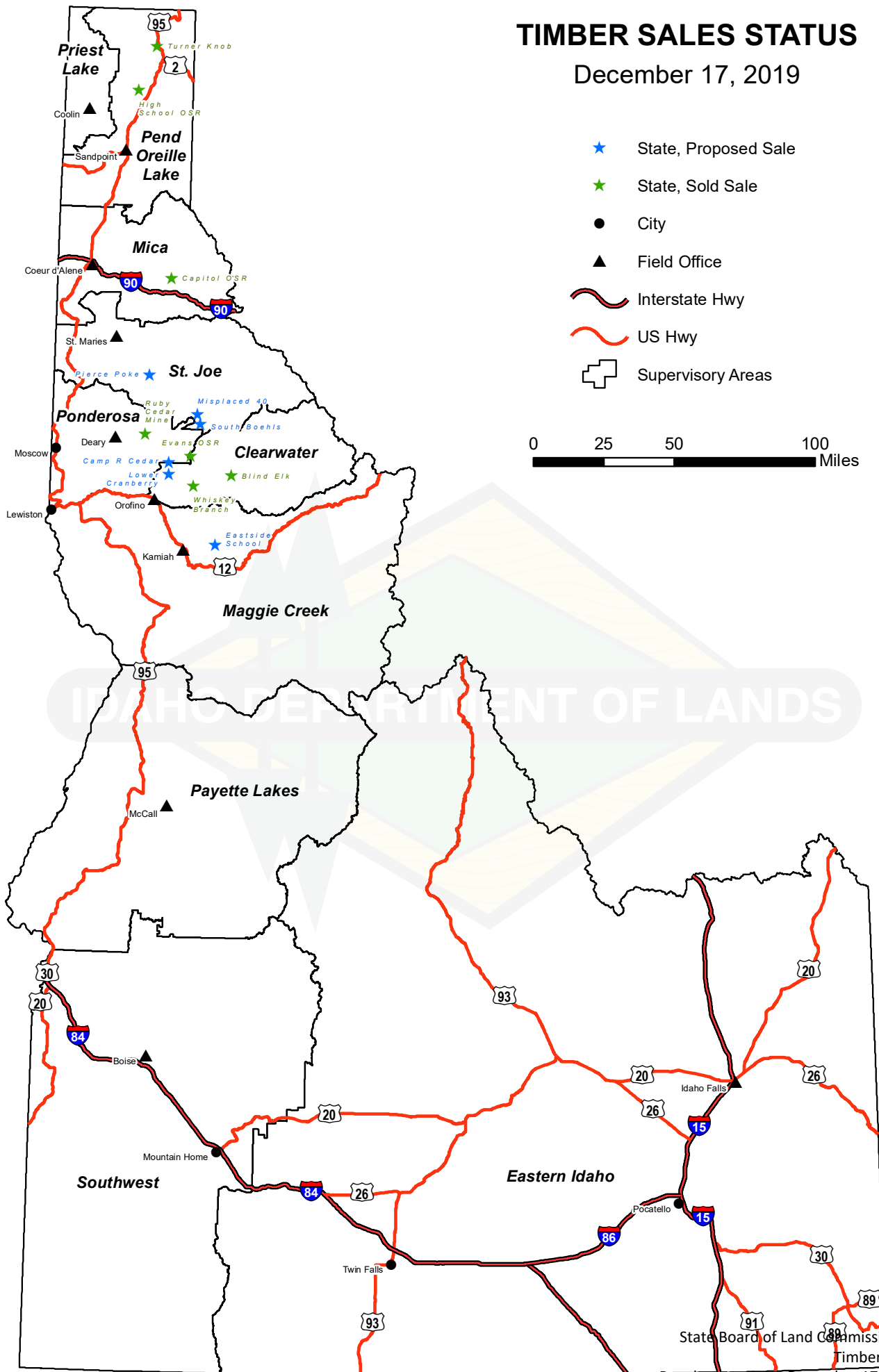
Monthly Lumber and Stumpage Price



IDL Stumpage Price Line is a 6 month rolling average of the net sale price.

TIMBER SALES STATUS

December 17, 2019



STATE BOARD OF LAND COMMISSIONERS

December 17, 2019
Endowment Transactions

Leases and Permits

FISCAL YEAR 2020 – LEASING & PERMITTING TRANSACTIONS BY MONTH – through November 30, 2019														
ACTIVITY	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	EST	FYTD
SURFACE														
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	12	0
Communication Sites	-	-	-	-	-	-	-	-	-	-	-	-	5	0
Grazing	-	-	-	-	-	-	-	-	-	-	-	-	142	0
<i>Assignments</i>	2	1	1	2	1	-	-	-	-	-	-	-	-	7
Residential	-	-	-	-	-	-	-	-	-	-	-	-	15	0
<i>Assignments</i>	-	1	1	1	-	-	-	-	-	-	-	-	-	3
COMMERCIAL														
Alternative Energy	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Industrial	-	-	-	-	-	-	-	-	-	-	-	-	1	0
Military	-	-	-	-	-	-	-	-	-	-	-	-	3	0
Office/Retail	-	-	-	-	-	-	-	-	-	-	-	-	4	0
Recreation	-	-	-	-	-	-	-	-	-	-	-	-	4	0
OTHER														
Conservation	-	-	-	-	-	-	-	-	-	-	-	-	1	0
<i>Assignments</i>	-	-	-	1	-	-	-	-	-	-	-	-	-	1
Geothermal	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Minerals	-	-	-	-	-	-	-	-	-	-	-	-	9	0
<i>Assignments</i>	1	-	-	-	3	-	-	-	-	-	-	-	-	4
Non-Comm Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Oil & Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	0
PERMITS														
Land Use Permits	14	5	8	9	2	-	-	-	-	-	-	-	NA	38
TOTAL INSTRUMENTS	17	7	10	13	6	-	-	-	-	-	-	-	NA	53

Real Estate

REAL ESTATE

FISCAL YEAR 2020 – REAL ESTATE TRANSACTIONS BY MONTH – through November 30, 2019														
ACTIVITY	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FYTD	
Deeds Acquired	-	-	-	-	-	-	-	-	-	-	-	-	0	
Deeds Granted	6	1	11	14	1	-	-	-	-	-	-	-	33	
Deeds Granted - Surplus	-	-	-	-	-	-	-	-	-	-	-	-	0	
Easements Acquired	-	1	3	-	-	-	-	-	-	-	-	-	4	
Easements Granted	1	1	2	2	-	-	-	-	-	-	-	-	6	

In October and November, the Department issued fifteen deeds for the sale of Priest Lake cottage sites.

In November, the Department completed the re-advertisement of eleven (11) residential and 166 grazing, and crop lease applications, for a total of 177 leases that were re-advertised. During the re-advertising process, the Payette Lakes Area office received two applications for lease G500152, which includes 18 acres and 26 AUMs with improvements. The improvements are being evaluated by the area office for ownership and valuation. Currently, there are no issues with accessibility to the leased area.

In the Maggie Creek Area, IDL previously cancelled the live auction for two leases due to concerns related to potential communications between lease applicants. Those were re-advertised, and the Department received three applications for each of the two leases. The Department intends to hold the live auctions in late January, after advertising the auctions for four weeks.

The Office of Attorney General is working with the Department to process the leases that have been re-advertised. The goal is to have the leases issued and executed as soon as possible, however, it is likely that most 2020 re-advertised leases will not be executed sooner than February 2020. Should leases remain unsigned at the end of the year, the existing lessee will be a holdover tenant until the new leases are executed.

On December 4, 2019, the Department sent a letter notifying the applicants of the schedule and next steps.

The total cost for re-advertising has been \$12,551.86. There will be additional advertising expenses for the live auctions. Advertising has appeared in twenty-five county newspapers as well as industry publications and the Department's website, and was posted in the Department's staff and area offices.

Overall, the feedback has been positive. Over 100 calls were logged as a result of the re-advertising, some from the advertising and others from applicants inquiring about the application letter and process.

The Department began advertising ten communication site leases on December 9, 2019. The advertising period runs four weeks.

2021 leases will begin advertising on January 1, 2020. The advertising process will follow the IDAPA rules as well as the approved Land Board advertising process.

LANDS AND WATERWAYS DIVISION
2020FYTD GROSS REVENUE - ACTUAL AND FORECASTED
through November 30, 2019

	ACTUAL RECEIPTS AS OF 11.30.2019	REVENUE EXPECTED BY 11.30.2019**	REVENUE EXPECTED BY 06.30.2020
SURFACE			
AGRICULTURE	\$ 141,609	\$ 72,646	\$ 308,786
COMMUNICATION SITES	\$ 154,917	\$ 169,113	\$ 937,019
GRAZING	\$ 255,001	\$ 227,270	\$ 1,818,574
RESIDENTIAL	\$ (726)	\$ -	\$ 1,820,796
COMMERCIAL			
COMMERCIAL ENERGY RESOURCES	\$ 750	\$ 3,260	\$ 22,812
COMMERCIAL INDUSTRIAL	\$ 37,250	\$ 25,865	\$ 82,308
COMMERCIAL MILITARY	\$ 250	\$ 16,559	\$ 139,976
COMMERCIAL OFFICE/RETAIL	\$ 543,748	\$ 614,011	\$ 964,519
COMMERCIAL RECREATION	\$ 11,935	\$ 13,186	\$ 322,031
OTHER			
CONSERVATION LEASES	\$ 12,084	\$ 10,691	\$ 148,078
GEOTHERMAL	\$ -	\$ 1,349	\$ 4,117
MINERAL	\$ 13,362	\$ 15,793	\$ 73,453
NON-COMMERCIAL RECREATION	\$ 3,050	\$ 3,132	\$ 80,496
OIL AND GAS LEASES	\$ 12,064	\$ 7,559	\$ 29,096
Sub Total	\$ 1,185,294	\$ 1,180,434	\$ 6,752,062
*LAND SALES/RECORDS	\$ 269,372	***	
*REAL ESTATE SERVICES	\$ 15		
Grand Total	\$ 1,454,682		

* These categories are not included in the annual forecast.

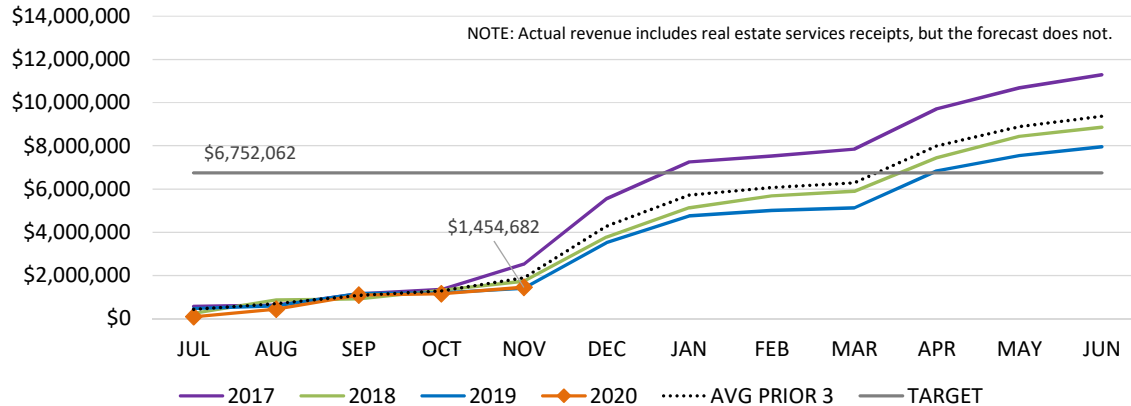
** These figures are based on "normal" timing of revenue/billing throughout the year.

*** \$40,880 of "revenue" was removed from this total because it was passed through to a real estate broker.

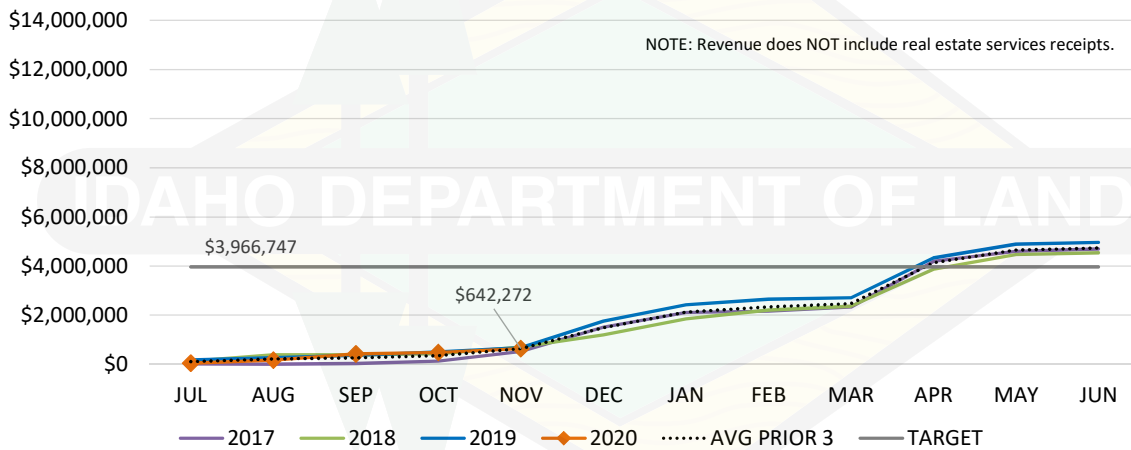
NOTE: The Department prepares the annual endowment revenue forecast by ASSET CLASS (not by Program). For this table, we have attempted to further breakdown the forecast by program by applying trend data.

Cumulative L&W Program Receipts - Earnings Reserve
ALL PROGRAMS
FY17 - FYTD20

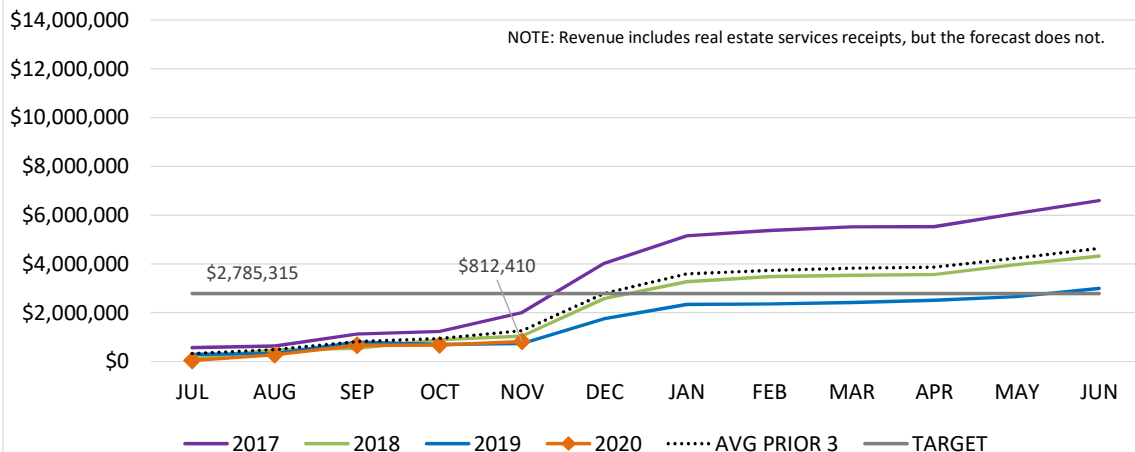
FYTDTotal is 77%
of 3 Year Average



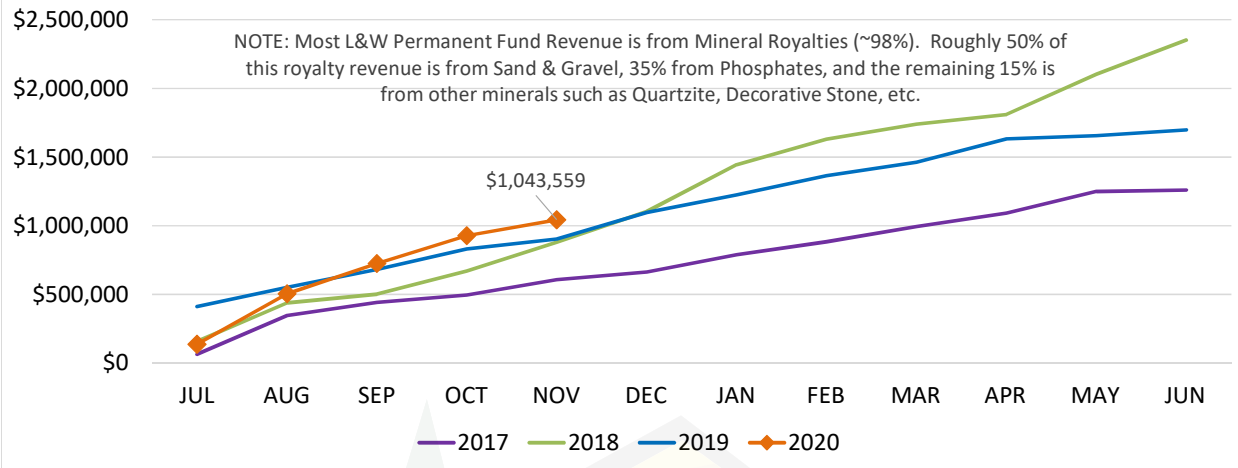
Cumulative L&W Program Receipts - Earnings Reserve
NO COMMERCIAL RETAIL OR RESIDENTIAL REVENUE* INCLUDED
FY17 - FYTD20



Cumulative L&W Program Receipts - Earnings Reserve
ONLY COMMERCIAL RETAIL AND RESIDENTIAL REVENUE* INCLUDED
FY17 - FYTD20



Cumulative L&W Permanent Fund Revenue/Royalties
 (Does NOT include Land Bank Revenue)
 FY17 - FYTD20



IDAHO DEPARTMENT OF LANDS



M. Dean Buffington :: Chairman
Jerry F. Aldape Gary L. Mahn
Warren R. Bakes Richelle A. Sugiyama
Steven C. Harris Thomas J. Wilford
Irving Littman Chuck Winder
Chris J. Anton :: Manager of Investments

Monthly Report to the Board of Land Commissioners

Investment performance through November 30, 2019

Month: 2.2% Fiscal year: 4.5%

One could easily look at the global economy and take the perspective that the glass is half empty, yet financial markets are looking forward with cautious optimism saying the glass is half full. The U.S. economy is slowing and the manufacturing sector is in recession, but the U.S. consumer remains robust, new home sales are picking up, unemployment remains near record lows and the money supply is growing. Germany has been hurt by the slowdown in China, reduced exports due in part to Brexit and the threat of U.S. auto tariffs, but the economic data is beginning to show modest signs of improvement. China has been slowing for some time as they structurally reform their banking system and begin to reduce excessive debt, but manufacturing activity has started to improve, the government has shifted toward more pro-growth policies and pending trade talks with the U.S. may help both countries.

Status of endowment fund reserves

Distributions for FY2020 and FY2021 are well secured. Estimated reserves as of October 2019 were 6.1 years for public schools and 6.8 years or more for the other endowments based on anticipated FY2021 distributions.

Significant actions of the Endowment Fund Investment Board

None.

Compliance/legal issues, areas of concern

Material deviations from Investment Policy: None.

Material legal issues: None.

Changes in board membership or agency staffing: None.

Upcoming issues/events

JFAC Budget Hearing – January 31st
EFIB Board Meeting – February 13th

Preliminary Report (Land Grant Fund, excluding accruals)

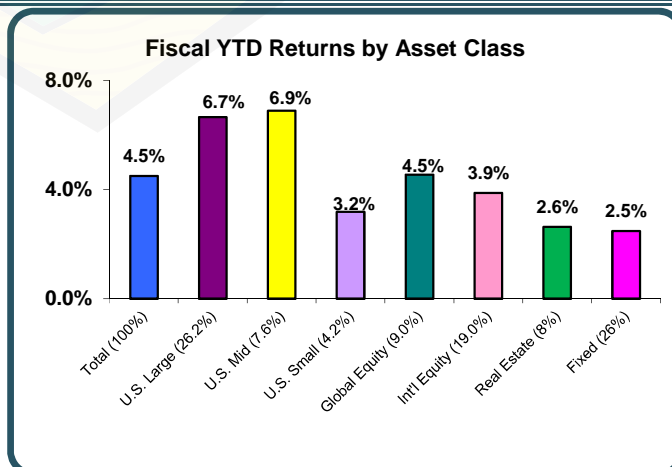
November 30, 2019

	<u>Month</u>	<u>FYTD</u>
Beginning Value of Fund	\$ 2,366,785,744	\$ 2,318,780,865
Distributions to Beneficiaries	(6,743,167)	(33,715,835)
Land Revenue net of IDL Expenses	6,554,908	39,544,758
Change in Market Value net of Investment Mgt. Expenses	44,009,343	85,997,040
Current Value of Fund	\$ 2,410,606,828	\$ 2,410,606,828

<u>Gross Returns</u>	<u>Current Month</u>	<u>Calendar Y-T-D</u>	<u>Fiscal Y-T-D</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Total Fund	2.2%	19.9%	4.5%	14.0%	10.6%	7.1%	9.4%
<i>Total Fund Benchmark*</i>	1.8%	18.1%	4.4%	12.9%	9.9%	6.9%	8.7%
Total Fixed	-0.1%	9.3%	2.5%	11.0%	4.2%	3.1%	3.6%
<i>85% BB Agg, 15% TIPS</i>	0.0%	8.7%	2.4%	10.5%	4.0%	3.0%	3.5%
Total Equity	3.2%	25.7%	5.4%	15.9%	13.2%	8.6%	11.5%
<i>38% R3 19% Ax 9% AC</i>	2.8%	23.5%	5.6%	14.1%	12.4%	8.4%	10.8%
Domestic Equity	3.9%	27.2%	6.3%	14.8%	14.0%	10.3%	14.0%
<i>Russell 3000 (R3)</i>	3.8%	27.3%	7.3%	15.5%	14.2%	10.6%	13.4%
Global Equity	3.0%	26.7%	4.5%	18.3%	12.6%	6.3%	
<i>MSCI ACWI (AC)</i>	2.4%	22.3%	5.2%	13.7%	11.9%	7.2%	
Int'l. Equity	1.9%	22.5%	3.9%	17.0%	12.4%	5.6%	5.9%
<i>MSCI ACWI ex-US (Ax)</i>	0.9%	16.5%	2.5%	11.2%	9.2%	3.8%	4.7%
Real Estate			2.6%	5.7%	6.5%		
			0.8%	5.5%	6.6%		

* Benchmark: 38% Russell 3000 19% ACWI ex-US 9% AC 26% BB Agg. 8% ODCE

	<u>Mkt Value (\$M)</u>	<u>Allocation</u>
Domestic Equity	\$ 936.0	38.8%
Large Cap	639.1	26.5%
Mid Cap	195.3	8.1%
Small Cap	101.6	4.2%
Global Equity	222.7	9.2%
Int'l Equity	468.4	19.4%
Fixed Income	576.3	23.9%
Real Estate	193.6	8.0%
Cash	13.7	0.6%
Total Fund	\$ 2,410.6	100.0%



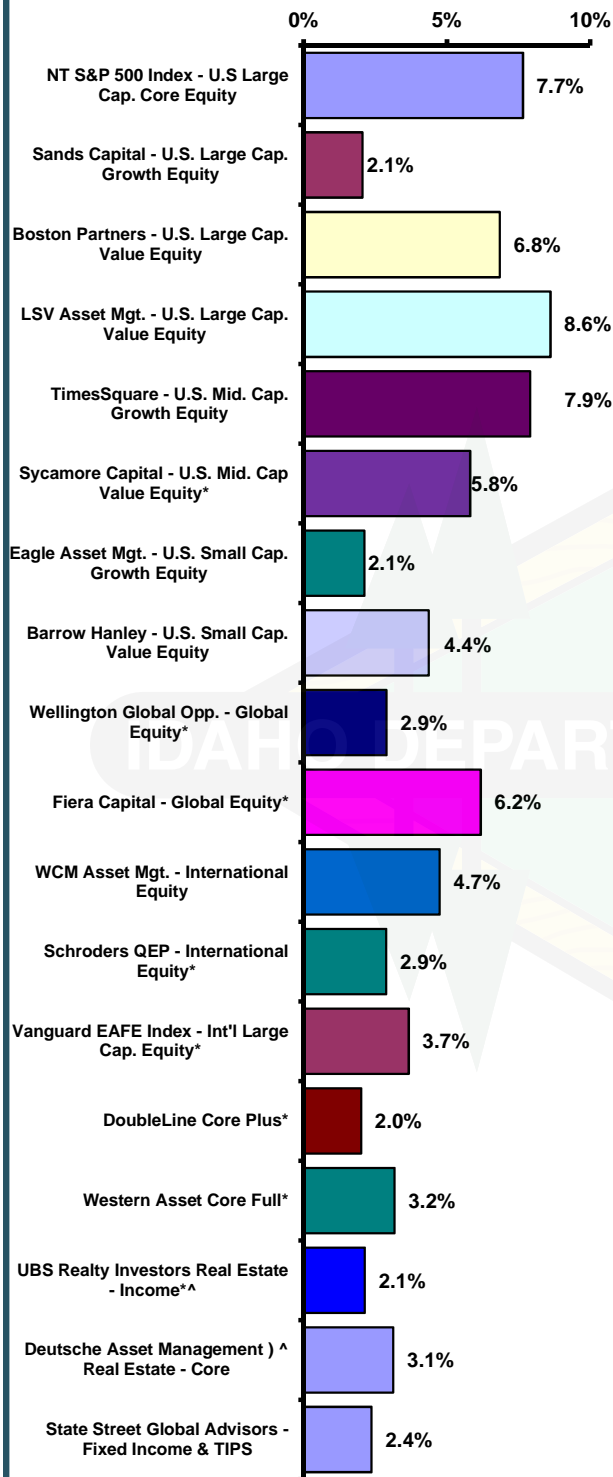
Endowment Fund Staff Comments:

The fund was up 2.2% for the month, 0.4% over the benchmark. The Russell 3000 index was up 3.8%, Russell Midcap up 3.6% and Russell 2000 (small cap) up 4.1%. International equities (MSCI ACWI ex-US) were up 0.9%. Growth outperformed Value, while Domestic equity outperformed International equity. Bonds, as measured by the BBC Aggregate index, were down 0.1% and TIPS were up 0.2%. 9 of 15 active managers beat their benchmark this month. On a FYTD basis, the fund is up 4.5%, 0.1% over benchmark, and 11 of 15 active managers beat their benchmark.

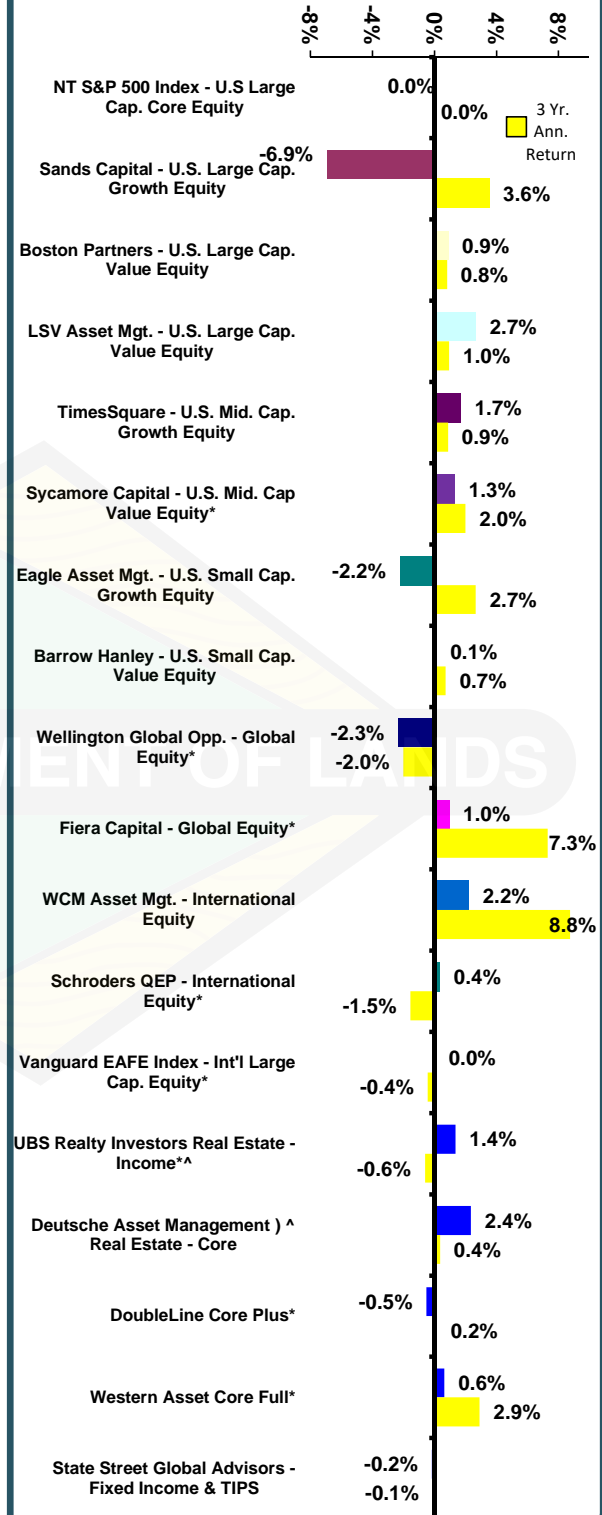
November 30, 2019

INVESTMENT REPORT

FYTD Manager Returns



Manager Relative Returns Fiscal YTD and 3-Yr Ave. Annualized*



*ITD return used when manager has less than 3 years. ^ Most recent valuation.



State of Idaho Endowment Fund
IDAHO DEPARTMENT OF LANDS

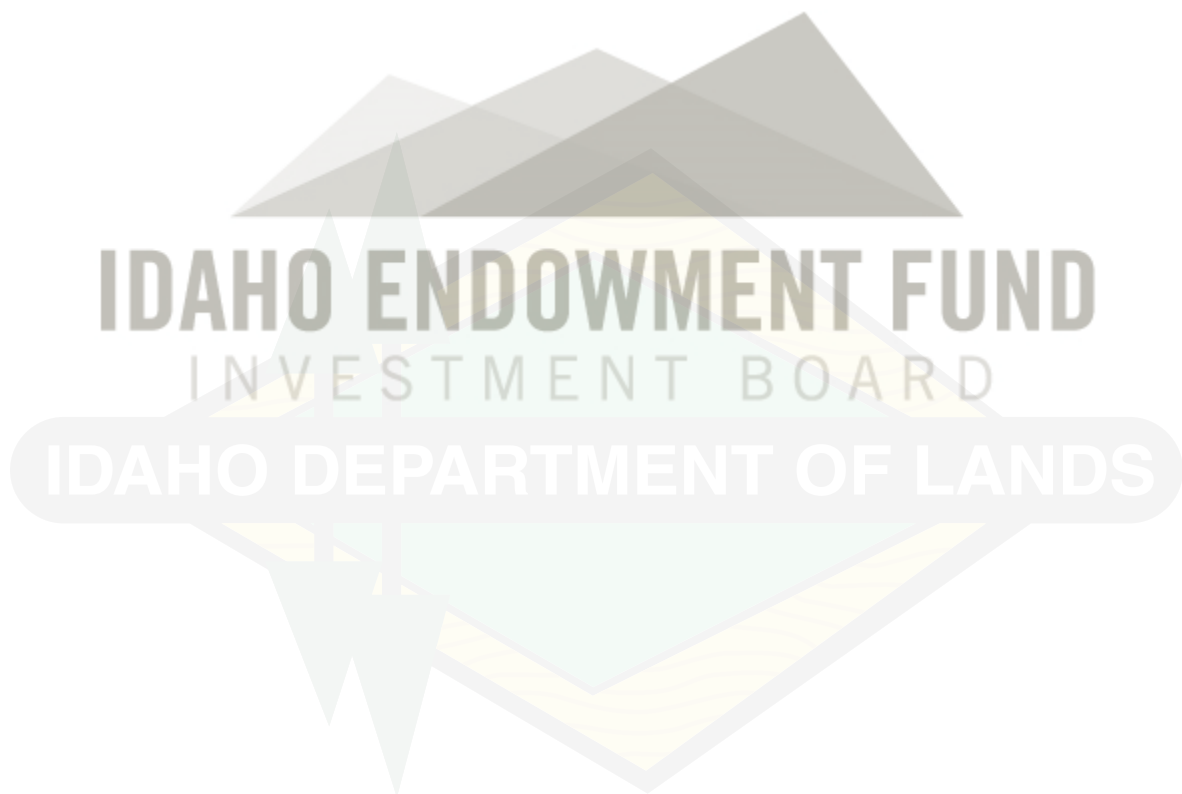
*REPORT OF
INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018*

Administered by the Endowment Fund Investment Board



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IDAHO ENDOWMENT FUND
INVESTMENT BOARD

IDAHO DEPARTMENT OF LANDS

INDEPENDENT AUDITORS' REPORT

Endowment Fund Investment Board
State of Idaho Endowment Funds
Boise, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the State of Idaho Endowment Funds governmental fund and governmental activities administered by the Endowment Fund Investment Board (the EFIB), a component unit of the State of Idaho, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the State of Idaho Endowment Funds' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the State of Idaho Endowment Funds governmental fund and governmental activities as of June 30, 2019 and 2018, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-matter

As discussed in Note 1, the financial statements of The State of Idaho Endowment Funds are intended to present the financial position and the changes in financial position of The State of Idaho Endowment Funds. The financial statements do not purport to, and do not, represent the financial position or changes in financial position, of the State of Idaho as of June 30, 2019 and 2018. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Idaho Endowment Funds' basic financial statements. The supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules included on pages 41 through 44 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements 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 supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedules included on pages 45 and 46 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2019, on our consideration of State of Idaho Endowment Funds' 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 result of that testing, and not to provide an opinion on the effectiveness of State of Idaho Endowment Funds' 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 State of Idaho Endowment Funds' internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boise, Idaho
August 22, 2019

IDAHO DEPARTMENT OF LANDS

The Management Discussion and Analysis highlights the financial performance of the State of Idaho Land Grant Endowment Fund (“Endowment Fund”) for the fiscal years ended June 30, 2019, 2018 and 2017.

BACKGROUND

When Idaho became the 43rd state in 1890, the Congress of the United States endowed certain lands to be used to generate income for education and other important purposes. At statehood, 3.6 million acres of land were granted to the State of Idaho (“State”) and 2.4 million acres remain. Proceeds from the sale of land and income generated by the land have accumulated in the Endowment Fund which provides financial support for beneficiaries.

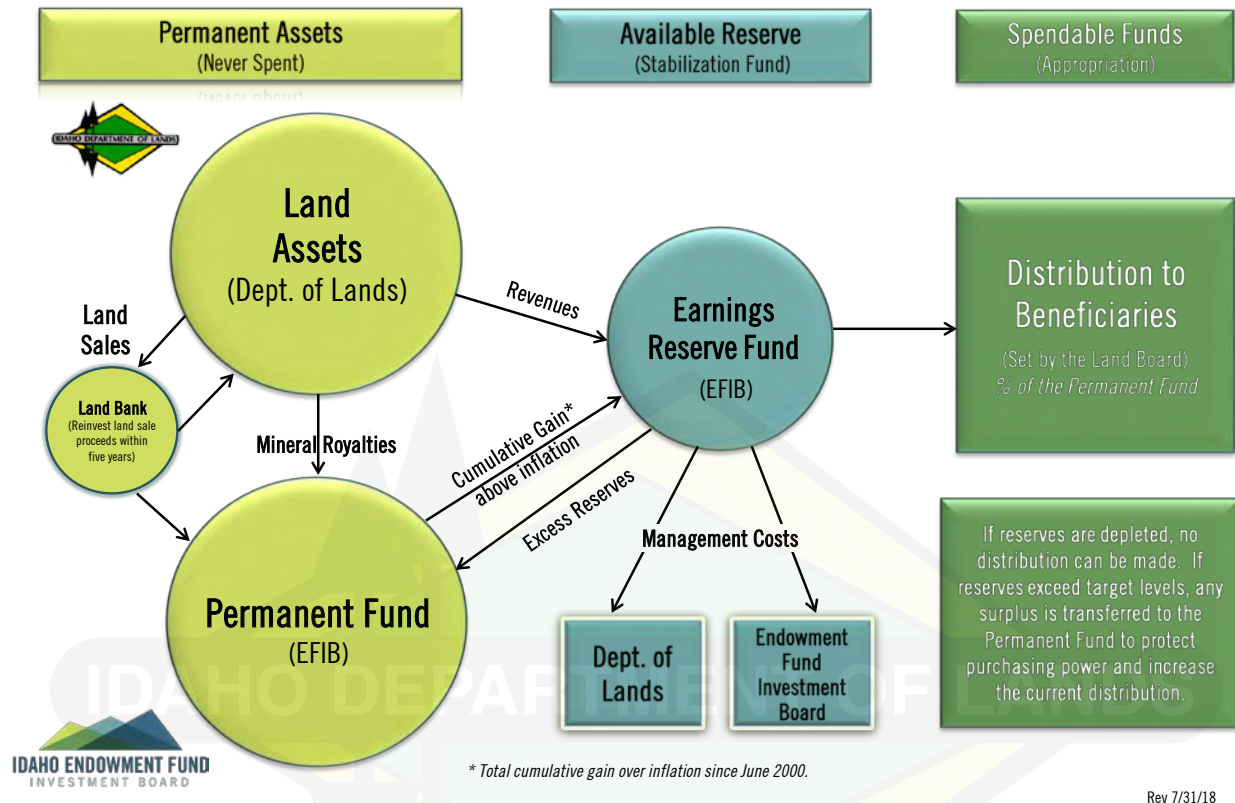
The Endowment Fund supports the following beneficiaries: Public Schools, University of Idaho Agricultural College, Charitable Institutions (Idaho State University, Juvenile Corrections Center, State Hospital North, Veterans’ Home, School for the Deaf and Blind), Normal School (Idaho State University, Lewis-Clark State College), Penitentiary, University of Idaho School of Science, State Hospital South, University of Idaho and the Capitol Permanent Fund.

The Endowment Fund Investment Board (“EFIB”) was created by the 1969 Idaho Legislature and charged with administration and investment management responsibilities for the Endowment Fund according to policies established by the Idaho State Board of Land Commissioners. In addition, EFIB provides investment management services for funds associated with other state agencies including the State Insurance Fund, Idaho Department of Environmental Quality, Idaho Department of Fish and Game, Idaho State Parks & Recreation and the Idaho Department of Lands. Investment results related to non-Land Grant Endowment Funds are not included in these financial statements.

THE ENDOWMENT FUND STRUCTURE

The Endowment Fund is structured to include Permanent Funds and Earnings Reserve Funds for each beneficiary. The Permanent Funds are to remain intact and grow at least at the rate of inflation. Under legislation passed by the 1998 Idaho Legislature, Earnings Reserve Funds were established to pay distributions to beneficiaries and cover Department of Lands and EFIB expenses. Most land revenue is an addition to the Earnings Reserve Funds, while distributions to beneficiaries and payment of Department of Lands and EFIB expenses are depletions. Each June 30, the proportionate change in market value of the Endowment Fund portfolio is allocated to each endowment’s Earnings Reserve Fund and gains up to the rate of inflation to each endowment’s Permanent Fund. This allocation methodology is specified in Idaho Code Section 57-720 and reflected in the following table.

STRUCTURE OF IDAHO'S ENDOWMENT ASSETS

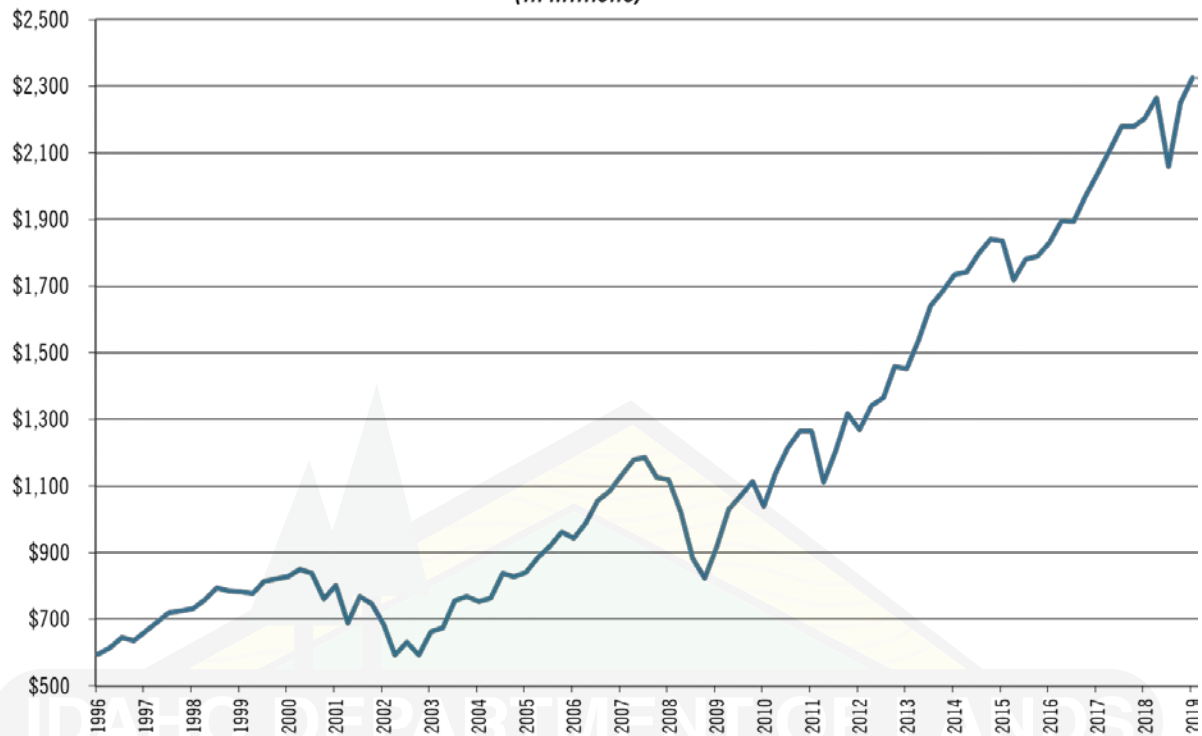


FINANCIAL HIGHLIGHTS:

CHANGES IN NET POSITION AND FUND BALANCE

Changes in the net position of the Endowment Fund are the result of investment gains or losses in the Endowment Fund portfolio, revenue generated from land assets, beneficiary distributions and Department of Lands and EFIB expenses. The Endowment Fund increased by \$122.5 million, \$165.5 million and \$205.7 million during the fiscal years ended June 30, 2019, 2018 and 2017, respectively. Net position and fund balance totaled \$2,324 million, \$2,201 million and \$2,036 million as of June 30, 2019, 2018 and 2017, respectively.

Total Land Grant Endowment Fund Assets
June 1996 - June 2019
(in millions)



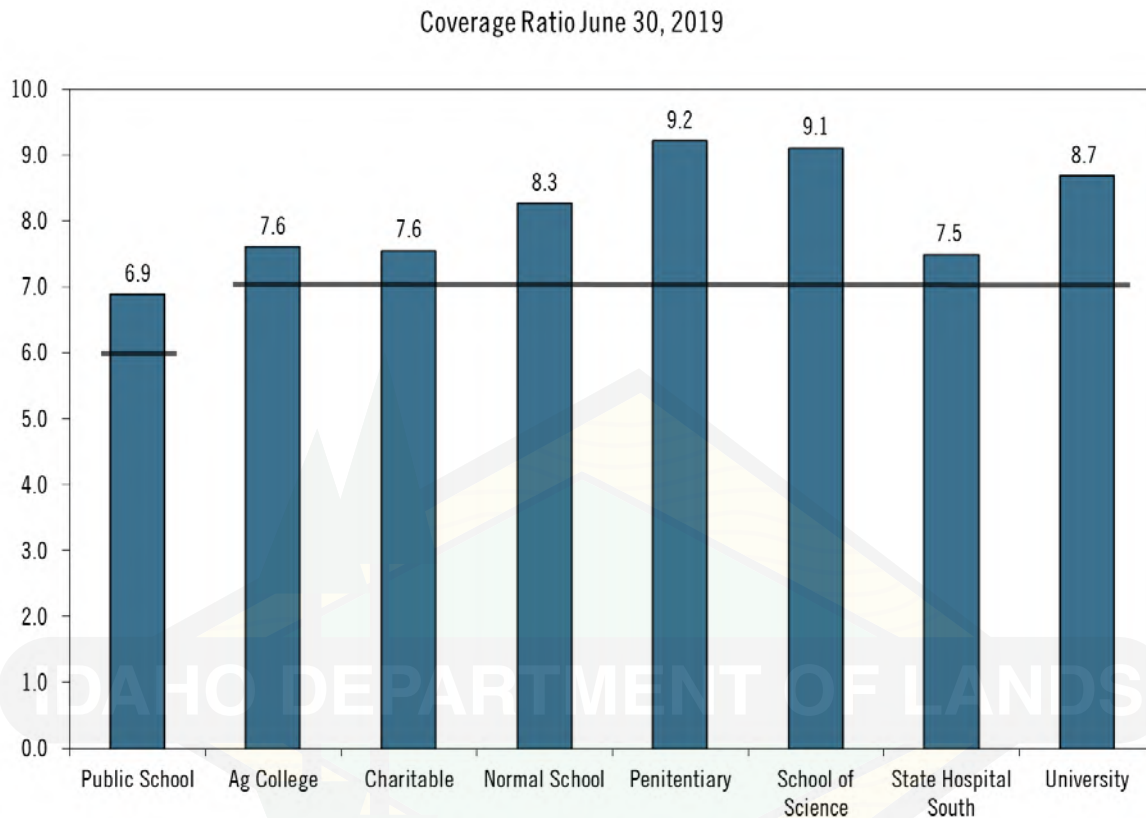
EARNINGS RESERVES

The Idaho State Board of Land Commissioners has established target earnings reserve levels for each of the Earnings Reserve Funds. The target earnings reserve levels equate to six years of beneficiary distributions for Public Schools and seven years of beneficiary distributions for Agricultural College, Charitable Institutions, Normal School, Penitentiary, School of Science, State Hospital South, and the University of Idaho. When earnings reserves exceed the target earnings reserve levels, excess amounts may be transferred from Earnings Reserve Funds into the corresponding Permanent Funds.

Total earnings reserve levels were \$604.6 million, \$569.2 million and \$569.7 million as of June 30, 2019, 2018 and 2017, respectively. As of June 30, 2019, the earnings reserve balances for all of the Endowment Funds were at or above target earnings reserve levels.

Earnings Reserves cont.:

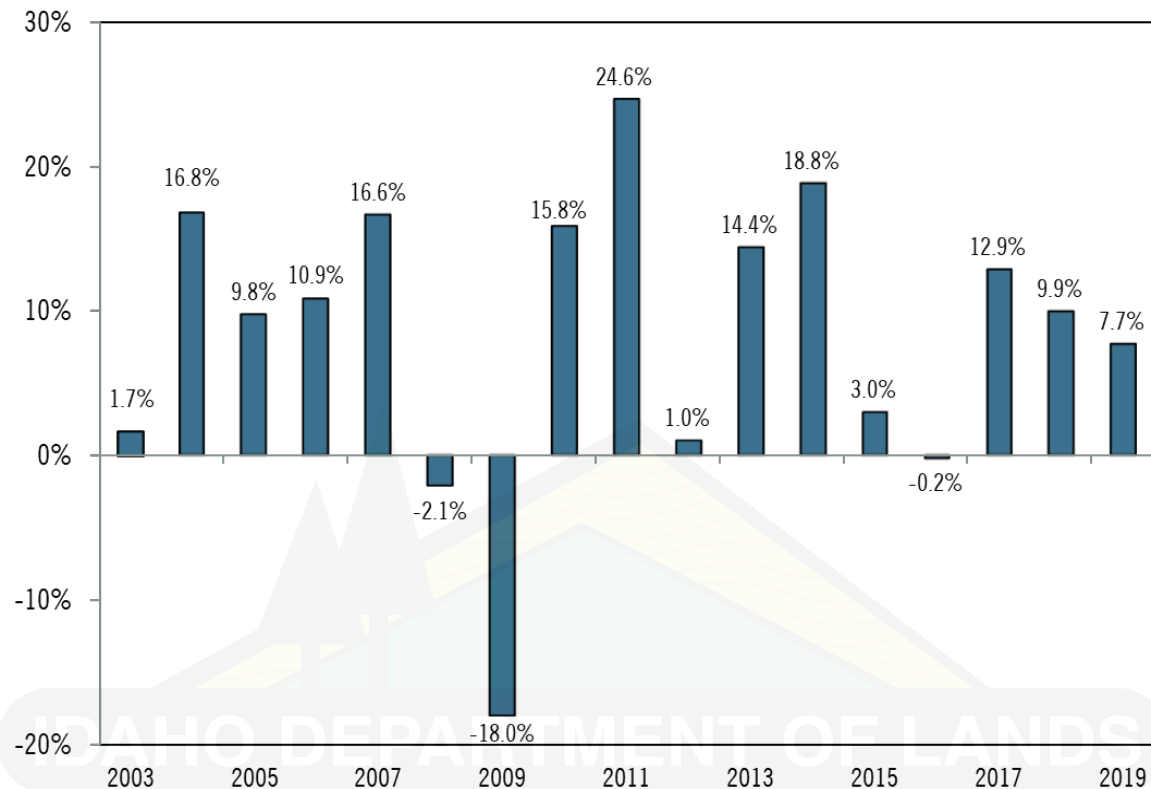
The table below highlights the earnings reserve levels of each Endowment Fund.



INVESTMENT RESULTS

The Endowment Fund portfolio generated investment returns before fees of 7.7%, 9.9% and 12.9% in fiscal years end June 30, 2019, 2018 and 2017, respectively. The average annual investment returns were 7.7%, 10.1%, 6.6%, and 10.5% during the last one, three, five and ten-year periods. These investment returns ranked in the top 11th, 12th, 24th and 8th percentile in the Callan Public Fund Sponsor Database for the one, three, five and ten-year periods.

Annual Gross Fund Return



Annualized (gross of fees, ending June 30, 2019)

	<u>FY 2019</u>	<u>3 Years</u>	<u>5 Years</u>	<u>7 Years</u>	<u>10 Years</u>
Total Fund	7.7%	10.1%	6.6%	9.3%	10.5%
<i>Benchmark (38% Russell 3000, 19% ACWI ex-US, 9% ACWI, 8% ODCE, 26% BBC Aggregate)</i>	7.1%	9.4%	6.4%	8.9%	9.9%
Total Equity	7.4%	13.3%	7.9%	11.9%	12.9%
Domestic Equity	7.6%	14.9%	9.9%	14.0%	15.5%
Large Cap.	8.6%	15.0%	10.3%	14.2%	15.5%
Mid Cap.	9.2%	14.4%	8.8%	13.4%	14.7%
Small Cap.	-1.2%	14.4%	9.0%	14.0%	16.9%
International Equity	5.8%	11.0%	4.0%	7.8%	7.1%
Global Equity	9.8%	10.9%	5.0%	8.4%	----
<i>MSCI ACWI Index</i>	5.7%	11.6%	6.2%	9.9%	----
Real Estate (net of fees)	6.8%	6.6%			
<i>NCREIF ODCE Index</i>	6.6%	7.0%			
Fixed Income	7.9%	2.4%	2.9%	2.5%	3.9%
<i>Benchmark (85% BBC U.S. Aggregate, 15% BBC U.S. TIPS)</i>	7.4%	2.3%	2.8%	2.4%	3.8%

ASSET ALLOCATION

The target asset allocation for the Endowment Fund portfolio is 66% equity, 26% fixed income, and 8% real estate. The equity portion of the portfolio currently includes 38% U.S. equity, 19% international equity and 9% global equity. The fixed income portion of the portfolio includes 11% in the Bloomberg Barclay's Aggregate Index, 11% in an actively managed core plus strategies and 4% in Treasury Inflation Protected Securities. The real estate portion of the portfolio include 4% in a core strategy and 4% in a participating mortgage loan fund.

INVESTMENT MANAGEMENT

The EFIB engages the services of an investment consultant who acts as an independent fiduciary and provides advise in areas such as investment policies and guidelines, asset allocation strategies, portfolio risk/return modeling and hiring and monitoring of investment managers. Callan has served as EFIB's investment consultant since 2007.

The EFIB engages investment managers who are given full discretion to make investment decisions subject to policies and guidelines specific to the investment strategy they are managing. As of June 30, 2019, the EFIB engaged nineteen investment managers including; Barrow Hanley, Boston Partners, Clearwater Advisors, DWS Investment Management, DoubleLine Capital, Eagle Asset Management, Fiera Capital, LSV Asset Management, Northern Trust Investments, Sands Capital, TimesSquare Capital Management, Schroders, State Street Global Advisors, Sycamore Capital, UBS Realty Investors, Vanguard, WCM Investment Management, Wellington and Western Asset Management.

The EFIB engages Northern Trust Company for custodial services. Northern Trust Company is responsible for custodial services such as the safekeeping of assets, trade settlement, accounting, security valuation and proxy voting.

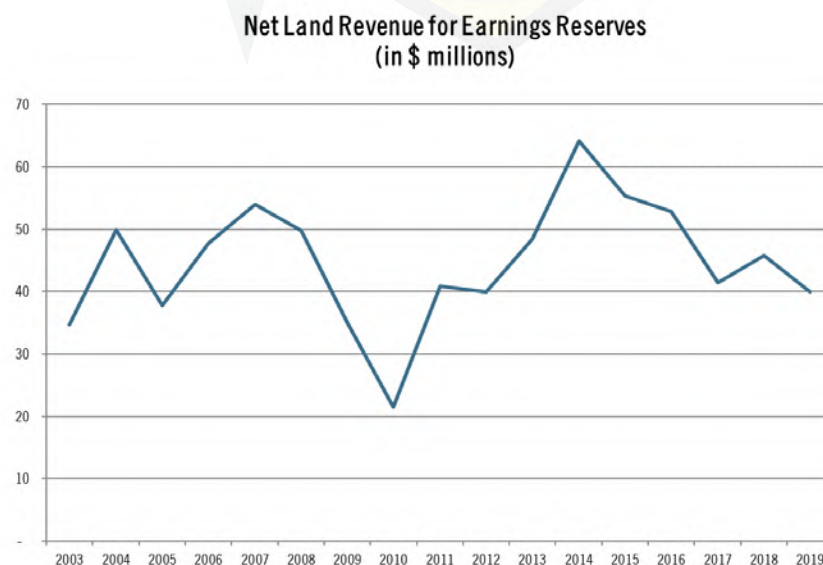
COST OF INVESTMENT MANAGEMENT

The cost for investment management was \$9.1 million, \$9.1 million and \$7.8 million in fiscal years 2019, 2018 and 2017, respectively. Investment management expenses as a percentage of year-end Endowment Fund net positions equates to 0.39%, 0.41% and 0.38% in fiscal years 2019, 2018 and 2017, respectively. The table below provides a breakdown of investment management expenses.

Cost of Investment Management			
Investment Management Operating Costs	2019	2018	2017
Internal Investment Costs	\$ 511,841	\$ 572,161	\$ 440,031
Outside investment manager and legal fees	8,853,754	7,977,192	7,391,512
Custody Expense	826,571	483,911	455,540
Consultant and auditor fees	329,112	249,511	261,256
Subtotal	10,521,278	9,282,775	8,548,339
Less Manager fees charged directly	(925,337)	(589,487)	(765,658)
Total expenditures	9,595,941	8,693,288	7,782,681
Change in Manager Fee Accrual	(512,909)	432,666	49,635
Total Accrual Basis Expense	\$ 9,083,032	\$ 9,125,954	\$ 7,832,316

NET LAND REVENUE

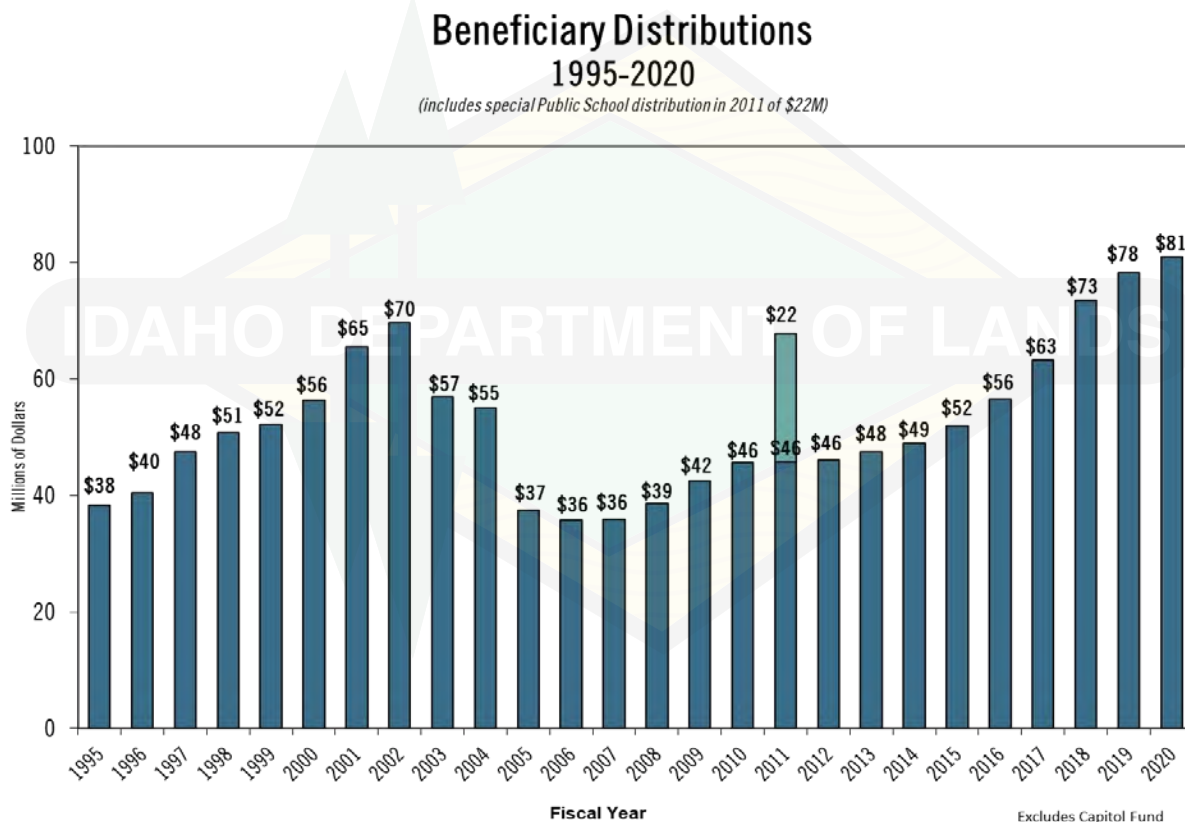
Net land revenue (land revenue less Department of Lands expenses) totaled \$40.0 million, \$45.8 million and \$41.4 million in fiscal years 2019, 2018 and 2017, respectively. The decline in net land revenue over the last few years is primarily the result of the sales of leased cabin sites located near Payette and Priest Lakes.



BENEFICIARY DISTRIBUTIONS

The Endowment Fund exists to provide distributions to beneficiaries in perpetuity. For all endowments, except Capitol Permanent, the Idaho State Board of Land Commissioners has established a beneficiary distribution policy. The current policy provides for annual distributions at a rate of 5% of the three-year moving average of the Permanent Fund balance (with the exception of State Hospital South which is 7%) and allows for adjustments to the distributions based on factors including the level of Earnings Reserve Funds and transfers to the Permanent Funds.

Distributions to land-grant beneficiaries totaled \$78.2 million, \$73.5 million and \$63.2 million in fiscal years 2019, 2018 and 2017, respectively. The Board of Land Commissioners approved distributions of \$80.9 million and \$84.5 million in fiscal years 2020 and 2021, respectively. The table below provide a summary of land-grant beneficiary distributions.



On July 1, 2004, the Capitol Permanent Fund was pooled with the Endowment Fund for investment purposes. Additions to the Capitol Permanent Fund include revenue from its lands, license plate royalties, and investment income. The EFIB authorizes distributions from the Capitol Permanent Fund to the Capitol Maintenance Reserve Fund. Distribution from the Capitol Permanent Fund to the Capitol Maintenance Reserve Fund totaled \$1.41 million, \$1.39 million and \$1.38 million in

fiscal years 2019, 2018 and 2017, respectively. Distributions from the Capitol Maintenance Reserve Fund are determined by the Capitol Commission, subject to legislative appropriation. Distributions from the Capital Maintenance Reserve Fund to the Capitol Commission were \$250,000, \$396,000 and \$500,000 in fiscal years 2019, 2018 and 2017, respectively.

CREDIT ENHANCEMENT PROGRAM

On July 1, 2002, the State of Idaho's Credit Enhancement Program for school district bond financing was established. This program, in accordance with Idaho Code Section 57-728 and in conjunction with Idaho Code Chapter 53, Title 33, requires the Public School Endowment Fund to purchase up to \$300 million in notes of the State that may be issued to avoid default on school district bonds. This credit enhancement allows eligible voter-approved school bonds to be issued with AAA ratings, which is above the State's AA+ rating. The enhanced credit rating results in lower borrowing costs for Idaho school districts. EFIB has committed to provide credit enhancement on up to \$1.2 billion in school bonds, with a limit of \$40 million per school district. There were \$655.4 million, \$667.6 million and \$539.3 million in bonds guaranteed by the Credit Enhancement Program as of June 30, 2019, 2018 and 2017, respectively.

USING THIS ANNUAL REPORT

The annual report consists of the independent auditors' report, financial statements, notes to the financial statements and supplementary schedules. The financial statements, notes to the financial statements and supplementary schedules are prepared by the EFIB staff and are intended to give the reader a complete understanding of the Endowment Fund. The financial statements consist of the Governmental Balance Sheets and Statements of Net Position, the Governmental Statements of Revenues, Expenditures and Changes in Governmental Fund Balances and the Statements of Governmental Activities. The notes to the financial statements are an integral part of the financial statements and provide additional information on the Endowment Fund and its operations.

STATE OF IDAHO ENDOWMENT FUND
GOVERNMENTAL BALANCE SHEETS AND STATEMENTS OF NET POSITION -
GOVERNMENTAL ACTIVITIES
JUNE 30, 2019 AND 2018



Assets:	2019	2018
Investments, at Fair Value	\$ 2,322,739,061	\$ 2,193,559,264
Receivable for Unsettled Trades	45,247,663	10,774,592
Receivable From Idaho Department of Lands	2,532,470	7,776,309
Accrued Interest and Dividends Receivable	7,505,090	7,496,597
Prepaid Expenses to the Department of Lands	1,966,355	3,883,152
Total Assets	\$ 2,379,990,639	\$ 2,223,489,914
Liabilities:		
Payable for Unsettled Trades	\$ 54,287,704	\$ 19,693,436
Investment Manager Expenses Payable	1,645,823	2,245,900
Total Liabilities	55,933,527	21,939,336
Fund Balances:		
Nonexpendable - Permanent Funds	1,719,504,105	1,632,348,013
Expendable - Earnings Reserve Funds	604,553,007	569,202,565
Total Fund Balances	2,324,057,112	2,201,550,578
Total Liabilities and Fund Balances	\$ 2,379,990,639	\$ 2,223,489,914

The EFIB has no liabilities, that are different from modified accrual to full accrual basis, so the balances in the Statement of Net Position are the same as the fund balances in the Governmental Balance Sheet.

Statement of Net Position:		
Restricted for Permanent Trust - Nonexpendable	\$ 1,719,504,105	\$ 1,632,348,013
Restricted for Permanent Trust - Expendable	604,553,007	569,202,565
Total Net Position - Governmental Activities	\$ 2,324,057,112	\$ 2,201,550,578

See Notes to Financial Statements

STATE OF IDAHO ENDOWMENT FUND
GOVERNMENTAL STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
GOVERNMENTAL FUND BALANCES AND STATEMENTS OF GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018



Revenues:

	2019	2018
Receipts from the Department of Lands		
Permanent Receipts	\$ 2,701,162	\$ 2,645,986
Earnings Reserve Receipts	69,352,297	73,490,591
Income from Investments	167,392,206	200,007,135
Total Revenues	239,445,665	276,143,712

Expenditures:

Department of Lands Expense	29,399,699	27,654,885
EFIB Expense	9,083,032	9,125,954
Total Expenditures	38,482,731	36,780,839

Revenues over Expenditures

200,962,934 239,362,873

Other Financing Uses

Distributions to Beneficiaries	78,456,400	73,879,200
--------------------------------	------------	------------

Net Increase in Fund Balance

122,506,534 165,483,673

Fund Balance - Beginning of Year

2,201,550,578 2,036,066,905

Fund Balance - End of Year

\$ 2,324,057,112 \$2,201,550,578

There were no expenses which require the use of current financial resources. The amount for the Change in Net Position (shown below) is the same amount as shown above in the Governmental Statement of Revenues, Expenditures and Changes in Governmental Fund Balances.

Change in Net Position - Government Activities

\$ 122,506,534 \$ 165,483,673

NOTE 1 - GENERAL DESCRIPTION OF THE FUND

The Endowment Fund Investment Board (the EFIB) is charged with administration and investment management responsibilities for the State of Idaho Endowment Fund (the “Endowment Fund”), which is comprised of Permanent and Earnings Reserve Funds for beneficiaries including Public School, Agricultural College, Charitable Institutions, Normal School, Penitentiary, School of Science, State Hospital South, and University of Idaho Endowment Funds, as well as the Capitol Permanent Fund and Capitol Maintenance Reserve Fund.

The Endowment Fund is part of the State of Idaho’s financial reporting and is included in the State’s Comprehensive Annual Financial Report (CAFR). The Endowment Fund is invested according to investment policies established by the Idaho State Board of Land Commissioners.

The EFIB has no control over assets held by the Idaho Department of Lands (IDL); therefore, the EFIB gives accounting recognition only when transactions related to endowment land assets are completed by IDL.

Endowment Fund Investment Reform Legislation

On July 1, 2000, the EFIB significantly changed operations and reporting of the Endowment Fund, under legislation enacted by the Idaho Legislature in 1998.

The legislation provides that:

- (1) The EFIB, as trustees, will control, manage and invest the Endowment Fund according to policies established by the Idaho State Board of Land Commissioners.
- (2) The application of the Uniform Prudent Investor Act replaces the previous, more restrictive, investment criteria.
- (3) An Earnings Reserve Fund was established to create a buffer to preserve the Permanent Fund balances.
- (4) Administrative costs are to be paid from earnings of the Endowment Fund instead of from annual General Fund appropriations.
- (5) Distributions to beneficiaries are determined by the Idaho State Board of Land Commissioners and are to be paid from the Earnings Reserve Funds, which include investment earnings, net capital gains and certain receipts from IDL.

In March 2004, legislation was enacted which establishes an objective that the Permanent Funds of each endowment grow from June 2000 levels at least at the cumulative rate of inflation plus deposits. Further, it provides that any income and market appreciation of the Permanent Funds can only be transferred to the Earnings Reserve Funds if that objective has been achieved.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The financial statements reflect the assets of the Endowment Fund and are prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements.

The Endowment Fund is part of the State reporting entity based on certain GASB criteria. These statements present only the Endowment Fund and are not intended to present the financial position and results of operations of the State in conformity with generally accepted accounting principles in the United States of America.

Basis of Presentation

The Endowment Fund is accounted for and reported as a Permanent Fund as defined by GASB and uses the modified accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenditures are recognized when they are incurred. The statement of net position and the statement of activities display information about the Endowment Fund and includes the financial activity of the overall reporting entity. These statements report all activities of the Endowment Fund as a governmental type activity. Given the type of assets and liabilities held by Endowment Fund, there are no adjustments required to convert from modified accrual basis to full accrual basis as required by GASB.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments

According to policies established by the State Board of Land Commissioners, the EFIB is authorized to invest the Endowment Fund in certain fixed income, real estate and equity investments as defined by the investment policy of the EFIB and consistent with Idaho Code Section 57-723. This section states in part, "The EFIB and its investment manager(s) or custodian(s) shall be governed by the Idaho Uniform Prudent Investor Act (Chapter 5, Title 68, Idaho Code), and shall invest and manage the assets of the respective trusts in accordance with that act and the Idaho constitution." In accordance with this code section, the EFIB's investment policy, specified that the Endowment Funds may be invested in equities (63% to 69% of the investment portfolio, with a target of 66%), fixed income (23% to 29% of the investment portfolio, with a target of 26%), and real estate (4% to 12% of the investment portfolio, with a target of 8%).

The following is a list of investments by asset class allowed by the general investment policy:

- (1) Cash Equivalents: Treasury bills; money market funds; STIF funds; commercial paper; banker's acceptances; repurchase agreements; certificates of deposit.
- (2) Fixed Income: U.S. government and agency securities; bank loans; corporate notes and bonds; residential mortgage backed bonds; commercial mortgage backed bonds; municipal bonds, infrastructure securities, USD and non-USD fixed income securities of foreign governments and corporations; planned amortization class collateralized mortgage obligations; or other "early tranche" CMO's; Sequential pay CMO's; collateralized loan obligations, asset backed securities; convertible notes and bonds; Securities defined under Rule 144A and Section 4(2) of Securities Act of 1933; or any other fixed income securities eligible for inclusion in the Bloomberg Barclays U.S. TIPS Index or Bloomberg Barclays Aggregate Bond Index.
- (3) Equities: Common stocks; convertible preferred stocks; preferred stocks; REITS; American depository receipts (ADRs); stocks of non-U.S. companies (ordinary shares).
- (4) Real Estate: Domestic, private, open-end, core comingled funds, REITS.
- (5) ETFs, Mutual Funds and Collective Funds which invest in securities as allowed in this statement or as permitted in Investment Manager Guidelines. Investment managers will advise the MOI of their intent to utilize ETFs prior to their purchase, what specific ETFs they intend to use and the purposes they serve.
- (6) Futures, Options and Swaps: The EFIB may approve the use of financial index futures and options in order to adjust the overall effective asset allocation of the entire portfolio or it may use swaps, futures or options to hedge interest rate or currency exposure. For example, S&P 500 and 10-Year Treasury futures are used to equitize idle cash and to passively rebalance the portfolio. Futures and options positions are not to be used for speculation, and the EFIB must specifically approve the program for each type of use. Derivative exposure must have sufficient cash, cash equivalents, offsetting derivatives or other liquid assets to cover such exposures. Investment securities are stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants at the measurement date. Purchase and sale transactions are recorded on the trade date.
- (7) Derivative securities: Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Most derivative securities are derived from equity or fixed income securities and are packaged in the form of options, futures, and interest rate swaps, among others. The EFIB will take a conservative posture on derivative securities in order to maintain its risk averse nature. Since it is anticipated that new derivative products will be created each year, it is not the intention of this document to list specific derivatives that are prohibited from investment, rather it will form a general policy on derivatives. Unless a specific type of derivative security is allowed in the Investment Manager Guidelines, the Investment Manager(s) must seek written permission from the EFIB to include derivative

investments in the Fund's portfolio. The Investment Manager(s) must present detailed written information as to the expected return and risk characteristics of such investment vehicles.

(8) Investment securities are stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between two market participants at the measurement date. Purchase and sale transactions are recorded on the trade date.

In fiscal years 2019 and 2018, the EFIB utilized equity and fixed income index futures for cash equitization and passive rebalancing. Index futures obligate the buyer to purchase an asset (or the seller to sell an asset) at a predetermined future date and price. Futures contracts detail the quality and quantity of the underlying asset and are standardized to facilitate trading on a futures exchange.

The table below summarizes the various contracts in the portfolio as of June 30, 2019. The notional value of these instruments is not recorded in the financial statements.

Derivatives	Expiration Date	Contracts	Notional Value	Unrealized Gain/(Loss)	Required Margin
10-Year Treasury Notes	Sept. 2019	211	\$26,956,753	\$169,532	\$254,888
E-Mini S&P 500 Index	Sept. 2019	76	\$11,124,832	\$112,860	\$523,699
MSCI EAFE	Sept. 2019	71	\$6,812,980	\$150,443	\$34,006
Swaps	Various	23	\$52,424,720	(\$843,486)	
Fixed Income Derivatives	Various	4	(8,472)	\$3,553	

The table below summarizes the various contracts in the portfolio as of June 30, 2018. The notional value of these instruments is not recorded in the financial statements.

Futures	Expiration Date	Contracts	Notional Value	Unrealized Gain/(Loss)	Required Margin
10-Year Treasury Notes	Sept. 2018	195	\$23,426,301	\$107,526	\$225,126
E-Mini S&P 500 Index	Sept. 2018	169	\$22,996,162	(\$262,772)	\$1,040,979
MSCI EAFE	Sept. 2018	20	\$1,971,393	(\$54,946)	\$90,736

Expendable and Nonexpendable Net Position

The net position of the Earnings Reserve Funds is the expendable assets of the Endowment Fund. These expendable assets are used for distributions to beneficiaries and distributions for expenses of the EFIB and the IDL. The net position of the Permanent Funds is the nonexpendable assets.

Income from Investments

Income from investments is recognized when earned and includes interest, dividends, other income, and market appreciation (realized and unrealized). Income from investments is allocated

and distributed to each fund participating in the investment pool in the same ratio that each fund's average daily balance bears to the total daily balance of all funds. Income from investments is recorded on an accrual basis.

Within each endowment, income from investments is further allocated to its Permanent Fund and Earnings Reserve Fund in accordance with Idaho Code Sections 57-723A and 57-724A. The definition of "income" to be allocated depends on whether or not the Permanent Fund portion of an endowment fund has exceeded, at the end of the fiscal year, its "Gain Benchmark" as defined in statute.

The Gain Benchmark, as specified in Idaho Code Section 57-724, represents the desired or targeted value of principal or corpus in each endowment fund (excluding Capitol Permanent). It is determined by starting with the balance at June 30, 2000, and adding deposits (mainly extracted minerals from endowment land), the annual impact of inflation (based on the Consumer Price Index – All Urban (CPI)), and certain reinvested income (transfers from Earnings Reserve designated by the Land Board as a permanent increase in corpus). The level of the Gain Benchmark determines whether income from investments in the Permanent Fund should be retained to offset inflation and previous losses or is eligible to be transferred to the Earnings Reserve as distributable income. The Permanent Funds at the end of FY2019 and 2018 were at the gain benchmark.

Losses in Principal of the Permanent Funds

At the end of each fiscal year, the EFIB is required to calculate whether the market values of the Permanent Funds are below the principal or Loss Benchmark level as defined in statute (June 30, 2000 value adjusted for deposits – primarily revenues from extracted minerals and proceeds of land sales).

A loss in principal of the Public School Permanent Fund is made up as follows:

- (1) The State Board of Land Commissioners may transfer any funds in the Public School Earnings Reserve Fund that they determine will not be needed for administrative costs or scheduled distributions in the following fiscal year to the Public School Permanent Fund, to make up for any prior losses in value.
- (2) If funds transferred from the Earnings Reserve Fund are insufficient to make up all losses in value to the Public School Permanent Fund, the remaining loss shall be made up, within ten years, by legislative transfer or appropriation. If subsequent gains, as determined pursuant to the statute, or transfers from the Earnings Reserve Fund, make up for any remaining loss before this ten-year period expires, then no legislative transfer or appropriation shall be necessary.

A loss in principal of the Permanent Funds other than the Public School Permanent or Capitol Permanent Funds shall be made up from Earnings Reserve Fund monies that the State Board of

Land Commissioners determines will not be needed for administrative costs or scheduled distributions to each endowment's respective beneficiary.

Federal law requires that losses to the Agricultural College fund must be made up by the State, but the requirement to restore losses to that endowment has not been established in statute.

There is no statutory requirement to make up losses or calculate a Gain or Loss Benchmark in the Capitol Permanent Fund.

Distributions to Beneficiaries

With the exception of the Capitol Funds, distributions to the other eight beneficiaries are authorized annually by the State Board of Land Commissioners and are made in equal installments on approximately the 10th of each month. Distributions to the Capitol Maintenance Reserve Fund from the Capitol Permanent Fund are authorized by the EFIB and distributed in July of each fiscal year. Distributions from the Capitol Maintenance Reserve Fund are authorized by the Capitol Commission.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to or deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, see Note 10.

Other

Investments have risks that the other parties to securities transactions do not fulfill their contractual obligations. The EFIB attempts to minimize such risks by diversifying the portfolio investments, monitoring investment grade and quality, and purchasing primarily investment grade fixed income securities.

The EFIB does not intend to use market timing as an investment strategy. However, the investment policy provides the flexibility for tactical asset allocation using capitalizations, investment styles, sectors, and other factors.

NOTE 3 - INVESTMENTS

Investments at June 30, 2019 and 2018:

Fund Investments	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Aberdeen Asset Management	\$ 7,434	\$ 7,434	\$ 84,505,276	\$ 98,556,748
Allianz NFJ	12,352	12,353	45,171	45,171
Barrow, Hanley	38,230,311	46,436,728	32,284,076	48,987,249
Boston Partners	98,144,930	109,984,866	88,416,421	106,463,584
Clearwater Advisors	3,088,708	3,088,708	2,154,900	2,154,900
DoubleLine Capital - Core Plus	116,542,596	121,500,293	-	-
Eagle Asset Management	38,258,172	51,971,250	33,546,442	50,069,738
Fiera Capital Global	92,318,675	111,877,929	92,020,804	97,102,593
Lazard Asset Management	8,998	8,998	163,408	163,408
LSV Asset Management	87,659,964	109,146,185	77,892,145	104,247,647
NTGI S&P 500 Index	157,870,016	260,583,651	157,334,836	248,840,676
Northern Trust Money Market Fund	7,783,898	7,783,898	16,656,368	16,656,368
RREEF America REIT II IN	86,689,091	95,811,931	77,892,434	84,262,129
Sands Capital Management	60,995,658	117,444,467	55,342,531	112,044,288
Schroders QEP International Value	213,420,797	200,789,793	188,798,619	176,325,743
State Street Global Advisors	325,732,752	320,625,010	578,234,172	554,865,060
State Street EAFE Index Funds	249,160	249,160	37,176,695	42,484,890
Systematic Financial Management	-	-	81,676,384	84,586,630
Sycamore Capital Mid Cap	88,624,378	90,129,023	-	-
TimesSquare Capital Management	71,929,996	94,781,837	65,164,255	87,735,984
UBS Trumbull Property	88,858,110	94,230,709	75,922,268	79,214,459
Vanguard Dev Market Index Fund	41,244,599	42,254,669	-	-
WCM Focused Growth	144,473,678	205,645,418	152,635,281	189,833,155
Wellington Global	99,864,687	107,455,367	-	-
Western Asset Management - US Core	117,170,197	121,879,343	-	-
Total Fund Investments	1,979,179,157	2,313,699,020	1,897,862,486	2,184,640,420
Pending Trades:				
Receivable for Investments Sold	(45,247,662)	(45,247,663)	(10,774,592)	(10,774,592)
Payable for Investments Purchased	54,287,704	54,287,704	19,693,436	19,693,436
Total Net Investments	\$ 1,988,219,199	\$ 2,322,739,061	\$ 1,906,781,330	\$ 2,193,559,264

*This is cash that is not allocated to an investment manager

CUSTODIAL CREDIT RISK - The EFIB minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be clearly marked as to EFIB ownership and further to the extent possible, be held in the EFIB's name. At June 30, 2019, all Endowment Fund investments were insured or registered investments, or investments held by the EFIB or their agent in the EFIB's name.

The State Treasurer, per the State Constitution, is the custodian of the investments of the Public School Endowment Fund. Investments for the Endowment Fund are held under a safekeeping agreement with the Trust Department of the Northern Trust Company.

CONCENTRATION OF CREDIT RISK – The EFIB minimizes exposure to concentration of credit risk by establishing concentration of credit risk limits in investment manager portfolio guidelines. As of June 30, 2019 and 2018, the Endowment Fund did not hold any credit positions exceeding 5% of the total portfolio, other than securities issued or guaranteed by the United States government.

As of June 30, 2019 and 2018, the Endowment Funds held \$64.0 million and \$58.5 million, respectively, in a comingled Treasury-only money market fund rated AAAM by S&P with a modified adjusted duration of 0.1 years. These balances as of June 30, 2019 and 2018, include \$7.7 million and \$16.7 million of general cash and \$56.3 million and \$41.8 million of cash held in accounts allocated to the Funds' bond and equity managers, respectively.

As of June 30, 2019 and 2018, the Endowment Fund's fixed income investments had the following characteristics:

Credit Ratings Summary by Market Value-Moody's
As of June 30, 2019

Investment Type	Modified Duration	Aaa	Aa	A	Baa	Ba	B	Ca	Caa	Agy	NR/ Not	Total
Asset Backed Securities	2.2	\$ 1,453,073	\$ -	\$ 10,579,418	\$ 934,957	\$ -	\$ -	\$ -	\$ 663,048	\$ -	\$ 1,834,475	\$ 15,464,971
Commercial Mortgage-Backed	2.0	5,092,272	960,557	8,443,687	-	-	1,107,284	-	-	-	434,897	16,038,697
Corporate Bond Fund	3.6	-	11,801,232	-	-	-	-	-	-	-	-	11,801,232
Corporate Bonds	7.4	2,384,893	6,683,109	38,310,007	57,734,557	9,967,693	9,089,164	-	671,395	-	1,000,005	125,840,823
Corporate Convertible Bonds	5.5	-	-	-	-	193,176	15,037	-	-	-	558,981	767,194
Government Agencies	4.5	6,717,378	601,548	532,884	682,542	-	-	-	-	48,793	118,244	8,701,389
Government Agencies Fund	4.6	-	-	-	-	-	-	-	-	8,903,448	-	8,903,448
Government Bonds	7.2	122,631,510	214,720	3,844,326	3,461,394	1,817,972	737,118	-	-	-	1,312,476	134,019,516
Government Mortgage Backed Securities	4.7	-	-	-	-	-	-	-	-	111,221,956	563,549	111,785,505
Gov't-issued Commercial Mortgage-Backed	2.9	393,052	-	-	-	-	-	-	-	2,098,957	-	2,492,009
Index Linked Government Bonds	8.2	90,835,699	-	-	-	-	-	-	-	-	-	90,835,699
Municipal/Provincial Bonds	9.3	82,181	1,446,355	277,648	108,956	76,557	-	-	-	-	86,287	2,077,984
Non-Government Backed C.M.O.s	1.6	-	-	-	-	-	3,169,079	591,963	2,552,761	-	-	6,313,803
Other Fixed Income Fund	4.6	-	-	-	-	-	17,233,345	-	-	-	-	17,233,345
Total		\$ 229,590,058	\$ 21,707,521	\$ 61,987,970	\$ 62,922,406	\$ 12,055,398	\$ 31,351,027	\$ 591,963	\$ 3,887,204	\$ 122,273,154	\$ 5,908,914	\$ 552,275,615

Credit Ratings Summary by Market Value-Moody's
As of June 30, 2018

Investment Type	Modified Duration	Aaa	Aa	A	Baa	Ba *	Agy	NR/ Not Available	Total
Asset Backed Securities	2.3	\$ 654,049	\$ -	\$ 15,798	\$ 80,290	\$ -	\$ -	\$ 1,419,249	\$ 2,169,386
Commercial Mortgage-Backed	5.6	5,375,319	-	-	-	-	-	472,908	5,848,227
Corporate Bonds	7.3	3,547,634	11,099,127	46,321,466	53,525,493	3,908,587	-	1,012,341	119,414,648
Government Agencies	4.2	15,477,534	1,075,957	760,404	1,251,272	-	699,648	864,118	20,128,933
Government Bonds	6.0	175,918,916	137,352	1,742,426	2,161,532	-	2,855,083	-	182,815,309
Government Mortgage Backed Securities	5.4	-	-	-	-	-	130,414,278	2,497,518	132,911,796
Gov't-issued Comm. Mtg-Backed	1.7	966,842	-	-	-	-	2,467,080	-	3,433,922
Index Linked Government Bonds	7.8	83,434,083	-	-	-	-	-	-	83,434,083
Municipal/Provincial Bonds	9.3	385,791	2,938,342	541,890	101,741	73,465	-	279,426	4,320,655
Total		\$ 285,760,168	\$ 15,250,778	\$ 49,381,984	\$ 57,120,328	\$ 3,982,052	\$ 136,436,089	\$ 6,545,560	\$ 554,476,959

*The Ba column includes bonds that are split rate and meet the minimum requirement of one of the two ratings agencies specified in the EFIB Statement of Investment Policy.

CREDIT RISK - EFIB Investment policy limits fixed income securities to: U.S. government and agency securities; bank loans; corporate notes and bonds; residential mortgage backed bonds; commercial mortgage backed bonds; municipal bonds, infrastructure securities, USD and non-USD fixed income securities of foreign governments and corporations; planned amortization class collateralized mortgage obligations; or other “early tranche” CMO’s; Sequential pay CMO’s; collateralized loan obligations, asset backed securities; convertible notes and bonds; Securities defined under Rule 144A and Section 4(2) of Securities Act of 1933; or any other fixed income securities eligible for inclusion in the Bloomberg Barclays U.S. TIPS Index or Bloomberg Barclays Aggregate Bond Index.

INTEREST RATE RISK - Managers will provide EFIB with the expected portfolio duration in their portfolio guidelines. If the duration of the portfolio differs from expectations, managers are to be required to report these occurrences to Staff and these disclosures are to be made available to the Board.



IDAHO DEPARTMENT OF LANDS

FOREIGN CURRENCY RISKS – The EFIB’s Investment Policy Statement permits investments in international equities. The Endowment Fund’s exposure to foreign currency risk is as follows:

Investment and Country	Currency	2019 Fair Value	2018 Fair Value
Equities and Cash			
Argentina	ARS	\$ 106,498	\$ -
Australia	AUD	12,692,607	18,996,321
Brazil	BRL	6,847,786	5,200,062
Canada	CAD	14,530,265	14,671,506
Chile	CLP	929,371	255,108
Chinese Yuan	CNY	(1,136,196)	-
Chinese Yuan (HK)	CNH	594,505	-
Czech Republic	CZK	75,898	-
Denmark	DKK	9,999,901	8,507,394
European Monetary Union	EUR	93,911,841	91,060,868
Great Britain	GBP	51,856,676	70,849,714
Hong Kong	HKD	38,733,333	30,745,820
Hungary	HUF	264,951	837,493
India	INR	1,174,742	-
Indonesia	IDR	2,030,775	1,195,497
Israel	ILS	1,563,197	1,979,244
Japan	JPY	55,808,074	75,128,802
Malaysia	MYR	1,613,931	1,124,014
Mexico	MXN	10,268,562	6,066,375
New Zealand	NZD	66,171	314,410
Norway	NOK	5,741,175	3,625,713
Philippines	PHP	-	165,204
Poland	PLN	1,075,956	933,835
Russia	RUB	2,792,516	-
Singapore	SGD	3,447,937	4,460,678
South Africa	ZAR	3,801,434	3,750,987
South Korea	KRW	9,070,925	8,219,984
Sweden	SEK	5,928,903	13,894,222
Switzerland	CHF	49,940,763	41,935,150
Taiwan	TWD	6,687,196	4,599,766
Thailand	THB	2,879,182	4,393,060
Turkey	TRY	2,452,436	665,403
Total Fund Investments		\$ 395,751,311	\$ 413,576,630

NOTE 4 – INCOME FROM INVESTMENTS

Per Idaho Code Section 57-724A, income distributed to the Earnings Reserve Fund would include the Permanent Fund's total cumulative income (interest, dividends and market appreciation/depreciation) above its Gain Benchmark (original principal, adjusted for deposits and inflation). The Permanent Fund retains any income to the extent of inflation and any cumulative losses carried forward from the previous year.

The Components of income from investments for Fiscal Year 2019 and their allocation are shown below:

Permanent Fund Income For the Fiscal Year Ended June 30, 2019

Endowment	Net Increase in Fair Value	Income Retained to Offset Inflation or Losses *	Cap Perm Fund Interest and Dividends	Total Investment Income
Public School	\$ -	\$ 21,271,898	\$ -	\$ 21,271,898
Agricultural College	-	622,334	-	622,334
Charitable	-	2,472,656	-	2,472,656
Normal School	-	2,095,866	-	2,095,866
Penitentiary	-	942,509	-	942,509
School of Science	-	2,075,119	-	2,075,119
State Hospital South	-	1,884,551	-	1,884,551
University of Idaho	-	1,817,889	-	1,817,889
Capitol Permanent **	1,658,766	-	710,342	2,369,108
Total	\$ 1,658,766	\$ 33,182,822	\$ 710,342	\$ 35,551,930

* For all Permanent funds (except Capitol Permanent), any cumulative total income vs. the Gain Benchmark is allocated to the Earning Reserve Fund as part of Allocation of Permanent Fund Gain in the table below.

**The Capitol Permanent Fund retains its interest and dividends.

Earnings Reserve Fund Income For the Fiscal Year Ended June 30, 2019

Endowment	Net Increase in Fair Value	Interest, Dividends and Other Income	Allocation of Permanent Fund Gain *	Total Investment Gain
Public School	\$ 16,008,198	\$ 31,171,179	\$ 34,004,921	\$ 81,184,298
Agricultural College	507,656	946,360	1,036,119	2,490,135
Charitable	1,988,178	3,612,065	3,828,201	9,428,444
Normal School	1,869,995	3,289,449	3,596,672	8,756,116
Penitentiary	951,499	1,567,183	1,733,548	4,252,230
School of Science	2,067,625	3,374,869	3,682,906	9,125,400
State Hospital South	2,090,692	3,032,344	2,927,371	8,050,407
University of Idaho	1,735,564	2,970,068	3,295,826	8,001,458
Capitol Maintenance **	385,727	166,061	-	551,788
Total	\$ 27,605,134	\$ 50,129,578	\$ 54,105,564	\$ 131,840,276

* All Endowments (except Capitol Permanent), are allocated the Permanent Fund's total cumulative income over the Gain Benchmark.

**The Capitol Maintenance Fund retains its proportionate share of interest and dividends and the net increase or decrease in fair value.

The Components of income from investments for Fiscal Year 2018 and their allocation are shown below:

Permanent Fund Income
For the Fiscal Year Ended June 30, 2018

Endowment	Net Increase in Fair Value	Income Retained to Offset Inflation or Losses *	Cap Perm Fund Interest and Dividends	Total Investment Income
Public School	\$ -	\$ 20,548,914	\$ -	\$ 20,548,914
Agricultural College	-	628,287	-	628,287
Charitable	-	2,425,552	-	2,425,552
Normal School	-	2,087,390	-	2,087,390
Penitentiary	-	916,436	-	916,436
School of Science	-	2,054,230	-	2,054,230
State Hospital South	-	1,903,002	-	1,903,002
University of Idaho	-	1,827,749	-	1,827,749
Capitol Permanent **	2,164,196	-	665,504	2,829,700
Total	\$ 2,164,196	\$ 32,391,560	\$ 665,504	\$ 35,221,260

* For all Permanent funds (except Capitol Permanent), any cumulative total income vs. the Gain Benchmark is allocated to the Earning Reserve Fund as part of Allocation of Permanent Fund Gain in the table below).

**The Capitol Permanent Fund retains its interest and dividends.

Earnings Reserve Fund Income
For the Fiscal Year Ended June 30, 2018

Endowment	Net Increase in Fair Value	Interest, Dividends and Other Income	Allocation of Permanent Fund Gain *	Total Investment Gain
Public School	\$ 18,911,736	\$ 28,995,000	\$ 54,573,852	\$ 102,480,588
Agricultural College	700,145	898,293	1,567,492	3,165,930
Charitable	2,186,426	3,354,108	6,303,997	11,844,531
Normal School	2,491,051	2,989,035	5,309,577	10,789,663
Penitentiary	1,287,109	1,405,986	2,411,636	5,104,731
School of Science	2,650,577	3,043,432	5,270,448	10,964,457
State Hospital South	2,567,780	2,852,227	4,746,222	10,166,229
University of Idaho	2,436,590	2,684,965	4,586,864	9,708,419
Capitol Maintenance **	432,731	128,596	-	561,327
Total	\$ 33,664,145	\$ 46,351,642	\$ 84,770,088	\$ 164,785,875

* All Endowments (except Capitol Permanent), are allocated the Permanent Fund's total cumulative income over the Gain Benchmark.

**The Capitol Maintenance Fund retains its proportionate share of interest and dividends and the net increase or decrease in fair value.

The components of Interest, Dividends and Other Income are shown below:

Income From Investments	2019	2018
Interest, Other Income and Fees	\$ 23,392,927	\$ 21,455,089
Dividends	27,446,993	25,562,057
Total	\$ 50,839,920	\$ 47,017,146

NOTE 5 – CLIENT EXPENSES

Four clients, representing ten additional perpetual funds in Fiscal Year 2019 and four funds in Fiscal Year 2018, are included in the same comingled investment pool as the Endowment Fund and their assets totaled \$136 million and \$90.9 million as of June 30, 2019 and 2018, respectively. These balances are not included in the EFIB financial statements.

In fiscal year 2019, expenses of the EFIB were paid from the Earnings Reserve Funds and by the EFIB's other clients. The portions paid by the other clients were paid under investment management contracts and are not considered an expenditure of the Endowment Funds and are therefore not included as expenditures or as reimbursements in these financial statements. Total expenses were \$402,320 and \$332,722 for the fiscal years ended June 30, 2019 and 2018, respectively.

NOTE 6 – BENEFICIARY DISTRIBUTIONS

Distributions to beneficiaries for the Fiscal Years ended June 30, 2019 and 2018 are shown below.

Beneficiary	Total Fund Distributions	
	2019	2018
Public School	\$ 50,325,600	47,049,600
Agricultural College	1,447,200	1,347,600
Charitable Institutions	5,754,000	5,544,000
Normal School	4,410,000	4,262,400
Penitentiary	2,193,600	1,965,600
School of Science	4,826,400	4,708,800
State Hospital South	5,024,400	4,562,400
University of Idaho	4,225,200	4,042,800
Subtotal	78,206,400	73,483,200
Capitol Maintenance	250,000	396,000
Total Distributions	\$ 78,456,400	\$ 73,879,200

Pursuant to Idaho Code Section 66-1106, the Charitable Institutions Endowment Fund income is distributed to five institutions according to the factors shown below. Distributions to these sharing institutions for the years ended June 30, 2019 and 2018, were as follows:

Charitable Institutions			
Beneficiaries	Factor	2019 Distribution	2018 Distribution
Idaho State University Fund	8/30	\$ 1,534,400	\$ 1,478,400
State Juvenile Corrections Institutions Fund	8/30	1,534,400	1,478,400
School for the Deaf and Blind Fund	1/30	191,800	184,800
Veterans Home Fund	5/30	959,000	924,000
State Hospital North Fund	8/30	1,534,400	1,478,400
Total		<u>\$ 5,754,000</u>	<u>\$ 5,544,000</u>

Pursuant to Idaho Code Section 33-3301B, the Normal School Endowment Fund Income is distributed to the two institutions shown below. Distributions to these sharing institutions for the years ended June 30, 2019 and 2018:

Normal School			
Beneficiaries	%	2019 Distribution	2018 Distribution
Idaho State University, Pocatello	50%	\$ 2,205,000	\$ 2,131,200
Lewis-Clark State College, Lewiston	50%	2,205,000	2,131,200
Total		<u>\$ 4,410,000</u>	<u>\$ 4,262,400</u>

NOTE 7 – CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICT BONDS

On July 1, 2002, the State of Idaho's Credit Enhancement Program for school district bonds became effective. This program, in accordance with Idaho Code Section 57-728 and in conjunction with Idaho Code Chapter 53, Title 33, currently requires the Public School Endowment Fund to purchase up to \$300 million in notes of the State of Idaho that are issued to avoid the default of a voter-approved school district bond that has been guaranteed by the program.

The capacity of the School Bond Credit Enhancement Program to guaranty payments on general obligation school bonds is \$300 million and the bond principal that can be guaranteed is \$1.2 billion. The maximum available to any one district for bond principal is \$40 million.

As of June 30, 2019, \$655.4 million of bonds guaranteed by the Credit Enhancement Program remained outstanding. Expected principal and interest payments in the coming year total \$68.7 million. As of June 30, 2018, \$667.6 million of bonds guaranteed by the Credit Enhancement Program remained outstanding.

The Public School Endowment Fund would only be required to loan monies to the State to make payments on school bonds after several other potential funding sources have been exhausted. If a school district does not make timely prepayment of debt service on guaranteed bonds, the State Treasurer is required to make the payment, if possible, by intercepting monies due to that school district from the State, including General Fund payments and distributions from the Public School Endowment Fund. If these funds are not sufficient to meet the debt service payment, the State Treasurer is required to utilize any available funds from the state sales tax account. If all these sources prove insufficient to make the payment, the Treasurer may borrow the remaining amount from the Public School Endowment Fund, at a rate of 400 basis points above one-year Treasury Bills. This loan from the Endowment Fund would be repaid by the intercept of future state funds due to the school district and other sources.

Since July 2009, the EFIB has charged an application fee to offset administrative costs and a guaranty fee that is deposited in the Public School Endowment Fund for providing the ongoing credit enhancement. Application fees for fiscal year 2019 totaled \$3,000 and guaranty fees, included in Income from Investments, totaled \$27,286. Application fees for fiscal year 2018 totaled \$4,500 and guaranty fees, included in Income from Investments, totaled \$41,397.

NOTE 8 – BUDGETARY COMPARISON

Budgets are adopted on a cash basis for the Endowment Fund. The budget for administrative expenses (personnel, operating and capital outlay) from the Earnings Reserve Funds is approved by the legislature on an annual basis. Expenses for consulting fees, bank custodial fees, and portfolio-related external costs are continually appropriated by the Idaho Legislature on an annual basis. The EFIB is not required by law to adopt or publish an overall budget for operations.

NOTE 9 – MISCELLANEOUS REVENUE

By law, certain miscellaneous State revenue is required to be deposited in the Public School Permanent Fund:

- Unclaimed estates, dividends and stock certificates from Idaho corporations (Idaho Constitution Section 4 Article IX)
- Five percent of federal land sales, net of sale expenses (Section 7 of the Idaho Admission Bill)
- Anonymous political contributions in excess of \$50 (Idaho Code Section 67-6610)
- Unqualified election expenses of political parties paid from state income tax funds (Idaho Code Section 34-2505)
- Royalties arising from extraction of minerals from navigable waterways (Idaho Code Section 58-104)

In fiscal year 2019, the Public School Permanent Fund received \$21,592 representing the net proceeds from the sale of federal land in Idaho. Also, in fiscal 2019, the Public School Permanent Fund received \$210 representing a donation from a class action suit and a private citizen chose to direct the proceeds to the Idaho School Public Endowment.

In fiscal year 2018, the Public School Permanent Fund received \$15,892 representing the net proceeds from the sale of federal land in Idaho. Also, in fiscal 2018, the Public School Permanent Fund received donations of \$496 from citizens choosing to give up their rights to certain unclaimed property per Idaho Code Section 14-524. Finally, in fiscal 2018, the Public School Permanent Fund received \$200 in anonymous political contributions.

These miscellaneous revenues are included in Receipts from the Department of Lands.

The Capitol Maintenance Reserve Fund receives a portion of the additional fees charged for the special Idaho Capitol vehicle license plate (Idaho Code Section 49-420A). In fiscal 2019 and 2018, this revenue totaled \$84,455 and \$80,360, respectively and is included in Receipts from Department of Lands.

NOTE 10 – PENSION AND OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The EFIB contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Base Plan is assigned to the PERSI Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate. As of June 30, 2019 and 2018, the rate was 6.79%. The employer contribution rate is set by the Retirement Board and was of covered compensation. The EFIB's contributions were \$41,752 and \$44,612, for the fiscal years ended June 30, 2019 and 2018, respectively.

The EFIB portion of the net pension liability was calculated and determined to be immaterial to the financial statements and the EFIB has no legal obligation to fund this shortfall. The EFIB has determined to not include the net pension liability and associated deferred inflow and outflow of resources on its financial statements. The EFIB's proportionate share of the net pension liability can be found on the PERSI website.

NOTE 11 – LAND BANK

The Land Bank Fund was established under Idaho Code Section 58-133 to allow the State Board of Land Commissioners to hold proceeds from the sale of state endowment land pending the purchase of other Idaho land for the benefit of the beneficiaries of that endowment. These proceeds may be held for a period not to exceed five years from the effective date of the sale. Funds in the Land Bank are invested in the State Treasurer's Idle Pool and any investment earnings are added to the original proceeds. Land Bank Fund assets are not included in the balances of the Endowment Funds since they are being held primarily for purchase of land that will be managed by IDL. The authority to acquire land using Land Bank assets rests with the State Board of Land Commissioners.

As of June 30, 2019 and 2018, the Land Bank Fund balances were \$110.4 million and \$122.1 million, respectively. No funds were transferred out of the fund during fiscal year 2019. The Land Bank balances by endowment, as of June 30, 2019 were as follows:

Land Bank As of June 30, 2019						
FY Quarter Received	Public School	Normal School	State Hospital South	University of Idaho	Total	FY Quarter Expires
2017-02	2,852,032	2,161,254	9,515,446	-	14,528,732	2022-02
2017-03	5,766,250	10,431,970	1,593,780	-	17,792,000	2022-03
2017-04	-	25,100	-	-	25,100	2022-04
2018-01	-	3,331,000	4,439,000	-	7,770,000	2023-01
2018-02	27,869,832	-	125,500	-	27,995,332	2023-02
2018-03	-	2,000,712	829,888	5,650,029	8,480,629	2023-03
2018-04	10,500	-	-	-	10,500	2023-04
2019-01	-	2,428,000	1,442,000	-	3,870,000	2024-01
2019-02	25,136,124	-	-	-	25,136,124	2024-02
2019-03	-	-	-	-	-	2024-03
2019-04	-	-	-	-	-	2024-04
Total Principal Remaining	61,634,738	20,378,036	17,945,614	5,650,029	105,608,417	
Interest	2,927,728	804,588	913,045	156,770	4,802,131	
Land Bank Cash Balance with Interest	\$ 64,562,466	\$ 21,182,624	\$ 18,858,659	\$ 5,806,799	\$ 110,410,548	

These balances relate to land sales made in fiscal years 2017, 2018 and 2019. If by the end of the fifth year, the proceeds from a land sale have not been spent or encumbered to purchase other land within the State, the proceeds are deposited in the Permanent Fund along with accumulated investment earnings.

NOTE 12 - INVESTMENTS MEASURED AT FAIR VALUE

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Fund has the ability to access.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair market value measurement. There were no Level 3 assets to report.

STATE OF IDAHO ENDOWMENT FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018



Investments Measured at Fair Value
Investments by Fair Value Level

Investments by Fair Value Level	Fair Value Measurements Using			
	6/30/2019 (value before accruals)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
Asset Backed Securities	\$ 15,464,972	\$ -	\$ 15,464,972	\$ -
Commercial Mortgage-Backed	16,038,697	-	16,038,697	-
Corporate Bonds	125,840,823	-	125,840,823	-
Corporate Bond Fund	11,801,232	-	11,801,232	-
Corporate Convertible Bonds	767,194	-	767,194	-
Government Agencies	8,701,389	-	8,701,389	-
Government Agencies Fund	8,903,448	-	8,903,448	-
Government Bonds	134,019,516	-	134,019,516	-
Government Mortgage Backed Securities	111,785,505	-	111,785,505	-
Gov't-issued Commercial Mortgage-Backed	2,492,009	-	2,492,009	-
Index Linked Government Bonds	90,835,699	-	90,835,699	-
Municipal/Provincial Bonds	2,077,983	-	2,077,983	-
Non-Government Backed C.M.O.s	6,313,802	-	6,313,802	-
Other Fixed Income Fund	17,233,345	-	17,233,345	-
Total Debt Securities	552,275,614	-	552,275,614	-
Preferred Stock Securities				
Consumer Discretionary	895,399	895,399	-	-
Financials	868,824	868,824	-	-
Materials	84,039	84,039	-	-
Other	50,450	50,450	-	-
Total Preferred Stock Securities	1,898,712	1,898,712	-	-
Equity Securities				
Communication Services	118,897,176	118,897,176	-	-
Consumer Discretionary	174,220,714	174,220,714	-	-
Consumer Staples	93,274,660	93,274,660	-	-
Energy	62,915,023	62,915,023	-	-
Financials	221,656,495	221,656,495	-	-
Health Care	194,219,921	194,219,921	-	-
Industrials	207,023,582	207,023,582	-	-
Information Technology	275,245,114	275,245,114	-	-
Materials	67,903,225	67,903,225	-	-
Real Estate	32,325,435	32,325,435	-	-
Utilities	21,626,251	21,626,251	-	-
Common Stock Fund	43,057,094	43,057,094	-	-
Equity ETFs	2,156,216	2,156,216	-	-
Total Equity Securities	1,514,520,906	1,514,520,906	-	-
Derivatives				
Futures Contracts	432,835	432,835	-	-
Exchange Cleared Swaps	(843,486)	(843,486)	-	-
Fixed Income - Derivative Options	3,553	3,553	-	-
Total Derivatives	(407,098)	(407,098)	-	-
Total Investments by Fair Value Level	\$ 2,068,288,134	\$ 1,516,012,520	\$ 552,275,614	\$ -

Investments Measured at amortized cost

Money Market Fund 64,175,874

Investments Measured at the Net Asset Value (NAV)

Real Estate (private) 190,275,053
Total Investments \$ 2,322,739,061

STATE OF IDAHO ENDOWMENT FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018



Investments Measured at Fair Value
Investments by Fair Value Level

	Fair Value Measurements Using			
	6/30/2018 (value before accruals)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities				
Asset-Backed Securities	\$ 2,169,385	\$ -	\$ 2,169,385	\$ -
Commercial Mortgage-Backed Securities	5,848,227	-	5,848,227	-
Corporate Bonds	119,414,648	-	119,414,648	-
Government Agencies	20,128,932	-	20,128,932	-
Government Bonds	182,815,311	-	182,815,311	-
Government Agency Mortgage-Backed Securities	132,911,796	-	132,911,796	-
Govt-Issued Commercial Mortgage-Backed	3,433,922	-	3,433,922	-
Index-Linked Government Bonds	83,434,083	-	83,434,083	-
Municipal/Provincial Bonds	4,320,655	-	4,320,655	-
Total Debt Securities	554,476,959	-	554,476,959	-
Preferred Stock Securities				
Consumer Staples	847,662	847,662	-	-
Consumer Discretionary	2,534,761	2,534,761	-	-
Energy	148,538	148,538	-	-
Financials	508,967	508,967	-	-
Health Care	15,653	15,653	-	-
Information Technology	2,325,693	2,325,693	-	-
Materials	37,137	37,137	-	-
Other	43,068	43,068	-	-
Total Preferred Stock Securities	6,461,479	6,461,479	-	-
Equity Securities				
Consumer Discretionary	178,644,624	178,644,624	-	-
Consumer Staples	96,534,357	96,534,357	-	-
Energy	79,692,599	79,692,599	-	-
Financials	225,684,198	225,684,198	-	-
Health Care	187,090,793	187,090,793	-	-
Industrials	176,263,174	176,263,174	-	-
Information Technology	301,896,275	301,896,275	-	-
Materials	76,313,973	76,313,973	-	-
Other	776	776	-	-
Real Estate	33,855,966	33,855,966	-	-
Telecommunication Services	29,661,331	29,661,331	-	-
Utilities	23,621,533	23,621,533	-	-
Equity ETFs	1,581,084	1,581,084	-	-
Total Equity Securities	1,410,840,683	1,410,840,683	-	-
Derivatives				
Futures Contracts	(210,192)	(210,192)	-	-
Total Investments by Fair Value Level	\$ 1,971,568,929	\$ 1,417,091,970	\$ 554,476,959	\$ -
Investments Measured at amortized cost				
Money Market Fund	58,513,747			
Investments Measured at the Net Asset Value (NAV)				
Real Estate (private)	163,476,588			
Total Investments	\$ 2,193,559,264			

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is described below.

NET ASSET VALUE (NAV)

Real estate investment fund - This type includes two real estate funds; UBS TPI and DB RAR II invest primarily in U.S. commercial real estate. Net Asset Value (NAV) is determined in accordance with accounting principles generally accepted in the United States, NCREIF Real Estate Information Standards, and market-based accounting rules where appropriate and applicable. Net Asset Value (NAV) is based on the fund's gross asset value less the value of any debt or other outstanding liabilities, whether held directly or indirectly through another entity or entities, anticipated distributions and similar items, as determined by the Advisor at its discretion.

Investments Measured at the NAV for 2019:

Investments Measured at the NAV 6/30/2019				
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
<i>Real Estate Funds</i>				
UBS TPI	\$ 95,201,353	-	Quarterly	60 Days
DB RAR II	95,073,700	-	Quarterly	45 days
Total Investments measured at the NAV	<u>\$ 190,275,053</u>			

Investments Measured at the NAV for 2018:

Investments Measured at the NAV 6/30/2018				
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
<i>Real Estate Funds</i>				
UBS TPI	\$ 79,214,459	10,561,876	Quarterly	60 Days
DB RAR II	84,262,129	7,345,305	Quarterly	45 days
Total Investments measured at the NAV	<u>\$ 163,476,588</u>			

NOTE 13 - COMMITMENTS

For endowments other than the Capitol Funds, the Board of Land Commissioners has approved, and the legislature has appropriated, the following distributions to beneficiaries for FY 2020.

	FY 2020
Public School	\$ 51,260,000
Agricultural College	1,466,000
Charitable Institutions	5,754,000
Normal School	4,946,000
Penitentiary	2,247,000
School of Science	4,930,000
State Hospital South	5,955,000
University of Idaho	4,360,000
Total	\$ 80,918,000

The EFIB authorizes distributions from the Capitol Permanent Fund to the Capitol Maintenance Reserve Fund, effective July 1 of each fiscal year. For fiscal year 2020, the EFIB authorized a regular distribution of \$1,409,300 based on approximately 5% of the Capitol Permanent Fund balance.

NOTE 14 - SUBSEQUENT EVENTS

On August 20, 2019, the Board of Land Commissioners approved beneficiary distributions for fiscal year 2021. Fiscal year 2021 beneficiary distributions have not yet been appropriated by the legislature and will be considered by the legislature in its 2020 session.

<u>Beneficiaries</u>	<i>Distributions Proposed FY 2021</i>
Public School	\$ 52,586,400
Agricultural College	1,551,600
Charitable Institutions	5,991,600
Normal School	5,334,000
Penitentiary	2,500,800
School of Science	5,420,400
State Hospital South	6,369,600
University of Idaho	4,766,400
Total	<u>\$84,520,800</u>

On August 20, 2019, the Board of Land Commissioners also approved a \$57,803,000 transfer from Earnings Reserve Funds into Permanent Funds, effective September 1, 2019.

**INDEPENDENT AUDITORS' 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**

Endowment Fund Investment Board
State of Idaho Endowment Funds
Boise, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State of Idaho Endowment Funds administered by the Endowment Fund Investment Board (the EFIB), a component unit of the State of Idaho, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the State of Idaho Endowment Funds' basic financial statements, and have issued our report thereon dated August 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the State of Idaho Endowment Funds' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Idaho Endowment Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Idaho Endowment Funds' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Boise, Idaho
August 22, 2019



IDAHO ENDOWMENT FUND

INVESTMENT BOARD

IDAHO DEPARTMENT OF LANDS

Supplementary Schedules

STATE OF IDAHO ENDOWMENT FUND
SUPPLEMENTARY SCHEDULE OF STATEMENT OF NET POSITION BY ENDOWMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019



	Public School	Agricultural College	Charitable Institutions	Normal School
PERMANENT NET POSITION				
Permanent Net Position, beginning of year	\$ 1,026,454,837	\$ 30,030,117	\$ 119,315,621	\$ 101,133,968
Program Revenues:				
Receipts from Dept. of Lands	1,333,260	47	22,867	148,926
Income from Investments	21,271,898	622,334	2,472,656	2,095,866
Total Program Revenue	22,605,158	622,381	2,495,523	2,244,792
Transfer to Earnings Reserve	-	-	-	-
Transfer from Earnings Reserve	19,157,000	1,381,000	-	6,534,000
Increase in Net Position	41,762,158	2,003,381	2,495,523	8,778,792
Permanent Net Position, end of year	1,068,216,995	32,033,498	121,811,144	109,912,760
EARNINGS RESERVE NET POSITION				
Earnings Reserve Net Position, beginning of year	326,716,780	11,642,692	37,767,021	41,156,208
Program Revenues:				
Receipts from Dept. of Lands	40,577,973	353,519	4,255,953	4,313,659
Income from Investments	81,184,298	2,490,135	9,428,444	8,756,116
Total Program Revenues	121,762,271	2,843,654	13,684,397	13,069,775
Program Expenses:				
Distribution for Expenses-Lands	20,214,419	329,399	1,578,923	1,811,576
Distribution for Expenses-EFIB	5,573,025	169,943	645,955	585,956
Distributions to Beneficiaries	50,325,600	1,447,200	5,754,000	4,410,000
Total Program Expenses	76,113,044	1,946,542	7,978,878	6,807,532
Net Program Revenue	45,649,227	897,111	5,705,519	6,262,244
Transfer to Permanent Fund	(19,157,000)	(1,381,000)	-	(6,534,000)
Transfer from Permanent Fund	-	-	-	-
Increase/(Decrease) in Net Position	26,492,227	(483,889)	5,705,519	(271,756)
Earnings Reserve Net Position, end of year	353,209,008	11,158,803	43,472,540	40,884,451
TOTAL NET POSITION	\$ 1,421,426,003	\$ 43,192,301	\$ 165,283,683	\$ 150,797,211

STATE OF IDAHO ENDOWMENT FUND
SUPPLEMENTARY SCHEDULE OF STATEMENT OF NET POSITION BY ENDOWMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019



Penitentiary	School of Science	State Hospital South	University of Idaho	Capitol	Total
\$ 45,479,855	\$ 100,132,842	\$ 90,937,187	\$ 87,720,455	\$ 31,143,131	\$ 1,632,348,013
759	21,367	200,809	3,518	969,609	2,701,162
942,509	2,075,119	1,884,551	1,817,889	2,369,108	35,551,930
943,268	2,096,486	2,085,360	1,821,407	3,338,717	38,253,092
-	-	-	-	(1,406,000)	(1,406,000)
5,204,000	8,903,000	-	9,130,000	-	50,309,000
6,147,268	10,999,486	2,085,360	10,951,407	1,932,717	87,156,092
51,627,123	111,132,328	93,022,547	98,671,862	33,075,848	1,719,504,105
20,933,338	43,412,680	41,696,992	39,649,788	6,227,066	569,202,565
4,179,895	8,311,526	1,899,554	5,374,762	85,455	69,352,297
4,252,230	9,125,400	8,050,407	8,001,458	551,788	131,840,276
8,432,125	17,436,926	9,949,961	13,376,220	637,243	201,192,572
982,244	1,607,970	1,462,532	1,239,965	172,671	29,399,699
279,151	600,812	544,180	527,791	156,219	9,083,032
2,193,600	4,826,400	5,024,400	4,225,200	250,000	78,456,400
3,454,995	7,035,182	7,031,112	5,992,956	578,890	116,939,130
4,977,130	10,401,745	2,918,849	7,383,264	58,353	84,253,442
(5,204,000)	(8,903,000)	-	(9,130,000)	-	(50,309,000)
-	-	-	-	1,406,000	1,406,000
(226,870)	1,498,745	2,918,849	(1,746,736)	1,464,353	35,350,442
20,706,468	44,911,424	44,615,842	37,903,053	7,691,419	604,553,007
\$ 72,333,591	\$ 156,043,753	\$ 137,638,389	\$ 136,574,914	\$ 40,767,268	\$ 2,324,057,112

STATE OF IDAHO ENDOWMENT FUND
SUPPLEMENTARY SCHEDULE OF STATEMENT OF NET POSITION BY ENDOWMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018



	Public School	Agricultural College	Charitable Institutions	Normal School
PERMANENT NET POSITION				
Permanent Net Position, beginning of year	\$ 911,562,087	\$ 27,871,168	\$ 107,598,945	\$ 92,597,859
Program Revenues:				
Receipts from Dept. of Lands	2,260,836	(338)	41,124	111,719
Income from Investments	20,548,914	628,287	2,425,552	2,087,390
Total Program Revenue	22,809,750	627,949	2,466,676	2,199,109
Transfer to Earnings Reserve	-	-	-	-
Transfer from Earnings Reserve	92,083,000	1,531,000	9,250,000	6,337,000
Increase in Net Position	114,892,750	2,158,949	11,716,676	8,536,109
Permanent Net Position, end of year	1,026,454,837	30,030,117	119,315,621	101,133,968
EARNINGS RESERVE NET POSITION				
Earnings Reserve Net Position, beginning of year	343,711,519	11,657,168	38,019,573	37,208,703
Program Revenues:				
Receipts from Dept. of Lands	43,616,361	229,260	4,948,419	6,198,618
Income from Investments	102,480,588	3,165,930	11,844,531	10,789,663
Total Program Revenues	146,096,949	3,395,190	16,792,950	16,988,281
Program Expenses:				
Distribution for Expenses-Lands	18,334,407	356,321	1,599,834	1,859,565
Distribution for Expenses-EFIB	5,624,681	174,745	651,668	581,811
Distributions to Beneficiaries	47,049,600	1,347,600	5,544,000	4,262,400
Total Program Expenses	71,008,688	1,878,666	7,795,502	6,703,776
Net Program Revenue	75,088,261	1,516,524	8,997,448	10,284,505
Transfer to Permanent Fund	(92,083,000)	(1,531,000)	(9,250,000)	(6,337,000)
Transfer from Permanent Fund	-	-	-	-
Increase/(Decrease) in Net Position	(16,994,739)	(14,476)	(252,552)	3,947,505
Earnings Reserve Net Position, end of year	326,716,780	11,642,692	37,767,021	41,156,208
TOTAL NET POSITION	\$ 1,353,171,618	\$ 41,672,809	\$ 157,082,641	\$ 142,290,176

STATE OF IDAHO ENDOWMENT FUND
SUPPLEMENTARY SCHEDULE OF STATEMENT OF NET POSITION BY ENDOWMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018



Penitentiary	School of Science	State Hospital South	University of Idaho	Capitol	Total
\$ 40,653,668	\$ 91,126,874	\$ 84,418,300	\$ 81,080,027	\$ 29,495,839	\$ 1,466,404,767
751	8,738	8,885	4,679	209,592	2,645,986
916,436	2,054,230	1,903,002	1,827,749	2,829,700	35,221,260
917,187	2,062,968	1,911,887	1,832,428	3,039,292	37,867,246
-	-	-	-	(1,392,000)	(1,392,000)
3,909,000	6,943,000	4,607,000	4,808,000	-	129,468,000
4,826,187	9,005,968	6,518,887	6,640,428	1,647,292	165,943,246
45,479,855	100,132,842	90,937,187	87,720,455	31,143,131	1,632,348,013
19,266,703	40,728,969	39,781,655	34,386,595	4,901,253	569,662,138
3,552,800	5,557,707	2,999,488	6,307,418	80,520	73,490,591
5,104,731	10,964,457	10,166,229	9,708,419	561,327	164,785,875
8,657,531	16,522,164	13,165,717	16,015,837	641,847	238,276,466
844,315	1,595,914	1,526,101	1,380,492	157,936	27,654,885
271,981	590,739	554,879	521,352	154,098	9,125,954
1,965,600	4,708,800	4,562,400	4,042,800	396,000	73,879,200
3,081,896	6,895,453	6,643,380	5,944,644	708,034	110,660,039
5,575,635	9,626,711	6,522,337	10,071,193	(66,187)	127,616,427
(3,909,000)	(6,943,000)	(4,607,000)	(4,808,000)	-	(129,468,000)
-	-	-	-	1,392,000	1,392,000
1,666,635	2,683,711	1,915,337	5,263,193	1,325,813	(459,573)
20,933,338	43,412,680	41,696,992	39,649,788	6,227,066	569,202,565
\$ 66,413,193	\$ 143,545,522	\$ 132,634,179	\$ 127,370,243	\$ 37,370,197	\$ 2,201,550,578

STATE OF IDAHO ENDOWMENT FUNDS
SCHEDULE OF THE GAIN BENCHMARK
FOR THE FISCAL YEAR ENDED JUNE 30, 2019



<i>Endowment</i>	<i>Fiscal Year</i>	<i>Beginning Benchmark</i>	<i>Deposits</i>	<i>Reinvested Income</i>	<i>Inflation Impact</i>	<i>Ending Benchmark</i>
Public School	2001-2018	555,954,750	63,129,657	139,478,000	267,892,430	1,026,454,837
	2019	1,026,454,837	1,333,260	19,157,000	21,271,898	1,068,216,995
Agricultural College	2001-2018	14,787,041	58,140	7,959,000	7,225,936	30,030,117
	2019	30,030,117	47	1,381,000	622,334	32,033,498
Charitable Institutions	2001-2018	54,513,960	302,856	37,776,000	26,722,805	119,315,621
	2019	119,315,621	22,867	-	2,472,656	121,811,144
Normal School	2001-2018	47,258,942	11,962,089	18,575,000	23,337,937	101,133,968
	2019	101,133,968	148,926	6,534,000	2,095,866	109,912,760
Penitentiary	2001-2018	18,258,289	25,469	17,795,000	9,401,097	45,479,855
	2019	45,479,855	759	5,204,000	942,509	51,627,123
School of Science	2001-2018	54,836,451	299,913	18,857,000	26,139,478	100,132,842
	2019	100,132,842	21,367	8,903,000	2,075,119	111,132,328
State Hospital South	2001-2018	23,442,162	16,209,649	37,166,000	14,119,376	90,937,187
	2019	90,937,187	200,809	-	1,884,551	93,022,547
University	2001-2018	42,442,536	273,157	24,209,000	20,795,762	87,720,455
	2019	87,720,455	3,518	9,130,000	1,817,889	98,671,862

STATE OF IDAHO ENDOWMENT FUNDS
SCHEDULE OF THE GAIN BENCHMARK
FOR THE FISCAL YEAR ENDED JUNE 30, 2018



<i>Endowment</i>	<i>Fiscal Year</i>	<i>Beginning Benchmark</i>	<i>Deposits</i>	<i>Reinvested Income</i>	<i>Inflation Impact</i>	<i>Ending Benchmark</i>
Public School	2001-2017	555,954,750	60,868,821	47,395,000	247,343,516	911,562,087
	2018	911,562,087	2,260,836	92,083,000	20,548,914	1,026,454,837
Agricultural College	2001-2017	14,787,041	58,478	6,428,000	6,597,649	27,871,168
	2018	27,871,168	(338)	1,531,000	628,287	30,030,117
Charitable Institutions	2001-2017	54,513,960	261,732	28,526,000	24,297,253	107,598,945
	2018	107,598,945	41,124	9,250,000	2,425,552	119,315,621
Normal School	2001-2017	47,258,942	11,850,370	12,238,000	21,250,547	92,597,859
	2018	92,597,859	111,719	6,337,000	2,087,390	101,133,968
Penitentiary	2001-2017	18,258,289	24,718	13,886,000	8,484,661	40,653,668
	2018	40,653,668	751	3,909,000	916,436	45,479,855
School of Science	2001-2017	54,836,451	291,175	11,914,000	24,085,248	91,126,874
	2018	91,126,874	8,738	6,943,000	2,054,230	100,132,842
State Hospital South	2001-2017	23,442,162	16,200,764	32,559,000	12,216,374	84,418,300
	2018	84,418,300	8,885	4,607,000	1,903,002	90,937,187
University	2001-2017	42,442,536	268,478	19,401,000	18,968,013	81,080,027
	2018	81,080,027	4,679	4,808,000	1,827,749	87,720,455

STATE BOARD OF LAND COMMISSIONERS

December 17, 2019

Subject

Performance Review of Total Endowment

Background

As part of the Asset Allocation and Governance Review in November 2014, Callan Associates (Callan) recommended that: 1) a total return be calculated by aggregating the market values and cash flows of the financial assets and the Department's land assets; and 2) an independent outside financial audit on the land portfolio be performed annually.

The revised Statement of Investment Policy adopted by the Land Board in July 2018 requires that performance reports be generated annually by the General Consultant, Callan, for review by the Land Board (Attachment 1).

The Land Board Audit Committee met May 15, 2019, and determined that the Agreed-Upon Procedures for the endowment land income statement review established in 2016 would also be used for the year ending June 30, 2019.

Discussion

Callan calculated the total return of the financial portfolio and the land assets for the fiscal year ending June 30, 2019. The combined net return was 5.75%, which is below last year's return of 7.86% (Attachment 2). The combined return was calculated by including a land asset net return of 3.32% (down from 5.48% in fiscal year 2018) and a financial asset net return of 7.14% (down from 9.51% in fiscal year 2018). Callan also compiled a report of the land returns by asset class for the fiscal year ending June 30, 2019 (Attachment 3).

Following review of the endowment land income statement, CliftonLarsonAllen LLP provided an Independent Accountants' Report on Applying Agreed-Upon Procedures to the Land Board Audit Committee on August 21, 2019, with no findings (Attachment 4).

Attachments

1. Statement of Investment Policy, page 31
2. Investment Manager Returns
3. Investment Measurement Service Quarterly Review, June 30, 2019
4. Independent Accountants' Report, August 21, 2019

X. Key Documents

To assist the Land Board, EFIB Staff, and IDL Staff, the following key documents will be produced or reviewed according to the schedule in Exhibit 2.

Exhibit 2: Key Documents

Document Name	Document Source	Review Schedule
Performance Review of Fund	General Consultant and EFIB Staff	Monthly and Quarterly
Performance Review Total Endowment	General Consultant, IDL Staff, and EFIB Staff	Annually
Statement of Investment Policy	General Consultant, IDL Staff, and EFIB Staff <i>Reviewed by Investment Sub-Committee</i>	Annually
IDL Program Business Plans	IDL Staff	1-5 Years as specified in each plan
IDL Asset Management Plan	IDL Staff	Every 5 Years
Strategic Reinvestment Plan	General Consultant <i>Reviewed by Investment Sub-Committee</i>	Annually
IDL Strategic Plan	IDL Staff	Annually
Asset Allocation	General Consultant	Every 8 years
Monthly Timber Sale Activity Report	IDL Staff	Monthly
Annual Timber Sale Plan	IDL Staff	Annually
Ten Year Forecast of Land Income	IDL Staff	Annually
IDL Annual Budget	IDL Staff	Annually
EFIB Strategic Plan	EFIB Staff	Annually
EFIB Meeting Report	EFIB Staff	Annually
Audit Committee Report	Audit Committee	Annually

Investment Manager Returns

The table below details the rates of return for the Fund's investment managers over various time periods ended June 30, 2019. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended June 30, 2019

	Last Year	Last 3 Years	Last 4 Years
EFIB Plan (Net)	7.14%	9.70%	7.05%
EFIB Target	7.21%	9.45%	7.24%
Land (Net)	3.32%	4.16%	4.00%
Total Plan + Land	5.75%	7.39%	5.83%
CPI + 3.5%	5.15%	5.55%	5.29%



IDAHO DEPARTMENT OF LANDS

June 30, 2019

Idaho Board of Land Commissioners

**Investment Measurement Service
Quarterly Review**



IDAHO DEPARTMENT OF LANDS

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June 30, 2019

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IDAHO DEPARTMENT OF LANDS



Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of June 30, 2019, with the distribution as of June 30, 2018. The change in asset distribution is broken down into the dollar change due to Net New Investment and the dollar change due to Investment Return.

Asset Distribution Across Investment Managers

	June 30, 2019		Net New Inv.	Inv. Return	June 30, 2018	
	Market Value	Weight			Market Value	Weight
Farmland	25,341,000	1.70%	(410,887)	1,086,647	24,665,240	1.66%
Commercial Real Estate	14,562,322	0.98%	863,156	1,015,541	12,683,625	0.86%
Rangeland	61,000,000	4.10%	(3,163,480)	3,163,480	61,000,000	4.11%
Residential Real Estate	54,068,700	3.63%	(30,984,730)	2,996,230	82,057,200	5.53%
Timberland	1,223,274,980	82.17%	(25,165,656)	67,616,485	1,180,824,151	79.61%
Land Bank	110,410,548	7.42%	(14,382,778)	2,733,625	122,059,701	8.23%
Total Land Portfolio Assets	\$1,488,657,550	100.0%	\$(73,244,375)	\$78,612,008	\$1,483,289,917	100.0%

IDAHO DEPARTMENT OF LANDS

Cash flows, including market values and management fees, were provided by Idaho Department of Lands using their internal methodology which may be subject to change. The cash flows and categorizations have not been independently verified by Callan for accuracy or consistency with industry standards. Specific dates for each individual cash flow were not provided. To convert the non-specific cash flow information to a format that could be used in performance calculations, Callan assumed all cashflows occurred at mid-quarter to arrive at quarterly performance numbers. Performance figures are calculated using a modified BAI methodology.

Investment Manager Returns

The table below details the rates of return for the Fund's investment managers over various time periods ended June 30, 2019. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended June 30, 2019

	Fiscal Year	Last 2 Years	Last 3 Years	Last 4 Years
Farmland	4.42%	5.25%	4.14%	5.17%
Farmland (Net)	3.74%	4.48%	3.41%	4.43%
Commercial Real Estate	8.27%	19.05%	22.16%	18.43%
Commercial Real Estate (Net)	2.45%	12.40%	15.98%	12.81%
Rangeland	5.29%	5.12%	5.07%	5.05%
Rangeland (Net)	1.90%	2.04%	1.90%	1.93%
Residential Real Estate	4.43%	19.70%	15.06%	12.17%
Residential Real Estate (Net)	1.29%	16.80%	12.70%	10.04%
Timberland	5.78%	5.77%	5.73%	5.67%
Timberland (Net)	3.71%	3.73%	3.66%	3.67%
Land Bank	2.37%	1.93%	1.56%	1.25%
Land Bank (Net)	1.57%	1.54%	1.30%	1.06%
Total Land excluding - Land Bank	5.67%	6.75%	6.49%	6.22%
Total Land excluding - Land Bank (Net)	3.48%	4.61%	4.34%	4.15%
Total Land Portfolio (Gross)	5.40%	6.41%	6.20%	5.99%
Total Land Portfolio (Net Nominal)	3.32%	4.40%	4.16%	4.00%
Total Land Portfolio (Net Real Return)	1.63%	2.09%	2.07%	2.17%
CPI All Urban Cons	1.65%	2.26%	2.05%	1.79%

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Investment Manager Returns

The table below details the rates of return for the fund's investment managers over various time periods ended June 30, 2019. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

Returns for Periods Ended June 30, 2019

	Fiscal Year			Last 4 Years		
	Inc%	App%	Tot%	Inc%	App%	Tot%
Farmland (Net)	0.97	2.74	3.74	1.14	3.25	4.43
Commercial Real Estate (Net)	2.45	0.00	2.45	3.23	9.36	12.81
Rangeland (Net)	1.90	0.00	1.90	1.93	0.00	1.93
Residential Real Estate (Net)	0.02	1.28	1.29	1.80	8.10	10.04
Timberland (Net)	3.71	0.00	3.71	3.67	0.00	3.67
Total Land excluding - Land Bank (Net)	3.36	0.12	3.48	3.42	0.71	4.15
Total Land Portfolio (Net Nominal)	3.21	0.11	3.32	3.31	0.67	4.00

IDAHO DEPARTMENT OF LANDS



Total Land Portfolio Real Estate Portfolio Quarterly Changes in Market Value

	<u>Beg. of</u> <u>Period</u> <u>Market</u>	<u>Capital</u> <u>+ Contri-</u> <u>butions</u>	<u>+ Accounting</u> <u>Income</u>	<u>- Mgmt.</u> <u>Fees</u>	<u>+ Appre-</u> <u>ciation</u>	<u>- Dist. of</u> <u>Income &</u> <u>Real. Gains</u>	<u>- Return</u> <u>of</u> <u>Capital</u>	<u>= End of</u> <u>Period</u> <u>Market</u>
09/2015	1,443,485,863	6,737,772	18,523,024	6,333,665	337,900	12,176,749	6,737,772	1,443,836,373
12/2015	1,443,836,373	6,737,772	18,523,024	6,333,665	337,900	12,176,749	6,737,772	1,444,186,883
03/2016	1,444,186,883	6,737,772	18,523,024	6,333,665	337,900	12,176,749	6,737,772	1,444,537,394
06/2016	1,444,537,394	6,737,772	18,523,024	6,333,665	337,900	12,176,749	6,737,772	1,444,887,904
09/2016	1,444,887,904	17,424,042	32,190,512	8,130,079	(0)	24,850,095	16,715,247	1,444,807,037
12/2016	1,444,807,037	18,903,334	15,698,109	7,356,406	1,328,500	8,309,338	18,830,890	1,446,240,346
03/2017	1,446,240,346	22,212,151	19,044,141	5,379,154	3,715,150	13,609,788	22,112,365	1,450,110,481
06/2017	1,450,110,481	2,138,318	8,164,265	7,920,565	1,040,305	2,151,292	25,100	1,451,356,412
09/2017	1,451,356,412	7,987,519	25,025,187	7,148,261	22,668,989	17,852,656	7,770,000	1,474,267,190
12/2017	1,474,267,190	27,995,332	15,811,240	6,762,941	0	8,717,002	27,995,332	1,474,598,487
03/2018	1,474,598,487	8,541,139	22,386,935	5,296,596	5,419,200	16,719,764	8,490,000	1,480,439,401
06/2018	1,480,439,401	78,855	12,198,615	7,934,209	2,245,000	3,737,745	0	1,483,289,917
09/2018	1,483,289,917	4,427,157	27,185,702	7,787,652	1,058,260	19,372,629	3,870,000	1,484,930,755
12/2018	1,484,930,755	67,627,619	27,115,724	7,470,723	635,124	19,508,037	67,586,953	1,485,743,509
03/2019	1,485,743,509	399,277	17,226,842	6,758,073	0	10,504,483	0	1,486,107,072
06/2019	1,486,107,072	6,569,563	5,390,356	7,746,173	0	1,663,268	0	1,488,657,550
	1,443,485,863	211,255,395	301,529,724	111,025,491	39,462,128	195,703,093	200,346,976	1,488,657,550

IDAHO DEPARTMENT OF LANDS

Cash flows, including market values and management fees, were provided by Idaho Department of Lands using their internal methodology which may be subject to change. The cash flow and categorizations have not been independently verified by Callan for accuracy or consistency with industry standards. Specific dates for each individual cash flow were not provided. To convert the non-specific cash flow information to a format that could be used in performance calculations, Callan assumed all cashflows occurred at mid-quarter to arrive at quarterly performance numbers. Performance figures are calculated using a modified BAI methodology.

Farmland Real Estate Portfolio Quarterly Changes in Market Value

	Beg. of Period Market	+	Capital Contri- butions	+	Accounting Income	-	Mgmt. Fees	+	Appre- ciation	-	Distri- butions	=	End of Period Market
09/2015	22,300,000		0		120,774		42,052		337,900		78,722		22,637,900
12/2015	22,637,900		0		120,774		42,052		337,900		78,722		22,975,800
03/2016	22,975,800		0		120,774		42,052		337,900		78,722		23,313,700
06/2016	23,313,700		0		120,774		42,052		337,900		78,722		23,651,600
09/2016	23,651,600		33,835		250		34,085		0		0		23,651,600
12/2016	23,651,600		0		317,855		156,334		0		161,521		23,651,600
03/2017	23,651,600		0		95,266		(86,168)		0		181,434		23,651,600
06/2017	23,651,600		1,815		45,299		47,114		0		0		23,651,600
09/2017	23,651,600		26,045		2,000		28,045		1,013,640		0		24,665,240
12/2017	24,665,240		0		184,432		24,082		0		160,350		24,665,240
03/2018	24,665,240		0		193,527		36,305		0		157,222		24,665,240
06/2018	24,665,240		68,355		45,637		113,992		0		0		24,665,240
09/2018	24,665,240		28,429		3,783		32,212		675,760		0		25,341,000
12/2018	25,341,000		0		268,519		29,938		0		238,581		25,341,000
03/2019	25,341,000		0		92,268		38,806		0		53,462		25,341,000
06/2019	25,341,000		17,078		46,317		63,395		0		0		25,341,000
	22,300,000		175,557		1,778,250		686,349		3,041,000		1,267,458		25,341,000

IDAHO DEPARTMENT OF LANDS

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Commercial Real Estate Real Estate Portfolio Quarterly Changes in Market Value

	Beg. of Period Market	+	Capital Contri- butions	+	Accounting Income	-	Mgmt. Fees	+	Appre- ciation	-	Dist. of Income & Real. Gains	-	Return of Capital	=	End of Period Market
09/2015	31,502,435		0		599,175		305,676		0		293,500		0		31,502,435
12/2015	31,502,435		0		599,175		305,676		0		293,500		0		31,502,435
03/2016	31,502,435		0		599,175		305,676		0		293,500		0		31,502,435
06/2016	31,502,435		0		599,175		305,676		0		293,500		0		31,502,435
09/2016	31,502,435		0		1,299,490		635,627		0		663,863		0		31,502,435
12/2016	31,502,435		69,844		344,145		413,989		0		0		0		31,502,435
03/2017	31,502,435		0		422,777		339,925		3,715,150		82,852		17,265,000		17,952,585
06/2017	17,952,585		0		340,718		(42,035)		1,040,305		382,753		0		18,992,890
09/2017	18,992,890		0		316,491		256,468		(140,000)		60,023		0		18,852,890
12/2017	18,852,890		0		670,074		391,642		0		278,432		0		18,852,890
03/2018	18,852,890		51,139		174,715		225,854		0		0		8,490,000		10,362,890
06/2018	10,362,890		0		198,210		122,475		2,245,000		0		0		12,683,625
09/2018	12,683,625		0		547,489		123,176		0		424,313		0		12,683,625
12/2018	12,683,625		40,666		201,040		241,706		0		0		0		12,683,625
03/2019	12,683,625		78,448		136,408		214,856		0		0		0		12,683,625
06/2019	12,683,625		1,878,697		130,604		122,115		0		8,489		0		14,562,322
	31,502,435		2,118,794		7,178,862		4,268,501		6,860,455		3,074,723		25,755,000		14,562,322

IDAHO DEPARTMENT OF LANDS

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Rangeland Real Estate Portfolio Quarterly Changes in Market Value

	Beg. of Period Market	+	Capital Contri- butions	+	Accounting Income	-	Mgmt. Fees	+	Appre- ciation	-	Distri- butions	=	End of Period Market
09/2015	61,000,000		0		742,508		439,390		0		303,118		61,000,000
12/2015	61,000,000		0		742,508		439,390		0		303,118		61,000,000
03/2016	61,000,000		0		742,508		439,390		0		303,118		61,000,000
06/2016	61,000,000		0		742,508		439,390		0		303,118		61,000,000
09/2016	61,000,000		418,712		15,744		434,456		0		0		61,000,000
12/2016	61,000,000		0		651,041		417,971		0		233,070		61,000,000
03/2017	61,000,000		99,786		366,069		465,855		0		0		61,000,000
06/2017	61,000,000		0		1,943,241		668,142		0		1,275,099		61,000,000
09/2017	61,000,000		0		298,769		285,833		0		12,936		61,000,000
12/2017	61,000,000		0		388,362		375,616		0		12,746		61,000,000
03/2018	61,000,000		0		495,725		347,673		0		148,052		61,000,000
06/2018	61,000,000		0		1,761,042		618,366		0		1,142,676		61,000,000
09/2018	61,000,000		199,366		237,272		436,638		0		0		61,000,000
12/2018	61,000,000		0		635,741		533,906		0		101,835		61,000,000
03/2019	61,000,000		0		510,128		507,905		0		2,223		61,000,000
06/2019	61,000,000		0		1,780,339		527,962		0		1,252,377		61,000,000
	61,000,000		717,864		12,053,506		7,377,885		0		5,393,485		61,000,000

IDAHO DEPARTMENT OF LANDS

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Residential Real Estate Real Estate Portfolio Quarterly Changes in Market Value

	Beg. of Period Market	+ Capital Contri- butions	+ Accounting Income	- Mgmt. Fees	+ Appre- ciation	- Dist. of Income & Real. Gains	- Return of Capital	= End of Period Market
09/2015	149,700,000	0	1,313,522	497,503	(0)	816,019	6,737,772	142,962,228
12/2015	142,962,228	0	1,313,522	497,503	0	816,019	6,737,772	136,224,456
03/2016	136,224,456	0	1,313,522	497,503	(0)	816,019	6,737,772	129,486,683
06/2016	129,486,683	0	1,313,522	497,503	0	816,019	6,737,772	122,748,911
09/2016	122,748,911	381,271	(180,856)	200,415	0	0	16,590,224	106,158,687
12/2016	106,158,687	0	2,567,931	520,013	1,328,500	2,047,918	16,327,104	91,160,083
03/2017	91,160,083	0	1,067,980	278,000	0	789,980	527,000	90,633,083
06/2017	90,633,083	0	733,100	239,660	0	493,440	25,100	90,607,983
09/2017	90,607,983	191,474	215,266	406,740	21,795,349	0	7,770,000	104,633,332
12/2017	104,633,332	0	1,377,513	479,530	0	897,983	27,995,332	76,638,000
03/2018	76,638,000	0	780,233	332,140	5,419,200	448,093	0	82,057,200
06/2018	82,057,200	0	585,635	499,043	0	86,592	0	82,057,200
09/2018	82,057,200	329,362	249,555	578,917	382,500	0	3,870,000	78,569,700
12/2018	78,569,700	0	756,605	543,893	635,124	212,712	25,136,124	54,068,700
03/2019	54,068,700	320,829	529,033	849,862	0	0	0	54,068,700
06/2019	54,068,700	0	443,413	41,011	0	402,402	0	54,068,700
	149,700,000	1,222,936	14,379,495	6,959,235	29,560,673	8,643,196	125,191,973	54,068,700

IDAHO DEPARTMENT OF LANDS

Cash flows, including market values and management fees, were provided by Idaho Department of Lands using their internal methodology which may be subject to change. The cash flow and categorizations have not been independently verified by Callan for accuracy or consistency with industry standards. Specific dates for each individual cash flow were not provided. To convert the non-specific cash flow information to a format that could be used in performance calculations, Callan assumed all cashflows occurred at mid-quarter to arrive at quarterly performance numbers. Performance figures are calculated using a modified BAI methodology.

Timberland Real Estate Portfolio Quarterly Changes in Market Value

	Beg. of Period Market	+	Capital Contri- butions	+	Accounting Income	-	Mgmt. Fees	+	Appre- ciation	-	Distri- butions	=	End of Period Market
09/2015	1,174,000,000		0		15,734,434		5,049,044		0		10,685,391		1,174,000,000
12/2015	1,174,000,000		0		15,734,434		5,049,044		0		10,685,391		1,174,000,000
03/2016	1,174,000,000		0		15,734,434		5,049,044		0		10,685,391		1,174,000,000
06/2016	1,174,000,000		0		15,734,434		5,049,044		0		10,685,391		1,174,000,000
09/2016	1,174,000,000		0		31,000,749		6,825,496		0		24,175,253		1,174,000,000
12/2016	1,174,000,000		2,503,786		11,714,928		5,848,099		0		5,866,829		1,176,503,786
03/2017	1,176,503,786		4,320,365		16,937,064		4,381,542		0		12,555,522		1,180,824,151
06/2017	1,180,824,151		2,111,403		4,896,281		7,007,684		0		0		1,180,824,151
09/2017	1,180,824,151		0		23,950,872		6,171,175		0		17,779,697		1,180,824,151
12/2017	1,180,824,151		0		12,859,562		5,492,071		0		7,367,491		1,180,824,151
03/2018	1,180,824,151		0		20,321,021		4,354,624		0		15,966,397		1,180,824,151
06/2018	1,180,824,151		0		9,088,810		6,580,333		0		2,508,477		1,180,824,151
09/2018	1,180,824,151		0		25,565,025		6,616,709		0		18,948,316		1,180,824,151
12/2018	1,180,824,151		42,450,829		24,456,789		5,501,880		0		18,954,909		1,223,274,980
03/2019	1,223,274,980		0		15,276,769		4,827,971		0		10,448,798		1,223,274,980
06/2019	1,223,274,980		4,673,788		2,317,902		6,991,690		0		0		1,223,274,980
	1,174,000,000		56,060,171		261,323,509		90,795,448		0		177,313,252		1,223,274,980

IDAHO DEPARTMENT OF LANDS

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**Land Bank
Real Estate Portfolio
Quarterly Changes in Market Value**

	Beg. of Period Market	+ Capital Contri- butions	+ Accounting Income	- Mgmt. Fees	+ Appre- ciation	- Dist. of Income & Real. Gains	- Return of Capital	= End of Period Market
09/2015	4,983,428	6,737,772	12,610	0	0	0	0	11,733,810
12/2015	11,733,810	6,737,772	12,610	0	0	0	0	18,484,193
03/2016	18,484,193	6,737,772	12,610	0	0	0	0	25,234,575
06/2016	25,234,575	6,737,772	12,610	0	(0)	0	0	31,984,958
09/2016	31,984,958	16,590,224	55,135	0	0	10,979	125,023	48,494,315
12/2016	48,494,315	16,329,704	102,209	0	0	0	2,503,786	62,422,442
03/2017	62,422,442	17,792,000	154,985	0	0	0	4,320,365	76,049,062
06/2017	76,049,062	25,100	205,626	0	0	0	0	76,279,788
09/2017	76,279,788	7,770,000	241,789	0	0	0	0	84,291,577
12/2017	84,291,577	27,995,332	331,297	0	0	0	0	112,618,206
03/2018	112,618,206	8,490,000	421,714	0	0	0	0	121,529,920
06/2018	121,529,920	10,500	519,281	0	0	0	0	122,059,701
09/2018	122,059,701	3,870,000	582,578	0	0	0	0	126,512,279
12/2018	126,512,279	25,136,124	797,030	619,400	0	0	42,450,829	109,375,204
03/2019	109,375,204	0	682,236	318,673	0	0	0	109,738,767
06/2019	109,738,767	0	671,781	0	0	0	0	110,410,548
	4,983,428	150,960,073	4,816,102	938,073	0	10,979	49,400,003	110,410,548

IDAHO DEPARTMENT OF LANDS

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Research and Educational Programs

The Callan Institute provides research to update clients on the latest industry trends and carefully structured educational programs to enhance the knowledge of industry professionals. Visit www.callan.com/library to see all of our publications, and www.callan.com/blog to view our blog "Perspectives." For more information contact Barb Gerraty at 415-274-3093 / institute@callan.com.

New Research from Callan's Experts

The OCIO Model: How Do We Measure Success? | This paper outlines the key issues for evaluating the success of outsourced chief investment officer (OCIO) services.

Perspectives on Investing: The Evolution of Strategic Allocations | In this video, Callan experts discuss the key challenges of evaluating non-U.S. equity investments.

Opportunities & Challenges: Investing in Private Equity Partnerships | In this video, Callan experts discuss investing directly in private equity partnerships.

Building a Pool of Transition Managers: Both an Art and a Science | Transition management is the restructuring of institutional portfolios from single or multiple investment managers/asset classes to a new allocation over a short-term horizon. This paper offers guidance on building a pool of transition managers.

Callan's Periodic Table Explained | The popular Callan Periodic Table of Investment Returns turned 20 this year. This animated feature discusses the benefits and some of the history of the table.



The Cobbler's Shoes: How Asset Managers Run Their Own 401(k) Plans | Can investment manager-sponsored DC plans provide insights on plan design and implementation? To help answer this question, Callan examined the 401(k) plans of investment



managers. The industry scored high on retirement savings metrics. But in contrast to the industry consensus, asset managers generally embraced complexity over simplicity in their investment designs.

How to Distinguish Between Growth Equity and Late-Stage VC



Both growth equity and late-stage venture capital are growth-oriented but differ significantly in the types of companies they invest in, the structure of their investments, the way in which they create value, and the trade-offs between risk and return.

Nurturing Strong Cultures at Professional Firms | In this paper, Callan Executive Chairman Ron Peyton offers advice for building effective and transparent corporate cultures.

Opening Doors of Opportunity | This paper reviews the types of co-investment opportunities offered by hedge funds and funds-of-funds (FOFs).

Quarterly Periodicals

Private Equity Trends | A newsletter on private equity activity, covering both the fundraising cycle and performance over time.

Market Pulse Flipbook | A market reference guide covering trends in the U.S. economy, developments for fund sponsors, and the latest data for U.S. and non-U.S. equities and fixed income, alternatives, and defined contribution plans.

Active vs. Passive Charts | This series of charts compares active managers alongside relevant benchmarks over the long term.

Capital Market Review | A newsletter providing analysis and a broad overview of the economy and public and private market activity each quarter across a wide range of asset classes.

Events

Miss out on a Callan conference or workshop? Event summaries and speakers' presentations are available on our website: www.callan.com/library/

Please mark your calendar and look forward to upcoming invitations.

October Regional Workshops

October 22, 2019 – Denver

October 24, 2019 – Chicago

2020 National Conference

January 27-29, 2020 – San Francisco

Please also keep your eye out for upcoming Webinars in 2019! We will be sending invitations for these and also will have registration links on our website at www.callan.com/events.

For more information about events, please contact Barb Gerraty: 415-274-3093 / gerraty@callan.com

The Center for Investment Training Educational Sessions

The Center for Investment Training, better known as the “Callan College,” provides a foundation of knowledge for industry professionals who are involved in the investment decision-making process. It was founded in 1994 to provide clients and non-clients alike with basic- to intermediate-level instruction. Our next sessions are:

Introduction to Investments

San Francisco, July 23-24, 2019

Atlanta, October 8-9, 2019

Chicago, October 22-23, 2019

This program familiarizes fund sponsor trustees, staff, and asset management advisers with basic investment theory, terminology, and practices. It lasts one-and-a-half days and is designed for individuals who have less than two years of experience with asset-management oversight and/or support responsibilities. Tuition for the Introductory “Callan College” session is \$2,350 per person. Tuition includes instruction, all materials, breakfast and lunch on each day, and dinner on the first evening with the instructors.

“Callan College” on Alternative Investments

Chicago, October 29-30, 2019

The “Callan College” on Alternative Investments will cover: private equity, private credit, hedge funds, real estate, and real assets. Tuition for the “Callan College” on Alternative Investments session is \$2,500 per person. Tuition includes instruction, all materials, and breakfast and lunch on each day.

Learn more at www.callan.com/events/callan-college-intro

Education: By the Numbers

525

Attendees (on average) of the Institute's annual National Conference

50+

Unique pieces of research the Institute generates each year

3,700

Total attendees of the “Callan College” since 1994

1980

Year the Callan Institute was founded



“Research is the foundation of all we do at Callan, and sharing our best thinking with the investment community is our way of helping to foster dialogue to raise the bar across the industry.”

Greg Allen, CEO and Chief Research Officer



List of Callan's Investment Manager Clients

Confidential – For Callan Client Use Only

Callan takes its fiduciary and disclosure responsibilities to clients very seriously. We recognize that there are numerous potential conflicts of interest encountered in the investment consulting industry and that it is our responsibility to manage those conflicts effectively and in the best interest of our clients. At Callan, we employ a robust process to identify, manage, monitor and disclose potential conflicts on an on-going basis.

The list below is an important component of our conflicts management and disclosure process. It identifies those investment managers that pay Callan fees for educational, consulting, software, database or reporting products and services. We update the list quarterly because we believe that our fund sponsor clients should know the investment managers that do business with Callan, particularly those investment manager clients that the fund sponsor clients may be using or considering using. Please note that if an investment manager receives a product or service on a complimentary basis (e.g. attending and educational event), they are not included in the list below. Callan is committed to ensuring that we do not consider an investment manager's business relationship with Callan, or lack thereof, in performing evaluations for or making suggestions or recommendations to its other clients. Please refer to Callan's ADV Part 2A for a more detailed description of the services and products that Callan makes available to investment manager clients through our Institutional Consulting Group, Independent Adviser Group and Fund Sponsor Consulting Group. Due to the complex corporate and organizational ownership structures of many investment management firms, parent and affiliate firm relationships are not indicated on our list.

Fund sponsor clients may request a copy of the most currently available list at any time. Fund sponsor clients may also request specific information regarding the fees paid to Callan by particular fund manager clients. Per company policy, information requests regarding fees are handled exclusively by Callan's Compliance Department.

Manager Name
Aberdeen Standard Investments
Acadian Asset Management LLC
AEGON USA Investment Management
Alcentra
AllianceBernstein
Allianz Global Investors
Allianz Life Insurance Company of North America
American Century Investments
Amundi Pioneer Asset Management
AQR Capital Management
Ares Management LLC
Ariel Investments, LLC
Atlanta Capital Management Co., LLC
Aviva Investors Americas
AXA Investment Managers
Baillie Gifford International, LLC
Baird Advisors
Baron Capital Management, Inc.
Barrow, Hanley, Mewhinney & Strauss, LLC
BlackRock
BMO Global Asset Management
BNP Paribas Asset Management
BNY Mellon Asset Management
Boston Partners
Brandes Investment Partners, L.P.
Brandywine Global Investment Management, LLC
BrightSphere Investment Group
Brown Brothers Harriman & Company
Cambiar Investors, LLC
Capital Group
Carillon Tower Advisers
CastleArk Management, LLC
Causeway Capital Management
Chartwell Investment Partners

Manager Name
ClearBridge Investments, LLC
Cohen & Steers Capital Management, Inc.
Columbia Threadneedle Investments
Columbus Circle Investors
Credit Suisse Asset Management
DePrince, Race & Zollo, Inc.
Diamond Hill Capital Management, Inc.
Dimensional Fund Advisors LP
Doubleline
Duff & Phelps Investment Management Co.
DWS
EARNEST Partners, LLC
Eaton Vance Management
Epoch Investment Partners, Inc.
Fayez Sarofim & Company
Federated Investors
Fidelity Institutional Asset Management
Fiera Capital Corporation
Financial Engines
First Hawaiian Bank Wealth Management Division
First State Investments
Fisher Investments
Franklin Templeton
Fred Alger Management, Inc.
GAM (USA) Inc.
Glenmeade Investment Management, LP
GlobeFlex Capital, L.P.
Goldman Sachs
Green Square Capital LLC
Guggenheim Investments
GW&K Investment Management
Harbor Capital Group Trust
Hartford Investment Management Co.
Heitman LLC

Manager Name
Hotchkis & Wiley Capital Management, LLC
HSBC Global Asset Management
Income Research + Management, Inc.
Insight Investment Management Limited
Intech Investment Management, LLC
Intercontinental Real Estate Corporation
Invesco
Investec Asset Management
Ivy Investments
J.P. Morgan
Janus
Jennison Associates LLC
Jobs Peak Advisors
KeyCorp
Lazard Asset Management
Legal & General Investment Management America
Lincoln National Corporation
Logan Circle Partners, L.P.
Longview Partners
Loomis, Sayles & Company, L.P.
Lord Abbett & Company
Los Angeles Capital Management
LSV Asset Management
MacKay Shields LLC
Macquarie Investment Management (MIM)
Manulife Asset Management
Marathon Asset Management, L.P.
McKinley Capital Management, LLC
MFS Investment Management
MidFirst Bank
Mondrian Investment Partners Limited
Montag & Caldwell, LLC
Morgan Stanley Investment Management
Mountain Lake Investment Management LLC
Mountain Pacific Advisors, LLC
MUFG Union Bank, N.A.
Natixis Investment Managers
Neuberger Berman
Newton Investment Management
Nikko Asset Management Co., Ltd.
Northern Trust Asset Management
Nuveen
OFI Global Asset Management
Osterweis Capital Management, LLC
P/E Investments

Manager Name
Pacific Investment Management Company
Pathway Capital Management
Peregrine Capital Management, Inc.
Perkins Investment Management
PGIM Fixed Income
PineBridge Investments
PNC Capital Advisors, LLC
Principal Global Investors
Putnam Investments, LLC
QMA LLC
RBC Global Asset Management
Regions Financial Corporation
Robeco Institutional Asset Management, US Inc.
Rockefeller Capital Management
Rothschild & Co. Asset Management US
Russell Investments
Schroder Investment Management North America Inc.
Smith Graham & Co. Investment Advisors, L.P.
Smith Group Asset Management
South Texas Money Management, Ltd.
State Street Global Advisors
Stone Harbor Investment Partners, L.P.
Sun Life Investment Management
T. Rowe Price Associates, Inc.
The Boston Company Asset Management
The TCW Group, Inc.
Thompson, Siegel & Walmsley LLC
Thornburg Investment Management, Inc.
Tri-Star Trust Bank
UBS Asset Management
VanEck
Versus Capital Group
Victory Capital Management Inc.
Virtus Investment Partners, Inc.
Vontobel Asset Management, Inc.
Voya
WCM Investment Management
WEDGE Capital Management
Wellington Management Company, LLP
Wells Fargo Asset Management
Western Asset Management Company LLC
Westfield Capital Management Company, LP
William Blair & Company LLC



CLA (CliftonLarsonAllen LLP)
101 South Capitol Boulevard, Suite 1700
Boise, ID 83702-5958
208-387-6400 | fax 208-387-6450
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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Idaho Department of Lands
Boise, ID

We have performed the procedures enumerated below, which were agreed to by Idaho Department of Lands, solely to assist you with respect to the allocation procedures for the year ended June 30, 2019. Management is responsible for the allocation procedures. The sufficiency of these procedures is solely the responsibility of the party specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and the associated findings are as follows:

Procedures

1. Revenues: Obtain IBIS Report 'Endowment Revenue by Beneficiary' and the DAFR 8180 reports and perform the following for the year ended June 30, 2019:
 - a. Agree revenue in total by each of the nine endowments per the IBIS report to the Department of Lands (DOL) Income Statement.
 - b. Recalculate the allocation of the nine asset activities to the seven asset classes per the methodology outlined in the "Endowment Lands Income Statement Methodology" Document dated June 30, 2019 for revenues.
 - c. Agree revenues in total for each of the recalculated seven asset classes to the DOL Income Statement.

Findings

1. None noted.

Procedures

2. Project Expense: Obtain IBIS Report 'Expenditure Search' including project codes for Real Estate Services and the Timber Project Allocations, Support Services excel spreadsheet and perform the following for the year ended June 30, 2019:
 - a. Agree project expenses in total by each of the nine endowments per the above reports to the DOL Income Statement.
 - b. Recalculate the allocation of the nine asset activities to the seven asset classes per the methodology included in the "Endowment Lands Income Statement Methodology" Document dated June 30, 2019 for project expenses.
 - c. Agree project expenses in total for each of the recalculated seven asset classes to the DOL Income Statement.
 - d. Obtain listing of projects with transactions recorded to project expense during the year ended June 30, 2019 and agree total to project expense on DOL income statement for the year ended June 30, 2019.
 - i. Obtain defined project allocation percentages for each project selected and recalculate recorded allocation to respective endowments.
 - ii. Report any discrepancies

Findings

2. None noted.

Procedures

3. Non-Project Expense: Obtain DAFR 8290 Report and perform the following for the year ended June 30, 2019:
 - a. Recalculate the allocation of the nine asset activities to the seven asset classes per the methodology outlined in the "Endowment Lands Income Statement Methodology" Document dated June 30, 2019 for non-project expenses.
 - b. Agree non-project expenses in total for each of the recalculated seven asset classes to the DOL Income Statement.
 - c. Recalculate the allocation of the total non-project expenses by asset class to each of the nine endowments based on the methodology included in the "Endowment Lands Income Statement Methodology" Document dated June 30, 2019 for project expenses.
 - d. Agree non-project expenses by endowment for each of the recalculated nine endowments to the DOL Income Statement.

Findings

3. None noted.

Procedures

4. Overhead: Obtain DAFR 8290 Report and perform the following for the year ended June 30, 2019:
 - a. Agree total overhead per the IBIS report to the DOL Income Statement.
 - b. Recalculate the allocation of the total overhead expenses to each of the nine endowments and each of the seven asset classes based on the methodology included in the "Endowment Lands Income Statement Methodology" Document dated June 30, 2019 for overhead.

Findings

4. None noted.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion on the allocation procedures outlined in our engagement letter dated August 13, 2019 for the year ended June 30, 2019. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Idaho Department of Lands and is not intended to be and should not be used by anyone other than this party.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boise, Idaho
August 21, 2019



IDAHO DEPARTMENT OF LANDS

STATE BOARD OF LAND COMMISSIONERS

December 17, 2019

Consent Agenda

Subject

Authorization to purchase a Forest Legacy Program conservation easement, known as Kootenai Valley–Lefebvre, comprising 107 acres of privately-owned forestland in Boundary County

Question Presented

Shall the Board authorize the Department to acquire the Kootenai Valley–Lefebvre conservation easement.

Background

- The Idaho State Board of Land Commissioners authorizes the Idaho Department of Lands to acquire such interests by voluntary, cooperative means and to create a conservation easement pursuant to Title 36, Chapter 1, and Title 55, Chapter 21 Idaho Code.
- The Cooperative Forestry Assistance Act (the "Act") of 1978 (16 U.S.C. 2101 et. seq.), as amended by Section 1217 and Title XII of the Food, Agriculture, Conservation Trade Act of 1990 (16 U.S.C. 2103c), established the federal Forest Legacy Program to protect environmentally important forestlands threatened with conversion to non-forest use.
- The Forest Legacy Program is funded through the Land and Water Conservation Fund which was established by Congress in 1965, in part, to assist states in conserving vital working lands, wildlife habitats, and outdoor recreation. These are not taxpayer dollars, but a small portion of the royalties paid by energy companies drilling for oil and gas on public land on the Outer Continental Shelf.

Discussion

The Forest Legacy Program (FLP)—a federal program in partnership with states—seeks to keep working forests working (Attachment 1). Through a federal grant, Idaho's FLP purchases conservation easements (CEs) on private forestlands that might otherwise be converted to non-forest uses. Idaho's FLP CEs are designed to conserve the economic and environmental values that forestlands provide without removing the property from private ownership.

The FLP is an entirely voluntary program that offers willing landowners the opportunity to capture part of the "development value" of their land while receiving assurance that the forestland will remain a working forest forever. Idaho's FLP CEs restrict development and subdivision, require sustainable forestry practices through the implementation of a Forest

Stewardship Plan, and protect other environmental values. Federal grant funds provide up to 75% of the program costs for the purchase of CEs on private forestlands with a 25% non-federal match requirement. Eligible program costs include conservation easement value as well as associated due diligence expenses. Eligible non-federal cost-share includes fully donated CEs, bargain sale CEs, in-kind services and non-federal cash contributions.

This CE is part of the federal FY2016 Hall Mountain-Kootenai Valley FLP Project (Attachment 2). Currently, the Lefebvre family wishes to convey a CE to the Idaho Department of Lands to conserve their working forestland in perpetuity, thereby protecting the economic and environmental values while keeping their property in private ownership. The non-federal match for this purchase is in the form of cash from The Nature Conservancy (TNC), and a fully-donated conservation easement. The table below summarizes project costs.

Landowner	Appraised CE Value	Due Diligence Expenses*	Donated CE Value	Total Cost	FLP Contribution**
Lefebvre	\$265,000	\$25,300	\$8,436	\$298,736	\$224,052

* Estimated due diligence expenses: baseline report, survey, appraisal, professional services, closing fees and title insurance.

** In accordance with FLP Guidelines, the required 25% non-federal cost-share will be cash from TNC and a fully-donated conservation easement.

The Lefebvre CE is consistent with the goals and objectives of Idaho's FLP and will protect the following significant conservation values:

- **Timber:** Idaho's Forest Action Plan identifies the area where the project lands are located as one of the highest priority areas for forestland protection in the state. According to Boundary County's Comprehensive Plan, the harvest of timber and other products from forestland in Boundary County is essential to the local economy.
- **Wildlife Habitat:** Project lands contain some of the most valuable wildlife habitat in Idaho, supporting an abundant assortment of game and non-game species including federally-listed threatened and endangered species such as grizzly bear and Canada lynx.
- **Landscape Scale Conservation Impact:** The Kootenai Valley project is located in an area of high conservation priority. Ten existing FLP conservation easements are located within 10 miles. The property adjoins a nature preserve and is near the Kootenai National Wildlife Refuge.

The project has garnered broad public support by various public and private entities (Attachment 3). These forestlands have substantial and significant conservation and

economic values that are of great importance to the people of Idaho. The protection of these values will yield a significant public benefit.

Recommendation

Authorize the Idaho Department of Lands to acquire the Kootenai Valley–Lefebvre conservation easement comprising 107 acres.

Board Action

Attachments

1. Forest Legacy Program Fact Sheet
2. Map
3. Public Support



IDAHO DEPARTMENT OF LANDS



Forest Legacy Program

Fact Sheet

The Forest Legacy Program (FLP) is a program that seeks to protect privately owned, economically and environmentally important forestlands that are threatened by conversion to non-forest uses. FLP is a voluntary program that, through the purchase of conservation easements, operates on the “willing buyer, willing seller” principle. Lands covered by a FLP conservation easement stay in private ownership and continue to be managed for traditional uses such as forest management.

1. What is a conservation easement?

- A legal instrument through which certain rights, such as subdivision and development, are transferred from a landowner to a non-profit organization or government agency. The grantee organization does not gain the right to subdivide or develop; rather, it holds those restrictions “in trust” and ensures that no one uses the rights restricted by the grantor. A conservation easement is perpetual and runs with the land. Idaho Code Title 55, Chapter 21 is Idaho’s Uniform Conservation Easement Act.

2. Where does FLP funding come from?

- Federal FLP grant funds **are not** tax-payer dollars.
- FLP is funded through the Land and Water Conservation Fund (LWCF), which was established in 1965, in part, to assist states in conserving vital working lands, wildlife habitats and outdoor recreation.
- Each year, a small percentage of royalties paid by energy companies drilling for oil and gas on public land on the Outer Continental Shelf is deposited into the LWCF account in the federal treasury. The premise of LWCF is essentially to protect one natural resource in exchange for the depletion of another.
- The U.S. Forest Service (USFS) administers the program at the national level and provides grants from LWCF to states to carry out the FLP.

3. What qualifies projects for consideration?

- Meets FLP’s primary objective to keep working forests working
- 75% forested
- Privately owned
- 5 acres or larger
- Includes a minimum 25% non-federal match
- Must be within a Priority Landscape Area as identified in Idaho’s Forest Action Plan
- Must be carried out in partnership with another state agency or land trust organization

4. How are projects evaluated and selected?

- Projects are evaluated using the following criteria:
 - Importance: criteria reflect the environmental, economic and social values the forest provides

- Threat: criteria evaluate the likelihood of conversion from forest to non-forest uses that would result in a loss of forest values and public benefits
- Strategic: criteria reflect the relevance to conservation efforts in a broader perspective (contributes to a conservation strategy and complements other intact forests)
- Projects are evaluated and ranked by a national review panel in Washington DC. The review panel, comprised of 6 state agency representatives and 6 USFS representatives from across the U.S., is tasked with ranking all projects submitted nationwide.

5. How are conservation easement values determined?

- A conservation easement purchase price is determined by an appraisal which conforms to the guidelines of two professional appraisal standards: the Uniform Standards of Professional Appraisal Practice (USPAP) and the Uniform Appraisal Standards of Federal Land Acquisitions (UASFLA or “Yellow Book”). Prior to the acquisition, the FLP requires an independent appraisal review.
- Appraisers meet rigorous private and federal appraisal standards, education, and training and must have considerable experience appraising projects of the same type and complexity.

6. How are federal funds conveyed for Forest Legacy acquisitions?

- Federal funds are directly distributed by the USFS to a title company that handles the closing transaction and recording of the conservation easement.
- The federal funding used to purchase a conservation easement *cannot* be higher than the appraised fair market value.

7. Who holds title to the FLP easement?

- The State of Idaho

8. How do conservation easements impact property taxes?

- The property is still in private ownership and taxed as such. Current property taxes are not impacted.

9. Do these FLP conservation easement acquisitions result in any impact on the state general fund?

- No. Project funds are allocated directly from the USDA Forest Service for the conservation easement purchase. No general fund dollars are used for the acquisition, nor are they used to fund administration of the Idaho FLP.

Idaho Forest Legacy Program

Program Goals

- Identify high priority forestlands in Idaho
- Maintain the cultural and economic stability of rural communities by conserving *working* forest landscapes
- Conserve and/or enhance water quality
- Maintain unique forest habitats
- Protect and provide habitat for native fish, wildlife and plants
- Protect the social values that forests provide such as public recreation, scenic, cultural and historical values

Program Objectives

- Promote wildlife connectivity between undeveloped areas
- Focus efforts on projects with large areas of contiguous forest
- Promote sustainable forest management practices
- Contribute to a large scale organized conservation plan
- Protect Threatened and Endangered species habitat
- Complement previous investments in forestland conservation

To Date Statistics (December 2019)

34 conservation easement purchases: 96,854 acres

13 donated conservation easements: 3,190 acres

Federal Funds: \$38,957,549

Non-Federal Cost-Share: \$22,957,806

37% non-federal cost-share

87,000 acres open to public recreation, free of charge, in perpetuity

Pending Project Grants

FFY2020 Moyie River Corridor: 6,316 acres (Boundary County) – Ranked #6 nationally

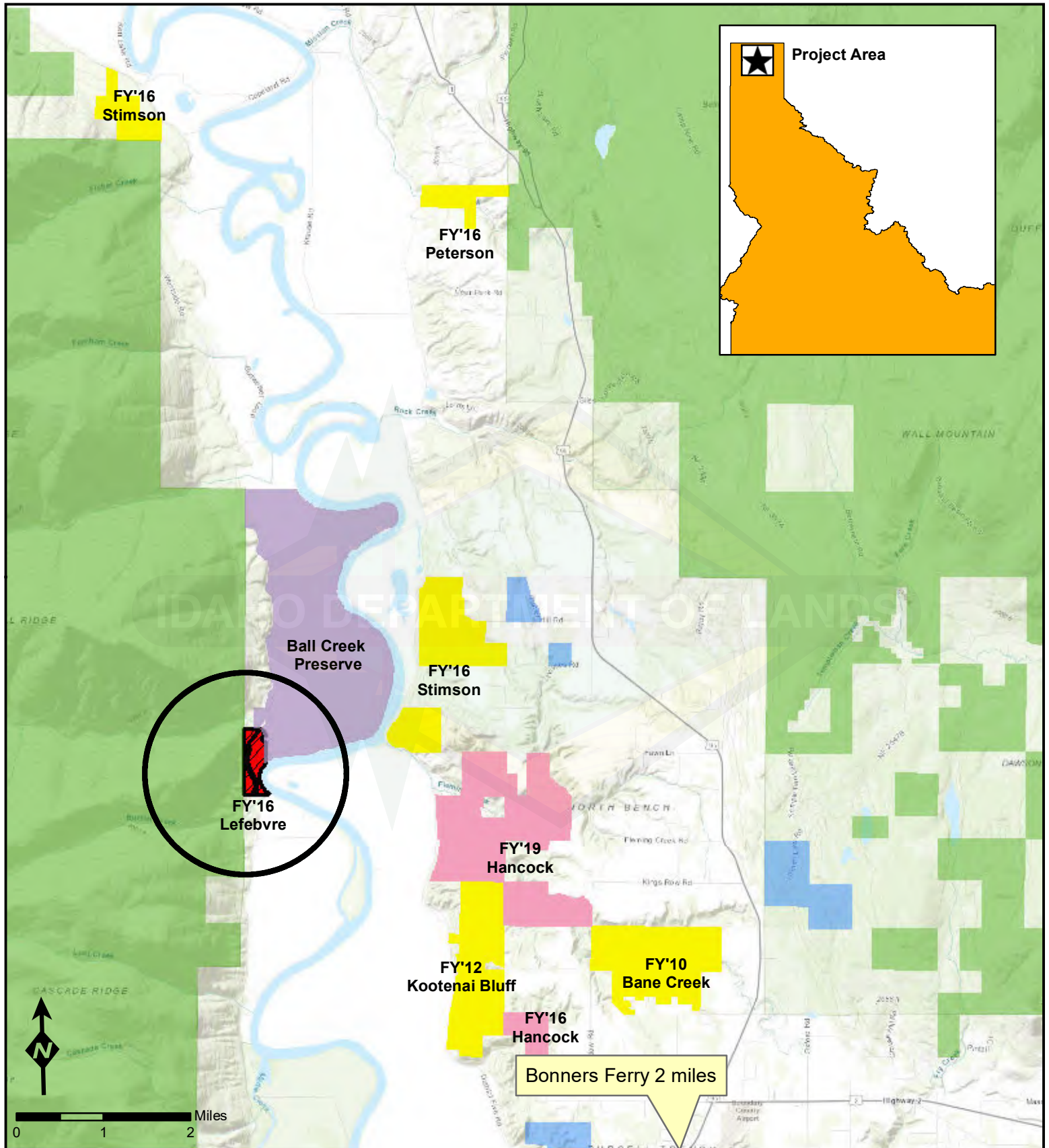
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For more information, visit:

<http://www.idl.idaho.gov/forestry/forest-legacy/index.html>

This institution is an equal opportunity provider.

FY2016 Kootenai Valley-Lefebvre Proposed Conservation Easement Boundary County, Idaho



Lefebvre Family Trust



Existing FLP Conservation Easement



Pending FLP Conservation Easement



USFS



IDL Endowment



Other Conservation Land



Karen Neorr- 12/03/2019



Public Support of the FY2016 Kootenai Valley Project in Boundary County

The following local, state and federal government agencies and local, state and regional conservation organizations have provided written letters in support of the purchase of a conservation easement on the Kootenai Valley project lands:

- United States Senator Mike Crapo
- United States Senator James Risch
- Boundary County Board of Commissioners
- City of Bonners Ferry
- The Kootenai Tribe of Idaho
- Kootenai Valley Resource Initiative
- US Forest Service
- US Fish and Wildlife Service
- Bureau of Land Management
- Idaho Department of Fish and Game
- Yellowstone to Yukon Initiative
- The Vital Ground Foundation
- Idaho Conservation League
- Trust for Public Land
- Inland Northwest Land Conservancy
- Idaho Forest Group
- Foust, Inc.
- Idaho Forest Owners Association
- Bane Creek FLP Landowners
- Boundary Connections FLP Landowners

STATE BOARD OF LAND COMMISSIONERS

December 17, 2019

Consent Agenda

Subject

Authorization to purchase a Forest Legacy Program conservation easement, known as Kootenai Valley–Placer Creek, comprising 95 acres of privately-owned forestland in Boundary County

Question Presented

Shall the Board authorize the Department to acquire the Kootenai Valley–Placer Creek conservation easement.

Background

- The Idaho State Board of Land Commissioners authorizes the Idaho Department of Lands to acquire such interests by voluntary, cooperative means and to create a conservation easement pursuant to Title 36, Chapter 1, and Title 55, Chapter 21 Idaho Code.
- The Cooperative Forestry Assistance Act (the "Act") of 1978 (16 U.S.C. 2101 et. seq.), as amended by Section 1217 and Title XII of the Food, Agriculture, Conservation Trade Act of 1990 (16 U.S.C. 2103c), established the federal Forest Legacy Program to protect environmentally important forestlands threatened with conversion to non-forest use.
- The Forest Legacy Program is funded through the Land and Water Conservation Fund which was established by Congress in 1965, in part, to assist states in conserving vital working lands, wildlife habitats, and outdoor recreation. These are not taxpayer dollars, but a small portion of the royalties paid by energy companies drilling for oil and gas on public land on the Outer Continental Shelf.

Discussion

The Forest Legacy Program (FLP)—a federal program in partnership with states—seeks to keep working forests working (Attachment 1). Through a federal grant, Idaho's FLP purchases conservation easements (CEs) on private forestlands that might otherwise be converted to non-forest uses. Idaho's FLP CEs are designed to conserve the economic and environmental values that forestlands provide without removing the property from private ownership.

The FLP is an entirely voluntary program that offers willing landowners the opportunity to capture part of the "development value" of their land while receiving assurance that the forestland will remain a working forest forever. Idaho's FLP CEs restrict development and subdivision, require sustainable forestry practices through the implementation of a Forest

Stewardship Plan, and protect other environmental values. Federal grant funds provide up to 75% of the program costs for the purchase of CEs on private forestlands with a 25% non-federal match requirement. Eligible program costs include conservation easement value as well as associated due diligence expenses. Eligible non-federal cost-share includes fully donated CEs, bargain sale CEs, in-kind services and non-federal cash contributions.

This CE is part of the federal FY2016 Hall Mountain-Kootenai Valley FLP Project (Attachment 2). The landowner, Jackson Timberland Opportunities-Tristar LLC, wishes to convey a CE to the Idaho Department of Lands to conserve their working forestland in perpetuity, thereby protecting the economic and environmental values while keeping their property in private ownership. The non-federal match for this purchase is in the form of donated easement value. The table below summarizes project costs.

Landowner	Appraised CE Value	Landowner Due Diligence Expenses*	Total Cost	FLP Contribution**
JTO	\$188,300	\$29,000	\$217,300	\$162,975

* Estimated due diligence expenses: baseline report, appraisal, mineral report, forest stewardship plan, closing fees and title insurance.

** In accordance with FLP Guidelines, the required 25% non-federal cost-share will consist of: 1) a bargain sale in which the easement is purchased at 75% of the appraised value and 2) eligible landowner expenses will be reimbursed at 75%.

The Placer Creek CE is consistent with the goals and objectives of Idaho's FLP and will protect the following significant conservation values:

- **Timber:** Idaho's Forest Action Plan identifies the area where the project lands are located as one of the highest priority areas for forestland protection in the state. According to Boundary County's Comprehensive Plan, the harvest of timber and other products from forestland in Boundary County is essential to the local economy.
- **Wildlife Habitat:** Project lands contain some of the most valuable wildlife habitat in Idaho, supporting an abundant assortment of game and non-game species including federally-listed threatened and endangered species such as grizzly bear and Canada lynx.
- **Public Recreation:** The conservation easement terms ensure that these lands will remain accessible to the general public for non-commercial recreational uses including hunting, trapping, fishing, biking, hiking, cross-country skiing and wildlife viewing.
- **Landscape Scale Conservation Impact:** The Kootenai Valley project is located in an area of high conservation priority. Ten existing FLP conservation easements are

located within 10 miles. The property adjoins thousands of acres of the Idaho Panhandle National Forest.

The project has garnered broad public support by various public and private entities (Attachment 3). These forestlands have substantial and significant conservation and economic values that are of great importance to the people of Idaho. The protection of these values will yield a significant public benefit.

Recommendation

Authorize the Idaho Department of Lands to acquire the Kootenai Valley–Placer Creek conservation easement comprising 95 acres.

Board Action

Attachments

1. Forest Legacy Program Fact Sheet
2. Map
3. Public Support

A large, faint watermark of the Idaho Department of Lands logo is centered on the page. The logo features a stylized mountain range in the background, with a central diamond shape containing a green field and a yellow field. Overlaid on this is a horizontal banner with the text "IDAHO DEPARTMENT OF LANDS" in white capital letters.

IDAHO DEPARTMENT OF LANDS



Forest Legacy Program

Fact Sheet

The Forest Legacy Program (FLP) is a program that seeks to protect privately owned, economically and environmentally important forestlands that are threatened by conversion to non-forest uses. FLP is a voluntary program that, through the purchase of conservation easements, operates on the “willing buyer, willing seller” principle. Lands covered by a FLP conservation easement stay in private ownership and continue to be managed for traditional uses such as forest management.

1. What is a conservation easement?

- A legal instrument through which certain rights, such as subdivision and development, are transferred from a landowner to a non-profit organization or government agency. The grantee organization does not gain the right to subdivide or develop; rather, it holds those restrictions “in trust” and ensures that no one uses the rights restricted by the grantor. A conservation easement is perpetual and runs with the land. Idaho Code Title 55, Chapter 21 is Idaho’s Uniform Conservation Easement Act.

2. Where does FLP funding come from?

- Federal FLP grant funds **are not** tax-payer dollars.
- FLP is funded through the Land and Water Conservation Fund (LWCF), which was established in 1965, in part, to assist states in conserving vital working lands, wildlife habitats and outdoor recreation.
- Each year, a small percentage of royalties paid by energy companies drilling for oil and gas on public land on the Outer Continental Shelf is deposited into the LWCF account in the federal treasury. The premise of LWCF is essentially to protect one natural resource in exchange for the depletion of another.
- The U.S. Forest Service (USFS) administers the program at the national level and provides grants from LWCF to states to carry out the FLP.

3. What qualifies projects for consideration?

- Meets FLP’s primary objective to keep working forests working
- 75% forested
- Privately owned
- 5 acres or larger
- Includes a minimum 25% non-federal match
- Must be within a Priority Landscape Area as identified in Idaho’s Forest Action Plan
- Must be carried out in partnership with another state agency or land trust organization

4. How are projects evaluated and selected?

- Projects are evaluated using the following criteria:
 - Importance: criteria reflect the environmental, economic and social values the forest provides

- Threat: criteria evaluate the likelihood of conversion from forest to non-forest uses that would result in a loss of forest values and public benefits
- Strategic: criteria reflect the relevance to conservation efforts in a broader perspective (contributes to a conservation strategy and complements other intact forests)
- Projects are evaluated and ranked by a national review panel in Washington DC. The review panel, comprised of 6 state agency representatives and 6 USFS representatives from across the U.S., is tasked with ranking all projects submitted nationwide.

5. How are conservation easement values determined?

- A conservation easement purchase price is determined by an appraisal which conforms to the guidelines of two professional appraisal standards: the Uniform Standards of Professional Appraisal Practice (USPAP) and the Uniform Appraisal Standards of Federal Land Acquisitions (UASFLA or “Yellow Book”). Prior to the acquisition, the FLP requires an independent appraisal review.
- Appraisers meet rigorous private and federal appraisal standards, education, and training and must have considerable experience appraising projects of the same type and complexity.

6. How are federal funds conveyed for Forest Legacy acquisitions?

- Federal funds are directly distributed by the USFS to a title company that handles the closing transaction and recording of the conservation easement.
- The federal funding used to purchase a conservation easement *cannot* be higher than the appraised fair market value.

7. Who holds title to the FLP easement?

- The State of Idaho

8. How do conservation easements impact property taxes?

- The property is still in private ownership and taxed as such. Current property taxes are not impacted.

9. Do these FLP conservation easement acquisitions result in any impact on the state general fund?

- No. Project funds are allocated directly from the USDA Forest Service for the conservation easement purchase. No general fund dollars are used for the acquisition, nor are they used to fund administration of the Idaho FLP.

Idaho Forest Legacy Program

Program Goals

- Identify high priority forestlands in Idaho
- Maintain the cultural and economic stability of rural communities by conserving *working* forest landscapes
- Conserve and/or enhance water quality
- Maintain unique forest habitats
- Protect and provide habitat for native fish, wildlife and plants
- Protect the social values that forests provide such as public recreation, scenic, cultural and historical values

Program Objectives

- Promote wildlife connectivity between undeveloped areas
- Focus efforts on projects with large areas of contiguous forest
- Promote sustainable forest management practices
- Contribute to a large scale organized conservation plan
- Protect Threatened and Endangered species habitat
- Complement previous investments in forestland conservation

To Date Statistics (December 2019)

34 conservation easement purchases: 96,854 acres

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Federal Funds: \$38,957,549

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37% non-federal cost-share

87,000 acres open to public recreation, free of charge, in perpetuity

Pending Project Grants

FFY2020 Moyie River Corridor: 6,316 acres (Boundary County) – Ranked #6 nationally

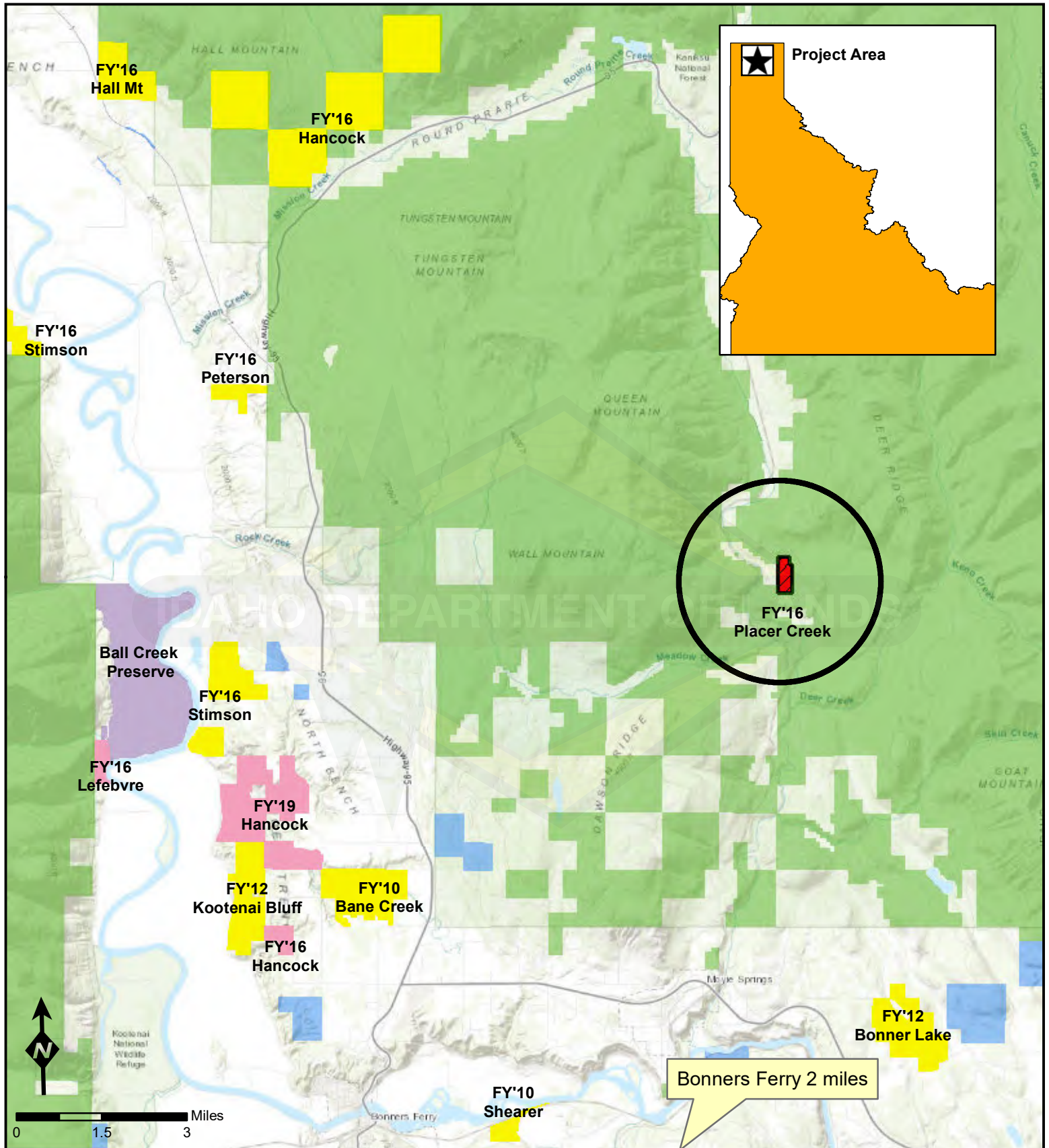
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For more information, visit:

<http://www.idl.idaho.gov/forestry/forest-legacy/index.html>

This institution is an equal opportunity provider.

FY2016 Kootenai Valley-Placer Creek Proposed Conservation Easement Boundary County, Idaho



Karen Neorr- 12/03/2019



Public Support of the FY2016 Kootenai Valley Project in Boundary County

The following local, state and federal government agencies and local, state and regional conservation organizations have provided written letters in support of the purchase of a conservation easement on the Kootenai Valley project lands:

- United States Senator Mike Crapo
- United States Senator James Risch
- Boundary County Board of Commissioners
- City of Bonners Ferry
- The Kootenai Tribe of Idaho
- Kootenai Valley Resource Initiative
- US Forest Service
- US Fish and Wildlife Service
- Bureau of Land Management
- Idaho Department of Fish and Game
- Yellowstone to Yukon Initiative
- The Vital Ground Foundation
- Idaho Conservation League
- Trust for Public Land
- Inland Northwest Land Conservancy
- Idaho Forest Group
- Foust, Inc.
- Idaho Forest Owners Association
- Bane Creek FLP Landowners
- Boundary Connections FLP Landowners

STATE BOARD OF LAND COMMISSIONERS

December 17, 2019

Consent Agenda

Subject

Authorization to purchase a Forest Legacy Program conservation easement, known as Kootenai Valley–North Bench 9, comprising 120 acres of privately-owned forestland in Boundary County

Question Presented

Shall the Board authorize the Department to acquire the Kootenai Valley– North Bench 9 conservation easement.

Background

- The Idaho State Board of Land Commissioners authorizes the Idaho Department of Lands to acquire such interests by voluntary, cooperative means and to create a conservation easement pursuant to Title 36, Chapter 1, and Title 55, Chapter 21 Idaho Code.
- The Cooperative Forestry Assistance Act (the "Act") of 1978 (16 U.S.C. 2101 et. seq.), as amended by Section 1217 and Title XII of the Food, Agriculture, Conservation Trade Act of 1990 (16 U.S.C. 2103c), established the federal Forest Legacy Program to protect environmentally important forestlands threatened with conversion to non-forest use.
- The Forest Legacy Program is funded through the Land and Water Conservation Fund which was established by Congress in 1965, in part, to assist states in conserving vital working lands, wildlife habitats, and outdoor recreation. These are not taxpayer dollars, but a small portion of the royalties paid by energy companies drilling for oil and gas on public land on the Outer Continental Shelf.

Discussion

The Forest Legacy Program (FLP)—a federal program in partnership with states—seeks to keep working forests working (Attachment 1). Through a federal grant, Idaho's FLP purchases conservation easements (CEs) on private forestlands that might otherwise be converted to non-forest uses. Idaho's FLP CEs are designed to conserve the economic and environmental values that forestlands provide without removing the property from private ownership.

The FLP is an entirely voluntary program that offers willing landowners the opportunity to capture part of the "development value" of their land while receiving assurance that the forestland will remain a working forest forever. Idaho's FLP CEs restrict development and subdivision, require sustainable forestry practices through the implementation of a Forest

Stewardship Plan, and protect other environmental values. Federal grant funds provide up to 75% of the program costs for the purchase of CEs on private forestlands with a 25% non-federal match requirement. Eligible program costs include conservation easement value as well as associated due diligence expenses. Eligible non-federal cost-share includes fully donated CEs, bargain sale CEs, in-kind services and non-federal cash contributions.

This CE is part of the federal FY2016 Hall Mountain-Kootenai Valley FLP Project (Attachment 2). The landowner, John Hancock Life Insurance Company, wishes to convey a CE to the Idaho Department of Lands to conserve their working forestland in perpetuity, thereby protecting the economic and environmental values while keeping their property in private ownership. The non-federal match for this purchase is in the form of donated easement value. The table below summarizes project costs.

Landowner	Appraised CE Value	Landowner Due Diligence Expenses*	Total Cost	FLP Contribution**
John Hancock	\$255,000	\$25,000	\$280,000	\$210,000

* Estimated due diligence expenses: baseline report, appraisal, mineral report, forest stewardship plan, closing fees and title insurance.

** In accordance with FLP Guidelines, the required 25% non-federal cost-share will consist of: 1) a bargain sale in which the easement is purchased at 75% of the appraised value and 2) eligible landowner expenses will be reimbursed at 75%.

The North Bench 9 CE is consistent with the goals and objectives of Idaho's FLP and will protect the following significant conservation values:

- **Timber:** Idaho's Forest Action Plan identifies the area where the project lands are located as one of the highest priority areas for forestland protection in the state. According to Boundary County's Comprehensive Plan, the harvest of timber and other products from forestland in Boundary County is essential to the local economy.
- **Wildlife Habitat:** Project lands contain some of the most valuable wildlife habitat in Idaho, supporting an abundant assortment of game and non-game species including federally-listed threatened and endangered species such as grizzly bear and Canada lynx.
- **Public Recreation:** The conservation easement terms ensure that these lands will remain accessible to the general public for non-commercial recreational uses including hunting, trapping, fishing, biking, hiking, cross-country skiing and wildlife viewing.

- **Landscape Scale Conservation Impact:** The Kootenai Valley project is located in an area of high conservation priority. Ten existing FLP conservation easements are located within 10 miles.

The project has garnered broad public support by various public and private entities (Attachment 3). These forestlands have substantial and significant conservation and economic values that are of great importance to the people of Idaho. The protection of these values will yield a significant public benefit.

Recommendation

Authorize the Idaho Department of Lands to acquire the Kootenai Valley– North Bench 9 conservation easement comprising 120 acres.

Board Action

Attachments

1. Forest Legacy Program Fact Sheet
2. Map
3. Public Support



IDAHO DEPARTMENT OF LANDS



Forest Legacy Program

Fact Sheet

The Forest Legacy Program (FLP) is a program that seeks to protect privately owned, economically and environmentally important forestlands that are threatened by conversion to non-forest uses. FLP is a voluntary program that, through the purchase of conservation easements, operates on the “willing buyer, willing seller” principle. Lands covered by a FLP conservation easement stay in private ownership and continue to be managed for traditional uses such as forest management.

1. What is a conservation easement?

- A legal instrument through which certain rights, such as subdivision and development, are transferred from a landowner to a non-profit organization or government agency. The grantee organization does not gain the right to subdivide or develop; rather, it holds those restrictions “in trust” and ensures that no one uses the rights restricted by the grantor. A conservation easement is perpetual and runs with the land. Idaho Code Title 55, Chapter 21 is Idaho’s Uniform Conservation Easement Act.

2. Where does FLP funding come from?

- Federal FLP grant funds **are not** tax-payer dollars.
- FLP is funded through the Land and Water Conservation Fund (LWCF), which was established in 1965, in part, to assist states in conserving vital working lands, wildlife habitats and outdoor recreation.
- Each year, a small percentage of royalties paid by energy companies drilling for oil and gas on public land on the Outer Continental Shelf is deposited into the LWCF account in the federal treasury. The premise of LWCF is essentially to protect one natural resource in exchange for the depletion of another.
- The U.S. Forest Service (USFS) administers the program at the national level and provides grants from LWCF to states to carry out the FLP.

3. What qualifies projects for consideration?

- Meets FLP’s primary objective to keep working forests working
- 75% forested
- Privately owned
- 5 acres or larger
- Includes a minimum 25% non-federal match
- Must be within a Priority Landscape Area as identified in Idaho’s Forest Action Plan
- Must be carried out in partnership with another state agency or land trust organization

4. How are projects evaluated and selected?

- Projects are evaluated using the following criteria:
 - Importance: criteria reflect the environmental, economic and social values the forest provides

- Threat: criteria evaluate the likelihood of conversion from forest to non-forest uses that would result in a loss of forest values and public benefits
- Strategic: criteria reflect the relevance to conservation efforts in a broader perspective (contributes to a conservation strategy and complements other intact forests)
- Projects are evaluated and ranked by a national review panel in Washington DC. The review panel, comprised of 6 state agency representatives and 6 USFS representatives from across the U.S., is tasked with ranking all projects submitted nationwide.

5. How are conservation easement values determined?

- A conservation easement purchase price is determined by an appraisal which conforms to the guidelines of two professional appraisal standards: the Uniform Standards of Professional Appraisal Practice (USPAP) and the Uniform Appraisal Standards of Federal Land Acquisitions (UASFLA or “Yellow Book”). Prior to the acquisition, the FLP requires an independent appraisal review.
- Appraisers meet rigorous private and federal appraisal standards, education, and training and must have considerable experience appraising projects of the same type and complexity.

6. How are federal funds conveyed for Forest Legacy acquisitions?

- Federal funds are directly distributed by the USFS to a title company that handles the closing transaction and recording of the conservation easement.
- The federal funding used to purchase a conservation easement *cannot* be higher than the appraised fair market value.

7. Who holds title to the FLP easement?

- The State of Idaho

8. How do conservation easements impact property taxes?

- The property is still in private ownership and taxed as such. Current property taxes are not impacted.

9. Do these FLP conservation easement acquisitions result in any impact on the state general fund?

- No. Project funds are allocated directly from the USDA Forest Service for the conservation easement purchase. No general fund dollars are used for the acquisition, nor are they used to fund administration of the Idaho FLP.

Idaho Forest Legacy Program

Program Goals

- Identify high priority forestlands in Idaho
- Maintain the cultural and economic stability of rural communities by conserving *working* forest landscapes
- Conserve and/or enhance water quality
- Maintain unique forest habitats
- Protect and provide habitat for native fish, wildlife and plants
- Protect the social values that forests provide such as public recreation, scenic, cultural and historical values

Program Objectives

- Promote wildlife connectivity between undeveloped areas
- Focus efforts on projects with large areas of contiguous forest
- Promote sustainable forest management practices
- Contribute to a large scale organized conservation plan
- Protect Threatened and Endangered species habitat
- Complement previous investments in forestland conservation

To Date Statistics (December 2019)

34 conservation easement purchases: 96,854 acres

13 donated conservation easements: 3,190 acres

Federal Funds: \$38,957,549

Non-Federal Cost-Share: \$22,957,806

37% non-federal cost-share

87,000 acres open to public recreation, free of charge, in perpetuity

Pending Project Grants

FFY2020 Moyie River Corridor: 6,316 acres (Boundary County) – Ranked #6 nationally

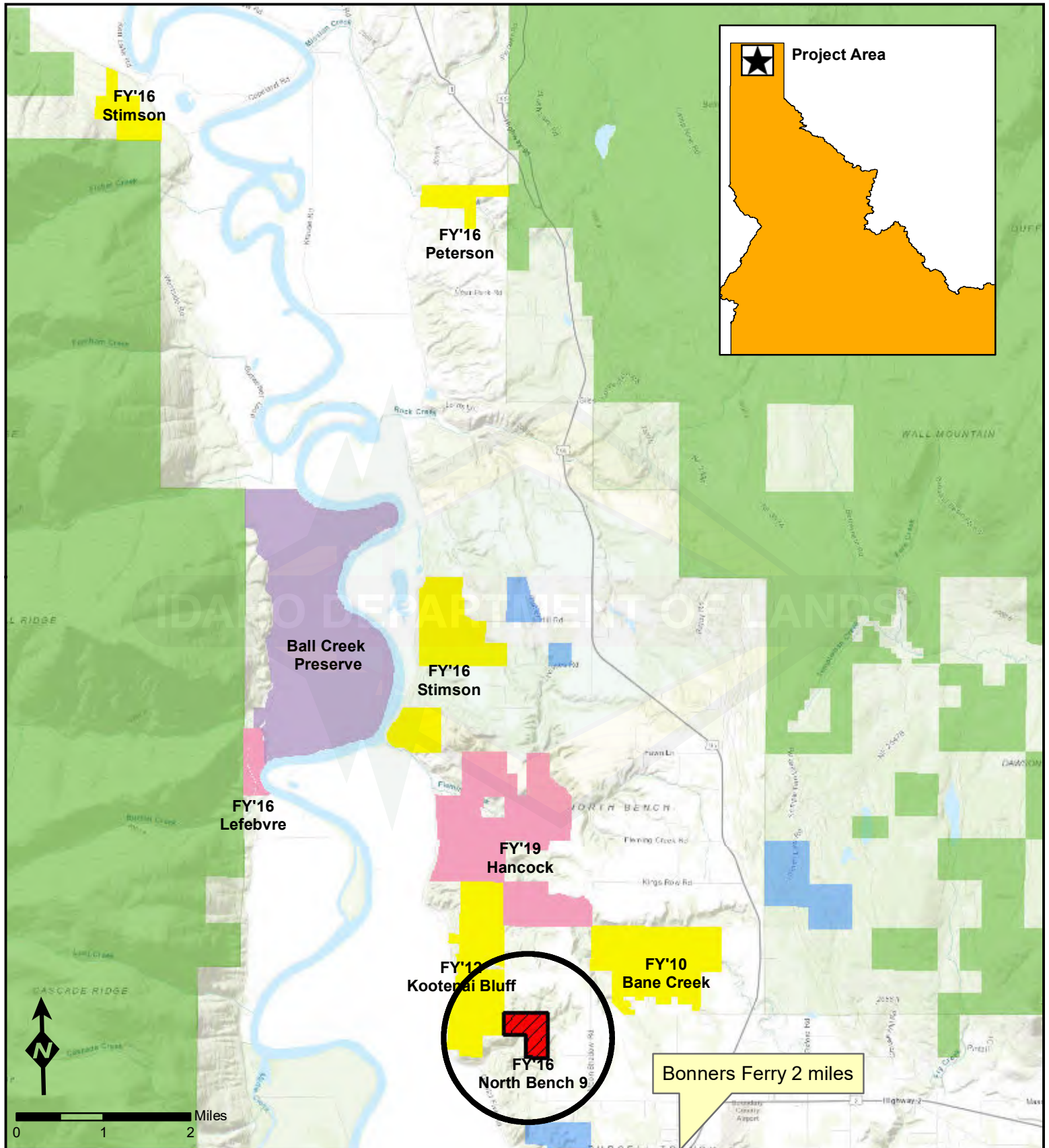
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For more information, visit:




<http://www.idl.idaho.gov/forestry/forest-legacy/index.html>

This institution is an equal opportunity provider.

FY2016 Kootenai Valley-North Bench 9 Proposed Conservation Easement Boundary County, Idaho



-  North Bench 9 (Hancock)
-  Existing FLP Conservation Easement
-  Pending FLP Conservation Easement

-  USFS
-  IDL Endowment
-  Other Conservation Land



Karen Neorr- 12/03/2019



Public Support of the FY2016 Kootenai Valley Project in Boundary County

The following local, state and federal government agencies and local, state and regional conservation organizations have provided written letters in support of the purchase of a conservation easement on the Kootenai Valley project lands:

- United States Senator Mike Crapo
- United States Senator James Risch
- Boundary County Board of Commissioners
- City of Bonners Ferry
- The Kootenai Tribe of Idaho
- Kootenai Valley Resource Initiative
- US Forest Service
- US Fish and Wildlife Service
- Bureau of Land Management
- Idaho Department of Fish and Game
- Yellowstone to Yukon Initiative
- The Vital Ground Foundation
- Idaho Conservation League
- Trust for Public Land
- Inland Northwest Land Conservancy
- Idaho Forest Group
- Foust, Inc.
- Idaho Forest Owners Association
- Bane Creek FLP Landowners
- Boundary Connections FLP Landowners



Idaho State Board of Land Commissioners

Brad Little, Governor and President of the Board

Lawrence E. Denney, Secretary of State

Lawrence G. Wasden, Attorney General

Brandon D Woolf, State Controller

Sherri Ybarra, Superintendent of Public Instruction

Dustin T. Miller, Director and Secretary to the Board

Be it remembered, that the following proceedings were had and done by the State Board of Land Commissioners of the State of Idaho, created by Section Seven (7) of Article Nine (IX) of the Constitution.

Draft Minutes

State Board of Land Commissioners Regular Meeting

October 17, 2019

The regular meeting of the Idaho State Board of Land Commissioners was held on Thursday, October 17, 2019 in the State Capitol, Hearing Room EW42, 700 W Jefferson Street, Boise, Idaho. The meeting began at 1:30 p.m. The Honorable Governor Brad Little presided. The following members were in attendance:

Honorable Secretary of State Lawrence Denney

Honorable Attorney General Lawrence Wasden

Honorable State Controller Brandon Woolf

For the record, four Board members were present. Superintendent Ybarra was absent due to meeting conflicts.

For the record, Governor Little announced that testimony would be accepted on several agenda items and asked those wanting to testify to please sign in.

1. Department Report – Presented by Dustin Miller, Director

Endowment Transactions

A. Timber Sales – September 2019

Discussion: Controller Woolf asked what the differences were between the first auction of the West Wood Sale and the second, and now third, auctions. Director Miller replied that Department foresters look at the location of the sale, the price, the market conditions, road development credits, and determine if a sale will be reappraised. Governor Little asked if the Department has a written protocol for handling subsequent auctions on a timber sale. Director Miller said yes, and asked Mr. Foss to elaborate on the process. Mr. Foss described that the West Wood Sale was initially auctioned on March 7, 2019. Between the date the sale was advertised and the auction date, a slide occurred on one of the roads. The purchasers were concerned about having to do a sale modification, so they decided not to bid on that sale. The Department spent time with purchasers, learning about any additional concerns. Mr. Foss said the Department brought this back to auction the second time on September 10, 2019. What had happened in the meantime was timber prices fell. Cedar

prices fell particularly low; there is about 125,000 board feet of cedar on this sale. In addition, some of the haul costs and logging costs had increased during that time. Those price changes were just enough that no bids were received on that second sale. Mr. Foss stated that the Department plans to spend the winter revisiting this entire sale. Staff has a process to look at all estimated costs, the prices that are factored in when developing a minimum bid. Department staff will meet with potential purchasers and discuss their costs. The necessary adjustments will be made and then this sale will be auctioned in the spring of 2020. Governor Little noted that while a slide is an unforeseen circumstance, his concern is just for the Department to make sure that the people bidding all know what the protocols are in case a timber sale does not sell; it is a fairness standpoint that all of the bidders are aware of the process.

B. Leases and Permits – September 2019

Discussion: None.

Status Updates

C. Land Bank Fund

Discussion: None.

D. Fire Season Report – Final

Discussion: Governor Little asked about the difference in endowment acres burned; page 1 shows 1,259 and page 2 shows 7,984. Director Miller explained that the 1,259 acres burned was on endowment land within the Department's protection, and the 7,984 acres burned was on endowment land that is protected by federal partners through offset agreements. Governor Little commented that when it comes to dollars and acres, some of the Department's expenses are for lands that do not belong to the endowments, but there are cooperative agreements in place. The numerator and denominator in doing the math is relative to what those agreements are, not what the ownership is. Director Miller said that is correct.

2. Endowment Fund Investment Board Report – Presented by Chris Anton, EFIB Manager of Investments

A. Manager's Report; and

B. Investment Report

Discussion: Mr. Anton reported that the endowment portfolio is up 1% for the month of September and is up 0.4% for fiscal year-to-date through September 30. Through October 16, the fund is up 0.8%; it has gained a little during the first two weeks of October. Mr. Anton remarked that the global economy seems to be at a critical juncture. Global economic growth has slowed since early 2018. It is at a point where some of the weakness could begin to trigger a recession. Germany technically is in a recession. Growth in China has slowed and Brexit remains unresolved. While the trade negotiations with China are continuing, a resolution is still unclear and so there are concerns about tariffs and how the U.S. manufacturing sector may be impacted. While the U.S. has really been the bastion of strength globally, there is a slowdown occurring in the manufacturing sector and there are concerns that could spill over into the consumer sector. In terms of reaction by investors, there has been a movement of funds from equities into fixed income to try to seek some safety, which has driven up bond prices and has driven down yields. The market is basically

moving sideways. Mr. Anton believes the economy is resilient. The nation's unemployment is still at a 50-year low. There are positive things happening, but there needs to be positive momentum before there will be good movement in the equity markets.

Mr. Anton mentioned that reserves at the end of August were 5.9 years for public schools and 6.7 years or more for the other endowments. Based on the gains experienced in September, reserve levels were full at the end of September. The Endowment Fund Investment Board held a special meeting on September 19, 2019. The Investment Board interviewed Callan and RVK, who were the finalists in the investment consultants search process. The Board elected to retain Callan as its investment consultant. EFIB staff is currently working with the Attorney General's Office on the agreements between Callan, EFIB, State Insurance Fund, and the Land Board. Governor Little inquired about the length of the contract with Callan. Mr. Anton indicated that the EFIB contract is structured as an initial 5-year term with annual automatic renewals, and noted the other contracts will likely be structured that way as well. Mr. Anton added that the contract can be terminated at any time without cause.

Governor Little observed that the last line of the report says 8 out of 15 managers are meeting the benchmark and wondered if only half the managers are meeting the benchmark, does that mean the portfolio would be better off in index funds. Mr. Anton responded no. Looking at the calendar year to date, numbers are primarily green. Looking at the longer term historical data, the numbers are primarily green. That indicates that the managers over time can beat their benchmarks. So far fiscal year-to-date – three months – value stocks have outperformed the growth stocks. The portfolio does have slight growth bias which has caused some underperformance in the short term. Mr. Anton remarked that the fund is positioned with very good managers.

Consent—Action Item(s)

3. Results of September 2019 Grazing and Crop Conflict Auctions – *Presented by Dustin Miller, Director*

Recommendation: Direct the Department to award grazing leases to: Blue Butte Grazing Association (G700316), Star Gate Ranch (G700336), Karl Studer (G700326), Carl Horn (G700338), MaCade Bingham (G800462), Lake Family Ranches (G800460), Neal Ward (G800468 & G800461), Fish Creek Cattle (G800444), and Perry Ward (C800070).

Discussion: None.

4. Approval of Minutes – September 13, 2019 Regular Meeting (Boise)

Consent Agenda Board Action: A motion was made by Attorney General Wasden that the Board adopt and approve the Consent Agenda. Controller Woolf seconded the motion. The motion carried on a vote of 4-0.

Regular—Action Item(s)

5. Adoption of Pending Rule—IDAPA 20.03.03, Rules Governing Administration of the Reclamation Fund – Presented by Eric Wilson, Bureau Chief-Resource Protection and Assistance

Recommendation: Adopt the pending rule with changes to the proposed rule text to amend IDAPA 20.03.03, Rules Governing Administration of the Reclamation Fund.

Discussion: Governor Little asked if the Department will follow up with the Land Board regarding recommendations on acreage and liability going forward. Mr. Wilson responded that if the legislature adopts the pending rule, the Department would come to the next regularly scheduled Board meeting following that adoption. Mr. Wilson said for the time being the Department would stay with the 40 acres. The reclamation fund currently has \$2.1 million; it needs to be \$2.8 million to reach that recommended level for the 50-acre limit. Mr. Wilson stated it will likely be a couple of years, but the funds will get to that point.

Board Action: A motion was made by Attorney General Wasden that the Board adopt the pending rule changes to the proposed rule text to amend IDAPA 20.03.03, Rules Governing Administration of the Reclamation Fund. Controller Woolf seconded the motion. The motion carried on a vote of 4-0.

6. Adoption of Pending Rule—IDAPA 20.03.04, Rules for the Regulation of Beds, Waters, and Airspace Over Navigable Lakes in the State of Idaho – Presented by Mick Thomas, Division Administrator, Oil and Gas

Recommendation: Adopt the pending fee rule to amend IDAPA 20.03.04, Rules for the Regulation of Beds, Waters, and Airspace Over Navigable Lakes in Idaho.

Discussion: None.

Board Action: A motion was made by Attorney General Wasden that the Board approve the Department recommendation that is adopt the pending fee rule to amend IDAPA 20.03.04, Rules for the Regulation of Beds, Waters, and Airspace Over Navigable Lakes in Idaho. Controller Woolf seconded the motion. The motion carried on a vote of 4-0.

7. Adoption of Pending Rules—Omnibus Rulemaking – Presented by David Groeschl, Deputy Director

Recommendation: Adopt the Department's amended proposed rules as pending rules and approve the Department's Notices of Omnibus Rulemaking for adoption of pending rules and pending fee rules.

Discussion: Governor Little mentioned that one of the questions submitted was about hardwoods versus 4-inch DBH¹, and asked if that was the standard for the trees along the creek. Mr. Groeschl replied that under the new shade rule, each diameter class of tree, whether hardwood or conifer, has a certain coefficient or shading size associated with it based on the diameter of the tree, and that develops the relative stocking that is required. Governor Little offered, for illustration, a big old spindly lodge pole, which does not provide as much shade as a nice hardwood that creates a lot of shade; how is that taken into account. Mr. Groeschl answered if it is a 10-inch lodge pole versus a 10-inch hardwood, for example, under the shade

¹ Diameter at breast height

rule that tree has the same same shading coefficient associated with it that counts toward relative stocking. Governor Little noted it was just one of the comments he read; if he were a fish he would rather have a hardwood tree of 4 inches diameter than a lodge pole. Governor Little understands this cannot be made too complicated because people out in the field need to be able to comply with it.

Board Action: A motion was made by Attorney General Wasden that the Board adopt the Department recommendation that is adopt the Department's amended proposed rules as pending rules and approve the Department's Notices of Omnibus Rulemaking for adoption of pending rules and pending fee rules. Controller Woolf seconded the motion. The motion carried on a vote of 4-0.

8. Approval of Lower Cranberry Timber Sale – *Presented by Bill Haagenson, Division Administrator-Operations*

Recommendation: The Department recommends that the Board authorize auction of the Lower Cranberry timber sale which includes clearcut harvest units exceeding 100 acres.

Discussion: None.

Board Action: A motion was made by Attorney General Wasden that the Board adopt the Department recommendation that is that the Board authorize auction of the Lower Cranberry Timber Sale which includes clearcut harvest units exceeding 100 acres. Controller Woolf seconded the motion. The motion carried on a vote of 4-0.

9. Department of Lands' Lease Auction Process – *Presented by Bill Haagenson, Division Administrator-Operations*

For the record, Governor Little recused himself from discussion and the vote on this item. Governor Little has interest in his family's ranching operation; one of the leases that is subject to this item is part of the family's ranch operations. Governor Little asked Secretary of State Denney to chair this agenda item.

Recommendation: Approve the Department's proposed lease advertising and auction process.

Discussion: Controller Woolf noted that the Department has gone through this process over the summer and prepared everything; has the Department actually notified the lessees of this process, and when and how was that done. Mr. Haagenson responded that one challenge in making adequate notification to the applicants is that the Department has not known where the process is going to go. Staff has been reluctant to provide inaccurate information to those folks until they have answers to provide. Controller Woolf said the memo mentioned the timing of the auction would be determined based on weather and other factors. Controller Woolf inquired about the impact of the January 1st timeline; if there was a conflict does the Department have enough time to do an appropriate valuation. Mr. Haagenson replied it does depend somewhat on the location of the lease and, for instance, snow depths if there is an early snow pack. In some places it may be difficult to get out and value improvements. There may be situations – a very few in number, if any – where the Department may do a land use permit or allow the lease to continue to operate until the lease auction process can be completed. The Department hopes to accommodate all applicants and get them all addressed prior to any weather events, or anything else stopping the process from getting done.

Board Action: A motion was made by Attorney General Wasden that the Board adopt the Department recommendation to approve the Department's proposed lease advertising and auction process. Controller Woolf asked if there was any public comment regarding this matter. Secretary of State Denney noted that no one signed up to provide public testimony. Controller Woolf seconded the motion. The motion carried on a vote of 3-0.

Information

Background information was provided by the presenter indicated below. No Land Board action is required on the Information Agenda.

10. 2020 Grazing Lease Rate and Non-Fee Grazing Cost Study Update – Presented by Bill Haagenson, Division Administrator-Operations

Discussion: None.

At 2:23 p.m. a motion was made by Attorney General Wasden to resolve into Executive Session pursuant to Idaho Code § 74-206(1)(f) to communicate with legal counsel for the Land Board to discuss the legal ramifications of and legal options for pending litigation, or controversies not yet being litigated but imminently likely to be litigated. Attorney General Wasden requested that a roll call vote be taken and that the Secretary record the vote in the minutes of the meeting. Controller Woolf seconded the motion. *Roll Call Vote: Aye:* Denney, Wasden, Woolf, Little; *Nay:* None; *Absent:* Ybarra.

Executive Session

- A. Idaho Code § 74-206(1)(f) – to communicate with legal counsel for the public agency to discuss the legal ramifications of and legal options for pending litigation, or controversies not yet being litigated but imminently likely to be litigated. [Topic: Lease M500031]

At 3:11 p.m. the Board resolved out of Executive Session by unanimous consent. No action was taken by the Board during the Executive Session.

Regular—Action Item(s)

11. Settlement Negotiations for Lease M500031

Board Action: A motion was made by Attorney General Wasden that the Director of the Department of Lands, with the assistance of the Attorney General, be authorized to settle the matter concerning lease number M500031 within the parameters recommended by the Attorney General's Office during executive session. Controller Woolf seconded the motion. The motion carried on a vote of 4-0.

Discussion: None.

There being no further business before the Board, at 3:12 p.m. a motion to adjourn was made by Attorney General Wasden. Controller Woolf seconded the motion. The motion carried on a vote of 4-0.