

**AUDIT COMMITTEE
DECEMBER 15, 2016**

TAB	DESCRIPTION	ACTION
1	FY 2016 FINANCIAL STATEMENT AUDITS	Motion to approve
2	FY 2016 FINANCIAL RATIOS	Information item
3	FY 2016 NET POSITION BALANCES	Information item

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**AUDIT COMMITTEE
DECEMBER 15, 2016**

SUBJECT

Acceptance of college/university FY2016 audit findings reported by the Idaho State Board of Education (Board)'s external auditor

APPLICABLE STATUTE, RULE OR POLICY

Idaho State Board of Education Bylaws, Section V.H.4.f.

BACKGROUND/DISCUSSION

The Board contracted with Moss Adams LLP, an independent certified public accounting firm, to conduct the annual financial audits of Boise State University, Idaho State University, University of Idaho, Lewis-Clark State College, and Eastern Idaho Technical College.

The audits were conducted in accordance with Generally Accepted Government Auditing Standards and include an auditor's opinion on the basic financial statements.

There was one significant finding for Lewis-Clark State College related to Student Financial Assistance. Moss Adams' audit results presentation, which was provided to the Audit Committee, is attached for the Board's reference.

IMPACT

ATTACHMENTS

Attachment 1 - Moss Adams Audit Results Report

Page 3

STAFF COMMENTS AND RECOMMENDATIONS

On November 9, 2016, Moss Adams reviewed their audit findings with members of the Audit Committee and Board staff. This was followed by presentations by senior managers from the audited colleges and universities on their financial statements. Board members were subsequently provided the audit reports and financial statements. Staff recommends acceptance of the financial audit reports submitted by Moss Adams LLP.

BOARD ACTION

I move to accept from the Audit Committee the Fiscal Year 2016 financial audit reports for Boise State University, Idaho State University, University of Idaho, Lewis-Clark State College, and Eastern Idaho Technical College, as submitted by Moss Adams LLP in Attachment 1.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

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Idaho State Board of Education

Audit Committee

Presentation of Audit Results

November 9, 2016

**Boise State University
Idaho State University
University of Idaho
Lewis-Clark State College
Eastern Idaho Technical College**

**Scott Simpson
Tammy Erickson**

Idaho State Board of Education
Audit Committee Debrief

November 9, 2016

Moss Adams Leadership Team

Overall

Scott Simpson, Partner 541-686-1040 scott.simpson@mossadams.com

Institution Specific

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Tammy Erickson, Partner 509-747-2600 tammy.erickson@mossadams.com

Contract Deliverables

For each institution

- Auditor's Report on Financial Statements – GAAS
- Auditor's Report on Financial Statements – GAGAS
- Auditor's Report on Compliance in Accordance with OMB Circular A-133
- Required Communication – SAS 114
- SAS 115 Letters & Management Letters

Additional items for individual institutions

- NCAA Agreed-Upon Procedures for UI, BSU, ISU Presidents
- Auditor's Report on Financial Statements for Boise State Radio

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Idaho State Board of Education
Audit Committee Debrief – cont.

November 9, 2016

Required Communications

- Auditor's Responsibility Under Generally Accepted Auditing Standards
- Planned Scope and Timing of the Audit
- Significant Accounting Policies
- Significant Accounting Estimates
- Financial Statement Disclosures
- Significant Difficulties Encountered During the Audit
- Corrected and Uncorrected Misstatements
- Disagreements with Management
- Management Representations
- Management Consultation with Other Accountants
- Other Significant Findings or Issues
- Internal Control Matters
- Fraud

SAS 115 Letters (Internal Control Related Matters)

- Will be provided for each Institution (as applicable)

Management Letters

- Will be provided for each Institution (as applicable)

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Discussions to Expect From the Independent Auditors

Purpose of This Tool. Auditing standards¹ require that the auditor communicate, either orally or in writing, certain information to an audit committee of the board, or another designated party that performs oversight of the financial reporting and audit process. This section discusses the type of information independent auditors are required to communicate to an audit committee or other oversight body.

Independent Auditors in the Public Sector

Communications with the audit committees have now engendered more legal and regulatory scrutiny. Independent auditors, in the wake of well-documented business failures and new regulatory oversight, are required to increase their documentation and communication efforts as they relate to their interactions with the audit committee. Independent auditors of government organizations may include an elected or appointed auditor or Inspector General or an independent public accounting firm. In addition, at the federal level the Government Accountability Office (GAO – formerly the General Accounting Office) may be statutorily required to act as the independent auditor in certain circumstances. If an independent public accounting firm is used as the independent auditor, it is often required to be under contract with the elected or appointed auditor or Inspector General. The communication guidance discussed in this section relates to whichever of the above parties is acting as the independent auditor.

Auditor’s Responsibility Under Generally Accepted Auditing Standards

It is important for audit committees to understand what an audit is and what it is not. Usually, audit committees are most concerned about the system of internal control and that the financial statements are free of material misstatement. The auditor should make sure the audit committee understands the level of responsibility that the auditor assumes for the system of internal control and the financial statements under generally accepted auditing standards (GAAS). It is also important that the auditor makes sure that the audit committee understands that an audit is designed to obtain reasonable rather than absolute assurance about the financial statements.

¹The term “auditing standards” refers to generally accepted auditing standards (GAAS) issued by the AICPA. These standards are incorporated into government auditing standards (GAS or GAGAS) issued by the Comptroller General of the United States. These terms are also synonymous with the term “Yellow Book.” In addition, OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, Section 5 requires open and timely communication between agency management, including the CFO, and the Inspector General (and the audit firm if the audit is contracted out) throughout the audit process. The guidance in this tool is based on Statements on Auditing Standards (SAS) No. 61, *Communication With Audit Committees*, as amended; No. 60, *Communication of Internal Control Related Matters Noted in an Audit* (AICPA, *Professional Standards*, vol. 1, AU sec. 325); and No. 54, *Illegal Acts by Clients* (AICPA, *Professional Standards*, vol. 1, AU sec. 317), and amendments thereto, which are in effect as of this writing and *Government Auditing Standards*, issued by the Comptroller General.

Significant Accounting Policies

The auditor should determine that the audit committee is informed about all significant accounting policies and how they are applied in the governmental organization. To make sure, the audit committee should expect that the auditors will communicate the following:

1. All significant accounting policies, including those that applied for the first time during the year
2. How those accounting policies are applied in the organization
3. Methods the organization used to account for significant unusual transactions
4. The effect of significant accounting policies in controversial or emerging areas for which there is lack of authoritative guidance or consensus

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management. These estimates are based on management's judgments (which are normally based on management's knowledge and experience about past and current events), and assumptions about future events.

The auditor should address the following issues with the audit committee:

1. The process used by management in formulating particularly sensitive accounting estimates
2. The basis for the auditor's conclusion about the reasonableness of those estimates

Audit Adjustments

The auditor should inform the audit committee about all audit adjustments arising from the audit that could, in the auditor's judgment, have a significant effect on the organization's financial reporting process. The audit team will keep track of those proposed adjustments for later discussion with management. Management will evaluate those proposed adjustments and decide whether the adjustment should be booked to the account balances as proposed. Bear in mind, however, that the auditor may find it necessary to qualify the audit report if management does not record the adjustments that the auditor deems necessary to record.

As part of its communications, the auditor should:

1. Inform the audit committee about adjustments arising from the audit that could either individually or in the aggregate have a significant effect on the organization's financial reporting process.
2. Address whether the adjustments were recorded.
3. Determine whether the adjustments may not have been detected except through the auditing procedures performed (meaning that the organization's own internal control system did not detect the need for the adjustment).
4. Explain about uncorrected misstatements aggregated by the auditor during the current engagement and pertaining to the most recent period presented in the financial statements, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Auditor's Judgments About the Quality of the Organization's Accounting Principles

Note: This communication is required for audits of public companies. It is not required for governmental organizations but could be considered a good practice.

Although objective criteria for evaluating the quality of an organization's accounting practices have not been established, the auditor's judgments about the quality, not just the acceptability of the organization's accounting principles as applied in its financial statements, including disclosures, should be discussed. The discussion should be open and frank, and tailored to the organization's specific circumstances. It should include the following topics:

1. Consistency of the organization's accounting principles and their application
2. Clarity of the financial statements and related disclosures
3. Completeness of the financial statements and related disclosures
4. Any items that have a significant impact on the representational faithfulness, verifiability, and neutrality of the accounting information included in the financial statements, examples of which follow:
 - a. Selection of new accounting policies or changes to current ones
 - b. Estimates, judgments, and uncertainties
 - c. Unusual transactions
 - d. Accounting policies relating to significant financial statement items, including the timing of transactions and the period in which they are recorded
5. A discussion of accounting practices that are not specifically addressed in the accounting literature, for example, those that may be unique to a specific industry.

Other Information Contained in Audited Financial Statements

Although the notes to the financial statements are an integral part of the financial statements and therefore are included in the scope of the auditing procedures, other information prepared by management that generally accompanies financial statements is not necessarily included in the scope of the auditing procedures, for example, “Management’s Discussion and Analysis of the Financial Condition and Results of Operations.”

The auditor should discuss the responsibility, if any, that he or she has for other information in documents containing audited financial statements, any procedures performed, and the results.

Disagreements With Management

Disagreements may arise between the auditor and management over the application of accounting principles to specific transactions and events, as well as the basis for management’s judgments about accounting estimates, or even the scope of the audit or disclosures to be made in the financial statements or footnotes. Differences of opinion based on incomplete facts or preliminary information that are later resolved are not considered disagreements for this purpose.

When meeting with the audit committee, the auditors should discuss any disagreements with management, whether or not resolved, about matters that individually or in the aggregate could be significant to the organization’s financial statements or the auditor’s report.

Consultation With Other Accountants

Sometimes, management of the government organization may consult with other accountants about accounting and auditing matters. If the auditor is aware that such consultation has occurred, the auditor should discuss with the audit committee their views about the significant matters that were the subject of the consultation. The audit committee may wish to ask management whether they have consulted with other accountants about accounting and auditing matters.

Major Issues Discussed With Management Before Retention

The auditor should discuss with the audit committee any major issues that were discussed with management in connection with the initial or recurring retention of the auditor. This includes any discussions regarding the application of accounting principles or auditing standards. For some government organizations, an audit organization is mandated by federal or state law to perform the government organization’s audit. While auditor retention is not an issue, the auditor should nonetheless discuss with the audit committee any major issues regarding the auditor’s application of accounting principles or auditing standards.

Difficulties Encountered in Performing the Audit

The auditor should inform the audit committee about any serious difficulties encountered in working with management during the audit. Examples include, but are not limited to:

1. Unreasonable delays by management in allowing the commencement of the audit
2. Unreasonable delays or refusals by management in providing needed information to the auditor
3. Unreasonable timetable set by management for the conduct of the audit
4. Unavailability of client personnel
5. Failure of client personnel to complete client-prepared schedules on a timely basis

Illegal Acts

The auditor has the responsibility to assure himself or herself that the audit committee is adequately informed about illegal acts that come to the auditor's attention (this communication need not include matters that are clearly inconsequential). The communication should describe (1) the act, (2) the circumstances of its occurrence, and (3) the effect on the financial statements.

What is an illegal act for purposes of this communication? Statement on Auditing Standards (SAS) No. 54, *Illegal Acts by Clients* (AICPA, *Professional Standards*, vol. 1, AU sec. 317), defines it as violations of laws or government regulations attributable to the government organization, or acts by management or employees on behalf of the organization. Illegal acts do not include personal misconduct by the organization's personnel unrelated to the government's business activities.

In addition, *Government Auditing Standards*, Auditor Communication, Chapter 5, Section 5.12, issued by the Comptroller General, and OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, Section 7, paragraph c.(3)(a) requires auditors to report noncompliance with laws and regulations disclosed by the audit, except for those instances of noncompliance that are clearly inconsequential. In meeting this requirement, the auditor shall report all instances of fraud and illegal acts unless clearly inconsequential and significant violations of provisions of contracts or grant agreements and abuse. In some circumstances, auditors are required to report fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse directly to parties external to the audited organization.

Internal Control Matters

See also the tool, “Internal Control: A Tool for the Audit Committee,” elsewhere in this toolkit.

SAS No. 60, *Communication of Internal Control Related Matters Noted in an Audit* (AICPA, *Professional Standards*, vol. 1, AU sec. 325), requires the auditor to communicate matters relating to the organization’s internal control that are observed by the auditor in the conduct of a financial statement audit. These matters should be discussed with the audit committee because they represent significant deficiencies in the design or operation of the internal control system, which could adversely affect the organization’s ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Fraud

See also the tool, “Fraud and the Responsibilities of the Audit Committee,” elsewhere in this toolkit.

SAS No. 99, *Consideration of Fraud in a Financial Statement Audit* (AICPA, *Professional Standards*, vol. 1, AU sec. 316), requires that the independent auditor bring any evidence of fraud to the attention of the appropriate level of management (generally seen as one level higher than the level at which a suspected fraud may have occurred), even in the case of an inconsequential fraud, such as a minor defalcation by a low-level employee. The independent auditor should reach an understanding with the audit committee regarding when (nature and scope) an inconsequential fraud conducted by a low-level employee should be brought to the audit committee’s attention.

Fraud involving senior management, and any fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements must be reported to the audit committee by the independent auditor.

University of Idaho

Presentation of Audit Results

November 9, 2016

Scott Simpson, Partner

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Primary Contacts at Moss Adams for UI

Tammy Erickson, Partner
Kevin Mullerleile, Senior Manager

6 auditors at UI from Moss Adams
1 exempt tax specialist
1 IT specialists

Fieldwork Dates

Interim Fieldwork
F/S Fieldwork

May 31 – June 3
August 22 – 26

Audit Reporting and Timing

Audit Report Dated	September 30, 2016
Audit Report Issued	September 30, 2016
Auditors Report on Financial Statements	Unmodified
Auditors Report on Compliance	Unmodified
Internal Control Issues Identified & Reported	None Reported
Audit findings related to Compliance Audit	None Reported

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal programs¹ and type of auditor's report issued on compliance for major federal programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for Major Federal Programs</i>
Various	Research & Development Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$ 3,000,000

Auditee qualified as low-risk auditee? Yes No

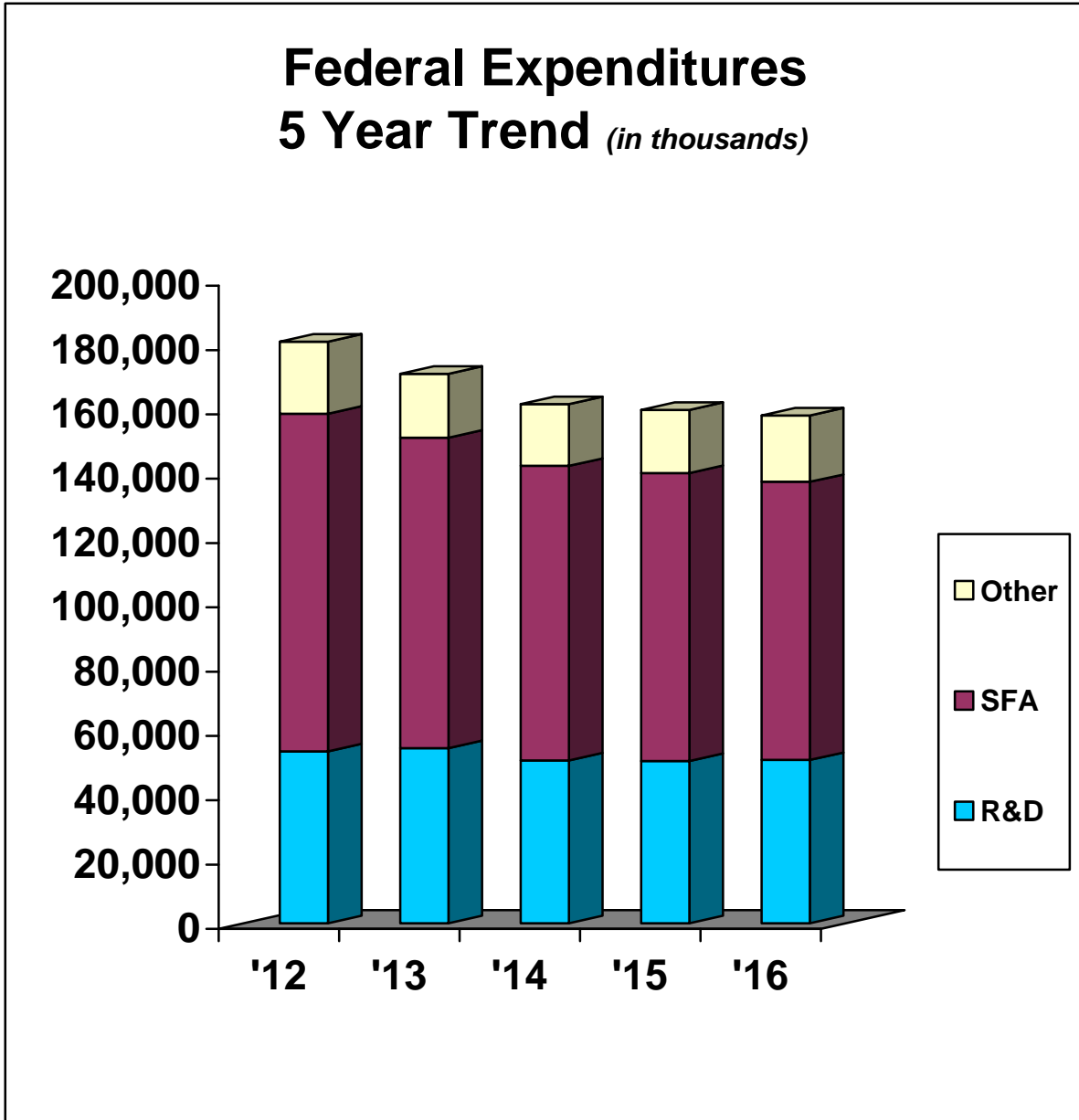
Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

University of Idaho
Presentation of Audit Results – cont.
November 9, 2016



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Communications with Those
Charged with Governance

University of Idaho

June 30, 2016

COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

To the Audit Committee
Idaho State Board of Education

We have audited the financial statements of the University of Idaho (University) and the discretely presented component unit (Foundation), as of and for the years ended June 30, 2016 and 2015, and the aggregate remaining fund information of the University (the University of Idaho Health Benefits Trust and the University of Idaho Retiree Benefits Trust), as of and for the years ended December 31, 2015 and 2014, and have issued our report thereon dated September 30, 2016. The financial statements of the Foundation and University of Idaho Health Benefits Trust were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation and the University of Idaho Health Benefits Trust, are based solely on the reports of other auditors. In addition, this required information does not include the other auditors' audit results or other matters that are reported on separately by other auditors. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA; GOVERNMENT AUDITING STANDARDS, ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES; THE SINGLE AUDIT ACT AMENDMENTS OF 1996; AND THE AUDIT PROVISIONS OF THE OMB UNIFORM GUIDANCE

As stated in a meeting with the Audit Committee on March 1, 2016, our responsibility, as described by professional standards, was conducting our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS); the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the audit provisions of the OMB Uniform Guidance. It included tests of the University's accounting records, a determination of major programs in accordance with the OMB Uniform Guidance, and other procedures we considered necessary to enable us to express opinions and to render the required reports.

The reports on internal control and compliance include a statement that the purpose of the report is solely to: describe the scope of 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 the University's internal control over financial reporting or on compliance; describe the scope of testing internal control over compliance for major federal programs and major federal program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance; that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance and the OMB Uniform Guidance in considering internal control over compliance and major federal program compliance; and, accordingly, it is not suitable for any other purpose.

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We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests on its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the University's compliance with the types of compliance requirements described in *the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the University's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the University's compliance with those requirements.

We also considered the internal controls over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you in our meeting on March 1, 2016.

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES**Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the University are described in Note 1 to the financial statements. There were no changes in the application of existing policies during 2016 except for the following: as described in Note 3 to the financial statements.

The University implemented a new accounting standard required by the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 72 – *Fair Value Measurement and Application*

This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The University added the new disclosure requirements on fair value in Note 3 of the financial statements.



Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the estimates in determining they are reasonable in relation to the financial statements taken as a whole.

The most sensitive estimates affecting the financial statements are as follows:

- Fair value of investments
- The collectability of student loans receivable and accounts receivable
- The useful lives of capital assets
- The compensated absence accrual amount
- The classification of net position by type: net investment in capital assets, restricted for expendable, and unrestricted
- The actuarially determined liabilities related to pensions and other post-employment benefit obligations

Financial Statement Disclosures

We believe the disclosures in the financial statements are consistent, clear, and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were Note 12 related to retirement plans, Note 13 related to postemployment benefits (other than pensions) and retiree benefits trust, and Note 17 related to the Foundation.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During the 2016 financial close process the University identified a \$9.6million Consolidated Investment Trust distribution from the University's Foundation was incorrectly recorded as unrestricted net position, rather than restricted for expendable net position as of June 30, 2015. In the 2016 financial statements, the University reclassified prior year net position to correct this immaterial error. This reclassification had no effect on the previously reported change in net position.

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There were no other known or likely misstatements identified during the audit, other than those considered trivial.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain written representations from management that are included in the management representation letter dated September 30, 2016.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the University's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the University's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine the information complies with U.S. GAAP, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Our responsibility for other information in the management's discussion and analysis on pages 4 through 16 and the schedules of University's proportionate share of net pension liability - PERSI base plan, University contributions - PERSI base plan, and funding progress - Retiree Benefits Trust on page 74, which is labeled as "required supplementary information," includes applying certain limited procedures to the required supplementary information in accordance with auditing

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standards generally accepted in the United States of America. These limited procedures 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.

This information is intended solely for the use of Idaho State Board of Education Audit Committee and management of the University and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Eugene, Oregon
September 30, 2016

Lewis-Clark State College

Presentation of Audit Results

November 9, 2016

Scott Simpson, Partner

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Primary Contacts at Moss Adams for LCSC

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Sasha Correnti, Manager

5 auditors at LCSC from Moss Adams
1 IT specialists

Fieldwork Dates

Interim Fieldwork
F/S Fieldwork

May 9 - 13
August 29 – September 2

Audit Reporting and Timing

Audit Report Dated	October 7, 2016
Audit Report Issued	October 7, 2016
Auditors Report on Financial Statements	Unmodified
Auditors Report on Compliance	Unmodified
Internal Control Issues Identified & Reported	None Reported
Audit findings related to Compliance Audit	One Finding Reported

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for Major Federal Programs</i>
Various	Student Financial Assistance Cluster	<i>Unmodified</i>

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-001 – Borrower Data Transmission and Reconciliation (Direct Loan), Significant Deficiency in Internal Control Over Compliance

<i>CFDA Number(s)</i>	<i>Program Name/Title</i>	<i>Federal Agency/ Pass-through Entity</i>	<i>Federal Award Number</i>	<i>Award Year</i>
84.268	Student Financial Assistance Cluster	United States Department of Education	P268K160100	2016

Criteria: Per the compliance requirements for student financial assistance, each month, the Common Origination and Disbursement (COD) provides institutions with a School Account Statement (SAS) data file that consists of a Cash Summary, Cash Detail, and Loan Detail records. The College is required to reconcile these files to their financial records on a monthly basis.

Condition: Monthly reconciliations were not performed on a consistent basis. Evidence of review and approval of reconciliations is not retained by the College and a documented policy and procedure does not currently exist.

Questioned costs: None noted.

Context: During our test-work over the borrower transmission and reconciliation (direct loan) compliance requirements, we noted the College did not retain documentation to support the required reconciliation over direct loan activity for the year. We were unable to assess whether the reconciliations were performed as there was no supporting documentation.

Effect: The lack of reconciliations could cause potential loan data issues to go undetected.

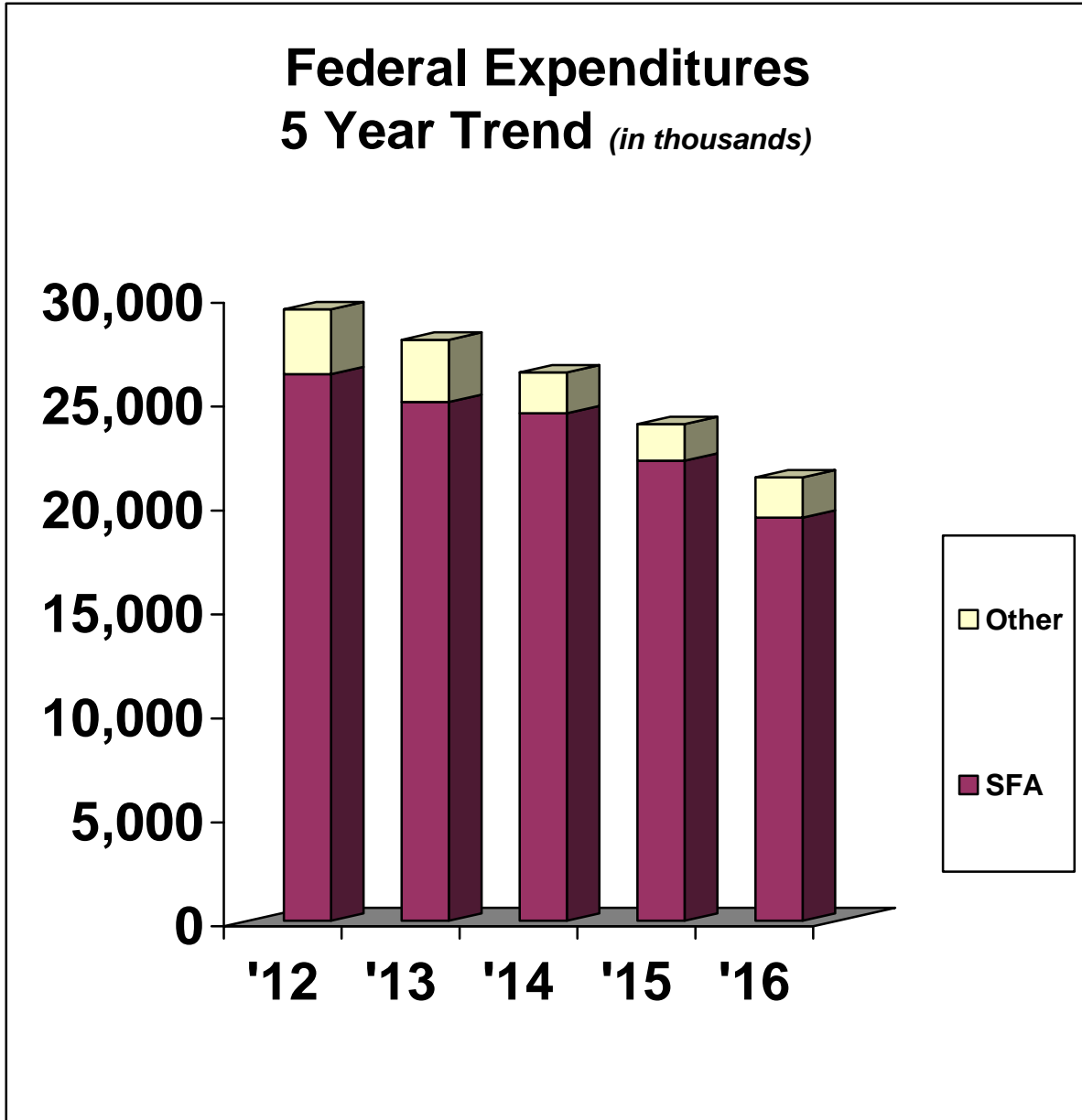
Cause: Program employees were unaware of all the compliance requirements. Also, there were no written policies or procedures for employee guidance.

Recommendation: We recommend the College implement controls to ensure reconciliations are performed monthly, tracked, and reviewed by the appropriate personnel. In addition, develop written policies or procedures.

Views of responsible officials and planned corrective actions: A combined reconciliation report will be prepared monthly with input from the Director of Financial Aid, Manager of Financial Accounts and the Cash Manager. The Controller will review and maintain the reconciliations. Policies and procedures will be developed to support the process.

Lewis-Clark State College
Presentation of Audit Results – cont.

November 9, 2016



MOSS ADAMS LLP

Certified Public Accountants and Business Consultants

COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

Idaho State Board of Education
Lewis-Clark State College

We have audited the financial statements of Lewis-Clark State College and its discretely presented component unit, the Lewis-Clark State College Foundation, Inc. (collectively, the "College") as of and for the year ended June 30, 2016, and have issued our report thereon dated October 7, 2016. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and *Government Auditing Standards*, Issued by the Comptroller General of the United States of America

As stated in a meeting with the Audit Committee on March 1, 2016, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit 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 of America, and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we considered the College's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.



Idaho State Board of Education
Lewis-Clark State College
October 7, 2016
Page 2

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and *Government Auditing Standards*, Issued by the Comptroller General of the United States of America (continued)

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests on its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also, in accordance with Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), we examined, on a test basis, evidence about the College's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the College's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the College's compliance with those requirements.

We also considered the internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Uniform Guidance.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting on March 1, 2016, other than the financial statements were issued later than expected due to delays in receiving the report draft.



Idaho State Board of Education
Lewis-Clark State College
October 7, 2016
Page 3

SIGNIFICANT AUDIT FINDINGS AND ISSUES

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the College are described in Note 1 to the financial statements. There were no changes in the application of existing policies during 2016 except for the implementation of GASB Statement No. 72 – Fair Value Measurement and Application as described in Note 1 to the financial statements. We noted no transactions entered into by the College during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the estimates in determining they are reasonable in relation to the financial statements taken as a whole.

The most sensitive estimates affecting the financial statements were:

- Allowance for uncollectible accounts receivable
- Useful lives of capital assets
- Valuation of investments
- Actuarial determined liability related to pensions and other post-employment benefit obligations

Financial Statement Disclosures

The disclosures in the financial statements are consistent, clear, and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were Disclosure of retirement plans in Note 8 to the financial statements, Disclosure of related party transactions in Note 10 to the financial statements, and Disclosure of component unit in Note 13 to the financial statements.

MOSS ADAMS LLP

Idaho State Board of Education
Lewis-Clark State College
October 7, 2016
Page 4

Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We detected no corrected or uncorrected misstatements of the financial statements as part of our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 7, 2016.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" in certain situations. If a consultation involves application of an accounting principle to the College's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

MOSS ADAMS LLP

Idaho State Board of Education
Lewis-Clark State College
October 7, 2016
Page 5

Other Significant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the College's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine the information complies with U.S. GAAP, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We do not express an opinion or provide any assurance on the information, other than schedule of expenditures of federal awards, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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This information is intended solely for the use of the Idaho State Board of Education and management of Lewis-Clark State College and is not intended to be, and should not be used by anyone other than these specified parties.

Moss Adams LLP

October 7, 2016
Portland, Oregon

Boise State University

Presentation of Audit Results

November 9, 2016

Scott Simpson, Partner 541-686-1040 scott.simpson@mossadams.com

Primary Contacts at Moss Adams for BSU

Pam Cleaver, Partner
Micah Clinger, Senior Manager
Kyle Hauser, Manager

6 auditors at BSU from Moss Adams
1 IT specialists

Fieldwork Dates

Interim Fieldwork	May 23 – 27
F/S Fieldwork	August 22 – 26

Audit Reporting and Timing

Audit Report Dated	October 14, 2016
Audit Report Issued	October 14, 2016
Auditors Report on Financial Statements	Unmodified
Auditors Report on Compliance	Unmodified
Internal Control Issues Identified & Reported	None Reported
Audit findings related to Compliance Audit	None Reported

MOSS-ADAMS LLP

Certified Public Accountants and Business Consultants

**BOISE STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for Major Federal Programs</i>
Various	Student Financial Assistance Cluster	Unmodified
Various	TRIO Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$ 825,715

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Findings

None reported

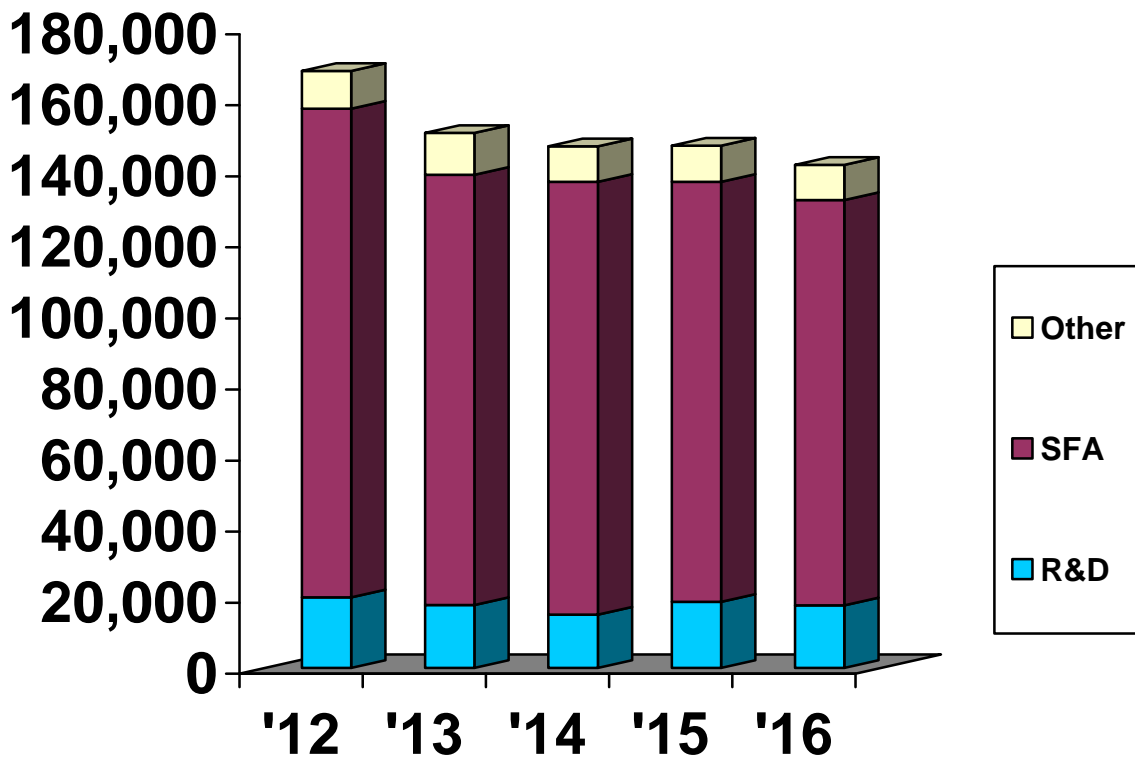
Section III - Federal Award Findings and Questioned Costs

None reported

Boise State University
Presentation of Audit Results – cont.

November 9, 2016

Federal Expenditures
5 Year Trend *(in thousands)*



MOSS-ADAMS LLP

Certified Public Accountants and Business Consultants

Communications with Those
Charged with Governance

Boise State University

June 30, 2016

COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

To the Audit Committee of the
Idaho State Board of Education

We have audited the financial statements of Boise State University (the University) and its discretely presented component unit, Boise State University Foundation, Inc. (Foundation) as of and for the year ended June 30, 2016 and 2015, and have issued our report thereon dated October 14, 2016. We did not audit the financial statements of Boise State University Foundation, Inc., a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for that component unit, is based solely on the report of other auditors. In addition, this required information does not include the other auditors' audit results or other matters that are reported on separately by other auditors. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA AND *GOVERNMENT AUDITING STANDARDS*, ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES OF AMERICA

As stated in a meeting with the Audit Committee on March 1, 2016, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit 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 of America, and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we considered the University's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

MOSS ADAMS LLP

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests on its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also, in accordance with Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, we examined, on a test basis, evidence about the University's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the University's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the University's compliance with those requirements.

We also considered the internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Uniform Guidance.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you in our meeting on March 1, 2016.

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES**Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the University are described in Note 1 to the financial statements. There were no changes in the application of existing policies during 2016 except for the implementation of GASB Statement No. 72 – *Fair Value Measurement and Application* as described in Note 1 to the financial statements. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.



Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the estimates in determining they are reasonable in relation to the financial statements taken as a whole.

The most sensitive estimates affecting the financial statements were:

- Allowance for uncollectible accounts receivable at June 30, 2016
- Useful lives of capital assets
- Valuation of investments
- Actuarial determined liability related to pensions and other post-employment benefit obligations

Financial Statement Disclosures

We believe the disclosures in the financial statements are consistent, clear and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were Note 8 related to bonds and notes payable, Notes 10 related to retirement plans, Note 11 related to pension plans, Note 12 related to postemployment benefits other than pensions, and Note 14 related to the Boise State University Foundation component unit.

Significant Difficulties Encountered in Performing the Audit

The Audit Committee should be informed of any significant difficulties encountered in dealing with management related to the performance of the audit.

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no material misstatements detected as a result of our audit procedures which required correction by management, either individually or in the aggregate, to the financial statements taken as a whole.



Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 14, 2016.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the University's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the University's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine the information complies with U.S. GAAP, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

MOSS ADAMS LLP

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.

This information is intended solely for the use of the Audit Committee of the Idaho State Board of Education and management of Boise State University and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Eugene, Oregon
October 14, 2016

Idaho State University

Presentation of Audit Results

November 9, 2016

Scott Simpson, Partner 541-686-1040 scott.simpson@mossadams.com

Primary Contacts at Moss Adams for ISU

Scott Simpson, Partner
Kyle Hauser, Manager

5 auditors at ISU from Moss Adams
2 IT specialists

Fieldwork Dates

Interim Fieldwork	May 31 – June 3
F/S Fieldwork	August 29 – September 2

Audit Reporting and Timing

Audit Report Dated	September 29, 2016
Audit Report Issued	September 29, 2016
Auditors Report on Financial Statements	Unmodified
Auditors Report on Compliance	Unmodified
Internal Control Issues Identified & Reported	None Reported
Audit findings related to Compliance Audit	None Reported

MOSS-ADAMS LLP

Certified Public Accountants and Business Consultants

**IDAHO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR Section 200.516(a)? Yes No

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for Major Federal Programs</i>
Various	Student Financial Assistance Cluster	Unmodified
84.010	Title I Grants to Local Educational Agencies	Unmodified
Various	TRIO Cluster	Unmodified
93.778	Medicaid Cluster	Unmodified

- Dollar threshold used to distinguish between type A and type B programs: \$ 750,000
- Auditee qualified as low-risk auditee? Yes No

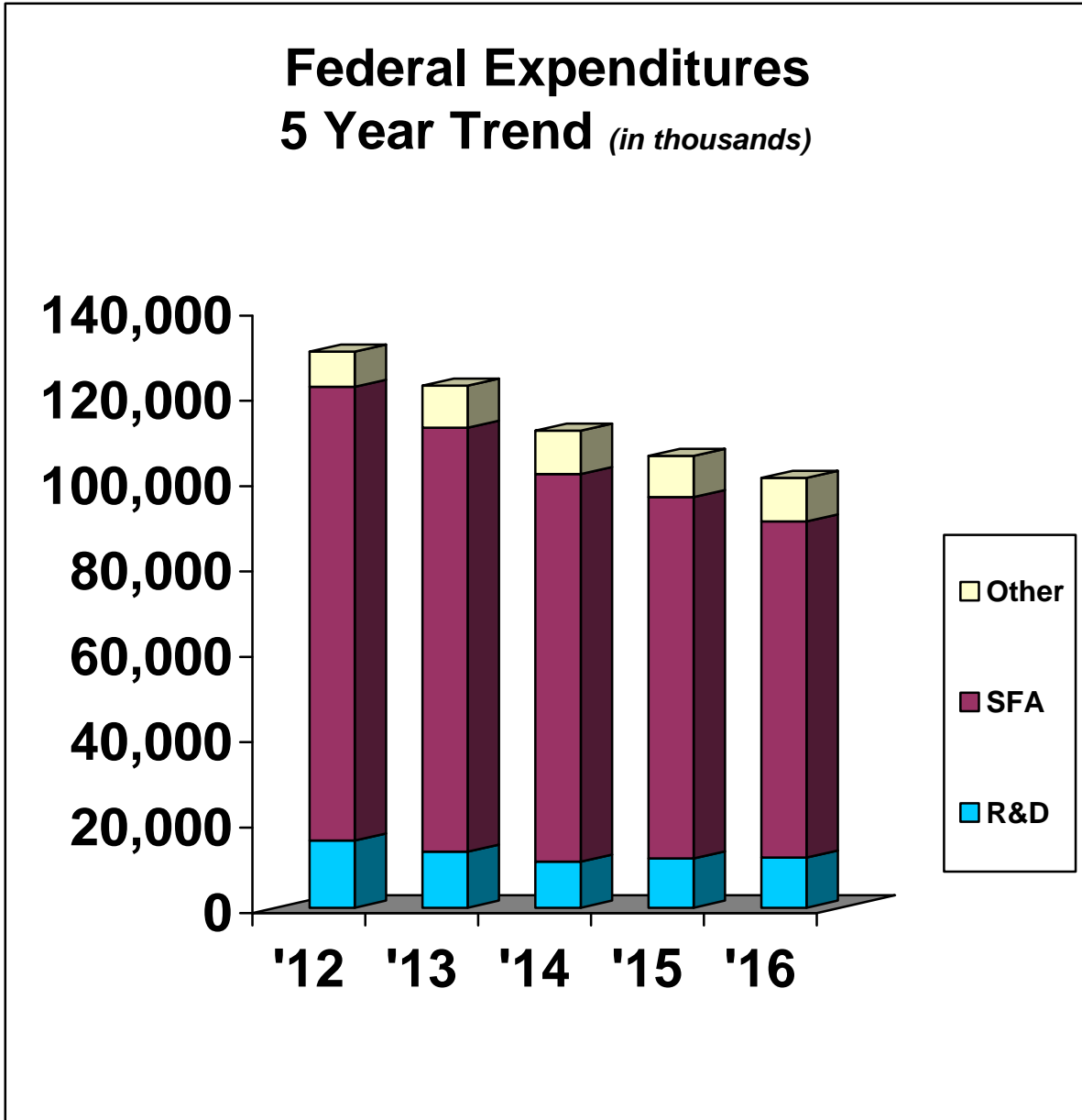
Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Idaho State University
Presentation of Audit Results – cont.
November 9, 2016



MOSS ADAMS LLP

Certified Public Accountants and Business Consultants

Communications with Those
Charged with Governance

Idaho State University

June 30, 2016

COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

To the Audit Committee
Idaho State Board of Education

We have audited the financial statements of Idaho State University (University) and its discretely presented component unit; Idaho State University Foundation, Inc. as of and for the year ended June 30, 2016, and have issued our report thereon dated September 29, 2016. We did not audit the financial statements of Idaho State University Foundation, Inc., a discretely presented component unit, as described in Note 14. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for that component unit, is based solely on the report of other auditors. In addition, this required information does not include the other auditors' audit results or other matters that are reported on separately by other auditors. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA Government Auditing Standards, issued by the Comptroller General of the United States of America

As stated in our engagement letter dated November 18, 2015, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles 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. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in Government Auditing Standards and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we considered University's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.



Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States of America (continued)

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests on its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also, in accordance with Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), we examined, on a test basis, evidence about the University's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the University's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the University's compliance with those requirements.

We also considered the internal controls over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

Our responsibility for other information in the management's discussion and analysis on pages 4 through 17 and certain information in Note 11, Pension Plan, and Note 12, Postemployment Benefits Other Than Pensions, labeled as "required supplementary information", and the schedule of expenditures and federal awards, includes applying certain limited procedures to the required supplementary information and other supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures 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.



PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you in our meeting on March 1, 2016.

SIGNIFICANT AUDIT FINDINGS AND ISSUES

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the University are described in Note 1 to the financial statements. No new accounting policies were adopted and there were no changes in the application of existing policies during 2016. We noted no transactions entered into by the University during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the allowance for uncollectible accounts receivable, the useful lives of capital assets, the valuation of investments, and the actuarially determined liability related to other post employment benefit obligations and pension liability. We evaluated the key factors and assumptions used to develop management's estimates in determining they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

We believe the disclosures in the financial statements are consistent, clear, and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We believe the most sensitive disclosures affecting the financial statements were Note 8 related to noncurrent liabilities, Notes 11 and 12 related to retirement plans, and Note 14 related to the component unit.

Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

MOSS ADAMS_{LLP}**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no material misstatements detected as a result of our audit procedures which required correction by management, either individually or in the aggregate, to the financial statements taken as a whole.

The information below summarizes an uncorrected misstatement of the financial statements. Management has determined the effect is immaterial, both individually and in the aggregate, to the financial statements as a whole. The adjustment is an entry to fully depreciate an asset that was not previously being depreciated. In 2013, management elected to depreciate an asset over four years rather than all in the prior year. To correct this in the current year statements, net assets would decrease by \$536,359, and depreciation expense would decrease by \$536,359.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 29, 2016.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the University's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the University's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

MOSS ADAMS LLP**Other Matters**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine the information complies with U.S. GAAP, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.



This information is intended solely for the use of Idaho State Board of Education Audit Committee and management of Idaho State University and is not intended to be, and should not be used by anyone other than these specified parties.

Moss Adams LLP

September 29, 2016
Eugene, Oregon

Eastern Idaho Technical College

Presentation of Audit Results

November 9, 2016

Scott Simpson, Partner 541-686-1040 scott.simpson@mossadams.com

Primary Contacts at Moss Adams for EITC

Scott Simpson, Partner
Kyle Hauser, Manager

4 auditors at EITC from Moss Adams

Fieldwork Dates

Interim Fieldwork	May 23 - 27
F/S Fieldwork	August 22 - 26

Audit Reporting and Timing

Audit Report Dated	October 6, 2016
Audit Report Issued	October 6, 2016
Auditors Report on Financial Statements	Unmodified
Auditors Report on Compliance	Unmodified
Internal Control Issues Identified & Reported	None Reported
Audit findings related to Compliance Audit	None Reported

MOSS-ADAMS LLP

Certified Public Accountants and Business Consultants

**EASTERN IDAHO TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR Section 200.516(a)? Yes No

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for Major Federal Programs</i>
Various	Student Financial Assistance Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

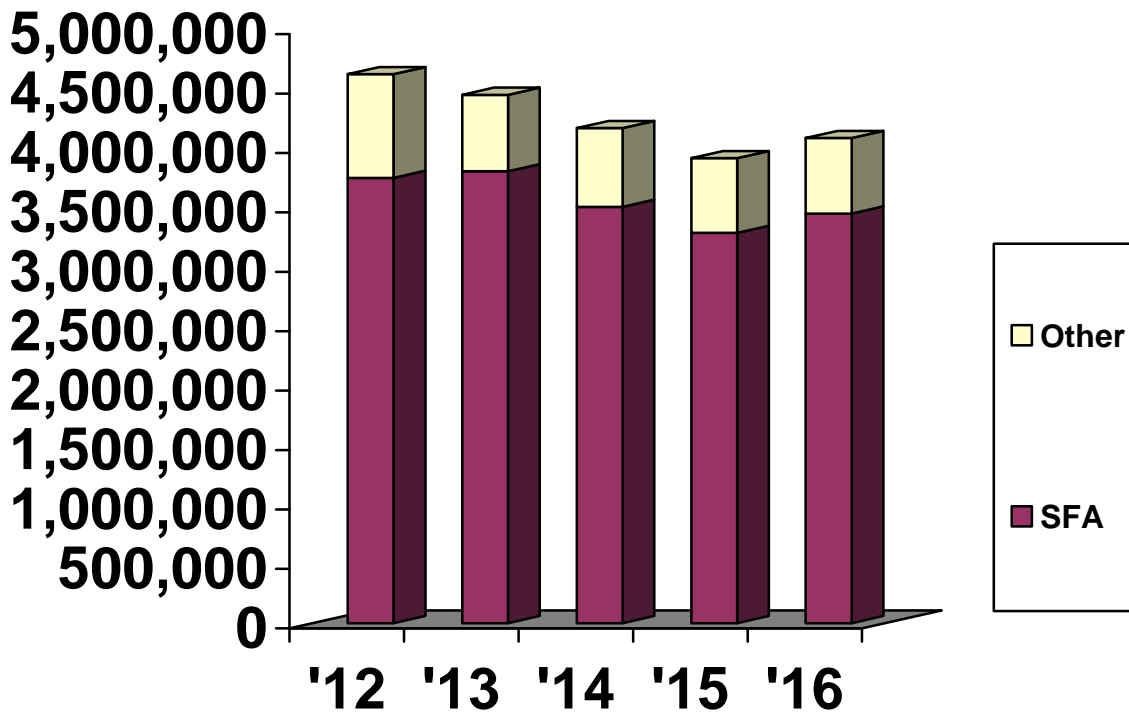
None

Eastern Idaho Technical College

Presentation of Audit Results – cont.

November 9, 2016

Federal Expenditures 5 Year Trend



MOSS-ADAMS LLP

Certified Public Accountants and Business Consultants

COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

To the Audit Committee
Idaho State Board of Education

We have audited the financial statements of Eastern Idaho Technical College (College) as of and for the year ended June 30, 2016, and have issued our report thereon dated October 6, 2016. Those financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on those financial statements based on our audit. We did not audit the financial statements of the College's discretely presented component unit, and our opinion, insofar as it relates to the amounts included for the component unit of the Eastern Idaho Technical College Foundation, Inc., is based solely on the report of other auditors. Professional standards require that we provide you with the following information related to our audit. This required information does not include the outcome of other auditors' audit results or other matters that are reported on separately by other auditors.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States of America

As stated in our engagement letter dated November 18, 2015, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles 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. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit 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 of America, and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we considered the College's internal control solely for the purpose of determining our audit procedures and not to provide assurance concerning such internal control.



To the Audit Committee
Idaho State Board of Education
Page 2

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States of America (continued)

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests on its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also, in accordance with Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), we examined, on a test basis, evidence about the University's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the University's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the University's compliance with those requirements.

We also considered the internal controls over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting on March 1, 2016.



To the Audit Committee
Idaho State Board of Education
Page 3

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the College are described in Note 1 to the financial statements. There were no changes in the application of existing policies during 2016. We noted no transactions entered into by the College during the year for which there is a lack of authoritative guidance or consensus. We did not identify any material transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were the actuarial determination of the liability related to other postemployment benefit obligations, pensions, the amount of the compensated absence accrual, the approximation of allowance for doubtful accounts, and the useful lives of capital assets.

Financial Statement Disclosures

We believe the disclosures in the financial statements are consistent, clear, and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements were Note 7- pension plans (and the related Note 8 for the restatement due to GASB 68), Note 9 - postemployment benefits other than pensions and Note 14 - related parties.

Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.



To the Audit Committee
Idaho State Board of Education
Page 4

SIGNIFICANT AUDIT FINDINGS (continued)

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We noted \$246,000 of certificates of deposit was classified as cash and cash equivalents, this misstatement is considered immaterial, individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 6, 2016.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" in certain situations. If a consultation involves application of an accounting principle to the College's financial statements or a determination of the type of auditor's opinion that may be expressed in those statements, our professional standards require the consulting accountant to check with us to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

MOSS ADAMS LLP

To the Audit Committee
Idaho State Board of Education
Page 5

SIGNIFICANT AUDIT FINDINGS (continued)**Communications with Management**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the College's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine the information complies with U.S. GAAP, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

✂ ✱ ✂

This information is intended solely for the use of Idaho State Board of Education Audit Committee and management of Eastern Idaho Technical College and is not intended to be, and should not be used by anyone other than these specified parties.

Moss Adams LLP

Portland, Oregon
October 6, 2016

Idaho State Board of Education
Presentation of Audit Results – cont.

November 9, 2016

We are proud to be the auditor for Idaho Colleges and Universities and would like to extend our thanks to the Board Members, the Office of the State Board, and the Institutions.

Questions & Comments?

MOSS-ADAMS LLP

Certified Public Accountants and Business Consultants

**AUDIT COMMITTEE
DECEMBER 15, 2016**

SUBJECT

FY 2016 College and Universities' Financial Ratios

BACKGROUND/DISCUSSION

The ratios presented measure the financial health of the institution and include a "Composite Financial Index" comprised of four ratios. The ratios are designed as a management tool to measure financial activity and trends within an institution. They do not lend themselves to comparative analysis between institutions because of the varying missions and current initiatives taking place at a given institution.

Institution foundations are reported as component units in the college and universities' financial statements. The nationally developed ratio benchmarks model is built around this combined picture.¹ An institution foundation holds assets for the purpose of supporting the institution. Foundation assets are nearly all restricted for institution purposes and are an important part of an institution's financial strategy and financial health.

Ratio	Measure	Benchmark
Primary reserve	Sufficiency of resources and their flexibility; good measure for net assets	.40
Viability	Capacity to repay total debt through reserves	1.25
Return on net assets	Whether the institution is better off financially this year than last	6.00%
Net operating revenues	Whether institution is living within available resources	2.00%
Composite Financial Index	Combines four ratios using weighting	3.0

IMPACT

The ratios and analyses are provided in order for the Board to review the financial health and relative efficiency of each institution.

ATTACHMENTS

Boise State University	Page 3
Idaho State University	Page 4
University of Idaho	Page 5
Lewis-Clark State College	Page 6

STAFF COMMENTS AND RECOMMENDATIONS

The institutions will present a brief analysis of their financial ratios and will be available for questions by the Board.

¹ See *Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks* (7th ed.). New York, NY: Prager, Sealy & Co., LLC; KPMG, LLP; Attain, LLC. The model's well vetted analysis developed by industry experts has been around and evolving since 1980. It is widely used and accepted in the higher education finance community.

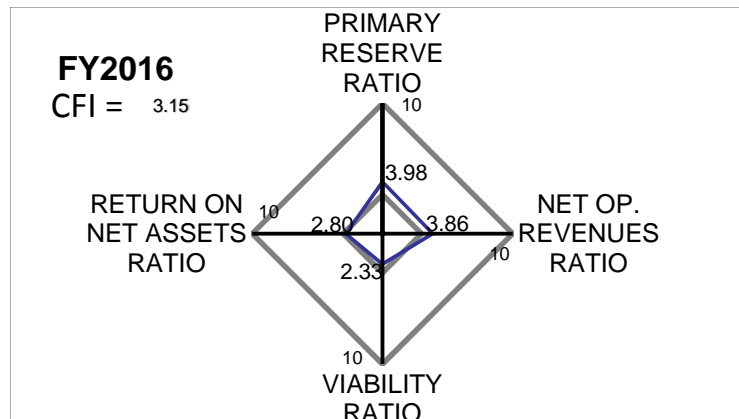
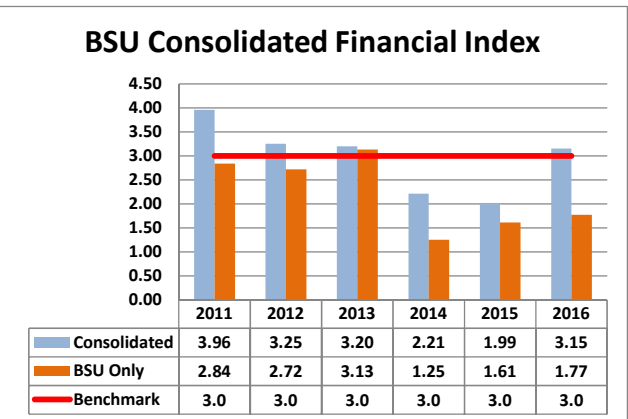
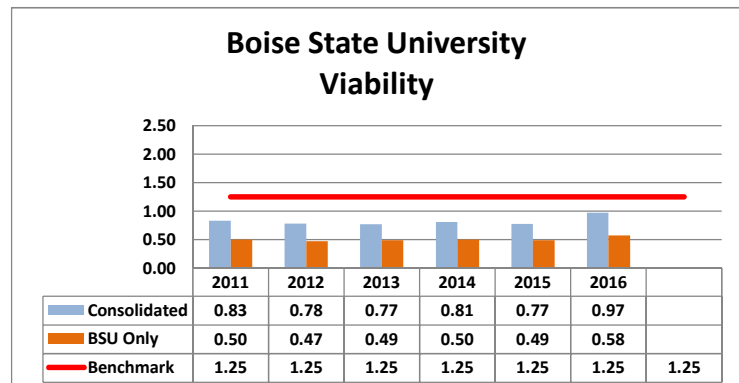
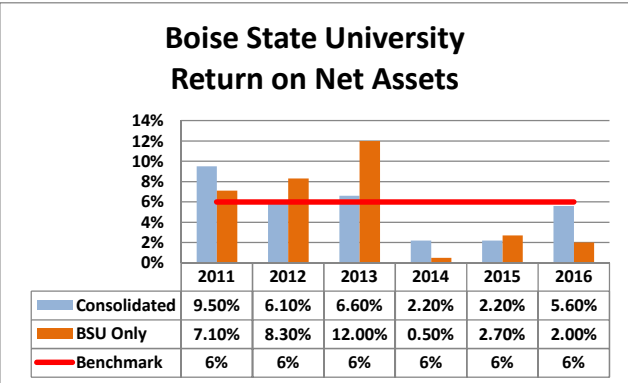
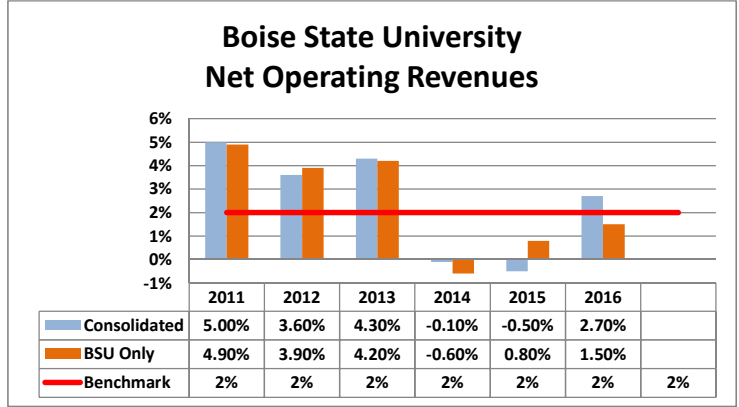
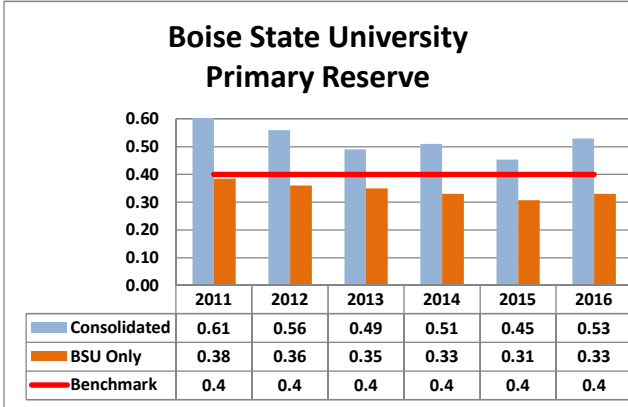
**AUDIT COMMITTEE
DECEMBER 15, 2016**

BOARD ACTION

This item is for informational purposes only. Any action will be at the Board's discretion.

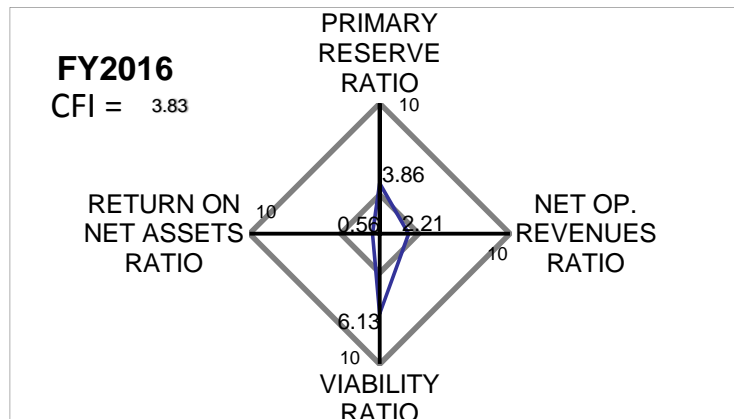
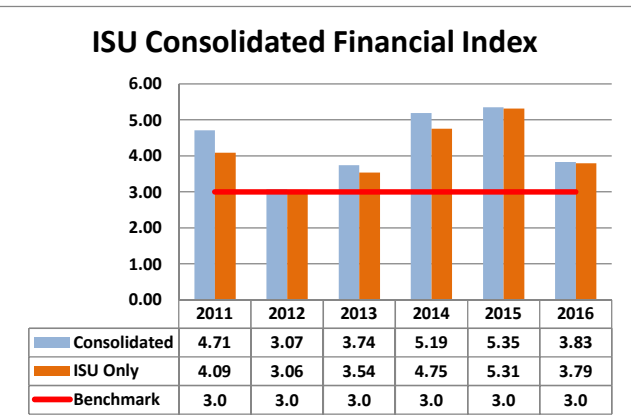
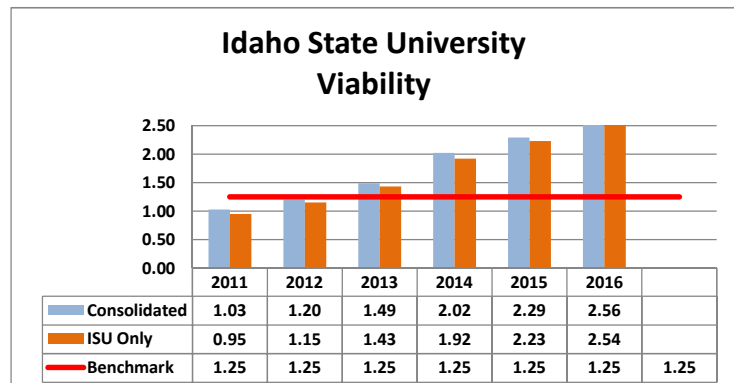
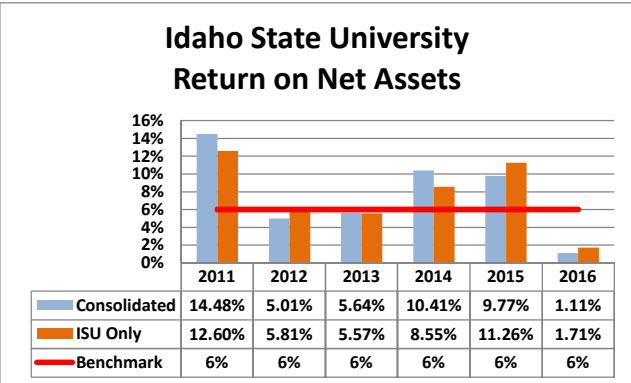
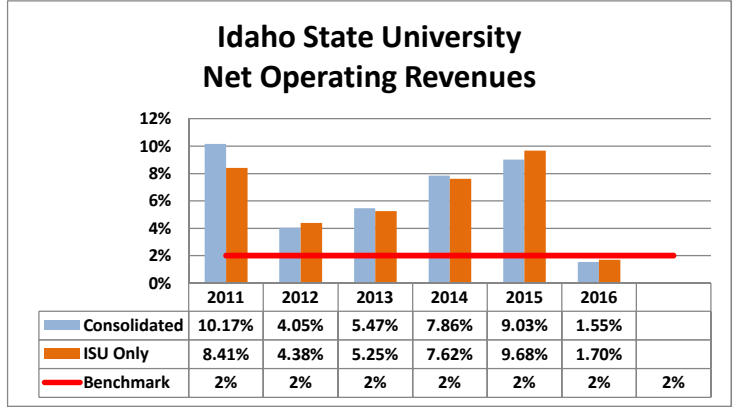
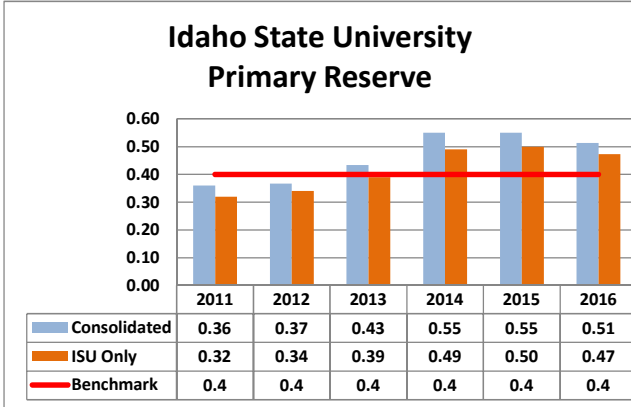
Boise State University

	2011	2012	2013	2014	2015	2016	Benchmark
Primary Reserve Consolidated	0.61	0.56	0.49	0.51	0.45	0.53	0.40
BSU Only	0.38	0.36	0.35	0.33	0.31	0.33	0.40
Net Operating Revenues Consolidated	5.00%	3.60%	4.30%	-0.10%	-0.50%	2.70%	2.00%
BSU Only	4.90%	3.90%	4.20%	-0.60%	0.80%	1.50%	2.00%
Return on Net Assets Consolidated	9.50%	6.10%	6.60%	2.20%	2.20%	5.60%	6.00%
BSU Only	7.10%	8.30%	12.00%	0.50%	2.70%	2.00%	6.00%
Viability Consolidated	0.83	0.78	0.77	0.81	0.77	0.97	1.25
BSU Only	0.50	0.47	0.49	0.50	0.49	0.58	1.25
CFI Consolidated	3.96	3.25	3.20	2.21	1.99	3.15	3.00
BSU Only	2.84	2.72	3.13	1.25	1.61	1.77	3.00



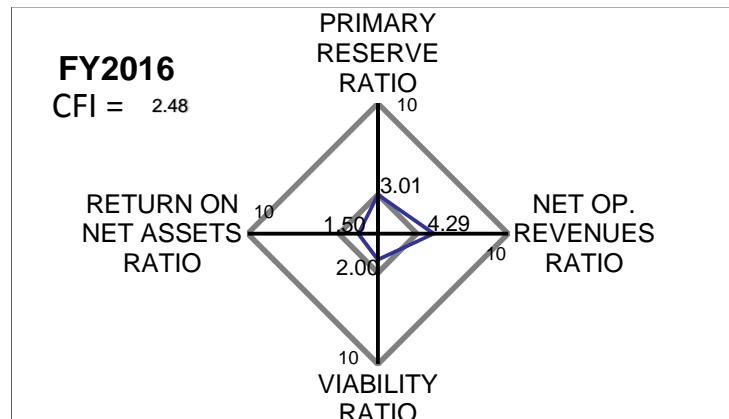
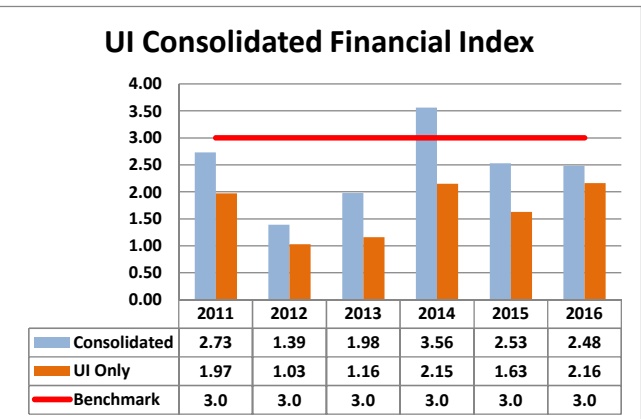
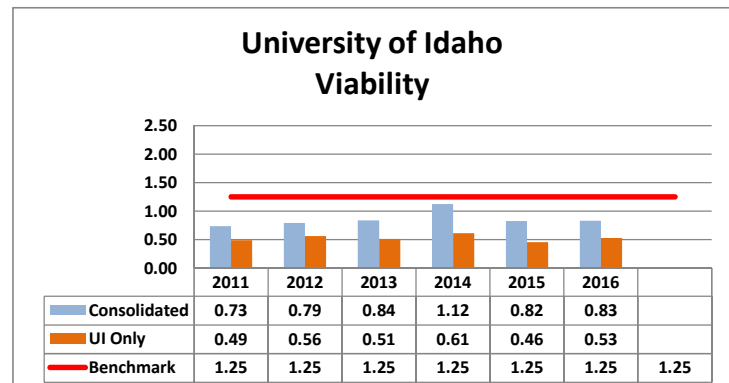
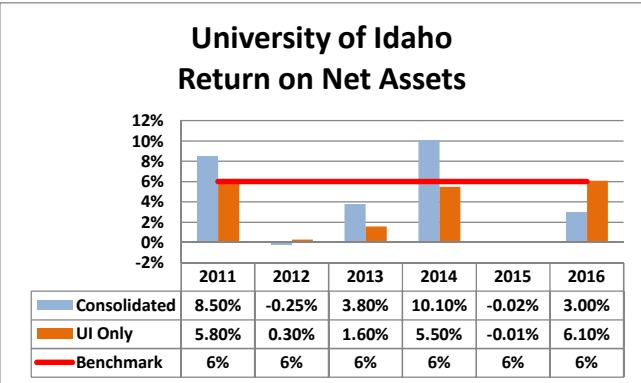
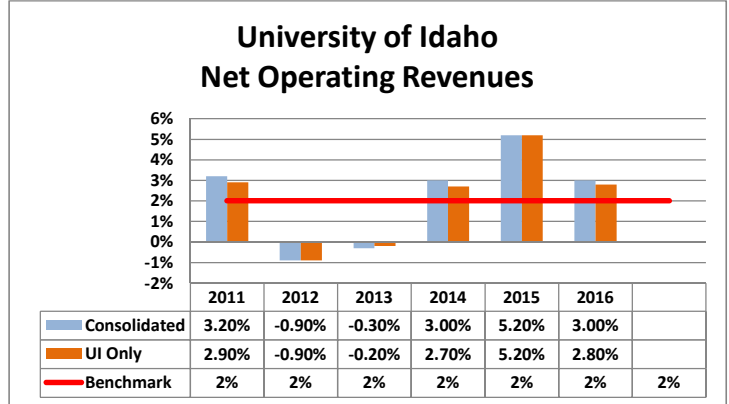
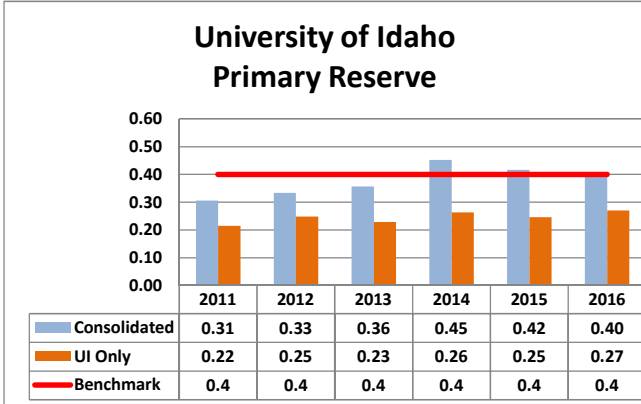
Idaho State University

	2011	2012	2013	2014	2015	2016	Benchmark
Primary Reserve Consolidated	0.36	0.37	0.43	0.55	0.55	0.51	0.40
ISU Only	0.32	0.34	0.39	0.49	0.50	0.47	0.40
Net Operating Revenues Consolidated	10.17%	4.05%	5.47%	7.86%	9.03%	1.55%	2.00%
ISU Only	8.41%	4.38%	5.25%	7.62%	9.68%	1.70%	2.00%
Return on Net Assets Consolidated	14.48%	5.01%	5.64%	10.41%	9.77%	1.11%	6.00%
ISU Only	12.60%	5.81%	5.57%	8.55%	11.26%	1.71%	6.00%
Viability Consolidated	1.03	1.20	1.49	2.02	2.29	2.56	1.25
ISU Only	0.95	1.15	1.43	1.92	2.23	2.54	1.25
CFI Consolidated	4.71	3.07	3.74	5.19	5.35	3.83	3.00
ISU Only	4.09	3.06	3.54	4.75	5.31	3.79	3.00



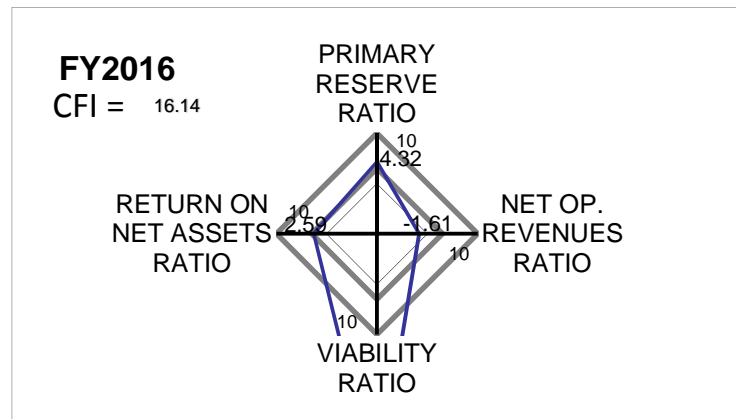
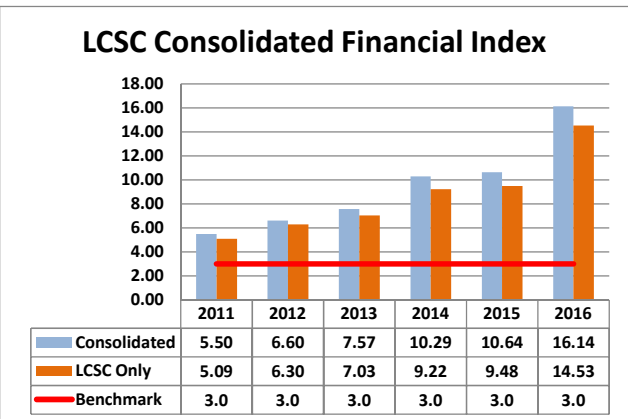
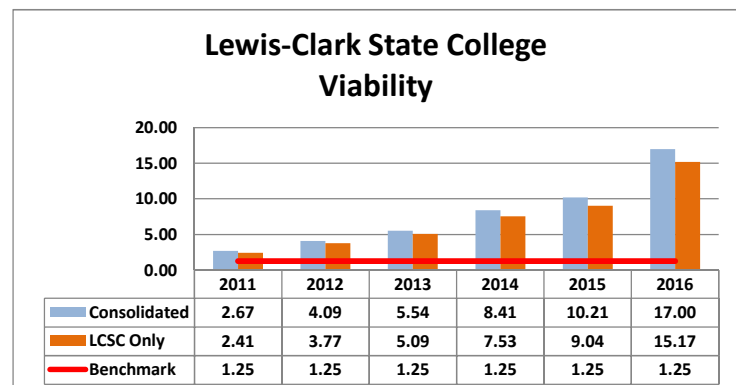
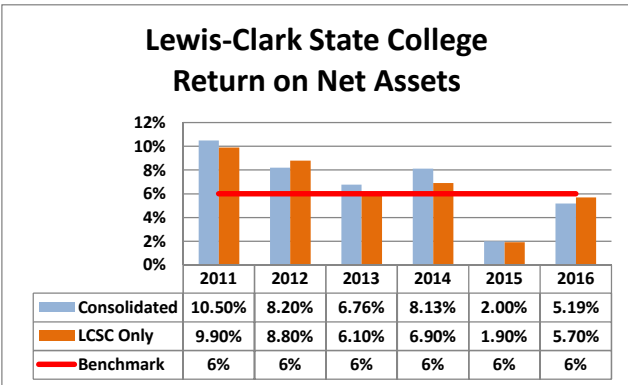
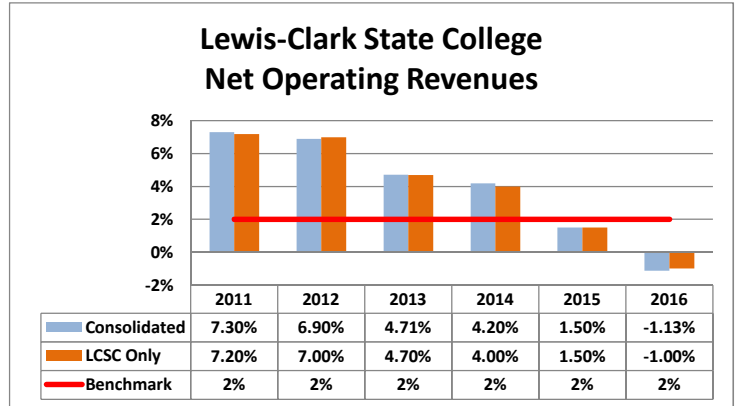
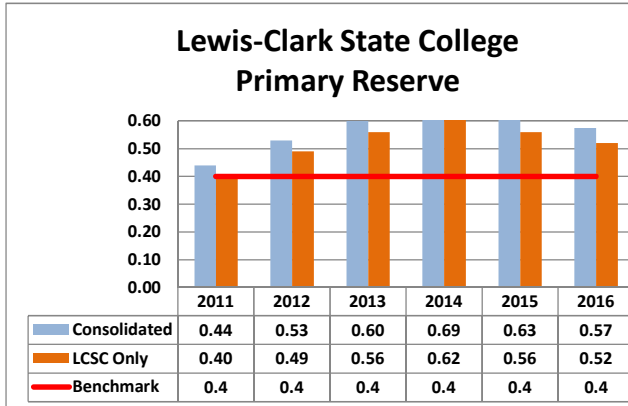
University of Idaho

	2011	2012	2013	2014	2015	2016	Benchmark
Primary Reserve Consolidated	0.31	0.33	0.36	0.45	0.42	0.40	0.40
UI Only	0.22	0.25	0.23	0.26	0.25	0.27	0.40
Net Operating Revenues Consolidated	3.20%	-0.90%	-0.30%	3.00%	5.20%	3.00%	2.00%
UI Only	2.90%	-0.90%	-0.20%	2.70%	5.20%	2.80%	2.00%
Return on Net Assets Consolidated	8.50%	-0.25%	3.80%	10.10%	-0.02%	3.00%	6.00%
UI Only	5.80%	0.30%	1.60%	5.50%	-0.01%	6.10%	6.00%
Viability Consolidated	0.73	0.79	0.84	1.12	0.82	0.83	1.25
UI Only	0.49	0.56	0.51	0.61	0.46	0.53	1.25
CFI Consolidated	2.73	1.39	1.98	3.56	2.53	2.48	3.00
UI Only	1.97	1.03	1.16	2.15	1.63	2.16	3.00



Lewis-Clark State College

	2011	2012	2013	2014	2015	2016	Benchmark
Primary Reserve Consolidated	0.44	0.53	0.60	0.69	0.63	0.57	0.40
LCSC Only	0.40	0.49	0.56	0.62	0.56	0.52	0.40
Net Operating Revenues Consolidated	7.30%	6.90%	4.71%	4.20%	1.50%	-1.13%	2.00%
LCSC Only	7.20%	7.00%	4.70%	4.00%	1.50%	-1.00%	2.00%
Return on Net Assets Consolidated	10.50%	8.20%	6.76%	8.13%	2.00%	5.19%	6.00%
LCSC Only	9.90%	8.80%	6.10%	6.90%	1.90%	5.70%	6.00%
Viability Consolidated	2.67	4.09	5.54	8.41	10.21	17.00	1.25
LCSC Only	2.41	3.77	5.09	7.53	9.04	15.17	1.25
CFI Consolidated	5.50	6.60	7.57	10.29	10.64	16.14	3.00
LCSC Only	5.09	6.30	7.03	9.22	9.48	14.53	3.00



**AUDIT COMMITTEE
DECEMBER 15, 2016**

SUBJECT

FY 2016 College and Universities' Unrestricted Net Position

REFERENCE

December 2012-2016 Annual Audit report submitted to the Board

BACKGROUND/DISCUSSION

The net position balances are shown in the Attachments as of June 30, 2016. The net position is broken down as follows:

Invested in capital assets, net of related debt: This represents an institution's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included.

Restricted, expendable: This represents resources which an institution is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted, nonexpendable: This represents endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted: This represents resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff. Not all sources of revenue noted above are necessarily present in the unrestricted position.

Within the category of **Unrestricted Position**, the institutions reserve funds for the following:

Obligated: Contractual obligations represent a variety of agreements which support initiatives or operations that have moved beyond management planning into execution. Obligations include contracts for goods and services, including construction projects. Obligations contain debt service commitments for outstanding debt and staffing commitments for personnel. These amounts also consist of inventories and other balances for which contractual commitments exist.

Designated: Designated net position represents balances not yet legally contracted but have been dedicated to initiatives that have been deemed to be strategic or mission critical. Balances include capital or maintenance projects that are in active planning phases. Facility and administrative cost recovery returns

**AUDIT COMMITTEE
DECEMBER 15, 2016**

from sponsored projects (grants and contracts) are reinvested in infrastructure or on efforts to obtain additional grant funding. Documented central commitments to initiatives that have been approved at an executive level are designated.

Note: Designated reserves are not yet legally contracted, so technically they are still subject to management decision or reprioritization. However, it's critical to understand that these net position balances are a snapshot in time as of June 30, 2016, so reserves shown as "designated" on this report could be "obligated" at any point in the current fiscal year.

Unrestricted Funds Available: Balance represents reserves available to bridge uneven cash flows as well as future potential funding shortfalls such as:

- Budget reductions or holdbacks
- Enrollment fluctuations
- Unfunded enrollment workload adjustment (EWA)
- Unfunded occupancy costs
- Critical infrastructure failures

IMPACT

The volatility of state funding as well as fluctuations in enrollment and tuition revenue necessitates that institutions maintain fund balances sufficient to stabilize their operating budgets. As such, the Board has set a minimum target reserve of 5% of operating expenditures as a benchmark in its [Strategic Plan](#) (Goal 3, Objective D). The institutions' unrestricted funds available as a percent of operating expenses are as follows:

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
BSU:	3.5%	5.0%	6.1%	5.1%	5.3%
ISU:	7.3%	12.6%	16.2%	15.6%	11.8%
UI:	2.6%	2.7%	4.2%	5.1%	5.4%
LCSC:	3.8%	5.1%	6.5%	6.3%	6.0%

ATTACHMENTS

BSU Net Position Balances	Page 3
ISU Net Position Balances	Page 5
UI Net Position Balances	Page 7
LCSC Net Position Balances	Page 9

STAFF COMMENTS AND RECOMMENDATIONS

The institutions will present a brief analysis of their respective unrestricted net position.

BOARD ACTION

This item is for informational purposes only. Any action will be at the Board's discretion.

BOISE STATE UNIVERSITY
Net Asset Balances
As of June 30, 2016

Net Assets:		6/30/2016
1	Invested in capital assets, net of related debt	265,650,785
2	Restricted, expendable	18,109,878
3	Restricted, nonexpendable	-
4	Unrestricted	103,761,055
5	Total Net Assets	387,521,718
Unrestricted Net Assets:		103,761,055
6	Obligated (Note A)	
7	Debt Reserves	18,155,588
	Capital Projects	
7	Facilities	18,919,756
8	Equipment	5,520,463
	Program Commitments	
9	Academic	4,014,519
10	Research	552,420
11	Other	2,420,458
12	Administrative Initiatives	1,285,119
13	Total Obligated	50,868,323
	Designated (Note B)	
	Capital Projects	
14	Facilities	14,985,346
15	FFE	986,652
16	Program Commitments	
17	Academic	7,381,370
18	Research	4,715,869
19	Other	584,121
20	Administrative Initiatives	4,974,800
21	Other	485,100
22	Total Designated	34,113,258
23	Unrestricted Funds Available (Note C)	18,779,474
24	FY16 Operating Expenses	356,908,800
25	Ratio of Unrestricted Funds Available to operating expenses	5.26%
26	5% of operating expenses (minimum reserve target)	17,845,440
27	Two months of operating expenses	59,484,800
28	Ratio of Unrestricted Funds Available to two months of operating expenses	32%
29	Number of days expenses covered by Unrestricted Funds Available	19

Note A: **Obligated** - Contractual obligations represent a variety of agreements which support initiatives or operations that have moved beyond management planning into execution. Obligations include contracts for goods and services, including construction projects. Obligations contain debt service and staffing commitments for outstanding debt and personnel. These amounts also consist of inventories and other balances for which a contractual commitments exist.

Note B: **Designated** - Designated net assets represent balances that are not yet legally contracted, but have been dedicated to initiatives that have been deemed to be strategic or mission critical. Balances include capital or maintenance projects that are in active planning phases. Facility and administrative returns from sponsored projects (grants and contracts) are reinvested in infrastructure or on efforts to obtain additional grant funding. Documented central commitments to initiatives that have been approved at an executive level are designated.

Note C: **Unrestricted Funds Available** - Balance represents reserves available to bridge uneven cash flows as well as future potential reduced funding. Current examples of potential future reductions are:

- Unfunded Enrollment Workload Adjustment (EWA)
- Budget reductions or holdbacks
- Enrollment fluctuations

IDAHO STATE UNIVERSITY

Net Asset Balances

As of June 30, 2016

Information Taken from Workpapers Relating to Audited Financial Statements

	FY16
1 Net Assets:	
2 Invested in capital assets, net of related debt	\$126,984,356
3 Restricted, expendable	\$5,053,113
4 Restricted, nonexpendable	
5 Unrestricted	\$113,199,261
6 Total Net Assets	<u>\$245,236,730</u>
7	
8 Unrestricted Net Assets:	113,199,261
9 Obligated (Note A)	
10 Debt Reserves	11,090,245
11 Capital Projects	
12 Facilities	1,568,782
13 Equipment	7,925,956
14 Program Commitments	
15 Academic	11,530,906
16 Research	-
17 Other	
18 Administrative Initiatives	376,139
19 Other	1,483,967
20	-
21 Total Obligated	<u>33,975,995</u>
22	
23 Designated (Note B)	
24 Capital Projects	
25 Facilities	12,985,385
26 Equipment	
27 Program Commitments	
28 Academic	12,973,102
29 Research	1,477,436
30 Other	8,382,068
31 Administrative Initiatives	1,065,110
32 Other	1,160,438
33 Projected FY17 Budget Deficit	12,000,000
34 Total Designated	<u>50,043,539</u>
35	
36 Unrestricted Available (Note C)	<u>29,179,728</u>
37	
38 Operating expenses	248,285,034
39 Ratio of Unrestricted Funds Available to operating expenses	11.8%
40 5% of operating expenses (minimum available reserve target)	12,414,252
41	
42 Two months operating expenses	41,380,839
43 Ratio of Unrestricted Funds Available to two months of operating expenses	71%
44 Ratio of Designated and Unrestricted Funds Available to operating expenses	32%
45 Ratio of Obligated, Designated and Unrestricted Funds Available to operating expenses	46%
46 Number of days expenses covered by Unrestricted Funds Available	42.90

Note A: Obligated - Contractual obligations represent a variety of agreements which support initiatives or operations that have moved beyond management planning into execution. Obligations include contracts for goods and services, including construction projects. Obligations contain debt service commitments for outstanding debt and staffing commitments for personnel. These amounts also consist of inventories and other balances for which a contractual commitments exist.

Note B: Designated - Designated net assets represent balances that are not yet legally contracted, but have been dedicated to initiatives that have been deemed to be strategic or mission critical. Balances include capital or maintenance projects that are in active planning phases. Facility and administrative returns from sponsored projects (grants and contracts) are reinvested in infrastructure or on efforts to obtain additional grant funding. Documented central commitments to initiatives that have been approved at an executive level are designated.

Note C: Unrestricted Funds Available - Balance represents reserves available to bridge uneven cash flows as well as future potential reduced funding. Current examples of potential future reductions are: enrollment fluctuations, budget reductions or holdbacks.

**Idaho College and Universities
Net Position Balances**

As of June 30, 2016

Information Taken from Workpapers Relating to Audited Financial Statements

1	Net Position:	University of Idaho
2	Invested in capital assets, net of related debt	\$ 258,039,101
3	Restricted, expendable	36,161,850
4	Unrestricted	67,350,346
5	Total Net Position	<u>\$ 361,551,297</u>
6	Unrestricted Net Position:	\$ 67,350,346
7	Obligated (Note A)	
	- Debt Service Obligations	\$ 13,953,783
	- Capital Project and Equipment Fund Obligations	<u>6,575,814</u>
	Total Obligated Funds	\$ 20,529,597
8	Designated (Note B)	
	Academic Funds:	
	- Dedicated Course Fees	\$ 1,064,193
	- Research Funds	2,180,494
	- Faculty Start-up Funds	513,499
	- Support Funds	3,515,156
	Total Academic Funds	\$ 7,273,342
	Agricultural Extension Funds:	
	- Agricultural Extension Education Funds	\$ 390,366
	- Agricultural Extension Research Funds	566,912
	- Agricultural Extension Support Funds	1,004,349
	Total Agricultural Extension Funds	1,961,628
	Student Funds:	
	- Student Services Funds	\$ 888,126
	- Student Scholarship Funds	119,880
	Total Student Funds	1,008,007
	Faculty Start-up & Research Support Funds (from F&A)	6,541,883
	Anticipated University Capital Projects	2,483,333
	Service Centers	3,218,963
	Benefits & Self-Insured Health Plan	1,456,821
	Auxiliary Services Funds	1,823,995
	Facility/Departmental Repair and Replacement Funds	670,614
	Total Designated Funds	<u>\$ 26,438,585</u>
9	Unrestricted Available (Note C)	<u>\$ 20,382,164</u>

10	Operating expenses	\$374,933,532
11	Ratio of Unrestricted Funds Available to operating expenses	5.4%
12	5% of operating expenses (minimum available reserve target)	\$18,746,677
13	Two months operating expenses	\$62,488,922
14	Ratio of Unrestricted Funds Available to two months of operating expenses	33%
15	Number of days expenses covered by Unrestricted Funds Available	20

NOTES

Note A: Obligated - Contractual obligations represent a variety of agreements which support initiatives or operations that have moved beyond management planning into execution. Obligations include contracts for goods and services, including construction projects. Obligations contain debt service commitments for outstanding debt and staffing commitments for personnel. These amounts also consist of inventories and other balances for which contractual commitments exist.

Note B: Designated - Designated net assets represent balances that are not yet legally contracted, but have been dedicated to initiatives that have been deemed to be strategic or mission critical. Balances include capital or maintenance projects that are in active planning phases. Facility and administrative returns from sponsored projects (grants and contracts) are reinvested in infrastructure or on efforts to obtain additional grant funding. Documented central commitments to initiatives that have been approved at an executive level are designated.

Note C: Unrestricted Funds Available - Balance represents reserves available to bridge uneven cash flows as well as future potential reduced funding. Current examples of potential future reductions are:

- Budget reductions or holdbacks
- Enrollment fluctuations
- Unfunded Enrollment Workload Adjustment (EWA)

Lewis-Clark State College
Net Position Balances
As of June 30, 2016

1 Net Position:	LCSC
2 Invested in capital assets, net of related debt	\$48,190,086
3 Restricted, expendable	938,321
4 Restricted, nonexpendable	0
5 Unrestricted	25,888,213
6 Total Net Position	<u><u>\$75,016,620</u></u>
7	
8 Unrestricted Net Position:	\$25,888,213
9 Obligated (Note A)	
10 Debt Service	\$1,838,498
11 Program Commitments	774,066
12 Capital Projects	6,191,600
13 Total Obligated	<u>\$8,804,164</u>
14	
15 Designated (Note B)	
16 Capital Projects	
17 Facilities	\$3,210,000
18 Equipment	2,315,000
19 Program Commitments	
20 Academic	3,062,167
21 Other	4,302,468
22 Other	<u>1,113,605</u>
23 Total Designated	<u>\$14,003,241</u>
24	
25 Unrestricted Available (Note C)	<u><u>\$3,080,808</u></u>
26	
27 Operating expenses	\$51,353,619
28 Ratio of Unrestricted Funds Available to operating expenses	6.0%
29 Ratio of Designated and Unrestricted Funds Available to operating expenses	33.3%
30 Ratio of Obligated, Designated and Unrestricted Funds Available to operating expenses	50.4%
31 5% of operating expenses (minimum available reserve target)	\$2,567,681
32	
33 Two months operating expenses	\$8,558,937
34 Ratio of Unrestricted Funds Available to two months of operating expenses	36%
35 Number of days expenses covered by Unrestricted Funds Available	22

Note A: **Obligated** - Contractual obligations represent a variety of agreements which support initiatives or operations that have moved beyond management planning into execution. Obligations include contracts for goods and services, including construction projects. Obligations contain debt service commitments for outstanding debt and staffing commitments for personnel. These amounts also consist of inventories and other balances for which a contractual commitment exists.

Note B: **Designated** - Designated net assets represent balances that are not yet legally contracted, but have been dedicated to initiatives that have been deemed to be strategic or mission critical. Balances include capital or maintenance projects that are in active planning phases. Facility and administrative returns from sponsored projects (grants and contracts) are reinvested in infrastructure or on efforts to obtain additional grant funding. Documented central commitments to initiatives that have been approved at an executive level are designated.

Note C: **Unrestricted Funds Available** - Balance represent reserves available to bridge uneven cash flows as well as future potential reduced funding. Current examples of potential future reductions are:

Enrollment fluctuations
Budget reductions or holdbacks