

**AUDIT
DECEMBER 20, 2018**

| TAB | DESCRIPTION | ACTION |
|------------|---|-------------------|
| 1 | FY 2018 FINANCIAL STATEMENT AUDITS | Motion to approve |
| 2 | FY 2018 FINANCIAL RATIOS | Information item |
| 3 | FY 2018 NET POSITION BALANCES | Information item |

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**AUDIT
DECEMBER 20, 2018**

SUBJECT

College/university FY2018 audit findings reported by the Idaho State Board of Education's external auditor

REFERENCE

December 2017

Board reviewed FY 2017 audit findings

APPLICABLE STATUTE, RULE OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.H.4.f.

ALIGNMENT WITH STRATEGIC PLAN

Goal 1; Objective A: Data Access and Transparency.

BACKGROUND/DISCUSSION

The Idaho State Board of Education (Board) has 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 financial audits for FY2018 were conducted in accordance with Generally Accepted Government Auditing Standards and include an auditor's opinion on the basic financial statements prepared by each of the five institutions.

IMPACT

There was one significant deficiency for Eastern Idaho Technical College related to federal Student Financial Assistance. For University of Idaho there was one material weakness identified for lack of adequate accounting controls over library materials and a significant deficiency in internal controls over major federal programs.

ATTACHMENTS

Attachment 1 - Moss Adams Audit Results Report

STAFF COMMENTS AND RECOMMENDATIONS

On November 14, 2018, 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 provided with copies of the audit reports and financial statements. The institutions which received significant findings have identified actions to correct and prevent recurrence of the noted problems. Staff recommends acceptance of the financial audit reports submitted by Moss Adams.

Eastern Idaho Technical College became the College of Eastern Idaho as of July 1, 2018, and as such, will be removed from the contract for the next audit year ending June 30, 2019.

AUDIT
DECEMBER 20, 2018

BOARD ACTION

I move to accept from the Audit Committee the Fiscal Year 2018 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 _____

Idaho State Board of Education

Audit Committee

Presentation of Audit Results

November 14, 2018

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

**Scott Simpson
Tammy Erickson
Pam Cleaver**

Idaho State Board of Education

Audit Committee Debrief

November 14, 2018

Moss Adams Leadership Team

Overall

Scott Simpson, Partner

541-686-1040 scott.simpson@mossadams.com

Institution Specific

Pam Cleaver, Partner

509-248-7750 pam.cleaver@mossadams.com

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 Uniform Guidance
- Required Communication – AU 260
- AU 265 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

Idaho State Board of Education

Audit Committee Debrief – cont.

November 14, 2018

| Financial Statement Opinion | Internal Control | | Uniform Guidance | |
|--------------------------------|-------------------|------------------------|------------------|----------|
| | Material Weakness | Significant Deficiency | Opinion | Findings |

| | | | | | |
|---------------------------------|------------|------------|------|------------|------------|
| Eastern Idaho Technical College | Unmodified | None | None | Unmodified | One |
| Idaho State University | Unmodified | None | None | Unmodified | None |
| Boise State University | Unmodified | None | None | Unmodified | None |
| Lewis-Clark State College | Unmodified | None | None | Unmodified | None |
| University of Idaho | Unmodified | One | None | Unmodified | One |

| Required Communications To Those Charged With Governance Formal Letters in each Section | <i>Eastern Idaho Technical College</i> | <i>Idaho State University</i> | <i>Boise State University</i> | <i>Lewis-Clark State College</i> | <i>University of Idaho</i> |
|---|--|-------------------------------|-------------------------------|----------------------------------|----------------------------|
| Auditor's Responsibility Under Generally Accepted Auditing Standards | As Planned | As Planned | As Planned | As Planned | As Planned |
| Planned Scope and Timing of the Audit | As Planned | As Planned | As Planned | As Planned | Delayed |
| Significant Accounting Policies | FN 1 | FN 1 | FN 1 | FN 1 | FN 1 |
| Significant Accounting Estimates | As Discussed | As Discussed | As Discussed | As Discussed | As Discussed |
| Financial Statement Disclosures | 8, 9, 10 | 8, 10, 12, 16 | 6, 10, 11, 12, 14 | 8, 10, 13 | 12, 13, 17, 19 |
| Significant Difficulties Encountered During the Audit | None | None | None | None | None |
| Corrected and Uncorrected Misstatements | None | None | Yes | None | Yes |
| Disagreements with Management | None | None | None | None | None |
| Management Representations | Available | Available | Available | Available | Available |
| Management Consultations with Other Accountants | None | None | None | None | None |
| Other Significant Findings or Issues | None | None | None | None | None |
| Internal Control Matters to be Reported | None | None | None | None | Yes |
| Fraud Uncovered During the Audit | None | None | None | None | None |



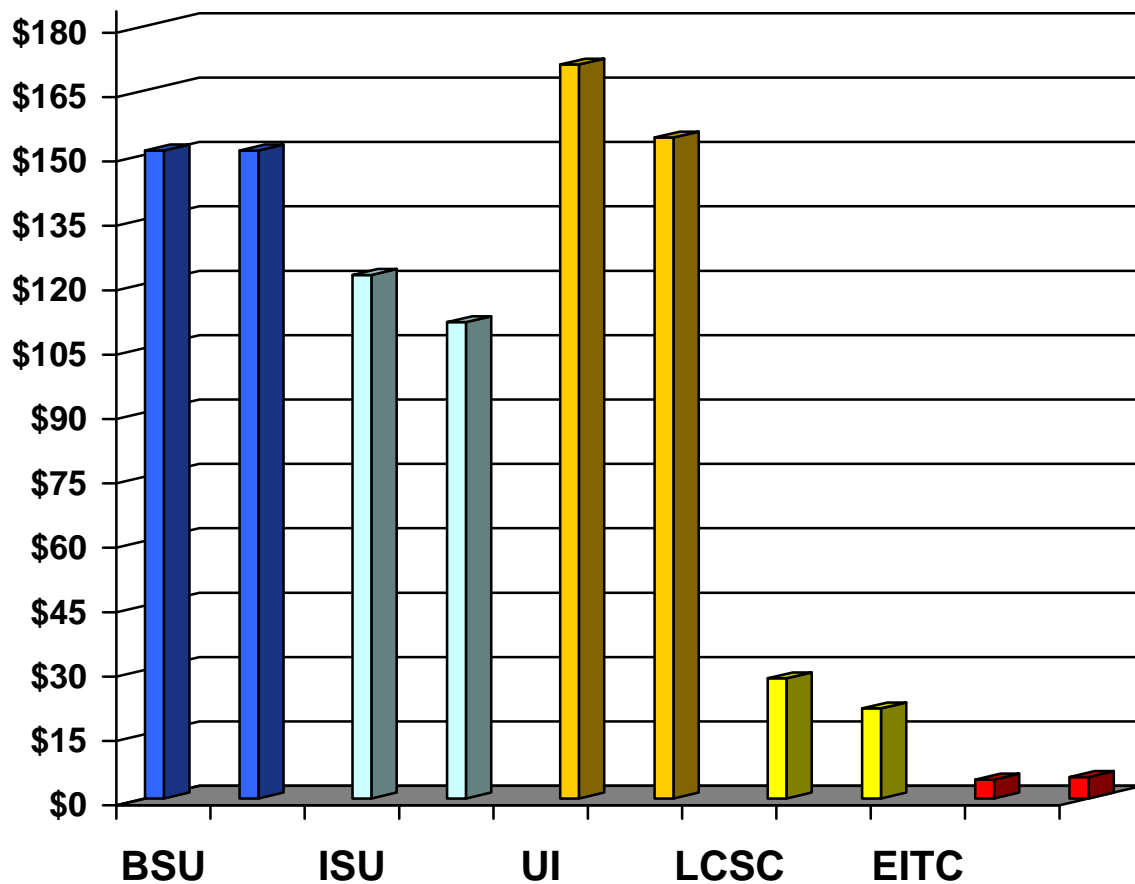
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Idaho Colleges and Universities

Presentation of Audit Results – cont.

November 14, 2018

Federal Expenditures By Institution 2013 vs 2018 (in millions)



MOSSADAMS

Eastern Idaho Technical College

Presentation of Audit Results

November 14, 2018

Scott Simpson, Partner

541-686-1040 scott.simpson@mossadams.com

Primary Contacts at Moss Adams for EITC

Scott Simpson, Partner

Jacqueline Stensland, Senior Manager

4 auditors at EITC from Moss Adams

Fieldwork Dates

Interim Fieldwork

May 21 - 24

F/S Fieldwork

August 21 - 25

Audit Reporting and Timing

| | |
|---|-----------------|
| Audit Report Dated | October 8, 2018 |
| Audit Report Issued | October 8, 2018 |
| 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 Reported |

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 | 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 reported

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-001 Special Tests & Provisions
Significant Deficiency in Internal Controls over Compliance, Non-compliance

Federal Programs: Student Financial Assistance Cluster (Various CFDA #s)

Criteria:

The Institution is required to report all loan disbursements and submit required records to the Direct Loan Servicing System via the COD within 15 days of disbursement. Each month, the COD provides institutions with a School Account Statement data file. Eastern Idaho Technical College (the College) is required to reconcile these files to the College's financial records.

Condition:

The College is not in compliance with the federal requirement. During testing of this compliance requirement we found three months out of the year where reconciliations of these files were not performed.

Questioned costs:

None.

Context:

Of the three sampled months, one reconciliation was not performed. Upon further analysis it was found that two other months did not have reconciliations performed. A total of three months during the year were not reconciled.

Effect:

Reconciliations were not performed as per the requirements.

Cause:

Lack of reconciliations being performed was caused by turnover in the Financial Aid Director position as well as an ineffective control environment.

Repeat finding:

No.

Recommendation:

The College should establish a control environment which ensures reconciliations are performed monthly.

Views of responsible officials and planned corrective actions:

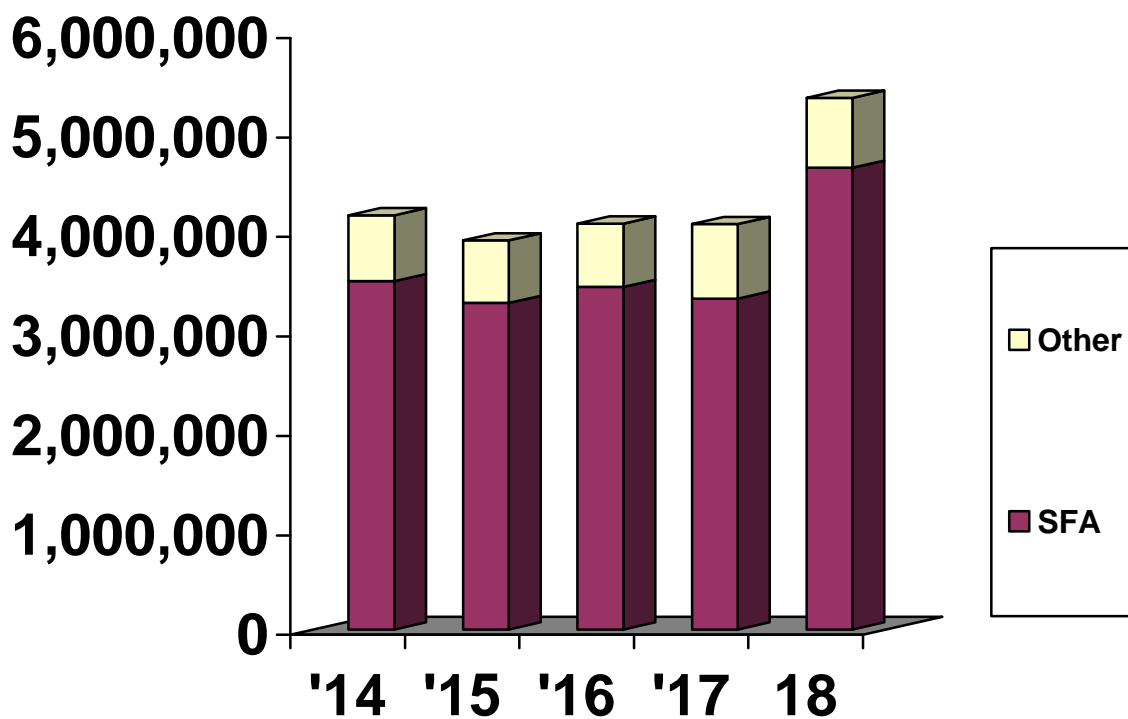
The College had turnover in the Financial Aid Director position, which caused reconciliations to not be performed for 3 months. The reconciliations have been performed since January of 2018. The process involves a three-way reconciliation to ensure accuracy.

Eastern Idaho Technical College

Presentation of Audit Results – cont.

November 14, 2018

Federal Expenditures 5 Year Trend



MOSSADAMS



COMMUNICATIONS WITH THOSE
CHARGED WITH GOVERNANCE

EASTERN IDAHO TECHNICAL COLLEGE

June 30, 2018



MOSSADAMS



Communications with Those Charged with Governance

Idaho State Board of Education
Eastern Idaho Technical College

We have audited the financial statements of Eastern Idaho Technical College (the “College”) and its discretely presented component unit; College of Eastern Idaho Foundation, Inc. as of and for the year ended June 30, 2018, and have issued our report thereon dated October 8, 2018. We did not audit the financial statements of College of Eastern Idaho Foundation, Inc., a discretely presented component unit, as described in Note 10. 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

As stated in a meeting with the Audit Committee on March 14, 2018, 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 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 College’s internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

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 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 as listed in the table of contents and certain information in Note 8, Pension Plan, and Note 9, 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 March 14, 2018.

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. No new accounting policies were adopted and there were no changes in the application of existing policies during 2018. During the current year the University adopted Governmental Accounting Standards Board (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which included restatement of the current year 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. The most sensitive estimates affecting the financial statements were the allowance for uncollectible accounts receivable, the useful lives of capital assets, 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

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 Notes 8 and 9 related to retirement plans, and Note 10 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.

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.

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 8, 2018.

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 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.

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.

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.

A handwritten signature in dark ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Portland, Oregon
October 8, 2018

Idaho State University

Presentation of Audit Results

November 14, 2018

Scott Simpson, Partner

541-686-1040 scott.simpson@mossadams.com

Primary Contacts at Moss Adams for ISU

Scott Simpson, Partner

Jacqueline Stensland, Senior Manager

5 auditors at ISU from Moss Adams

2 IT specialists

Fieldwork Dates

Interim Fieldwork

June 4 - 8

F/S Fieldwork

August 27 - 31

Audit Reporting and Timing

Audit Report Dated

September 28, 2018

Audit Report Issued

September 28, 2018

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

**IDAHO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

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>Type of Auditor's Report Issued on Compliance for Major Federal Programs</i> |
|---------------------|---|---|
| <i>CFDA Numbers</i> | <i>Name of Federal Program or Cluster</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

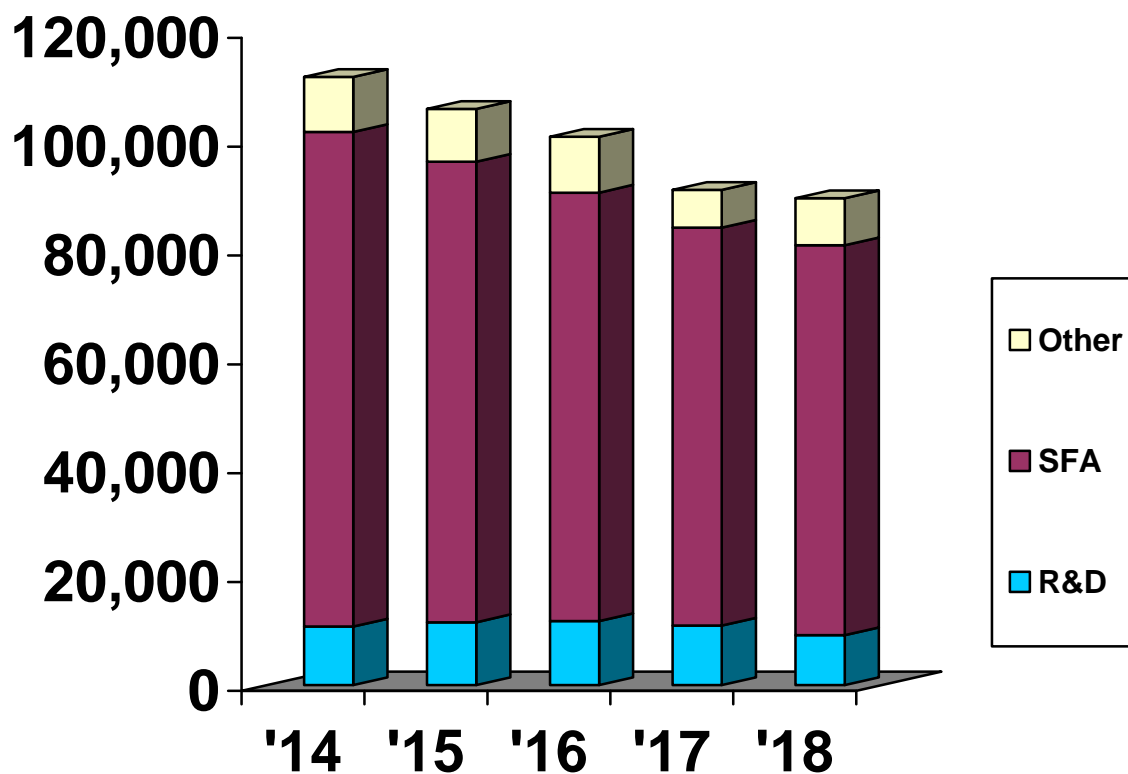
None.

Idaho State University

Presentation of Audit Results – cont.

November 14, 2018

Federal Expenditures 5 Year Trend *(in thousands)*





COMMUNICATIONS WITH THOSE
CHARGED WITH GOVERNANCE

IDAHO STATE UNIVERSITY

June 30, 2018



MOSSADAMS



Communications with Those Charged with Governance

Idaho State Board of Education
Idaho State University

We have audited the financial statements of Idaho State University (the “University”) as of and for the year ended June 30, 2018, and have issued our report thereon dated September 28, 2018. We did not audit the financial statements of Idaho State University Foundation, Inc., a discretely presented component unit, as described in Note 16. 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

As stated in a meeting with the Audit Committee on March 14, 2018, 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 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.

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 as listed in the table of contents 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 14, 2018.

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. There were no changes in the application of existing policies during 2018. During the current year the University adopted Governmental Accounting Standards Board (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which included restatement of the current year financial statements. 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.

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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 16 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.

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.

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 28, 2018.

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 Company'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 Company'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

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This information is intended solely for the use of the 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

Portland, Oregon
September 28, 2018



MOSSADAMS

Boise State University

Presentation of Audit Results

November 14, 2018

Scott Simpson, Partner

541-686-1040 scott.simpson@mossadams.com

Primary Contacts at Moss Adams for BSU

Pam Cleaver, Partner

Brandon Flory, Senior Manager

6 auditors at BSU from Moss Adams

1 IT specialists

Fieldwork Dates

Interim Fieldwork

June 11 - 15

F/S Fieldwork

August 27 - 31

Audit Reporting and Timing

Audit Report Dated

October 11, 2018

Audit Report Issued

October 11, 2018

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

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 | Unmodified |

Dollar threshold used to distinguish between type A and type B programs:

\$ 1,081,482

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

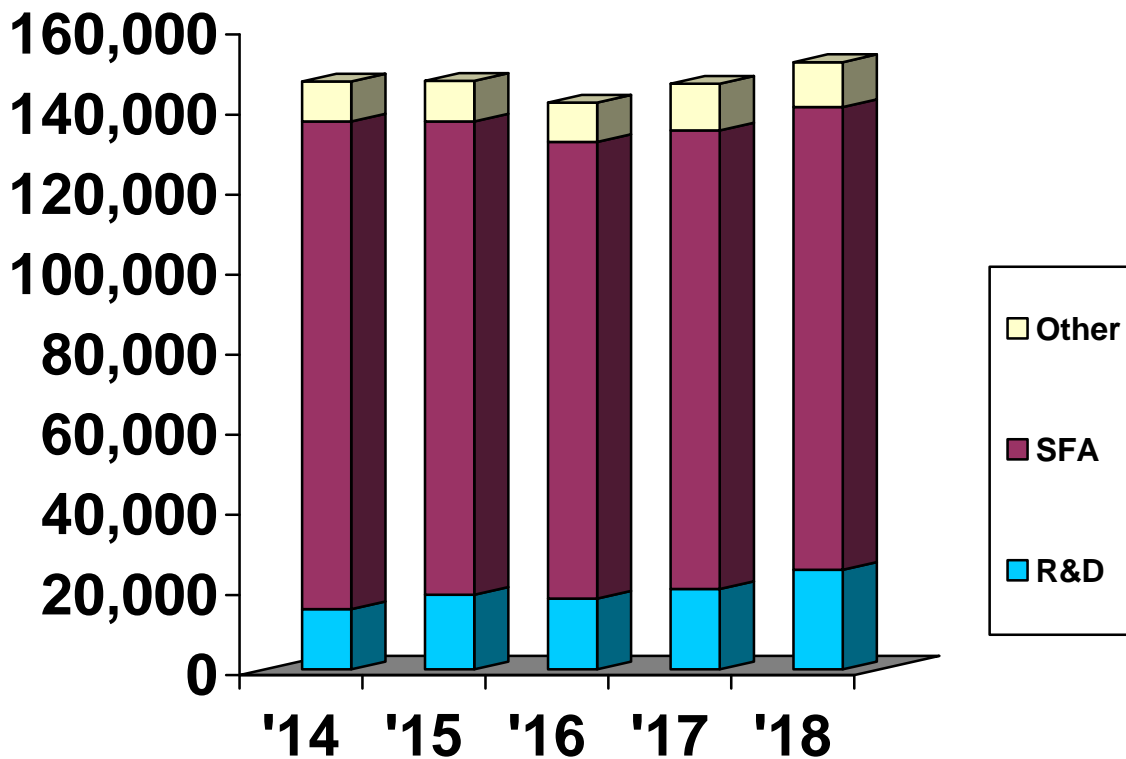
None reported.

Boise State University

Presentation of Audit Results – cont.

November 14, 2018

Federal Expenditures 5 Year Trend *(in thousands)*



MOSSADAMS



COMMUNICATIONS WITH THOSE
CHARGED WITH GOVERNANCE

BOISE STATE UNIVERSITY

June 30, 2018



MOSSADAMS



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 (University) and its discretely presented component unit, Boise State University Foundation, Inc. (Foundation) as of and for the years ended June 30, 2018 and 2017, and have issued our report thereon dated October 11, 2018. 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 the meeting with the Audit Committee on March 14, 2018, 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.

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 its major federal program 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 in our meeting on March 14, 2018.

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 2018 except for the implementation of GASB Statement No. 75 – *OPEB for Employers*, GASB Statement No. 81 – *Irrevocable Split Interest Agreements*, GASB Statement No. 85 – *Omnibus 2017* and GASB Statement No. 86 – *Certain Debt Extinguishments*, as described in Note 1 to the financial statements. 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.

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, 2018
- 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 1 – Significant Accounting Policies
- Note 6 – Deferred Outflows and Inflows of Resources
- Note 8 – Bonds and Notes Payable
- Note 10 – Optional Retirement Plans and Post Retirement Use of Unused Sick Leave
- Note 11 – Pension Plans
- Note 12 – Postemployment Benefits Other Than Pensions
- Note 14 – Component Unit – Boise State University Foundation

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. Below are the corrected and uncorrected misstatements:

SUMMARY OF CORRECTED FINANCIAL STATEMENT MISSTATEMENTS

| Account # | Account Description | Debit | Credit |
|---|---------------------|-----------|-----------|
| 217902 | Deferred Inflow EdR | | 2,109,663 |
| 108003 | Buildings | 2,109,663 | |
| <i>To record change orders not captured in original service concession arrangement journal entry calculating the related deferred inflow.</i> | | | |

SUMMARY OF UNCORRECTED FINANCIAL STATEMENT MISSTATEMENTS

| Account # | Account Description | Debit | Credit |
|---|---------------------|-----------|-----------|
| 104139 | Deferred Outflow | 2,044,625 | |
| 998990 | Net Position | | 2,044,625 |
| <i>Prior year effect of correction of advance refunding</i> | | | |
| 104139 | Deferred Outflow | | 97,945 |
| 596200 | Interest Expense | 97,945 | |
| <i>Current year effect of correction of advance refunding</i> | | | |

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 11, 2018.

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.

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

Portland, Oregon
October 11, 2018



Lewis-Clark State College

Presentation of Audit Results

November 14, 2018

Scott Simpson, Partner

541-686-1040 scott.simpson@mossadams.com

Primary Contacts at Moss Adams for LCSC

Tammy Erickson, Partner
Sasha Correnti, Manager

5 auditors at LCSC from Moss Adams
1 IT specialists

Fieldwork Dates

Interim Fieldwork
F/S Fieldwork

May 4 - 8
August 27 – 31

Audit Reporting and Timing

| | |
|---|--------------------|
| Audit Report Dated | September 28, 2018 |
| Audit Report Issued | September 28, 2018 |
| 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 |



ATTACHMENT 1
LEWIS-CLARK STATE COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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

ATTACHMENT 1
LEWIS-CLARK STATE COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section III - Federal Award Findings and Questioned Costs

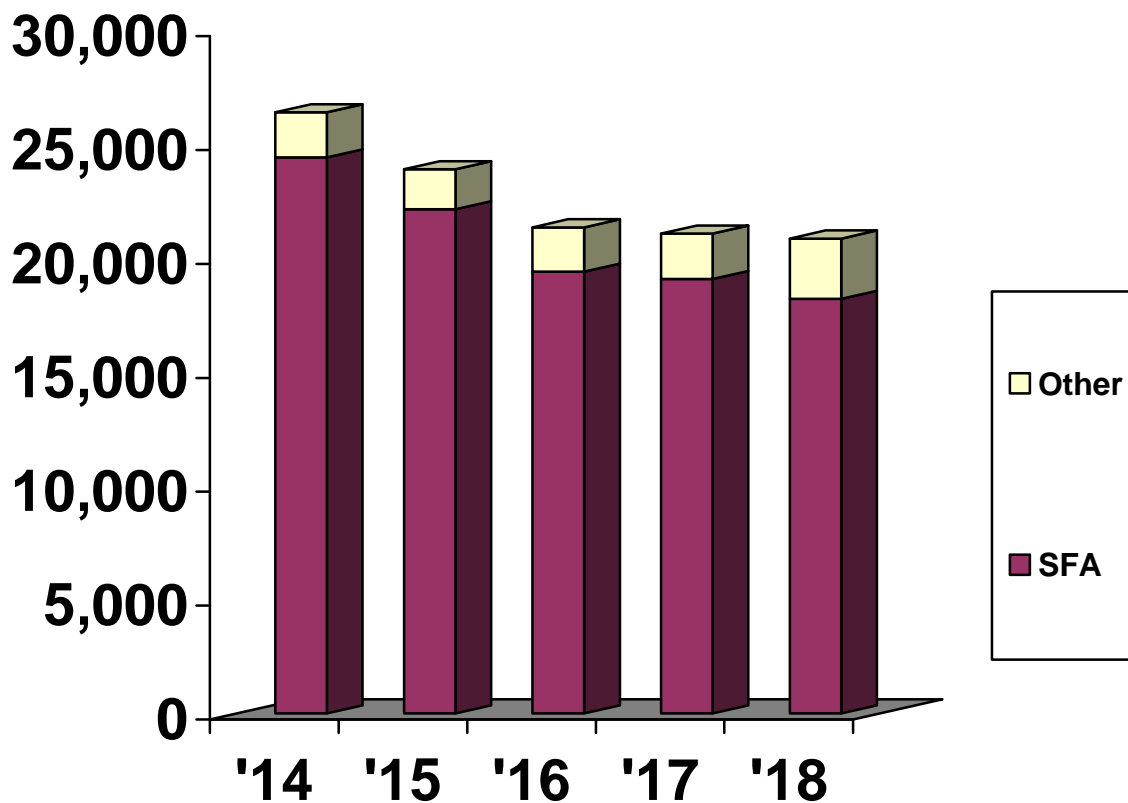
None reported

Lewis-Clark State College

Presentation of Audit Results – cont.

November 14, 2018

Federal Expenditures 5 Year Trend *(in thousands)*



MOSSADAMS



COMMUNICATIONS WITH THOSE
CHARGED WITH GOVERNANCE

IDAHO STATE BOARD OF EDUCATION
LEWIS – CLARK STATE COLLEGE

June 30, 2018



MOSSADAMS



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, College) as of and for the year ended June 30, 2018, and have issued our report thereon dated September 28, 2018. 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 14, 2018, 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 accordance 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.

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 the 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 14, 2018.

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. During the current year the Governmental Accounting Standards Board (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which included restatement of the current year financial statements. Additionally, GASB No.81, *Irrevocable Split-Interest Agreements*, was implemented retrospectively, as described by the guidance. 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.

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, other than the implementation of GASB 81 and a reclassification entry related to pledges.

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 28, 2018.

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 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 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 management discussion and analysis or the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

END * QR

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

Portland, Oregon
September 28, 2018



University of Idaho

Presentation of Audit Results

November 14, 2018

Scott Simpson, Partner

541-686-1040 scott.simpson@mossadams.com

Primary Contacts at Moss Adams for UI

Tammy Erickson, Partner

6 auditors at UI from Moss Adams

1 exempt tax specialist

1 IT specialists

Fieldwork Dates

Interim Fieldwork

June 4 - 8

F/S Fieldwork

August 20 – 24

Audit Reporting and Timing

Audit Report Dated

November 7, 2018

Audit Report Issued

November 7, 2018

Auditors Report on Financial Statements

Unmodified

Auditors Report on Compliance

Unmodified

Internal Control Issues Identified & Reported

One Reported

Audit findings related to Compliance Audit

One Reported



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 | Unmodified |
| 10.500 | Cooperative Extension Service | 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

FINDING 2018-001 – Lack of Adequate Controls over Library Materials, Material Weakness in Internal Controls

Criteria: Generally accepted accounting principles requires capital items to be expensed if they do not have a life beyond one year.

Condition: The University was capitalizing certain library subscriptions that expired in one year and therefore did not have value beyond a year.

Context: Through testing procedures, erroneous capitalization of certain annual subscriptions for both the school and law libraries were identified, which previously had been depreciated over a 10-year period. The cumulative effect to the financial statements was material, creating a prior period restatement.

Effect: A prior period adjustment was posted and the fiscal year 2017 financial statements were restated.

Cause: Over the past 10 years, as digital media has become more prevalent, several subscriptions have become an annual subscription and no longer have a useful life over a year as the subscriptions expire from year to year and are no longer accessible after expiration. The content of library materials was not reviewed to ensure that capitalization was appropriate.

Repeat Finding: No

Recommendation: We recommend the University implement controls to ensure items are capitalized according to policy and consider providing additional training to those who are reviewing expenses for possible capitalization under generally accepted accounting procedures.

Views of responsible officials and planned corrective actions: The University agrees with the recommendation. Management has plans in place to provide training this year for Library, Law Library, and Accounting staff responsible for reviewing expenses for possible capitalization.

Section III - Federal Award Findings and Questioned Costs

FINDING 2018-002 – Activities Allowed or Unallowed, Significant Deficiency in Internal Control Over Compliance, Non-Compliance

| CFDA Number(s) | Program Name/Title | Federal Agency/ Pass-through Entity | Federal Award Number | Award Year |
|----------------|-------------------------------|---|----------------------|------------|
| 10.500 | Cooperative Extension Service | National Institute of Food and Agriculture (NIFA) | 2016-41510-01200 | 2018 |

Criteria: Per 2 CFR 200.439 (1) - Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with prior written approval of the federal awarding agency or pass-through entity.

Condition: The University did not receive prior approval from the federal awarding agency, National Institute of Food and Agriculture (NIFA), for a capital improvement expenditure for the remodel of a suite in Boise, Idaho.

Questioned costs: \$69,528 – single expenditure obtained from the population of expenditures.

Context: During our review of the population of expenditures, we noted one item which was specifically coded as a capital outlay. This item was tested as well as an additional sample of 26.

Effect: The lack of controls in place to obtain prior written approval for capital expenditures caused un-allowed expenditures to go undetected.

University of Idaho
June 30, 2018

Cause: Program employees were not aware of the compliance requirement as NIFA did not require prior written approval until 2018.

Repeat finding: No

Recommendation: We recommend the University implement controls to ensure pre-approval for capital expenditures is obtained. In addition, controls should be strengthened to ensure there is a strong understanding of allowable and unallowable expenditures.

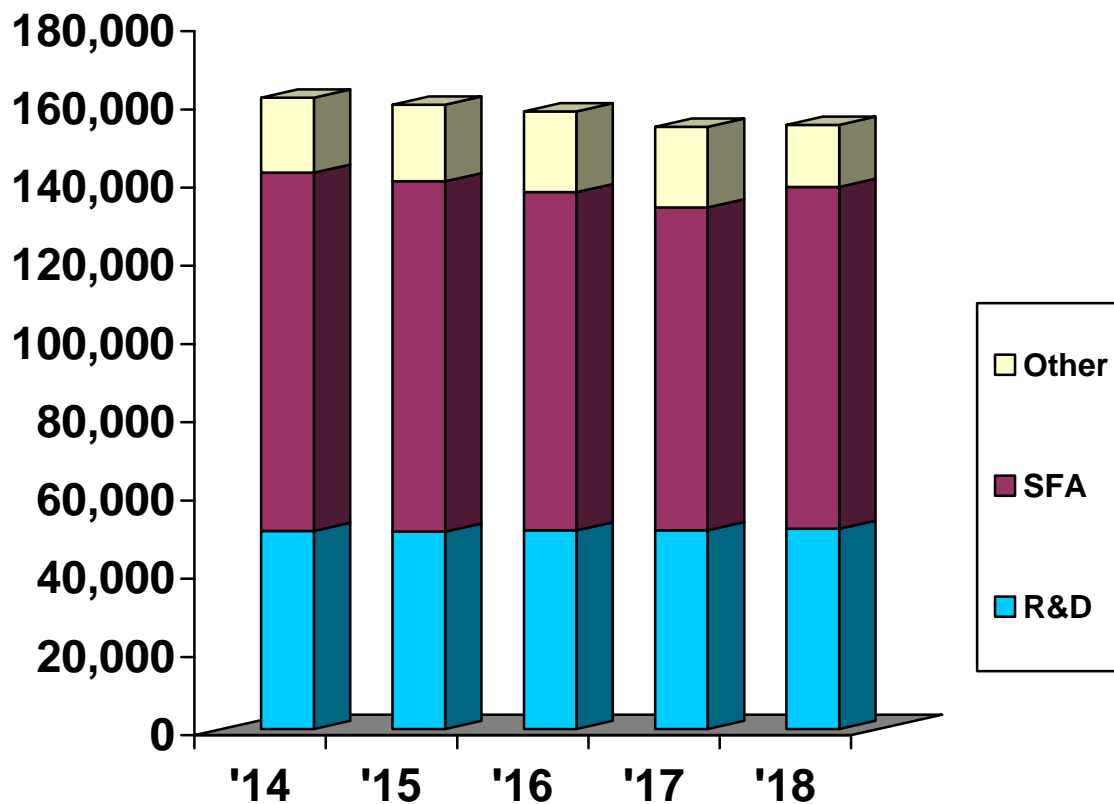
Views of responsible officials and planned corrective actions: The University agrees with the recommendation. Staff responsible for managing the NIFA grant in the College of Agriculture and Life Sciences have already implemented a process for submitting requests to NIFA for pre-approval of capital expenditures. College financial management will also provide training for staff to ensure understanding of allowable and unallowable expenditures for federal awards.

University of Idaho

Presentation of Audit Results – cont.

November 14, 2018

Federal Expenditures 5 Year Trend *(in thousands)*



MOSSADAMS



COMMUNICATIONS WITH THOSE
CHARGED WITH GOVERNANCE

UNIVERSITY OF IDAHO

June 30, 2018



MOSSADAMS



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, the University of Idaho Foundation (Foundation), as of and for the years ended June 30, 2018 and 2017, 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, 2017 and 2016, and have issued our report thereon dated November 7, 2018. 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 our presentation to the Audit Committee on March 14, 2018, 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 accordance 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 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.

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 14, 2018, other than the audit was issued later than anticipated due to a correction of an error that resulted in a prior period adjustment. The timing was also impacted due to multiple versions of the financial statements that did not appear to have adequate management review.

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. During the current year the University adopted Governmental Accounting Standards Board (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which included restatement of the current year financial statements. GASB 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was adopted by the Health Benefits Trust. Additionally, GASB No.81, *Irrevocable Split-Interest Agreements*, was implemented retrospectively by the Foundation, as described by the guidance. 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.

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, Note 17 related to the component unit (Foundation), and Note 19 related to the prior period restatement.

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

In conducting our audit, our procedures identified a material correction of an error to the 2017 financial statements, which we reported as a material weakness in internal controls. This resulted in a decrease to depreciable capital assets of approximately \$16.5 million as of June 30, 2017, a corresponding decrease to net position and a decrease in change in net assets for the year ending June 30, 2017, of \$192,686. The 2018 net capital assets were decreased by approximately \$3.9 million and expenses were increased by this same amount. In addition, there was an entry related to accrued salaries and benefits in the current year, which increased the liability by \$4.2 million and a corresponding increase to benefits expense.

We identified an uncorrected misstatement of the financial statements related to approximately \$647,000 of debit balances in accounts payable that should have been reclassified to accounts receivable. Management has determined that the effect is immaterial to the financial statements 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 written representations from management that are included in the management representation letter dated November 7, 2018.

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 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 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.

As noted previously, we identified an error related to the capitalization of certain library subscriptions that should have been capitalized. The error had been occurring for a number of years and resulted in a material misstatement to the financial statements and was therefore identified as a material weakness.

Other Matters

With respect to the schedule of expenditures of federal awards (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 21, the schedules of the University's proportionate share of net pension liability – PERSI base plan, University contributions – PERSI base plan on page 82, the Schedule of Changes in Net OPEB Liability on page 83, and the Schedule of OPEB Contributions on page 84, which is labeled as "required supplementary information," includes applying certain limited procedures to the required 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.

80 * 02

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

Portland, Oregon
November 7, 2018



Idaho State Board of Education

Presentation of Audit Results – cont.

November 14, 2018

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

**AUDIT
DECEMBER 20, 2018**

SUBJECT

FY 2018 College and Universities' Financial Ratios

ALIGNMENT WITH STRATEGIC PLAN

Goal 1; Objective D: Quality Education.

BACKGROUND/DISCUSSION

The ratios presented measure the financial health of each institution and include a "Composite Financial Index" based on four key ratios. The ratios are designed as management tools to measure financial activity and key trends within an institution over time. They typically do not lend themselves to comparative analysis between institutions because of the varying missions and structures of the institutions and current strategic initiatives underway at a given institution at a given time.

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's 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 position | 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 |
| Debt Burden | Institution's dependence on borrowed funds | <= 8% |
| Age of Capital Assets | Recent vs deferred investments | 10 - 14 |

Three other ratios provided are the Debt Burden, Debt Coverage and Life of Capital Assets. The Debt Burden ratio is calculated as debt service divided by adjusted expenditure. The benchmark for this ratio is set by the institution for no more than 8% per Board policy. The Debt Coverage ratio is calculated as adjusted revenues divided by debt service. The benchmark for this ratio is set at 2. The Age of Capital Assets ratio is calculated as accumulated depreciation divided by

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
DECEMBER 20, 2018

depreciation expense. The benchmark for this ratio is 10 for research institutions and 14 for undergraduate liberal arts institutions.

IMPACT

These financial ratios and analyses are provided in order for the Board to review the financial health and year-to-year trends at the institutions. The ratios reflect a financial snapshot as of fiscal year end. The Audit Committee reviews key financial performance factors on a quarterly basis.

ATTACHMENTS

Attachment 1 - Boise State University
Attachment 2 - Idaho State University
Attachment 3 - University of Idaho
Attachment 4 - Lewis-Clark State College

STAFF COMMENTS AND RECOMMENDATIONS

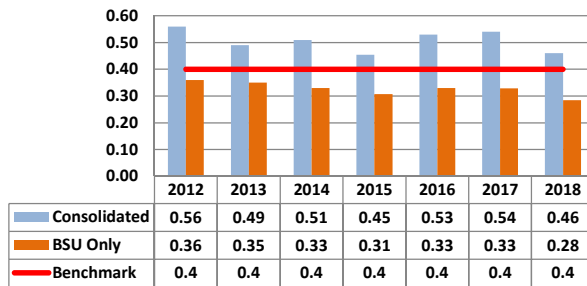
Institution representatives will be ready to provide a brief analysis of their financial ratios and answer Board members' questions.

BOARD ACTION

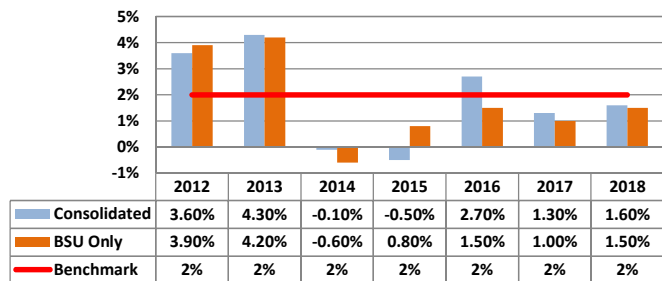
This item is for informational purposes only.

Boise State University

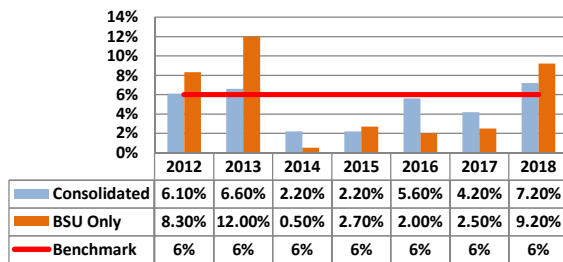
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Benchmark |
|------------------------|-------|--------|--------|--------|-------|-------|-------|-----------|
| Primary Reserve | 0.56 | 0.49 | 0.51 | 0.45 | 0.53 | 0.54 | 0.46 | 0.40 |
| | 0.36 | 0.35 | 0.33 | 0.31 | 0.33 | 0.33 | 0.28 | 0.40 |
| Net Operating Revenues | 3.60% | 4.30% | -0.10% | -0.50% | 2.70% | 1.30% | 1.60% | 2.00% |
| | 3.90% | 4.20% | -0.60% | 0.80% | 1.50% | 1.00% | 1.50% | 2.00% |
| Return on Net Assets | 6.10% | 6.60% | 2.20% | 2.20% | 5.60% | 4.20% | 7.20% | 6.00% |
| | 8.30% | 12.00% | 0.50% | 2.70% | 2.00% | 2.50% | 9.20% | 6.00% |
| Viability | 0.78 | 0.77 | 0.81 | 0.77 | 0.97 | 0.98 | 0.90 | 1.25 |
| | 0.47 | 0.49 | 0.50 | 0.49 | 0.58 | 0.57 | 0.50 | 1.25 |
| CFI | 3.25 | 3.20 | 2.21 | 1.99 | 3.15 | 2.83 | 2.91 | 3.00 |
| | 2.72 | 3.13 | 1.25 | 1.61 | 1.77 | 1.74 | 2.30 | 3.00 |

Boise State University
Primary Reserve

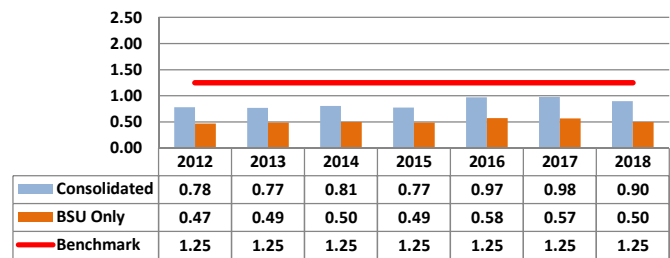
.40 indicates 5 months of operations can be covered by expendable reserves. Trend indicates whether institution has increased net worth in proportion to rate of growth in its operating size.

Boise State University
Net Operating Revenues

Indicates whether institution is adding or subtracting from net assets. A pattern of deficits is a warning signal that management should focus on restructuring income and expense streams to return to an acceptable level.

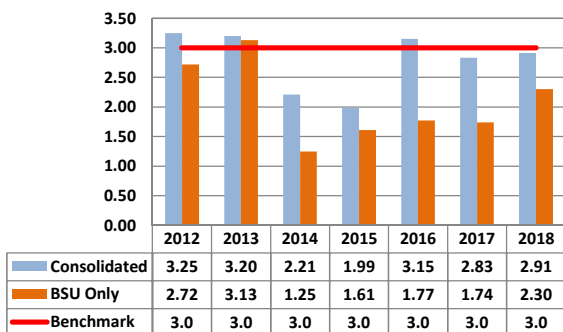
Boise State University
Return on Net Position

Measures total economic return: higher is better. Lower is okay if it reflects the strategy and mission in setting up for future returns.

Boise State University
Viability

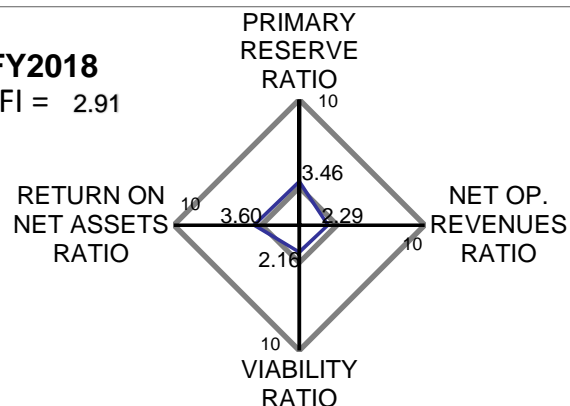
Measures ability to meet entire debt obligation with expendable net assets as of a balance sheet date.

BSU Consolidated Financial Index



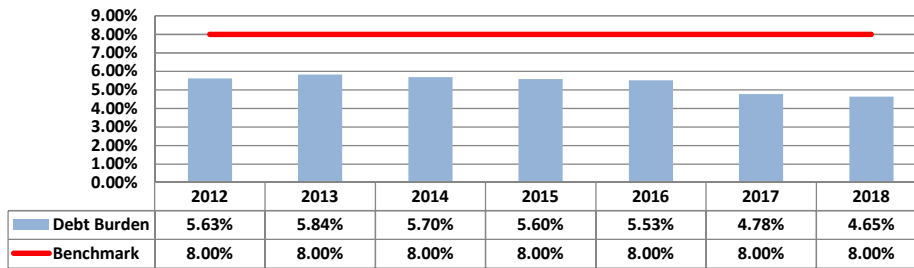
Indicates overall financial health. Ratio range of 3-5 is ideal time to direct resources toward transformation.

FY2018
CFI = 2.91

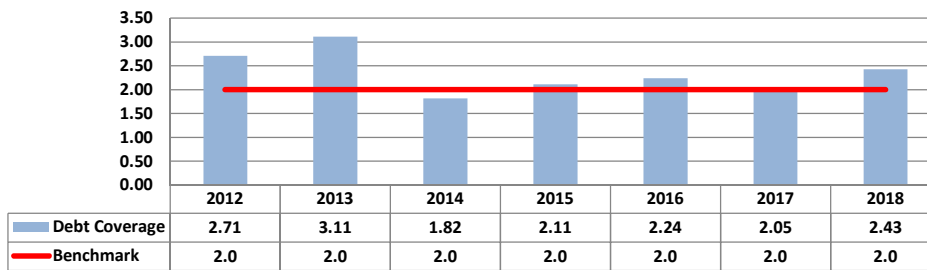


Boise State University

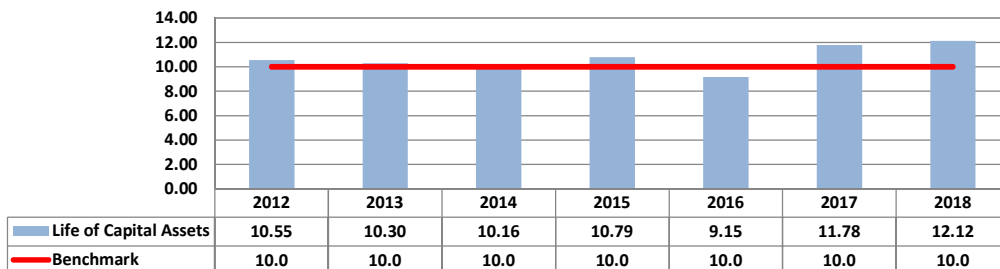
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Benchmark |
|------------------------|-------|-------|-------|-------|-------|-------|-------|-----------|
| Debt Burden | 5.63% | 5.84% | 5.70% | 5.60% | 5.53% | 4.78% | 4.65% | 8.00% |
| Debt Coverage | 2.71 | 3.11 | 1.82 | 2.11 | 2.24 | 2.05 | 2.43 | 2.00 |
| Life of Capital Assets | 10.55 | 10.30 | 10.16 | 10.79 | 9.15 | 11.78 | 12.12 | 10.00 |

Boise State University
Debt Burden Ratio

Reflects reliance on borrowed funds as a source of funds.

Boise State University
Debt Coverage Ratio

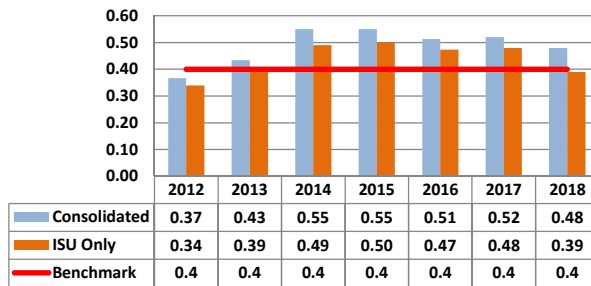
Reflects ability of excess income over adjusted expenses to cover annual debt service payments

Boise State University
Life of Capital Assets

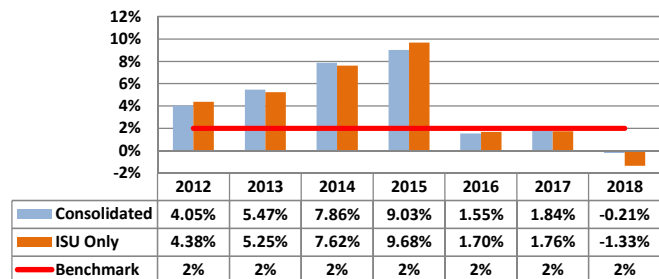
Higher ratio indicates more deferred reinvestment in plant facilities in the future

Idaho State University

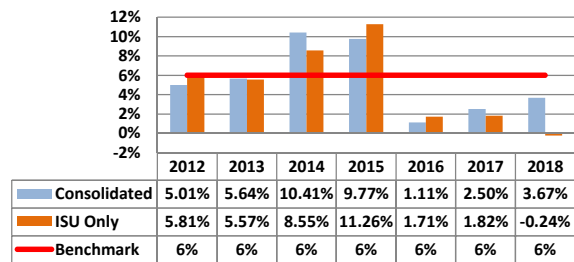
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 Benchmark |
|------------------------|-------|-------|--------|--------|-------|-------|----------------|
| Primary Reserve | 0.37 | 0.43 | 0.55 | 0.55 | 0.51 | 0.52 | 0.48 |
| | 0.34 | 0.39 | 0.49 | 0.50 | 0.47 | 0.48 | 0.39 |
| Net Operating Revenues | 4.05% | 5.47% | 7.86% | 9.03% | 1.55% | 1.84% | -0.21% |
| | 4.38% | 5.25% | 7.62% | 9.68% | 1.70% | 1.76% | 2.00% |
| Return on Net Assets | 5.01% | 5.64% | 10.41% | 9.77% | 1.11% | 2.50% | 3.67% |
| | 5.81% | 5.57% | 8.55% | 11.26% | 1.71% | 1.82% | 6.00% |
| Viability | 1.20 | 1.49 | 2.02 | 2.29 | 2.56 | 2.91 | 3.02 |
| | 1.15 | 1.43 | 1.92 | 2.23 | 2.54 | 2.87 | 1.25 |
| CFI | 3.07 | 3.74 | 5.19 | 5.35 | 3.83 | 4.32 | 4.13 |
| | 3.06 | 3.54 | 4.75 | 5.31 | 3.79 | 4.09 | 3.00 |

Idaho State University
Primary Reserve

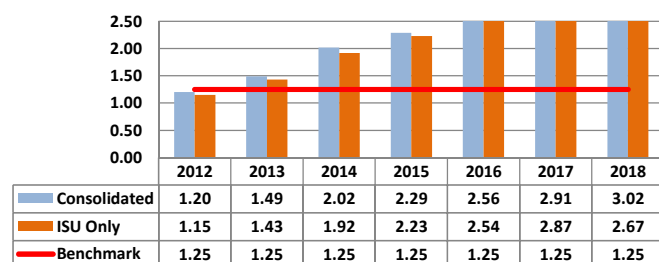
.40 indicates 5 months of operations can be covered by expendable reserves. Trend indicates whether institution has increased net worth in proportion to rate of growth in its operating size.

Idaho State University
Net Operating Revenues

Indicates whether institution is adding or subtracting from net assets. A pattern of deficits is a warning signal that management should focus on restructuring income and expense streams to return to an acceptable level.

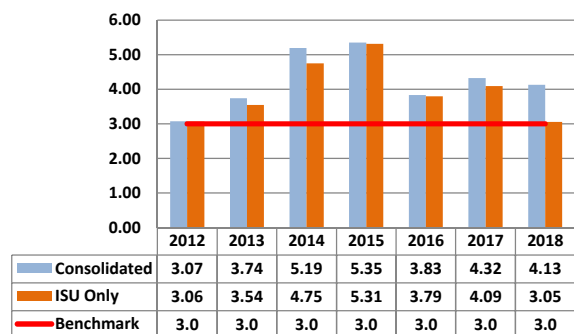
Idaho State University
Return on Net Position

Measures total economic return: higher is better. Lower is okay if it reflects the strategy and mission in setting up for future returns.

Idaho State University
Viability

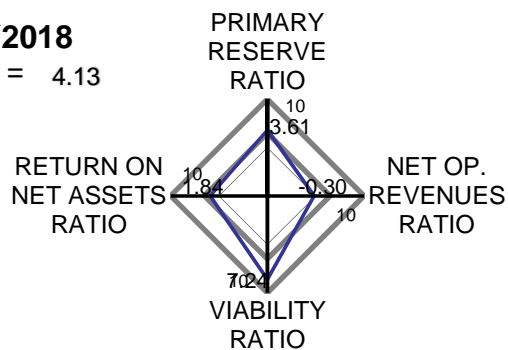
Measures ability to meet entire debt obligation with expendable net assets as of a balance sheet date.

ISU Consolidated Financial Index



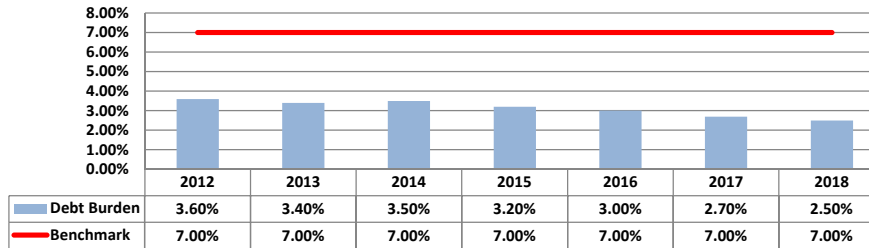
Indicates overall financial health. Ratio range of 3-5 is ideal time to direct resources toward transformation.

FY2018
CFI = 4.13

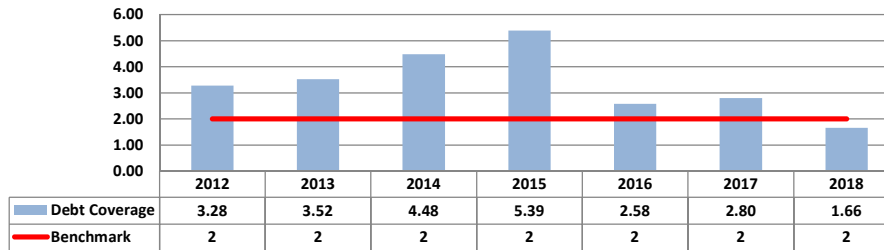


Idaho State University

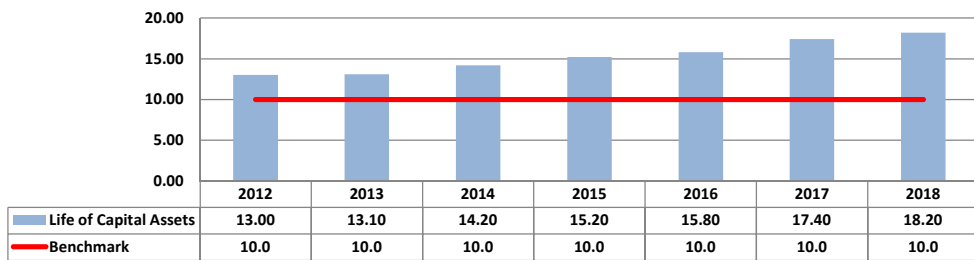
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Benchmark |
|------------------------|-------|-------|-------|-------|-------|-------|-------|-----------|
| Debt Burden | 3.60% | 3.40% | 3.50% | 3.20% | 3.00% | 2.70% | 2.50% | 7.00% |
| Debt Coverage | 3.28 | 3.52 | 4.48 | 5.39 | 2.58 | 2.80 | 1.66 | 2.00 |
| Life of Capital Assets | 13.00 | 13.10 | 14.20 | 15.20 | 15.80 | 17.40 | 18.20 | 10.00 |

Idaho State University
Debt Burden Ratio

Reflects reliance on borrowed funds as a source of funds.

Idaho State University
Debt Coverage Ratio

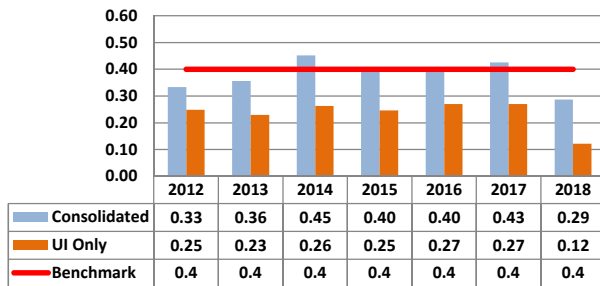
Reflects ability of excess income over adjusted expenses to cover annual debt service payments.

Idaho State University
Life of Capital Assets

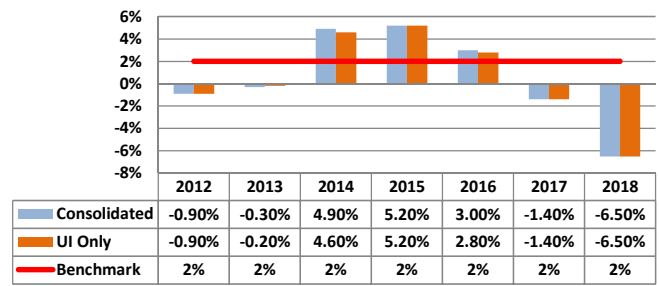
Higher ratio indicates more deferred reinvestment in plant facilities in the future.

University of Idaho

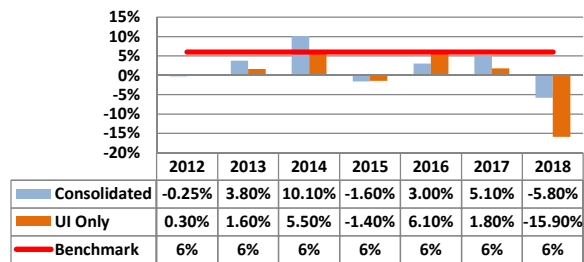
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Benchmark |
|------------------------|--------|--------|--------|--------|-------|--------|---------|-----------|
| Primary Reserve | 0.33 | 0.36 | 0.45 | 0.40 | 0.40 | 0.43 | 0.29 | 0.40 |
| | 0.25 | 0.23 | 0.26 | 0.25 | 0.27 | 0.27 | 0.12 | 0.40 |
| Net Operating Revenues | -0.90% | -0.30% | 4.90% | 5.20% | 3.00% | -1.40% | -6.50% | 2.00% |
| | -0.90% | -0.20% | 4.60% | 5.20% | 2.80% | -1.40% | -6.50% | 2.00% |
| Return on Net Assets | -0.25% | 3.80% | 10.10% | -1.60% | 3.00% | 5.10% | -5.80% | 6.00% |
| | 0.30% | 1.60% | 5.50% | -1.40% | 6.10% | 1.80% | -15.90% | 6.00% |
| Viability | 0.79 | 0.84 | 1.12 | 0.79 | 0.83 | 0.96 | 0.70 | 1.25 |
| | 0.56 | 0.51 | 0.61 | 0.46 | 0.53 | 0.58 | 0.28 | 1.25 |
| CFI | 1.39 | 1.98 | 3.84 | 2.31 | 2.48 | 2.24 | (0.16) | 3.00 |
| | 1.03 | 1.16 | 2.42 | 1.63 | 2.16 | 1.17 | (1.96) | 3.00 |

University of Idaho
Primary Reserve

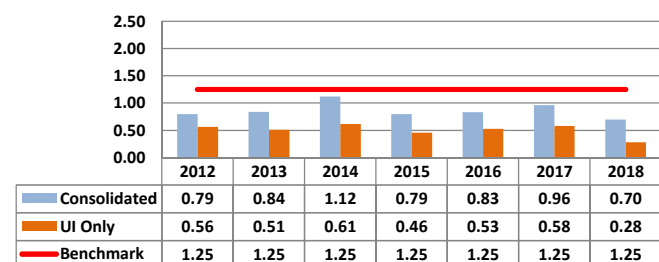
.40 indicates 5 months of operations can be covered by expendable reserves. Trend indicates whether institution has increased net worth in proportion to rate of growth in its operating size.

University of Idaho
Net Operating Revenues

Indicates whether institution is adding or subtracting from net assets. A pattern of deficits is a warning signal that management should focus on restructuring income and expense streams to return to an acceptable level.

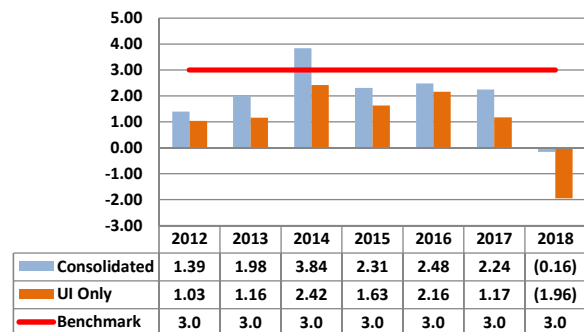
University of Idaho
Return on Net Position

Measures total economic return: higher is better. Lower is okay if it reflects the strategy and mission in setting up for future returns.

University of Idaho
Viability

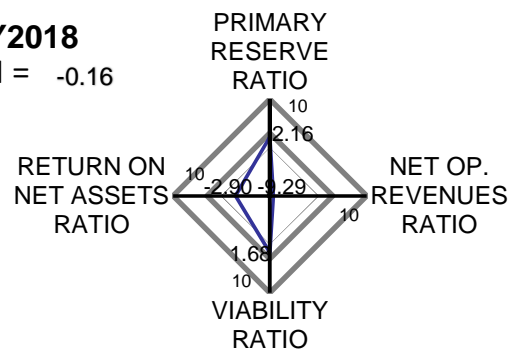
Measures ability to meet entire debt obligation with expendable net assets as of a balance sheet date.

UI Consolidated Financial Index



Indicates overall financial health. Ratio range of 3-5 is ideal time to direct resources toward transformation.

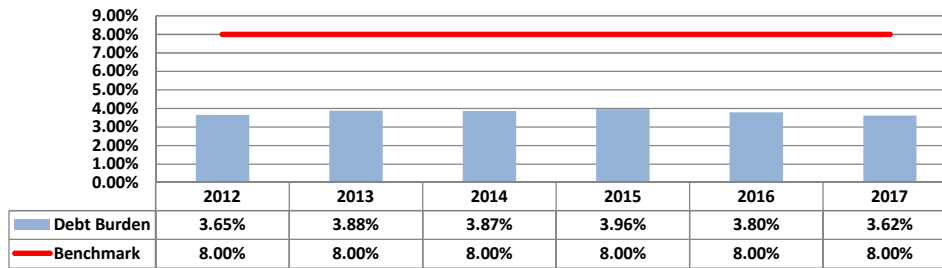
FY2018
CFI = -0.16



University of Idaho

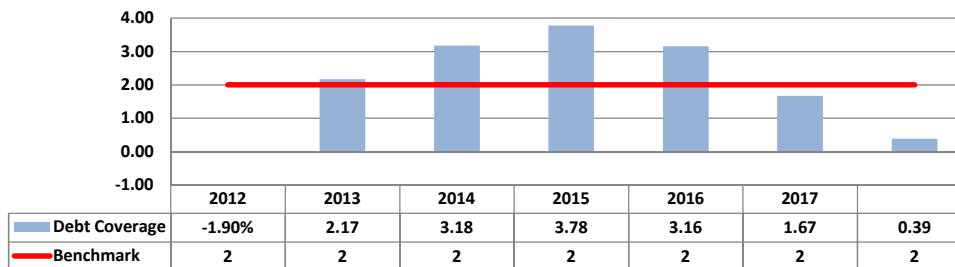
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Benchmark |
|------------------------|--------|-------|-------|-------|-------|-------|-------|-----------|
| Debt Burden | 3.65% | 3.88% | 3.87% | 3.96% | 3.80% | 3.62% | 3.41% | 8.00% |
| Debt Coverage | -1.90% | 2.17 | 3.18 | 3.78 | 3.16 | 1.67 | 0.39 | 2.00 |
| Life of Capital Assets | 16.60 | 15.70 | 15.30 | 16.60 | 16.90 | 16.60 | 18.90 | 10.00 |

University of Idaho Debt Burden Ratio



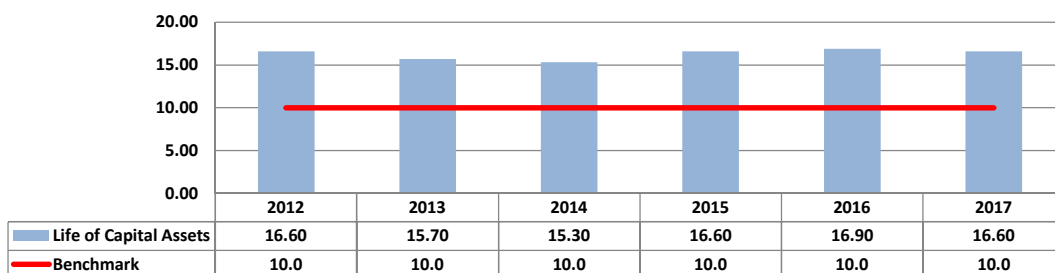
Reflects reliance on borrowed funds as a source of funds.

University of Idaho Debt Coverage Ratio



Reflects ability of excess income over adjusted expenses to cover annual debt service payments

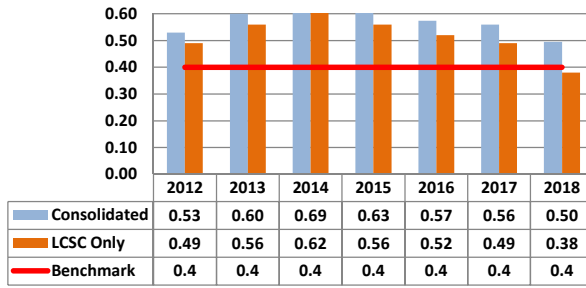
University of Idaho Life of Capital Assets



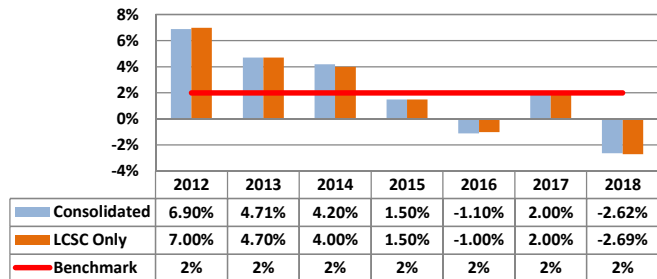
Higher ratio indicates more deferred reinvestment in plant facilities in the future

Lewis-Clark State College

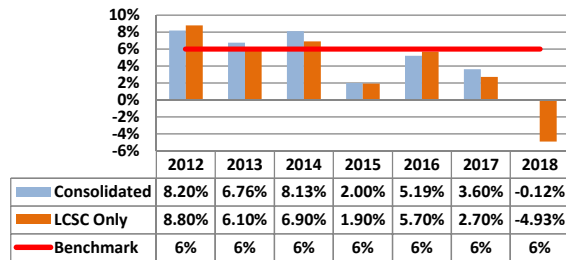
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 Benchmark | |
|------------------------|-------|-------|-------|-------|--------|-------|----------------|-------|
| Primary Reserve | 0.53 | 0.60 | 0.69 | 0.63 | 0.57 | 0.56 | 0.50 | 0.40 |
| | 0.49 | 0.56 | 0.62 | 0.56 | 0.52 | 0.49 | 0.38 | 0.40 |
| Net Operating Revenues | 6.90% | 4.71% | 4.20% | 1.50% | -1.10% | 2.00% | -2.62% | 2.00% |
| | 7.00% | 4.70% | 4.00% | 1.50% | -1.00% | 2.00% | -2.69% | 2.00% |
| Return on Net Assets | 8.20% | 6.76% | 8.13% | 2.00% | 5.19% | 3.60% | -0.12% | 6.00% |
| | 8.80% | 6.10% | 6.90% | 1.90% | 5.70% | 2.70% | -4.93% | 6.00% |
| Viability | 4.09 | 5.54 | 8.41 | 10.21 | 17.00 | 10.00 | 10.00 | 1.25 |
| | 3.77 | 5.09 | 7.53 | 9.04 | 15.17 | 10.00 | 10.00 | 1.25 |
| CFI | 6.60 | 7.57 | 10.29 | 10.64 | 16.14 | 5.61 | 4.42 | 3.00 |
| | 6.30 | 7.03 | 9.22 | 9.48 | 14.53 | 5.36 | 3.61 | 3.00 |

Lewis-Clark State College
Primary Reserve

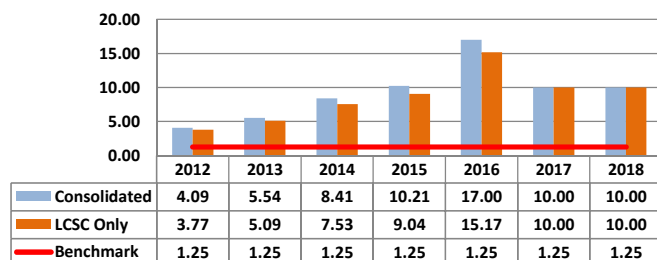
.40 indicates 5 months of operations can be covered by expendable reserves. Trend indicates whether institution has increased net worth in proportion to rate of growth in its operating size.

Lewis-Clark State College
Net Operating Revenues

Indicates whether institution is adding or subtracting from net assets. A pattern of deficits is a warning signal that management should focus on restructuring income and expense streams to return to an acceptable level.

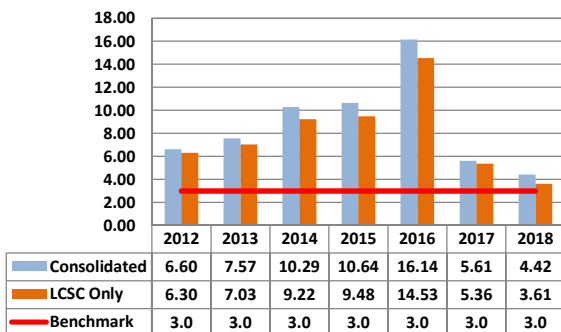
Lewis-Clark State College
Return on Net Position

Measures total economic return: higher is better. Lower is okay if it reflects the strategy and mission in setting up for future returns.

Lewis-Clark State College
Viability

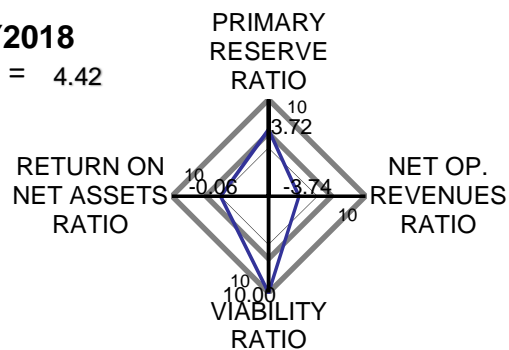
Measures ability to meet entire debt obligation with expendable net assets as of a balance sheet date.

LCSC Consolidated Financial Index



Indicates overall financial health. Ratio range of 3-5 is ideal time to direct resources toward transformation.

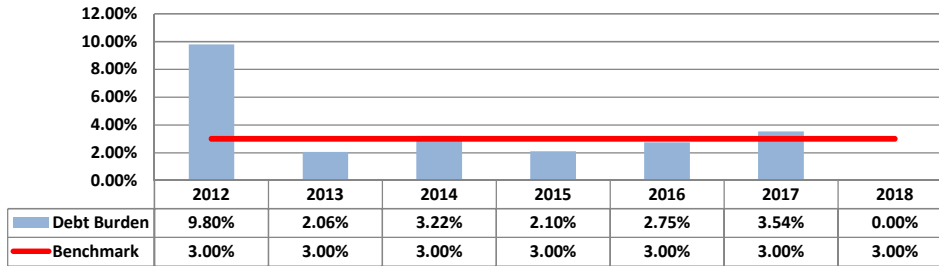
FY2018
CFI = 4.42



Lewis-Clark State College

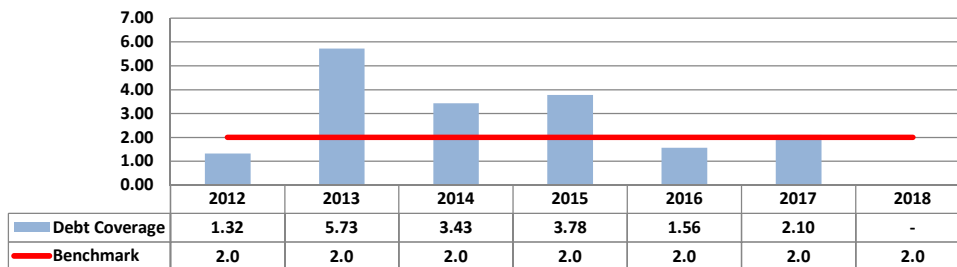
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 Benchmark | |
|------------------------|-------|-------|-------|-------|-------|-------|----------------|-------|
| Debt Burden | 9.80% | 2.06% | 3.22% | 2.10% | 2.75% | 3.54% | 0.00% | 3.00% |
| Debt Coverage | 1.32 | 5.73 | 3.43 | 3.78 | 1.56 | 2.10 | - | 2.00 |
| Life of Capital Assets | 11.87 | 10.75 | 11.35 | 12.46 | 14.22 | 14.31 | 15.00 | 10.00 |

Lewis-Clark State College Debt Burden Ratio



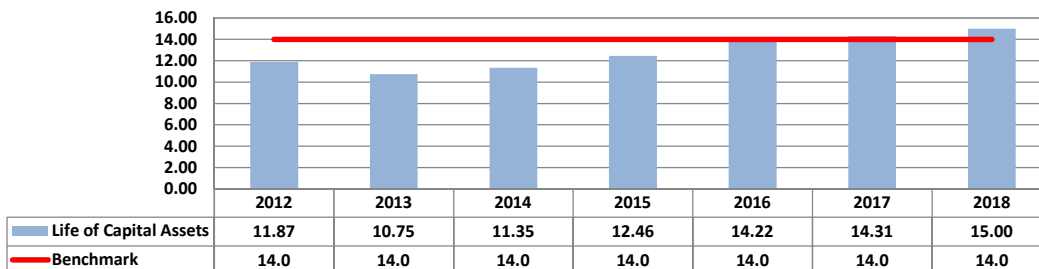
Reflects reliance on borrowed funds as a source of funds.

Lewis-Clark State College Debt Coverage Ratio



Reflects ability of excess income over adjusted expenses to cover annual debt service payments

Lewis-Clark State College Life of Capital Assets



Higher ratio indicates more deferred reinvestment in plant facilities in the future

**AUDIT
DECEMBER 20, 2018**

SUBJECT

FY 2018 College and Universities' Unrestricted Net Position Balances

REFERENCE

December 2012-2018

Annual Audit reports submitted to the Board

ALIGNMENT WITH STRATEGIC PLAN

Goal 1; Objective D: Quality Education.

BACKGROUND/DISCUSSION

Net position balances provide a tool to gauge the amount and types of assets held by an institution. An analysis of unrestricted expendable assets provides insights into some of the "reserves" which might be available in order for an institution to meet emergency needs. The net position balances as of June 30, 2018 for Boise State University, Idaho State University, the University of Idaho, and Lewis-Clark State College are attached. The net position reports for the four institutions are broken out by the following categories:

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

**AUDIT
DECEMBER 20, 2018**

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 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, 2018, 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, Board Policy V.B. sets a minimum target reserve of 5%, as measured by "Unrestricted Available" funds divided by annual operating expenses. The institutions' unrestricted funds available as a percent of operating expenses over the past five fiscal years are as follows:

| | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
|--------------|----------------|----------------|----------------|----------------|----------------|
| BSU: | 6.1% | 5.1% | 5.3% | 5.5% | 3.8% |
| ISU: | 16.2% | 15.6% | 11.8% | 7.8% | 5.7% |
| UI: | 4.2% | 5.1% | 5.4% | 5.0% | (1.6%) |
| LCSC: | 6.5% | 6.3% | 6.0% | 5.2% | 5.1% |

ATTACHMENTS

- Attachment 1 - BSU Net Position Balances
- Attachment 2 - ISU Net Position Balances
- Attachment 3 - UI Net Position Balances
- Attachment 4 - LCSC Net Position Balances

STAFF COMMENTS AND RECOMMENDATIONS

Idaho State University and Lewis-Clark State College met the Board's 5% reserve target in FY2018. Boise State University's (BSU) commitments against unrestricted net position indicates that net position available for emergencies is 3.75%, which is below the Board's minimum of 5%. BSU implemented a new governmental accounting standard resulting in a cumulative non-cash reduction to unrestricted net assets of \$13.8 million. BSU has stated it will work to build reserves to restore the 5% level.

In its FY18 Board-defined net position report, the University of Idaho (UI) has reported a negative \$6.6 million for its "Unrestricted – Available" net position, which results in a negative ratio of 1.6% unrestricted available net position to FY18 operating expenses. The majority of the University's decline in unrestricted net position in FY18 was due to the required recording of a \$34.7 million (non-cash) reduction in net position by adopting GASB standards 74/75 for the University's OPEB (other post-employment benefits) liability for its retiree health and life insurance benefits. This reduction represents a long-term liability of the University. As with its bond debt, the University funds the annual obligations related to these long-term liabilities through its annual operating income.

The University's aggregate financial performance for FY18, excluding the OPEB reduction in net position, was negative \$21.1 million. The University is planning for strategic budget reductions in FY19 and FY20 to address tuition and other revenue shortfalls, with the expectation that such reductions will result in positive overall increases in net position.

Representatives from the institutions are ready to provide a brief analysis of their financial net position balances and year-to-year trends.

BOARD ACTION

This item is for informational purposes only.

BOISE STATE UNIVERSITY**Net Asset Balances**

As of June 30, 2018

| Net Assets: | | 6/30/2018 |
|---------------------------------|---|--------------------|
| 1 | Invested in capital assets, net of related debt | 304,127,522 |
| 2 | Restricted, expendable | 14,716,087 |
| 3 | Restricted, nonexpendable | - |
| 4 | Unrestricted | 100,907,926 |
| 5 | Total Net Assets | 419,751,535 |
| Unrestricted Net Assets: | | 100,907,926 |
| Obligated (Note A) | | |
| 6 | Debt Reserves | 21,286,679 |
| | Capital Projects | |
| 7 | Facilities | 9,730,603 |
| 8 | Equipment | 2,363,250 |
| | Program Commitments | |
| 9 | Academic | 7,349,973 |
| 10 | Research | 1,614,314 |
| 11 | Other (Auxilliary and Student Affairs) | 2,504,975 |
| 12 | Administrative Initiatives | 7,500,321 |
| 13 | Total Obligated | 52,350,115 |
| Designated (Note B) | | |
| | Capital Projects | |
| 14 | Facilities | 11,857,958 |
| 15 | FFE | 3,211,150 |
| 16 | Program Commitments | |
| 17 | Academic | 7,595,832 |
| 18 | Research | 6,770,149 |
| 19 | Other (includes Auxilliary) | 1,746,134 |
| 20 | Administrative Initiatives | 2,399,973 |
| 21 | Other | - |
| 22 | Total Designated | 33,581,196 |
| 23 | Unrestricted Funds Available (Note C) | 14,976,615 |
| 24 | FY18 Operating Expenses | 399,674,724 |
| 25 | Ratio of Unrestricted Funds Available to operating expenses | 3.75% |
| 26 | 5% of operating expenses (minimum reserve target) | 19,983,736 |
| 27 | Two months of operating expenses | 66,612,454 |
| 28 | Ratio of Unrestricted Funds Available to two months of operating expenses | 22% |
| 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 College and Universities

Net Asset Balances

As of June 30, 2018

Information Taken from Workpapers Relating to Audited Financial Statements

ATTACHMENT 2

IDAHO STATE UNIVERSITY

| | Net Assets: | FY18 |
|----|---|--------------------------|
| 1 | | |
| 2 | Invested in capital assets, net of related debt | \$141,343,196 |
| 3 | Restricted, expendable | \$3,108,950 |
| 4 | Restricted, nonexpendable | |
| 5 | Unrestricted | \$94,059,301 |
| 6 | Total Net Assets | <u>\$238,511,447</u> |
| 7 | | |
| 8 | Unrestricted Net Assets: | 94,059,301 |
| 9 | Obligated (Note A) | |
| 10 | Debt Reserves | 11,980,035 |
| 11 | Capital Projects | |
| 12 | Facilities | 11,324,116 |
| 13 | Equipment | 7,040,205 |
| 14 | Program Commitments | |
| 15 | Academic | 9,160,128 |
| 16 | Research | - |
| 17 | Other | |
| 18 | Administrative Initiatives | - |
| 19 | Other | - |
| 20 | | - |
| 21 | Total Obligated | <u>39,504,484</u> |
| 22 | | |
| 23 | Designated (Note B) | |
| 24 | Capital Projects | |
| 25 | Facilities | 11,329,651 |
| 26 | Equipment | |
| 27 | Program Commitments | |
| 28 | Academic | 17,260,463 |
| 29 | Research | 2,908,037 |
| 30 | Other | 3,843,499 |
| 31 | Administrative Initiatives | 2,558,999 |
| 32 | Other | 244,140 |
| 33 | FY19 Budget Deficit | <u>2,095,358</u> |
| 34 | Total Designated | 40,240,147 |
| 35 | | |
| 36 | Unrestricted Available (Note C) | <u>14,314,670</u> |
| 37 | | |
| 38 | Operating expenses | 249,230,468 |
| 39 | Ratio of Unrestricted Funds Available to operating expenses | 5.7% |
| 40 | 5% of operating expenses (minimum available reserve target) | 12,461,523 |
| 41 | | |
| 42 | Two months operating expenses | 41,538,411 |
| 43 | Ratio of Unrestricted Funds Available to two months of operating expenses | 34% |
| 44 | Ratio of Designated and Unrestricted Funds Available to operating expenses | 22% |
| 45 | Ratio of Obligated, Designated and Unrestricted Funds Available to operating expenses | 38% |
| 46 | Number of days expenses covered by Unrestricted Funds Available | 20.96 |

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.



University of Idaho Net Position Balances

As of June 30, 2018

Information Taken from Workpapers Relating to Audited Financial Statements

| | | |
|----|---|-----------------------|
| 1 | Net Position: | |
| 2 | Invested in capital assets, net of related debt | \$ 243,910,315 |
| 3 | Restricted, expendable | 35,790,253 |
| 4 | Unrestricted | 16,017,834 |
| 5 | Total Net Position | <u>\$ 295,718,402</u> |
| 6 | Unrestricted Net Position: | \$ 16,017,834 |
| 7 | Obligated (Note A) | |
| | - Debt Service Obligations | \$ 13,870,091 |
| | - Capital Project and Equipment Fund Obligations | <u>8,759,595</u> |
| | Total Obligated Funds | <u>\$ 22,629,686</u> |
| 9 | Unrestricted Available Excluding OPEB Net Position (Note C) | <u>\$ (6,611,852)</u> |
| 10 | Operating expenses | \$418,389,338 |
| 11 | Ratio of Unrestricted Funds Available to operating expenses | -1.6% |
| 12 | 5% of operating expenses (minimum available reserve target) | \$20,919,467 |
| 13 | Two months operating expenses | \$69,731,556 |
| 14 | Ratio of Unrestricted Funds Available to two months of operating expenses | -9% |
| 15 | Number of days expenses covered by Unrestricted Funds Available | (6) |

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, 2018

Information Taken from Workpapers Relating to Audited Financial Statements

| | | |
|----|---|---------------------------|
| 1 | Net Position: | LCSC |
| 2 | Invested in capital assets, net of related debt | \$52,980,093 |
| 3 | Restricted, expendable | 756,594 |
| 4 | Restricted, nonexpendable | 0 |
| 5 | Unrestricted | 19,532,694 |
| 6 | Total Net Position | \$73,269,381 |
| 7 | | |
| 8 | Unrestricted Net Position: | \$19,532,694 |
| 9 | Obligated (Note A) | |
| 10 | Debt Service | \$0 |
| 11 | Program Commitments | 770,109 |
| 12 | Capital Projects | 9,847,889 |
| 13 | Total Obligated | <u>\$10,617,998</u> |
| 14 | | |
| 15 | Designated (Note B) | |
| 16 | Capital Projects | |
| 17 | Facilities | \$15,000 |
| 18 | Equipment | 0 |
| 19 | Program Commitments | |
| 20 | Academic | 2,487,184 |
| 21 | Other | 1,991,004 |
| 22 | Other | <u>1,646,055</u> |
| 23 | Total Designated | <u>\$6,139,241</u> |
| 24 | | |
| 25 | Unrestricted Available (Note C) | <u>\$2,775,455</u> |
| 26 | | |
| 27 | Operating expenses | \$54,119,017 |
| 28 | Ratio of Unrestricted Funds Available to operating expenses | 5.1% |
| 29 | Ratio of Designated and Unrestricted Funds Available to operating expenses | 16.5% |
| 30 | Ratio of Obligated, Designated and Unrestricted Funds Available to operating expenses | 36.1% |
| 31 | 5% of operating expenses (minimum available reserve target) | \$2,705,951 |
| 32 | | |
| 33 | Two months operating expenses | \$9,019,836 |
| 34 | Ratio of Unrestricted Funds Available to two months of operating expenses | 31% |
| 35 | 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 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