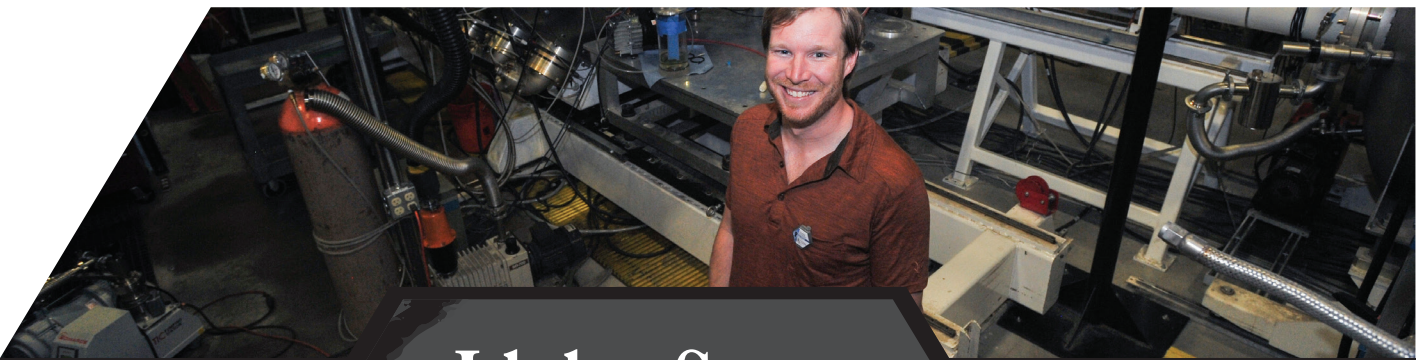


discover OPPORTUNITY

FY15 ANNUAL FINANCIAL STATEMENTS

Financial Statements for the Years Ended June 30, 2015 and 2014 and Independent Auditor's Report.

Including Schedule of Expenditures of Federal Awards and Single Audit Documents for the Year Ended June 30, 2015.



Pocatello | Idaho Falls

Idaho State
UNIVERSITY

Meridian | Twin Falls

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IDAHO STATE UNIVERSITY TABLE OF CONTENTS

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REPORT OF INDEPENDENT AUDITORS

Idaho State Board of Education
Idaho State University

Report on the Financial Statements

We have audited the accompanying financial statements of Idaho State University (University) and its discretely presented component unit, Idaho State University Foundation, Inc., as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the University's discretely presented component unit as described in Note 12. 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, are based solely on the report of other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Idaho State University Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

REPORT OF INDEPENDENT AUDITORS (continued)

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

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

Opinions

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Idaho State University and its discretely presented component unit, as of June 30, 2015 and 2014, and the respective changes in its financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents and certain information in Note 10, *Postemployment Benefits Other Than Pensions*, labeled as "required supplementary information", be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**REPORT OF INDEPENDENT AUDITORS
(continued)**

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28,

2015, on our consideration of Idaho State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Idaho State University's internal control over financial reporting and compliance.

Moss Adams LLP

Eugene, Oregon
September 28, 2015

Management's Discussion and Analysis For the fiscal year ended June 30, 2015

INTRODUCTION

The following analysis and discussion provides an overview of the financial position and activities of Idaho State University (the University or ISU) for the fiscal year ended June 30, 2015, with comparative information for the fiscal year ended June 30, 2014. This overview has been prepared by management and should be read in association with the financial statements and accompanying footnote disclosures of the University included in this report.

PROFILE OF THE UNIVERSITY

Idaho State University, a teaching institution and Carnegie-classified doctoral research center founded in 1901, attracts students from around the world to its Idaho campuses. At the main campus in Pocatello, and at locations in Meridian, Idaho Falls and Twin Falls, ISU offers access to high-quality education in more than 250 programs. Almost 14,000 students attend ISU, receiving education and training in those programs. Idaho State University is the state's designated lead institution in health professions and medical education.

Idaho State University faculty and students are leading the way in cutting-edge research and innovative solutions in the areas of energy, health professions, nuclear research, teaching, humanities, engineering, performing and visual arts, technology, biological sciences, pharmacy, and business. Idaho State University combines exceptional academics amidst the grand natural beauty of the West. ISU is at the heart of an outdoor-lover's paradise and a short drive to some of America's greatest natural wonders and exciting outdoor recreation opportunities.

USING THE FINANCIAL STATEMENTS

Idaho State University's financial statements for the fiscal year 2015 are presented in this report for your review. Condensed operations and financial position data will be presented in this section in order to illustrate certain increases and decreases over fiscal year 2014. The emphasis of the following discussions about these statements will be on changes in current year data versus the prior year.

The financial statements presented in this report include the University and its discretely presented component unit, the Idaho State University Foundation, Inc. (Foundation). The financial reports include the University's Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

The financial statements are prepared in accordance with the generally accepted accounting principles and standards of the Governmental Accounting Standards Board (GASB). GASB establishes governmental accounting and financial reporting standards for state and local governments, including public colleges and universities.

Management's discussion and analysis highlights supplementary information regarding the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position.

FINANCIAL HIGHLIGHTS

The University's financial position at June 30, 2015, reflects improvement over the previous fiscal year. The improvements are the result of management's continuing efforts to enhance fiscal performance.

- Assets increased by \$19 million to end the year at \$343 million.
- Liabilities increased by \$4 million to end the year at \$96 million.
- Net investment in capital assets totaled \$126.6 million, an increase of \$3.5 million.
- Net position, which is the residual of assets and deferred outflows after deducting liabilities and deferred inflows, increased by \$10 million to end at \$241 million.

Other significant changes to operations were as follows:

- Operating revenues totaled \$141 million, an increase of \$11 million.
- Operating expenses totaled \$229 million, an increase of \$9 million.
- Non-operating revenues, net of expense, totaled \$112 million, an increase of \$4 million.

In Fiscal Year 2015, the University was required to implement GASB Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment to GASB Statement No. 27. Comparison to fiscal 2014 is impacted to the extent accounts were adjusted for implementation of GASB 68 in 2015 while no adjustments were reflected in 2014. The impact of these variations is noted in management's explanations in our review of the financial statements.

CONDENSED FINANCIAL INFORMATION AND ANALYSIS

Financial Position - Statement of Net Position

The Statement of Net Position is a snapshot at a point in time, June 30, 2015 (fiscal year end), of the University's financial position. It reports the University's assets and deferred outflows (financial resources), liabilities and deferred inflows (financial obligations) and net position (remaining balance in assets after paying creditors) based on end-of-year data.

Assets are classified as current, non-current or capital. Current assets can be expected to easily convert to cash to meet the University's expenses within 12 months and include cash and cash equivalents, accounts receivable, inventories, prepaid expenses and investments. Non-current assets can be expected to be held more than one year and include items such as, student loans receivable. Capital assets are reported net of accumulated depreciation and include construction in progress, furniture and equipment, land, buildings and improvements.

Liabilities are classified as current or non-current. Current liabilities are obligations that are due and payable within 12 months and include payroll and benefits, amounts payable to suppliers for goods and services received and debt principal payments due within one year. Non-current liabilities are

obligations payable after more than one year and include installment contracts and bond commitments.

Deferrals represent the consumption and acquisition of resources applicable to future reporting periods. Deferred outflows of resources reflect expenditures applicable to future reporting periods and so will not be recognized as an expense until then. Deferred inflows of resources are revenue that is associated with future reporting periods and so it will not be recognized as revenue until then.

Net position is divided into three categories

- **Net investment in capital assets:** represents capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. In essence, the University's equity in its property, plant and equipment.
- **Restricted—expendable:** consists of funds subject to restrictions established by outside entities directing their use, such as scholarships, research sponsors, loans, capital projects and debt service.
- **Unrestricted:** represent those assets available to the University for any lawful purpose at its discretion.

SUMMARIZED STATEMENTS OF NET POSITION

The *Statement of Net Position* reflects the financial position of the University at the end of the fiscal year. The sum of assets and deferred outflows, less liabilities and deferred inflows, represents net position. Changes in net position occur over time and are one important indicator of the financial condition of the University. Net Position is presented in three major categories on the statement, each of which is described in more detail within the footnotes to the statements. A summary comparison of the assets, deferred outflows, liabilities, deferred inflows and net position for the years ended June 30, 2015 and 2014 is presented below.

Schedule of Net Position

	June 30, 2015	June 30, 2014	2015 vs 2014 Change	June 30, 2013
Assets:				
Current Assets	\$ 164,011,927	\$ 142,751,585	\$ 21,260,342	\$ 120,145,501
Noncurrent Assets	178,737,418	180,629,916	(1,892,498)	187,731,130
Total Assets	342,749,345	323,381,501	19,367,844	307,876,631
Deferred outflows of resources	3,964,810	566,757	3,398,053	629,729
Liabilities:				
Current Liabilities	35,082,474	33,383,756	1,698,718	31,508,025
Noncurrent Liabilities	61,174,040	59,050,041	2,123,999	63,714,764
Total Liabilities	96,256,514	92,433,797	3,822,717	95,222,789
Deferred inflows of resources	9,350,207	29,795	9,320,412	34,760
Net Position:				
Invested in capital assets	126,573,391	123,062,611	3,510,780	124,561,381
Restricted, expendable	4,961,978	5,267,523	(305,545)	4,581,880
Unrestricted	109,572,065	103,154,532	6,417,533	84,105,550
Total Net Position	\$ 241,107,434	\$ 231,484,666	\$ 9,622,768	\$ 213,248,811

SIGNIFICANT CHANGES IN THE STATEMENTS OF NET POSITION

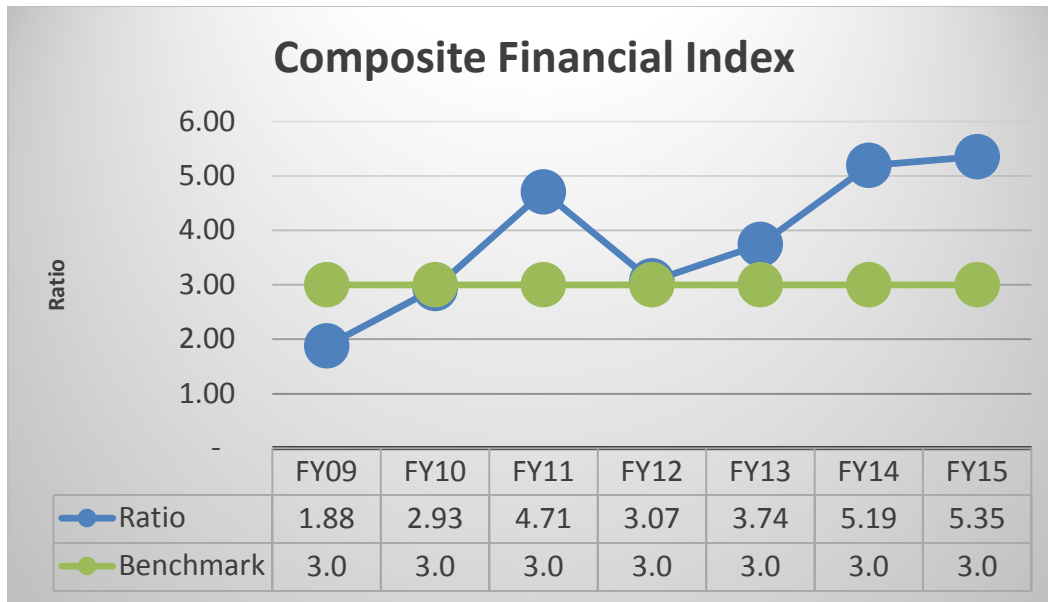
- The total net position of the University at June 30, 2015 was \$241.1 million, an increase of \$9.6 million over the prior year. The University's total net position includes its investment in capital assets, net of related debt which increased \$3.5 million to \$126.6 million. The restricted portion of net position decreased \$0.3 million to \$5.0 million, and the unrestricted portion of net position increased \$6.4 million to a total of \$109.6 million.
- In 2015, the increase in current assets is largely due to an increase in cash and investments of \$6.9 million, an increase in the accounts receivable of \$13.1 million, and an increase of \$1 million in due from state agencies. The primary driver of decline in noncurrent assets is attributed to net property, plant and equipment which decreased \$1.7 million during the year with accumulated depreciation outpacing asset additions. Deferred outflows of resources increased \$3.4 million due to the net impact of implementing GASB 68.
- During the current fiscal year, total liabilities increased by \$3.8 million, primarily due to increases in current liabilities of \$1.7 million, and to a net increase in noncurrent liabilities of \$2.1 million. Noncurrent liability increases in other post-employment benefits payable of \$0.8 million and pension liability of \$6.8 million were partially offset by declines in notes and bonds payable for debt service payments of (\$5.5) million. Deferred inflows of resources reflect an increase of \$9.3 million driven by the implementation of GASB 68.

Financial Health Indicators

There are a number of ratios used to evaluate financial health of institutions. Each ratio measures one aspect of performance. The composite financial index (CFI), combines four core ratios into a single metric. Blending the four key metrics of financial health into a single number provides a more balanced view of the institution’s financial health. A shortcoming in one measure may be offset by the strength of another measure.

The four core ratios are the viability ratio, the net operating revenues ratio, the return on net assets ratio and the primary reserve ratio. Each of these ratios is adjusted for their strength factor using a common scale then multiplied by the designated weighting factors and summed to compute the composite financial index.

The graph that follows displays the Composite Financial Index of Idaho State University and the Foundation over the past seven years compared to the benchmark established for universities in the State of Idaho by the State Board of Education. The ratio was climbing until the dip in revenues driven by the decline in state appropriations. At that time the University put proactive actions in place to generate greater diversity of revenues in combination with strategic spending reduction plans.



Results of Operations - Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position is comparable to the income statement of for profit entities. It reflects the sources and amounts of revenues earned and the expense types and amounts incurred during the year, grouped as operating, non-operating or other. The

Management's Discussion and Analysis

statement of revenues, expenses, and changes in net position reports the revenues earned and expenses incurred during the year on an accrual basis, identified as operating and non-operating activities as prescribed by GASB.

Operating revenues represent the funds obtained from providing goods and services to the University's customers. They include tuition and fees, grant and contract payments, and sales and service revenue generated by student housing, student dining and other University operations. Operating expenses are those expenditures made to acquire or produce the services provided to generate operating revenues and in carrying out the mission of the University.

Non-operating revenues are resources for which goods and services are not provided and include state appropriations, federal student aid, gifts and investment income. Non-operating expenses include such expenditures as interest expense on long-term debt and amortization of bond insurance costs. One of ISU's primary sources of revenue is appropriations provided by the state of Idaho, which, as directed by GASB standards, are classified as non-operating revenue. As a result, the University's financial statements typically show an operating loss. A more comprehensive assessment of the operations of the University is reflected in the change in net position at the end of the year.

Other revenues and expenses include capital gifts or grants and gains or losses on the disposal of capital assets.

SUMMARIZED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

A comparative statement summarizing the University's revenues, expenses and changes in net position for the years ended June 30, 2015 and 2014, is shown below.

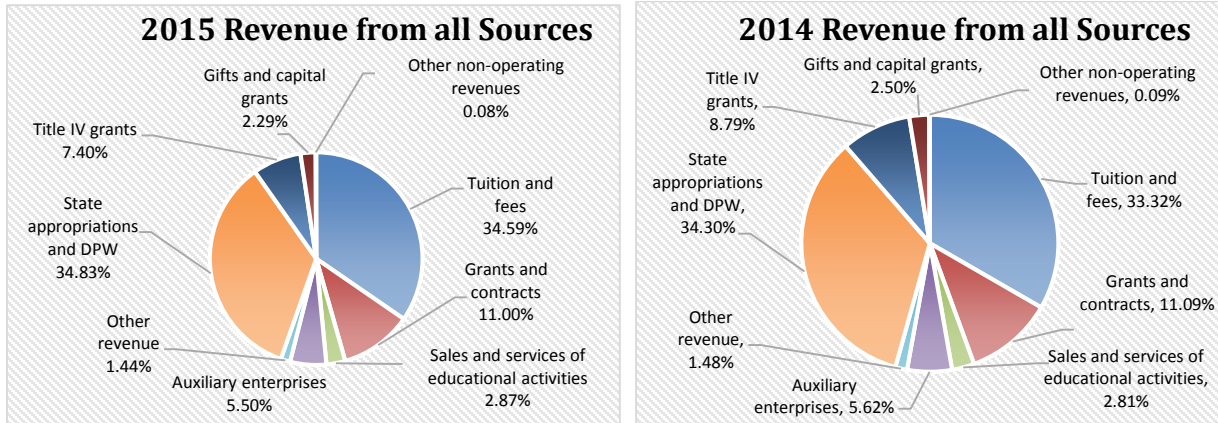
Summary Statement of Revenues, Expenses & Changes in Net Position

	2015	2014	2015 vs 2014	2013
	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>2013</u>
Operating revenues				
Student tuition and fees (net of scholarship discounts and allowances)	\$ 88,206,974	\$ 80,067,373	\$ 8,139,601	\$ 73,937,311
Federal grants and contracts	9,290,225	8,267,766	1,022,459	9,416,032
State and local grants and contracts	11,733,975	10,964,430	769,545	11,693,989
Private grants and contracts	7,012,923	7,409,810	(396,887)	9,912,398
Sales and services of educational activities	7,311,610	6,757,178	554,432	6,933,778
Sales and services of auxiliary enterprises	14,015,044	13,507,916	507,128	13,737,710
Other	3,678,615	3,560,921	117,694	3,404,559
Total operating revenues	<u>141,249,366</u>	<u>130,535,394</u>	<u>10,713,972</u>	<u>129,035,777</u>
Operating expenses	<u>228,567,678</u>	<u>219,960,108</u>	<u>8,607,570</u>	<u>223,289,422</u>
Operating income/(loss)	<u>(87,318,312)</u>	<u>(89,424,714)</u>	<u>2,106,402</u>	<u>(94,253,645)</u>
Nonoperating revenues/(expenses)				
State appropriations	83,835,488	79,825,405	4,010,083	77,032,719
State Department of Public Works	4,985,344	2,593,121	2,392,223	2,431,128
Title IV grants	18,879,046	21,120,080	(2,241,034)	24,104,048
Gifts	5,843,281	5,994,344	(151,063)	5,484,315
Net investment income	195,658	107,819	87,839	60,485
Amortization of bond insurance costs	(7,267)	(7,267)	-	(9,539)
Bond issuance costs	-	-	-	(931,975)
Interest on capital asset related debt	(1,923,003)	(2,068,697)	145,694	(2,354,492)
Net nonoperating revenues/(expenses)	<u>111,808,547</u>	<u>107,564,805</u>	<u>4,243,742</u>	<u>105,816,689</u>
Other revenues and expenses				
Capital gifts and grants	-	-	-	20,699
Gain or (loss) on disposal of fixed assets	(85,380)	95,764	(181,144)	(329,069)
Net other revenues and expenses	<u>(85,380)</u>	<u>95,764</u>	<u>(181,144)</u>	<u>(308,370)</u>
Increase in net position	24,404,855	18,235,855	6,169,000	11,254,674
Net position - beginning of year	231,484,666	213,248,811	18,235,855	201,994,137
Cummulative effect of implementing GASB 68 (Note 2)	(14,782,087)	-	-	-
Net position - beginning of year (as restated)	<u>216,702,579</u>	<u>213,248,811</u>	<u>3,453,768</u>	<u>201,994,137</u>
Net position - end of year	<u>\$ 241,107,434</u>	<u>\$ 231,484,666</u>	<u>\$ 9,622,768</u>	<u>\$ 213,248,811</u>

SIGNIFICANT CHANGES IN THE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

- Total revenues for the year ended June 30, 2015 were \$254 million, representing an increase of 6% from fiscal year 2014. Below is a graphic illustration of revenues by source (both operating and non-operating) for the year ended June 30, 2015 and 2014.

Operating Revenue from all Sources



As the above graphs show, the University’s primary sources for revenue are State appropriations and tuition and fees. State appropriations contribute a significant share of the funds needed for instructional activities. Tuition and fees represent the next largest source of revenue.

- **State Appropriations:** The largest component of non-operating revenue is state appropriations. In 2015, state funding increased overall by \$6.4 million, or 7.8%, over the prior year. The largest increase was in state appropriations for general education totaling \$68.0 million in 2015 and \$65.3 million in 2014, a 4.2% increase amounting to \$2.7 million. Funding from the Department of Public Works (DPW) fluctuates from year to year depending on the number and extent of building projects.
- **Tuition and Fees:** The enrollment profile continues to reflect a decline in the domestic student population. Historically, opportunities to increase nonresident international student enrollment, resulted in a net increase in revenue. Tuition and fee revenue was up by 10.2%, or \$8.1 million, over the prior year for a total of \$88.2 million.
- **Grants and Contracts:** Fiscal year 2015 showed an increase in federal grants and contracts revenue over the prior year of \$1.0 million to \$9.3 million. Private grant revenue was \$7.0 million in 2015, down \$0.4 million from 2014. State grant revenue increased by \$0.8 million over 2014 to \$11.7 million for 2015. In total, grant revenue increased by \$1.4 million in 2015 to \$28.0 million.

Management's Discussion and Analysis

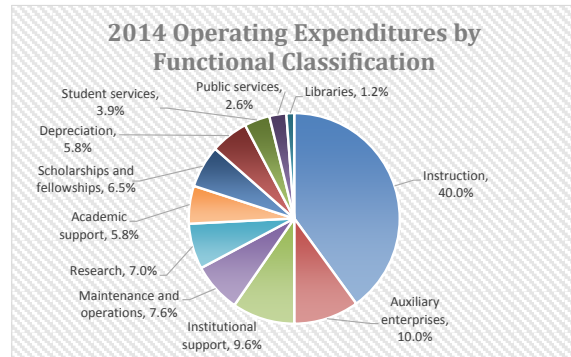
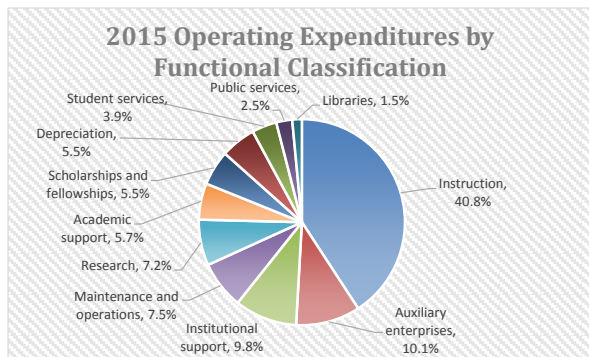
- Federal Title IV Grants: There was a \$2.2 million decrease in Title IV revenue from the prior year. This decrease was due to the federal government restricting Pell grant availability, and tightening the eligibility requirements, coupled with declining domestic enrollment.
- Sales and Services: Revenue increased \$1.1 million to \$21.3 million for fiscal year 2015.
- Other Revenue: Revenues increased from \$0.1 million in 2014 to \$3.7 million in 2015.

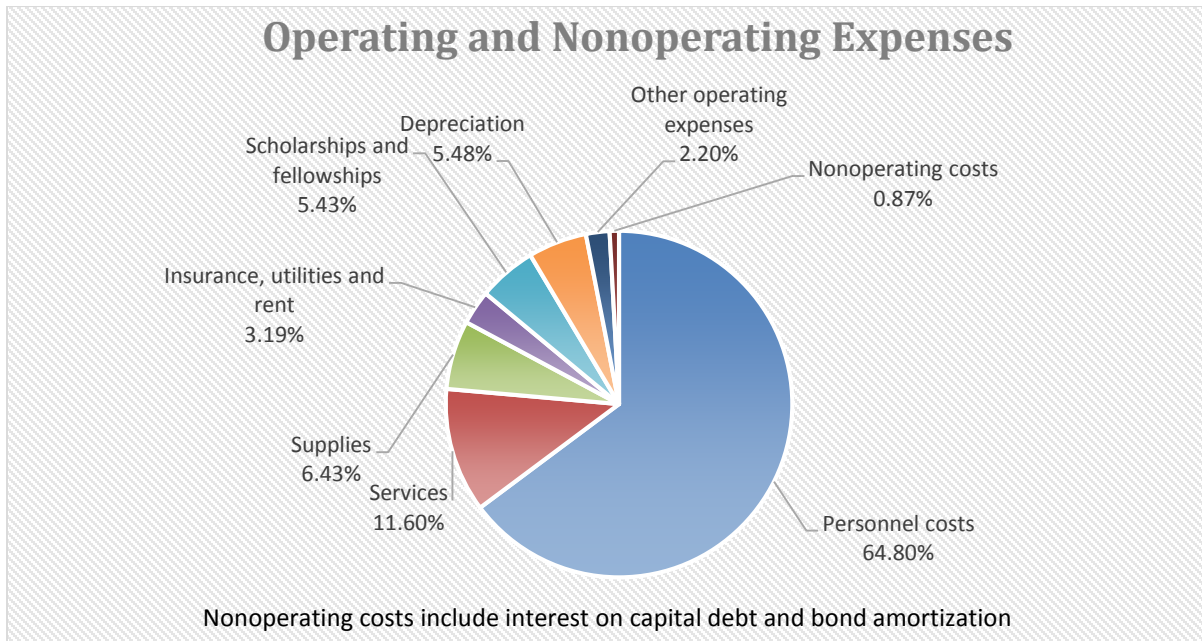
Expenses

Operating expenses represent the costs associated with providing goods and services to enable us to carry out the mission of the University. Non-operating expenses are generally those associated with interest on debt and the disposal loss of fixed assets.

Summary Statement of Expenses

	2015	2014	2015 vs 2014 Change	2013
Operating				
Personnel costs	\$ 149,425,555	\$ 143,971,434	\$ 5,454,121	\$ 141,146,294
Services	26,747,825	24,862,319	1,885,506	27,050,947
Supplies	14,823,343	11,891,858	2,931,485	12,773,653
Insurance, utilities and rent	7,350,446	7,466,242	(115,796)	7,375,222
Scholarships and fellowships	12,514,538	14,302,237	(1,787,699)	16,851,589
Depreciation expense	12,622,576	12,781,070	(158,494)	12,914,220
Other operating expenses	5,083,395	4,684,948	398,447	5,177,497
Total operating expenses	228,567,678	219,960,108	8,607,570	223,289,422
Nonoperating				
Amortization of bond insurance costs	7,267	7,267	-	9,539
Bond issuance costs	-	-	-	931,975
(Gain) or loss on disposal of fixed assets	85,380	(95,764)	181,144	329,069
Interest on capital asset related debt	1,923,003	2,068,697	(145,694)	2,354,492
Total nonoperating expenses	\$ 2,015,650	\$ 1,980,200	\$ 35,450	\$ 3,625,075





- Operating expenses in fiscal year 2015 increased by \$8.6 million, or 3.9%, from the prior year. The largest component of this increase is personnel costs of \$7.6 million. Other increases included Services and Supplies, which increased by \$1.9 and \$2.9 million, respectively, and a \$0.4 million increase in miscellaneous expenses. The increases were offset in part by a \$2.1 million expense reduction from the GASB 68 reclassification to deferred outflow a \$1.8 million decline in scholarships and fellowships, and a decline of \$0.3 million in insurance, utilities and rent, and depreciation.
- Non-operating expenses in fiscal year 2015 remained relatively flat.

CASH FLOWS

The statement of cash flows presents the inflows and outflows of cash for the year; summarized by operating, non-capital financing, capital and related financing, and investing activities.

The various sources of cash, along with their application and use, are presented in the *Statement of Cash Flows*. This analytical perspective is useful in assessing the ability of the University to satisfy its financial obligations as they come due. The statement classifies the flow of cash in the following four categories.

Operating activities – Displays the net cash flow required to conduct the day-to-day operating activities of the institution and reflects the continued need for funding from the state of Idaho.

Noncapital financing activities – Reflects the net cash flow of non-operating transactions not related to investing or capital financing activities, and includes funds provided by state appropriations.

Management's Discussion and Analysis

Capital and related financing activities – Includes payments for the acquisition of capital assets, proceeds from long-term debt, and debt repayment.

Investing activities – Details the funds involved in the purchase and sale of investments and reflects the change in rates of return on invested funds.

The statement summarizes the net cash flow and reconciles to the operating income or loss, as reflected on the *Statement of Revenues, Expenses and Changes in Net Position*.

A comparative summary of the *Statement of Cash Flows* for the years ended June 30, 2015, and June 30, 2014, is presented below.

<u>Summary Statement of Cash Flows</u>				
	<u>2015</u>	<u>2014</u>	<u>2015 vs 2014</u> <u>Change</u>	<u>2013</u>
Cash and cash equivalents (used in) or provided by:				
Operating activities	\$ (74,819,842)	\$ (69,063,536)	\$ (5,756,306)	\$ (79,414,677)
Noncapital financing activities	96,584,043	104,717,232	(8,133,189)	106,108,619
Capital and related financing activities	(15,091,402)	(13,645,211)	(1,446,191)	(15,177,477)
Investing activities	17,009	(14,944,746)	14,961,755	(4,945,990)
Net increase (decrease) in cash	6,689,808	7,063,739	(373,931)	6,570,475
Cash and cash equivalents, beginning of year	104,100,984	97,037,245	7,063,739	90,466,770
Cash and cash equivalents, end of year	<u>\$ 110,790,792</u>	<u>\$ 104,100,984</u>	<u>\$ 6,689,808</u>	<u>\$ 97,037,245</u>

For purposes of the *Statement of Cash Flows*, the University considers all highly liquid investments with an original maturity of three months or less and all non-negotiable certificates of deposit to be cash equivalents.

CAPITAL ASSET AND DEBT ACTIVITIES

The University considers the effective management of the institution's physical resources as a fundamental element of its financial stewardship, including the prudent use of debt to finance such resources. The development and maintenance of our physical resources is a key factor in creating and sustaining a learning environment that permits education to flourish, but continues to be a challenge due to lack of adequate funding.

Capital Assets

Idaho State University's total capital assets decreased by \$1.7 million; from \$179.0 million in 2014 to \$177.3 million in 2015, with depreciation expense outpacing capital additions.

Management's Discussion and Analysis

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Change</u>
Land	\$ 5,012,553	\$ 5,012,553	\$ -
Construction in progress	1,763,051	1,953,279	(190,228)
Buildings, net	144,119,834	145,317,367	(1,197,533)
Intangibles, net	1,494,762	1,605,485	(110,723)
Equipment, net	13,790,562	13,664,504	126,058
Library materials, net	11,105,668	11,465,074	(359,406)
Total capital assets, net	<u>\$ 177,286,430</u>	<u>\$ 179,018,262</u>	<u>\$ (1,731,832)</u>

A summary of changes in capital assets is disclosed in Note 6.

Debt

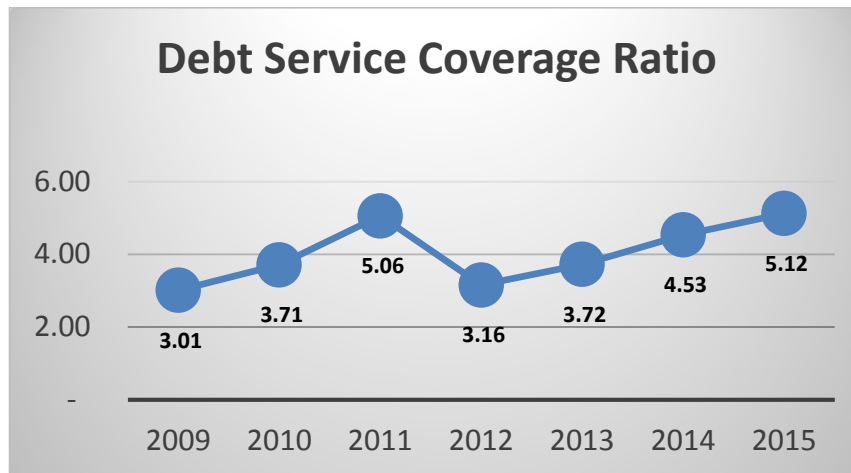
Total notes and bonds payable declined by \$5.3 million from \$56.6 million at June 30, 2014 to \$51.3 million at June 30, 2015. The University continues to pay down existing debt according to the debt schedule detailed in the notes of this report.

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Change</u>
Notes and bonds payable	\$ 51,277,411	\$ 56,585,298	\$(5,307,887)

A summary of changes in debt is disclosed in Note 8.

Debt Ratios

The debt service coverage ratio provides an indicator of the University's ability to repay annual principal and interest relative to its overall expenses. The graph below shows the University's debt service ratio for the past seven years and indicates that the University has sufficient resources to pay its long-term debt obligations 5.12 times over.



ECONOMIC OUTLOOK

In the Moody's report *Sector Stabilizes with Modest Revenue Growth in Challenging Environment*, Moody's Investors Service noted that revenue growth for four-year colleges and universities will stabilize to a level of just above 3% in the next 12-18 months. The "new normal" of constrained revenue growth reflects modest growth in a low inflation environment. However, a material portion of smaller and regional universities will continue to be pressured. Fundamentally challenged student demand coupled with limited pricing flexibility drives material pockets of stress with approximately 20% of universities experiencing weak to declining revenue growth. Regional public universities tend to have a higher dependence on net tuition revenue and remain pressured, with strong competition for new students driving declining net tuition revenue. Fiscal year 2014 results showed Universities are willing to make substantive changes to their business model to ensure financial stability, with a growing number of institutions generating revenue growth at a greater pace than expense growth.

Consistent with national and state trends in higher education, the University is projecting enrollment declines in the 2015 Fall semester. Management is developing plans to address this issue. At the same time, there are many obligations, including deferred maintenance, that the institution will need to respond to in the coming year. As a result, financial performance will be under pressure in the next fiscal year. As you know, institutional assets may be used for improvement in marketing, opportunities, enrollment fluctuations, emergencies, and other operational issues.

During the year, the University proposed and received approval for a 3.3% tuition and fee increase for fiscal year 2016, the lowest increase in 27 years. ISU is and remains extremely competitive in tuition and fees, even after the increase, which is essential in enabling the University to balance its budget and continue to provide quality educational opportunities to students. This reflects a shared balance between faculty, staff, students, and other institutional needs in helping to meet the University's budget requirements.

In light of the current economic environment and our responsibility to the citizens of the state of Idaho, the University has continued to pursue initiatives that promote the health and welfare of our neighbors. Using the University's mission as our guide, we continue to find partnerships that provide opportunities and innovation for Idaho and the nation.

One of these initiatives is the innovative Career Path Internship (CPI) program. This program was implemented to ensure students gain real-world experience during their college career through the use of paid internships directly related to their field of study. The CPI program provides supplemental financial support for participants, meaningful employment that complements what students are learning in the classroom, experience that enhances employment after graduation, and support for off-campus businesses and civic programs. Initiated five years ago, this program has employed 864 students and includes 121 paid internships off-campus.

Idaho State University will continue to reinforce its financial position in order to protect its future against unforeseen economic impacts. Because the economic environment is a challenging one, maintaining the focus on our central mission has never been more critical as we face the future. This will include continuing to strive to increase enrollment, to grow research, and to promote collaborations and partnerships with other agencies and institutions. These relationships will seek to build upon one

Management's Discussion and Analysis

another's strengths, to gain economies of scale, and to leverage shared knowledge in order to benefit the citizens of Idaho, the nation, and the world.

The audited financial statements included in this report, along with the accompanying notes to the financial statements, provide pertinent information and details related to the financial activities discussed in this analysis.

Annual Financial Statements

IDAHO STATE UNIVERSITY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 32,067,327	\$ 41,247,454
Cash with Treasurer	78,723,465	62,853,530
Investments	20,237,619	20,058,469
Student loans receivable	325,398	301,896
Accounts receivable and unbilled charges, less allowance for doubtful accounts of \$1,826,349 and \$1,445,533, respectively	26,845,864	13,695,988
Due from state agencies	4,022,347	3,055,426
Inventories	272,493	288,572
Prepaid expenses	1,517,414	1,250,250
Total current assets	164,011,927	142,751,585
NONCURRENT ASSETS:		
Student loans receivable, less allowance for doubtful loans of \$590,980 and \$583,138, respectively	1,062,945	1,207,550
Assets held in trust	294,626	287,420
Prepaid bond insurance costs	85,417	92,684
Property, plant, and equipment, net	177,286,430	179,018,262
Other long-term assets	8,000	24,000
Total noncurrent assets	178,737,418	180,629,916
TOTAL ASSETS	342,749,345	323,381,501
DEFERRED OUTFLOWS OF RESOURCES		
Deferred cost of refunding	503,784	566,757
Deferred outflow for pensions	3,461,026	-
Total deferred outflows of resources	3,964,810	566,757
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	4,756,193	4,257,844
Due to state agencies	103,707	371,902
Accrued salaries and benefits payable	11,408,978	10,807,184
Compensated absences payable	5,217,489	4,911,522
Deposits	375,435	369,971
Funds held in custody for others	928,072	761,002
Unearned revenues	6,626,293	6,366,127
Accrued interest payable	523,819	579,947
Notes and bonds payable	5,142,488	4,958,257
Total current liabilities	35,082,474	33,383,756
NONCURRENT LIABILITIES:		
Other post-employment benefits payable	8,265,000	7,423,000
Pension liability	6,774,117	-
Notes and bonds payable	46,134,923	51,627,041
Total noncurrent liabilities	61,174,040	59,050,041
TOTAL LIABILITIES	96,256,514	92,433,797
DEFERRED INFLOWS OF RESOURCES		
Deferred cost of refunding	24,829	29,795
Deferred inflow for pensions	9,325,378	-
Total deferred inflows of resources	9,350,207	29,795
NET POSITION:		
Invested in capital assets	126,573,391	123,062,611
Restricted, expendable	4,961,978	5,267,523
Unrestricted	109,572,065	103,154,532
Total net position	\$ 241,107,434	\$ 231,484,666

See Accompanying Notes to Financial Statements

IDAHO STATE UNIVERSITY COMPONENT UNIT

**IDAHO STATE UNIVERSITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2015 AND 2014**

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 2,167,955	\$ 1,378,935
Cash held pursuant to bond requirements	447,429	501,940
Promises to give, net	4,253,218	4,929,525
Life insurance cash surrender value	100,979	74,714
Inventory	361,181	176,634
Pharmacy receivables, net	218,853	75,252
Miscellaneous receivables	1,684	22,262
Capitalized bond issuance costs, net	88,036	106,744
Property, Plant and Equipment	247,236	143,728
Goodwill	199,241	199,241
Donated land held for sale	1,945,856	2,149,902
Investments	53,918,942	51,180,307
Total assets	\$ 63,950,610	\$ 60,939,184
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 391,565	\$ 129,597
Scholarships and other payables to Idaho State University	423,941	376,383
Obligations to beneficiaries under split-interest agreements	917,521	792,775
Funds held in custody for others	652,640	29,283
Long-term debt	5,957,779	6,008,322
Total liabilities	8,343,446	7,336,360
Net Assets		
Unrestricted	(4,086,482)	(3,081,801)
Temporarily restricted	20,726,350	21,333,988
Permanently restricted	38,967,296	35,350,637
Total net assets	55,607,164	53,602,824
TOTAL LIABILITIES AND NET ASSETS	\$ 63,950,610	\$ 60,939,184

See Accompanying Notes to Financial Statements

Annual Financial Statements

IDAHO STATE UNIVERSITY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
OPERATING REVENUES		
Student tuition and fees (net of scholarship discounts and allowances of \$25,916,197 and \$24,459,546 respectively)	\$ 88,206,974	\$ 80,067,373
Federal grants and contracts	9,290,225	8,267,766
State and local grants and contracts	11,733,975	10,964,430
Private grants and contracts	7,012,923	7,409,810
Sales and services of educational activities	7,311,610	6,757,178
Sales and services of auxiliary enterprises	14,015,044	13,507,916
Other	3,678,615	3,560,921
Total operating revenues	<u>141,249,366</u>	<u>130,535,394</u>
OPERATING EXPENSES		
Personnel costs	149,425,555	143,971,434
Services	26,747,825	24,862,319
Supplies	14,823,343	11,891,858
Insurance, utilities and rent	7,350,446	7,466,242
Scholarships and fellowships	12,514,538	14,302,237
Depreciation	12,622,576	12,781,070
Miscellaneous	5,083,395	4,684,948
Total operating expenses	<u>228,567,678</u>	<u>219,960,108</u>
OPERATING LOSS	<u>(87,318,312)</u>	<u>(89,424,714)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations:		
State general account - general education	68,005,400	65,261,000
Endowment income	2,599,200	2,227,800
Other state appropriations	2,818,075	2,730,508
Professional technical education	10,412,813	9,606,097
Department of Public Works	4,985,344	2,593,121
Title IV grants	18,879,046	21,120,080
Gifts (including \$5,158,769 and \$5,223,337 from the Idaho State University Foundation, respectively)	5,843,281	5,994,344
Net investment income	195,658	107,819
Amortization of bond insurance costs	(7,267)	(7,267)
Interest on capital asset related debt	(1,923,003)	(2,068,697)
Net nonoperating revenues	<u>111,808,547</u>	<u>107,564,805</u>
INCOME BEFORE OTHER REVENUES AND EXPENSES	24,490,235	18,140,091
OTHER REVENUES AND EXPENSES		
Gain or (loss) on disposal of fixed assets	(85,380)	95,764
Net other revenues and expenses	<u>(85,380)</u>	<u>95,764</u>
INCREASE IN NET POSITION	24,404,855	18,235,855
NET POSITION, BEGINNING OF YEAR	231,484,666	213,248,811
CUMMULATIVE EFFECT OF IMPLEMENTING GASB 68 (NOTE 2)	<u>(14,782,087)</u>	<u>-</u>
NET POSITION, BEGINNING OF YEAR (AS RESTATED)	<u>216,702,579</u>	<u>213,248,811</u>
NET POSITION, END OF YEAR	<u>\$ 241,107,434</u>	<u>\$ 231,484,666</u>

See Accompanying Notes to Financial Statements

Annual Financial Statements

IDAHO STATE UNIVERSITY COMPONENT UNIT

IDAHO STATE UNIVERSITY FOUNDATION STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Contributions and gifts	\$ 1,263,570	\$ 2,423,074	\$ 3,626,016	\$ 7,312,660
Contributed services	714,109	-	-	714,109
Interest and dividends	133,487	330,823	-	464,310
Net realized/unrealized gain on investments	21,548	208,213	-	229,761
Fees, charges, and miscellaneous	881,750	29,449	-	911,199
Pharmacy charges (net of cost of goods sold of \$1,395,718)	512,929	-	-	512,929
Net change in value of split-interest agreements and life insurance	-	(114,130)	(71,669)	(185,799)
Donor designated transfers	48,883	(111,195)	62,312	-
Net assets released from program restrictions	3,373,872	(3,373,872)	-	-
Total Revenues	<u>6,950,148</u>	<u>(607,638)</u>	<u>3,616,659</u>	<u>9,959,169</u>
EXPENSES				
Program support to Idaho State University				
Donations/transfers	1,456,139	-	-	1,456,139
Scholarships	1,397,610	-	-	1,397,610
Athletic	196,049	-	-	196,049
Department support	2,108,971	-	-	2,108,971
Support services				
Management and general	464,844	-	-	464,844
Fundraising	1,744,644	-	-	1,744,644
Pharmacy expenses	586,572	-	-	586,572
Total Expenses	<u>7,954,829</u>	<u>-</u>	<u>-</u>	<u>7,954,829</u>
CHANGE IN NET ASSETS	(1,004,681)	(607,638)	3,616,659	2,004,340
NET ASSETS, beginning of year	<u>(3,081,801)</u>	<u>21,333,988</u>	<u>35,350,637</u>	<u>53,602,824</u>
NET ASSETS, end of year	<u>\$ (4,086,482)</u>	<u>\$ 20,726,350</u>	<u>\$ 38,967,296</u>	<u>\$ 55,607,164</u>

See Accompanying Notes to Financial Statements

IDAHO STATE UNIVERSITY COMPONENT UNIT

**IDAHO STATE UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
Contributions and gifts	\$ 1,493,455	\$ 3,382,929	\$ 2,692,384	\$ 7,568,768
Contributed services	722,470	-	-	722,470
Interest and dividends	152,207	349,038	-	501,245
Net realized/unrealized gain on investments	601,474	5,693,227	-	6,294,701
Fees, charges, and miscellaneous	834,409	15,690	-	850,099
Pharmacy charges (net of cost of goods sold of \$278,954)	92,929	-	-	92,929
Net change in value of split-interest agreements and life insurance	-	130,264	(42,151)	88,113
Donor designated transfers	(147,515)	46,283	101,232	-
Net assets released from program restrictions	4,995,836	(4,995,836)	-	-
Total Revenues	<u>8,745,265</u>	<u>4,621,595</u>	<u>2,751,465</u>	<u>16,118,325</u>
EXPENSES				
Program support to Idaho State University				
Donations/transfers	1,137,079	-	-	1,137,079
Scholarships	1,388,217	-	-	1,388,217
Athletic	1,039,725	-	-	1,039,725
Department support	1,658,316	-	-	1,658,316
Support services				
Management and general	426,940	-	-	426,940
Fundraising	1,663,687	-	-	1,663,687
Pharmacy expenses	160,313	-	-	160,313
Total Expenses	<u>7,474,277</u>	<u>-</u>	<u>-</u>	<u>7,474,277</u>
CHANGE IN NET ASSETS	1,270,988	4,621,595	2,751,465	8,644,048
NET ASSETS, beginning of year	<u>(4,352,789)</u>	<u>16,712,393</u>	<u>32,599,172</u>	<u>44,958,776</u>
NET ASSETS, end of year	<u>\$ (3,081,801)</u>	<u>\$ 21,333,988</u>	<u>\$ 35,350,637</u>	<u>\$ 53,602,824</u>

See Accompanying Notes to Financial Statements

Annual Financial Statements

**IDAHO STATE UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Student fees	\$ 76,401,610	\$ 69,376,114
Grants and contracts	27,882,961	28,326,490
Sales and services of educational activities	6,562,763	6,484,515
Sales and services from auxiliary enterprises	14,144,594	13,450,332
Other operating revenue	3,667,055	3,483,125
Collection of loans to students	547,711	391,851
Payments to and on behalf of employees	(146,151,983)	(139,064,154)
Payments to suppliers	(52,971,921)	(44,139,597)
Payments for scholarships and fellowships	(4,468,182)	(7,045,016)
Loans issued to students	(434,450)	(327,196)
Net cash used by operating activities	<u>(74,819,842)</u>	<u>(69,063,536)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	83,957,238	80,988,258
Title IV grants	19,012,657	20,923,272
Gifts	5,198,387	5,218,221
Agency receipts	27,470,199	27,580,463
Agency payments	(38,465,871)	(29,440,924)
Direct lending receipts	62,622,904	66,618,980
Direct lending payments	(63,211,471)	(67,171,038)
Net cash provided by noncapital financing activities	<u>96,584,043</u>	<u>104,717,232</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital purchases	(7,862,390)	(6,391,145)
Proceeds from sale of assets	-	134,715
Proceeds from advance refunding of debt	-	-
Cost of issuance for advance refunding bonds	-	-
Principal paid on capital debt	(4,958,257)	(4,965,639)
Interest paid on capital debt	(2,270,755)	(2,423,142)
Net cash used by financing activities	<u>(15,091,402)</u>	<u>(13,645,211)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(15,611,276)	(21,630,792)
Proceeds from sales and maturities of investments	15,611,276	6,630,792
Investment net of income and expenses	17,009	55,254
Net cash used by investing activities	<u>17,009</u>	<u>(14,944,746)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,689,808	7,063,739
CASH AND CASH EQUIVALENTS--Beginning of year	<u>104,100,984</u>	<u>97,037,245</u>
CASH AND CASH EQUIVALENTS--End of year	<u>\$ 110,790,792</u>	<u>\$ 104,100,984</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES		
Operating Loss	\$ (87,318,312)	\$ (89,424,714)
Adjustments to reconcile net operating loss to net cash used by operating activities		
Depreciation	12,622,576	12,781,070
Maintenance costs paid by Department of Public Works and other	2,383,266	2,036,024
GASB 68 affect on operating expense	(2,897,140)	-
GASB 68 affect on operating revenues	(2,068,490)	-
Change in assets and liabilities		
Accounts receivable, net	(2,372,755)	2,738,635
Prepaid expenses	(267,164)	(354,145)
Student loans receivable, net	121,103	58,673
Inventory	16,079	(23,443)
Accounts payable and accrued liabilities	151,144	964,352
Accrued salaries and benefits payable	1,750,547	1,286,876
Deposits	(10,932)	27,140
Unearned revenue	239,430	814,689
Non-current assets	8,794	31,307
Net cash used in operating activities	<u>\$ (77,641,854)</u>	<u>\$ (69,063,536)</u>

See Accompanying Notes to Financial Statements

IDAHO STATE UNIVERSITY
Notes to Financial Statements
Years Ended June 30, 2015 And 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Idaho State University (the University) is part of the public system of higher education in the State of Idaho (the State). The system is considered part of the State of Idaho financial reporting entity. The State Board of Education (SBOE), appointed by the Governor and affirmed by the legislature, directs the system. The University is headquartered in Pocatello, Idaho with satellite campuses in Idaho Falls, Meridian, and Twin Falls, Idaho. Significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Financial Reporting Entity

The Idaho State University Foundation, Inc. (the Foundation) is considered a component unit of the University as defined by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - and amendment of GASB Statements No. 14 and No. 34*. As such, the Foundation is discretely presented for fiscal years ended June 30, 2015 and 2014. Additional detail and discussion related to the Foundation can be found in Note 14 of this report.

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Cash Equivalents

The University considers all liquid investments with a remaining maturity of three months or less at the date of acquisition and all non-negotiable certificates of deposit to be cash equivalents.

Cash with Treasurer

Balances classified as Cash with Treasurer are amounts that are required to be remitted to the State of Idaho as a result of the student fee collection process and, once remitted, these balances are under the control of the State Treasurer. Interest accruing on the balance is maintained in a separate fund and must be appropriated by the legislature before any expenditure can occur.

Investments

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investment income is recorded on the accrual basis. Changes in unrealized gains and losses on the

carrying value of investments are reported as a component of net investment income in the Statement of Revenues, Expenses and Changes in Net Position.

Student Loans Receivable

Loans receivable from students bear interest at rates ranging from 3.00% to 7.00% and are generally payable to the University in installments over a 5 to 10 year period, commencing 6 or 9 months after the date of separation from the University.

Accounts Receivable

Accounts receivable consist of fees charged to students as well as auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of Idaho. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

Inventories, consisting primarily of items held by University Stores, are valued at the lower of first-in, first-out ("FIFO") cost or market.

Property, Plant and Equipment

Capital assets are stated at cost when purchased or constructed, or if acquired by gift, at the estimated fair value at date of the gift. The University's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Intangible assets with a unit cost of \$200,000 or more and an estimated useful life of greater than one year are recorded as capital assets. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the period in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 12 to 25 years for land improvements, 10 years for library books, and 5 to 13 years for equipment.

The University houses collections at the Idaho Museum of Natural History that it does not capitalize. These collections adhere to the University's policy to (a) maintain them for public exhibition, education, or research; (b) protect, keep unencumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. The University charges these collections to operations at the time of purchase, in accordance with generally accepted accounting principles.

Deferred Inflows and Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that apply to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

Unearned Revenues

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but related to the subsequent accounting period. Unearned revenues also includes amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences

Employee vacation pay that is earned but unused is accrued at year-end for financial statement purposes. Amounts included in accrued salaries and benefits payable in the statement of net position are \$5,217,489 and \$4,911,522 at June 30, 2015 and 2014, respectively.

Noncurrent Liabilities

Noncurrent liabilities include the principal portions of revenue bonds payable, notes payable with contractual maturities greater than one year, and other post-employment benefits payable.

Net Position

Net position is identified as the residual of all elements presented in the statement of financial position. The University's net position is classified as follows.

Invested in Capital Assets – This represents the University's total investment in capital assets, net of 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 as a component of invested in capital assets, net of related debt.

Restricted, Expendable – Restricted expendable includes resources which the University is legally or contractually obligated to use in accordance with restrictions imposed by external third parties.

Unrestricted – Unrestricted represents resources derived from student fees, state appropriations, and sales and services of educational departments and auxiliary enterprises.

These resources are used for transactions related to the educational and general operations of the University, and may be used at the discretion of the institution to meet current expenses for any lawful purpose and in accordance with SBOE policy.

Income and Unrelated Business Income Taxes

The University, as a political subdivision of the State of Idaho, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. The University is liable for tax on its unrelated business income. Defined by the Internal Revenue Code, unrelated business income is income from a trade or business, regularly carried on, that is not substantially related to the performance by the organization of its exempt purpose or function. The University did not incur unrelated business income tax expense in the fiscal years ended June 30, 2015 or 2014.

Classification of Revenues

The University has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating Revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student fees net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) most federal, state and local grants and contracts and federal appropriations, and (4) interest on institutional student loans.

Nonoperating Revenues – Non-operating revenues include activities that have the characteristics of non-exchange transactions such as gifts and contributions, and other revenue resources defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations and investment income.

Scholarship Discounts and Allowances

Student fee revenues are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount paid by students or other third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state, or nongovernmental programs, are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy student fees and related charges, the University has recorded a scholarship discount and allowance.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of

employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements, and revenues and expenses during the year. Actual results could differ from those estimates.

New Accounting Standards Implemented

The University is required to implement the provisions of *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. GASB Statement No. 68 is effective for the fiscal year ending June 30, 2015. The primary objective of this Statement is to improve accounting and financial reporting of pensions by state and local governments. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Note disclosure and required supplementary information requirements about pensions are also addressed. The University participates in the State's defined benefit retirement plan where the benefits and obligations to contribute to the plan are established, and may be amended by, the Idaho State Legislature. The State administers the plan and provides its component units the respective pension benefit and obligation amounts.

The University is required to implement the provisions of *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68, which is effective for the fiscal year ending June 30, 2015. The primary objective of this Statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68.

2. RESTATEMENT OF NET POSITION

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, is effective for financial statement periods beginning after June 15, 2014, with the effects of accounting changes to be applied retroactively by restating the financial statements. The Statement requires the University record its proportionate share of the defined benefit pension obligations for active, inactive and retired employees receiving retirement benefits under the Public Employee Retirement System of Idaho ("PERSI").

The University adopted this new pronouncement in the current year. It is not practical for PERSI to determine the amounts of all deferred inflows of resources and deferred outflows of resources related to pensions as of the beginning of the plan year. As a result, the prior year has not been restated for deferred inflows of resources, deferred outflows of resources, net pension liability and pension expense. Since the restatement of the prior year presented is not practical, the cumulative

Notes to the Financial Statements

effect of applying this Statement is reported as a restatement of beginning net position as of June 30, 2014.

Net Position Restated – The cumulative effect of implementing GASB 68 decreases the net position end of year for June 30, 2014, by \$14,782,087 from \$231,484,666 to \$216,702,579.

	As Previously Reported June 30, 2014	Restated June 30, 2014	Cumulative Effect of Change
Deferred outflows of resources for pensions	\$ -	\$ 2,822,012	\$ 2,822,012
Net pension liability	-	17,604,099	17,604,099
Net position	231,484,666	\$ 216,702,579	\$ (14,782,087)

3. CASH WITH TREASURER, CASH AND CASH EQUIVALENTS, OTHER DEPOSITS, AND INVESTMENTS

Cash with Treasurer, Cash and Cash Equivalents, and Other Deposits

Cash with Treasurer is under the custody of the Idaho State Treasurer and is carried at cost. The University's deposits are maintained in commercial checking accounts which, as of June 30, 2015, have insurance coverage up to \$250,000 through the Federal Deposit Insurance Corporation (FDIC). At June 30, 2015 and June 30, 2014, total deposits consisted of the following:

	2015	2014
Cash	\$ 35,465,410	\$ 43,710,487
Cash equity with the State Treasurer	78,723,465	62,853,530
Total deposits	<u>\$ 114,188,875</u>	<u>\$ 106,564,017</u>

The deposit amounts subject to custodial credit risk at June 30, 2015 and 2014 consisted of the following:

	Basis of Custodial Credit Risk As of June 30	
	2015	2014
Insured	\$ 250,000	\$ 250,000
Uncollateralized	-	-
Collateralized by securities held by the pledging financial institution	35,215,410	43,460,487
Total deposits	<u>\$ 35,465,410</u>	<u>\$ 43,710,487</u>

At June 30, 2015 and 2014, the University had \$161,453 and \$156,361, respectively, of cash on hand in various change funds. The carrying amount of the University's cash and cash equivalents at June 30, 2015 and 2014 was \$110,790,792 and \$104,100,984, respectively. The net difference between

deposits and the carrying amount of cash and cash equivalents is primarily a reflection of investment of the daily float.

Investments

The general investment policy of the University as adopted by the State Board of Education outlines that investments in securities are to be made with the objective of maximizing long-term total return, ensuring safety of principal, and providing satisfactory current income. Investments generally include direct obligations of the U.S. government and its agencies, municipal and corporate bonds, mortgage-backed securities, mutual funds and certificates of deposit. These securities are recorded at fair value in the statement of net position. Investment income, including change in fair value of investments, is recognized as revenue in the statement of revenues, expenses and changes in net position.

The following table represents the fair value of investments by type and interest rate risk at June 30, 2015 and June 30, 2014, respectively:

Fiscal Year	University Investments	Fair Value	Investment Maturities		
			1-3 years	3-5 years	5-10 years
2015	Fixed Income - Certificate of Deposit	4,960,143	2,705,322	2,254,821	-
2015	Fixed Income - Corporate Bonds	752,280	503,410	248,870	-
2015	Fixed Income - Government Bonds	14,525,196	4,218,646	4,136,305	6,170,245
		<u>20,237,619</u>	<u>7,427,378</u>	<u>6,639,996</u>	<u>6,170,245</u>
2014	Cash and Cash Equivalents	5,000,000	5,000,000	-	-
2014	Fixed Income - Certificate of Deposit	3,536,449	3,536,449	-	-
2014	Fixed Income - Corporate Bonds	473,059	473,059	-	-
2014	Fixed Income - Government Bonds	11,048,961	2,113,058	3,112,207	5,823,696
		<u>20,058,469</u>	<u>11,122,566</u>	<u>3,112,207</u>	<u>5,823,696</u>

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation, causing the University to experience a loss of principal, or that negative perceptions of issuer’s ability to make these payments will cause prices to decline. The University does not presently have a formal policy that addresses credit risk.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit quality ratings for pooled investments of fixed income. Fixed income investment ratings as of June 30, 2015 are presented below using credit risk ratings issued upon standards set by Moody’s Investors Service. ‘Aaa’ rated obligations are judged to be of the highest quality, with minimal credit risk. ‘Aa’ rated obligations are judged to be of high quality and are subject to very low credit risk. ‘A’ rated obligations are considered upper-medium grade and are subject to low credit risk. Issuers rated ‘NP’ or ‘Not Prime’ do not fall within any of the prime rating categories.

Notes to the Financial Statements

Fiscal Year	University Investments	Fair Value	Credit Rating				
			Aaa	Aa	A	NP	Unrated
2015	Fixed Income - Certificate of Deposit	4,960,143	257,050	-	750,516	1,752,790	2,199,787
2015	Fixed Income - Corporate Bonds	752,280	-	492,260	260,020	-	-
		<u>5,712,423</u>	<u>257,050</u>	<u>492,260</u>	<u>1,010,536</u>	<u>1,752,790</u>	<u>2,199,787</u>

Credit risk disclosed for Fixed Income – Government Bonds is related to the mutual funds’ underlying assets. The mutual fund typically holds most of its exposure in mortgage-backed securities, including collateralized mortgage obligations, issued or guaranteed by U.S. Government agencies or government-sponsored entities. In addition, it targets maintaining an average credit quality rating that is equivalent to the highest rating available from a Nationally Recognized Statistical Rating Organization. According to GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

Concentration of Credit Risk

Concentration of credit risk is defined per GASB Statement No. 40 as the risk of loss attributed to the magnitude of an investment in a single issuer other than the federal government. The Governmental Accounting Standards Board has adopted a principle that governments should provide note disclosure when 5 percent of investments are concentrated in any one issuer. At present, the University does not have a formal policy that addresses concentration of risk. The University did not have any investments at June 30, 2015 or 2014 that represented a 5 percent or greater concentration in any one issuer.

Custodial Credit Risk

Custodial credit risk for investments is defined as the risk that, in the event of a failure of the counterparty to a transaction, the University will not be able to recover the value of its investments that are in the possession of an outside party. The University does not have a policy that specifically addresses custodial credit risk. As of June 30, 2015, all investments were held by the University or its counterparty in the University’s name.

Interest Rate Risk

Interest rate risk is the risk that the value of fixed income securities will decline because of a change in interest rates. Currently, the University does not have a formal policy that addresses interest rate risk. Interest rate risk disclosed for Fixed Income – Government Bonds is related to the mutual funds’ underlying assets.

Foreign Currency Risk

GASB Statement No. 40 defines foreign currency risk as the risk that changes in exchange rates will adversely affect the fair value of an investment of deposit. The University does not presently have a policy that addresses foreign currency risk. As of June 30, 2015, all investments held by the University were denominated in U.S. Dollars; therefore, no foreign currency risk needs to be considered at this time.

4. ACCOUNTS RECEIVABLE AND DUE FROM STATE AGENCIES

Accounts receivable and due from state agencies consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Accounts receivable	\$ 28,672,213	\$ 15,141,521
Due from state agencies	<u>4,022,347</u>	<u>3,055,426</u>
	32,694,560	18,196,947
Less allowance for doubtful accounts	<u>(1,826,349)</u>	<u>(1,445,533)</u>
Net accounts receivable and Due from state agencies	<u>\$ 30,868,211</u>	<u>\$ 16,751,414</u>

5. STUDENT LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program (the Program) comprise substantially all of the loans receivable at June 30, 2015 and 2014. Under this Program, the federal government provides approximately 75% of the funding for the Program, with the University providing the balance. The program provides cancellation provisions for borrowers engaging in teaching, public service, service in the military or law enforcement, as well as other disciplines. The Department of Education reimburses the University each year for the principal and interest canceled in its Perkins Loan Fund for all of the cancellation provisions except death, total and permanent disability, and bankruptcy. The University must deposit this reimbursement into its Perkins loan fund. In the event the University should withdraw from the Federal Perkins Loan Program or the government were to cancel the Program, the amount the University would be liable for as of June 30, 2015 and 2014, is \$1,993,473 and \$1,976,393, respectively.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible loans, which, in management’s opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2015 and 2014, the allowance for uncollectible loans was approximately \$590,980 and \$583,138, respectively.

In the spring of 2007, the University began participation in the Nursing Faculty Loan Program (NFLP), a federal loan program authorized under Title VIII of the Public Health Service Act, to increase the number of qualified nursing faculty. In spring 2015, the University withdrew from participation in the NFLP program and repaid the Federal Capital Contribution so amounts the University is liable for as of June 30, 2015 and 2014 is \$0 and \$10,121 respectively.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at June 30, 2015 and 2014 consisted of the following:

	2015				Balance June 30, 2015
	Balance July 1, 2014	Additions	Retirements	Transfers	
Property, plant and equipment not being depreciated:					
Land	\$ 5,012,553	\$ -	\$ -	\$ -	\$ 5,012,553
Construction in progress	1,953,279	1,496,408	-	(1,686,636)	1,763,051
Total property, plant and equipment not being depreciated	6,965,832	1,496,408	-	(1,686,636)	6,775,604
Other property, plant and equipment:					
Buildings and improvements	244,322,287	3,043,439	-	1,686,636	249,052,362
Intangibles	2,214,462	-	-	-	2,214,462
Furniture, fixtures and equipment	50,382,159	4,293,848	(2,175,266)	-	52,500,741
Library materials	56,004,242	2,142,429	-	-	58,146,671
Total other property, plant and equipment	352,923,150	9,479,716	(2,175,266)	1,686,636	361,914,236
Less accumulated depreciation and amortization:					
Buildings and improvements	(99,004,920)	(5,927,608)	-	-	(104,932,528)
Intangibles	(608,977)	(110,723)	-	-	(719,700)
Furniture, fixtures and equipment	(36,717,655)	(4,082,410)	2,089,886	-	(38,710,179)
Library materials	(44,539,168)	(2,501,835)	-	-	(47,041,003)
Total accumulated depreciation and amortization	(180,870,720)	(12,622,576)	2,089,886	-	(191,403,410)
Other property, plant and equipment net of accumulated depreciation	172,052,430	(3,142,860)	(85,380)	1,686,636	170,510,826
Property, plant and equipment summary:					
Property, plant and equipment not being depreciated	6,965,832	1,496,408	-	(1,686,636)	6,775,604
Other property, plant and equipment at cost	352,923,150	9,479,716	(2,175,266)	1,686,636	361,914,236
Total property, plant and equipment	359,888,982	10,976,124	(2,175,266)	-	368,689,840
Less accumulated depreciation and amortization	(180,870,720)	(12,622,576)	2,089,886	-	(191,403,410)
Property, plant and equipment, net	\$ 179,018,262	\$ (1,646,452)	\$ (85,380)	\$ -	\$ 177,286,430

Notes to the Financial Statements

	2014				Balance June 30, 2014
	Balance July 1, 2013	Additions	Retirements	Transfers	
Property, plant and equipment not being depreciated:					
Land	\$ 5,012,553	\$ -	\$ -	\$ -	\$ 5,012,553
Construction in progress	1,421,598	721,682	-	(190,001)	1,953,279
Total property, plant and equipment not being depreciated	6,434,151	721,682	-	(190,001)	6,965,832
Other property, plant and equipment:					
Buildings and improvements	244,132,286	-	-	190,001	244,322,287
Intangibles	2,214,462	-	-	-	2,214,462
Furniture, fixtures and equipment	48,761,681	2,456,140	(835,662)	-	50,382,159
Library materials	53,343,524	2,660,718	-	-	56,004,242
Total other property, plant and equipment	348,451,953	5,116,858	(835,662)	190,001	352,923,150
Less accumulated depreciation and amortization:					
Buildings and improvements	(93,009,095)	(5,995,825)	-	-	(99,004,920)
Intangibles	(498,254)	(110,723)	-	-	(608,977)
Furniture, fixtures and equipment	(33,350,145)	(4,164,221)	796,711	-	(36,717,655)
Library materials	(42,028,867)	(2,510,301)	-	-	(44,539,168)
Total accumulated depreciation and amortization	(168,886,361)	(12,781,070)	796,711	-	(180,870,720)
Other property, plant and equipment net of accumulated depreciation	179,565,592	(7,664,212)	(38,951)	190,001	172,052,430
Property, plant and equipment summary:					
Property, plant and equipment not being depreciated	6,434,151	721,682	-	(190,001)	6,965,832
Other property, plant and equipment at cost	348,451,953	5,116,858	(835,662)	190,001	352,923,150
Total property, plant and equipment	354,886,104	5,838,540	(835,662)	-	359,888,982
Less accumulated depreciation and amortization	(168,886,361)	(12,781,070)	796,711	-	(180,870,720)
Property, plant and equipment, net	\$ 185,999,743	\$ (6,942,530)	\$ (38,951)	\$ -	\$ 179,018,262

The Performing Arts Center was constructed by the Foundation with contributions and the proceeds from the Foundation's Multi-Mode Variable Rate Revenue Bond, issued in 2001. The facility was constructed on land leased by the Foundation from the University for \$1 a year for a 20 year term. The land and improvements were, in turn, leased back to the University for \$1 a year for 20 years, with a provision that title to the improvements transfers to the University at the earlier of the end of the lease or retirement of the bonds. A security interest in the land and improvements is held through a Deed of Trust issued by the Foundation to Wells Fargo Bank, N.A. The excess of the fair value of the improvements (i.e., cost) over the gross rents payable by the University were recorded as an asset of the University in recognition of the permanent transfer of rights of use to the University for only nominal consideration.

In addition to accounts payable for construction in progress, the estimated cost to complete property authorized or under construction at June 30, 2015, is approximately \$2,983,902. These costs will be financed by available resources of Idaho State University.

7. UNEARNED REVENUES

Unearned revenues consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Student Fees	\$ 4,631,708	\$ 4,261,560
Auxiliary enterprises and other	581,462	756,028
Grants and contracts	1,359,348	1,284,641
Other ticket sales	<u>53,775</u>	<u>63,898</u>
	<u>\$ 6,626,293</u>	<u>\$ 6,366,127</u>

8. NONCURRENT LIABILITIES

Notes and bonds payable at June 30 consisted of the following:

Description	Balance Outstanding 6/30/2013	Additions	Reductions	Balance Outstanding 6/30/2014	Additions	Reductions	Balance Outstanding 6/30/2015	Amounts Due Within One Year
Note payable to a financial institution due in semi-annual installments varying from maximum of \$2,993,916 to \$16,696 plus interest of 5.08% through 09/01/2016	3,152,940	-	(941,639)	2,211,301	-	(924,257)	1,287,044	946,488
General Revenue Bonds, Series 2004A (original balance of \$4,980,000), consisting of serial bonds payable in annual amounts increasing periodically from \$210,000 to a maximum of \$375,000, plus interest from 2.00% to 4.375% through the year 2023. All bonds are collateralized by certain student fees and other revenues.	825,000	-	(265,000)	560,000	-	(275,000)	285,000	285,000
General Revenue Bonds, Series 2004B (original balance of \$3,305,000), consisting of serial and term bonds payable in annual amounts increasing periodically from \$55,000 commencing in 2022 to a maximum of \$345,000, plus interest from 4.50% to 4.75% through the year 2034. All bonds are collateralized by certain student fees and other revenues.	3,040,000	-	-	3,040,000	-	-	3,040,000	-
General Revenue Bonds, Series 2004C (original balance of \$2,305,000), consisting of term bonds payable in annual amounts increasing periodically from \$95,000 to a maximum of \$190,000, plus interest of 4.880% through the year 2022. All bonds are collateralized by certain student fees and other revenues.	1,430,000	-	(135,000)	1,295,000	-	(140,000)	1,155,000	150,000
General Revenue Bonds, Series 2006 (original balance of \$10,000,000), consisting of term bonds payable in annual amounts increasing periodically from \$320,000 to a maximum of \$805,000, plus interest of 5.260% through the year 2028. All bonds are collateralized by certain student fees and other revenues.	8,620,000	-	(390,000)	8,230,000	-	(410,000)	7,820,000	435,000
General Revenue Bonds, Series 2007 (original balance of \$16,120,000), consisting of term bonds payable in annual amounts increasing periodically from \$270,000 to a maximum of \$1,055,000, plus interest from 3.90% to 5.00% through the year 2032. All bonds are collateralized by certain student fees and other revenues.	13,190,000	-	(600,000)	12,590,000	-	(620,000)	11,970,000	645,000
General Revenue Refunding Bonds, Series 2012 (original balance of \$27,530,000), consisting of annual amounts increasing periodically from \$965,000 to a maximum of \$3,470,000, plus interest from 2.00% to 4.00% through the year 2023. All bonds are collateralized by certain student fees and other revenues.	26,225,000	-	(965,000)	25,260,000	-	(2,255,000)	23,005,000	2,340,000
General Revenue Refunding Bonds, Series 2013 (original balance of \$3,810,000), consisting of annual amounts increasing periodically from \$334,000 to a maximum of \$1,669,000 plus interest from 2.25% to 2.75% through the year 2020. All bonds are collateralized by certain student fees and other revenues.	3,810,000	-	(1,669,000)	2,141,000	-	(334,000)	1,807,000	341,000
	60,292,940	-	(4,965,639)	55,327,301	-	(4,958,257)	50,369,044	5,142,488
Premium on bonds	1,754,155	-	(397,535)	1,356,620	-	(359,353)	997,267	-
Discount on bonds	(108,693)	10,070		(98,623)	9,723		(88,900)	-
Totals	\$ 61,938,402	\$ 10,070	\$ (5,363,174)	\$ 56,585,298	\$ 9,723	\$ (5,317,610)	\$ 51,277,411	\$ 5,142,488

Notes to the Financial Statements

Principal and interest maturities on notes and bonds payable in future periods for the year ending June 30, 2015, are as follows:

	Bonds		Notes	
	Principal	Interest	Principal	Interest
2016	4,196,000	2,008,099	946,488	53,512
2017	4,357,000	1,838,573	340,556	8,650
2018	4,539,000	1,661,596	-	-
2019	4,735,000	1,470,136	-	-
2020	4,360,000	1,314,602	-	-
2021-2025	17,985,000	4,068,864	-	-
2026-2030	6,785,000	1,279,286	-	-
2031-2034	2,125,000	214,775	-	-
	<u>\$ 49,082,000</u>	<u>\$ 13,855,931</u>	<u>\$ 1,287,044</u>	<u>\$ 62,162</u>

Pledged Revenue — Current outstanding issuances are 2004A, 2004B, 2004C, 2006, 2007, 2012 and 2013. The University has pledged certain revenues as collateral for these bonds. The pledged revenue amounts as of June 30 are as follows:

Pledged Revenues	2015	2014
		Student Facility Fee Revenue Bonds
	Series 2004A, 2004B, 2004C, 2006, 2007, 2012 and 2013	
Matriculation fee	\$ 52,693,194	\$ 50,438,053
Student facilities fee	4,124,892	4,083,643
Revenue of student housing system	6,294,932	6,013,914
CAES lease payment	850,104	850,104
	<u>\$ 63,963,122</u>	<u>\$ 61,385,714</u>
Debt service	<u>\$ 6,204,099</u>	<u>\$ 6,204,012</u>
Debt service coverage	1031%	989%
Coverage requirement	110%	110%

As indicated, the Student Facilities Fee is pledged for Series 2004A, Series 2004B, Series 2004C, Series 2006, Series 2007, Series 2012 and Series 2013 bonds. The Revenue of the Housing System is pledged for the Series 2012 and 2013 bonds and the Center for Advanced Energy Studies (CAES) lease payments are pledged for Series 2006 bonds.

9. ACCOUNTING FOR LEASES

The University is a lessor in a ground lease agreement with Portneuf Medical Center (lessee) that expires on May 31, 2032. The lease allowed for the construction of a sports medicine facility (the Facility) on the premises, which was completed in September 1994. The lessee pays rent of \$1 per year for the ground lease, payable on the date of the execution of the lease and annually thereafter on the anniversary date of such execution.

The University leases a weight/training room and associated common areas from Portneuf Medical Center (lessor). This lease has an expiration date of May 31, 2032. Rent for the weight/training room portion of the lease is \$1 per year. Rent for shared use of the common areas is \$14,000 per year. Rents for the initial term and renewal term are payable on the date of the execution of the lease and annually thereafter on the anniversary date of such execution. Upon expiration of the lease term, the Facility shall become the property of the University.

ISU leases building and office facilities under various non-cancelable operating leases. Total costs for such leases were \$360,922 and \$348,760 for the years ended June 30, 2015 and 2014, respectively.

Future minimum lease payments at June 30, 2015 for all leases are as follows:

<u>Fiscal Years</u>	<u>Payments</u>
2016	\$ 294,789
2017	92,348
2018	81,200
2019	83,000
2020	14,000
2021-2025	70,000
2026-2030	70,000
2031-2032	28,000
Totals	<u>\$ 733,337</u>

In 2006, Idaho State University entered into a lease agreement with Battelle Energy Alliance, LLC for facilities located in the CAES facility. The lease commenced September 2009, and extends through March 5, 2028.

Future minimum rental income on this operating lease is as follows:

Fiscal Years	Income
2016	\$ 850,104
2017	850,104
2018	850,104
2019	850,104
2020	850,104
2021-2025	4,250,520
2026-2028	2,337,786
Totals	<u>\$ 10,838,826</u>

Battelle Energy Alliance, LLC makes all lease payments directly to the trustee. Rental income is restricted and is to be used solely for debt service on the 2006 Revenue bonds; the proceeds were used to construct the facility. As of June 30, 2015, the book value of the building is \$15,103,917, which is net of accumulated depreciation of \$2,226,338.

10. OPTIONAL RETIREMENT PLANS AND TERMINATION PAYMENTS

Optional Retirement Plan – Effective July 1, 1990, the Idaho State Legislature authorized the Idaho State Board of Education to establish an Optional Retirement Plan (ORP), a defined contribution plan, for faculty and exempt employees. The employee contribution requirement for the ORP is based on a percentage of the total payroll. Employer contributions are determined by the State of Idaho. The plan provisions were established by, and may be amended by, the State of Idaho.

New faculty and exempt employees hired on or after July 1, 1990, automatically enroll in the ORP and select a vendor option. Faculty and exempt employees hired before July 1, 1990, had a one-time opportunity to enroll in the ORP. Enrollees in the ORP no longer belong to PERSI. Vendor options in the ORP include the *Teachers Insurance and Annuity Association - College Retirement Equities Fund* and the *Variable Annuity Life Insurance Company*.

Participants are immediately fully vested in the ORP. Retirement benefits are available as either a lump sum or any portion thereof upon attaining 55 years of age.

Contributions required and paid are as follows:

	2015	2014	2013
University contributions required and paid	\$ 6,264,020	\$ 5,964,369	\$ 5,913,986
Employee contributions	4,717,470	4,491,803	4,446,655
Total Contribution	<u>\$ 10,981,490</u>	<u>\$ 10,456,172</u>	<u>\$ 10,360,641</u>
University required contribution rate	9.24%	9.255%	9.27%
Employee contribution rate	6.96%	6.97%	6.97%

Although enrollees in the ORP no longer belong to PERSI, the University is required to contribute a percentage of the annual covered payroll to PERSI. Effective July 1, 2007, the percentage was changed from 3.03% to 1.49%, allowing the difference of 1.54% to be used to increase the University’s contribution to ORP retirement accounts. In addition, the payoff period of the unfunded liability obligation was extended from July 1, 2015, to July 1, 2025. During the years ended June 30, 2015 and 2014, supplemental funding payments to PERSI were \$1,014,900 and \$962,009, respectively. These amounts are not included in the regular University PERSI contribution discussed previously.

Supplemental Retirement Plans – Full and part time benefited faculty, classified and professional staff, enrolled in PERSI as their regular retirement plan, may enroll in the 403(b), 401(k), and the 457(b) plans. Full and part time benefited faculty and professional staff enrolled in the ORP as their regular retirement plan may enroll in the 403(b) and the 457(b) plans.

401(k) – PERSI Choice Plan (PCP):

This is only available to active PERSI members. The Choice Plan contains employee gain sharing distributions, any voluntary employee contributions made, and the earnings on those funds. Approximately 96 employees contributed to this plan during the fiscal year ended June 30, 2015.

457(b) – Deferred Compensation Plan:

The 457(b) is a voluntary retirement savings plan covered under Section 457(b) of the Internal Revenue Code. All University employees are eligible to participate in this plan. The plan is funded exclusively through employee pre-tax contributions. Approximately 48 employees contributed to this plan during the fiscal year ended June 30, 2015.

403(b) Plan:

The 403(b) is a voluntary tax-sheltered retirement plan covered under Section 403(b) of the Internal Revenue Code. All University employees are eligible to participate in this plan. The plan is funded exclusively by employee pre-tax contributions. Approximately 188 employees contributed to this plan during the fiscal year ended June 30, 2015.

Roth 403(b) Plan:

The Roth 403(b) is a voluntary retirement savings plan covered under Section 403(b) of the Internal Revenue Code. All University employees are eligible to participate in this plan. The plan is funded exclusively by employee post-tax contributions. Approximately 24 employees contributed to this plan during the fiscal year ended June 30, 2015.

Supplemental Retirement 403(b) Plan:

The Supplemental 403(b) plan was established by the Idaho State Board of Education as of June 23, 2011 for the benefit of a limited group of participants from the state’s higher education institutions. The plan is funded by contributions from the employees and the respective institutions, as set forth in Appendix A to the Plan document and as administered by the Idaho State Board of Education.

Supplemental Retirement Plan Contributions for the fiscal year ended June 30, 2015 are as follows:

	<u>401(k) - PCP</u>	<u>403(b)</u>	<u>457(b)</u>	<u>Roth 403(b)</u>	<u>Supplemental 403(b)</u>
Employee contributions	\$ 325,887	\$ 1,344,300	\$ 517,904	\$ 85,473	\$ 6,541
University contributions	N/A	N/A	N/A	N/A	\$ 9,421

Termination Payments – Employees who qualify for retirement under PERSI or ORP are eligible to use 50% of the cash value of their unused sick leave to continue their medical insurance coverage through the University. The University partially funds these obligations by depositing 0.65% of employee gross payroll to PERSI, who administers the plan for all participating ISU employees and retirees under a trust fund. The total contributions for the years ended June 30, 2015 and 2014 were \$609,093 and \$582,810, respectively.

11. PENSION PLAN

Plan Description

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

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

Employee membership data related to the PERSI Base Plan, as of June 30, 2015 was as follows:

Retirees and beneficiaries currently receiving benefits	40,776
Terminated employees entitled to but not yet receiving benefits	11,504
Active plan members	66,223
	<u>118,503</u>

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% of the average monthly salary for the highest consecutive 42 months.

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

Member and Employer Contributions

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

The contribution rates for employees are set by State statute at 60% of the employer rate. As of June 30, 2014 it was 6.79% of their annual pay. The employer contribution rate is set by the Retirement Board and was 11.32% of covered compensation. The University's contributions were \$2,897,140 for the year ended June 30, 2015 and \$2,822,012 for the year ended June 30, 2014.

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the University reported a liability of \$6,774,117 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability was based on the University's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At July 1, 2014, the University's proportion was 0.9202007 percent.

For the year ended June 30, 2015, the University recognized pension expense of \$753,222. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Notes to the Financial Statements

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 840,903
Changes in assumptions or other inputs	563,886	-
Net difference between projected and actual earnings on pension plan investments	-	8,484,475
University contributions subsequent to the measurement date	2,897,140	-
Total	<u>\$ 3,461,026</u>	<u>\$ 9,325,378</u>

Deferred outflows of resources amounting to \$2,897,140 and related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2013 the beginning of the measurement period ended June 30, 2014 is 5.6 years.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year ended June 30:

2016	\$ (2,181,340)
2017	(2,181,340)
2018	(2,181,340)
2019	(2,181,340)
2020	(36,133)

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

Notes to the Financial Statements

The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.5 – 10.25%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1%

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed in 2012 for the period July 1, 2007 through June 30, 2011 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2014 is based on the results of an actuarial valuation date of July 1, 2014.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2014.

Notes to the Financial Statements

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Wilshire 5000 / Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI EAFE	15.00%	7.55%
Assumed Inflation - Mean			3.25%
Assumed Inflation - Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.42%
Portfolio Standard Deviation			13.34%
Portfolio Long-Term Expected Rate of Return			7.50%
Assumed Investment Expenses			0.40%
Long-Term Expected Rate of Return, Net of Investment Expenses			7.10%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	\$ 23,524,531	\$ 6,774,117	\$(7,150,360)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Payables to the pension plan

At June 30, 2015, the University reported payables to the defined benefit pension plan of \$199,595 for legally required employer contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

Required Supplementary Information

Schedule of Employer's Proportionate Share of Net Pension Liability
PERSI - Base Plan
Last 10 - Fiscal Years*

	<u>2015</u>
Employer's portion of the net pension liability	0.9202007%
Employer's proportionate share of the net pension liability	\$ 6,774,117
Employer's covered-employee payroll	\$ 25,593,139
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	26.47%
Plan fiduciary net position as a percentage of the total pension liability	94.95%

*GASB Statement No. 68 requires ten years of information to be presented in this table, However, until a full 10-year trend is compiled, the University will present information for those years for which information is available.

Data reported is measured as of July 1, 2014 (measurement date)

Schedule of Employer Contributions
PERSI - Base Plan
Last 10 - Fiscal Years*

	<u>2015</u>
Statutorily required contribution	\$ 2,897,140
Contributions in relation to the statutorily required contribution	\$ 2,897,140
Contribution (deficiency) excess	\$ -
Employer's covered-employee payroll	\$ 25,593,139
Contributions as a percentage of covered-employee payroll	11.32%

*GASB Statement No. 68 requires ten years of information to be presented in this table, However, until a full 10-year trend is compiled, the University will present information for those years for which information is available.

Data reported is measured as of July 1, 2014 (measurement date)

12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Summary of Plans

The University participates in other postemployment benefit plans relating to health and disability administered by the State of Idaho as agent multiple-employer defined benefit plans. The Life Insurance benefit is a single-employer defined benefit plan. Idaho Code, Sections 67-5760 to 67-5768 and 72-1335, establishes the benefits and contribution obligations. Each of these benefits is provided by the University to retired or disabled employees. The most recent actuarial valuation is as of July 1, 2014. The University has not set aside any assets to pay future benefits; the University funds these benefits on a pay-as-you-go basis. Details of the plans can be found in the Comprehensive Annual Report of the State of Idaho, which may be obtained from the Office of the Idaho State Controller, 700 W State Street, 4th Floor, P.O. Box 83720, Boise, ID 83720-0011 www.sco.idaho.gov.

Plan Descriptions and Funding Policy

Retiree Healthcare Plan – A retired employee of the University who receives monthly retirement benefits from the Public Employee Retirement System of Idaho (PERSI) may elect to purchase the retiree health insurance coverage for themselves and eligible dependents. Employees must enroll within 60 days of the date that the active employee policy ends. Additionally, the employee must be receiving PERSI monthly benefits at the time of retirement and must have 10 or more years (20,800 or more hours) of credited service. An employee must have been an active employee on or before June 30, 2009, and must retire directly from State service. Coverage is not available to Medicare-eligible retirees or their Medicare-eligible dependents. Retirees eligible for medical health insurance pay the majority of the premium cost; however, the retiree plan costs are subsidized by the active employee plan. The maximum benefit is \$1,860 per retiree per year. The University contributed \$9.54 per active employee per month towards the retiree premium cost.

Long-Term Disability Plan – Disabled employees are defined as persons unable to perform each of the substantial and material duties of the job for which they were hired and unable to earn more than 70 percent of their monthly salary for the first 30 months of disability. If after 30 months the employee is unable to perform any job for which they are reasonably qualified by experience, education, or training, and unable to earn more than 60 percent of their monthly salary the employee is considered totally disabled. To qualify for long-term disability benefits, the waiting period of the longer of 26 continuous weeks of total disability or exhaustion of accrued sick leave must be met.

For up to 30 months following the date of disability, an employee may continue healthcare coverage under the State plan. The University pays 100 percent of the University's share of medical and dental premiums while the employee remains disabled. The employee is required to pay the normal active employee contribution for the plan and rate category in which the employee is enrolled. The University was charged \$9 per active employee per month in fiscal year 2015.

The plan provides long-term disability income benefits to active employees who become disabled, generally up to a maximum age of 70. The gross benefit equals 60 percent of monthly pre-disability

salary or \$4,000, whichever is less. The benefit does not increase with inflation and may be offset by other sources of income such as Social Security, Workers' Compensation, unemployment benefits, employment rehabilitation earnings, and certain retirement benefits. The State is self-insured for employees who became disabled prior to July 1, 2003; the State pays 100 percent of the cost of this benefit. The amount of the contribution is based on active claims and the number of insured individuals.

Principal Life Insurance Company insures employees disabled on or after July 1, 2003, and the obligation for the payment of income benefits has been effectively transferred. The University pays 100 percent of the cost of the premiums. The University's contribution rate for the period was 0.264 percent of payroll in fiscal year 2015. This portion of the long-term disability income benefit is not included in the actuarial estimate as this is considered an insured benefit.

This plan also provides basic life insurance and dependent life coverage to disabled employees, generally up to a maximum age of 70. The life insurance benefit amount is generally 100 percent of annual salary, but not less than \$20,000. In addition, the plan provides a \$2,000 life insurance benefit for spouses and a \$1,000 life insurance benefit for dependent children. These benefits do not increase with inflation. The State is self-insured for employees who became disabled prior to July 1, 2012. The State pays 100 percent of the cost; the contribution is actuarially determined based on actual claims experience.

Principal Life Insurance Company insures employees disabled on or after July 1, 2012, and the obligation for the payment of basic life and dependent life coverage benefits has been effectively transferred. The University pays 100 percent of the premiums. This portion of the basic life insurance and dependent life coverage is not included in the actuarial estimate as this is considered an insured benefit.

Retiree Life Insurance Plan – This plan provides basic life insurance for certified retired employees. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at least 80 to qualify for this benefit. Eligible retirees receive basic life insurance coverage equal to 100 percent of their annual salary at retirement. The University pays 100 percent of the cost of basic life insurance for eligible retirees. The University contribution for the period as a percent of payroll was 1.177% for retirees under age 65, 0.894% for retirees between the ages of 65 and 69, and 0.600% for retirees over age 70.

Annual Other Post-Employment Benefit (OPEB) Costs

The annual OPEB cost (AOC) is actuarially determined based on the annual required contribution (ARC) of the employer. The following table illustrates the annual OPEB cost, the amount of contributions made, the increase (decrease) in the net OPEB obligation (NOO), and the NOO (funding excess) for the current year.

Notes to the Financial Statements

Annual OPEB Cost and Net OPEB Obligation 2015 (dollars in thousands)

	Retiree Healthcare Plan	Long-Term Disability Plan			Life Insurance Plan	Total
		Income	Healthcare	Life Insurance		
		Annual Required Contribution	\$ 396	\$ 62		
Interest	105	1	4	(1)	168	277
Adjustment to ARC	(199)	(1)	(8)	1	(320)	(527)
Total Annual OPEB Cost	302	62	120	104	958	1,546
Contributions Made	(224)	(50)	(167)	(87)	(161)	(689)
Increase (Decrease) in NOO	78	12	(47)	17	797	857
NOO – Beginning of Year	2,566	26	98	(24)	4,733	7,399
NOO (Funding Excess) – End of Year	\$ 2,644	\$ 38	\$ 51	\$ (7)	\$ 5,530	\$ 8,256

Annual OPEB Cost Comparison

The following table compares the annual OPEB cost, the percentage of annual OPEB cost contributed and the NOO (funding excess) for the current and two prior years:

Annual OPEB Cost and Net OPEB Obligation (NOO) Comparison (dollars in thousands)

		Retiree Healthcare Plan	Long-Term Disability Plan			Life Insurance Plan	Total
			Income	Healthcare	Life Insurance		
Annual OPEB Cost	2013	\$ 134	\$ 75	\$ 94	\$ 148	\$ 732	\$ 1,183
	2014	118	79	102	148	894	1,341
	2015	302	62	120	104	958	1,546
Percentage of AOC Contributed	2013	141.04%	74.67%	130.85%	104.05%	14.07%	51.65%
	2014	150.85%	67.09%	139.22%	74.32%	15.55%	46.38%
	2015	74.17%	80.65%	139.17%	83.65%	16.81%	44.57%
NOO (Funding Excess) – End of Year	2013	\$ 2,626	\$ -	\$ 138	\$ (62)	\$ 3,978	\$ 6,680
	2014	2,566	26	98	(24)	4,733	7,399
	2015	2,646	38	51	(8)	5,530	8,257

Funded Status and Funding Progress – The following table illustrates the funded status and the funding progress for the University:

Funded Status and Funding Progress (dollars in thousands)

	Retiree Healthcare Plan	Long-Term Disability Plan			Life Insurance Plan
		Income	Healthcare	Life Insurance	
		Actuarial Valuation Date	7/1/2014	7/1/2014	
(1) Actuarial Value of Assets	\$ -	\$ -	\$ -	\$ -	\$ -
(2) Accrued Liability (AAL)	\$ 2,479	\$ 329	\$ 848	\$ 470	\$ 14,381
(3) Unfunded AAL (UAAL) (2) - (1)	\$ 2,479	\$ 329	\$ 848	\$ 470	\$ 14,381
(4) Funded Ratios (1) : (2)	0.0%	0.0%	0.0%	0.0%	0.0%
(5) Annual Covered Payroll	\$ 93,374	\$ 93,374	\$ 93,374	\$ 93,374	\$ 93,374
UAAL as a Percentage of Covered Payroll (3) : (5)	2.65%	0.35%	0.91%	0.50%	15.40%

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information immediately following the notes to the financial statements contains multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits for financial reporting purposes does not incorporate the potential effects of legal funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The following table presents the significant methods and assumptions for all plans:

	Significant Methods and Actuarial Assumptions				
	Retiree Healthcare Plan	Long-Term Disability Plan			Life Insurance Plan
	Healthcare	Healthcare	Life Insurance	Income	Plan
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percentage of Payroll	Level Percentage of Payroll	Level Dollar Amount	Level Dollar Amount	Level Percentage of Payroll
Amortization Period	10 years, Open	30 years, Open	5 years, Open	6 years, Open	30 years, Open
Assumptions:					
Inflation Rate	2.75%	2.75%	2.75%	2.75%	2.75%
Investment Return	3.60%	3.60%	3.60%	3.60%	3.60%
OPEB Increases	N/A	N/A	N/A	N/A	N/A
Projected Salary Increases	3.25%	3.25%	3.25%	3.25%	3.25%
Healthcare Cost Initial Trend Rate	6.70%	6.70%	N/A	N/A	N/A
Healthcare Cost Ultimate Trend Rate	4.70%	4.70%	N/A	N/A	N/A

Required Supplementary Information
As of and for Each of the Years Ended June 30

Schedule of Funding Progress
(dollars in thousands)

OPEB Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1) : (2)	(5) Annual Covered Payroll	(6)
							UAAL as a Percentage of Covered Payroll (3) : (5)
Retiree Healthcare	7/1/2012	\$ -	\$ 1,520	\$ 1,520	0.0%	\$ 89,105	1.71%
	7/1/2013	\$ -	\$ 1,505	\$ 1,505	0.0%	\$ 89,623	1.68%
	7/1/2014	\$ -	\$ 2,479	\$ 2,479	0.0%	\$ 93,374	2.65%
Long-Term Disability:							
Life Insurance	7/1/2012	\$ -	\$ 392	\$ 392	0.0%	\$ 89,105	0.44%
	7/1/2013	\$ -	\$ 534	\$ 534	0.0%	\$ 89,623	0.60%
	7/1/2014	\$ -	\$ 470	\$ 470	0.0%	\$ 93,374	0.50%
Healthcare	7/1/2012	\$ -	\$ 653	\$ 653	0.0%	\$ 89,105	0.73%
	7/1/2013	\$ -	\$ 685	\$ 685	0.0%	\$ 89,623	0.76%
	7/1/2014	\$ -	\$ 848	\$ 848	0.0%	\$ 93,374	0.91%
Income	7/1/2012	\$ -	\$ 691	\$ 691	0.0%	\$ 89,105	0.78%
	7/1/2013	\$ -	\$ 348	\$ 348	0.0%	\$ 89,623	0.39%
	7/1/2014	\$ -	\$ 329	\$ 329	0.0%	\$ 93,374	0.35%
Retiree Life Insurance	7/1/2012	\$ -	\$ 9,898	\$ 9,898	0.0%	\$ 89,105	11.11%
	7/1/2013	\$ -	\$ 12,469	\$ 12,469	0.0%	\$ 89,623	13.91%
	7/1/2014	\$ -	\$ 14,381	\$ 14,381	0.0%	\$ 93,374	15.40%

Schedule of Employer Contributions
(dollars in thousands)

OPEB Plan	Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions	Actual Contributions as Percentage of ARC
Life Insurance	06/30/13	\$ 832	\$ 103	12.38%
	06/30/14	\$ 1,026	\$ 139	13.55%
	06/30/15	\$ 1,110	\$ 161	14.50%

13. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATION

	2015							
	Personnel	Services	Supplies	Insurance,	Scholarships	Depreciation	Miscellaneous	Operating
	Costs			Utilities	and			Expenses
				and Rent	Fellowships			Totals
Instruction	\$ 78,930,360	\$ 6,957,384	\$ 5,413,968	\$ 417,649	\$ -	\$ -	\$ 1,477,172	\$ 93,196,533
Research	11,242,767	2,529,339	1,682,367	369,457	-	-	575,689	16,399,619
Public services	4,807,904	399,331	224,003	155,382	-	-	99,236	5,685,856
Academic support	10,207,212	1,492,157	1,243,408	(3,806)	-	-	197,660	13,136,631
Libraries	2,416,899	191,026	689,301	1,285	-	-	16,370	3,314,881
Student services	7,290,540	990,837	429,403	64,341	-	-	328,336	9,103,457
Institutional support	16,071,562	3,685,412	1,883,840	177,875	-	-	567,099	22,385,788
Maintenance and operations	7,400,104	4,525,870	1,218,258	4,078,403	-	-	10,310	17,232,945
Auxiliary enterprises	11,058,207	5,976,469	2,038,795	2,089,860	-	-	1,811,455	22,974,786
Scholarships and fellowships	-	-	-	-	12,514,538	-	68	12,514,606
Depreciation	-	-	-	-	-	12,622,576	-	12,622,576
Total expenses	\$ 149,425,555	\$ 26,747,825	\$ 14,823,343	\$ 7,350,446	\$ 12,514,538	\$ 12,622,576	\$ 5,083,395	\$ 228,567,678

	2014							
	Personnel	Services	Supplies	Insurance,	Scholarships	Depreciation	Miscellaneous	Operating
	Costs			Utilities	and			Expenses
				and Rent	Fellowships			Totals
Instruction	\$ 75,804,190	\$ 6,525,723	\$ 3,954,169	\$ 327,943	\$ -	\$ -	\$ 1,301,719	\$ 87,913,744
Research	10,462,835	2,668,500	1,736,671	381,716	-	-	517,912	15,767,634
Public services	4,742,397	363,438	248,227	147,354	-	-	112,312	5,613,728
Academic support	9,846,253	1,449,763	1,169,204	30,057	-	-	198,532	12,693,809
Libraries	2,332,270	160,736	63,217	166	-	-	15,122	2,571,511
Student services	7,039,755	908,211	235,104	58,419	-	-	266,337	8,507,826
Institutional support	15,424,013	3,942,426	1,011,321	243,795	-	-	548,754	21,170,309
Maintenance and operations	7,282,603	3,260,078	1,608,559	4,353,258	-	-	20,200	16,524,698
Auxiliary enterprises	11,037,118	5,583,444	1,865,386	1,923,534	-	-	1,704,060	22,113,542
Scholarships and fellowships	-	-	-	-	14,302,237	-	-	14,302,237
Depreciation	-	-	-	-	-	12,781,070	-	12,781,070
Total expenses	\$ 143,971,434	\$ 24,862,319	\$ 11,891,858	\$ 7,466,242	\$ 14,302,237	\$ 12,781,070	\$ 4,684,948	\$ 219,960,108

14. COMPONENT UNIT DISCLOSURE

The Foundation is discretely presented within the financial statements as a component unit.

The Foundation has adopted a policy of preparing its financial statements based upon generally accepted accounting principles in accordance with standards issued by the Financial Accounting Standards Board. The information disclosed hereafter is related to Foundation items that are determined to be significant to the reporting entity as a whole, but is not wholly inclusive. Separate, audited financial statements are prepared for the Foundation and may be obtained in their entirety by contacting the Idaho State University Foundation, 921 S. 8th Ave, Stop 8050, Pocatello, ID 83209-8050.

Foundation Operations

The Foundation was established in March 1967 to provide support for the private fundraising efforts of the University and to manage privately donated funds. The Foundation is a not-for-profit corporation incorporated in accordance with the laws of the State of Idaho and managed by a volunteer Board of Directors. Under the Idaho State Board of Education's administrative rules, the Foundation must be independent of, and cannot be controlled by, the University. A memorandum of understanding between the Foundation and the University defines the relationship between the two entities in accordance to the State Board of Education's rules.

The Foundation has an affiliation with a corporation called Bengal Pharmacy, LLC (the Pharmacy). The Pharmacy was formed as a limited liability company (LLC) with the Foundation as the sole member. The Pharmacy was formed to serve students, administrative staff and faculty being seen by the student health center and residency program as well as Health West patients in southeast Idaho who qualify for discount drug purchases under Section 340b of the Public Health Service Act. Per the operating agreement, any allocation and distribution of income will be allocated and 25% will be paid to the Foundation and 75% will be paid to the Idaho State University College of Pharmacy. During fiscal year 2014, the Pharmacy purchased an existing pharmacy and established a tele-pharmacy in Arco, Idaho to expand operations to neighboring communities. During 2015, the Pharmacy purchased an existing pharmacy and established a tele-pharmacy in Challis, Idaho.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and the Pharmacy because the Foundation has both control and economic interest in the Pharmacy. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as the Foundation.

Basis of Accounting

The Foundation financial statements included in this report have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America, whereby revenue is recorded when earned and expenses are recorded when materials or services are received. Net assets and revenues, expenses, gains, and losses are classified based on

the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Foundation.

The Foundation reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Foundation. The restrictions stipulate that resources be maintained permanently but permit the Foundation to expend the income generated in accordance with the provisions of the agreements.

Investments

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

The Foundation, through the Board of Directors, appoints an investment committee that determines investment guidelines, sets the spending rules, and engages the investment manager(s) and custodian(s). The Board of Directors oversees and approves all investment and asset allocation policies proposed by the Investment Committee.

Promises to Give

Unconditional promises to give are recognized as an asset and contribution revenue in the period the promise is received. Fair values of new promises to give are determined using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would make in pricing the receivable. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any.

The allowance for doubtful accounts for all promises to give represents the Foundation's best estimate of the amount of probable losses in the Foundation's existing promises to give. The Foundation determines the allowance by performing on-going evaluations of its donors and their

ability to make payments. The Foundation determines the adequacy of the allowance based upon length of time past due, historical experience and judgment of economic conditions. Account balances are charged off against the allowance after all means of collection have been exhausted and potential recovery is considered unlikely.

Obligations under Split Interest Agreements

The Foundation administers such life income agreements as charitable remainder trusts where an income beneficiary is the lifetime recipient of income and the Foundation is the remainder beneficiary. Upon receipt of the gift, a liability is established for the estimated net present value of the lifetime recipient's interest using applicable mortality tables and a risk-adjusted discount rate designed to reflect the assumptions market participants would make in pricing the liability. A contribution is recognized for the estimated remainder interest.

Fair Value Measurements

The Foundation has determined the fair value of certain assets and liabilities in accordance with the provisions of ASC 820-10, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles.

Capitalized Bond Issuance Costs

Capitalized bond issuance costs consist of legal costs, underwriting fees, printing and other costs incurred to obtain, secure and rate the multi-mode variable rate revenue Bonds issued for the construction of the L.E. and Thelma Stephens Performing Arts Center on May 30, 2001. The issuance costs for the bonds have an original cost of \$570,000 at May 30, 2001, and are amortized over the term of the bonds, using the effective interest rate method. Accumulated amortization of these bond costs at the end of June 30, 2015 and 2014 were \$481,965 and \$463,256, respectively.

Endowments

The Foundation's endowment consists of approximately 500 individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions. Changes in the fair value of split-interest agreements, life insurance, and the net change in charitable remainder trusts relating to permanently restricted net assets are summarized in other changes in the Endowment asset roll-forward.

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or the Idaho Prudent Management of Institutional Funds Act (IPMIFA) requires the Foundation to maintain as a fund of perpetual duration. The corpus balance of the endowment was \$38,967,296 and \$35,350,637 as of June 30, 2015 and 2014, respectively. Accordingly, deficiencies have been reported in unrestricted net assets totaling \$1,564,129 and \$1,182,041 as of June 30, 2015 and 2014, respectively.

Notes to the Financial Statements

Fair Value of Assets and Liabilities

The fair value option was chosen to measure pledges and annuities in order to mitigate volatility in reported changes in net assets. Assets and liabilities measured at fair value on a recurring basis at June 30, 2015 and 2014 are shown below.

	<u>2015</u>	<u>2014</u>
Investment securities		
Mutual funds	\$ 3,535,129	\$ 3,291,298
Co-mingled and pooled marketable investment funds	50,383,813	47,889,009
Common stock	-	-
Hedge funds	-	-
Total assets	<u>\$ 53,918,942</u>	<u>\$ 51,180,307</u>

The related fair value of these assets and liabilities as of June 30, 2015, is determined as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds				
Stock index fund	\$ 3,535,129	\$ -	\$ -	\$ 3,535,129
Co-mingled and pooled marketable investment funds				
Real estate funds	-	142,383	-	142,383
Bond funds	-	6,229,232	-	6,229,232
Equity funds	-	23,998,347	-	23,998,347
Money market funds	-	-	-	1,231,446
Hedge funds	-	16,518,944	-	16,518,944
Real asset funds	-	2,263,461	-	2,263,461
	<u>\$ 3,535,129</u>	<u>\$ 49,152,367</u>	<u>\$ -</u>	<u>\$ 53,918,942</u>

The related fair value of these assets and liabilities as of June 30, 2014, is determined as follows:

Notes to the Financial Statements

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds				
Stock index fund	\$ 3,291,298	\$ -	\$ -	\$ 3,291,298
Co-mingled and pooled marketable investment funds				
Real estate funds	-	133,493	-	133,493
Bond funds	-	7,371,526	-	7,371,526
Equity funds	-	22,052,663	-	22,052,663
Money market funds	-	-	-	1,927,892
Hedge funds	-	13,382,926	-	13,382,926
Real asset funds	-	3,020,509	-	3,020,509
	<u>\$ 3,291,298</u>	<u>\$ 45,961,117</u>	<u>\$ -</u>	<u>\$ 51,180,307</u>

The fair value for mutual fund investments is determined based on quoted market prices. For fixed income investments, fair value is determined based on the value of the underlying investments. For co-mingled and pooled marketable investment funds, fair value is obtained by using the net asset value of the underlying investments. At this level, the underlying assets have a direct market reference price that is traceable. For hedge funds, fair value is determined with independent, third party valuations occurring monthly to every six months, depending upon the investment type.

Property held for sale and investments are valued based on property sold that had a similar use, size, and location as the property held by the Foundation. The value of pledges receivable is determined at the present value of expected future cash flows and is fair valued at the time of the gift. In subsequent years, the value is amortized over the life of the pledge.

Assets measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the years ended June 30, 2015 and 2014, are shown below.

	2015			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Co-mingled and pooled marketable investment funds				
Real estate funds	\$ 142,383	\$ -	Annually	95 days
Bond funds	6,229,232	-	Monthly	5 days
Equity funds	23,998,347	-	Monthly	5 days
Hedge funds	16,518,944	8,541,104	Annually	95 days
Real asset funds	2,263,461	-	Monthly	5 days

Notes to the Financial Statements

	2014			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Co-mingled and pooled marketable investment funds				
Real estate funds	\$ 133,493	\$ -	Annually	95 days
Bond funds	7,371,526	-	Monthly	5 days
Equity funds	22,052,663	-	Monthly	5 days
Hedge funds	13,382,926	5,720,605	Annually	95 days
Real asset funds	3,020,509	-	Monthly	5 days

Multi-Mode Variable Rate Revenue Bonds

A Multi-Mode Variable Rate Revenue Bond was issued on May 30, 2001 in the amount of \$22,170,000. The Bonds fully mature on May 1, 2021 and are secured by donations, pledges and other funds held under the Bond Indenture. Debt balance at June 30, 2015 and 2014 was \$5,600,000 and \$5,700,000, respectively. Interest payments are made monthly with a mandatory bond redemption of \$100,000 due annually at May 1st. Total interest expense and fees during 2015 and 2014 were \$98,505 and \$88,292, respectively.

The Bonds bear interest at rates determined for the Weekly Rate until converted to another permitted interest rate. The interest rate for the Bonds may be changed from time to time among the Weekly Rate, the Semi-Annual Rate, and the Long-Term Rate. Each rate will be determined by the Remarketing Agent. The interest rate at June 30, 2015 and 2014 was 0.11% and 0.05%, respectively. The Bonds are also secured by a direct pay letter of credit issued by a commercial bank. The amount at June 30, 2015 and 2014 was \$5,669,041 and \$5,770,274, respectively. On an annual basis, the letter of credit is renewed for a fee of 1.5% of the current debt balance at the time of renewal.

Principal maturities on bonds payable for the year ending June 30 are as follows:

	Bonds Payable	Amortization of Deferred Bond Offering Costs	Total
2016	\$ 475,000	\$ 18,326	\$ 493,326
2017	475,000	16,865	491,865
2018	475,000	15,403	490,403
2019	475,000	13,942	488,942
2020	475,000	12,480	487,480
Thereafter	3,225,000	11,020	3,236,020
	<u>\$ 5,600,000</u>	<u>\$ 88,036</u>	<u>\$ 5,688,036</u>

15. SUBSEQUENT EVENTS

No reportable subsequent events.

16. CONTINGENCIES AND LEGAL MATTERS

The University is a defendant in litigation arising from the normal course of operations. Based on present knowledge, the University's administration believes any ultimate liability in these matters will not materially affect the financial position of the University.

17. RISK MANAGEMENT

The University participates in the State of Idaho Risk Management Program, which manages property and general liability risk. That program provides liability (cap) protection to \$500,000 per occurrence. Insurance premium payments are made to the state risk management program based on rates determined by a state agency's loss trend experience and asset value covered. Presently, Idaho State University's total insured property value is \$1,015,215,465.

The University obtains worker's compensation coverage from the Idaho State Insurance Fund. The University's worker's compensation premiums are based on its payroll, its own loss experience, as well as that of the State of Idaho as a whole.

The University carries commercial insurance for other risks of loss, including but not limited to employee bonds and crime, out of state worker's compensation, business interruption, media liability and automobile physical damage insurance.

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

Idaho State Board of Education
Idaho State University

We have audited the financial statements of Idaho State University (University) and Idaho State University Foundation, Inc. (Foundation), its discretely presented component unit, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated September 28, 2015. We conducted our 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. Our report includes reference to other auditors who audited the financial statements of the discretely presented component unit as described in our report on the University's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the discretely presented component unit.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Eugene, Oregon
September 28, 2015

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Idaho State Board of Education
Idaho State University

Report on Compliance for Each Major Federal Program

We have audited Idaho State University's (University) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2015. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 (continued)

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Moss Adams LLP

Eugene, Oregon
September 28, 2015

**IDAHO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting: 64

- 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

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of Major Federal Programs

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued</i>
Various	Student Financial Aid Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$ 638,743

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

**IDAHO STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

Federal Grant/Program Title	Federal CFDA Number	Expenditures	
US DEPARTMENT OF AGRICULTURE			
USDA Strengthening Seed	10.310	73,972	R
Pass Through Payments			
UI Food Safety Education	10.310	13,084	R
EARLY LEARNING CENTER	10.558	79,777	O
TRIO USDA	10.559	12,019	T
TRIO USDA	10.559	4,674	T
IDHW Nutrition Education Needs	10.561	22,791	R
Total US Department of Agriculture		\$ 206,317	
US DEPARTMENT OF COMMERCE			
NOAA Virtual Watersheds	11.468	136,779	R
Pass Through Payments			
Manufacturing Ext. Partnership	11.611	(774)	T
Tech Help NIST	11.611	(1,310)	T
BSU TechHelp NIST Fed	11.611	51,217	P
BSU TechHelp EDA Fed	11.303	8,612	P
UAFAIR Long Term Records	11.417	34,088	R
Total US Department of Commerce		\$ 228,612	
US DEPARTMENT OF DEFENSE			
SNM Forensics	12.351	(4,503)	R
DTRA Adaptation of ISIS	12.351	25,776	R
USAF Kirtland Air Force Base	12.800	49,000	R
NSA Cyber Defense Scholars	12.901	7,000	T
ONR NanoRad Power Pack	12.300	636,758	R
DOD Battery Recharging Station	12.910	17,881	R
Pass Through Payments			
JHU BBAI	12.351	9,464	R
Total US Department of Defense		\$ 741,376	

Federal Grant/Program Title	Federal CFDA Number	Expenditures	
US DEPARTMENT OF INTERIOR			
BLM Curations	15.224	45,208	P
BLM Fossil Census	15.224	176	R
BLM Big Creek	15.232	1,168	R
USFW Aleutian Islands	15.636	99,801	R
USGS Yukon River Watershed	15.808	46,563	R
USGS Sagebrush Ecosystems	15.808	20,441	R
USGS Greater Sage-Grouse	15.808	103	R
USGS RA for Data Collection	15.808	28,304	R
USGS Long-Term Dynamics	15.808	4,262	R
USGS Trophic Basis of Production	15.808	16,845	R
USGS Goldbug Ridge	15.810	11,255	R
USGS Surficial Geol of Gilmore	15.810	1,235	P
USGS Geologic Map S Clayton	15.810	1,573	R
NPS Craters of the Moon	15.945	2,170	T
NPS Database of KALA	15.945	9,124	P
Pass Through Payments			
UWYOM Near-Surface Geometric	15.945	4,973	R
Total US Department of Interior		<u>\$ 293,201</u>	
US DEPARTMENT OF JUSTICE			
DOJ Infrared Thermal Imaging	16.560	115,164	R
Total US Department of Justice		<u>\$ 115,164</u>	
US DEPARTMENT OF LABOR			
Pass Through Payments			
ABE Math Bridge Pre-COT	17.207	15,444	T
CSI Ladder to Success	17.282	135,276	T
Total US Department of Labor		<u>\$ 150,720</u>	
US DEPARTMENT OF TRANSPORTATION			
Pass Through Payments			
ITD NSTI Program	20.205	3,531	T

Federal Grant/Program Title	Federal CFDA Number	Expenditures	
Total US Department of Transportation		\$ 3,531	
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
NASA RECOVER	43.001	80,456	R
NASA Field Investigations	43.001	94,523	R
NASA Extracellular Electron	43.001	113,513	R
Pass Through Payments			
UI Idaho Tech Fellowship	43.001	15,287	R
UI Idaho TECH Competition	43.001	6,308	O
UI Bathymetric LIDAR	43.008	389	R
Total National Aeronautics and Space Administration		\$ 310,476	
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Pass Through Payments			
IHC Humanities Cafe 2014	45.129	1,249	P
IHC Langston Hughes Poetry	45.129	500	P
Total National Endowment for the Humanities		\$ 1,749	
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
Pass Through Payments			
ICL LSTA Research Methods	45.310	1,000	T
Total Institute of Museum and Library Services		\$ 1,000	
NATIONAL SCIENCE FOUNDATION			
NSF Collaborative Research	47.041	31,345	R
NSF Bimetallic Complexes	47.049	10,419	R
NSF Dynamic Signal Modeling	47.049	88,972	R
NSF REU Site for Applied N S	47.049	36,275	R
NSF Electromagnetic Probes	47.049	2,281	R
NSF Genomic Data	47.049	5,567	R
NSF Nuclear Physics at JLab	47.049	303,698	R
NSF Robust MultiLevel	47.049	26,532	R
NSF NWRCs - 2013	47.049	55,483	R
NSF Late Pleistocene Climate Change	47.050	51,086	R
NSF Alamo Impact Event	47.050	10,732	R

Federal Grant/Program Title	Federal		
	CFDA	Number	
NSF Indigenous Nations	47.050	10,158	R
NSF Sea Otter Ecosystems	47.050	17,048	R
NSF Reynolds Creek	47.050	559,565	R
NSF Hot Springs Village Site	47.050	140,696	R
NSF Legacy of Transience	47.050	10,708	R
NSF Robotic Hands	47.070	146,501	R
NSF MRI Ion PGM	47.074	6,318	R
NSF Grass	47.074	8,965	R
NSF RAINS	47.074	141,664	R
NSF Limb Biodiversity	47.074	32,360	R
NSF Post Lapita Fiji	47.075	8,389	R
NSF Scholarship For Service II	47.076	577	R
NSF SSTEM Chemistry	47.076	112,031	R
NSF Scholarship for Service III	47.076	365,101	R
NSF TUES AMOEBA	47.076	58,650	R
NSF Scholarships for Chemistry	47.076	6,207	T
NSF Scholarship for Service IV	47.076	14,070	R
NSF Workshop: Virtual Repositories	47.078	2,104	R
NSF Climate-Mediated Coupling	47.078	86,647	R
NSF Alaska Peninsula Project	47.078	150,604	R
NSF Understanding Social Networks	47.080	27,441	R
Pass Through Payments			
UND QUARKNET - ND/NSF	47.049	6,586	R
UI EPSCoR VII Track 2A WAVE	47.079	140,091	R
UI EPSCoR VII MILES Sustainability	47.080	3,686	R
UI EPSCoR VII MILES Cyber Fed	47.080	227,862	R
UI EPSCoR VII MILES Diversity	47.080	74,118	R
UI EPSCoR VII MILES Research Fed	47.080	663,134	R
UI EPSCoR VII MILES Workforce Dev	47.080	4,476	R
UI EPSCoR VII MILES Engagement Fed	47.080	64,306	R
UI EPSCoR WRCC Germino	47.081	(35)	R
UI WRCC EPSCoR - Ames	47.081	(2,400)	
Total National Science Foundation		\$ 3,710,018	
SMALL BUSINESS ADMINISTRATION			
Pass Through Payments			
BSU SBDC Pocatello FED	59.037	33,903	P

Federal Grant/Program Title	Federal		
	CFDA	Expenditures	
	Number		
BSU SBDC Idaho Falls FED	59.037	32,907	P
BSU SBDC Idaho Falls FED II	59.037	32,716	P
BSU SBDC Pocatello Fed II	59.037	11,727	P
Total Small Business Administration		<u>\$ 111,253</u>	
US NUCLEAR REGULATORY AGENCY			
NRC Motor Operated Valve Training	77.006	55,289	T
NRC Safety Curriculum Development	77.008	13,768	T
NRC ESTEC Scholarships 2013	77.008	20,089	T
NRC 2013 Scholarship Program	77.008	61,636	T
NRC 2013 Fellowship Program	77.008	4,374	R
Total US Nuclear Regulatory Agency		<u>\$ 155,156</u>	
US DEPARTMENT OF ENERGY			
DOE Warm Dense Matter	81.049	6,829	R
DOE Non-Invasive Identification	81.113	295,542	R
DOE Two Neutron Correlations	81.113	161,424	R
DOE Nuclear Ed Scholar Program	81.121	63,694	T
DOE ISU Reactor Lab Modernization	81.121	82,679	R
DOE Experimental Breeder	81.121	70,630	R
Pass Through Payments			
UI Geothermometry Mapping	81.000	1,991	R
BEA MANTRA Technical Support	81.000	34,931	R
BEA ESTEC Educational Support	81.000	34,414	T
BEA Open Loop Oscillator	81.000	35,177	R
BEA NEUP Deteriorated Heat Transfer	81.000	51,703	R
BEA NEUP Fuel Performance Experiments	81.000	32,395	R
BEA Fission Time Projection	81.000	70,099	R
BEA Harris Joint Appointment	81.000	108,607	R
BEA Fission Transmutation	81.000	24,924	R
BEA Zydek Joint Appointment	81.000	440	R
BEA NEUP Plasmonically Cloaked Scin	81.000	224,513	R
BEA NEUP NanoVision	81.000	574,534	R
LBNL Delayed Gamma	81.000	85,063	R
BEA Nitrogen Generator	81.000	1,667	R
BEA Synthesis and Characterization	81.000	16,315	R

Federal Grant/Program Title	Federal		Expenditures	
	CFDA	Number		
PNNL DNA Sequencing	81.000	81.000	28,143	R
BEA TREAT Thermal Modeling	81.000	81.000	3,468	R
BEA Standoff Detection 3	81.000	81.000	210,452	R
BEA Fractured Reservoir	81.000	81.000	9,735	R
ANL Conceptual Design	81.000	81.000	27,677	R
BEA Pope Joint Appointment	81.000	81.000	127,297	R
BEA Nonproliferation	81.000	81.000	53,867	R
BEA Burgett Joint Appt 2	81.000	81.000	140,945	R
BEA Education Contract II	81.000	81.000	509,137	T
BEA DRCT Systems 3	81.000	81.000	133,110	R
BEA Imel Joint Appointment 3	81.000	81.000	31,296	R
BEA Fission Production	81.000	81.000	40,675	R
BEA Univ Support for EFRC Prog	81.000	81.000	102,279	R
BEA DRCT R&D	81.000	81.000	55,350	R
BEA CAES Core Capability	81.000	81.000	22,251	T
PNNL Microbial Transformation	81.000	81.000	21,865	R
BEA Enhanced Consequence Modeling	81.000	81.000	165,017	R
BEA LWRS Advanced	81.000	81.000	11,118	R
BEA Digital Radiography	81.000	81.000	2,586	R
BEA TREAT Fuel Energy	81.000	81.000	53,137	R
BEA Stochastic Modeling	81.000	81.000	61,774	R
JL Coordinate Detector	81.000	81.000	53,091	R
BEA EPRI Valve	81.000	81.000	16,279	R
BEA Collaborative Irradiations	81.000	81.000	3,327	R
BEA SubCon with T Miyake	81.000	81.000	5,675	R
Niowave Superconducting	81.049	81.049	73,672	R
Niowave Fast Neutron II	81.049	81.049	57,042	R
Niowave Liquid Metal	81.049	81.049	48,956	R
Niowave High Intensity	81.049	81.049	49,887	R
UND Radiation and Photochemistry	81.049	81.049	1,056	R
INEEL Oversight Envir. Analysis	81.092	81.092	80,475	R
IDEQ Environ Monitoring Lab 2	81.092	81.092	233,609	R
Stoller Surveillance Project	81.121	81.121	263,347	R
UWIS Adv Instrumentation	81.121	81.121	33,297	R
Total US Department of Energy			\$ 4,708,463	

Federal Grant/Program Title	Federal CFDA Number	Expenditures		
US DEPARTMENT OF EDUCATION				
SEOG	84.007	330,258	T	1
CWSP-General	84.033	542,714	T	1
TRIO Student Support Services	84.042	320,449	T	
TRIO Educational Talent Search-Poc	84.044	489,233	T	
TRIO Upward Bound	84.047	349,989	T	
TRIO Upward Bound Math & Science	84.047	251,146	T	
Pell Grant-Prior Yr Collection	84.063	1,540	T	1
Pell Grant-Aid Year 2011-12	84.063	(1,388)	T	1
Pell Grant-Aid Year 2013-14	84.063	1,041	T	1
Pell Grant-Aid Year 2014-15	84.063	18,574,360	T	1
Fed Direct Lend/Sub 2013-14	84.268	14,343	T	1
Fed Direct Lend/Unsub 2013-14	84.268	56,337	T	1
Fed Direct Lend/Grad Plus 2013-14	84.268	46,537	T	1
Fed Direct Lend/Sub 2014-15	84.268	18,853,326	T	1
Fed Direct Lend/Unsub 2014-15	84.268	38,194,783	T	1
Fed Direct Lend/Plus 2014-15	84.268	1,000,738	T	1
Fed Direct Lend/Grad Plus 2014-15	84.268	4,798,428	T	1
Fed TEACH Grad 2014-15	84.379	11,829	T	1
Fed TEACH Grant 2014-15	84.379	235,150	T	1
Pass Through Payments				
Adult Basic Ed	84.002	196,058	T	
Abe Staff Development	84.002	12,522	T	
El/Civics Grant	84.002	16,460	T	
ISDE IBC Year 6 1003a	84.010	617,493	T	
ISDE Regional Special Ed 2014	84.027	142	P	
ISDE School Psych Coord Project	84.027	33,189	T	
PTE Pre-Service Workshop	84.048	50,822	T	
Title lic Counselor	84.048	126,880	T	
Non Traditional Training Proj	84.048	7,428	T	
Tech General Ed	84.048	178,336	T	
Resource Center	84.048	41,236	T	
Dvrsity/Retention Specialist	84.048	79,496	T	
Area V Tech Prep Consortium	84.048	84,546	T	
Speech and Hearing Clinic	84.181	29,717	T	
ISDE IBC Year 6 SPDG	84.323	39,123	T	
State of Idaho GEAR UP	84.334	215,576	T	
OSBE MSP11	84.366	49,005	T	

Federal Grant/Program Title	Federal		
	CFDA	Expenditures	
	Number		
BSU ISTEM Initiative	84.366	24,922	T
ISDE MSP15	84.366	93,083	T
Total Instructional Alignment	84.367	(374)	T
UI Math Regional	84.367	11,415	T
OSBE Professional Noticing	84.367	172,825	R
ISDE IBC Year 6 1003g	84.377	133,314	T
Total US Department of Education		\$ 86,284,027	
US DEPARTMENT OF HEALTH AND HUMAN SERVICES			
NIH ID of Functional Targets	93.113	81,891	R
NIH Normative Wideband Acoustic	93.173	102,992	R
DHHS TBI	93.234	77,594	R
HRSA TBI State Implementation	93.234	195,760	R
AAYS	93.243	(3)	R
NIH Sleep Problems	93.273	281,455	R
Rural Nurse Residency	93.359	24	T
HRSA Prim Care Residency Expansion	93.510	237,335	T
NIH Microvascular in HHcy	93.837	81,361	R
NIH Mechanisms of Respiratory	93.853	83,051	R
NIH R15 Spectrum Scoring	93.855	140,488	R
HRSA BBMH	93.884	206,020	R
HRSA RW Early Intervention	93.918	253,967	P
HRSA RW CDG 2014	93.918	9,806	T
Pass Through Payments			
Autoimmune Outcomes	93.136	62,778	R
BS UW HIV Training Program II	93.145	114,405	T
NRHA 2010	93.155	6,394	T
THC Telehealth Network	93.211	32,031	R
IDHW Med Rural Hosp Flex	93.241	5,996	R
IDHW CDC Oral Health	93.283	89,728	R
IDHW Child Welfare Training	93.658	656	T
IDHW Scholars Program FY15	93.658	96,004	T
IDHW Training Program FY15	93.658	428,536	T
IDHW Diabetes & Hypertension	93.757	99,781	R
IDHW Green Dot	93.758	9,275	T
IDHW Center For Disability Eval	93.778	2,009,029	P
IDHW Clinical Services	93.778	236	T

Federal Grant/Program Title	Federal		
	CFDA	Expenditures	
	Number		
IDHW ICDE - Children II	93.778	1,290,004	P
IDHW Clinical Externships	93.778	3,258	P
UI INBRE 3	93.859	196,826	R
UNM Limited Comp CTR	93.859	23,321	R
UNLV AutoAb Profiles	93.859	69,611	R
UNLV Self Expansion	93.859	68,896	R
UNLV CTR-IN Novel Assay	93.859	10,261	R
UNLV Imaging Drug Informatics	93.859	22,000	R
UW Outreach Training Program	93.879	14,388	T
IDHW RWPB	93.917	8,020	T
IDHW HealthWest RWPB-2	93.917	51,758	T
IDHW RWPB Medical Case Mgmt	93.917	14,993	P
IDHW Genesis Project	93.940	60,529	P
IDHW HIV Prevention Grant	93.940	4,469	T
IDHW HIV Prevention Training II	93.940	4,739	T
Total US Department of Health and Human Services		<u>\$ 6,549,663</u>	
US CORPORATION FOR NATIONAL AND COMMUNITY SERVICES			
Pass Through Payments			
IHCF Serve Idaho Year 2	94.006	64,169	P
IHCF Serve Idaho FY15	94.006	188,710	P
ICHC Year 11	94.006	3	P
NACHC ICHC Year 12	94.006	127,819	P
Total US Corporation for National and Community Services		<u>\$ 380,701</u>	
GRAND TOTAL		<u><u>103,951,427</u></u>	

(1) Student Financial Aid

Definitions:

R - Research and Development

O - Other Programs

T - Training and Instruction

P - Public Service

IDAHO STATE UNIVERSITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

1. BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the federal grant activity of the University and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. UNIVERSITY ADMINISTERED LOAN PROGRAMS

The University administers the following Federal Perkins Loan Program (CFDA number 84.038). The outstanding loan balance and total loan disbursements were \$1,955,225 and \$232,344, respectively, for the year ended June 30, 2015. The cumulative administrative costs allowance as of the year ended June 30, 2015 was \$639,959.

Funds distributed as agent for the Federal Direct Lending Program of \$62,964,492 and the Federal Teach Program of \$251,978 are not included in the revenues or expenses of the University.

3. FEDERAL WORK STUDY

The University participates in the Federal Work Study program (FWS). A portion of the federal award amount for this program is used by the University to fund America Reads. Under the America Reads waiver provided by the U.S. Department of Education, the federal government waives the 25% matching requirement and pays 100% of the wages of FWS students who serve as reading mentors or tutors to preschool and elementary school children.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards are recognized following the cost principles contained in OMB Circular A-21, Educational Institutions and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**IDAHO STATE UNIVERSITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

4. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the University provided federal awards to the following subrecipients:

Program Title	Federal CFDA Number	Amounts Provided to Subrecipients
<u>USDA Strengthening Seed</u> University of Idaho	10.310	\$ 10,071
<u>NOAA Virtual Watersheds</u> Boise State University	11.468	\$ 132,162
<u>NASA Extracellular Electron</u> AE Wood & Associates, LLC	43.001	\$ 16,530
<u>NSF NWRCS - 2013</u> Florida State University	47.049	\$ 7,811
<u>NSF Bimetallic Complexes</u> Rice University	47.049	\$ 4,440
<u>NSF Indigenous Nations</u> University of Idaho	47.050	\$ 5,158
<u>NSF Reynolds Creek</u> Boise State University USDA/ARD	47.050	\$ 146,299 128,592
<u>UI EPSCoR VII MILES Research</u> Oregon State Dept of Geol & Min Industries	47.080	\$ 14,000
<u>BEA NEUP Deteriorated Heat Transfer</u> Glenn McCreery	81.000	\$ 3,970

Program Title	Federal CFDA Number	Amounts Provided to Subrecipients
<u>BEA NEUP Plasmonically Cloaked Scin</u> Georgia Tech Research Corp	81.000	\$ 12,042
<u>DOE Non-Invasive Identification</u> Northern Illinois University	81.113	\$ 36,603
<u>DOE Two Neutron Correlations</u> Battelle Memorial Inst Pacific NW Div	81.113	\$ 51,292
<u>ISDE IBC Year 6 1003a</u>	84.010	
Black, Ronda S.		\$ 21,700
Dana DeHaan		12,819
Evanson, Dotty T.		31,261
Green, Janice J.		9,983
Terry L Garner		24,809
Hoge, Linda M.		22,365
Jones, Kay J.		41,092
Meacham, Kenneth A.		18,303
Moor, Patricia K.		29,855
Murphey, Kelly A.		41,638
Sam Strother		413
Tamara Young		32,844
Osman, Karen		28,888
Read, Jeff L.		16,099
<u>OSBE MSP11</u>	84.366	
West Ada School District 2		\$ 3,600
American Assoc of Physics Teachers		2,000
Independent School Dist of Boise City 01		900
Education Assessment & Training Inc		12,000
Fruitland School District 373		2,250
<u>OSBE Professional Noticing</u>	84.367	
Laurie O. Cavery		\$ 6,000
Amy H. Page		4,000

Program Title	Federal CFDA Number	Amounts Provided to Subrecipients
Nicole R. Rigelman University of Idaho		\$ 5,800 32,654
<u>ISDE IBC Year 6 1003g</u>	84.377	
Barry, Mary L.		\$ 37,527
Janice J. Green		20,000
Hallett, Norman N.		32,266
Sam Strother		113
<u>Autoimmune Outcomes</u>	93.136	
Roger Diegel		\$ 10,000
<u>NIH Sleep Problems</u>	93.273	
Portneuf Medical Center		\$ 91,020
University of Michigan		27,919
<u>NIH R15 Spectrum Scoring</u>	93.855	
Quantified Inc		\$ 25,988
Western Institute of Biomedical Research		19,652
TOTAL SUBRECIPIENTS		\$ 1,234,728

discover OPPORTUNITY

FY15 ANNUAL
FINANCIAL STATEMENTS