Boise State University

Independent Auditor's Report and Financial Statements

June 30, 2008 and 2007

Including Single Audit Reports

for the year ended June 30, 2008

Academic Excellence

Public Engagement

Vibrant Culture

Exceptional Research

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INDEPENDENT AUDITOR'S REPORT

Idaho State Board of Education
Boise State University
Boise, Idaho

We have audited the accompanying financial statements of Boise State University (University) as of and for the years ended June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of Boise State University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Boise State University's discretely presented component units as described in Note 13. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units, is 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Boise State University and its discretely presented component units as of June 30, 2008 and 2007, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1B to the financial statements, on July1, 2007, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 required the University to recognize and match other postemployment benefit costs with related services received and disclose additional information.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2008, on our consideration of Boise State University's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the University's basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Moss Adams LLP

Eugene, Oregon
November 4, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

Management's Discussion and Analysis ("MD&A") presents an overview of the financial performance of Boise State University (the "University") based on currently known facts, decisions and conditions and is designed to assist readers in understanding the accompanying financial statements. The MD&A discusses financial performance during the current year in comparison to prior years with emphasis on the current year.

Overview of the Financial Statements and Financial Analysis

The financial statements for fiscal years ended June 30, 2008 and June 30, 2007 are prepared in accordance with Governmental Accounting Standards Board ("GASB") principles. There are three financial statements presented: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows.

The University discloses, as a component unit, any significant organizations that raise and hold economic resources for the direct benefit of the University. Organizations that are legally separate, tax-exempt entities that satisfy the criteria of GASB Statement No. 39, "*Determining Whether Certain Organizations are Component Units, an amendment of GASB Statement No. 14"* should be discretely presented as component units. The Boise State University Foundation, Inc. and the Bronco Athletic Association, Inc. are considered component units of the University.

Statement of Net Assets

The statement of net assets presents the assets, liabilities, and net assets of the University as of the current fiscal year-end in comparative format with the prior fiscal year-end. The purpose of the statement of net assets is to present to the readers of the financial statements a point-in-time fiscal snapshot of the University. The statement of net assets presents end-of-year data concerning assets (current and non-current), liabilities (current and non-current) and net assets (assets minus liabilities). The difference between the current and non-current classification is discussed in the footnotes to the financial statements.

From the data presented, readers of the statement of net assets are able to determine the assets available to continue the operations of the University. They are also able to determine how much the University owes vendors, investors and lending institutions. Finally, the statement of net assets provides a picture of the net assets, (assets minus liabilities) and their availability for expenditure by the University.

Net assets are divided into four major categories. The first category, invested in capital assets, net of related debt, provides the University's equity in capital assets. The second net asset category is restricted, non-expendable net assets. Restricted, non-expendable net assets are those that are required to be retained in perpetuity. The next net asset category is restricted, expendable net assets. Restricted, expendable net assets are available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available to the University for any lawful purpose of the institution.

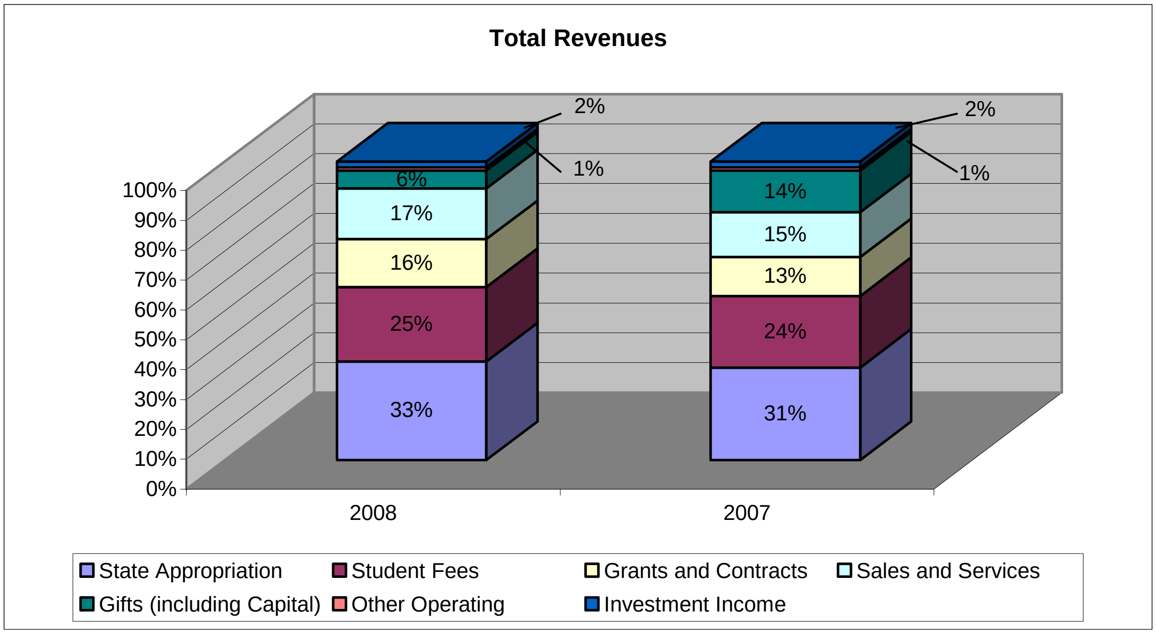
Summary Statements of Net Assets
As of June 30
(Dollars in Thousands)

	2008	2007	2006
ASSETS:			
Current assets	$ 101,473	$ 94,485	$ 68,271
Capital assets, net	348,974	304,028	260,602
Other assets	84,345	121,452	60,245
Total assets	$ 534,792	$ 519,965	$ 389,118
LIABILITIES:			
Current liabilities	$ 47,824	$ 39,923	$ 29,467
Non-current liabilities	210,651	215,855	137,556
Total liabilities	258,475	255,778	167,023
NET ASSETS:			
Invested in capital assets, net of related debt	167,966	160,800	142,498
Restricted, expendable	22,892	20,246	18,347
Restricted, non-expendable	-	-	-
Unrestricted	85,459	83,141	61,250
Total net assets	276,317	264,187	222,095
Total liabilities and net assets	$ 534,792	$ 519,965	$ 389,118

The University's total assets increased during fiscal year 2008 by $14,826,660 from $519,964,848 in 2007 to $534,791,508 in 2008. Capital assets grew with the University's large construction projects, but were offset by the reduction of other assets (primarily investments) that were liquidated to provide construction funds. The University's total liabilities increased slightly during fiscal year 2008 by $2,696,391 from $255,777,868 in 2007 to $258,474,259 in 2008. While outstanding bonds payable principle decreased, a new accounting standard required the University to record liabilities for other post employment benefit obligations.

Statement of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets, as presented on the statement of net assets, are based on the activity presented in the statement of revenues, expenses, and changes in net assets. The purpose of the statement is to present the revenues (operating and non-operating) received by the University and its component units, and the expenses (operating and non-operating) paid by the institution and its component units and any other revenues, expenses, gains and losses received or spent by the University and its component units. The University will always reflect a net operating loss because state general fund appropriations are not reported as operating revenues. Generally speaking, operating revenues are generated by providing services to the various customers, students and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the services provided in return for operating revenues and to carry out the functions of the University. Non-operating revenues are revenues received for which services are not provided. For example, state general funds are non-operating because the Idaho State Legislative process provides them to the University without the Legislature directly receiving services for those revenues. GASB Statement No. 34, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*" and GASB Statement No. 35, "*Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*" defines those revenues to be non-operating.

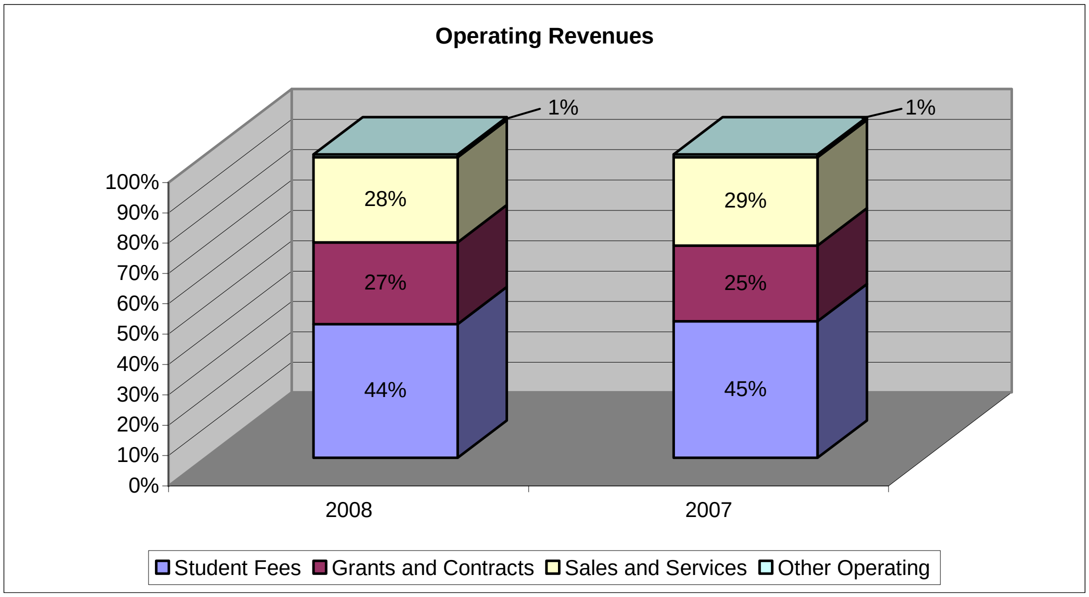


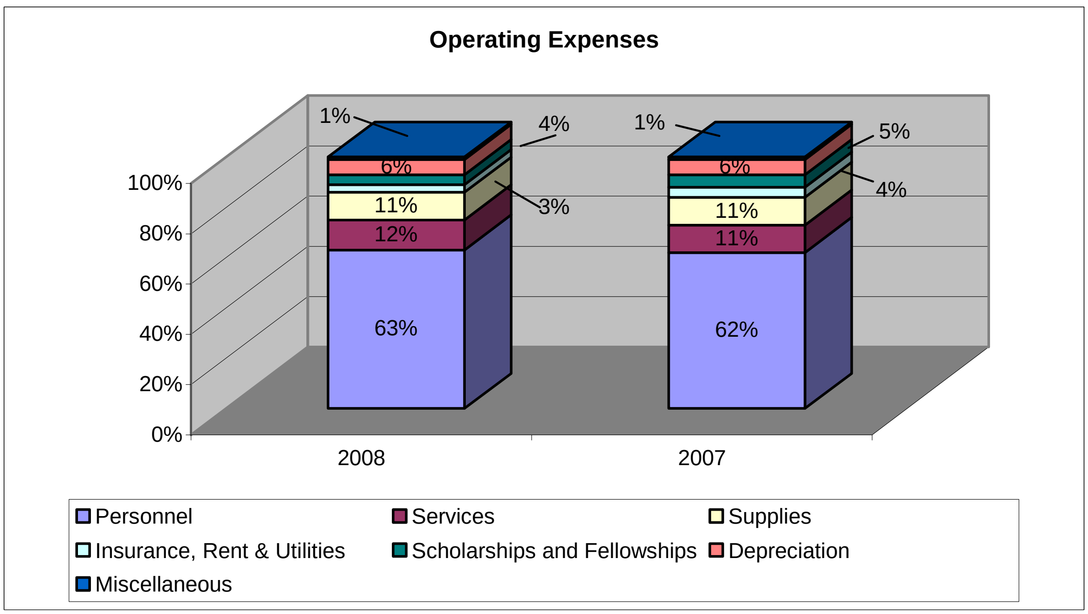
Summary Statements of Revenues, Expenses, and Changes in Net Assets
Fiscal Years Ended June 30
(Dollars in Thousands)

	2008	2007	2006
Operating revenues	$ 165,168	$ 147,956	$ 139,574
Operating expenses	257,731	230,575	217,897
Operating loss	(92,563)	(82,619)	(78,323)
Non-operating revenues and expenses	103,029	100,504	87,815
Income before other revenues, expenses, gains or losses	10,466	17,885	9,492
Other revenues and expenses	1,664	24,207	5,863
Increase in net assets	12,130	42,092	15,355
Net assets—Beginning of year	264,187	222,095	206,740
Net assets—End of year	$ 276,317	$ 264,187	$ 222,095

The statement of revenues, expenses, and changes in net assets reflects an overall increase in net assets during fiscal year 2008. Operating revenues increased by $17,211,376 from $147,956,180 in 2007 to $165,167,556 in 2008. This increase is caused, in part, by increases in student fees. Tuition and fee rates increased by 6.1% and enrollment increased by 4.3%, increasing net student fee revenues by $5.4 million. In addition, the University's continued focus on research resulted in a $7.6 million increase in grant revenues, and auxiliary enterprise revenues, spurred by athletic ticket sales, increased by $3.4 million in 2008.

Operating expenses increased by $27,155,052 from $230,575,526 in 2007 to $257,730,578 in 2008. Approximately $19.5 million of this increase relates to personnel costs, as the University implemented a legislatively supported 5% salary increase, and the workforce grew on average by 4.2%. Personnel costs also increased by $3.6 million in 2008 with the implementation of a new accounting standard that requires the University to record expenses for retiree benefits, such as health care and life insurance. Expenses for services, and supplies rose in 2008, due to costs related to expanded facilities.


Operating Revenues
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
2008
2007
44%
27%
28%
1%
45%
25%
29%
1%
Student Fees
Grants and Contracts
Sales and Services
Other Operating


Operating Expenses
100%
80%
60%
40%
20%
0%
2008
2007
63%
12%
11%
3%
6%
4%
1%
62%
11%
11%
4%
6%
5%
1%
Personnel
Services
Supplies
Insurance, Rent & Utilities
Scholarships and Fellowships
Depreciation
Miscellaneous

Statement of Cash Flows

The final statement presented by the University is the statement of cash flows. The statement of cash flows presents detailed information about the cash activity of the University during the year. The statement of cash flows is not presented for component units. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the University. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds and interest received from investing activities. The fifth section reconciles the net cash used in operating activities to operating income or loss reflected on the statement of revenues, expenses, and changes in net assets.

Summary Statements of Cash Flows
Fiscal Years Ended June 30
(Dollars in Thousands)

	2008	2007	2006
Cash provided (used) by:			
Operating activities	$ (73,496)	$ (62,748)	$ (69,444)
Non-capital financing activities	107,810	98,248	92,212
Capital and related financing activities	(77,279)	42,072	(36,713)
Investing activities	45,737	(67,273)	11,602
Net change in cash	2,772	10,299	(2,343)
Cash—Beginning of year	39,948	29,649	31,992
Cash—End of year	$ 42,720	$ 39,948	$ 29,649

Overall, cash increased by $2,772,033 during the year compared to a cash increase of $10,299,850 last year. Cash used by capital and related financing activities totaled $77.3 million in fiscal year 2008 compared to cash provided by capital and related financing activities of $42.1 million in fiscal year 2007. The significant use by capital and related financing activities in 2008 is explained by the large construction projects in progress during the year. In contrast, 2007 capital and related financing activities provided significant cash from the issuance of new bonds. Cash provided by investing activities totaled $45.7 million in 2008 compared to cash used by investing activities of $67.3 million in 2007. This reflects the substantial liquidation of investments to provide cash for construction projects in 2008 compared to the substantial investment of newly issued bond proceeds in 2007.

Capital Asset and Debt Administration

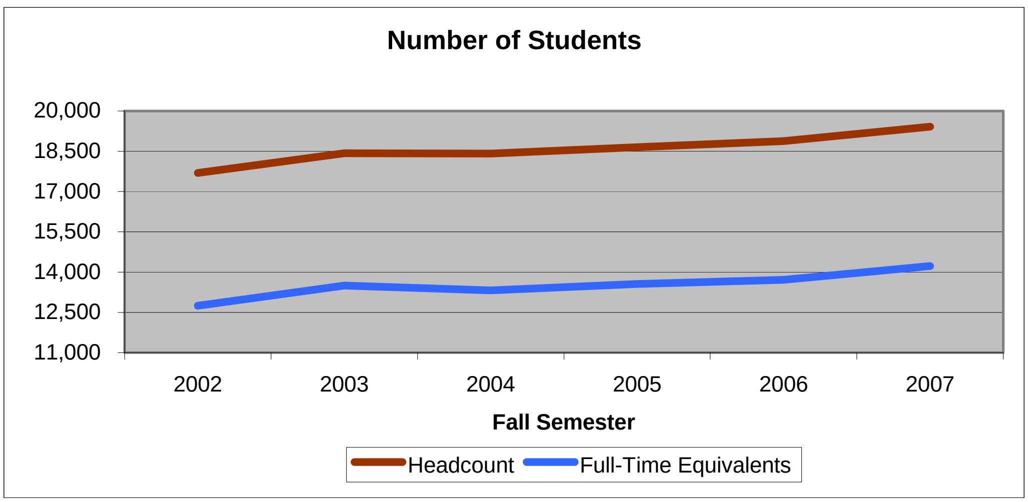
The University's capital assets, prior to depreciation, increased by $55.4 million from $450.3 million in 2007 to $505.7 million in 2008. The University continued to build and acquire property and buildings consistent with the Campus Master Plan. Capital asset additions in 2008 included the completion of the Interactive Learning Center and a new parking structure with combined 2008 costs of $4.7 million, $25.7 million expended towards the Bronco Stadium addition, and $16 million expended as the

University continues the expansion and renovation of the Student Union Building. Total notes, bonds, and capital leases decreased by $9.2 million from $220.3 million in 2007 to $211.1 million in 2008, due primarily to principal repayments on outstanding bonds, including a $3.1 million payoff of a bond before maturity

Economic Outlook

The State of Idaho concluded fiscal year 2008 with an approximate $223.8 million surplus in the general fund. Revenues exceeded projections by $47.8 million, adding to the planned surplus of $176.0 million. However, the state legislature has allocated most of this surplus to future fiscal years. And the state's chief economist has reduced future economic projections for state revenues given weakness in the construction and high technology industries in Idaho.

Higher education in Idaho received, for fiscal year 2009, a 7.9 % increase from fiscal year 2008 levels in appropriated funding. This was distributed across all institutions and is reflected in Boise State University's fiscal year 2009 appropriated budget as an increase of $8,311,900 or 10.3%. In addition to increased state funding, Boise State University received permission to increase student fees for fiscal year 2009 by 5.0%. This increase represents a 2.6% increase in tuition and 2.4% increase in facility and activity fees. Boise State University has experienced record-breaking enrollment in 11 of the last 12 years that has put pressure on infrastructure. As a result, increases in funding are channeled to increasing square footage of facilities available and to faculty salaries to meet current student demand. In Fall of 2003, the University began to raise admission standards, which has helped slow growth to a manageable pace. Information available as of the date of the financial statements indicates that enrollment for Fall of 2008 is 1% higher than Fall 2007 levels.



The University continues to maintain a progressive management agenda through the execution of the strategic plan, the launching of a comprehensive fundraising campaign, the support of the newly founded College of Western Idaho, and the careful implementation of the Campus Facilities Master Plan.

The University's strategic plan, Charting the Course, lays out a road map for Boise State University to become a "Metropolitan Research University of Distinction." The destination will be reached through Academic Excellence, Public Engagement, Vibrant Culture, and Exceptional Research.

The University's five year comprehensive fundraising campaign, Destination Distinction, is designed to support students, faculty, strategic initiatives, research and infrastructure. Destination Distinction's goal is to raise $175 million. Through July 31, 2008, The University has raised $96.8 million towards this goal.

The Campus Facilities Master Plan provides a coordinated set of initiatives for progressive improvement of the campus over the next decade and beyond. Enabled by a Strategic Facility Fee, and with the Support of the Idaho State Board of Education, the University continues strong progress on the plan, with upcoming facilities initiatives including:

-The Norco Nursing Department and University Health Center, scheduled for completion in Fall, 2009.

-The Center for Environmental Science and Economic Development, a state-of-the-art interdisciplinary academic and research center.

-The College of Business and Economics Building, is supported in part by a generous grant from the Micron Foundation. Fundraising efforts continue and the University plans to seek approval from the Idaho State Board of Education for this project within the next year.

The College of Western Idaho, approved by voters in May, 2008, is a new community college in Nampa, Idaho, approximately 20 miles west of Boise. The College will improve access to higher education in our region, and will compliment Boise State University's mission in a number of ways. The College will begin offering classes in the spring of 2009, and will ultimately deliver the professional technical education programs currently administered by the University.

STATEMENTS OF NET ASSETS
JUNE 30, 2008 AND JUNE 30, 2007

	2008 University	2007 University	2008 Component Units	2007 Component Units
ASSETS				
CURRENT ASSETS:				
Cash with treasurer	$ 26,728,659	$ 22,601,102	$ -	$ -
Cash and cash equivalents	15,991,760	17,347,284	1,857,146	1,643,182
Student loans receivable	1,226,174	2,357,802	-	-
Accounts receivable and unbilled charges, net	16,153,379	14,319,683	11,558,980	2,404,323
Prepaid expense	2,085,349	578,772	-	-
Inventories	3,454,114	2,768,504	-	-
Investments	33,136,060	33,368,354	2,000,000	1,600,000
Due from component units	2,359,966	947,023	-	-
Other current assets	337,086	196,150	442,018	672,106
Total current assets	101,472,547	94,484,674	15,858,144	6,319,611
NON-CURRENT ASSETS:				
Restricted cash	-	-	9,725,906	7,615,620
Accounts receivable, net	-	-	23,390,521	3,586,653
Student loans receivable, net	10,270,584	7,937,790	-	-
Investments	67,711,203	103,642,866	90,133,620	85,743,352
Investments held in trust	497,136	3,212,534	763,879	756,185
Investment in lease	-	-	2,880,499	3,171,665
Deferred bond financing costs	4,940,628	6,252,595	-	-
Capital assets, net	348,974,477	304,028,470	1,718,064	1,712,488
Other assets	924,933	405,919	830,266	755,448
Total non-current assets	433,318,961	425,480,174	129,442,755	103,341,411
TOTAL ASSETS	$ 534,791,508	$ 519,964,848	$ 145,300,899	$ 109,661,022

See notes to financial statements.

STATEMENTS OF NET ASSETS (CONTINUED)
JUNE 30, 2008 AND JUNE 30, 2007

	2008 University	2007 University	2008 Component Units	2007 Component Units
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	$ 4,900,006	$ 4,499,888	$ 180,294	$ 393,425
Due to state agencies	8,717,329	6,881,944	-	-
Accrued salaries and benefits payable	8,760,727	6,816,366	-	-
Compensated absences payable	5,929,643	5,054,973	-	-
Interest payable	2,363,632	2,964,274	41,383	43,965
Unearned revenue	9,705,125	7,314,122	1,987,676	1,899,562
Notes and bonds payable	5,799,412	5,355,438	265,000	255,000
Obligations under capital lease	393,226	375,494	-	-
Obligations under capital lease - component unit	265,000	255,000	-	-
Other liabilities	989,317	405,573	1,048,180	105,484
Total current liabilities	47,823,417	39,923,072	3,522,533	2,697,436
NON-CURRENT LIABILITIES:				
Unearned revenue	2,052,475	1,576,750	523,739	1,773,682
Notes and bonds payable	201,377,524	210,402,361	3,095,000	3,360,000
Amounts held in custody for others	-	-	1,968,347	1,467,693
Obligations under capital lease	567,962	958,887	-	-
Obligations under capital lease - component unit	2,651,798	2,916,798	-	-
Net Other Post Employment Benefits Obligation	3,555,632	-	-	-
Other liabilities	445,451	-	1,638,587	847,399
Total non-current liabilities	210,650,842	215,854,796	7,225,673	7,448,774
TOTAL LIABILITIES	258,474,259	255,777,868	10,748,206	10,146,210
NET ASSETS:				
Invested in capital assets, net of related debt	167,965,615	160,800,243	1,490,044	1,536,783
Restricted, expendable	22,892,158	20,246,055	70,183,808	38,455,719
Restricted, non-expendable	-	-	55,019,647	51,908,188
Unrestricted	85,459,476	83,140,682	7,859,194	7,614,122
TOTAL NET ASSETS	276,317,249	264,186,980	134,552,693	99,514,812
TOTAL LIABILITIES AND NET ASSETS	$ 534,791,508	$ 519,964,848	$ 145,300,899	$ 109,661,022

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007

	2008 University	2007 University	2008 Component Units	2007 Component Units
OPERATING REVENUES:				
Student fees, pledged for bonds	$ 88,429,134	$ 80,229,894	$ -	$ -
Scholarship allowance	(16,846,698)	(14,037,130)	-	-
Student fees, net	71,582,436	66,192,764		
Federal grants and contracts (including $2,126,616 and $2,308,184 of revenues pledged for bonds in 2008 and 2007, respectively)	31,936,263	26,938,958	-	-
State and local grants and contracts (including $655,473 and $359,581 of revenues pledged for bonds in 2008 and 2007, respectively)	9,382,389	7,910,225	-	-
Private grants and contracts (including $305,263 and $267,579 of revenues pledged for bonds in 2008 and 2007, respectively)	3,838,373	2,728,830	-	-
Sales and services of educational activities, pledged for bonds	2,107,319	1,627,931	-	-
Sales and services of auxiliary enterprises, pledged for bonds	44,370,028	40,921,047	-	-
Gifts	-	-	46,822,352	17,233,400
Other, pledged for bonds	1,950,748	1,636,425	-	-
Other	-	-	1,078,476	1,386,192
Total operating revenues	165,167,556	147,956,180	47,900,828	18,619,592
OPERATING EXPENSES:				
Personnel cost	162,599,726	143,123,209	2,740,206	2,126,749
Services	29,621,624	26,185,475	1,161,084	633,207
Supplies	28,392,395	25,928,075	226,117	361,814
Insurance, utilities and rent	8,468,058	8,140,650	87,331	47,815
Scholarships and fellowships	10,276,477	10,564,205	-	-
Depreciation	15,208,376	13,703,934	47,439	300,747
Miscellaneous	3,163,922	2,929,978	1,065,361	693,988
Total operating expenses	257,730,578	230,575,526	5,327,538	4,164,320
OPERATING (LOSS) INCOME	(92,563,022)	(82,619,346)	42,573,290	14,455,272

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (CONTINUED)
FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007

	2008 University	2007 University	2008 Component Units	2007 Component Units
NON-OPERATING REVENUES (EXPENSES):				
State appropriations	$ 92,409,481	$ 86,374,683	$ 1,094,563	$ 1,003,524
Gifts (includes gifts from component units equal to $8,907,839 and $9,609,477 in 2008 and 2007, respectively)	15,712,592	14,859,072	-	-
Payments to Boise State University	-	-	(8,907,839)	(22,489,622)
Net investment income (including $2,837,082 and $1,850,657 of revenues pledged by the University for bonds in 2008 and 2007, respectively)	6,502,202	5,393,584	3,221,713	3,475,332
Change in fair value of investments (including ($8,272) and $362,906 of revenues pledged by the University for bonds in 2008 and 2007, respectively)	355,432	1,483,371	(3,294,428)	8,817,826
Interest (net of capitalized interest by the University of $437,151 and $179,148 in 2008 and 2007, respectively)	(10,433,981)	(6,852,509)	(168,114)	(176,204)
Gain (loss) on retirement of capital assets	(1,025,874)	(561,482)	442,589	771,620
Other	(490,410)	(192,171)	76,107	76,607
Net non-operating revenues (expenses)	103,029,442	100,504,548	(7,535,409)	(8,520,917)
INCOME BEFORE OTHER REVENUES AND EXPENSES	10,466,420	17,885,202	35,037,881	5,934,355
OTHER REVENUES AND EXPENSES:				
Capital appropriations	523,006	1,293,000	-	-
Capital grants and gifts (includes gifts from component units equal to $17,014,530 for 2007)	1,140,843	22,913,541	-	-
Total other revenue	1,663,849	24,206,541	-	-
INCREASE IN NET ASSETS	12,130,269	42,091,743	35,037,881	5,934,355
NET ASSETS—Beginning of year	264,186,980	222,095,237	99,514,812	93,580,457
NET ASSETS—End of year	$ 276,317,249	$ 264,186,980	$ 134,552,693	$ 99,514,812

See notes to financial statements.

STATEMENTS OF CASH FLOWS
FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student fees	$ 71,885,722	$ 66,021,475
Grants and contracts	43,930,690	36,837,558
Sales and services of educational activities	1,090,768	2,008,961
Sales and services of auxiliary enterprises	46,395,964	40,499,243
Other operating receipts	1,881,144	1,608,325
Payments to employees	(156,114,962)	(140,564,627)
Payments for services	(29,902,423)	(25,503,946)
Payments to suppliers	(29,649,076)	(21,908,142)
Payments for insurance, utilities and rent	(8,530,197)	(7,999,031)
Payments for scholarships and fellowships	(10,258,202)	(10,591,984)
Loans issued to students	(2,193,043)	(2,828,955)
Collections of loans to students	1,229,530	2,387,111
Other payments	(3,262,295)	(2,713,977)
Net cash used in operating activities	(73,496,380)	(62,747,989)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State appropriations	92,490,491	86,293,673
Gifts	15,319,532	11,954,142
Direct lending receipts	52,905,243	46,129,523
Direct lending payments	(52,905,243)	(46,129,523)
Net cash provided by non-capital financing activities	107,810,023	98,247,815
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants and gifts	512,651	23,956,541
Purchases of capital assets	(59,756,312)	(58,445,825)
Proceeds from notes and bonds payable	-	86,851,332
Principal paid on notes and bonds payable and capital leases	(8,432,473)	(5,104,263)
Interest paid on notes and bonds payable and capital leases	(10,348,168)	(6,403,270)
Payments for bond issuance costs	-	(2,398,000)
Other	745,653	3,616,675
Net cash used in capital and related financing activities	(77,278,649)	42,073,190

See notes to financial statements.

STATEMENTS OF CASH FLOWS (CONTINUED)
FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007

	2008	2007
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	$ (215,368,992)	$ (326,743,740)
Proceeds from sales and maturities of investments	254,113,364	253,054,201
Investment income	6,992,667	6,416,373
Net cash provided by investing activities	45,737,039	(67,273,166)
NET CHANGE IN CASH AND CASH EQUIVALENTS AND CASH WITH TREASURER	2,772,033	10,299,850
CASH AND CASH EQUIVALENTS AND CASH WITH TREASURER—Beginning of year	39,948,386	29,648,536
CASH AND CASH EQUIVALENTS AND CASH WITH TREASURER—End of year	$ 42,720,419	$ 39,948,386
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES:		
Operating loss	$ (92,563,022)	$ (82,619,346)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	15,266,618	13,757,705
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	(2,159,542)	747,451
Student loans receivable, net	(1,201,167)	(303,865)
Inventories	(685,610)	(244,015)
Other assets	(3,117,272)	150,829
Accounts payable and accrued liabilities	517,329	2,830,111
Accrued salaries and benefits payable	2,120,061	1,091,395
Compensated absences payable	874,670	271,161
Unearned revenue	2,866,728	2,489,560
Other Post Employment Benefits Obligation	3,555,632	
Other liabilities	1,029,195	(918,975)
Net cash used in operating activities	$ (73,496,380)	$ (62,747,989)
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:		
Defeasance of debt	-	$ 43,340,857
Donated assets	$ 518,461	$ 16,131,898

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity — The University is part of the public system of higher education in the State of Idaho. The system is considered part of the State of Idaho reporting entity, and is directed by the State Board of Education ("SBOE"), a body that is appointed by the Governor and confirmed by the legislature. The University is part of the primary government of the State of Idaho and is included in the State's Comprehensive Annual Financial Report ("CAFR") within the Business-Type Activities/Enterprise Funds. The University's financial statements are prepared in accordance with pronouncements of the Governmental Accounting Standards Board ("GASB") and in accordance with Generally Accepted Accounting Principles ("GAAP").

Financial Statement Presentation – The University has adopted GASB Statement No 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*." This statement requires that the University account for and report the cost and obligations related to postemployment healthcare and other non-pension benefits ("OPEB") and include disclosures regarding its OPEB plans. OPEB costs are based on actuarially determined amounts that, if paid on an ongoing basis, would provide sufficient resources to pay benefits as they become due.

The University considers component units with net assets greater than five percent of the University's net assets to be significant. As such, The Boise State University Foundation, Inc. (The "Foundation") and the Bronco Athletic Association, Inc. (The "Association") are combined and discretely presented on the face of the Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets as required by GASB Statement No. 39, "*Determining Whether Certain Organizations Are Component Units*." The Foundation was established for the purpose of soliciting donations and to hold and manage invested donations for the exclusive benefit of the University. The Association is a fund raising organization that provides financial assistance and services to the University intercollegiate athletic department. Financial statements of the component units may be obtained from the Vice President for Finance and Administration at the University. Component units' financial statements are prepared in accordance with GASB pronouncements and in accordance with GAAP.

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 in accordance with GAAP. 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.

The University has the option to apply all Financial Accounting Standards Board ("FASB") pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

Cash with Treasurer — Balances classified as cash with treasurer are amounts that have been 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. The University is not entitled to any interest earnings on these balances.

Cash and Cash Equivalents — The University considers all liquid investments with a remaining maturity of three months or less at the date of acquisition to be cash equivalents. Cash balances that are restricted or not expected to be expended within the subsequent fiscal year are classified as non-current assets.

Inventories — Inventories, consisting primarily of bookstore inventories, are valued at the lower of first-in, first-out ("FIFO") cost or market.

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*." Changes in unrealized gains or losses on the carrying value of investments are reported as a component of change in fair value of investments in the statement of revenues, expenses, and changes in net assets. Investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other non-current assets as well as investment amounts with maturities that exceed one year, are classified as non-current assets in the statement of net assets.

The University deposits funds for investment with the Idaho State Treasury. Funds deposited with the State Treasury can be subject to securities lending transactions initiated by the State Treasury.

Capital Assets, net — Capital assets are stated at cost when purchased or constructed, or if acquired by gift, at the estimated fair value at the date of 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. 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 40 to 50 years for buildings, 20 to 25 years for land improvements, 10 years for library books, and 5 to 13 years for equipment. The University has certain collections that it does not capitalize, including the Nell Shipman Film collection and Albertson's Library Special Collections. 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. Generally accepted accounting principles permit collections maintained in this manner to be charged to operations at the time purchased rather than capitalized.

Non-current Liabilities — Non-current liabilities include principal amounts of revenue bonds payable, notes payable, long-term capital lease obligations, net other post employment benefit obligations, non-current unearned revenue and arbitrage liabilities (presented in other liabilities).

Net Assets — The University's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt — 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 net assets include resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted, Non-expendable — Restricted, non-expendable net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted — Unrestricted net assets represent 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 to meet current expenses for any lawful purpose and in accordance with SBOE policy.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

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, 2008 or 2007.

Classification of Revenues and Expenses — The University classifies its revenues and expenses as operating or non-operating according to the following criteria. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the University's principal ongoing operations. Operating revenues include activities that have 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 that are essentially contracts for services, and (4) interest earned on institutional student loans.

Non-operating revenues and expenses include activities that have characteristics of non-exchange transactions, such as transactions related to capital financing activities or investing activities as defined by GASB Statement No. 9, "*Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."* Revenues from state general appropriations are classified as non-operating as defined by GASB Statement No. 34.

Scholarship Discounts and Allowances **—** Student fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or other third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or non-governmental 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 or allowance.

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.

Reclassifications — Certain prior year balances have been reclassified to conform to the current year presentation.

New Accounting Standards — In November 2006, the GASB issued Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligations"*. This Statement addresses accounting and financial reporting standards for pollution (including contamination), remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. Management has not yet determined the impact this standard will have on the University's financial statements. The requirements of this statement are effective for the fiscal year ending June 30, 2009.

In June 2007, the GASB issued Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets"*. This Statement defines an intangible asset's required characteristics and generally requires that they be treated as capital assets. Management has not yet determined the impact this standard will have on the University's financial statements. The requirements of this Statement are effective for the fiscal year ending June 30, 2010.

In November 2007 the GASB issued Statement No. 52, "*Land and Other Real Estate Held as Investments by Endowments.*" This Statement establishes requirements for endowments to report their land and other real estate investments at fair value and requires the changes in fair value be reported as investment income. Management does not expect this standard will impact the University's financial statements as the University does not hold land and other real estate as investments. The requirements of this statement are effective for the fiscal year ending June 30, 2009.

In June 2008 the GASB issued Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments*." This Statement establishes recognition, measurement and disclosure requirements for derivative instruments. Management has not yet determined the impact this standard will have on the University's financial statements. The requirements of this statement are effective for the fiscal year ending June 30, 2010.

Boise State Goes Green – Even in Winter

2. CASH WITH TREASURER, CASH AND CASH EQUIVALENTS, OTHER DEPOSITS, AND INVESTMENT

Deposits — Cash with treasurer is under the control of the State Treasurer and is carried at cost. Cash and cash equivalents are deposited with US Bank and are carried at cost. Custodial risk is the risk that in the event of a financial institution failure, the State's deposits may not be returned. The State's policy for managing custodial risk can be found in the Idaho Code, Section 67-2739. Management believes the University is in compliance with the policy.

Cash that is restricted in purpose from an external source and is not expected to be utilized within the next fiscal year is reported on the financial statements as restricted cash and as a non-current asset.

Basis of Custodial Credit Risk as of June 30	2008	2007
Insured	$ 100,000	$ 100,000
Uncollateralized	130,583	143,516
Collateralized by securities held by the pledging financial institution	15,761,177	17,103,768
Total	$ 15,991,760	$ 17,347,284

Investments — Idaho Code, Section 67-1210, limits credit risk by restricting the investment activities of the Local Government Investment Pool ("LGIP") and state agencies. Idaho Code gives the SBOE the authority to establish investment policies for the Colleges and Universities. Section V, Subsection D of the Idaho SBOE Governing Policies and Procedures authorizes investments among some, but not all, of the investment types authorized for the State Treasurer.

Objectives of the University's investment policy are, in order of priority, safety of principal, ensuring necessary liquidity and achieving a maximum return. Covenants of certain bond resolutions also restrict investment of related funds to U.S. Government or government guaranteed securities.

The University invests in external investment pools managed by the State of Idaho. The pools are managed by the State Treasurer's Office in compliance with Idaho Code, Sections 67-1201 through 67-1222. The University had $49,579,384 and $68,833,593 with market value invested in these external pools as of June 30, 2008 and 2007, respectively.

Investments Held-in-Trust represent government securities held in the University's name. The entire amount of these investments is restricted by bond indentures or other contractual agreements.

Credit Risk of Debt Securities — The risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard and Poor's, and Fitch's.

Ratings, as of June 30, are presented below using the Moody's scale. The State of Idaho external investment pools are rated AAAf by Standard and Poor's. This AAA rating signifies that the portfolio holdings provide extremely strong protection against losses from credit defaults.

2008 (Dollars in Thousands)

Investment Type	Fair Value	AAA	AA1	AA2	AA3	A1	A2
Cash in Investment Balances	$ 411	$ 411					
External Investment Pools	49,579	49,579					
Investments Held in Trust	23	23					
Commercial Paper	1,322	100	$ 102	$ 46	$ 729	$ 294	$ 51
Guaranteed Investment Contract	33,522				33,522		
US Treasury Notes	135	135					
Federal Farm Credit Bank	1,431	1,431					
Federal Home Loan Bank	4,357	4,357					
Federal Home Loan Mortg Corp	2,452	2,452					
Federal National Mortg Assoc	8,112	8,112					
Total Investments	$ 101,344	$ 66,600	$ 102	$ 46	$ 34,251	$ 294	$ 51

2007 (Dollars in Thousands)

Investment Type	Fair Value	AAA	AA1	AA2	AA3	A1	A2
Cash in Investment Balances	$ 663	$ 663					
External Investment Pools	68,993	68,993					
Investments Held in Trust	2,738	2,738					
Commercial Paper	1,100	596	$ 106	$ 49	$ 149	$ 100	$ 100
Guaranteed Investment Contract	46,843				46,843		
US Treasury Notes	6,116	6,116					
Federal Farm Credit Bank	1,403	1,403					
Federal Home Loan Bank	1,438	1,438					
Federal Home Loan Mortg Corp	5,525	5,525					
Federal National Mortg Assoc	5,405	5,405					
Total Investments	$ 140,224	$ 92,877	$ 106	$ 49	$ 46,992	$ 100	$ 100

Interest Rate Risk — Investments in debt securities that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. Less than 1% of total investments are invested in securities with periods longer than 5 years.

June 30, 2008 (Dollars in Thousands)				
		Investment Maturities In Years		
Investment Type	**Fair Value**	**Less Than 1**	**1 to 5**	**6 to 10**
Cash in Investment Balances	$ 411	$ 411	$ -	$ -
External Investment Pool	49,579	49,579	-	-
Investments Held in Trust	23	23	-	-
Commercial Paper	1,322	200	552	570
Guaranteed Investment Contract	33,522	33,522	-	-
US Treasury Notes	135	-	53	82
Federal Farm Credit Bank	1,431	1,431	-	-
Federal Home Loan Bank	4,357	4,188	169	
Federal Home Loan Mortg Corp	2,452	2,288	-	164
Federal National Mortg Assoc	8,112	7,961	75	76
Total Rated Debt Securities	$ 101,344	$ 99,603	$ 849	$ 892

June 30, 2007 (Dollars in Thousands)				
		Investment Maturities In Years		
Investment Type	**Fair Value**	**Less Than 1**	**1 to 5**	**6 to 10**
Cash in Investment Balances	$ 663	$ 663	$ -	$ -
External Investment Pool	68,993	68,993	-	-
Investments Held in Trust	2,738	2,738	-	-
Commercial Paper	1,100	-	479	621
Guaranteed Investment Contract	46,843	-	46,843	-
US Treasury Notes	6,116	5,355	685	76
Federal Farm Credit Bank	1,403	1,403	-	-
Federal Home Loan Bank	1,438	974	464	-
Federal Home Loan Mortg Corp	5,525	5,351	-	174
Federal National Mortg Assoc	5,405	3,871	1,449	85
Total Rated Debt Securities	$ 140,224	$ 89,348	$ 49,920	$ 956

Concentration of Credit Risk — When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration of risk is present. The Governmental Accounting Standards Board has adopted a principle that governments should provide note disclosure when five percent of the total government investments are concentrated in any one issuer. AAA rated securities represented sixty-six percent and sixty-six percent of the portfolio as of June 30, 2008 and June 30, 2007 respectively, mitigating the risk of concentration. Thirty-three percent of the total portfolio (2007A construction funds) is represented by a guaranteed investment contract at a fixed rate of 5.038% interest to mature June 1, 2009.

Investment Type	June 30, 2008 (Dollars in Thousands) Fair Value	June 30, 2008 Percentage of Total Investments	June 30, 2007 (Dollars in Thousands) Fair Value	June 30, 2007 Percentage of Total Investments
Cash in Investment Balances	$ 411	0.41%	$ 663	0.47%
External Investment Pools	49,579	48.92%	68,993	49.21%
Investments Held in Trust	23	0.02%	2,738	1.95%
Commercial Paper	1,322	1.30%	1,100	0.78%
Guaranteed Investment Contract	33,522	33.08%	46,843	33.41%
US Treasury Notes	135	0.13%	6,116	4.36%
Federal Farm Credit Bank	1,431	1.41%	1,403	1.00%
Federal Home Loan Bank	4,357	4.30%	1,438	1.03%
Federal Home Loan Mortgage Corp	2,452	2.42%	5,525	3.94%
Federal National Mortgage Assoc	8,112	8.01%	5,405	3.85%
Total Investments	$ 101,344	100.00%	$ 140,224	100.00%

The University is subject to policies as defined by the State of Idaho with respect to investments. The University has not adopted a formal policy addressing interest rate and concentration of credit risk.

The Student Union Building Expansion Begins to Take Shape

3. ACCOUNTS RECEIVABLE AND UNBILLED CHARGES, NET

Accounts receivable and unbilled charges refer to the portions due to the University, as of June 30, by various customers, students and constituencies of the University as a result of providing services to said groups.

	2008	2007
Student fees	$ 7,704,526	$ 8,067,123
Auxiliary enterprises and other operating activities	3,216,340	3,184,005
Federal, state, and private grants and contracts	1,338,493	906,687
Unbilled charges	6,208,594	5,317,726
Accounts receivable and unbilled charges	18,467,953	17,475,541
Less allowance for doubtful accounts	(2,314,574)	(3,155,858)
Accounts receivable and unbilled charges, net	$ 16,153,379	$ 14,319,683

4. STUDENT LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program (the “Program”) comprise substantially all of the loans receivable at June 30, 2008 and 2007. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to maximum of 100% if the participant complies with certain provisions. The Federal Government reimburses the University for amounts cancelled under these provisions.

Loans receivable from students bear interest at rates ranging from 5% to 10% and are generally repayable in installments to the University over a 5 to 10 year period commencing 3 or 9 months after the date of separation from the University. The University out sources the loan servicing to a third party vendor.

As the University determines that loans are uncollectible and not eligible for reimbursement by the Federal Government, the loans are written off and 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. The allowance for uncollectible loans was $23,400 and $24,450 for fiscal years ending June 30, 2008 and 2007, respectively.

In the event the University should withdraw from the Program or the Federal Government was to cancel the Program, the University would be required to repay $8,209,463 as of June 30, 2008.

5. CAPITAL ASSETS, NET

Following are the changes in capital assets for the years ended June 30, 2008 and 2007:

	2008 (Dollars in Thousands)				
	Balance July 1, 2007	Additions	Transfers	Retirements	Balance June 30, 2008
Capital assets not being depreciated:					
Land	$ 38,615	$ 2,724	$ -	$ -	$ 41,339
Construction in progress	39,384	52,431	(35,325)	-	56,490
Total assets not being depreciated	77,999	55,155	(35,325)	-	97,829
Other capital assets:					
Buildings and improvements	284,731	111	34,568	(698)	318,712
Furniture and equipment	56,051	4,018	757	(3,809)	57,017
Library materials	31,495	2,190	-	(1,550)	32,135
Total other capital assets	372,277	6,319	35,325	(6,057)	407,864
Less accumulated depreciation:					
Buildings and improvements	(89,895)	(8,453)	-	410	(97,938)
Furniture and equipment	(34,343)	(4,909)	-	3,198	(36,054)
Library materials	(22,010)	(1,846)	-	1,129	(22,727)
Total accumulated depreciation	(146,248)	(15,208)	-	4,737	(156,719)
Other capital assets, net	226,029	(8,889)	35,325	(1,320)	251,145
Capital assets summary:					
Capital assets not being depreciated	77,999	55,155	(35,325)	-	97,829
Other capital assets at cost	372,277	6,319	35,325	(6,057)	407,864
Total cost of capital assets	450,276	61,474	-	(6,057)	505,693
Less accumulated depreciation	(146,248)	(15,208)	-	4,737	(156,719)
Capital assets, net	$ 304,028	$ 46,266	$ -	$ (1,320)	$ 348,974

In addition to accounts payable for construction costs, the estimated cost to complete property authorized or under construction at June 30, 2008 is $54,965,799. These costs will be paid from available reserves and construction proceeds from outstanding debt.

	2007 (Dollars in Thousands)				
	Balance July 1, 2006	Additions	Transfers	Retirements	Balance June 30, 2007
Capital assets not being depreciated:					
Land	$ 29,716	$ 12,403	$ -	$ (3,504)	$ 38,615
Construction in progress	14,417	29,559	(4,592)	-	39,384
Total assets not being depreciated	44,133	41,962	(4,592)	(3,504)	77,999
Other capital assets:					
Buildings and improvements	267,924	12,316	4,592	(101)	284,731
Furniture and equipment	53,459	5,008	-	(2,416)	56,051
Library materials	30,943	2,022	-	(1,470)	31,495
Total other capital assets	352,326	19,346	4,592	(3,987)	372,277
Less accumulated depreciation:					
Buildings and improvements	(82,664)	(7,249)	-	18	(89,895)
Furniture and equipment	(31,963)	(4,631)	-	2,251	(34,343)
Library materials	(21,230)	(1,824)	-	1,044	(22,010)
Total accumulated depreciation	(135,857)	(13,704)	-	3,313	(146,248)
Other capital assets, net	216,469	5,642	4,592	(674)	226,029
Capital assets summary:					
Capital assets not being depreciated	44,133	41,962	(4,592)	(3,504)	77,999
Other capital assets at cost	352,326	19,346	4,592	(3,987)	372,277
Total cost of capital assets	396,459	61,308	-	(7,491)	450,276
Less accumulated depreciation	(135,857)	(13,704)	-	3,313	(146,248)
Capital assets, net	$ 260,602	$ 47,604	$ -	$ (4,178)	$ 304,028

6. UNEARNED REVENUE

Unearned revenues include amounts received for student fees, prepaid ticket sales, and other amounts received prior to the end of the fiscal year that will be earned in subsequent years. Student fees represent the portion of summer school revenues related to the number of days of instruction in the subsequent fiscal year and prepaid Fall semester fees. Unearned revenue consists of the following at June 30:

	2008	2007
Student fees	$ 2,218,574	$ 1,323,507
Prepaid ticket sales	6,276,294	4,145,906
Other unearned revenue	3,262,732	3,421,459
Unearned revenue	$ 11,757,600	$ 8,890,872

7. LONG-TERM LIABILITIES

Following are the changes in bonds and notes payable, capital leases, non-current unearned revenue, due to state agencies (related to capital projects), net other post employment benefit obligations, and other liabilities for the fiscal years ended June 30, 2008 and 2007:

	2008 (Dollars in Thousands)				
	Beginning Balance July 1, 2007	Additions	Reductions	Ending Balance June 30, 2008	Amounts due within one year
Long-term debt:					
Revenue bonds payable	$ 202,920	$ -	$ (7,550)	$ 195,370	$ 4,886
Premium on revenue bonds	3,699	-	(148)	3,551	-
Notes payable	9,139	-	(883)	8,256	914
Capital lease obligations	1,334	-	(373)	961	393
Capital lease obligations - component unit	3,172	-	(255)	2,917	265
Total long-term debt	220,264	-	(9,209)	211,055	6,458
Other liabilities:					
Non-current unearned revenue	1,577	536	(60)	2,053	-
Net other post employment benefits	-	3,556	-	3,556	-
Other	-	445	-	445	-
Total other liabilities	1,577	4,537	(60)	6,054	-
Long-term liabilities	$ 221,841	$ 4,537	$ (9,269)	$ 217,109	$ 6,458

	2007 (Dollars in Thousands)				
	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Amounts due within one year
Long-term debt:					
Revenue bonds payable	$ 125,230	$ 125,075	$ (47,385)	$ 202,920	$ 4,466
Premium on revenue bonds	2,321	1,692	(314)	3,699	-
Notes payable	6,673	3,325	(859)	9,139	890
Capital lease obligations	1,573	100	(339)	1,334	375
Capital lease obligations - component unit	3,422	-	(250)	3,172	255
Total long-term debt	139,219	130,192	(49,147)	220,264	5,986
Other liabilities:					
Non-current unearned revenue	-	1,577	-	1,577	-
Total other liabilities	-	1,577	-	1,577	-
Long-term liabilities	$ 139,219	$ 131,769	$ (49,147)	$ 221,841	$ 5,986

8. NOTES AND BONDS PAYABLE

The University is required by bonding resolution to establish a Rebate Fund to be held and administered by the University, separate and apart from other funds and accounts of the University. The University shall make deposits into the Rebate Fund of all amounts necessary to make payments of rebatable arbitrage to the United States. There was no arbitrage liability in fiscal year ending June 30, 2007. The arbitrage liability for fiscal year ending June 30, 2008 is $445,450. Management believes the University is in compliance with all bond covenants as of June 30, 2008 and 2007.

Pledged Revenue — As stated in the bond descriptions below, the University has pledged certain revenues as collateral for debt instruments. The pledged revenue amounts and coverage requirements are as follows for the year ended June 30, 2008:

	Series			
	2004A, 2005A, 2007A, 2007B, 2007C	**1998, 2002, 2003**	**1996, 1998, 2001**	**Total**
Pledged revenues:				
Student fees	$ 77,856,863	$ 5,253,976	$ 5,318,295	$ 88,429,134
Rentals	590,452	7,128,293	-	7,718,745
Meal plans	-	2,931,232	-	2,931,232
Other	1,718,244	232,504	-	1,950,748
Sales & service	34,878,613	948,756	-	35,827,369
F&A recovery	3,087,351	-	-	3,087,351
Investment income	2,939,118	438,792	650,914	4,028,824
Total pledged revenue	121,070,641	16,933,553	5,969,209	143,973,403
Less operations and maintenance	(43,633,287)	(12,852,653)	-	(56,485,940)
Pledged revenues, net	$ 77,437,354	$ 4,080,900	$ 5,969,209	$ 87,487,463
Debt service	$ 10,784,032	$ 1,808,799	$ 2,331,269	$ 14,924,100
Debt service coverage	718%	226%	256%	586%
Coverage requirement	110%	120%	120%	

Bonds payable, at June 30, 2008 consisted of the following:

Bond Issue		Original Face Value	Range of Annual Principal Amounts	Range of Semi Annual Interest Percentages	Maturity Date	Pledged Revenues		Outstanding Balance 2008		Outstanding Balance 2007
		(Dollars in Thousands)								
General Revenue Bonds, Series 2007A	$	96,365	$145 - $7,880	4.00% - 5.00%	2037	*2*	$	96,365		96,365
General Revenue Bonds, Series 2007B	$	25,860	$510 - $1,760	4.00% - 5.00%	2037	*2*		25,860		25,860
General Revenue Bonds, Series 2007C	$	2,850	$125 - $600	5.21% - 5.21%	2014	*2*		2,850		2,850
Student Union and Housing System Refunding and Improvement Bonds, Series 2002	$	38,255	$30 - $45	5.375%	2012	*1*		165		675
General Revenue Bonds, Series 2004A	$	31,480	$795 - $2,205	3.00% - 5.00%	2033	*2*		29,035		29,780
General Revenue Bonds, Series 2005A	$	21,925	$140 - $2,695	3.25% - 5.00%	2034	*2*		21,010		21,445
Student Fee Refunding and Improvement Revenue Bonds, Series 1998	$	24,060	$395 - $1,285	4.70% - 5.10%	2014	*3*		5,490		5,865
Student Union and Housing System Refunding Bonds, Series 1998	$	7,860	$875 - $1,170	4.70% - 5.125%	2015	*1*		7,100		7,465
Student Union and Housing System Refunding Revenue Bonds, Series 2003	$	6,620	$265 - $1,715	3.25% - 5.00%	2017	*1*		5,495		5,755
Student Fee Refunding Revenue Bonds, Series 1996	$	14,115	$1,365	5.15%	2009	*3*		1,365		2,665
Student Fee Refunding Revenue Bonds, Series 1999	$	4,480	-	-	2017	*3*		-		3,365
Student Building Fee Refunding Revenue Bonds, Series 2001	$	4,455	$205 - $220	4.375% - 4.50%	2011	*3*		635		830
Bonds before premium								195,370		202,920
Premium on bonds								3,551		3,699
Total bonds outstanding							$	198,921	$	206,619

(1) *pledged net revenues of Student Union and Housing System and certain student fees*
(2) *pledge of student fees, enterprise revenues, and funds and accounts held under Resolution*
(3) *pledge of the net revenues of the Student Building System and certain student fees*

Notes payable, at June 30, 2008 consisted of the following:

	(Dollars in Thousands)						
Notes Payable	**Original Face Value**	**Terms**	**Interest Rate**	**Maturity Date**	**Collateralized by**	**Outstanding Balance 2008**	**Outstanding Balance 2007**
2006 Bank note payable	$ 3,381	11 year monthly amortization	4.77%	2016	*1*	$ 2,804	$ 3,060
Line of credit	$ 5,000	8 year quarterly amortization	49% of lender's prime rate	2011	*2*	2,127	2,754
Private note	$ 3,325	Interest Only - Monthly	30 day LIBOR plus 2.35%	2010	*1*	3,325	3,325
Total notes payable						$ 8,256	$ 9,139

(1) *Bronco Athletic Association guarantee, subordinate to bonds*

(2) *Unsecured*

Principal and interest maturities on bonds payable are as follows for the year ending June 30, 2008:

	Bonds Payable 2008		
	Principal	**Interest**	**Total**
2009	$ 4,885,000	$ 8,892,046	$ 13,777,046
2010	5,130,000	8,678,055	13,808,055
2011	4,615,000	8,475,330	13,090,330
2012	4,985,000	8,277,236	13,262,236
2013	5,270,000	8,033,623	13,303,623
2014-2018	31,200,000	36,050,178	67,250,178
2019-2023	36,955,000	27,998,791	64,953,791
2024-2028	29,595,000	20,779,665	50,374,665
2029-2033	36,745,000	13,632,413	50,377,413
2033-2037	35,990,000	4,297,161	40,287,161
Total	$ 195,370,000	$ 145,114,498	$ 340,484,498

At June 30, 2008, debt in the amount of $37,630,000 is considered extinguished through refunding of prior issues by a portion of the current issues. Escrowed funds are held in trust in the amount of $38,737,694 for the payment of maturities on refunded bonds. Neither the debt nor the escrowed assets are reflected in the University's financial statements.

Principal and interest maturities on notes payable are as follows for the year ending June 30, 2008:

	Notes Payable 2008		
	Principal	Interest	Total
2009	$ 914,412	$ 335,543	$ 1,249,955
2010	4,269,291	292,722	4,562,013
2011	975,237	114,378	1,089,615
2012	451,093	86,335	537,428
2013	325,132	70,506	395,638
2014-2017	1,321,268	118,964	1,440,232
Total	$ 8,256,433	$ 1,018,448	$ 9,274,881

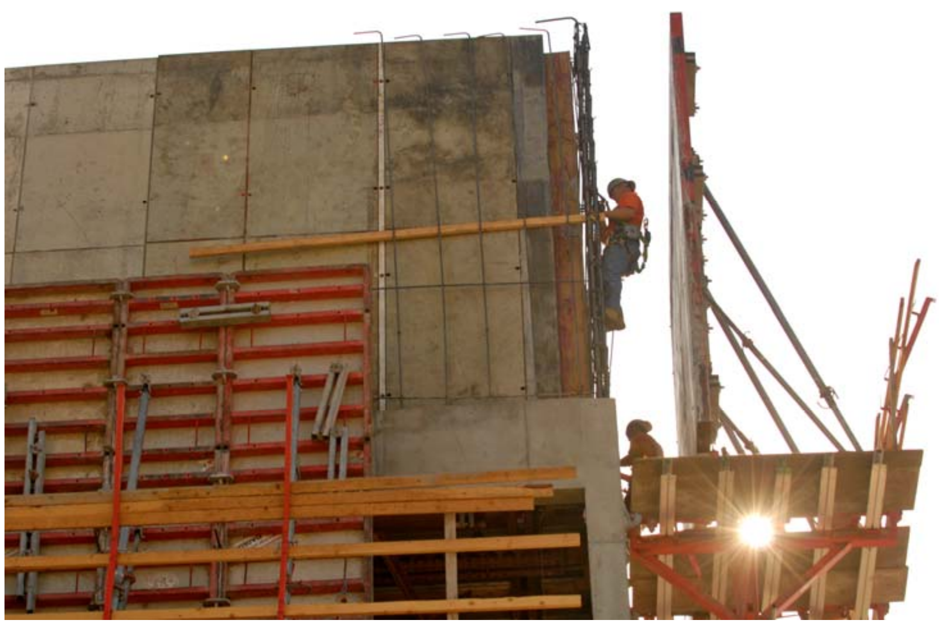
The Already Vibrant Interactive Learning Center

9. CAPITAL LEASE OBLIGATIONS

The University has entered into various capital lease agreements covering buildings and equipment. Assets under capital lease are included in capital assets, net of depreciation. Amortization of assets under capital lease is included in depreciation expense. These amounts are included in capital assets. The University leases a building from the Foundation.

Future minimum lease obligations under these agreements at June 30, 2008 are as follows:

	Building	Equipment	Total
2009	$ 424,901	$ 438,864	$ 863,765
2010	423,014	438,864	861,878
2011	429,899	150,597	580,496
2012	425,796	2,303	428,099
2013	430,753	-	430,753
2014-2017	1,709,904	-	1,709,904
Total minimum obligations	3,844,267	1,030,628	4,874,895
Less interest	(927,469)	(69,440)	(996,909)
Present value of minimum obligations	$ 2,916,798	$ 961,188	$ 3,877,986



Work begins on the new Norco Nursing Department and University Health Center Building

Following are the changes in assets under capital lease for the years ended June 30, 2008 and 2007:

	2008			
	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008
	(Dollars in Thousands)			
Assets under capital lease				
Buildings and Improvements	$ 6,733	$ 240	$ -	$ 6,973
Equipment	2,589	-	-	2,589
Total being amortized	9,322	240	-	9,562
Less accumulated amortization:				
Buildings and improvements	(2,778)	(182)	-	(2,960)
Equipment	(1,987)	(151)	-	(2,138)
Total accumulated amortization	(4,765)	(333)	-	(5,098)
Assets under capital lease, net	$ 4,557	$ (93)	$ -	$ 4,464

	2007			
	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007
	(Dollars in Thousands)			
Assets under capital lease				
Buildings and Improvements	$ 6,733	$ -	$ -	$ 6,733
Equipment	2,489	100	-	2,589
Total being amortized	9,222	100	-	9,322
Less accumulated amortization:				
Buildings and improvements	(2,601)	(177)	-	(2,778)
Equipment	(1,850)	(137)	-	(1,987)
Total accumulated amortization	(4,451)	(314)	-	(4,765)
Assets under capital lease, net	$ 4,771	$ (214)	$ -	$ 4,557

10. RETIREMENT PLANS AND TERMINATION BENEFITS

Public Employee Retirement System of Idaho — The Public Employee Retirement System of Idaho ("PERSI"), a cost-sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. The benefits were established and may be amended by the Idaho State Legislature. Obligations to contribute to the plan are established by the PERSI Board as defined by Idaho law. Financial reports for the plan are available from PERSI's website www.persi.idaho.gov. After 60 months of credited service, members become fully vested in retirement benefits earned to date and receive a lifetime benefit at retirement. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2% of the average monthly salary for the highest consecutive 42 months.

Contributions, for the three years ended June 30, are as follows:

PERSI:	**2008**	**2007**	**2006**
University required contribution rate	10.39%	10.39%	10.39%
Percentage of covered payroll for employees	6.23%	6.23%	6.23%
University contributions required and paid	$ 3,144,020	$ 3,036,069	$ 3,154,078

Optional Retirement Plan — Effective July 1, 1990, the Idaho State Legislature authorized the SBOE 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 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 July 1, 1990 or thereafter automatically enroll in the ORP and select their 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 include Teachers Insurance and Annuity Association - College Retirement Equities Fund and Variable Annuity Life Insurance Company.

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

Contributions, for the three years ended June 30, are as follows:

ORP:	**2008**	**2007**	**2006**
University contribution	$ 6,559,111	$ 5,059,669	$ 4,599,225
Employee contribution	$ 5,243,778	$ 4,529,497	$ 4,153,486
Total contribution	$ 11,802,889	$ 9,589,166	$ 8,752,711
University contribution rate	9.26%	7.72%	7.72%
Employee contribution rate	6.97%	6.97%	6.97%

As of July 1, 2007, the University contribution rate for the ORP increased to 9.26%. Although enrollees in the ORP no longer belong to PERSI, the University is required to contribute to PERSI. The contribution rate changed as of July 1, 2007 to 1.49%. The contribution rate for fiscal years 2007 and 2006 was 3.03% of the annual covered payroll. These annual supplemental payments are required through July 1, 2025. During the years ended June 30, 2008, 2007 and 2006, this supplemental funding payment to PERSI was $1,127,467, $1,908,399, and $1,801,480, respectively. This amount is not included in the regular University PERSI contribution discussed previously.

Termination Benefits — Employees who qualify for retirement under PERSI or ORP are eligible to use 50% of the cash value of their unused sick leave, with limits based on years of service, to continue their medical insurance coverage through the University. This benefit is classified as a termination benefit under GASB Statement No. 16, "*Accounting for Compensated Absences"*. The University partially funds these obligations by depositing 0.65% of employee gross payroll with PERSI, who administers the plan as a cost-sharing, multiple-employer plan. The total contributions for the years ended June 30, 2008, 2007 and 2006 were $669,231, $608,815 and $583,791, respectively.

PERSI issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employee Retirement System of Idaho, P.O. Box 83720, Boise, ID 83720-0078.

11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Summary of Plans - The University participates in other postemployment benefit plans (OPEB) relating to health, disability, and life insurance administered by the State of Idaho as agent of multiple-employer defined benefit plans. Idaho Code, Sections 67-5760 to 67-5767 and 72-1335, establishes the benefits and contribution obligations. Each of these benefits is provided by the University to retired or disabled employees. GASB Statement No. 45 has been implemented prospectively, and the net OPEB obligation at transition was zero. The most recent actuarial valuation is as of June 30, 2006. Detail of the plans can be found in the Comprehensive Annual Report of the State of Idaho, which may be obtained as follows:

Office of the Idaho State Controller
700 W State Street, 4th Floor
Boise, ID 83702
P.O. Box 83720
Boise, ID 83720-0011
www.sco.idaho.gov

Plan Descriptions

Retiree Healthcare Plan - This plan allows retirees to purchase healthcare insurance coverage for themselves and eligible dependents. A retired employee of the University who is eligible to retire under the Public Employee Retirement System of Idaho (PERSI) may elect to have the retiree health insurance coverage for themselves and eligible dependents. To be eligible, University employees must enroll within sixty days of the date of their retirement. Additionally, the unreduced PERSI monthly benefit at the time of retirement must meet or exceed the monthly cost of single retiree health insurance coverage, or employees must have ten or more years (20,800 or more hours) of credited state service.

Long-Term Disability Income - This plan provides long-term disability income benefits for active employees who become disabled, generally up to a maximum age of 70. Disabled employees are defined as being unable to perform each of the substantial and material duties of the job for which they were hired for the first 30 months of disability, or any job thereafter for which they are reasonably qualified by experience, education, or training. Additionally, to qualify for long-term disability, the waiting period is the later of 26 weeks of continuous total disability or exhaustion of accrued sick leave must be met. The gross benefit equals 60 percent of monthly salary or $3,000 (whichever is smaller). The benefit does not increase with inflation and may be offset by other disability benefits from Social Security, Workers' Compensation, or PERSI.

Life Insurance for Disabled Employees - This plan provides basic life and dependent life coverage for 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, a $2,000 life insurance benefit is provided to spouses, and a $1,000 life insurance benefit is provided to dependent children. These benefits do not increase with inflation.

Healthcare for Disabled Employees - For up to 30 months following the date of disability, an employee is entitled to continue healthcare coverage under the State plan.

Life Insurance for Retirees - 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 the annual salary at retirement.

Funding Policies

The University has not set aside any assets to pay future benefits; the University funds these benefits on a pay-as-you-go basis.

Retiree Healthcare Plan - 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 University contributed $32.83 per active non-retired employee per month towards the retiree premium cost.

Long-Term Disability Income - **Self-Insured portion** - Employees who became disabled prior to July 1, 2003, are self-insured by the State, which pays 100 percent of the cost of this benefit. The amount of the contributions is actuarially determined based on active claims and the number of insured individuals.

Long Term Disability Income - **Insured Benefit portion** - Employees who became disabled after July 1, 2003, are insured by Principal Life Insurance Company and the obligation for the payment of benefits has been effectively transferred. The University pays 100 percent of the cost of the premiums. The University's contribution for the period was 0.37% of State Plan payroll in fiscal year 2008. This portion of the long-term disability income benefit is not included in the actuarial estimate.

Life Insurance for Disabled Employees - The University pays 100 percent of the premium cost of the benefit. The University's contribution for the period was 0.37% of State Plan payroll in fiscal year 2008.

Healthcare for Disabled Employees - The University pays 100 percent of the University's share of medical/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's contribution for the period was $5.98 per active State Plan employee per month in fiscal year 2008.

Life Insurance for Retirees - The University pays 100 percent of the cost of basic life insurance. The University's contribution for the period as a percent of payroll was 2.037% for retirees under age 65, 1.568% for retirees between the ages of 65 and 69, and 1.081% for retirees over age 70 in fiscal year 2008.

Annual OPEB Cost

The annual OPEB cost (AOC) is actuarially determined based on the annual required contribution (ARC) of the employer in accordance with GASB Statement No. 45. The following table illustrates the annual OPEB expense, the amount of contributions made, and the increase in the net OPEB obligation, for the plans as of June 30, 2008:

	Retiree Healthcare	Long-term Disability Income	Long-term Disability Life Insurance	Long-term Disability Healthcare	Life Insurance	Total
Annual required contribution						
Amortization of UAAL	$1,377,461	$24,834	$41,389	$39,068	$359,011	$1,841,763
Normal Cost	$2,089,561	$0	$32,102	$121,241	$496,463	$2,739,367
Interest to Fiscal Year-end	$173,331	$1,211	$3,634	$7,975	$42,774	$228,925
Annual OPEB cost (expense)	$3,640,353	$26,045	$77,125	$168,284	$898,248	$4,810,055
Contributions made	($856,257)	($96,710)	($42,500)	($94,590)	($164,366)	($1,254,423)
Increase (Decrease) in Net OPEB Obligation	$2,784,096	($70,665)	$34,625	$73,694	$733,882	$3,555,632
Net OPEB Obligation – Beginning of Year	$0	$0	$0	$0	$0	$0
Net OPEB Obligation (Funding Excess) – End of Year	$2,784,096	($70,665)	$34,625	$73,694	$733,882	$3,555,632
Percentage of AOC Contributed	23.52%	371.32%	55.11%	56.21%	18.30%	26.08%

Funded Status and Funding Progress :

		Retiree Healthcare	Long-term Disability Income	Long-term Disability Life Insurance	Long-term Disability Healthcare	Life Insurance
	Actuarial Valuation Date	7/1/2006	7/1/2006	7/1/2006	7/1/2006	7/1/2006
1	Actuarial Value of Assets	$0	$0	$0	$0	$0
2	Accrued Liability (AAL)	$ 38,593,934	$ 696,958	$ 1,160,116	$ 1,093,489	$ 10,059,990
3	Unfunded AAL (UAAL) (2) - (1)	$ 38,593,934	$ 696,958	$ 1,160,116	$ 1,093,489	$ 10,059,990
4	Funded Ratios (1) : (2)	0.0%	0.0%	0.0%	0.0%	0.0%
5	Annual Covered Payroll	$ 122,473,640	$ 122,473,640	$ 122,473,640	$ 122,473,640	$ 122,473,640
6	UAAL as a Percentage of Covered Payroll (3) : (5)	31.51%	0.57%	0.95%	0.89%	8.21%

The above schedule of funded status and funding progress also fulfills disclosure requirements for supplementary information, as the State of Idaho has prepared only one actuarial valuation. Future years' disclosures will include two preceding actuarial valuations.

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. 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. Any variations in future experience from that expected from these assumptions will result in corresponding changes in the estimated costs of the benefits. 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.

Significant methods and assumptions for all plans:

	Retiree Healthcare	Long-term Disability Income	Long-term Disability Life Insurance	Long-term Disability Healthcare	Life Insurance
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 Percentage of Payroll	Level Percentage of Payroll	Level Percentage of Payroll
Amortization Period	30 years, Open	30 years, Open	30 years, Open	30 years, Open	30 years, Open
Assumptions:					
Inflation Rate	3.75%	3.75%	3.75%	3.75%	3.75%
Investment Return	5.00%	5.00%	5.00%	5.00%	5.00%
OPEB Increases	N/A	N/A	N/A	N/A	N/A
Projected Salary Increases	4.50%	4.50%	4.50%	4.50%	4.50%
Healthcare Cost Initial Trend Rate	10.00%	N/A	N/A	10.00%	N/A
Healthcare Cost Ultimate Trend Rate	5.00%	N/A	N/A	5.00%	N/A

12. 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, Boise State University's total insured property value is $838,371,304.

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 bond and crime, out of state worker's compensation, business interruption, media liability and automobile physical damage insurance.

13. COMPONENT UNITS

Boise State University Foundation, Inc — The net assets of the Foundation represent 77% of the combined component unit as presented in the financial statements and, as such, the Foundation has been determined by management to be a major component unit as defined by GASB Statement No. 39. Condensed financial statement data is as follows:

BOISE STATE UNIVERSITY FOUNDATION, INC.

CONDENSED STATEMENTS OF NET ASSETS
JUNE 30, 2008 AND JUNE 30, 2007

	2008	2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,740,682	$ 1,276,498
Pledges Receivable	8,934,964	2,018,723
Other Current Assets	427,244	647,391
Total current assets	11,102,890	3,942,612
NON-CURRENT ASSETS:		
Restricted cash and cash equivalents	9,725,906	7,615,620
Investments	90,133,620	85,743,352
Capital assets	228,020	175,705
Investment in lease	2,880,499	3,171,665
Accounts receivable and other	15,000,345	4,046,886
Total non-current assets	117,968,390	100,753,228
TOTAL ASSETS	$ 129,071,280	$ 104,695,840
LIABILITIES		
CURRENT LIABILITIES:	$ 656,342	$ 866,009
NON-CURRENT LIABILITIES:		
Bonds and certificates payable	3,095,000	3,360,000
Amounts held in custody for others	19,829,240	16,900,525
Other	1,626,601	1,447,744
Total non-current liabilities	24,550,841	21,708,269
TOTAL LIABILITIES	25,207,183	22,574,278
NET ASSETS:		
Restricted - non-expendable	44,741,887	42,405,567
Restricted - expendable	51,379,215	32,170,349
Unrestricted	7,742,995	7,545,646
Total net assets	103,864,097	82,121,562
TOTAL LIABILITIES AND NET ASSETS	$ 129,071,280	$ 104,695,840

BOISE STATE UNIVERSITY FOUNDATION, INC.		
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS		
FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007		
	2008	**2007**
OPERATING REVENUES:		
Gifts	$ 28,206,251	$ 8,404,245
Miscellaneous income	1,078,475	1,386,192
Total operating revenues	29,284,726	9,790,437
OPERATING EXPENSES	3,804,101	3,106,915
OPERATING INCOME (LOSS)	25,480,625	6,683,522
NON-OPERATING REVENUES (EXPENSES):		
Payments to Boise State University	(3,946,387)	(12,646,413)
Investment income	2,719,293	2,982,219
Change in fair value of investments	(2,646,810)	7,373,898
Gain on sale of property	442,589	771,620
Other	(306,775)	(95,670)
Net non-operating revenues	(3,738,090)	(1,614,346)
INCREASE IN NET ASSETS	21,742,535	5,069,176
NET ASSETS—Beginning of year	82,121,562	77,052,386
NET ASSETS—End of year	$ 103,864,097	$ 82,121,562

(a) Cash, Cash Equivalents, and Other Deposits and Investment

The Foundation, through its Board of Directors (the “Board”), appoints an investment committee that determines investment guidelines, sets the spending rules, and engages the investment manager(s) and custodian(s). The Board oversees and approves all investment and asset allocation policies proposed by the Investment Committee. Furthermore, the Board and the Investment Committee acknowledge and understand their fiduciary roles and will always seek to act prudently in the best interests of the Foundation.

The Investment Committee is also to monitor and review the actions of the investment manager(s) and custodian(s), make recommendations on investment policy, and oversee the management of all other assets of the Foundation. The Investment Committee reports regularly to the Board of Directors.

The overall investment policy is to maximize the return on investments within an acceptable range of risks. Appropriate levels of investment risk will be determined by guidelines and influenced by spending rules. The principal of the Endowment should be protected over time with a spending rule set to maintain the purchasing power of returns from the assets. The component units invest in investments that are allowed by State of Idaho law.

Basis of Custodial Credit Risk as of June 30	**2008**	**2007**
Uninsured and uncollateralized	$ 2,620,384	$ 2,031,006

Credit Risk — The risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard and Poor's, and Fitch's.

The ratings, as of June 30, 2008, are presented below using the Moody's scale:

Rating	US Treasury Bonds	Corporate Bonds	Bond Mutual Funds	Fair Value
Aaa	$ 1,751,712	$ 3,433,646	$ 8,335,748	$ 13,521,106
Aa1	-	202,923	-	202,923
Aa2		1,587,468	8,255,882	9,843,350
Aa3	-	20,857	-	20,857
A1		971,570	-	971,570
A2	-	-	5,564	5,564
Ba3		-	2,489	2,489
B1	-	-	9,297	9,297
Unrated	-	50,553	-	50,553
Total	$ 1,751,712	$ 6,267,017	$ 16,608,980	$ 24,627,709

Interest Rate Risk — Investments in debt securities that are fixed for a longer period of time are likely to experience greater variability in their fair values due to future changes in interest rates. Maturities by investment type, as of June 30, 2008, are as follows:

Investment Type	Fair Value	< 1 yr	1-3 yr	3-10 yr	>10 yr
Rated Securities:					
US Treasury Bonds	$ 1,751,712	$ -	$ 416,066	$ 849,181	$ 486,465
Corporate Bonds	6,267,017	2,502,987	83,846	3,680,184	-
Bond Mutual Funds	16,608,980	-	-	16,571,010	37,970
Total Rated Securities	$ 24,627,709	$ 2,502,987	$ 499,912	$ 21,100,375	$ 524,435

Concentration of Credit Risk — When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration of risk is present. The Governmental Accounting Standards Board has adopted a principle that governments should provide note disclosure when five percent of the total government investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The Foundation has not invested more than five percent of their investments in any one issuer.

(b) Amounts Held in Custody for Others

The Bronco Athletic Association, Inc. (the "Association") transferred assets to the Foundation for investment and management, which are included in amounts held in custody for others. Included in amounts held in custody for others on behalf of the Association are $17,860,893 and $15,435,119 at June 30, 2008 and 2007, respectively.

(c) Donated Services

The University provided staffing and other general office support to the Foundation totaling $1,094,563 and $1,003,524 in fiscal years ending June 30, 2008 and 2007, respectively. Additionally, volunteers make substantial contributions of time to support the Foundation for which no value is assigned. The value of volunteer services is not reflected in the accompanying financial statements since they are not susceptible to objective measurement or valuation.

Other Component Unit — Contributions, recorded as gifts, received by the University from the Association totaled $3,866,888 and $8,839,685 as of June 30, 2008 and 2007, respectively. Net assets of the Association at June 30, were as follows:

Bronco Athletic Association				
		2008		**2007**
Net assets:				
Restricted by donors - non-expendable	$	10,277,760	$	9,502,621
Restricted by donors - expendable		18,804,593		6,285,370
Invested in Capital Assets		1,490,044		1,536,783
Unrestricted		116,199		68,476
Total net assets	$	30,688,596	$	17,393,250

Stadium Sky Boxes and More – An Outstanding Addition to the University's Athletic Facilities

14. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATIONS (DOLLARS IN THOUSANDS):

	2008				
Functional Categories	Personnel Cost	Services, Supplies and Other	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 77,955	$ 9,871	$ 833	$ -	$ 88,659
Research	9,922	4,121	318	-	14,361
Public service	7,320	5,375	189	-	12,884
Libraries	3,695	1,445	-	-	5,140
Student services	6,903	1,539	47	-	8,489
Plant operations	5,993	8,935	-	-	14,928
Institutional support	13,600	5,867	57	-	19,524
Academic support	12,084	3,283	53	-	15,420
Auxiliary enterprises	23,919	29,064	3,080	-	56,063
Scholarships	1,209	146	5,700	-	7,055
Depreciation	-	-	-	15,208	15,208
Total operating expenses	$ 162,600	$ 69,646	$ 10,277	$ 15,208	$ 257,731

	2007				
Functional Categories	Personnel Cost	Services, Supplies and Other	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 70,702	$ 9,996	$ 767	$ -	$ 81,465
Research	9,062	3,760	225	-	13,047
Public service	6,250	4,962	106	-	11,318
Libraries	3,484	1,267	-	-	4,751
Student services	5,791	1,497	81	-	7,369
Plant operations	5,017	9,636	2	-	14,655
Institutional support	10,155	2,617	6	-	12,778
Academic support	10,606	3,549	86	-	14,241
Auxiliary enterprises	20,969	25,838	3,415	-	50,222
Scholarships	1,087	62	5,876	-	7,025
Depreciation	-	-	-	13,704	13,704
Total operating expenses	$ 143,123	$ 63,184	$ 10,564	$ 13,704	$ 230,575

15. CONTINGENCIES AND LEGAL MATTERS

The University is in discussions with the College of Western Idaho that may lead to the University gifting capital assets to the newly-founded community college at some point in the next fiscal year. These assets, including land, infrastructure, buildings, and other capital equipment may have a net book value of as much as $11.3 million. The 2008 Idaho State Legislature approved a capital appropriation for the University of $10 million in state funds towards the upcoming CESED (Center for Environmental Science and Economic Development) building.

Revenue from federal research and service grants includes amounts for the recovery of overhead and other costs allocated to these projects. The University may be required to make refunds of amounts received for overhead and other costs reimbursed as a result of audits by agencies of the Federal Government. University officials are of the opinion that the effect of these refunds, if any, will not have a significant effect on financial position of the University.

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

16. SUBSEQUENT EVENTS

Subsequent to June 30, 2008, Idaho's Governor issued Executive Order 2008 -03, which ordered a 1-percent reduction in state general fund spending in response to lower state revenue forecasts. Idaho's Governor also directed all state agencies to reserve an additional 1.5 percent of their general fund appropriations for the fiscal year ending June 30, 2009. The University's 2009 general fund appropriation totals $87,587,000. The 1% spending reduction will reduce available resources by $875,870. Should the additional 1.5 percent become a permanent reduction in spending, the University's available resources for the 2009 fiscal year would be reduced by another $1,313,805, for a total reduction of $2,189,675.

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

Idaho State Board of Education
Boise State University
Boise, Idaho

We have audited the financial statements of Boise State University (University) and its discretely presented component units as of and for the year ended June 30, 2008, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 4, 2008. 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. Other auditors audited the financial statements of the discretely presented component units as described in our report on the University's financial statements. This report does not include the results of other auditors' testing of internal control over financial report or compliance and other matters that are reported on separately by other auditors.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in normal course of performing the assigned functions, to prevent or detect misstatement on a timely basis. A significant deficiency is a control deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the University's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the University's financial statements that is more than inconsequential will not be prevented or detected by the University's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the University's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph on this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the University's financial statements are free of 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.*

This report is intended solely for the information and use of the Idaho State Board of Education, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Eugene, Oregon
November 4, 2008

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Idaho State Board of Education
Boise State University
Boise, Idaho

COMPLIANCE

We have audited the compliance of Boise State University (University) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008, except as described in the second paragraph of this report. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We did not audit the University's compliance with the requirements governing Student Loan Billing and Due Diligence in Collection compliance requirements specified by the Federal Perkins Loan Program and described in the *OMB Circular A-133 Compliance Supplement*. Compliance with these requirements was audited by other auditors whose report thereon has been furnished to us and our opinion expressed, herein, insofar as it relates to the University's compliance with those requirements, is based solely on the report of other auditors.

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. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, based on our audit and the report of the other auditor, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

INTERNAL CONTROL OVER COMPLIANCE

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

We did not consider internal control over compliance with the Student Loan Billing and Due Diligence in Collection compliance requirements specified by the Federal Perkins Loan Program and described in the *OMB Circular A-133 Compliance Supplement*. Internal control over this compliance requirement was considered by the other auditor referred to above; and our report, insofar as it relates to the University's internal control over this compliance requirement, is based solely upon the report of the other auditors.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the University's internal control that might be significant deficiencies or material weaknesses. We did not identify deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. Also, the report of the other auditors noted no matters involving the internal control structure over compliance and its operations that they consider to be material weaknesses.

This report is intended solely for the information and use of the Idaho State Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Eugene, Oregon
November 4, 2008

BOISE STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ______ yes __X__ no
- Significant deficiencies(s) identified that are not considered to be material weaknesses? ______ yes __X__ no

Noncompliance material to financial statements noted? ______ yes __X__ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ______ yes __X__ no
- Significant deficiencies (s) identified that are not considered to be material weaknesses? ______ yes __X__ none reported

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

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

Identification of major programs:

CFDA Number(s)	*Name of Federal Program or Cluster*
Student Financial Assistance Cluster:	
84.007	Federal Supplemental Educational Opportunity Grants
84.032	Federal Family Education Loans
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program
84.375	Academic Competitiveness Grant
84.376	SMART Grant Science & Math

Dollar threshold used to distinguish between type A and type B programs: $ 1,168,222

Auditee qualified as low-risk auditee? __X__ yes ______ no

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

BOISE STATE UNIVERSITY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2007

FINDING 2007-01—Allowable Costs: Personnel Level of Effort Reporting

Condition: The University did not have adequate procedures in place to ensure that compensation reports for personnel services for salaries and wages charged to research and development grants were certified. Moss Adams testing revealed 7 out of 14 Payroll Certification Reports for the period January 1, 2007 through June 30, 2007 had not been certified by the employee or supervisor for accuracy.

Recommendation: Moss Adams recommends BSU complete the Payroll Certification Reports for the period mentioned above. Moss Adams also recommends BSU review the current reporting procedures to ensure complete and timely compliance with Circular A-21.

Status: Fully resolved.

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Public Engagement
Vibrant Culture
Exceptional Research

3. SUBRECIPIENTS

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

Program	Federal CFDA Number	Amount Provided to Subrecipients
EDA General FY '07	11.303	$ 16,203
EDA General FY '07	11.303	89,197
NIST General FY '08	11.611	146,530
Depscor Micro-Propulsion	12.800	12,976
DARPA FY '05	12.910	467,611
DNA Safeguard Project	12.XXX	204
NSF Timing, Cond, Rates of Thr	47.050	4,393
SBA CY '07	59.037	209,930
SBA CY '08	59.037	118,078
EPA Dashboard Grant	66.463	29,485
EPA Multi-Purpose Sensors	66.606	52,145
DOE WIND ENERGY	81.087	8,711
DOE Grant	81.121	52,103
Improving Metacomprehension	84.305	61,924
GAIN Project	93.359	2,603
Eval of DNA Cross Linking	93.395	20,961
DOL Lean Mfg for Food	17.261	46,249
SW Regional Special Ed FY '07	84.027	4,540
SW Regional Special Ed FY '08	84.027	15,124
Fostering Literacy Across Districts	84.367	31,085
Caldwell Academy of Leadership 2	84.XXX	41,000
Idaho Capacity Builders-Caldwell	84.XXX	4,548
INBRE Yr 4 - Jorcyk	93.389	21
INBRE Yr 4 - Rohn	93.389	10,000
Total Subrecipients		$ 1,445,621