



Idaho State University

*Financial Statements for the Years
Ended June 30, 2010 and 2009
and Independent Auditors' Report*

IDAHO STATE UNIVERSITY
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INDEPENDENT AUDITOR'S REPORT

Idaho State Board of Education
Idaho State University
Pocatello, Idaho

We have audited the accompanying financial statements of Idaho State University (the University) as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the 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 Idaho State University Foundation, a discretely presented component unit described in Note 14. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for that component unit, is based solely on the report of other auditors.

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 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 opinion.

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 the University, and its discretely presented component unit, as of June 30, 2010 and 2009, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2010, on our consideration of the 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 and certain information in Note 10, *Postemployment Benefits Other than Pensions*, that is labeled as "required supplementary information" 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 5, 2010

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IDAHO STATE UNIVERSITY

Management's Discussion and Analysis For the fiscal year ended June 30, 2010

INTRODUCTION

The following discussion and analysis was prepared by management to provide an overview of the financial position and activities of Idaho State University for the fiscal year ended June 30, 2010. It should be read in conjunction with the financial statements and related footnote disclosures that appear in the sections of this report that follow the discussion. The financial statements, footnotes, and this discussion are the responsibility of management.

As a comprehensive public institution of higher learning, Idaho State University, located in Pocatello, Idaho, has served the citizens of the State since 1901, when it was first established as the Academy of Idaho. The University provides both general education and specialized programs in arts, humanities, sciences, the professions, and technologies and contributes to the State and nation through related research and public service programs. Idaho State University offers a diverse range of degree programs from baccalaureate to post-doctoral levels through the Colleges of Science and Engineering, Arts and Letters,

Business, Education, Health Professions, Pharmacy, Technology and the Graduate School. Through its programs in Health Professions, Pharmacy, the Family Practice Medical Residency, and the Idaho Dental Education Program, the University represents the primary higher educational institution for health professions in the state of Idaho.



OVERVIEW

The University's financial statements have been prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*.

Each of the three statements is explained briefly below.

Statement of Net Assets – The statement of net assets includes all assets and liabilities of the University. Assets and liabilities are generally reported at their book value, on an accrual basis, as of the statement date. This statement also identifies any major categories of restrictions on the net assets of the University.

Statement of Revenues, Expenses, and Changes in Net Assets – The statement of revenues, expenses, and changes in net assets presents the revenues earned and expenses incurred during the year on an accrual basis.

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

The Idaho State University Foundation, Incorporated (the Foundation) is a key partner and contributor to the University's educational mission and holds significant economic resources that benefit the University. Its financial statements are presented as a component unit of the University and it is the only affiliated organization that qualifies as such. The financial statements of the Foundation are audited by separate independent auditors. Because the Foundation is a non-governmental entity, they report their financial information according to Financial Accounting Standards Board ("FASB") reporting standards. For purposes of this report, their financial information is presented on separate pages immediately following similar university financial information. The Foundation's separate, audited financial statements are available by contacting the Idaho State University Foundation, Campus Box 8050, Pocatello, ID 83209.

STATEMENT OF NET ASSETS

The *Statement of Net Assets* is the University's financial balance sheet and reflects the financial position of the University at the end of the fiscal year. The difference between total assets and total liabilities represents net assets. The change in net assets from year to year is one indicator of the current financial condition of the University. Net Assets are presented in three major categories on the statement, each of which is described in more detail within the footnotes to the statement. A summary comparison of the assets, liabilities, and net assets for the years ended June 30, 2010, 2009, and 2008 is presented below.

Schedule of Net Assets

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Assets:			
Current Assets	\$ 80,612,923	\$ 69,902,072	\$ 72,758,263
Noncurrent Assets	191,955,047	192,081,655	178,777,938
Total Assets	<u>272,567,970</u>	<u>261,983,727</u>	<u>251,536,201</u>
Liabilities:			
Current Liabilities	27,585,649	28,214,198	25,683,378
Noncurrent Liabilities	75,445,975	78,931,975	82,169,783
Total Liabilities	<u>103,031,624</u>	<u>107,146,173</u>	<u>107,853,161</u>
Net Assets:			
Invested in capital assets, net of related debt	113,836,708	108,043,090	87,388,416
Restricted, expendable	8,479,940	13,023,152	29,049,720
Unrestricted	47,219,698	33,771,312	27,244,904
Total Net Assets	<u>\$ 169,536,346</u>	<u>\$ 154,837,554</u>	<u>\$ 143,683,040</u>

The total net assets of the University increased by approximately \$14.7 million from the prior fiscal year. The increase results from a variety of issues, but the major factors are the University's cost containment efforts, coupled with increasing enrollment. Tuition increases also contributed to the increase. The overall increase was offset by a significant decline in state appropriated funding, as well as a 33 percent increase in scholarships and fellowships paid to students.



REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

A comparative statement summarizing the University's revenues, expenses, and changes in net assets for the years ended June 30, 2010, 2009, and 2008 is shown below.

Summary Statement of Revenues, Expenses & Changes in Net Assets

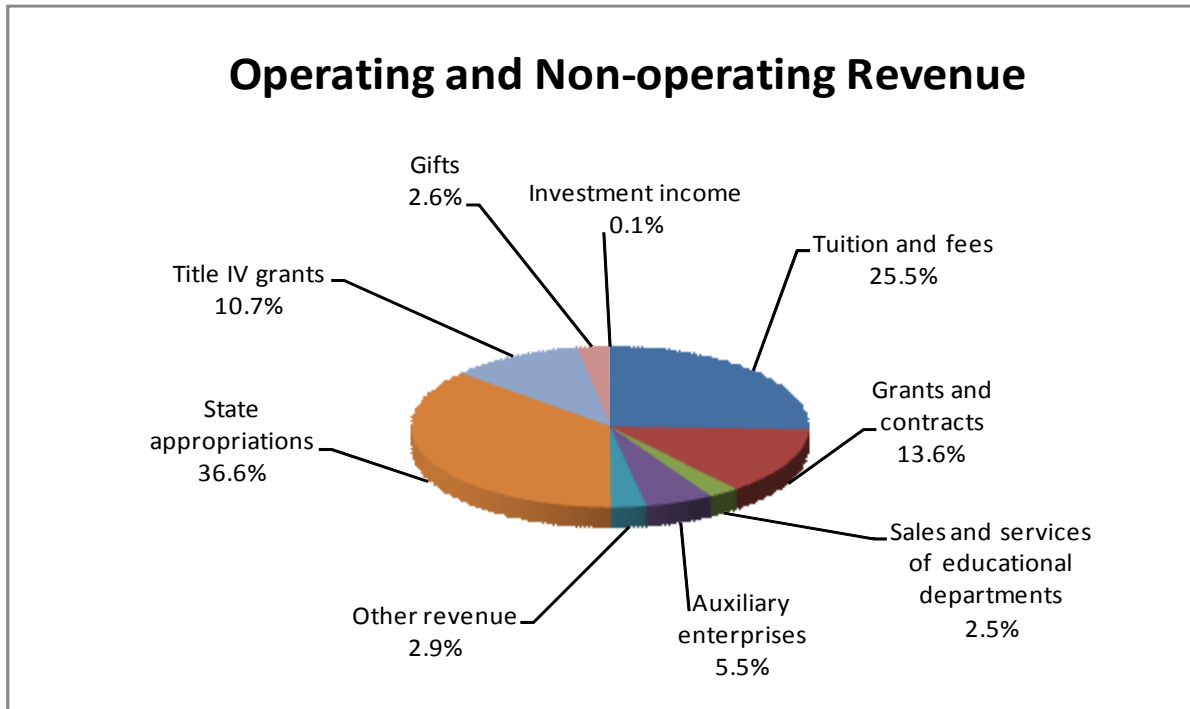
	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>
Operating revenues			
Student tuition and fees (net of scholarship discounts and allowances)	\$ 57,721,128	\$ 52,694,142	\$ 47,496,019
Federal grants and contracts	14,166,811	13,734,296	14,491,299
State and local grants and contracts	9,813,602	9,822,969	10,088,364
Nongovernment grants and contracts	6,719,031	6,932,162	7,482,974
Sales and services of educational departments	5,543,843	4,233,153	5,039,057
Auxiliary enterprises sales and services	12,444,156	12,222,735	11,147,278
Other operating revenue	2,821,388	3,349,149	3,166,792
Total operating revenues	109,229,959	102,988,606	98,911,783
Operating expenses	207,824,538	211,124,375	211,489,535
Operating income (loss)	(98,594,579)	(108,135,769)	(112,577,752)
Nonoperating revenues (expenses)			
State appropriations	82,709,340	100,010,244	93,751,820
Title IV Grants	24,301,307	15,515,208	13,846,972
Gifts	5,959,068	6,705,788	5,608,845
Investment income	238,229	614,313	2,730,165
Amortization of bond financing costs	(60,953)	(60,953)	(59,128)
Interest on capital asset related debt	(3,507,755)	(3,502,128)	(3,549,902)
Net nonoperating revenues	109,639,236	119,282,472	112,328,772
Other revenue and expenses			
Capital gifts and grants	3,639,092	84,764	913,840
Gain or (loss) on disposal of fixed assets	15,043	(76,953)	(38,527)
Net other revenues and expenses	3,654,135	7,811	875,313
Increase in net assets	14,698,792	11,154,514	626,333
Net assets - beginning of year	154,837,554	143,683,040	143,056,707
Net assets - end of year	\$ 169,536,346	\$ 154,837,554	\$ 143,683,040

Revenue

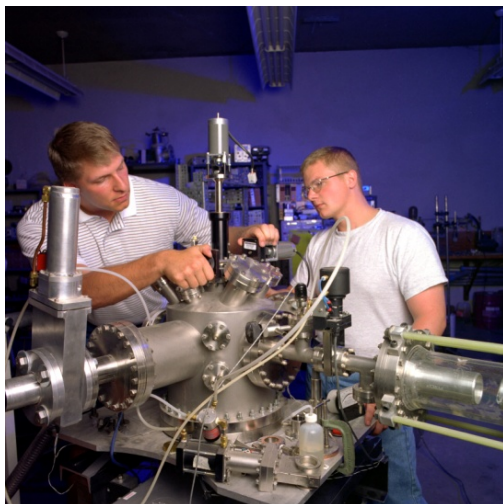
As a public institution, Idaho State University's primary source of revenue comes from appropriations provided by the state of Idaho. Student tuition and fees, as well as research related grants and contracts and the Foundation, all play a key role in helping to support the mission of the University. As mandated by GASB standards, state appropriations are considered non-operating revenue because they represent inter-governmental receipts and are deferred from tax revenues. This mandate will always result in an overall operating loss. A more comprehensive assessment of the operations of the University is reflected in the

change in net assets at the end of the year. Below is a graphic illustration of revenues by source (both operating and non-operating) for the year ended June 30, 2010.

Total revenues for the year ended June 30, 2010, were \$226.1 million, representing a decrease of \$0.2 million from fiscal year 2009.



Total appropriations from the State of Idaho were down by 17.3 percent, or \$17.3 million. Of this amount, \$9.2 million represents reduced appropriations resulting from the economic downturn and less state revenues. The remainder of the balance, \$8.1 million consists of reductions in State Department of Public Works funding related to completion of repair and maintenance and capital projects. These reductions were offset by increases in student fee revenues from higher tuition and higher enrollment, as well as a rise in federal grants disbursed to students.



The University, as a research institution with a strong emphasis on energy and the health professions, considers its research programs and initiatives as key elements of its efforts to develop opportunities for the advancement of meaningful and in-depth education and learning for its students, as well as develop and enhance technology for the world. While research revenues vary from year to year for many reasons, including the availability of funding from sponsors and the commencement or closure of particularly large projects, the University continues its commitment in this vital arena of education.

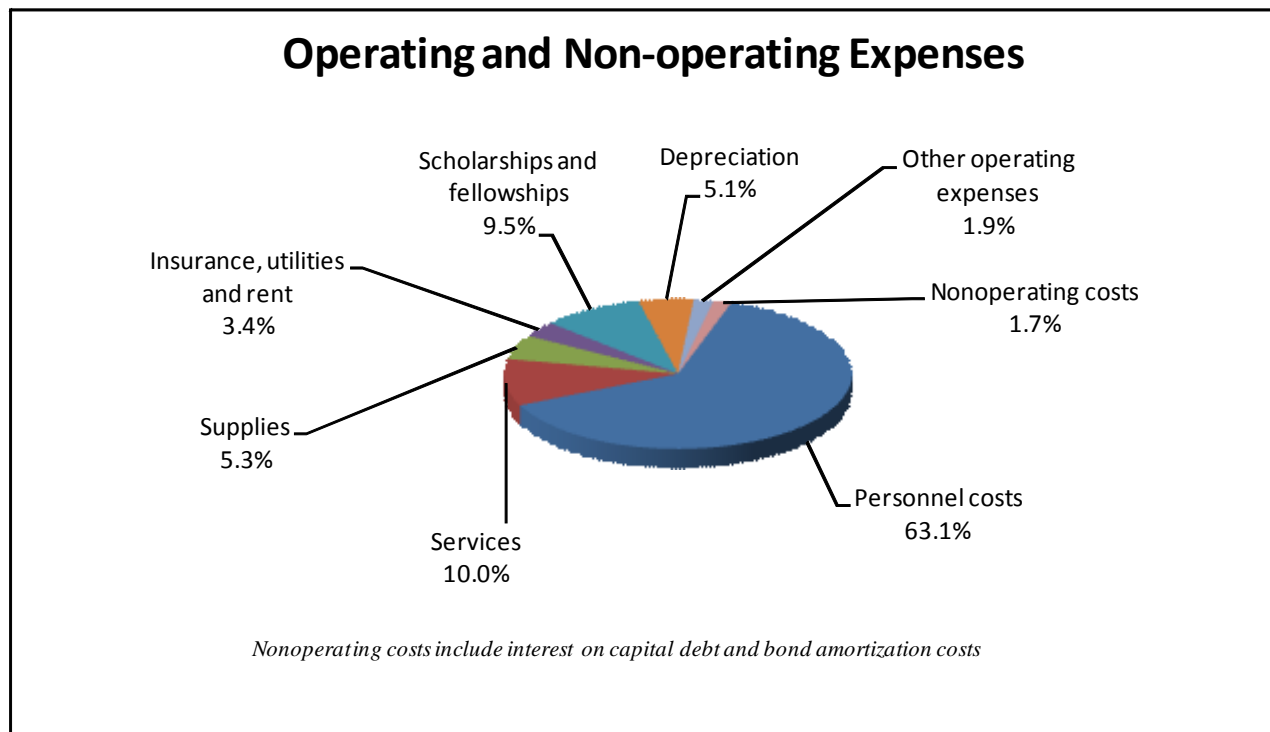
Expenses

A comparative summary of expenses for the years ended June 30, 2010, 2009, and 2008 is presented below.

Summary Statement of Expenses

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating			
Personnel costs	133,372,372	137,900,068	138,127,992
Services	21,246,038	22,905,039	23,333,994
Supplies	11,200,367	12,311,174	14,300,817
Insurance, utilities and rent	7,172,329	7,913,599	7,264,693
Scholarships and fellowships	20,067,882	15,048,716	13,640,570
Depreciation Expense	10,832,307	10,047,530	9,139,409
Other operating Expenses	3,933,243	4,998,249	5,682,060
Total operating expenses	<u>\$ 207,824,538</u>	<u>\$ 211,124,375</u>	<u>\$ 211,489,535</u>
Nonoperating			
Amortization of bond financing costs	60,953	60,953	59,128
Interest on capital asset related debt	3,507,755	3,502,128	3,549,902
Total nonoperating expenses	<u>\$ 3,568,708</u>	<u>\$ 3,563,081</u>	<u>\$ 3,609,030</u>

The chart below illustrates the distribution of expenditures by their natural classification.



Fiscal year 2010 operating expenditures of \$207.8 million reflect a decrease that is once again indicative of the initiatives the University put into place to meet the challenges of the declining economy and budget holdbacks. The largest contributor to the approximately \$4.5 million decrease is in personnel costs, where hiring was delayed as much as possible and selected vacancies were not filled. Supplies and services were other areas where substantial reductions in expenditures were made as a result of increased scrutiny over spending and streamlining operations to achieve cost savings. Notably, scholarships and fellowships increased by 33 percent over the prior year, which reflects the importance placed by the institution on students.

In addition to the natural classification of expenses presented previously, a comparative summary of the expenses categorized by functional classification for the years ended June 30, 2010, 2009, and 2008, provides additional insight into the nature of University expenditures. As illustrated by the numbers and in step with the University's mission of educating students, direct expenditures for instruction, research, student services, libraries, and scholarships and fellowships continue to make up the lion's share of total operating expenses. A matrix of natural versus functional expenses is contained in the footnotes to the financial statements and includes additional detail.

Summary Statement of Operating Expenses by Function

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Instruction	\$ 81,513,589	\$ 86,851,409	\$ 87,812,075
Research	17,394,610	17,282,465	16,221,213
Public Service	4,291,417	5,127,353	5,023,532
Academic Support	11,351,090	11,306,932	12,832,926
Libraries	2,522,461	2,552,186	2,559,620
Student Services	7,443,122	7,428,907	8,145,917
Institutional Support	17,526,844	17,824,842	18,665,374
Maintenance and Operations	13,572,310	16,005,877	16,357,910
Auxiliary Enterprises	21,308,706	21,648,158	22,583,808
Scholarships and Fellowships	20,068,082	15,048,716	13,640,570
Depreciation	10,832,307	10,047,530	9,139,409
Total Functional Expenses	<u>\$ 207,824,538</u>	<u>\$ 211,124,375</u>	<u>\$ 212,982,354</u>

CASH FLOWS

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

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

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

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

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

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

A summary of the *Statement of Cash Flows* for the year ended June 30, 2010 is presented below.

Summary Statement of Cash Flows

	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>
Cash and cash equivalents (used in) or provided by:			
Operating activities	\$ (86,116,976)	\$ (91,536,212)	\$ (95,037,501)
Noncapital financing activities	105,911,573	109,034,526	106,566,989
Investing activities	217,735	539,831	2,488,990
Capital and related financing activities	<u>(14,241,614)</u>	<u>(21,467,964)</u>	<u>(8,250,194)</u>
Net increase (decrease) in cash	5,770,718	(3,429,819)	5,768,284
Cash and cash equivalents, beginning of year	56,826,342	60,256,161	54,487,877
Cash and cash equivalents, end of year	<u><u>\$ 62,597,060</u></u>	<u><u>\$ 56,826,342</u></u>	<u><u>\$ 60,256,161</u></u>

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

Capital Asset and Debt Activities

The University considers the effective management of the institution's physical resources, including the prudent use of debt to finance such resources, as a fundamental element of its financial stewardship. The development and maintenance of our physical resources is a key factor in creating and sustaining a learning environment that permits education to flourish. Idaho State University's total capital assets before depreciation increased by \$12.8 million; from \$313.2 million in 2009, to \$326.0 million in 2010.

Total institutional long-term liabilities declined by \$3.5 million from \$78.9 million at June 30, 2009, to \$75.4 million at June 30, 2010. We incurred no new long-term debt and continued to pay down existing debt in concert with the debt schedule detailed in the notes of this report.

ECONOMIC OUTLOOK

Despite the challenges experienced during the economic downturn, Idaho State University's overall financial position remains relatively strong. The University continues to experience enrollment gains as measured at fall census. Implementation of the SunGard Banner enterprise-wide computer system is on budget, on schedule, and nearing completion. This project has not been without its significant challenges and there is still much work remaining. However, when all the modules and ancillary systems are in place and

functioning, the system will provide a state-of-the-art, fully integrated system that will benefit the entire campus community.

The institution continues to grow and enhance research and seek new funding sources to take full advantage of this important teaching and technology development resource.

During the year we held the grand opening celebration of the new ISU-Meridian Health Science Center. This facility occupies approximately 182-thousand square feet and houses more than 20 graduate and undergraduate programs in the health sciences, clinics, and research and human patient simulation laboratories, and will soon include the new Delta Dental of Idaho Dental Residency Clinic.



The Meridian Center supplements the other ISU health-related programs, which together provide 75 percent of the health professions degrees in Idaho's public universities.

The University also initiated its new Veterans' Sanctuary Program. This unique program offers a comprehensive and unequalled system of support to our nation's finest as they transition from military to

campus life. The Sanctuary includes a team of dedicated representatives, some of whom are veterans themselves, to assist with GI Bill educational benefits and a campus liaison to facilitate contacts within ISU's various departments and programs and the greater Pocatello community. The program features cohort general education classes for veterans, taught by faculty members who are veterans themselves. There are plans to create cohort housing and a "learning community" on campus for unmarried veterans. The University has already seen a significant rise in veteran enrollment resulting from the program.

As noted previously, the local, national, and global economic declines have created significant challenges for Idaho State University. A crucial element to the University's future continues to be our strong relationship with the State of Idaho, but it too has challenges related to the decline in the economy. We anticipate flat funding through the general fund allocation process for the near future, but will continue our efforts to grow and enhance existing revenue sources, while seeking out new ones. We will examine and restructure administrative programs and services where necessary, critically scrutinize hiring and construction activities, and contain costs wherever possible. Idaho State University will continue to proactively address all challenges, financial and otherwise, by operating with a strong sense of fiscal responsibility and accountability and by exercising prudent, thoughtful decision making. As we move



responsibility and accountability and by exercising prudent, thoughtful decision making. As we move forward, we will continue to focus our attention on the necessary steps to protect the University's financial health and our most important priorities.

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

IDAHO STATE UNIVERSITY
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 45,898,241	\$ 47,735,401
Cash with Treasurer	16,698,819	9,090,941
Student loans receivable	299,594	300,185
Accounts receivable and unbilled charges, less allowance for doubtful accounts of \$510,614 and \$334,347	11,225,799	6,822,587
Due from state agencies	5,661,440	5,066,932
Interest receivable	90,718	70,224
Inventories	251,702	279,027
Prepaid expenses	486,610	536,775
Total current assets	<u>80,612,923</u>	<u>69,902,072</u>
NONCURRENT ASSETS:		
Student loans receivable, less allowance for doubtful loans of \$488,852 and \$506,151	1,564,654	1,626,913
Assets held in trust	1,512,602	3,588,796
Deferred bond financing costs	1,125,445	1,213,080
Property, plant, and equipment, net	<u>187,752,346</u>	<u>185,652,866</u>
Total noncurrent assets	<u>191,955,047</u>	<u>192,081,655</u>
TOTAL ASSETS	<u><u>272,567,970</u></u>	<u><u>261,983,727</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	2,223,049	2,075,465
Due to state agencies	1,541,318	3,267,086
Accrued salaries and benefits payable	8,915,073	9,935,744
Compensated absences payable	4,594,205	4,569,462
Deposits	152,637	153,900
Funds held in custody for others	694,740	742,585
Deferred revenue	4,438,141	2,932,745
Accrued interest payable	917,425	961,377
Notes and bonds payable	<u>4,109,061</u>	<u>3,575,834</u>
Total current liabilities	<u>27,585,649</u>	<u>28,214,198</u>
NONCURRENT LIABILITIES:		
Other post-employment benefits payable	4,453,000	3,624,000
Notes and bonds payable	<u>70,992,975</u>	<u>75,307,975</u>
Total noncurrent liabilities	<u>75,445,975</u>	<u>78,931,975</u>
TOTAL LIABILITIES	<u>103,031,624</u>	<u>107,146,173</u>
NET ASSETS:		
Invested in capital assets, net of related debt	113,836,708	108,043,090
Restricted, expendable	8,479,940	13,023,152
Unrestricted	<u>47,219,698</u>	<u>33,771,312</u>
Total net assets	<u>169,536,346</u>	<u>154,837,554</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 272,567,970</u></u>	<u><u>\$ 261,983,727</u></u>

See Accompanying Notes to Financial Statements

IDAHO STATE UNIVERSITY COMPONENT UNIT

IDAHO STATE UNIVERSITY FOUNDATION STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2010 AND 2009

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 642,044	\$ 2,946,782
Cash and cash equivalents-restricted	735,366	2,293,577
Investments	37,757,721	33,793,520
Gift pledges receivable, net	3,768,157	4,451,631
Cash surrender value	40,062	28,514
Miscellaneous receivables	40,509	86,013
Capitalized bond issuance costs, net	188,945	210,437
Property held for sale and investments	1,999,271	2,338,871
Total Assets	<u>\$ 45,172,075</u>	<u>\$ 46,149,345</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 57,953	\$ 81,376
Scholarships and other payables to Idaho State University	787,018	-
Obligations to beneficiaries under split-interest agreements	1,216,702	1,303,742
Funds held in custody for others	42,073	36,461
Long-term debt	9,260,000	10,810,000
Total liabilities	<u>11,363,746</u>	<u>12,231,579</u>
NET ASSETS		
Unrestricted	(10,267,059)	(12,752,489)
Temporarily restricted	16,127,084	20,352,900
Permanently restricted	27,948,304	26,317,355
Total net assets	<u>33,808,329</u>	<u>33,917,766</u>
Total Liabilities and net assets	<u>\$ 45,172,075</u>	<u>\$ 46,149,345</u>

See Notes to Financial Statements

IDAHO STATE UNIVERSITY

STATEMENT OF REVENUES EXPENSES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
OPERATING REVENUES		
Student tuition and fees (net of scholarship discounts and allowances of \$21,643,103 and \$16,029,136 respectively)	\$ 57,721,128	\$ 52,694,142
Federal grants and contracts	14,166,811	13,734,296
State and local grants and contracts	9,813,602	9,822,969
Private grants and contracts	6,719,031	6,932,162
Sales and services of educational activities	5,543,843	4,233,153
Sales and services of auxiliary enterprises	12,444,156	12,222,735
Other	2,821,388	3,349,149
Total operating revenues	109,229,959	102,988,606
OPERATING EXPENSES		
Personnel costs	133,372,372	137,900,068
Services	21,246,038	22,905,039
Supplies	11,200,367	12,311,174
Insurance, utilities and rent	7,172,329	7,913,599
Scholarships and fellowships	20,067,882	15,048,716
Depreciation	10,832,307	10,047,530
Miscellaneous	3,933,243	4,998,249
Total operating expenses	207,824,538	211,124,375
OPERATING INCOME (LOSS)	(98,594,579)	(108,135,769)
NONOPERATING REVENUES (EXPENSES)		
State appropriations:		
State general account - general education	64,586,565	72,973,400
Endowment income	2,124,326	2,024,542
Other state appropriations	2,580,092	2,499,164
Professional technical education	9,525,493	10,550,933
Department of Public Works	3,892,864	11,962,205
Title IV grants	24,301,307	15,515,208
Gifts (including \$ 4,876,757 and \$6,419,704 respectively, from Idaho State University Foundation)	5,959,068	6,705,788
Net investment income	238,229	614,313
Amortization of bond financing costs	(60,953)	(60,953)
Interest on capital asset related debt net of capitalized interest of \$0 and \$123,235, respectively	(3,507,755)	(3,502,128)
Net nonoperating revenues (expenses)	109,639,236	119,282,472
GAIN (LOSS) BEFORE OTHER REVENUES AND EXPENSES	11,044,657	11,146,703
OTHER REVENUES AND EXPENSES		
Capital gifts and grants (including \$3,354,000 and \$0 respectively from Idaho State University Foundation)	3,639,092	84,764
Gain or (loss) on disposal of fixed assets	15,043	(76,953)
Net other revenues and expenses	3,654,135	7,811
INCREASE IN NET ASSETS	14,698,792	11,154,514
NET ASSETS, BEGINNING OF YEAR	154,837,554	143,683,040
NET ASSETS, END OF YEAR	\$ 169,536,346	\$ 154,837,554

See Accompanying Notes to Financial Statements

IDAHO STATE UNIVERSITY COMPONENT UNIT

IDAHO STATE UNIVERSITY FOUNDATION STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
Contributions and gifts	\$ 3,422,840	\$ 1,925,483	\$ 1,632,330	\$ 6,980,653
Contributed services	617,336	-	-	617,336
Interest and dividends	243,420	675,014	-	918,434
Net realized/unrealized gain on investments	436,283	1,562,663	-	1,998,946
Fees, charges, and miscellaneous	677,436	-	-	677,436
Net change in value of annuity and life insurance	-	262,769	15,373	278,142
Total revenues and gains	5,397,315	4,425,929	1,647,703	11,470,947
Board and donor designated transfers	336,863	(320,109)	(16,754)	-
Net assets released from program restrictions	8,331,636	(8,331,636)	-	-
Total revenues	14,065,814	(4,225,816)	1,630,949	11,470,947
EXPENSES				
Program support to Idaho State University				
Donations/transfers	6,453,396	-	-	6,453,396
Scholarships	1,046,811	-	-	1,046,811
Athletic	280,483	-	-	280,483
Department support	1,856,561	-	-	1,856,561
Support services				
Management and general	929,337	-	-	929,337
Fundraising	1,013,796	-	-	1,013,796
Total expenses	11,580,384	-	-	11,580,384
CHANGE IN NET ASSETS	2,485,430	(4,225,816)	1,630,949	(109,437)
NET ASSETS, beginning of year	(12,752,489)	20,352,900	26,317,355	33,917,766
NET ASSETS, end of year	<u>\$ (10,267,059)</u>	<u>\$ 16,127,084</u>	<u>\$ 27,948,304</u>	<u>\$ 33,808,329</u>

See Notes to Financial Statements

IDAHO STATE UNIVERSITY COMPONENT UNIT

IDAHO STATE UNIVERSITY FOUNDATION STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
Contributions and gifts	\$ 2,704,067	\$ 2,217,268	\$ 3,479,481	\$ 8,400,816
Contributed services	690,340	-	-	690,340
Interest and dividends	233,815	510,820	-	744,635
Net realized/unrealized gain (loss) on investments	(3,192,272)	(5,049,244)	-	(8,241,516)
Fees, charges, and miscellaneous	692,228	4,556	-	696,784
Net change in value of annuity and life insurance	-	(27,443)	75,945	48,502
Total revenues and gains	1,128,178	(2,344,043)	3,555,426	2,339,561
Board and donor designated transfers	(256,723)	256,723	-	-
Net assets released from program restrictions	3,757,886	(3,757,886)	-	-
Total revenues	4,629,341	(5,845,206)	3,555,426	2,339,561
EXPENSES				
Program support to Idaho State University				
Donations/transfers	2,545,811	-	-	2,545,811
Scholarships	1,655,246	-	-	1,655,246
Athletic	216,642	-	-	216,642
Department support	2,002,005	-	-	2,002,005
Support services				
Management and general	1,395,365	-	-	1,395,365
Fundraising	690,320	-	-	690,320
Total expenses	8,505,389	-	-	8,505,389
CHANGE IN NET ASSETS	(3,876,048)	(5,845,206)	3,555,426	(6,165,828)
NET ASSETS, beginning of year	(8,876,441)	26,198,106	22,761,929	40,083,594
NET ASSETS, end of year	<u>\$ (12,752,489)</u>	<u>\$ 20,352,900</u>	<u>\$ 26,317,355</u>	<u>\$ 33,917,766</u>

See Notes to Financial Statements

IDAHO STATE UNIVERSITY

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Student fees	\$ 50,069,170	\$ 42,477,977
Grants and contracts	30,022,009	31,263,010
Sales and services of educational activities	5,379,116	4,896,964
Sales and services from auxiliary enterprises	12,437,410	12,088,922
Other operating revenue	2,514,656	4,176,456
Collection on loans to students	531,456	437,295
Payments to and on behalf of employees	(130,463,238)	(136,559,165)
Payments to suppliers	(42,127,255)	(41,728,622)
Payments for scholarships and fellowships	(14,024,438)	(8,227,316)
Loans issued to students	(455,862)	(361,733)
Net cash provided (used) by operating activities	(86,116,976)	(91,536,212)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	79,101,114	87,916,329
Gifts	4,494,451	6,306,978
Title IV grants	23,522,731	15,349,404
Agency account receipts	65,859,565	48,450,043
Agency account payments	(66,164,858)	(48,900,686)
Direct lending receipts	78,416,464	60,823,077
Direct lending payments	(79,317,894)	(60,910,619)
Net cash provided (used) by non-capital financing activities	105,911,573	109,034,526
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital gifts and grants	3,403,961	84,763
Capital Purchases	(12,414,974)	(16,791,271)
Transfer from Bond trustee	2,076,195	1,888,596
Principal paid on capital debt	(3,575,834)	(3,047,168)
Interest paid on capital debt	(3,730,962)	(3,602,884)
Net cash provided (used) by financing activities	(14,241,614)	(21,467,964)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	217,735	539,831
Net cash provided (used) by investing activities	217,735	539,831
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,770,718	(3,429,819)
CASH AND CASH EQUIVALENTS--Beginning of year	56,826,342	60,256,161
CASH AND CASH EQUIVALENTS--End of year	62,597,060	56,826,342
RECONCILIATION OF NET OPERATING LOSS TO NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES		
Operating Loss	(98,594,579)	(108,135,769)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation	10,832,307	10,047,530
Maintenance costs paid by Department of Public Works and other	2,022,568	5,690,185
Change in assets and liabilities		
Accounts receivable, net	(2,577,615)	(242,743)
Prepaid expenses	50,165	(8,893)
Student loans receivable, net	62,850	114,460
Inventory	27,325	(14,654)
Accounts payable and accrued liabilities	239,202	(321,816)
Accrued salaries and benefits payable	(162,191)	1,050,703
Deposits	(1,263)	22,475
Deferred revenue	1,984,255	262,310
Net cash used in operating activities	\$ (86,116,976)	\$ (91,536,212)

See Accompanying Notes to Financial Statements

IDAHO STATE UNIVERSITY COMPONENT UNIT**IDAHO STATE UNIVERSITY FOUNDATION****Statement of Cash Flows****Year Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (109,437)	\$ (6,165,828)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Unrealized (gain) loss on investments	(2,661,545)	8,175,778
Realized loss on investments	-	65,738
Donated assets held for sale	(285,022)	(47,500)
Write down of property held for sale	662,599	-
Change in value of split interest agreements	(266,594)	(48,502)
Payments to beneficiaries	(232,478)	(296,660)
Other	(874)	(17,217)
Amortization expense	21,338	27,839
Changes in assets and liabilities		
Obligations to beneficiaries	87,040	556,741
Gift pledges receivable	355,417	859,323
Cash surrender value	(11,548)	-
Miscellaneous receivable	45,504	(72,661)
Accounts payable	(23,423)	(282,871)
Scholarships and other payables to ISU	787,018	(532,949)
Funds held for others	5,612	(12,613)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(1,626,393)</u>	<u>2,208,618</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	74,771	847,882
Restricted cash	1,558,211	(65,804)
Purchase of investments	(828,984)	(3,361,376)
Proceeds from sale of land	67,657	-
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>871,655</u>	<u>(2,579,298)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on bonds payable	(1,550,000)	(100,000)
NET CASH USED BY FINANCING ACTIVITIES	<u>(1,550,000)</u>	<u>(100,000)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(2,304,738)	(470,680)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,946,782</u>	<u>3,417,462</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 642,044</u>	<u>\$ 2,946,782</u>

See Notes to Financial Statements

IDAHO STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity—In May 2002, the Governmental Accounting Standards Board (GASB) issued Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The University implemented this statement for the fiscal year ended June 30, 2004, and made the determination that the Idaho State University Foundation, Inc. (the Foundation) is an affiliated organization that meets the criteria for discrete component unit presentation. Additional detail and discussion related to the Foundation can be found in Note 14 of this report.

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

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

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

Cash with Treasurer—Balances classified as Cash with Treasurer are amounts that are required to be remitted to the State of Idaho as a result of the student fee collection process and, once remitted, these balances are under the control of the State Treasurer. The University is not entitled to any interest accruing on these balances.

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

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

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

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

In fiscal year 2010, in accordance with the requirements and definitions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, the University adopted a policy of capitalizing any intangible assets \$200,000 or greater in value that have an expected useful life of three years or longer. The University adopted this policy in compliance with the State of Idaho guidelines related to the requirements of implementation for GASB Statement No. 51.

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

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

Compensated Absences—Employee vacation pay that is earned but unused is accrued at year-end for financial statement purposes. Amounts included in accrued salaries and benefits payable in the statement of net assets are \$4,594,205 and \$4,569,462 at June 30, 2010 and 2009, respectively.

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

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 which the University is legally or contractually obligated to use in accordance with restrictions imposed by external third parties.

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 at the discretion of the institution to meet current expenses for any lawful purpose and in accordance with SBOE policy.

Income and Unrelated Business Income Taxes—The University, as a political subdivision of the State of Idaho, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. The University is liable for tax on its unrelated business income. Defined by the Internal Revenue Code, unrelated business income is income from a trade or business, regularly carried on, that is not substantially related to the performance by the organization of its exempt purpose or function. The University did not incur unrelated business income tax expense in the fiscal years ended June 30, 2010 or 2009.

Classification of Revenues—The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

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

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

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

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

New Accounting Standards— In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all identifiable intangible assets, not specifically excluded by the Statement, be recorded as capital assets. These intangible assets will be included in the net assets of the University. The implementation of this Statement is effective for fiscal years beginning after June 15, 2009. During fiscal year 2010, the University conducted an evaluation of its identifiable intangible assets and identified specific assets acquired in previous fiscal years that would require recording on its financial statements under the implementation of GASB Statement No. 51. As a result, the University recorded \$2,214,462 of intangible assets in its financial records and an additional \$55,326 of depreciation.

The following table summarizes the effect of this implementation on the Statement of Net Assets and Statement of Revenues, Expenditures and Changes in Net Assets as of June 30, 2009 and July 1, 2008 and for the year ended June 30, 2009:

	As Previously Reported	Implementation of GASB Statement No. 51	As Adjusted
Total Net Assets July 1, 2008	\$ 141,468,578	\$ 2,214,462	\$ 143,683,040
Total Net Assets June 30, 2009	\$ 152,678,454	\$ 2,159,100	\$ 154,837,554
Increase in Net Assets June 30, 2009	\$ 11,209,876	\$ (55,362)	\$ 11,154,514

The GASB issued Statement No. 57, *Measurements by Agent Employers and Agent Multiple-Employer Plans* to address other post-employment benefits (OPEB). This Statement addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer OPEB plans. Management has not yet determined the impact this standard will have on the State's financial statements. The requirements of this Statement are effective for the fiscal year ending June 30, 2012.

Reclassification—Certain amounts reported in the June 30, 2009 financial statements have been reclassified to conform to the June 30, 2010 financial statement presentation.

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

Cash with treasurer is under the control of the Idaho State Treasurer and is carried at cost. The University accounts for its cash on a pooled basis whereby each fund has a positive or negative equity in cash, depending upon the net effect of its cash receipts and disbursements activity. The University's deposits are maintained in commercial checking accounts which are insured by the Federal Deposit Insurance Corporation (FDIC). On October 14, 2008, the FDIC announced the Temporary Liquidity Guarantee Program which provides full deposit insurance coverage for non-interest bearing deposit transaction accounts in FDIC-insured institutions, regardless of dollar amount. As of June 30, 2010, the University's commercial checking accounts qualify for this program and currently have unlimited coverage through the FDIC. This program was expected to be temporary and was slated to end on December 31, 2009, but has been extended through December 31, 2010. After all debit and credit transactions have posted at the end of each business day, excess balances are automatically moved to the Automated Repurchase Investment Sweep account for overnight investment at competitive market rates to maximize the use of idle funds, including the cash float from outstanding checks. The investments in the sweep account consist of direct obligations or those that are fully guaranteed as to the principal and interest by the U.S. Government or its agencies and are collateralized at 100.00% of market value.

At June 30, 2010 and June 30, 2009, total balances per the holding institutions consisted of the following:

	2010	2009
Cash	\$ 331,959	\$ 377,510
Non-negotiable certificates of deposit	749,293	1,499,222
Obligations of the U.S. Government and its agencies	46,814,047	48,736,939
Cash equity with the State Treasurer	16,698,819	9,090,941
Total deposits	<u>\$ 64,594,118</u>	<u>\$ 59,704,612</u>

The deposit amounts subject to custodial credit risk at June 30, 2010 and June 30, 2009, were \$0.

At June 30, 2010 and June 30, 2009, the University had \$90,882 and \$89,880, respectively, of cash on hand in various change funds. The carrying amount of the University's cash and cash equivalents at June 30, 2010 and June 30, 2009, was \$62,597,060 and \$56,826,342, respectively. The net difference between deposits and the carrying amount of cash and cash equivalents shown on the financial statements is primarily a reflection of investment of the daily float.



3. ACCOUNTS RECEIVABLE AND DUE FROM STATE AGENCIES

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

	<u>2010</u>	<u>2009</u>
Operating:		
Student tuition fees	\$ 4,599	\$ 31,172
Federal grants and contracts	2,571,031	1,606,538
State and local grants and contracts	2,215,112	2,091,562
Nongovernment grants and contracts	2,406,631	2,077,227
Sales and services of educational departments	1,398,775	1,212,601
Auxiliary enterprises sales and services	424,591	333,815
Other operating revenue	965,923	712,227
Services, supplies and other	76,325	33,828
Perkins	178,096	143,771
State appropriations	2,421,299	1,672,558
Revolving	147,156	140,359
Less allowance for doubtful accounts	<u>(510,614)</u>	<u>(334,347)</u>
Net operating accounts receivable and due from state agencies	12,298,924	9,721,311
Nonoperating:		
State appropriations	950,236	1,229,692
Gifts	787,018	327
Title IV grants	942,367	186,927
Non-operating grants	23,136	
Agency	<u>1,885,558</u>	<u>751,262</u>
Net nonoperating accounts receivable	<u>4,588,315</u>	<u>2,168,208</u>
Total accounts receivable and due from state agencies	<u>\$ 16,887,239</u>	<u>\$ 11,889,519</u>

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, 2010 and 2009. Under this Program, the federal government provides approximately 75 percent of the funding for the Program, with the University providing the balance. A borrower may have all or part of their loan (including interest) canceled for engaging in teaching, public service, service in the military or law enforcement, as well as other disciplines. The Department of Education reimburses the University each year for the principal and interest canceled in its Perkins Loan Fund for all of the cancellation provisions except death, total and permanent disability, and bankruptcy. The University must deposit this reimbursement into its Perkins loan fund. However, the University is not required to deposit reimbursements for loans made prior to July 1, 1972 into the Perkins Fund, as these reimbursements are considered institutional funds. In the event the University should withdraw from the Federal Perkins Loan Program or the government were to cancel the Program, the amount the University would be liable for as of June 30, 2010 and 2009, is \$1,976,001 and \$1,943,740, respectively.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2010 and 2009, the allowance for uncollectible loans was approximately \$488,852 and \$506,151, respectively.



In the spring of 2007, the University began participation in the Nursing Faculty Loan Program (NFLP), a federal loan program authorized under Title VIII of the Public Health Service Act, to increase the number of qualified nursing faculty. As per the agreement, the Department of Health and Human Services (HHS) makes an award to the University in the form of a Federal Capital Contribution (FCC). The University uses the FCC to establish a distinct account called the NFLP Fund, from which loans are made to full-time students enrolled in an eligible, advanced degree nursing program (master's or doctoral) at the University. In addition to the FCC award, the University must contribute an Institutional Capital Contribution (ICC) to the NFLP Fund equal to at least one-ninth of the total FCC award. In the event the University should withdraw from the NFLP Program, or the government was to cancel the Program, the amount the University would be liable for as of June 30, 2010 and 2009, is

\$24,855 and \$27,478. Loans receivable from students bear interest at rates ranging from 5.00% to 10.00% and are generally repayable in installments to the University over a 5 to 10 year period commencing 3 to 9 months after the date of separation from the University. The University outsources the loan servicing to a third party vendor.

5. PROPERTY, PLANT AND EQUIPMENT

Following are the changes in property, plant and equipment for the years ended June 30:

	2009			2010			
	Balance at June 30, 2008	Additions	Retirements	Balance at June 30, 2009	Additions	Transfers & Retirements	Balance at June 30, 2010
Property, plant and equipment:							
Land	\$ 4,064,973	-	-	\$ 4,064,973	-	-	\$ 4,064,973
Construction in progress	8,276,465	8,907,785	(7,030,082)	10,154,168	5,385,561	(23,783)	15,515,946
Total property, plant and equipment not being depreciated	\$ 12,341,438	\$ 8,907,785	\$ (7,030,082)	\$ 14,219,141	\$ 5,385,561	\$ (23,783)	\$ 19,580,919
Other property, plant and equipment:							
Buildings and improvements	\$ 195,048,636	\$ 20,039,631	-	\$ 215,088,267	\$ 2,567,203	\$ (307,761)	\$217,347,709
Intangibles	2,214,462	-	-	2,214,462	-	-	2,214,462
Furniture, fixtures and equipment	36,468,613	3,127,032	(969,414)	38,626,231	2,667,850	(220,309)	41,073,772
Library materials	40,548,089	2,548,535	-	43,096,624	2,642,718	-	45,739,342
Total other property, plant and equipment	274,279,800	25,715,198	(969,414)	299,025,584	7,877,771	(528,070)	306,375,285
Less accumulated depreciation:							
Buildings and improvements	(64,519,537)	(4,986,876)	-	(69,506,413)	(5,443,455)	-	(74,949,868)
Intangibles		(55,362)	-	(55,362)	(110,723)	-	(166,085)
Furniture, fixtures and equipment	(23,336,942)	(2,886,917)	888,211	(25,335,648)	(3,055,104)	220,309	(28,170,443)
Library materials	(30,576,062)	(2,118,375)	-	(32,694,437)	(2,223,025)	-	(34,917,462)
Total accumulated depreciation	(118,432,541)	(10,047,530)	888,211	(127,591,860)	(10,832,307)	220,309	(138,203,858)
Other property, plant and equipment net of accumulated depreciation	\$ 155,847,259	\$ 15,667,668	\$ (81,203)	\$ 171,433,724	\$ (2,954,536)	\$ (307,761)	\$168,171,427
Property, Plant and Equipment Summary:							
Property, plant and equipment not being depreciated	\$ 12,341,438	\$ 8,907,785	\$ (7,030,082)	\$ 14,219,141	\$ 5,385,561	\$ (23,783)	\$ 19,580,919
Other property, plant and equipment at cos	274,279,800	25,715,198	(969,414)	299,025,584	7,877,771	(528,070)	306,375,285
Total property, plant and equipment	286,621,238	34,622,983	(7,999,496)	313,244,725	13,263,332	(551,853)	325,956,204
Less accumulated depreciation	(118,432,541)	(10,047,530)	888,212	(127,591,859)	(10,832,307)	220,309	(138,203,858)
Property, plant and equipment—net	\$ 168,188,697	\$ 24,575,453	\$ (7,111,284)	\$ 185,652,866	\$ 2,431,025	\$ (331,544)	\$187,752,346

The Performing Arts Center was constructed by the Foundation with contributions and the proceeds from the Foundation's Multi-Mode Variable Rate Revenue Bond, issued in 2001. The facility was constructed on land leased by the Foundation from the University for \$1 a year for a 20 year term. The land and improvements were, in turn, leased back to the University for \$1 a year for 20 years, with a provision that title to the improvements transfers to the University at the earlier of the end of the lease or retirement of



the bonds. A security interest in the land and improvements is held through a Deed of Trust issued by the Foundation to Wells Fargo Bank, N.A. The excess of the fair value of the improvements (i.e., cost) over the gross rents payable by the University were recorded as an asset of the University in recognition of the permanent transfer of rights of use to the University for only nominal consideration.

The University also has a collection of historical artifacts located at the Museum of Natural History, the value of which is uncertain.

In addition to accounts payable for construction in progress, the estimated cost to complete property authorized or under construction at June 30, 2010, is approximately \$1,103,440. These costs will be financed by available resources of Idaho State University and through General Refunding and Improvement Revenue Bond proceeds.

6. DEFERRED REVENUE

Deferred revenue consists of the following at June 30:

	<u>2010</u>	<u>2009</u>
Prepaid fees	\$ 2,588,321	\$ 1,852,023
Auxiliary enterprises	70,336	65,935
Grants and contracts	1,733,172	996,502
Other ticket sales	<u>46,312</u>	<u>18,285</u>
	<u>\$ 4,438,141</u>	<u>\$ 2,932,745</u>



7. NONCURRENT LIABILITIES

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

Description	Balance Outstanding 6/30/2008	Additions	Reductions	Balance Outstanding 6/30/2009	Additions	Reductions	Balance Outstanding 6/30/2010	Amounts Due Within One Year
Unsecured note payable to a bank, due in annual amounts varying from a maximum of \$11,200 to \$8,082 plus interest of 8.5% through 08/01/2011	36,837	-	(8,082)	28,755	-	(8,769)	19,986	9,514
Unsecured note payable to a financial institution due in annual amounts varying from a maximum of \$209,629 to \$200,270 plus interest of 2.64% through 10/13/2009	405,827	-	(200,270)	205,557	-	(205,557)	-	-
Unsecured note payable to a financial institution due in semi-annual amounts varying from a maximum of \$2,993,916 to \$16,696 plus interest of 5.08% through 09/01/2016	5,740,312	-	(33,816)	5,706,496	-	(111,508)	5,594,988	699,547
Student Facilities Fee Revenue Bonds, Series 1998, (original balance of \$12,400,000), consisting of serial and term bonds (either directly or through sinking funds) in annual amounts increasing periodically from \$585,000 to a maximum of \$920,000, plus interest from 3.65% to 5.00% through the year 2022. All bonds are collateralized by certain student fees and other revenues.	8,165,000	-	(735,000)	7,430,000	-	(765,000)	6,665,000	800,000
General Refunding and Improvement Revenue Bonds, Series 2003 (original balance of \$35,895,000), consisting of serial bonds payable in annual amounts increasing periodically from \$715,000 to a maximum of \$3,115,000, plus interest from 3.00% to 5.00% through the year 2023. All bonds are collateralized by certain student fees and other revenues.	31,030,000	-	(1,250,000)	29,780,000	-	(1,315,000)	28,465,000	1,385,000
General Revenue Bonds, Series 2004A (original balance of \$4,980,000), consisting of serial bonds payable in annual amounts increasing periodically from \$210,000 to a maximum of \$375,000, plus interest from 2.00% to 4.375% through the year 2023. All bonds are collateralized by certain student fees and other revenues.	4,345,000	-	(225,000)	4,120,000	-	(230,000)	3,890,000	235,000
General Revenue Bonds, Series 2004B (original balance of \$3,305,000), consisting of serial and term bonds payable in annual amounts increasing periodically from \$55,000 commencing in 2022 to a maximum of \$345,000, plus interest from 4.50% to 4.75% through the year 2034. All bonds are collateralized by certain student fees and other revenues.	3,305,000	-	-	3,305,000	-	-	3,305,000	-
General Revenue Bonds, Series 2004C (original balance of \$2,305,000), consisting of term bonds payable in annual amounts increasing periodically from \$95,000 to a maximum of \$190,000, plus interest of 4.880% through the year 2022. All bonds are collateralized by certain student fees and other revenues.	2,015,000	-	(105,000)	1,910,000	-	(110,000)	1,800,000	115,000
General Revenue Bonds, Series 2006 (original balance of \$10,000,000), consisting of term bonds payable in annual amounts increasing periodically from \$320,000 to a maximum of \$805,000, plus interest of 5.260% through the year 2028. All bonds are collateralized by certain student fees and other revenues.	10,000,000	-	-	10,000,000	-	(320,000)	9,680,000	335,000
General Revenue Bonds, Series 2007 (original balance of \$16,120,000), consisting of term bonds payable in annual amounts increasing periodically from \$270,000 to a maximum of \$1,055,000, plus interest from 3.90% to 5.00% through the year 2032. All bonds are collateralized by certain student fees and other revenues.	15,850,000	-	(490,000)	15,360,000	-	(510,000)	14,850,000	530,000
	80,892,976	-	(3,047,168)	77,845,808	-	(3,575,834)	74,269,974	4,109,061
Original issue discount on notes payable	(8,150)	6,520	-	(1,630)	1,630	-	-	-
Premium on bonds	1,557,689	-	(256,612.00)	1,301,077	-	(226,687)	1,074,390	-
Discount on bonds	(280,564)	19,118	-	(261,446)	19,118	-	(242,328)	-
Totals	\$ 82,161,951	\$ 25,638	\$ (3,303,780)	\$ 78,883,809	\$ 20,748	\$ (3,802,521)	\$ 75,102,036	\$ 4,109,061

There are a number of limitations and restrictions contained in the various bond indentures. Management believes there were no conditions of noncompliance with any terms or debt covenants.

Principal and interest maturities on notes and bonds payable in future periods for the year ending June 30, 2010, are as follows:

	Bonds		Notes	
	Principal	Interest	Principal	Interest
2011	\$ 3,400,000	\$ 3,284,555	\$ 709,061	\$ 277,139
2012	3,565,000	3,125,047	857,405	238,945
2013	3,730,000	2,956,920	895,567	194,433
2014	3,905,000	2,777,993	941,640	148,360
2015	3,990,000	2,592,724	924,257	100,743
2016-2020	22,510,000	9,882,071	1,287,044	62,162
2021-2025	18,645,000	4,354,245		
2026-2030	6,785,000	1,279,286		
2031-2034	2,125,000	214,775		
	<u>\$68,655,000</u>	<u>\$30,467,616</u>	<u>\$ 5,614,974</u>	<u>\$ 1,021,782</u>

Pledged Revenue—As disclosed, the University currently has two bond issues outstanding: the Student Facilities Fee Revenue Bond (Series 1998) and the General Refunding and Improvement Revenue Bonds, Series 2003, which include 2004A, 2004B, 2004C, 2006 and 2007. The University has pledged certain revenues as collateral for these bonds. The pledged revenue amounts as of June 30 are as follows:

	2010		
	Student Facilities Fee Revenue Bonds		Total
Pledged Revenues	Series 1998	Series 2003, 2004C, 2004A, 2004B, 2006 and 2007	
Matriculation fee		\$ 37,433,993	\$ 37,433,993
Student facilities fee	3,630,557	472,816	4,103,373
Revenue of student housing system		4,951,674	4,951,674
CAES Lease payments		850,104	850,104
Investment income		10,864	10,864
	<u>\$ 3,630,557</u>	<u>\$ 43,719,451</u>	<u>\$ 47,350,008</u>
Debt Service	<u>\$ 1,126,118</u>	<u>\$ 5,558,496</u>	<u>\$ 6,684,614</u>
Debt service coverage	<u>322%</u>	<u>787%</u>	<u>708%</u>
Coverage requirement	<u>110%</u>	<u>110%</u>	

2009			
Pledged Revenues	Student Facilities Fee Revenue Bonds		Total
	Series 1998	Series 2003, 2004C, 2004A, 2004B, 2006	
Matriculation fee		\$ 31,145,718	\$ 31,145,718
Student facilities fee	3,234,401	421,146	3,655,547
Revenue of student housing system		4,598,790	4,598,790
CAES lease payments		522,857	522,857
Investment income	10	144,394	144,404
	<u>\$ 3,234,411</u>	<u>\$ 36,832,905</u>	<u>\$ 40,067,316</u>
Debt Service	<u>\$ 1,128,825</u>	<u>\$ 5,237,470</u>	<u>\$ 6,366,295</u>
Debt service coverage	<u>287%</u>	<u>703%</u>	<u>629%</u>
Coverage requirement	<u>110%</u>	<u>110%</u>	

As indicated, the Student Facilities Fee is pledged for Series 1998, Series 2003, Series 2004A, Series 2004B, Series 2004C, Series 2006, and Series 2007 bonds. The Revenue of the Housing System is pledged for the Series 2003 bond and CAES lease payments are pledged for Series 2006 bonds.

8. ACCOUNTING FOR LEASES

The University is a lessor under a ground lease agreement with Portneuf Medical Center (lessee). The lease commenced August 1992 and extends for 20 years with a renewal option for an additional 20 years, exercisable in the final year of the original lease term. The lease allows for the construction of a sports medicine facility (the Facility) on the premises, which was completed in September 1994. The lessee pays rent of \$1 per year for the ground lease, payable on the date of the execution of the lease and annually thereafter on the anniversary date of such execution.

The University leases a weight/training room and associated common areas from Portneuf Medical Center (lessor). The lease also began August 1992 and is 20 years, with a renewal option for an additional 20 years, exercisable if the lessor exercises its option to renew, as provided in the ground lease agreement. Rent for the weight/training room portion of the lease is \$1 per year. Rent for shared use of the common areas is \$14,000 per year. Rents for the initial term and optional lease term are payable on the date of the execution of the lease and annually thereafter on the anniversary date of such execution. Upon expiration of the lease term, the Facility shall become the property of the University. ISU leases building and office facilities under various non-cancelable operating leases. Total costs for such leases were \$512,463 and \$1,051,594 for the years ended June 30, 2010 and 2009, respectively.

Future minimum lease payments at June 30, 2010 for all leases are as follows:

Fiscal Year	Payments
2011	\$ 257,371
2012	181,868
2013	181,867
2014	126,501
2015	<u>-</u>
Totals	<u>\$ 747,607</u>

In 2006, Idaho State University (lessor) entered into a lease agreement with Battelle Energy Alliance, LLC (lessee) for facilities located in the newly constructed Center for Advanced Energy Studies (CAES). The lease commenced September 2009 and extends through March 5, 2028.

Minimum future rental income on this operating lease is as follows:

Fiscal Year	
2011	\$ 850,104
2012	850,104
2013	850,104
2014	850,104
2015	850,104
2016-2028	<u>10,838,826</u>
Totals	<u>\$ 15,089,346</u>

Battelle Energy Alliance, LLC makes all lease payments directly to the trustee. Rental income is restricted and is to be used solely for debt service on the 2006 Revenue bonds, the proceeds from which were used to construct the facility. As of June 30, 2010, the book value of the building is \$16,807,801, which is net of accumulated depreciation in the amount of \$522,454.

9. RETIREMENT PLANS AND TERMINATION PAYMENTS

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 and obligations to contribute to the plan were established, and may be amended by, the Idaho State Legislature. Financial reports for the plan are available from PERSI's website at 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 2.00% of the average monthly salary for the highest consecutive 42 months.

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

	2010	2009	2008
University contributions required and paid	\$2,666,184	\$2,862,506	\$2,909,214
Employee contributions	\$1,597,805	\$1,716,406	\$1,744,718
Total contributions	\$4,263,989	\$4,578,912	\$4,653,932
University required contribution rate	10.39%	10.39%	10.39%
Employee contribution rate	6.23%	6.23%	6.23%

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

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

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

Contributions required and paid are as follows:

	2010	2009	2008
University contributions required and paid	\$5,463,978	\$5,536,217	\$5,413,695
Employee contributions	\$4,108,157	\$4,164,171	\$4,072,113
Total Contribution	\$9,572,135	\$9,700,388	\$9,485,808
University required contribution rate	9.30%	9.30%	9.30%
Employee contribution rate	6.96%	6.97%	6.97%

Although enrollees in the ORP no longer belong to PERSI, the University is required to contribute a percentage of the annual covered payroll to PERSI. Effective July 1, 2007, the percentage was changed from 3.03% to 1.49% allowing the difference of 1.54% to be used to increase the University's contribution to ORP retirement accounts. In addition, the payoff period of the unfunded liability obligation was extended from July 1, 2015 to July 1, 2025. During the years ended June 30, 2010 and 2009, supplemental funding payments to PERSI were \$879,094 and \$890,640, respectively. These amounts are not included in the regular University PERSI contribution discussed previously.

Termination Payments— Employees who qualify for retirement under PERSI or ORP are eligible to use 50.00% of the cash value of their unused sick leave to continue their medical insurance coverage through the University. The University partially funds these obligations by depositing 0.65% of employee gross payroll to PERSI, who administers the plan for all participating ISU employees and retirees under a trust fund. The total contributions for the years ended June 30, 2010 and 2009 were \$549,987 and \$567,314, respectively.

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Summary of Plans

The University participates in other postemployment benefit plans relating to health and disability administered by the State of Idaho as agent multiple-employer defined benefit plans. The Life Insurance benefit is a single-employer defined benefit plan. Idaho Code, Sections 67-5760 to 67-5767 and 72-1335, establishes the benefits and contribution obligations. Each of these benefits is provided by the University to retired or disabled employees. The most recent actuarial valuation is as of June 30, 2008. The University has not set aside any assets to pay future benefits; the University funds these benefits on a pay-as-you-go basis.



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
P.O. Box 83720
Boise, ID 83720-0011
www.sco.idaho.gov

Plan Descriptions and Funding Policy

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 PERSI may elect to purchase 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. An officer or employee must be an active employee on or before June 30, 2009, and retire directly from State service. Retirees eligible for medical health insurance pay the majority of the premium cost; however, the retiree plan costs are subsidized by the active employee plan. The maximum benefit is \$1,860 per retiree per year. The University contributed \$16.44 per active non-retired employee per month towards the retiree premium cost. Beginning January 1, 2010, coverage was not available to Medicare eligible retirees or their Medicare-eligible dependents.

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

The plan provides long-term disability income benefits to active employees who become disabled, generally up to a maximum age of 70. The gross benefit equals 60 percent of monthly pre-disability salary or \$4,000, whichever is less. The benefit does not increase with inflation and may be offset by other sources of income such as Social Security, Workers' Compensation, unemployment benefits, and certain retirement benefits. The State is self-insured for employees who became disabled prior to July 1, 2003; the State pays 100 percent of the cost of this benefit. The amount of the contribution is based on active claims and the number of insured individuals.

Employees 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 0.324 and 0.330 percent of payroll in fiscal year 2010 and 2009, respectively. This portion of the long-term disability income benefit is not included in the actuarial estimate.

For up to 30 months following the date of disability, an employee is entitled to continue healthcare coverage under the State plan. The University pays 100 percent of the University's share of medical and dental premiums while the employee remains disabled. The employee is required to pay the normal active employee contribution for the plan and rate category in which the employee is enrolled. The University's contribution was \$7.61 and \$6.96 per active employee per month in fiscal year 2010 and 2009, respectively.

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

Life Insurance Plan-This plan provides basic life insurance for certified retired employees. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at least 80 to qualify for this benefit. Eligible retirees receive basic life insurance coverage equal to 100 percent of their annual salary at retirement. The University pays 100 percent of the cost of basic life insurance for eligible retirees. The University's contribution for the period as a percent of payroll was 2.04% for retirees under age 65, 1.57% for retirees between the ages of 65 and 69, and 1.08% for retirees over age 70.

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 Nos. 43 and 45. The following table illustrates the annual OPEB cost, the amount of the contributions made, the increase (decrease) in the net OPEB obligation (NOO), and the NOO (funding excess) for the current year.

Annual OPEB Cost and Net OPEB Obligation 2010

(dollars in thousands)

	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	Total
		Income	Healthcare	Life Insurance		
Annual Required Contributions	\$298	\$86	\$157	\$68	\$881	\$1,490
Interest	108	(3)	3	(0)	56	164
Adjustment to ARC	(145)	4	(4)	0	(75)	(220)
Total Annual OPEB Cost	261	87	156	68	862	\$1,434
Contributions Made	(153)	(69)	(87)	(73)	(223)	(605)
Increase (Decrease) in NOO	108	18	69	(5)	639	829
NOO – Beginning of Year	2,365	(57)	69	(4)	1,251	3,624
NOO (Funding Excess) – End of Year	\$2,473	(\$39)	\$138	(\$9)	\$1,890	\$4,453

Annual OPEB Cost and Net OPEB Obligation 2009

(dollars in thousands)

	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	Total
		Income	Healthcare	Life Insurance		
Annual Required Contributions	\$337	\$91	\$162	\$73	\$842	\$1,505
Interest	118	(3)	3	1	29	148
Adjustment to ARC	(161)	4	(4)	(2)	(39)	(202)
Total Annual OPEB Cost	294	92	161	72	832	\$1,451
Contributions Made	(326)	(88)	(155)	(106)	(207)	(882)
Increase (Decrease) in NOO	(32)	4	6	(34)	625	569
NOO – Beginning of Year	2,397	(61)	63	30	626	3,055
NOO (Funding Excess) – End of Year	\$2,365	(\$57)	\$69	(\$4)	\$1,251	\$3,624

Annual OPEB Cost Comparison

The annual OPEB cost (AOC) is actuarially determined based on the annual required contribution (ARC) of the employer in accordance with GASB Statements Nos. 43 and 45. The following table compares the AOC, the percentage of annual OPEB cost contributed, and the net OPEB obligation (funding excess) for the current and prior year.

Annual OPEB Cost Comparison (dollars in thousands)							
		Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	Total
			Income	Healthcare	Life Insurance		
Annual OPEB Cost	2010	\$261	\$87	\$156	\$68	\$862	\$1,434
	2009	294	\$92	\$161	\$72	\$832	\$1,451
	2008	3,134	22	67	145	767	\$4,135
Percentage of AOC Contributed	2010	58.79%	79.71%	55.65%	107.47%	25.89%	42.23%
	2009	111.02%	96.03%	96.06%	147.37%	24.89%	60.76%
	2008	23.52%	377.27%	56.72%	56.55%	18.25%	26.12%
NOO (Funding Excess) - End of Year	2010	\$2,472	(\$39)	\$139	(\$9)	\$1,890	\$4,453
	2009	\$2,365	(\$57)	\$69	(\$4)	\$1,251	\$3,624
	2008	\$2,397	(\$61)	\$30	\$63	\$626	\$3,055

Required Supplementary Information

Funded Status and Funding Progress-The following table illustrates the funded status and the funding progress for the University (dollars in thousands):

Funded Status and Funding Progress (dollars in thousands)					
	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan
		Income	Healthcare	Life Insurance	
Actuarial Valuation Date	7/1/2008	7/1/2008	7/1/2008	7/1/2008	7/1/2008
1 Actuarial Value of Assets	\$0	\$0	\$0	\$0	\$0
2 Accrued Liability (AAL)	\$2,228	\$599	\$860	\$1,029	\$9,753
3 Unfunded AAL (UAAL) (2) - (1)	\$2,228	\$599	\$860	\$1,029	\$9,753
4 Funded Ratios (1) : (2)	0.0%	0.0%	0.0%	0.0%	0.0%
5 Annual Covered Payroll	\$84,670	\$84,670	\$84,670	\$84,670	\$84,670
6 UAAL as a Percentage of Covered Payroll (3) : (5)	2.63%	0.71%	1.02%	1.21%	11.52%

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information contains multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial



accrued liability for benefits. Calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members. 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.

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

Significant Methods and Actuarial Assumptions

	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan
	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
	Level		Level	Level	Level
Amortization Method	Percentage of Payroll	Level Dollar Amount	Percentage of Payroll	Percentage of Payroll	Percentage of Payroll
Amortization Period	11 years, Closed	8 years, Closed	30 years, Open	30 years, Open	30 years, Open
Assumptions:					
Inflation Rate	3.0%	3.0%	3.0%	3.0%	3.0%
Investment Return	4.50%	5.25%	4.50%	5.25%	4.50%
OPEB Increases	N/A	N/A	N/A	N/A	3.75%
Projected Salary Increases	3.75%	3.75%	3.75%	3.75%	3.75%
Healthcare Cost Initial Trend Rate	13.60%	N/A	13.60%	N/A	N/A
Healthcare Cost Ultimate Trend Rate	5.00%	N/A	5.00%	N/A	N/A

11. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATION

2010								
	Personnel			Insurance, Utilities	Scholarships and			Operating Expenses
	Costs	Services	Supplies	and Rent	Fellowships	Depreciation	Miscellaneous	Totals
Instruction	\$ 71,685,567	\$ 5,428,243	\$ 3,300,327	\$ 211,328			\$ 888,124	\$ 81,513,589
Research	12,324,484	2,780,309	1,558,916	184,649			546,252	17,394,610
Public services	3,369,945	342,517	352,930	105,853			120,172	4,291,417
Academic support	8,256,116	1,559,786	1,195,964	28,190			311,034	11,351,090
Libraries	2,325,247	114,890	70,325				11,999	2,522,461
Student services	6,489,784	550,471	214,551	17,125			171,191	7,443,122
Institutional support	13,011,417	2,995,627	1,057,630	145,072			317,098	17,526,844
Maintenance and operations	5,574,623	2,529,755	1,192,941	4,257,773			17,218	13,572,310
Auxiliary enterprises	10,335,189	4,944,440	2,256,783	2,222,339			1,549,955	21,308,706
Scholarships and fellowships					20,067,882		200	20,068,082
Depreciation						10,832,307		10,832,307
Total expenses	<u>\$ 133,372,372</u>	<u>\$ 21,246,038</u>	<u>\$ 11,200,367</u>	<u>\$ 7,172,329</u>	<u>\$ 20,067,882</u>	<u>\$ 10,832,307</u>	<u>\$ 3,933,243</u>	<u>\$ 207,824,538</u>

2009								
	Personnel			Insurance, Utilities	Scholarships and			Operating Expenses
	Costs	Services	Supplies	and Rent	Fellowships	Depreciation	Miscellaneous	Totals
Instruction	\$ 75,428,512	\$ 5,799,960	\$ 4,332,717	\$ 287,565			\$ 1,002,655	\$ 86,851,409
Research	12,400,542	2,848,036	1,500,274	91,740			441,873	17,282,465
Public services	4,203,174	457,461	237,041	122,621			107,056	5,127,353
Academic support	7,849,732	2,088,258	1,129,549	36,176			203,217	11,306,932
Libraries	2,434,687	155,957	(55,868)	51			17,359	2,552,186
Student services	6,391,869	434,849	335,465	14,766			251,958	7,428,907
Institutional support	12,646,992	3,176,618	1,136,080	195,686			669,466	17,824,842
Maintenance and operations	5,784,875	4,395,769	639,863	5,179,030			6,340	16,005,877
Auxiliary enterprises	10,759,685	3,548,131	3,056,053	1,985,964			2,298,325	21,648,158
Scholarships and fellowships					15,048,716			15,048,716
Depreciation						10,047,530		10,047,530
Total expenses	<u>\$ 137,900,068</u>	<u>\$ 22,905,039</u>	<u>\$ 12,311,174</u>	<u>\$ 7,913,599</u>	<u>\$ 15,048,716</u>	<u>\$10,047,530</u>	<u>\$ 4,998,249</u>	<u>\$ 211,124,375</u>

12. CONTINGENCIES AND LEGAL MATTERS

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 the 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 administration believes any ultimate liability in these matters will not materially affect the financial position of the University.

13. RISK MANAGEMENT

The University participates in the State of Idaho Risk Management Program, which manages property and general liability risk. That program provides liability (cap) protection to \$500,000 per occurrence. Insurance premium payments are made to the State risk management program based on rates determined by a State agency's loss trend experience and asset value covered. Presently, Idaho State University's total insured property value is \$797,816,169.

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

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

14. COMPONENT UNIT DISCLOSURE

The Idaho State University Foundation, Inc. is discretely presented within the financial statements as a component unit.

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

Foundation Operations

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

Basis of Accounting

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

received. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

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

Temporarily Restricted Net Assets – Net assets are subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Permanently Restricted Net Assets – Net assets are subject to donor-imposed restrictions that they be maintained permanently by the Foundation.

Pledges Receivable

Unconditional promises to give (pledges) are recognized as an asset and contribution revenue in the period the promise is received. Pledges to be received after one year are discounted at rates commensurate with risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any.

Obligations under Split Interest Agreements

The Foundation administers such life income agreements as charitable remainder trusts where an income beneficiary is the lifetime recipient of income and the Foundation is the remainder beneficiary. Upon receipt of the gift, a liability is established for the estimated net present value of the lifetime recipient's interest using applicable mortality tables and a discount rate commensurate with the risks involved. A contribution is recognized for the estimated remainder interest.

Fair Value Measurements

The Foundation has determined the fair value of certain assets and liabilities in accordance with the provisions of FASB Accounting Standards Codification Topic (ASC) 820-10, *Fair Value Measurements*, (formerly FASB Statement No. 157, *Fair Value Measurements*), which provides a framework for measuring fair value under generally accepted accounting principles.



Investments

Investments are recorded in accordance with ASC 958-320 (formerly Statement of Financial Accounting Standards No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*). Investments in equity and debt securities that have readily determinable fair values are recorded at quoted market prices.

Investment securities without quoted market prices are valued at estimated fair value using appropriate valuation methods that consider the underlying assets and financial reports.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near-term could materially affect account balances and the amounts reported in the accompanying financial statements.

Capitalized Bond Issuance Costs

Capitalized bond issuance costs consist of legal costs, underwriting fees, printing and other costs incurred to obtain, secure and rate the multi-mode variable rate revenue Bonds issued for the construction of the L.E. and Thelma Stephens Performing Arts Center on May 30, 2001. The issuance costs for the multi-mode variable rate bonds have an original cost of \$570,000 at May 30, 2001 and are amortized over the term of the bonds using the effective interest rate method. Accumulated amortization of these bond costs at the end of June 30, 2010 and 2009 were \$381,055 and \$359,563, respectively.

Fair Value of Assets and Liabilities

The fair value option was chosen to measure pledges and annuities in order to mitigate volatility in reported changes in net assets.

Assets and liabilities measured at fair value on a recurring basis at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Investment securities		
Mutual funds	\$ 1,591,289	\$ 1,390,360
Fixed income investments	285,023	74,772
Co-mingled and pooled marketable investment funds	34,419,059	29,889,410
Derivatives with synthetic long/short positions	<u>1,462,350</u>	<u>2,438,978</u>
	37,757,721	33,793,520
Gift pledges receivable	<u>3,768,157</u>	<u>4,451,631</u>
Total assets	<u><u>\$41,525,878</u></u>	<u><u>\$ 38,245,151</u></u>
Obligations to beneficiaries under split-interest agreements	<u>\$ 1,216,702</u>	<u>\$ 1,303,742</u>
Total liabilities	<u><u>\$ 1,216,702</u></u>	<u><u>\$ 1,303,742</u></u>

Assets and liabilities measured at fair value on a nonrecurring basis at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Property held for sale and investments	<u><u>\$ 821,401</u></u>	<u><u>\$ -</u></u>

The related fair value of these assets and liabilities as of June 30, 2010 are determined as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds				
Index fund	\$ 1,591,289	\$ -	\$ -	\$ 1,591,289
Fixed income investments	156,434	128,589	-	285,023
Co-mingled and pooled marketable investment funds	-	34,419,059	-	34,419,059
Derivatives with synthetic long/short positions	-	-	1,462,350	1,462,350
Property held for sale and investments	-	-	821,401	821,401
Gift Pledges receivable	-	-	3,768,157	3,768,157
	<u>\$ 1,747,723</u>	<u>\$ 34,547,648</u>	<u>\$ 6,051,908</u>	<u>\$ 42,347,279</u>
Obligations to beneficiaries under split-interest agreements	\$ -	\$ -	\$ 1,216,702	\$ 1,216,702
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,216,702</u>	<u>\$ 1,216,702</u>

The related fair value of these assets and liabilities as of June 30, 2009 are determined as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds				
Index fund	\$ 1,390,360	\$ -	\$ -	\$ 1,390,360
Fixed income investments	74,772	-	-	74,772
Co-mingled and pooled marketable investment funds	-	29,889,410	-	29,889,410
Derivatives with synthetic long/short positions	-	-	2,438,978	2,438,978
Gift Pledges receivable	-	-	4,451,631	4,451,631
	<u>\$ 1,465,132</u>	<u>\$ 29,889,410</u>	<u>\$ 6,890,609</u>	<u>\$ 38,245,151</u>
Obligations to beneficiaries under split-interest agreements	\$ -	\$ -	\$ 1,303,742	\$ 1,303,742
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,303,742</u>	<u>\$ 1,303,742</u>

The fair value for mutual fund investments is determined based on quoted market prices. For co-mingled and pooled marketable investment funds, fair value is obtained by using a direct look through basis to the underlying direct asset holdings. At this level, the underlying assets have a direct market reference price that is traceable. For derivative investment funds, fair value is determined with independent, 3rd part valuations occurring monthly to every six months, depending upon the investment type. Pledges receivable value is determined at the present value of expected future cash flows. Annuities obligation under split interest agreements are determined at the present value of expected future outflows.

Assets measured at fair value on a recurring and nonrecurring basis using significant unobservable inputs (level 3) for the year ended June 30, 2010:

	Derivatives with synthetic long/short positions	Gift pledges receivable	Present value of annuity payments	Property held for sale and investments
Beginning balance	\$ 2,438,978	\$ 4,451,631	\$ 1,303,742	\$ 1,484,000
Total unrealized gains and losses included in earnings (or changes in net assets)	(998,061)	(423,074)	(87,040)	-
Write down in value	-	-	-	(662,599)
Calls/transfers in/out of level 3	21,433	(260,400)	-	-
Ending balance	<u>\$ 1,462,350</u>	<u>\$ 3,768,157</u>	<u>\$ 1,216,702</u>	<u>\$ 821,401</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the year ended June 30, 2009:

	Derivatives with synthetic long/short positions	Gift pledges receivable	Present value of annuity payments
Beginning balance	\$ 2,692,804	\$ 5,310,954	\$ 1,860,483
Total unrealized gains and losses included in earnings (or changes in net assets)	(1,459,774)	57,700	(556,741)
Total realized gains and losses	65,738	-	-
Calls/transfers in/out of level 3	1,140,210	(917,023)	-
Ending balance	<u>\$ 2,438,978</u>	<u>\$ 4,451,631</u>	<u>\$ 1,303,742</u>



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
Idaho State University
Pocatello, Idaho

We have audited the financial statements of Idaho State University (the University) and its discretely presented component unit as of and for the year ended June 30, 2010, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 5, 2010. 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 unit as described in our report on the University's financial statements. This report does not include our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. The financial statements of Idaho State University Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Controls 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Internal Controls Over Financial Reporting, Cont.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as Finding 2010-01 and 2010-02 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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, others within the entity, 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 5, 2010

:abm

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

Idaho State Board of Education
Idaho State University
Pocatello, Idaho

Compliance

We have audited Idaho State University's (the University) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2010. 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 reports 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 reports of the 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.

Compliance, Cont.

An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures we consider 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, the University complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2010-03, 2010-04 and 2010-05.

Internal Control Over Compliance

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 and to test and report on internal controls over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

We did not consider internal controls 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 controls over those compliance requirements were considered by the other auditors referred to above; and our report, insofar as it relates to the University's internal control over those compliance requirements, is based solely upon the reports of the other auditors.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

Internal Control Over Compliance, Cont.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material* weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-03 to be a material weakness.



This report is intended solely for the information and use of management, others within the entity, the Idaho State Board of Education, 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
December 21, 2010

:abm

**IDAHO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

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? X yes _____ none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X yes _____ 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? X yes _____ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.048	Career and Technical Education
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.375	Academic Competitiveness Grant
84.376	National Science and Mathematics Access to Retain Talent Grant
84.379	Federal TEACH Grant
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds
	Medicaid Cluster:
93.778	Medical Assistance Program
Various	Research & Development Cluster

**IDAHO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

	State Fiscal Stabilization Grant Cluster:
84.394A	State Fiscal Stabilization Fund – Education State Grants, Recovery Act
	TRIO Cluster:
84.042	Student Support Services
84.044	Talent Search
84.047	Upward Bound

Dollar threshold used to distinguish
between type A and type B programs: \$ 834,446

Auditee qualified as low-risk auditee? X yes no

Section II - Financial Statement Findings

FINDING 2010-01 –Responsibilities of Financial Reporting and Year End Closing Entries

Criteria or specific requirement - The structure of the controller's office should reflect the size and complexity of the University so there is an equitable distribution of workload, maximization of efficiency, and assurance of adequate segregation of duties. In addition, personnel should be cross-trained to ensure that the financial close and reporting process can be completed in a timely manner.

Condition - In the past several years, the controller's office has been constrained, and there has been too much dependence on one person to perform the financial close and reporting process.

Cause - There has been an increase in the overall complexity and growth of the University. The University implemented an Enterprise Resource Planning (ERP) system to meet the increasing financial and operating needs. The implementation of the new system did not consider the need for additional staffing. As a result, the implementation has caused an increased strain on accounting managers to complete their responsibilities in a timely manner as they spend more time troubleshooting and becoming familiar with the new system. Prior to the implementation of the ERP system, there was already a heavy dependence on one specific person to complete key transactions and procedures and there has been minimal cross-training.

Effect - The required schedules and financial statement drafts were not completed in accordance with the original agreed upon timeline and the audited financial statements were submitted late to the State Board of Education. Although we noted no material misstatement during our examination, there is a risk that material misstatement may not be detected by management due to the staffing deficiencies. In addition, there is a risk that business operations would suffer significantly if key accounting managers are absent or no longer with the University.

**IDAHO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

FINDING 2010-01 –Responsibilities of Financial Reporting and Year End Closing Entries, Cont.

Recommendation - We recommend the University assess the roles and responsibilities of the current employees in the controller's office to maximize staffing needs in addition to the development of staff to meet future business operations. We commend management for hiring two additional people within the department and recommend those additional hires be included in the assessment. We also recommend that the University cross-train among the various duties, and develop a formal policies and procedures manual.

FINDING 2010-02 – Schedule of Expenditure of Federal Awards Preparation

Criteria - In deciding whether a subrecipient or vendor relationship exists, the substance of the relationship is more important than the form of the agreement, and it is not expected that all of the characteristics of a subrecipient described in OMB Circular A-133 §__.210 will be present. A subrecipient relationship exists when funding from a pass-through entity is provided to perform a portion of the scope of work or objectives of the pass-through entity's award agreement with the federal awarding agency. A subrecipient performs part of the project activities. A vendor, on the other hand, is generally a dealer, distributor, or other seller that provides, for example, supplies, expendable materials, or data processing services in support of the project activities.

Condition – In fiscal year 2010, at the request of Moss Adams, the University reevaluated several Department of Energy subcontracts and determined that the University was a subrecipient rather than a vendor.

Cause - There are several characteristics of a subrecipient, all of which do not have to be present, thus this determination can be difficult.

Effect - The preliminary Schedule of Expenditures of Federal Awards (SEFA) did not have all federal expenditures. This was corrected on the final SEFA.

Recommendation - We recommend the University review OMB Circular A-133 §__.210 when making the determination between a subrecipient and a vendor.

**IDAHO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Section III - Federal Award Findings and Questioned Costs

FINDING 2010-03—Equipment Management – Material Weakness

Federal Program: Research and Development Cluster

Federal Agencies: National Science Foundation (CFDA #47.076), Department of Health and Human Services (CFDA #93.888, CFDA #93.273, CFDA #93.912), Department of Energy (CFDA #81.112)

Criteria - 2 CFR Section 215.34 (f)(3) stipulates a physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years.

Condition: The University did not physically inventory federal equipment in accordance with federal requirements.

Questioned Costs - None.

Context - Nine of the ten pieces of equipment tested had not been physically inventoried in accordance with federal guidelines. The last physical inventory for some of these pieces was in fiscal year 2007 and the others were inventoried in fiscal year 2008.

Effect - By not physically inventorying equipment in accordance with federal guidelines, there is the possibility for equipment to be sold, moved, transferred, stolen, misplaced, or disposed of. The University would not be aware of any of these changes in a timely manner.

Cause - University personnel who performed the physical inventory were following a three-year schedule, rather than following federal requirements to inventory equipment every two years. In addition, with the implementation of the BANNER system, the University did not physically inventory equipment during fiscal year 2009 or 2010.

Recommendation - Moss Adams recommends the University implement policies and procedures to physically inventory federal equipment in accordance with compliance requirements.

2010-04 – Timely Reporting of Disbursements (Adjustments)

Federal Program - Student Financial Assistance Cluster

Federal Agency - Department of Education

**IDAHO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

2010-04 – Timely Reporting of Disbursements (Adjustments), Cont.

Criteria - Per 34 CFR 685.301(e) a school must submit the initial disbursement record for a loan no later than 30 days following the date of the initial disbursements. The school must submit subsequent disbursement records, including adjustment and cancellation records, no later than 30 days following the date of the disbursement, adjustment, or cancellation is made.

Condition - During the testing of student files we noted the University had multiple instances where they did not submit subsequent adjustments and cancellations within the proper timeframe.

Questioned Costs - None

Context - For 14 of the 29 students tested, the adjustment was not reported timely.

Effect - The noncompliance resulted in incomplete student data available for the Department of Education and other Common Origination and Disbursement (COD) users.

Cause - This was a finding the prior year related to changes in key personnel and has not been fully corrected in fiscal year 2010.

Recommendation - Moss Adams recommends the University more closely monitor their reporting to COD to ensure timely reporting of subsequent adjustments and cancellations.

2010-05 – Return to Title IV Funds

Federal Program - Student Financial Assistance Cluster

Federal Agency - Department of Education

Criteria -

- a. Per 34 CFR 668.22(j)(2) a school must determine the withdrawal date (for a student who withdrew without providing notification) within 30 calendar days from the earlier of (1) the end of the payment period or period of enrollment, as applicable, (2) the end of the academic year, or (3) the end of the student's educational program.
- b. Per 34 CFR 668.173(b), an institution must return the amount of Title IV funds for which it is responsible as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew.

**IDAHO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

2010-05 – Return to Title IV Funds, Cont.

Condition -

- a. During the testing of student files, we noted the University had one instance where they did not determine the withdrawal date within the proper timeframe for a student who withdrew without providing notification to the University.
- b. During our testing of student files, we noted the University had one instance where funds were not returned within 45 days after the date of the University's determination that the student withdrew.

Questioned Costs - None

Context - We tested 29 student withdrawals and had one instance where funds were not returned timely and one instance where the withdrawal date was not determined timely. This is a repeat finding from prior year.

Effect -

- a. Based on the policy used, a student was not identified within the proper time frame.
- b. Title IV funds required to be returned to the Department of Education were returned but not within the required timeframe.

Cause - This was a finding from the prior year that has not been fully corrected in fiscal year 2010.

Recommendation -

- a. Moss Adams recommends the University more closely monitor withdrawal dates to ensure compliance within 30 calendar days from the federal time limits.
- b. Moss Adams recommends the University more closely monitor the date funds are required to be returned to ensure funds due to the Department of Education are returned within 45 days of determining the student's withdrawal date.

**IDAHO STATE UNIVERSITY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010**

2009-01 - Lack of Adequate Staffing Related to the Responsibilities of Financial Reporting and Year End Closing Entries

Condition: In the past several years, there has been an increase in the overall complexity and growth of the University, which is reflected in the business transactions. This has caused a strain on accounting managers to complete their responsibilities in a timely manner. In addition, there is dependence on accounting managers to complete key transactions and procedures where, due to the inadequate staffing levels, there is minimal cross-training or comprehensive monitoring of responsibilities due to unique nature of the transactions.

Recommendation: Due to the current economic conditions, there was a conscientious effort to justify additional costs. However, we recommended the University assess the staffing needs of the controller's office and plan for increasing capacity to meet the current responsibilities. An increase in capacity would eliminate excessive overtime and help to ensure the proper functions were performed by the proper employee, thereby ensuring proper internal control. Additionally, balanced workloads would ensure employees have the appropriate time to dedicate to the accurate completion of their tasks. Although the University expected the new Enterprise Resource Planning (ERP) system would streamline accounting procedures, the system was in the beginning phases of implementation, and it could take years before the benefits of the system will be seen.

View of Officials and Current Year Status: The University has increased the staff size. The third staff member approved for hire, a senior accountant with Banner experience, was hired in FY10.

Additional steps that have been taken include:

- An additional senior accountant with prior Banner experience was hired in early FY11.
- Authorization has been granted for up to four additional staff members.
- A senior accountant was delegated the payroll function, removing the majority of this workload from the associate controller.
- Delegated the fixed asset responsibilities from Karen Sparks, the Associate Controller, to a senior accountant.
- Delegated portions of the accounts receivable functions from Karen Sparks to a new senior accountant.
- Delegated the Department of Public Works (DPW) accounting and portions of the P-Card and purchase order review to a new senior accountant.
- Delegated portions of the journal entry responsibility from Karen Sparks to an assistant controller and a financial technician.

**IDAHO STATE UNIVERSITY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010**

2009-01 - Lack of Adequate Staffing Related to the Responsibilities of Financial Reporting and Year End Closing Entries, Cont.

Additionally, plans call for:

- Delegation of the bank reconciliation responsibilities to a senior accountant.
- Providing additional cross-training of an assistant controller on the financial statement compilation process.

While the focus of these changes is to reduce the University dependence on a single employee and provide the additional staffing necessary to allow it to happen, we were unable to complete some of the changes in sufficient time to have a major impact on the fiscal year 2010 financial statement process.

2009-02 - Procurement: Suspension and Debarment Certifications Federal Program: Medical Assistance Program

Federal Agency: Department of Health and Human Services

Condition: The major program as listed above had one covered transaction exceeding \$25,000 for which verification of the suspension and debarment status did not occur.

Recommendation: The University should develop and implement procedures to ensure suspension and debarment verifications were performed for all categories of covered transactions. In addition, we further recommended a grants coordinator monitor all federal purchasing to ensure compliance with OMB Circular A-100, section 13.

View of Officials and Current Year Status: As noted above, the Office of Purchasing did in fact place additional emphasis on making sure the Excluded Parties List System (EPLS) inquiries and validations were conducted as required on procurement transactions. Additional steps taken to help document continued compliance is that a copy of the inquiry is printed and included in the purchase order file. In addition, direct pay documents not routed through the Office of Purchasing now include an EPLS check-off box that the office of Grants and Contracts reviews and validates.

**IDAHO STATE UNIVERSITY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010**

2009-03 - Return to Title IV Funds

Federal Program: Student Financial Assistance Cluster Federal Agency: Department of Education

Condition: a.) During the testing of student files, we noted the University had two instances where they did not determine the withdrawal date for students who withdrew without providing notification to the University within the proper timeframe.

b.) During the testing of student files, we noted the University had one instance where funds were not returned within 45 days after the date of the University's determination that the student withdrew.

Recommendation: a.) Moss Adams recommended the University more closely monitor withdrawal dates to ensure compliance within 30 calendar days from the federal time limits.

b.) Moss Adams recommended the University more closely monitor the withdrawal dates to ensure funds due to the Department of Education are returned within 45 days of determining the student's withdrawal date.

View of Officials and Current Year Status: The University did in fact place additional emphasis on this issue and succeeded in filling the vacancy that contributed to the untimely determination of withdrawal dates and late submission of title IV funds. However, as a result of implementation of a new ERP system and going live with the Finance module and parts of the student financial accounting system, there continued to be some instances of untimely submissions. We are confident that now that the systems are in place the majority of this problem will be resolved. However, as an added measure, and because of the growth and complexity of this function, the University will also be adding an additional full-time person to assist with the student financial accounting functions.

2009-04 - Timely Disbursements

Federal Program: Student Financial Assistance Cluster Federal Agency: Department of Education

Condition: During the testing of student files, we noted the University had multiple instances where they did not submit initial disbursements or subsequent adjustments and cancellations within the proper timeframe.

**IDAHO STATE UNIVERSITY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010**

2009-04 - Timely Disbursements, Cont.

Recommendation: Moss Adams recommended the University more closely monitor their reporting to common origination and disbursement (COD) to ensure timeliness of initial disbursements and subsequent adjustments and cancellations.

View of Officials and Current Year Status: As noted above, the University replaced the individual with primary responsibility for submitting loan disbursement records to COD and while the ERP implementation impacted the amount of time available to the replacement, they were able to stay current. To assist in further assurance of continued timeliness of disbursements, the University will be adding an additional full-time person to assist with the student financial accounting functions.

IDAHO STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grant/Program Title	Federal CFDA Number	Expenditures			
DEPARTMENT OF AGRICULTURE					
Germino: Usda Weeds	10.206	\$32,284	R	2	
Bromus REEnet	10.309	16,285	R	2	
Pass Through Payments					
USU Wildlife Conflicts - INL	10.028	6,214	R	2	
St. Hilaire: Fly Project-Usda	10.200	1,331	R	2	
Early Learning Center	10.558	70,119	O		
ISU Preschool	10.558	16,657	O		
UPWARD BOUND	10.559	9,234	T		
Total Department of Agriculture		\$152,124			
DEPARTMENT OF COMMERCE					
NOAA Geospatial Outreach	11.460	\$91,397	R	2	
B-Cal-3	11.460	78,375	R	2	
BCAL Map Window	11.460	73,815	R	2	
Pass Through Payments					
Idaho Manufacturing Alliance/Eda	11.303	53,371	T		
Manufacturing Ext. Partnership	11.611	40,137	P		
Tech Help NIST	11.611	29,100	T		
Total Department of Commerce		\$366,195			
DEPARTMENT OF DEFENSE					
Fissionable Materials	12.300	\$200	R	2	
SNM Forensics	12.351	350,547	R	2	
Smart Prosthetic Hand	12.420	199,330	R	2	
Eolian Soil Transport	12.431	98,579	R	2	
Hi Intenserad Chem/Bio Def Yr2	12.800	1,080,709	R	2	
Advanced Radiation Detection	12.800	84,787	R	2	
Total Department of Defense		\$1,814,152			
DEPARTMENT OF INTERIOR					
BIA ANCSA GIS Project	15.036	\$815	R	2	
Grand Staircase-Escalante Res	15.224	1,910	R	2	
BLM Curation	15.224	3,096	P		
BLM - WUI	15.228	20,968	R	2	
Owyhee Uplands Project	15.230	19,774	R	2	

IDAHO STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grant/Program Title	Federal CFDA Number	Expenditures		
BLM Wind Erosion	15.231	45,646	R	2
SISP Maintenance	15.231	4,997	R	2
Ethnographic Study	15.238	270	R	2
Camas Wildlife Refuge	15.534	6,587	R	2
Leatherside	15.608	8,664	R	2
Selawik Slump Evaluation	15.608	40,874	R	2
Colorado River	15.808	15,326	R	2
USGS-POBS-Telemetry Study	15.808	17,120	R	2
USGS Methow	15.808	89,478	R	2
Yukon River Watershed	15.808	14,328	R	2
Renewable Energy-Sage Grouse	15.808	23,671	R	2
USGS Projects	15.808	7,728	R	2
USGS Grad Research Project	15.808	20,453	R	2
USGS Regional Resource Centers	15.809	5,326	P	
EDMAP: Southern Portneuf Range	15.810	3,886	R	2
EDMAP Shewag Lake Quad	15.810	8,806	R	2
USGS Wildhorse Detachment	15.810	1,103	R	2
USGS Mount Powell	15.810	2,821	R	2
Kipuka Inventory	15.921	54	R	2
Mountain Goats	15.921	31,626	R	2
Peterson Gryn Amphibian Protoc	15.923	18,959	R	2
Pass Through Payments				
SW Alaska Mercury	15.035	7,741	R	2
MTN Quail Restoration To Idaho	15.605	2,655	R	2
Restoring Mountain Quail - Qu	15.611	16,611	R	2
Tex Creek Elk Study	15.611	(981)	R	2
Baxter: USGS - Grand Canyon	15.808	17,161	R	2
Total Department of Interior		\$457,473		
DEPARTMENT OF LABOR				
Energy Systems Tech & Ed Ctr	17.269	\$501,550	T	
Pass Through Payments				
RITA Project	17.261	20,720	T	
Total Department of Labor		\$522,270		
DEPARTMENT OF TRANSPORTATION	Pass Through			
Pass Through Payments				
LFA Stabilization	20.205	\$9,753	R	2
Chip Seal Surface	20.205	18,030	R	2

IDAHO STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grant/Program Title	Federal CFDA Number	Expenditures			
Micro Deval Test	20.205	4,004	R	2	
Frequency Analysis	20.205	(745)	R	2	
ID Transportation Curation	20.205	5,290	R	2,4	ARRA
Total Department of Transportation		\$36,332			
NATIONAL AERONAUTICS & SPACE AGENCY					
NASA O'Neal	43.001	\$194,241	R	2	
NASA International	43.001	166,155	R	2	
NASA Post-Fire	43.001	61,053	R	2	
Pass Through Payments					
Rept Testing	43.001	19,100	R	2	
ISGC Pharis Fellowship	43.001	18,697	R	2	
ISGC Swenson Fellowship	43.001	18,662	R	2	
Phase Memory	43.001	38,859	R	2	
NASA ISGC K-12 Outreach FY06	43.001	16,907	R	2	
Marius Hills Project	43.001	1,066	R	2	
ISGC Mitchell Fellowship	43.001	18,697	R	2	
Effect of Dietary Synbiotics	43.001	15,000	R	2	
Total National Aeronautics & Space Agency		\$568,437			
INSTITUTE OF MUSEUM AND LIBRARY SERVICES					
Idaho Geology Outreach	45.301	\$50,196	T		
Pass Through Payments					
Landscapes	45.025	990	P		
The Big Read	45.129	1,000	P		
Presentations and Keynote	45.129	1,305	P		
Rendezvous IHC Annv Volume	45.129	1,994	R	2	
LSTA Grant 2009	45.310	850	T		
Total Institute of Museum and Library Services		\$56,335			
NATIONAL SCIENCE FOUNDATION					
Harmonious Calibration	47.049	\$90,110	R	2	
NSF-Clas Polarization	47.049	(1,719)	R	2	
Forest NSF	47.049	19,622	R	2	
REU for Applied Physics	47.049	61,621	R	2	
Fossil Plot Project	47.050	45,565	R	2	
Neoproterozoic Rifting Of Utah	47.050	60,518	R	2	

IDAHO STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grant/Program Title	Federal CFDA Number	Expenditures			
Pioneer Mountains MCC	47.050	12,745	R	2	
Equipment Upgrade	47.050	73,310	R	2	
Kelchner NSF Bamboo	47.074	12,416	R	2	
Steroids and Cardia Function	47.074	50,338	R	2	
Terrestrial Ef/Aquatic In	47.074	19,398	R	2	
Crowell - NSF1	47.074	142,687	R	2	
NSF DDIG - Mineau	47.074	6,312	R	2	
NSF DDIG - Bechtold	47.074	9,661	R	2	
Keeley UMEB	47.074	35,284	R	2	
MRI-SEM	47.075	7,983	R	2	
Dyncoopnet	47.075	183,305	R	2	
We Lead 2	47.075	144,280	R	2	
Rsmithgk12Renew	47.076	544,477	R	2	
CSEM Scholarships	47.076	43,938	R	2	
NSF Ate I&C Technician Grant	47.076	129,603	R	2	
Information Security	47.076	131,492	R	2	
Scholarship for Service II	47.076	288,808	R	2	
Fisheries Policy Project	47.078	34,748	R	2	
Sanak Biocomplexity Project	47.078	143,436	R	2	
VZAP	47.078	123,687	R	2	
Alaska Thermokarst	47.078	57,935	R	2	
Understanding Social Networks	47.080	142,158	R	2	
Arctic Climate Holocene	47.082	12,868	R	2,4	ARRA
JLAB NSF	47.082	220,137	R	2,4	ARRA
Pass Through Payments					
UI Fish Erythrocytes	47.041	13,140	R	2	
Quarknet - ND/NSF	47.049	25,191	R	2	
LaserFest on the Road	47.049	5,759	R	2	
HIS Desktop	47.050	54,470	R	2	
Boulder Creek Critical Zone	47.050	14,129	R	2	
Anderson: Sensorimotor Integra	47.074	13,360	R	2	
UW Kuril Island Project	47.078	32,471	R	2	
WRCC EPSCOR - GERMINO	47.080	154,227	R	2	
WRCC EPSCOR - BAXTER	47.080	155,966	R	2	
WRCC EPSCOR - CROSBY	47.080	123,653	R	2	
WRCC EPSCOR - GLENN	47.080	90,102	R	2	
WRCC EPSCOR - WHEATON	47.080	77,255	R	2	
WRCC EPSCOR - AMES	47.080	23,369	R	2	
WRCC EPSCOR/CYBRINFRASTRUCTURE	47.080	85,449	R	2	
WRCC EPSCOR - OFF of RESEARCH	47.080	52,493	R	2	

IDAHO STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grant/Program Title	Federal CFDA Number	Expenditures		
EPSCOR Track 2 Infrastructure	47.081	71,267	R	2
EPSCOR Track 2 Ames	47.081	35,238	R	2
Total National Science Foundation		\$3,874,262		
SMALL BUSINESS ADMINISTRATION				
Pass Through Payments				
SBDC - Pocatello Grant	59.037	\$51,354	P	
SBDC - Idaho Falls Grant	59.037	53,869	P	
Total Small Business Administration		\$105,223		
DEPARTMENT OF VETERAN'S AFFAIRS				
VA SDHS Training	64.115	\$210,883	T	
Total Department of Veteran's Affairs		\$210,883		
ENVIRONMENTAL PROTECTION AGENCY				
Framing Citizenship	66.951	\$14,036	R	2
Pass Through Payments				
Tabletop Exercises	66.001	5,300	T	
Total Environmental Protection Agency		\$19,336		
NUCLEAR REGULATORY AGENCY				
NRC Faculty Development	77.008	\$5,408	T	
Nuclear Ed Scholarships	77.008	112,606	T	
Nuclear Ed Scholar Program	77.008	46,044	T	
NRC Fellowship Program	77.008	155,991	T	
Pass Through Payments				
Motor Operated Valve Training	77.006	36,499	T	
Total Nuclear Regulatory Agency		\$356,548		
DEPARTMENT OF ENERGY				
Isotope Production	81.049	\$783,044	R	2
Isotope Production Construct	81.049	49,961	O	
Development of Positron Source	81.049	90,167	R	2
Warm Dense Matter	81.049	63,727	R	2
Magnuson - DOE-BES	81.049	43,902	R	2
Structure Of Mesons	81.049	38,679	R	2

IDAHO STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grant/Program Title	Federal CFDA Number	Expenditures		
DOE EPSCOR Implementation	81.049	466,625	R	2
IAC AFC Research	81.121	778,513	R	2
Hybrid K-Edge	81.121	145,680	R	2
Nuclear Ed Scholar Program	81.121	59,657	T	
NEUP Infrastructure Support	81.121	237,787	R	2
Pass Through Payments				
Support DTRA - MPTDS	81.000	10,000	R	2
High Repetition Rate	81.000	319,073	R	2
Microstructural Evolution	81.000	18,082	R	2
Air Cargo Inspection	81.000	3,326	R	2
Long Range High Energy Neutron Det	81.000	28,661	R	2
TON Container Inspection System	81.000	56,285	R	2
Standoff Detection	81.000	17,500	R	2
Standoff Detection 2	81.000	24,389	R	2
NEUP Project	81.000	114,358	R	2
Active Inspection Technologies	81.000	88,095	R	2
TON Container Insp Sys II	81.000	87,422	R	2
NEC Tandem	81.000	52,797	R	2
Drum Scanner	81.000	999	R	2
COB INL Grad Assistant Program	81.000	5,412	T	
RA Support	81.000	23,278	T	
Sheridan - Meehan	81.000	610	R	2
Magnuson CAES	81.000	20,777	R	2
Layered Basalt	81.000	11,244	R	2
Separation Methods	81.000	23,986	R	2
Public Discourse	81.000	30,540	R	2
PAK - INL - CO2	81.000	27,917	R	2
IMEL - JA	81.000	102,332	R	2
Stratified Flow Experiments	81.000	4,213	R	2
HSIS Custodial	81.000	11,942	R	2
Basic Thermal Flow	81.000	132	R	2
Support of HSIS Flow	81.000	53,162	R	2
Scaling & Instrumentation	81.000	41,172	R	2
Flux Sensors	81.000	18,896	R	2
ATR Flow Demonstration	81.000	15,943	R	2
UAV Hyperspectral	81.000	6,271	R	2
Integrated Feedstock	81.000	44,328	R	2
Watershed Modeling	81.000	40,857	R	2
Hyperspectral UAV - Year 2	81.000	7,368	R	2
Jacobsen Joint Appointment	81.000	31,547	O	

IDAHO STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grant/Program Title	Federal CFDA Number	Expenditures			
INEEL Book Account	81.000	47,092	T		
INL Education Contract	81.000	292,905	T		
ACE Workshop	81.000	14,466	T		
Graduate Student Support	81.000	14,935	T		
Advanced Fuel Cycle Initiative	81.000	24,856	R	2	
Joint Appointment MLDG	81.000	58,465	R	2	
C14 in Graphite	81.000	37,187	R	2	
INL Student Support	81.000	33,302	R	2	
Ceramic Waste Forms	81.000	26,545	R	2	
NDA TRU Waste	81.000	5,962	R	2	
INL Physics Teacher Workshops	81.000	1,369	T		
CAES Utilization	81.000	8,356	R	2	
Nuclear Engineering Revitalize	81.000	66,603	R	2	
DNA Sequencing for Battelle	81.000	666	R	2	
Lineberry Joint Appointment	81.000	29,109	R	2	
2+2 UI	81.004	10,000	T		
NICCR Treelines	81.049	15,679	R	2	
INRA Irrigation	81.049	36,500	R	2	
INRA Icewater	81.049	35,908	R	2	
Tools for Monitoring Processes	81.049	19,943	R	2	
INRA - Portneuf River	81.049	18,101	R	2	
HFEF Waste Stream	81.049	64,512	R	2,4	ARRA
SPC Waste Stream	81.049	9,853	R	2,4	ARRA
INRA Water Resources	81.049	3,827	T		
Carbon Sequestration	81.089	98,678	R	2	
INEEL Oversight Envir Analysis	81.092	441,538	R	2	
DEQ Enviro Sample Analysis	81.092	26,331	R	2	
INRA Field Trip	81.104	5,267	T		
INRA Core Course Support	81.104	1,237	T		
USTUR	81.104	3,658	R	2	
MIT at INSE	81.121	163,123	R	2	
Nuclear Fuel Processing	81.121	15,346	R	2	
Total Department of Energy		\$5,731,975			
DEPARTMENT OF EDUCATION					
TRIO Pell Supplement	84.042	\$59,280	T	3	
TRIO Student Support Services	84.042	233,917	T	3	
Educational Talent Search	84.044	434,390	T	3	
Upward Bound	84.047	362,720	T	3	

IDAHO STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grant/Program Title	Federal CFDA Number	Expenditures		
ACAD Comp (ACG) Grant	84.375	(775)	T	1
ACAD Comp (ACG) Grant	84.375	330,590	T	1
Federal College Work Study	84.033	503,887	T	1
Federal College Work Study	84.033	105,401	T	1,4 ARRA
Federal Pell Grant 2009	84.063	(13,732)	T	1
Federal Pell Grant 2010	84.063	23,148,078	T	1
SEOG Grant	84.007	265,500	T	1
Direct Lending Subsidized 2009	84.268	(4,636)	T	1
Direct Lending UnSubsidized 2009	84.268	9,642	T	1
Direct Lending PLUS 2009	84.268	1,754	T	1
Direct Lending Grad PLUS 2009	84.268	5,875	T	1
Direct Lending Subsidized 2010	84.268	33,615,297	T	1
Direct Lending UnSubsidized 2010	84.268	36,892,101	T	1
Direct Lending PLUS 2010	84.268	641,859	T	1
Direct Lending Grad PLUS 2010	84.268	1,349,042	T	1
National Smart Grant 2009	84.376	(99)	T	1
National Smart Grant 2010	84.376	571,746	T	1
Federal TEACH Grant 2009	84.379	11,000	T	1
Federal TEACH Grant Grad 2009	84.379	7,000	T	1
Federal TEACH Grant 2010	84.379	417,536	T	1
Federal TEACH Grant Grad 2010	84.379	86,000	T	1
Serious Behavior Disorders	84.324	15,640	R	2
Child Care For Student Service	84.335	173,157	P	
Pass Through Payments				
Adult Basic Ed	84.002	138,500	T	
ABE Staff Development	84.002	7,065	T	
ABE AQ PD Personnel	84.002	10,068	T	
ABE Academy of Excellence	84.002	2,512	T	
ABE Incentive Award	84.002	6,170	T	
ABE Skills Tutor	84.002	4,088	T	
ABE IMAS Contract	84.002	4,000	T	
ABE Federal Admin	84.002	3,669	T	
El/Civics Grant	84.002	10,139	T	
Incarcerated/Inst Grant	84.002	1,690	T	
Adult Basic Ed	84.002	7,280	T	
Idaho Building Capacity	84.010	445,138	P	
ID Building Capacity Phase 2	84.010	325,513	T	
Regional Special Ed Consultant	84.027	448,170	T	
Federal LEAP Grant	84.069	14,204	T	1
Federal SLEAP Grant	84.069	7,052	T	1

IDAHO STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grant/Program Title	Federal CFDA Number	Expenditures		
Speech and Hearing Clinig	84.181	1,028	T	
Robert C Byrd Scholarship	84.185	11,250	T	
MSP08	84.366	100,240	T	
Highly Qualified Teachers	84.367	103,118	T	
Literacy In The Content Area	84.367	43,074	T	
Teacher Evaluation Model Pilot	84.367	34,037	T	
Total Instructional Alignment	84.367	115,129	T	
College Access Challenge Grant Program	84.378	20,405	T	
Title IIC Counselor	84.048A	200,431	T	6
Area V Tech Prep Consortium	84.048A	118,206	T	6
FCS Curriculum Grants	84.048A	10,356	T	6
Resource Center	84.048A	68,840	T	6
FCCLA PTE Marketing Project	84.048A	9,028	T	6
Instructional Equipment Grant	84.048A	249,156	T	6
Carl Perkins Support	84.048A	28,507	T	6
Diversity/Retention Specialist	84.048A	130,329	T	6
Tech General Ed	84.048A	166,655	T	6
CNA Curriculum Grant	84.048A	1,825	T	6
State Fiscal Stabilization Fund	84.394A	3,442,165	T	7 ARRA
Total Department of Education		\$105,511,207		
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
NIH Xct Project	93.113	\$7,437	R	2
TBI	93.234	6,995	R	2
TBI	93.234	253,339	R	2
Youth Suicide Prevention	93.243	137,429	R	2
AAYSP	93.243	247,019	R	2
Alcohol & Cognition	93.273	3,002	R	2
Selvage NIH R01	93.273	206,385	R	2
NIH Sleep Problems	93.273	105,026	R	2
Rural Nurse Residency	93.359	184,386	T	
Schps/Disadvntgd Students	93.407	43,469	T	4 ARRA
Domain Specific Functions	93.701	107,854	R	2,4 ARRA
ALCL, ERT, Cognition Supplement	93.701	81,362	R	2,4 ARRA
Hospital Discharge Model	93.779	238,251	R	2
HCAP-NIH	93.855	63,376	R	2
NIH Action Patterns	93.865	147	R	2
Active Families for Life	93.884	321,471	T	
Patient Simulation	93.887	2,495	T	
Ryan White CDG	93.918	63,336	T	

IDAHO STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grant/Program Title	Federal CFDA Number	Expenditures			
Schps/Disadvntgd PA Students	93.925	26,893	T	1	
Schps/Disadvntgd PT Students	93.925	10,084	T	1	
SDS - Pharmacy	93.925	46,558	T	1	
SDS Speech Pathology	93.925	16,808	T	1	
Pass Through Payments					
LMS Hosting	93.006	23,303	T		
Safe & Stable Families (SASF)	93.087	110,424	T		
Autoimmune Outcomes	93.136	8,530	R	2	
Men Today Men Tomorrow	93.136	15,986	R	2	
HIV Training Program	93.145	114,865	T		
NRHA	93.155	3,485	T		
Seid Hospital	93.211	13,407	O		
Discovery House	93.243	12,662	T		
UCB Ethanol Teratogenesis	93.273	2,121	R	2	
WWAMI Nursing Technology Coll	93.359	5,239	T		
INBRE	93.389	369,111	R	2	
Rape Prev & Educ Pgm/Mens Grp	93.558	10,904	T		
Title IV Training Program	93.558	141,585	T		
Title IV-E	93.658	14,682	T		
Title IV-E Supervision/Training	93.658	27,876	T		
Title IV Scholars Program	93.658	68,988	T		
INBRE Supplement	93.701	13,079	R	2,4	ARRA
Center For Disability Evaluatn	93.778	1,807,390	P	5	
Drug Utilization Review	93.778	261,545	T	5	
Child Developmnt Cntr Trnship	93.778	32,689	T	5	
IDHW Clinical Services	93.778	7,145	T	5	
Aim-High	93.837	38,708	R	2	
CAPTION Study	93.837	20,768	R	2	
Temporal Lobe Epilepsy	93.853	14,106	R	2	
SARMC Human Sim Training	93.888	39,244	T		
Ryan White III Grant	93.918	108,987	P		
HIV Prevention Grant	93.940	5,024	T		
W.I.S.E.	93.940	2,490	T		
Genesis Project	93.940	18,281	T		
HIV Community / Prevention	93.943	5,718	T		
W.I.S.E.	93.943	2,855	T		
HIV Prevention Education 2006	93.943	24,061	P		
CAC/CDT	93.959	28,700	T		
Rape Prev & Educ Pgm/Mens Grp	93.991	9,866	T		

IDAHO STATE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grant/Program Title	Federal CFDA Number	Expenditures	
Total Department of Health and Human Services		\$5,556,946	
CORPORATION for NATIONAL and COMMUNITY SERVICE			
Pass Through Payments			
IHC Year 9	94.006	\$43,230	P
IHCF Serve Idaho	94.006	138,610	P
IHC Year 10	94.006	102,742	P
Total Corporation for National and Community Service		\$284,582	
DEPARTMENT OF HOMELAND SECURITY			
Pass Through Payments			
FY07 St Homeland Sec Grant	97.067	\$233,710	T
IEM LMS	97.067	289	T
Total Department of Homeland Security		\$233,999	
TOTAL FEDERAL EXPENDITURES		\$125,858,279	

- (1) Student Financial Aid grants combined and tested as a major program
- (2) Research and Development grants combined and tested as a major program
- (3) TRiO grants combined and tested as a major program
- (4) Designation within a major program as ARRA funded programs
- (5) Medical Assistance Program grants combined and tested as a major program
- (6) Vocational Education Basic Grants to States grants combined and tested as a major program
- (7) State Fiscal Stabilization Funds tested as a major program

Definitions:

- R - Research and Development
- O - Other Programs
- T - Training and Instruction
- P - Public Service

IDAHO STATE UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

1. BASIS OF PRESENTATION

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

2. UNIVERSITY ADMINISTERED LOAN PROGRAMS

The University administers the following Federal Perkins Loan Program (CFDA number 84.038). The outstanding loan balance and total loan disbursements were \$2,303,502 and \$252,592 respectively, for the year ended June 30, 2010. The cumulative administrative costs allowance as of the year ended June 30, 2010 was \$613,869.

Funds distributed as agent for the Federal Direct Lending Program of \$72,510,934 and the Federal Teach Program of \$521,536, are not included in the revenues or expenses of the University.

3. FEDERAL WORK STUDY

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

4. SUBRECIPIENTS

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

Program Title	Federal CFDA Number	Amounts Provided to Subrecipients
<u>St Hilaire: Fly Project - USDA</u>	10.200	
University of Idaho		\$ 1,331
<u>Germino USDA Weeds</u>	10.206	
University of Idaho		\$ 8,591
<u>SMN Forensics</u>	12.351	
L-3 Pulse Science Communications		\$ 173,332

Program Title	Federal CFDA Number		Amounts Provided to Subrecipients
<u>Hi Intensrad Chem/Bio Def Yr 2</u>	12.800		
Positron Systems, Inc		\$	56,824
<u>Steriods & Cardia Function</u>	47.074		
Mountain State Tumor & Medical Research Institute		\$	6,148
Oregon State University			11,831
<u>Crowell NSF1</u>	47.074		
The College of New Jersey		\$	5,625
<u>Sanak Biocomplexity Project</u>	47.078		
Antioch University		\$	3,835
<u>VA SDHS Training</u>	64.115		
Help, Inc		\$	17,000
Ricky Huang			21,378
Samantha Hurst			5,750
<u>Separation Methods</u>	81.000		
University of Nevada Las Vegas		\$	14,770
<u>NEUP Project</u>	81.000		
Colorado School of Mines		\$	22,630
University of Massachusetts			5,970
University of Kentucky			11,395
Texas Engineering Experimental Station			34,875
Washington State University			6,855
Los Alamos National Lab			16,700
<u>DOE EPSCoR Implementation</u>	81.049		
University of Idaho		\$	224,629
Boise State University			123,401
<u>MIT at INSE</u>	81.121		
Robert W Benedict		\$	12,840
<u>Idaho Building Capacity</u>	84.010		
Laurie Beebe		\$	12,093
Angela Bergeson			40,593
Ronda Black			16,079
Mary Gervasc			19,685
Alice Hocklander			21,256

Program Title	Federal CFDA Number		Amounts Provided to Subrecipients
David Hocklander			11,891
Linda Hoge			17,771
Kelly Murphey			35,983
Karen Osman			41,379
Mary Ann Ward			21,026
Rob Winslow			1,311
Nick Hallett			12,504
Mary Lu Barry			10,586
<u>Idaho Building Capacity Phase 2</u>	84.010		
Laurie Beebe		\$	9,488
Ronda Black			11,320
Mary Gervasc			20,775
Alice Hocklander			26,363
David Hocklander			19,059
Linda Hoge			17,292
Cheri Dill-Schenkar			19,965
Dale Thornsberry			21,588
Mary Ann Ward			20,294
Jewel Hoopes			23,667
Nick Hallett			10,943
Tom Hughes			18,877
Kelly Murphey			26,230
Margo Healy			1,250
<u>Regional Special Education Consultant</u>	84.027		
Milton J Dehn		\$	4,000
<u>MSP08</u>	84.366		
Aberdeen School Dist #58		\$	3,426
Blackfoot School Dist #55			2,603
Idaho Falls School Dist #91			8,420
Pocatello School Dist #25			5,530
Rockland School Dist #382			475
School District #182			950
Bonneville School Dist #93			6,271
Parma School Dist #137			950
Teton School Dist #401			5,108
School District #331			1,776
Educational Assessment and Train			8,000
American Association of Physics Teachers			13,000
<u>Total Instructional Alignment</u>	84.367		

Program Title	Federal CFDA Number		Amounts Provided to Subrecipients
Lisa Carter		\$	21,000
Teacher Evaluation Model Pilot	84.367		
Merlin Donaldson		\$	6,000
Literacy in the Content Area	84.367		
Jonathon Braack		\$	3,000
Education Northwest			5,000
TBI	93.234		
AGIS Assistguide		\$	20,400
NIH Sleep Problems	93.273		
University of Michigan		\$	18,612
Hospital Discharge Model	93.779		
AGIS Assistguide		\$	8,615