

# *Idaho State University*

*Financial Statements for the Years  
Ended June 30, 2009 and 2008  
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, 2009 and 2008, 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, Inc., as listed in the table of contents, a discretely presented component unit described in Note 13. 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 University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University and its discretely presented component unit, as of June 30, 2009 and 2008, 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 October 2, 2009, 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 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  
October 2, 2009

# IDAHO STATE UNIVERSITY

## Management's Discussion and Analysis

For the year ended June 30, 2009

### **INTRODUCTION**

The following discussion and analysis was prepared by management to provide an overview of the financial position and activities of Idaho State University (the University) for the fiscal year ended June 30, 2009. 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.

Idaho State University is a comprehensive public institution of higher learning, located in Pocatello, Idaho. The University 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 Arts and Sciences, Business, Education, Engineering, Health Professions, Pharmacy, Technology and the Graduate School. Through its programs in Pharmacy, Health Professions, the Family Practice Medical Residency and the Idaho Dental Education Program, the University is the primary educational institution for health professions in Idaho.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The 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*. The report consists of three parts: MD&A, the basic financial statements, and the notes to the financial statements. The components of the basic financial statements include the statement of net assets, statement of revenues, expenses and changes in net assets, and the statement of cash flows.

A brief explanation of each of these statements follows.

**Statement of Net Assets** – The statement of net assets includes all assets and liabilities of the University. Assets and liabilities are 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, Inc. (the Foundation) is included in the statements as a component unit and is the only affiliated organization that qualifies for component unit presentation due to the significant economic resources it holds that directly benefit the University. The financial statements of the Foundation are audited by independent auditors. Because the Foundation is a nongovernmental 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 is net assets. Net assets are one indicator of the current financial condition of the University. A summarized comparison of the assets, liabilities, and net assets for the years ended June 30, 2009, 2008, and 2007 is presented below.

**Schedule of Net Assets**

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
<b>Assets:</b>			
Current Assets	\$ 69,902,071	\$ 72,758,263	\$ 65,698,248
Noncurrent Assets	189,922,555	176,563,476	160,796,861
<b>Total Assets</b>	<b>259,824,626</b>	<b>249,321,739</b>	<b>226,495,109</b>
<b>Liabilities:</b>			
Current Liabilities	28,214,197	25,683,378	23,754,729
Noncurrent Liabilities	78,931,975	82,169,783	60,405,316
<b>Total Liabilities</b>	<b>107,146,172</b>	<b>107,853,161</b>	<b>84,160,045</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	105,883,990	85,173,954	91,907,601
Restricted, expendable	13,023,152	29,049,720	18,887,429
Unrestricted	33,771,312	27,244,904	31,540,034
<b>Total Net Assets</b>	<b>\$ 152,678,454</b>	<b>\$ 141,468,578</b>	<b>\$ 142,335,064</b>

During 2009, the University’s total assets increased by \$10.5 million over the prior fiscal year. This increase is reflected primarily within the non-current asset category and is the result of bringing online the 55,000 square foot Center for Advanced Energy Studies (CAES) facility located in Idaho Falls, Idaho; as well as the remodel of the Meridian, Idaho building, which will be the center of the University’s Boise area campus. These increases are offset by reductions in the accounts receivable and cash balances, which reflect timing differences and the overall downturn of the state and national economy. An additional offset was a reduction of assets held in trust due to continuing implementation of the Enterprise Resource Planning system on campus. This long-term project will provide state-of-the-art software to better manage student, academic, financial, and human resource records and will integrate additional University business processes in a common database accessible to campus-wide users through a web portal.

The changes in total assets, coupled with a generally static balance in liabilities and the on-going efforts to reduce spending resulted in an increase of net assets during fiscal year 2009 of \$11.2 million.

## REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

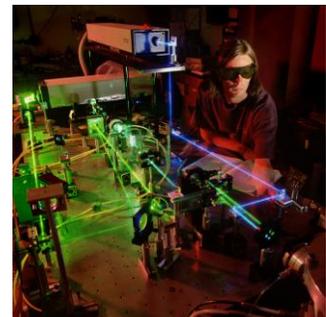
The change in net assets is an indicator of whether the overall fiscal condition of the University has improved or worsened during the year. A summarized comparative statement of the University's revenues, expenses, and changes in net assets for the years ended June 30, 2009, 2008, and 2007 is presented below.

### Summary Statement of Revenues, Expenses & Changes in Net Assets

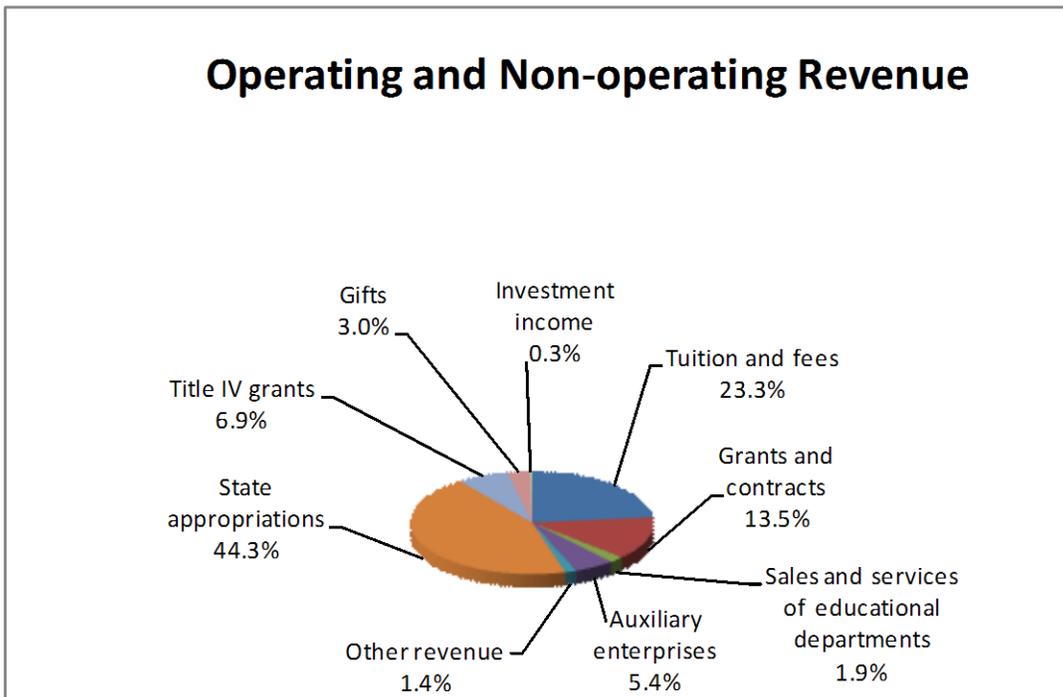
	<b><u>FY 2009</u></b>	<b><u>FY 2008</u></b>	<b><u>FY 2007</u></b>
Operating revenues			
Student tuition and fees (net of scholarship discounts and allowances)	\$ 52,694,142	\$ 47,496,019	\$ 45,443,297
Federal grants and contracts	13,734,296	14,513,129	15,415,406
State and local grants and contracts	9,822,969	10,088,364	9,766,815
Nongovernment grants and contracts	6,932,162	7,482,974	6,310,763
Sales and services of educational departments	4,233,153	5,039,057	3,674,570
Auxiliary enterprises sales and services	12,222,735	11,147,278	10,493,060
Other operating revenue	<u>3,349,149</u>	<u>3,166,792</u>	<u>3,057,178</u>
Total operating revenues	102,988,606	98,933,613	94,161,089
Operating expenses	<u>211,069,013</u>	<u>212,982,354</u>	<u>198,389,342</u>
Operating income (loss)	<u>(108,080,407)</u>	<u>(114,048,741)</u>	<u>(104,228,253)</u>
Nonoperating revenues (expenses)			
State appropriations	100,010,244	93,751,820	85,564,566
Title IV Grants	15,515,208	13,825,142	13,685,151
Gifts	6,705,788	5,608,845	5,440,862
Investment income	614,313	2,730,165	2,936,125
Amortization of bond financing costs	(60,953)	(59,128)	(45,954)
Interest on capital asset related debt	<u>(3,502,128)</u>	<u>(3,549,902)</u>	<u>(2,215,928)</u>
Net nonoperating revenues	<u>119,282,472</u>	<u>112,306,942</u>	<u>105,364,822</u>
Other revenue and expenses			
Capital gifts and grants	84,764	913,840	4,221,860
Gain or (loss) on disposal of fixed assets	<u>(76,953)</u>	<u>(38,527)</u>	<u>(38,021)</u>
Net other revenues and expenses	<u>7,811</u>	<u>875,313</u>	<u>4,183,839</u>
Increase in net assets	11,209,876	(866,486)	5,320,408
Net assets - beginning of year	<u>141,468,578</u>	<u>142,335,064</u>	<u>137,014,656</u>
Net assets - end of year	<u>\$ 152,678,454</u>	<u>\$ 141,468,578</u>	<u>\$ 142,335,064</u>

### Revenue

The State of Idaho, through annual state appropriations, remains a major funding source for Idaho State University. Student tuition and fees, as well as research related grants and contracts, represent significant funding resources. In addition, the University obtains funding from the Foundation (a component unit of the University,) external gifts, as well as other auxiliary enterprises, all of which play a key role in helping to support the mission of the University. Below is a graphic illustration of revenues by source (both operating and non-operating) for the year ended June 30, 2009.



Total revenues for the year ended June 30, 2009, were \$225.9 million, representing a \$10.2 million increase over fiscal year 2008.



Appropriations from the State of Idaho were relatively flat, a consequence of the reduced revenue streams the state is experiencing as part of the economic situation within the state. The primary source of the increase in total revenue is related to increased student fee revenues from higher tuition (6.00%) and additional student enrollment. The other major factor is the recognition of revenue provided through the Department of Public Works (DPW) as part of the construction of the CAES facility.



As a research institution with a strong emphasis on the health professions, the University's research programs and initiatives are key elements of our efforts to develop opportunities for the advancement of meaningful and in-depth education and learning for our students. 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 to be committed to growing research.

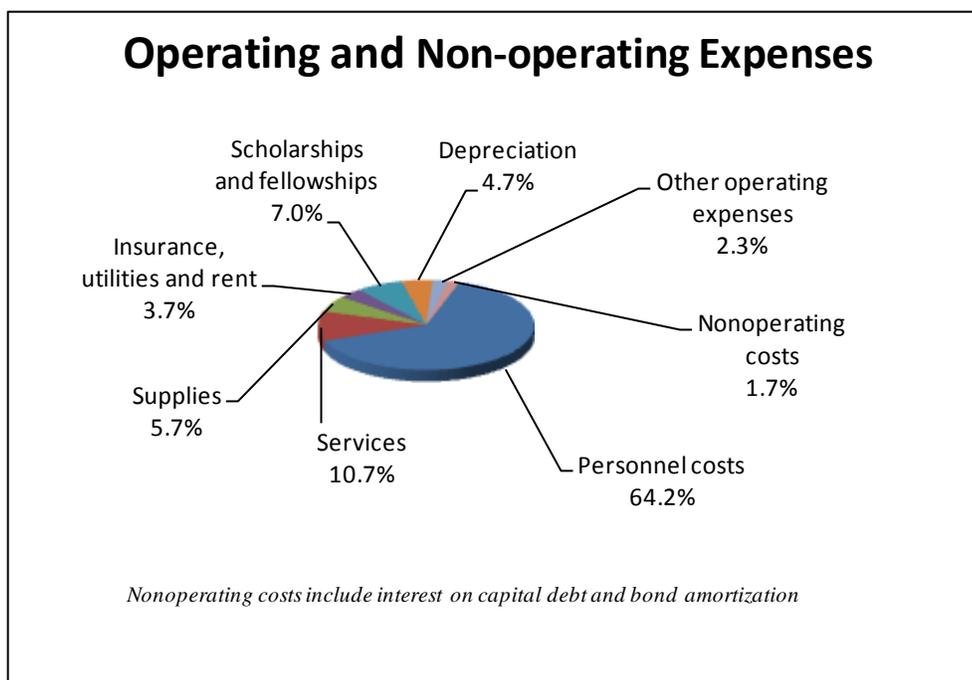
### *Expenses*

Expenses for the year ended June 30, 2009 are summarized and contrasted to prior years below.

### Summary Statement of Expenses

	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Operating</b>			
Personnel costs	\$ 137,900,068	\$ 138,127,992	\$ 126,120,085
Services	22,905,039	23,333,994	23,399,917
Supplies	12,311,174	15,793,636	14,676,017
Insurance, utilities and rent	7,913,599	7,264,693	6,245,906
Scholarships and fellowships	15,048,716	13,640,570	13,487,571
Depreciation Expense	9,992,168	9,139,409	8,524,162
Other operating Expenses	4,998,249	5,682,060	5,935,684
<b>Total operating expenses</b>	<b><u>211,069,013</u></b>	<b><u>212,982,354</u></b>	<b><u>198,389,342</u></b>
<b>Nonoperating</b>			
Amortization of bond financing costs	60,953	59,128	45,954
Interest on capital asset related debt	3,502,128	3,549,902	2,215,928
<b>Total nonoperating expenses</b>	<b><u>\$ 3,563,081</u></b>	<b><u>\$ 3,609,030</u></b>	<b><u>\$ 2,261,882</u></b>

Total distribution of expenditures by natural classification is illustrated in the chart below:



Fiscal year 2009 operating expenditures of \$211 million reflect a decrease of approximately \$2.0 million, which, while it is only slightly less than 1.00% over the prior year, is indicative of the initiatives the University put into place to meet the challenges of the declining economy and budget holdbacks. The overall change stems primarily from relatively small, but meaningful reductions in supplies, travel, and selected services. All of these reductions are directly related to increased scrutiny over spending and streamlining operations to achieve cost savings. During this same time, scholarships and fellowships awarded to students increased by \$1.4 million.

In an effort to provide a comprehensive picture of University expenditures, a comparative summary of these expenses, categorized by functional classification, is presented for the years ended June 30, 2009, 2008, and 2007.

This perspective (see below) provides additional insight into the nature of expenditures made by the University in fulfilling its role of providing higher education to the citizens of Idaho. Consistent with the University's mission of educating students, direct expenditures for instruction, research, student services, and scholarships and fellowships make up a large portion 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**

	<b><u>2009</u></b>		<b><u>2008</u></b>		<b><u>2007</u></b>
Instruction	\$86,851,409	\$	87,812,075	\$	84,694,999
Research	17,282,465		16,221,213		15,915,146
Public Service	5,127,353		5,023,532		4,984,057
Academic Support	11,306,932		12,832,926		9,070,235
Libraries	2,552,186		2,559,620		2,551,888
Student Services	7,428,907		8,145,917		8,209,447
Institutional Support	17,824,842		18,665,374		15,021,183
Maintenance and Operations	16,005,877		16,357,910		16,010,745
Auxiliary Enterprises	21,648,158		22,583,808		19,919,909
Scholarships and Fellowships	15,048,716		13,640,570		13,487,571
Depreciation	9,992,168		9,139,409		8,524,162
Total Functional Expenses	<u>\$ 211,069,013</u>	\$	<u>212,982,354</u>	\$	<u>198,389,342</u>

***CAPITAL ASSET AND DEBT ACTIVITIES***

One of the critical factors in developing and maintaining the quality of the University's academic and research programs and residential life is the development and renewal of its property, plant, and equipment. The University takes seriously its role of financial stewardship and works hard to manage its resources effectively, including the prudent use of debt to finance capital projects.

Idaho State University's total capital assets before depreciation increased by \$26.6 million; from \$284.4 million in 2008, to \$311.0 million in 2009. Additions to capital assets in fiscal year 2009 included completion of the CAES facility and the remodel of the Meridian building. Additional information on the University's capital assets can be found in Note 4 in the accompanying notes to the financial statements.

At June 30, 2009, total liabilities remained flat at \$107.1 million, compared to \$107.9 million at June 30, 2008. The University retired \$3.0 million in long-term debt in concert with the debt schedule detailed in Note 7, *Noncurrent Liabilities*, of this report. This reduction was offset by increases in current liabilities, primarily due to amounts payable to the Idaho State Department of Public Works for unbilled work as of June 30, and for ongoing construction in progress.

***ECONOMIC OUTLOOK***

During the academic year the University experienced increasing enrollment as measured at fall census. This was due in part to a concerted effort to focus existing resources on enhancing and improving recruiting, advising, and retention of students. These efforts continue and we anticipate enrollment to continue to grow. We are developing creative methods to deliver better and more meaningful scholarships to students and are looking at ways to enhance the delivery of all student services.

Our research efforts continue to bear fruit. As noted earlier, the creation of the CAES facility on the banks of the Snake River provides a grand opportunity and ability to study and create energy sources with low-carbon output such as solar, wind, geothermal, biofuel, hydro, and nuclear power. This venture between the Idaho National Laboratory and the State of Idaho, through its three public universities, epitomizes the concept of collaboration. Through its participation in CAES, the University has taken bold steps in creating many partnerships that will improve our capability to deliver a clean energy strategy for our country.



As Idaho's lead institution in health-professions education, the University continues to make strides forward in health education. The new health science center in Meridian is nearing completion. In addition to significant financial support received previously from the ALSAM Foundation for the Pharmacy programs, the University was more recently honored with a \$500,000 gift from Delta Dental Community Outreach, the philanthropic arm of Delta Dental of Idaho. The donation will help us move the Idaho Advanced General Dentistry Program's existing dental clinic to the new Meridian center, where we can serve more patients. The new Delta Dental of Idaho Dental Residency Clinic—which is scheduled to open in 2011—will include 12 clinical treatment rooms, an X-ray and sterilization lab and faculty offices.

There is no question that the decline of the economy of the United States and the rest of the world has created significant challenges for the University. The State of Idaho has not been exempted from this decline; it is experiencing many of the same effects, if not in the same magnitude, that the rest of the nation and the world are undergoing as a result of the current financial crisis. Idaho has experienced severe curtailment of its revenue streams, resulting in directed budget holdbacks and reductions for Idaho State University. Going forward, the University anticipates flat funding through the general fund allocation process for the near future. Indeed, it is possible the University will experience mid-year expenditure constraints related to state appropriations in fiscal year 2009-2010. However, we are planning for this possibility and continue to maximize cost containment and reductions, streamline operations and programs, seek new revenue sources, as well as enhance existing sources, all the while maintaining the on-going vision and goal of delivery of an excellent academic and learning experience for our students.

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*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 and analyzed in this analysis.*

**IDAHO STATE UNIVERSITY**  
**STATEMENT OF NET ASSETS**  
**AS OF JUNE 30, 2009 AND 2008**

	University	
	2009	2008
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 47,735,401	\$ 55,950,449
Cash with Treasurer	9,090,941	4,305,712
Student loans receivable	300,185	323,329
Accounts receivable and unbilled charges, less allowance for doubtful accounts of \$334,347 and \$673,910	6,822,586	8,131,195
Due from state agencies	5,066,932	3,333,899
Interest receivable	70,224	50,500
Inventories	279,027	264,373
Prepaid expenses	536,775	398,806
Total current assets	<u>69,902,071</u>	<u>72,758,263</u>
NONCURRENT ASSETS:		
Student loans receivable, less allowance for doubtful loans of \$506,151 and \$455,810	1,626,913	1,718,229
Assets held in trust	3,588,797	7,570,296
Deferred bond financing costs	1,213,080	1,300,716
Property, plant, and equipment, net	<u>183,493,765</u>	<u>165,974,235</u>
Total noncurrent assets	<u>189,922,555</u>	<u>176,563,476</u>
<b>TOTAL ASSETS</b>	<u><u>259,824,626</u></u>	<u><u>249,321,739</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	2,075,465	2,365,893
Due to state agencies	3,267,086	1,821,753
Accrued salaries and benefits payable	9,935,744	9,732,329
Compensated absences payable	4,569,462	4,278,366
Deposits	153,900	131,425
Funds held in custody for others	742,585	686,124
Deferred revenue	2,932,745	2,622,288
Accrued interest payable	961,376	998,032
Notes and bonds payable	<u>3,575,834</u>	<u>3,047,168</u>
Total current liabilities	<u>28,214,197</u>	<u>25,683,378</u>
NONCURRENT LIABILITIES:		
Other post-employment benefits payable	3,624,000	3,055,000
Notes and bonds payable	<u>75,307,975</u>	<u>79,114,783</u>
Total noncurrent liabilities	<u>78,931,975</u>	<u>82,169,783</u>
<b>TOTAL LIABILITIES</b>	<u>107,146,172</u>	<u>107,853,161</u>
NET ASSETS:		
Invested in capital assets, net of related debt	105,883,990	85,173,954
Restricted, expendable	13,023,152	29,049,720
Unrestricted	<u>33,771,312</u>	<u>27,244,904</u>
Total net assets	<u>152,678,454</u>	<u>141,468,578</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 259,824,626</u></u>	<u><u>\$ 249,321,739</u></u>

**See Accompanying Notes to Financial Statements**

**IDAHO STATE UNIVERSITY COMPONENT UNIT**

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**IDAHO STATE UNIVERSITY FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>ASSET</b>		
Cash and cash equivalents	\$ 2,946,782	\$ 3,417,462
Cash and cash equivalents-restricted	2,293,577	2,359,381
Investment	33,793,520	40,132,126
Gift Pledges receivable	4,451,631	5,310,954
Cash surrender value	28,514	9,425
Miscellaneous receivables	86,013	13,352
Capitalized bond issuance costs, net	210,437	238,276
Property held for sale and investments	<u>2,338,871</u>	<u>2,319,371</u>
 Total Assets	 <u><u>\$46,149,345</u></u>	 <u><u>\$ 53,800,347</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 81,376	\$ 364,247
Scholarships and other payables to ISU		532,949
Obligations to beneficiaries under split-interest	1,303,742	1,860,483
Funds held in custody for others	36,461	49,074
Long-term debt	<u>10,810,000</u>	<u>10,910,000</u>
 Total liabilities	 <u>12,231,579</u>	 <u>13,716,753</u>
 <b>NET ASSETS</b>		
Unrestrictede	(12,752,489)	(8,876,441)
Temporarily restricted	20,352,900	26,198,106
Permanently restricted	<u>26,317,355</u>	<u>22,761,929</u>
 Total net assets	 <u>33,917,766</u>	 <u>40,083,594</u>
 Total liabilities and net assets	 <u><u>\$ 46,149,345</u></u>	 <u><u>\$ 53,800,347</u></u>

See Accompanying Notes to Financial Statements

# IDAHO STATE UNIVERSITY

## STATEMENT OF REVENUES EXPENSES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	University	
	2009	2008
<b>OPERATING REVENUES</b>		
Student tuition and fees (net of scholarship discounts and allowances of \$16,029,136 and \$14,749,303 respectively )	\$ 52,694,142	\$ 47,496,019
Federal grants and contracts	13,734,296	14,491,300
State and local grants and contracts	9,822,969	10,088,364
Private grants and contracts	6,932,162	7,482,974
Sales and services of educational activities	4,233,153	5,039,057
Sales and services of auxiliary enterprises	12,222,735	11,147,278
Other	3,349,149	3,166,792
Total operating revenues	<u>102,988,606</u>	<u>98,911,784</u>
<b>OPERATING EXPENSES</b>		
Personnel costs	137,900,068	138,127,992
Services	22,905,039	23,333,994
Supplies	12,311,174	15,793,636
Insurance, utilities and rent	7,913,599	7,264,693
Scholarships and fellowships	15,048,716	13,640,570
Depreciation	9,992,168	9,139,409
Miscellaneous	4,998,249	5,682,060
Total operating expenses	<u>211,069,013</u>	<u>212,982,354</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(108,080,407)</u>	<u>(114,070,570)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations:		
State general account - general education	72,973,400	73,383,100
Endowment income	2,024,542	1,848,365
Other state appropriations Idaho dental education program	2,499,164	2,543,649
Professional technical education	10,550,933	10,121,045
Department of Public Works	11,962,205	5,855,661
Title IV grants	15,515,208	13,846,971
Gifts (including \$6,419,704 and \$5,529,012 respectively, from Idaho State University Foundation)	6,705,788	5,608,845
Net investment income	614,313	2,730,165
Amortization of bond financing costs	(60,953)	(59,128)
Interest on capital asset related debt net of capitalized interest of \$123,235 and \$58,929, respectively	<u>(3,502,128)</u>	<u>(3,549,902)</u>
Net nonoperating revenues (expenses)	<u>119,282,472</u>	<u>112,328,771</u>
<b>GAIN (LOSS) BEFORE OTHER REVENUES AND EXPENSES</b>	11,202,065	(1,741,799)
<b>OTHER REVENUES AND EXPENSES</b>		
Capital gifts and grants	84,764	913,840
Gain or (loss) on disposal of fixed assets	<u>(76,953)</u>	<u>(38,527)</u>
Net other revenues and expenses	<u>7,811</u>	<u>875,313</u>
<b>INCREASE IN NET ASSETS</b>	11,209,876	(866,486)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>141,468,578</u>	<u>142,335,064</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 152,678,454</u>	<u>\$ 141,468,578</u>

See Accompanying Notes to Financial Statements

**IDAHO STATE UNIVERSITY COMPONENT UNIT**

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES</b>				
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 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 (losses)	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
<b>EXPENSES</b>				
Program support to ISU				
Donations/transfers	2,545,811	-	-	2,545,811
Scholarships	1,655,246	-	-	1,655,246
Athletic	216,642	-	-	216,642
ISU 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 Accompanying Notes to Financial Statements

**IDAHO STATE UNIVERSITY COMPONENT UNIT**

**IDAHO STATE UNIVERSITY FOUNDATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES</b>				
Contributions and gifts	\$ 2,558,533	\$ 4,477,234	\$ 1,163,743	\$ 8,199,510
Contributed services	670,670	-	-	670,670
Interest and dividends	117,033	786,247	-	903,280
Net realized/unrealized gains/(loss) on investments	217,277	(1,245,807)	-	(1,028,530)
Fees, charges, and miscellaneous	772,799	-	-	772,799
Net change in value of annuity and life insurance	-	104,644	5,943	110,587
Total revenues and gains	<u>4,336,312</u>	<u>4,122,318</u>	<u>1,169,686</u>	<u>9,628,316</u>
Board and donor designated transfers	(2,003,535)	2,003,535	-	-
Net assets released from program restrictions	4,167,149	(4,167,149)	-	-
Total revenues	<u>6,499,926</u>	<u>1,958,704</u>	<u>1,169,686</u>	<u>9,628,316</u>
<b>EXPENSES</b>				
Program support to ISU				
Donations/transfers	2,212,110	-	-	2,212,110
Scholarships	1,528,449	-	-	1,528,449
Athletic	559,844	-	-	559,844
ISU department support	1,228,609	-	-	1,228,609
Support services				
Management and general	1,336,644	-	-	1,336,644
Fundraising	942,347	-	-	942,347
Total expenses	<u>7,808,003</u>	<u>-</u>	<u>-</u>	<u>7,808,003</u>
CHANGE IN NET ASSETS	(1,308,077)	1,958,704	1,169,686	1,820,313
NET ASSETS, beginning of year	<u>(7,568,364)</u>	<u>24,239,402</u>	<u>21,592,243</u>	<u>38,263,281</u>
NET ASSETS, end of year	<u>\$ (8,876,441)</u>	<u>\$ 26,198,106</u>	<u>\$ 22,761,929</u>	<u>\$ 40,083,594</u>

See Accompanying Notes to Financial Statements

# IDAHO STATE UNIVERSITY

## STATEMENT OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student fees	\$ 42,477,977	\$ 40,250,065
Grants and contracts	31,263,010	32,327,217
Sales and services of educational activities	4,896,964	3,765,357
Sales and services from auxiliary enterprises	12,088,922	11,356,133
Other operating revenue	4,176,456	4,014,874
Collection on loans to students	437,295	450,730
Payments to and on behalf of employees	(136,559,165)	(134,096,617)
Payments for services	(13,997,947)	(14,830,458)
Payments for supplies	(14,604,325)	(17,367,057)
Payments for insurance, utilities, rent	(7,548,406)	(6,512,206)
Payments for scholarships and fellowships	(8,227,316)	(7,585,608)
Other operating payments	(5,577,944)	(6,137,548)
Loans issued to students	(361,733)	(672,383)
Net cash provided (used) by operating activities	<u>(91,536,212)</u>	<u>(95,037,501)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
State appropriations	87,916,329	89,036,307
Gifts	6,306,978	4,664,855
Title IV grants	15,349,404	13,825,142
Agency account receipts	48,450,043	44,869,356
Agency account payments	(48,900,686)	(46,141,936)
Direct lending receipts	60,823,077	48,600,742
Direct lending payments	(60,910,619)	(48,287,477)
Net cash provided (used) by non-capital financing activities	<u>109,034,526</u>	<u>106,566,989</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital gifts and grants	84,763	1,024,533
Capital Purchases	(16,791,271)	(16,489,307)
Long-term debt proceeds		16,722,612
Bond costs of issuance		(234,571)
Transfer from Bond trustee	1,888,596	
Principal paid on capital debt	(3,047,168)	(5,688,624)
Interest paid on capital debt	(3,602,884)	(3,584,837)
Net cash provided (used) by financing activities	<u>(21,467,964)</u>	<u>(8,250,194)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	539,831	2,488,990
Net cash provided (used) by investing activities	<u>539,831</u>	<u>2,488,990</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(3,429,819)</b>	<b>5,768,284</b>
<b>CASH AND CASH EQUIVALENTS--Beginning of year</b>	<b>60,256,161</b>	<b>54,487,877</b>
<b>CASH AND CASH EQUIVALENTS--End of year</b>	<b><u>56,826,342</u></b>	<b><u>60,256,161</u></b>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES</b>		
Operating Loss		
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation	9,992,168	9,139,409
Maintenance costs paid by Department of Public Works and other	5,690,185	7,884,603
Change in assets and liabilities		
Accounts receivable, net	(242,743)	(1,162,508)
Deferred expenses	(8,893)	(283,570)
Student loans receivable, net	114,460	(159,486)
Inventory	(14,654)	(22,004)
Accounts payable and accrued liabilities	(321,816)	(167,018)
Accrued salaries and benefits payable	1,050,703	4,075,795
Deposits	22,475	14,275
Deferred revenue	262,310	(286,427)
Net cash used in operating activities	<u>\$ (91,536,212)</u>	<u>\$ (95,037,501)</u>

See Accompanying Notes to Financial Statements

## IDAHO STATE UNIVERSITY COMPONENT UNIT

### IDAHO STATE UNIVERSITY FOUNDATION

#### Statement of Cash Flows

Year Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (6,165,828)	\$ 1,820,313
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contributions restricted for long-term purposes	(3,479,481)	(1,163,743)
Unrealized loss on investments	8,175,778	1,013,255
Realized loss on investments	65,738	15,275
Donated assets held for sale	(47,500)	(1,200,000)
Change in value of split interest agreements	(48,502)	(1,624)
Payments to beneficiaries	(296,660)	(319,119)
Other	(17,217)	(24,840)
Amortization expense	27,839	52,388
Changes in deferred and accrual accounts		
Obligations to beneficiaries	556,741	-
Restricted cash	(65,804)	(431,132)
Gift pledges receivable	859,323	1,283,323
Miscellaneous receivable	(72,661)	(13,352)
Accounts payable	(282,871)	124,932
Scholarships and other payables to ISU	(532,949)	532,948
Funds held for others	(12,613)	(8,385)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(1,336,667)</u>	<u>1,680,239</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	847,882	4,427,765
Purchase of investments	<u>(3,361,376)</u>	<u>(4,805,361)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(2,513,494)</u>	<u>(377,596)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for permanent endowment	3,479,481	1,163,743
Payment on bonds payable	<u>(100,000)</u>	<u>(100,000)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>3,379,481</u>	<u>1,063,743</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(470,680)	2,366,386
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,417,462</u>	<u>1,051,076</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,946,782</u>	<u>\$ 3,417,462</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	<u>\$ 141,095</u>	<u>\$ 318,230</u>

See Accompanying Notes to Financial Statements

# IDAHO STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2009 AND 2008

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### 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, 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 13 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 date of gift. The University's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the

structure are capitalized. Routine repairs and maintenance are charged to operating expense in the period in which the expense was incurred.

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

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

**Deferred 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 \$4,569,462 and \$4,278,366 at June 30, 2009 and 2008, 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. Define 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, 2009 or 2008.

**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 of 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes standards of accounting and financial reporting for Intangible Assets. The requirements of this statement are effective for the fiscal year ending June 30, 2010. The University has not completed the process of evaluating the impact that will result from adopting this Statement.

*Reclassification*—Certain amounts reported in the June 30, 2008 financial statements have been reclassified to conform to the June 30, 2009 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, as of June 30, 2008, were insured for \$100,000 by the Federal Deposit Insurance Corporation (FDIC). However 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,

2009, 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 was extended on August 26, 2009 to end on June 30, 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, 2009 and June 30, 2008, total deposits consisted of the following:

	<u>2009</u>	<u>2008</u>
Cash	\$ 377,510	\$ 932,504
Non-negotiable certificates of deposit	1,499,222	1,466,839
Obligations of the U.S. Government and its agencies	48,736,939	56,128,580
Cash equity with the State Treasurer	<u>9,090,941</u>	<u>4,305,712</u>
Total deposits	<u>\$ 59,704,612</u>	<u>\$ 62,833,635</u>

The deposit amounts subject to custodial credit risk at June 30, 2009 and June 30, 2008, were \$0 and \$2,299,343, respectively, which were uncollateralized and uninsured.

At June 30, 2009 and June 30, 2008, the University had \$89,880 and \$81,248, respectively, of cash on hand in various change funds. The carrying amount of the University's cash and cash equivalents at June 30, 2009 and June 30, 2008, was \$56,826,342 and \$60,256,161, respectively. The net difference between deposits and the carrying amount of cash and cash equivalents is primarily a reflection of investment of the daily float.

### 3. ACCOUNTS RECEIVABLE AND DUE FROM STATE AGENCIES

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

	<u>2009</u>	<u>2008</u>
Operating:		
Student tuition fees	\$ 31,172	\$ 26,522
Federal grants and contracts	1,606,538	2,097,824
State and local grants and contracts	2,091,562	2,220,547
Nongovernment grants and contracts	2,077,227	1,936,626
Sales and services of educational departments	1,212,601	1,716,112
Auxiliary enterprises sales and services	333,815	638,907
Other operating revenue	253,369	578,165
Services, supplies and other	289,364	54,362
Perkins	143,771	148,457
Revolving	2,016,238	734,956
Less allowance for doubtful accounts	<u>(334,347)</u>	<u>(673,910)</u>
Net operating accounts receivable and due from state agencies	9,721,310	9,478,568
Nonoperating:		
State appropriations	1,229,692	631,078
Gifts	327	505,243
Title IV grants	186,927	21,123
Department of Public Works		221,241
Agency	<u>751,262</u>	<u>607,841</u>
Net nonoperating accounts receivable	<u>2,168,208</u>	<u>1,986,526</u>
Total accounts receivable and due from state agencies	<u>\$ 11,889,518</u>	<u>\$ 11,465,094</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, 2009 and 2008. 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, 2009 and 2008, is \$1,943,740 and \$1,960,985, 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 at June 30, 2009 and 2008, was approximately \$501,596 and \$455,810, 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, 2009 and 2008, is \$27,478 and \$27,462. 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:

	2008			2009			
	Balance at June 30, 2007	Additions	Retirements	Balance at June 30, 2008	Additions	Transfers & Retirements	Balance at June 30, 2009
Property, plant and equipment:							
Land	\$ 3,291,993	\$ 772,980		\$ 4,064,973			\$ 4,064,973
Construction in progress	27,801,911	6,674,059	(26,199,505)	8,276,465	8,907,785	(7,030,082)	10,154,168
Total property, plant and equipment not being depreciated	\$ 31,093,904	\$ 7,447,039	\$ (26,199,505)	\$ 12,341,438	\$ 8,907,785	\$ (7,030,082)	\$ 14,219,141
Other property, plant and equipment:							
Buildings and improvements	\$ 160,556,141	\$ 34,492,495		\$ 195,048,636	\$ 20,039,631		\$ 215,088,267
Furniture, fixtures and equipment	34,089,284	3,414,568	(1,035,239)	36,468,613	3,127,032	(969,414)	38,626,231
Library materials	37,839,721	2,708,368		40,548,089	2,548,535		43,096,624
Total other property, plant and equipment	232,485,146	40,615,431	(1,035,239)	272,065,338	25,715,198	(969,414)	296,811,122
Less accumulated depreciation:							
Buildings and improvements	(60,135,103)	(4,384,434)		(64,519,537)	(4,986,876)		(69,506,413)
Furniture, fixtures and equipment	(21,572,909)	(2,744,945)	980,912	(23,336,942)	(2,886,917)	888,211	(25,335,648)
Library materials	(28,566,032)	(2,010,030)		(30,576,062)	(2,118,375)		(32,694,437)
Total accumulated depreciation	(110,274,044)	(9,139,409)	980,912	(118,432,541)	(9,992,168)	888,211	(127,536,498)
Other property, plant and equipment net of accumulated depreciation	\$ 122,211,102	\$ 31,476,022	\$ (54,327)	\$ 153,632,797	\$ 15,723,030	\$ (81,203)	\$ 169,274,624
Property, Plant and Equipment Summary:							
Property, plant and equipment not being depreciated	\$ 31,093,904	\$ 7,447,039	\$ (26,199,505)	\$ 12,341,438	\$ 8,907,785	\$ (7,030,082)	\$ 14,219,141
Other property, plant and equipment at cost	232,485,146	40,615,431	(1,035,239)	272,065,338	25,715,198	(969,414)	296,811,122
Total property, plant and equipment	263,579,050	48,062,470	(27,234,744)	284,406,776	34,622,983	(7,999,496)	311,030,263
Less accumulated depreciation	(110,274,044)	(9,139,409)	980,912	(118,432,541)	(9,992,168)	888,211	(127,536,498)
Property, plant and equipment—net	\$ 153,305,006	\$ 38,923,061	\$ (26,253,832)	\$ 165,974,235	\$ 24,630,815	\$ (7,111,285)	\$ 183,493,765

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, 2009, is approximately \$5,928,940. 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>2009</u>	<u>2008</u>
Prepaid fees	\$ 1,852,023	\$ 1,695,933
Auxiliary enterprises	65,935	81,743
Grants and contracts	996,502	843,433
Other ticket sales	<u>18,285</u>	<u>1,179</u>
	<u>\$ 2,932,745</u>	<u>\$ 2,622,288</u>



## 7. NONCURRENT LIABILITIES

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

Description	Balance Outstanding 6/30/2007	Additions	Reductions	Balance Outstanding 6/30/2008	Additions	Reductions	Balance Outstanding 6/30/2009	Amounts Due Within One Year
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		47,887	(11,050.00)	36,837		(8,082)	28,755	8,769
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		615,456	(209,629.00)	405,827		(200,270)	205,557	205,557
Note payable to a financial institution due in semi-annual installments varying from maximum of \$2,993,916 to \$16,696 plus interest of 5.08% through 09/01/2016		8,733,257	(2,992,945.00)	5,740,312		(33,816)	5,706,496	111,508
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 4.875% to 5.00% through the year 2022. All bonds are collateralized by certain student fees and other revenues.	8,865,000		(700,000)	8,165,000		(735,000)	7,430,000	765,000
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.	32,220,000		(1,190,000)	31,030,000		(1,250,000)	29,780,000	1,315,000
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.	4,560,000		(215,000)	4,345,000		(225,000)	4,120,000	230,000
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.	2,115,000		(100,000)	2,015,000		(105,000)	1,910,000	110,000
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			10,000,000	320,000
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.	-	16,120,000	(270,000)	15,850,000		(490,000)	15,360,000	510,000
	-			-				
Original issue discount on Note payable	61,065,000	25,516,600	(5,688,624)	80,892,976	0	(3,047,168)	77,845,808	3,575,834
Premium on bonds		(13,583)	5,433	(8,150)	6,520		(1,630)	
Discount on bonds	1,685,770	159,966	(288,047.00)	1,557,689		(256,612)	1,301,077	
	(140,454)	(159,228)	19,118	(280,564)	19,118		(261,446)	
Totals	\$ 62,610,316	\$ 25,503,755	\$ (5,952,120)	\$ 82,161,951	\$ 25,638	\$ (3,303,780)	\$ 78,883,809	\$ 3,575,834

There are a number of limitations and restrictions contained in the various bond indentures.

Principal and interest maturities on notes and bonds payable in future periods for the year ending June 30, 2009, are as follows:

	Bonds		Notes	
	Principal	Interest	Principal	Interest
2010	\$ 3,250,000	\$ 3,434,613	\$ 325,834	\$ 296,349
2011	3,400,000	3,284,556	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
2015-2019	21,965,000	10,950,106	2,211,301	162,906
2020-2024	21,290,000	5,363,285		
2025-2029	8,000,000	1,663,472		
2030-2034	2,800,000	346,238		
	<u>\$ 71,905,000</u>	<u>\$ 33,902,230</u>	<u>\$ 5,940,808</u>	<u>\$ 1,318,132</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:

Pledged Revenues	2009		
	Student Facility Fee Revenue Bonds		Total
	Series 1998	Series 2003, 2004C, 2004A, 2004B, 2006 and 2007	
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	287%	703%	629%
Coverage requirement	110%	110%	



Pledged Revenues	2008		
	Student Facilities Fee Revenue Bond	Student Facility Fee Revenue Bond	Total
	Series 1998	Series 2003, 2004C, 2004A, 2004B, 2006	
Matriculation fee	\$	\$ 28,450,604	\$ 28,450,604
Student facilities fee	3,171,713	412,983	3,584,696
Revenue of student housing system		4,237,734	4,237,734
Investment income	124	804,126	804,250
	<u>\$ 3,171,837</u>	<u>\$ 33,905,447</u>	<u>\$ 37,077,284</u>
Debt Service	<u>\$ 1,126,375</u>	<u>\$ 4,725,605</u>	<u>\$ 5,851,980</u>
Debt service coverage	<u>282%</u>	<u>717%</u>	<u>634%</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 is 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 term 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 \$1,051,594 and \$1,058,986 for the years ended June 30, 2009 and 2008, respectively.

Future minimum lease payments at June 30, 2009 for all leases are as follows:

Fiscal Years	Payments
2010	\$ 512,463
2011	257,371
2012	181,868
2013	181,868
2014	<u>126,501</u>
Totals	<u>\$ 1,260,071</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:

<b>Fiscal Years</b>	
2010	\$ 850,104
2011	850,104
2012	850,104
2013	850,104
2014	850,104
2015-2028	11,688,930
<b>Totals</b>	<b>\$ 15,939,450</b>

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 on June 30, 2009, the book value of the building is \$17,462,114, which is net of accumulated depreciation in the amount of \$175,902.

## 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](http://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:

PERSI	2009	2008	2007
University contributions required and paid	\$2,862,506	\$2,909,214	\$2,844,156
Employee contributions	1,716,406	1,744,718	1,705,403
Total contributions	4,578,912	4,653,932	4,549,559
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:

ORP	2009	2008	2007
University contributions required and paid	\$5,536,217	\$5,413,695	\$4,202,531
Employee contributions	4,164,171	4,072,113	3,795,236
Total Contribution	9,700,388	9,485,808	7,997,767
University required contribution rate	9.30%	9.30%	7.72%
Employee contribution rate	6.97%	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, 2009 and 2008, supplemental funding payments to PERSI were \$890,640 and \$871,076, 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, 2009 and 2008 were \$567,314 and \$562,087, respectively.

## 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

### Summary of Plans

The University participates in other postemployment benefit (OPEB) plans relating to health, disability, and life insurance administered by the State of Idaho as agent multiple-employer defined benefit plans. Idaho Code, Sections 67-5760 to 67-5767 and 72-1335, establishes the benefits and contribution obligations. Each of these benefits is provided by the University to retired or disabled employees. 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, 4<sup>th</sup> Floor  
P.O. Box 83720  
Boise, ID 83720-0011  
[www.sco.idaho.gov](http://www.sco.idaho.gov)

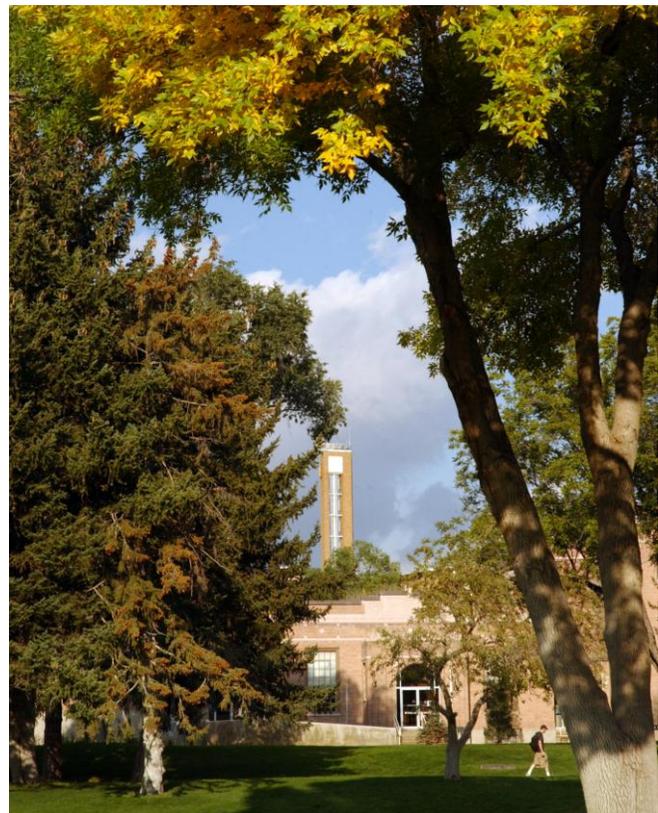
### ***Plan Descriptions and Funding Policy***

***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 PERSI may elect to have the retiree health insurance coverage for themselves and eligible dependents. To be eligible, University employees must enroll within sixty days of the date of their retirement. Additionally, the unreduced PERSI monthly benefit at the time of retirement must meet or exceed the monthly cost of single retiree health insurance coverage, or employees must have ten or more years (20,800 or more hours) of credited state service. Retirees eligible for medical health insurance pay the majority of the premium cost; however, the retiree plan costs are subsidized by the active employee plan. The University contributed \$26 per active non-retired employee per month towards the retiree premium cost.

Effective July 1, 2009, changes to this benefit regarding eligibility stipulate that an officer or employee must be an active employee on or before June 30, 2009, and retire directly from State service; the maximum benefit is \$1,860 per retiree per year. Additionally, any retiree who is currently eligible will remain so until they are eligible for Medicare. Beginning January 1, 2010, coverage will not be 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 70.00% 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 60.00% 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 60.00 % 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 100.00% 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 100.00% of the cost of the premiums. The University's contribution for the period was 0.33% of payroll in fiscal year 2009. 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 100.00% 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 for the period was \$6.96 per active employee per month in fiscal year 2009.

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 100.00% 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 100.00% 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 100.00% of their annual salary at retirement. The University pays 100.00% of the cost of basic life insurance. 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 Comparison**

The annual OPEB cost (AOC) is actuarially determined based on the annual required contribution (ARC) of the employer in accordance with GASB Statements No. 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.

<b>Annual OPEB Cost Comparison</b>							
<i>(dollars in thousands)</i>							
		Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	Total
			Income	Healthcare	Life Insurance		
Annual OPEB Cost	2009	\$294	\$92	\$161	\$72	\$832	\$1,451
	2008	3,134	22	67	145	767	\$4,135
Percentage of AOC Contributed	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%
Net OPEB Obligation (Funding Excess) – End of Year	2009	\$2,365	(\$57)	\$69	(\$4)	\$1,251	\$3,624
	2008	\$2,397	(\$61)	\$30	\$63	\$626	\$3,055

**Funded Progress and Funding Status –Required Supplementary Information**

The following table illustrates the funded status and the funding progress for the University (dollars in thousands):

**Schedule of Funding Progress (dollars in thousands):**

		(1)	(2)	(3)	(4)	(5)	(6)
	Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL) (2) - (1)	Funded Ratios (1) : (2)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll (3) : (5)
Retiree Healthcare Plan	7/1/2006	\$0	\$33,223	\$33,223	0.0%	\$86,470	38.4
	7/1/2008	\$0	\$2,228	\$2,228	0.0%	\$87,335	2.6
Long-Term Disability Plan:							
Income	7/1/2006	\$0	\$600	\$600	0.0%	\$86,470	0.7
	7/1/2008	\$0	\$599	\$599	0.0%	\$87,335	0.7
Life Insurance	7/1/2006	\$0	\$999	\$999	0.0%	\$86,470	1.2
	7/1/2008	\$0	\$1,029	\$1,029	0.0%	\$87,335	1.2
Healthcare	7/1/2006	\$0	\$941	\$941	0.0%	\$86,470	1.1
	7/1/2008	\$0	\$860	\$860	0.0%	\$87,335	1.0
Retiree Life Insurance Plan	7/1/2006	\$0	\$8,587	\$8,587	0.0%	\$86,470	9.9
	7/1/2008	\$0	\$9,753	\$9,753	0.0%	\$87,335	11.2

<b>Funded Status and Funding Progress</b>						
<i>(dollars in thousands)</i>						
		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) -	\$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	\$87,335	\$87,335	\$87,335	\$87,335	\$87,335
6	UAAL as a Percentage of Covered Payroll (3) : (5)	2.55%	0.69%	0.99%	1.18%	11.17%

**Actuarial Methods and Assumptions** - Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members. Any variations in future experience from that expected from these assumptions will result in corresponding changes in the estimated costs of the benefits. The projection of benefits for financial reporting purposes

does not incorporate the potential effects of legal funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

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

**Significant Methods and Actuarial Assumptions**

	<b>Retiree Healthcare Plan</b>	<b>Long-Term Disability Plan</b>			<b>Retiree Life Insurance Plan</b>
		<b>Income</b>	<b>Healthcare</b>	<b>Life Insurance</b>	
Actuarial Cost Method	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

2009								
	Personnel Costs	Services	Supplies	Insurance, Utilities and Rent	Scholarships and Fellowships	Depreciation	Miscellaneous	Operating Expenses 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	155,958	(55,868)	51			17,359	2,552,187
Student services	6,391,869	434,849	335,465	14,766			251,958	7,428,907
Institutional support	12,646,992	3,176,618	1,136,079	195,686			669,466	17,824,841
Maintenance and operations	5,784,875	4,395,769	639,863	5,179,030			6,340	16,005,877
Auxiliary enterprises	10,759,685	3,548,130	3,056,054	1,985,964			2,298,325	21,648,158
Scholarships and fellowships					15,048,716			15,048,716
Depreciation						9,992,168		9,992,168
<b>Total expenses</b>	<b>\$ 137,900,068</b>	<b>\$ 22,905,039</b>	<b>\$ 12,311,174</b>	<b>\$ 7,913,599</b>	<b>\$ 15,048,716</b>	<b>\$ 9,992,168</b>	<b>\$ 4,998,249</b>	<b>\$ 211,069,013</b>

2008								
	Personnel Costs	Services	Supplies	Insurance, Utilities and Rent	Scholarships and Fellowships	Depreciation	Miscellaneous	Operating Expenses Totals
Instruction	\$ 75,401,559	\$ 6,072,988	\$ 4,736,578	\$ 244,601			\$ 1,356,349	\$ 87,812,075
Research	11,741,445	2,739,314	1,195,491	77,954			467,009	16,221,213
Public services	4,014,350	414,066	329,299	127,849			137,968	5,023,532
Academic support	7,274,463	1,987,075	3,286,833	19,784			264,771	12,832,926
Libraries	2,402,145	167,504	(30,595)	1,120			19,446	2,559,620
Student services	6,764,035	627,733	356,487	26,714			370,948	8,145,917
Institutional support	14,145,925	2,868,824	739,535	184,628			726,462	18,665,374
Maintenance and operations	5,653,610	4,673,560	1,044,126	4,947,696			38,918	16,357,910
Auxiliary enterprises	10,730,460	3,782,930	4,135,882	1,634,347			2,300,189	22,583,808
Scholarships and fellowships					13,640,570			13,640,570
Depreciation						9,139,409		9,139,409
<b>Total expenses</b>	<b>\$ 138,127,992</b>	<b>\$ 23,333,994</b>	<b>\$ 15,793,636</b>	<b>\$ 7,264,693</b>	<b>\$ 13,640,570</b>	<b>\$ 9,139,409</b>	<b>\$ 5,682,060</b>	<b>\$ 212,982,354</b>

## 11. 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.

## 12. RISK MANAGEMENT

The University participates in the State of Idaho Risk Management Program, which manages property and general liability risk. That program provides liability (cap) protection to \$500,000 per occurrence. Insurance premium payments are made to the State risk management program based on rates determined by a State agency's loss trend experience and asset value covered. Presently, the insurance coverage for the University's insured property totals \$735,319,212.

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.

## 13. COMPONENT UNIT DISCLOSURE

The Idaho State University Foundation, Inc. is discretely presented within the financial statements as a component unit. Separate audited financial statements are prepared for the Foundation and may be obtained by contacting Idaho State University Financial Services, Campus Box 8219, Pocatello, Idaho 83209.

The Foundation 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 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.

***Investments*** - Investments are carried at fair value. Equity securities are valued at fair value as reported by the Investment Managers/Custodians. The change in fair value of the investments is reflected in the accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances. The Foundation, through its Board of Directors, appoints an investment committee that determines investment guidelines, sets spending rules, and engages the investment manager(s) and custodian(s). The Board oversees and approves all investment and asset allocation policies proposed by the Investment Committee. Furthermore, the Board and the Investment Committee acknowledge and understand their fiduciary role and will always seek to act prudently in the best interests of the Foundation. The role of the Investment Committee is also to monitor and review the actions of the investment manager(s) and custodian(s), make recommendations on investment policy, and oversee the management of all other assets of the Foundation. The Investment Committee reports regularly to the Board of Directors. The overall investment policy is to maximize the return on investments within an acceptable range of risks. Appropriate levels of investment risk will be determined by guidelines and influenced by spending rules.

***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. Assets held in the charitable remainder trusts totaled \$4,123,023 and \$5,606,431 at June 30, 2009 and 2008, respectively, and are included in investments in the accompanying Statements of Financial Position.

***Fair Value Measurements*** - The Foundation has determined the fair value of certain assets and liabilities in accordance with the provisions of FASB Statement No. 157, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles.

**Capitalized Bond Issuance Costs** - Capitalized bond issuance costs consist of legal costs, underwriting fees, printing and other costs incurred to obtain, secure and rate the multi-mode variable rate revenue Bonds issued for the construction of the L.E. and Thelma Stephens Performing Arts Center on May 30, 2001. The issuance costs for the 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, 2009 and 2008 were \$359,563 and \$331,724, respectively.

#### **14. SUBSEQUENT EVENTS**

Subsequent to June 30, 2009, Idaho's Governor announced a tiered, \$99 million reduction in state general fund spending in response to lower state revenue forecasts. The University's reduction is 6% of general fund appropriations. The University's 2010 general fund appropriation totals \$65.8 million, making the impact of the holdback approximately \$3.9 million to the University. The University is developing a plan to implement the necessary steps to address the holdback.



**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 (University) and its discretely presented component unit as of and for the year ended June 30, 2009, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 2, 2009. 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 the results of other auditors' testing of internal control over financial report or compliance and other matters that are reported on separately by other auditors. The financial statements of Idaho State University Foundation were not audited in accordance with *Government Auditing Standards*.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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

described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting as noted in finding 2009-01.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

### **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*.

The University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the University's response and, accordingly, we express no opinion on it.

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

*Moss Adams LLP*

Eugene, Oregon  
October 2, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND 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 the compliance of Idaho State University (University) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We did not audit the University's compliance with the requirements governing Student Loan Billing and Due Diligence in Collection compliance requirements specified by the Federal Perkins Loan Program and described in the OMB Circular A-133 Compliance Supplement. Compliance with these requirements was audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the University's compliance with those requirements, is based solely on the 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. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. 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 2009-02, 2009-03 and 2009-04.

## INTERNAL CONTROL OVER COMPLIANCE

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

We did not consider internal controls over compliance with 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 and would not necessarily identify all deficiencies in the University's internal control that might be significant deficiencies or material weaknesses as defined below. However, as described below, we identified certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

*A control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-02 to be a significant deficiency.

*A material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's responses and, accordingly, we express no opinion on them.

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  
October 2, 2009

**IDAHO STATE UNIVERSITY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2009**

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**Section I - Summary of Auditor's Results**

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*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 \_\_\_\_\_ no

Noncompliance material to financial statements noted? \_\_\_\_\_ yes \_\_\_X\_\_\_ no

*Federal Awards*

Internal control over major programs:

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

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 OMB Circular A-133? \_\_\_X\_\_\_ yes \_\_\_\_\_ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	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 Lending Program
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

**IDAHO STATE UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

Dollar threshold used to distinguish  
between type A and type B programs:           \$    1,151,481  
Auditee qualified as low-risk auditee?              X   yes           no

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**Section II - Financial Statement Findings**

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**2009-01 – Lack of Adequate Staffing Related to the 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.

**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.

**Cause:** There has been little growth in the Controller’s Office despite the increases in complexity and growth and the increased external reporting requirements. In addition, in the current year, the University planned and developed an Enterprise Resource Planning (ERP) system that was implemented subsequent to year end. The development and pending implementation of the new system did not include backfill staffing and requires significant additional time from accounting managers to implement and to provide key process and procedural information in order to effectively develop a system that met the needs of the University.

**Effect:** We noted there was a significant increase in overtime, in the work backlog, and in the effort required to close the books in a timely manner. 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.

**Recommendation:** Due to the current economic conditions, there is a conscientious effort to justify additional costs. However, we recommend that 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 will eliminate excessive overtime and help to ensure that the proper functions are performed by the proper employee, thereby ensuring proper internal control. Additionally, balanced workloads will ensure that employees have the appropriate time to dedicate to the accurate completion of their tasks. Although the University expects that the new ERP system will streamline accounting procedures, the system is in the beginning phases of implementation and it may take years before the benefits of the system will be seen.

**View of responsible officials and planned corrective actions:** Management concurs with the audit assessment relative to the issues created by the heavy workload and the lack of sufficient staffing. In addition to the risk factor, management is also concerned about the individual human impact the workload brings to bear on a number of staff members. As you point out, the overall complexity and growth of the University and the increased reporting requirements has created this issue, which has been intensified by the ERP project implementation.

The Controller's Office recently hired a functional financial analyst to assist with reporting and ERP related issues. We have hired a second staff member to assist with special projects and quarterly reporting to the SBOE. We have received approval to hire a third staff member to assist in the administrative accounting areas, including year-end financial reporting.

We believe these actions will address the immediate issues and we will continue to focus resources to address a longer-term solution.

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### Section III - Federal Award Findings and Questioned Costs

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#### 2009-02 – Procurement: Suspension and Debarment Certifications

##### **Federal Program: Medical Assistance Program**

##### **Federal Agency: Department of Health and Human Services**

**Criteria or specific requirement:** OMB Circular A-110, Section 13, outlines requirements for recipients of federal financial assistance regarding compliance with the debarment and suspension common rule implementing Executive Orders (E. O. 12549 and 12689). This common rule restricts sub-awards and contracts with certain parties that are debarred, suspended or otherwise excluded from or ineligible for participation in Federal assistance programs or activities. For covered transactions occurring after November 26, 2003, the recipient must verify that the sub-recipient or vendor entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. Covered transactions include procurement contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria.

**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.

**Questioned Costs:** None. During the audit, the Excluded Parties List System (EPLS) was checked for the specific entities noting they were excluded from the list.

**Cause:** Personnel at the University are aware of this requirement however, they neglected to verify that the vendor was excluded from the EPLS.

**Effect:** The disregard of procedures to require suspension and debarment verifications for all categories of covered transactions permits the possibility for suspended or debarred parties to inappropriately receive federal funds and could result in the use of a suspended or debarred vendor which could result in federal funds being returned.

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

**View of the responsible officials and planned corrective actions:** Management concurs with this comment. The Purchasing Office believes this was an isolated instance. Their practice is to routinely validate all covered procurement with the EPLS list. However, they will place increased emphasis on this task to assure no further oversights take place. With the implementation of the Banner ERP system, all federal procurement actions will be routed through the system to the Grants and Contracts Accounting Office for general oversight, however, there are no specific flags for the EPLS list.

## **2009-03 – Return to Title IV Funds**

### **Federal Program: Student Financial Assistance Cluster**

### **Federal Agency: Department of Education**

#### **Criteria or specific requirement:**

- a. Per 34CFR 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.

#### **Condition:**

- a. During the testing of student files we noted that 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 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

**Cause:** The instances noted above appear to be due to an oversight of applying Department of Education guidelines coupled with changes in key personnel.

#### **Effect:**

- a. Based on the policy used, the students were 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.

**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 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 the responsible officials and planned corrective actions:** Management concurs with this comment. We have re-emphasized the need for timeliness in this area and will make a concerted effort to ensure the data provided by faculty members needed for a determination of withdrawal dates is provided more timely and that funds are submitted timely. This issue resulted in large part due to a staff departure that required an inordinate period of time to replace. That vacancy has been filled and the employee has been trained.

**2009-04 – Timely Disbursements**

**Federal Program: Student Financial Assistance Cluster**

**Federal Agency: Department of Education**

**Criteria or specific requirement:** Per 34CFR 385.301(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 that the University had multiple instances where they did not submit initial disbursements or subsequent adjustments and cancellations within the proper timeframe.

**Questioned Costs:** None

**Cause:** The instances noted above appear to be due to an oversight of Department of Education guidelines coupled with changes in key personnel.

**Effect:** The noncompliance and associated lack of oversight by the University resulted in incomplete student data available for the Department of Education and other Common Origination and Disbursement (COD) users.

**Recommendation:** Moss Adams recommends the University more closely monitor their reporting to COD to ensure timeliness of initial disbursements and subsequent adjustments and cancellations.

**View of the responsible officials and planned corrective actions:** Management concurs with this audit comment. The University has not overdrawn its overall disbursement levels, but as

noted above in the “Cause” paragraph above, the employee with primary responsibility for submitting loan disbursement records to COD left the University and, although a replacement has been employed, the recruiting process took a long time. During this same timeframe, implementation of the ERP system required significant efforts on the part of the supervisory employee, making it difficult to backfill. The replacement has been trained and is cognizant of the importance of timely submissions and reporting.

**IDAHO STATE UNIVERSITY  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2009**

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**2008-01 – Lack of adequate controls surrounding accounts receivable**

Condition and context – During the current fiscal year, the University’s Business Office discovered that amounts receivable from Portneuf Medical Center (PMC) for cost reimbursements related to Graduate Medical Education (GME) had not been being recorded as receivables. Annually the University’s Business Office requests that departments return a form that details out all receivables for the current fiscal year end. Accompanying this form is a memo which provides guidance to departments on what constitutes a receivable. The Business Office follows up on any forms that are not returned to verify that the department has no receivable balances outstanding. In this case, the department responsible for this area had verified in previous years that they did not have any outstanding receivable balances even though they were aware of the cost reimbursements due from PMC. The Business Office has subsequently reviewed all returned forms and feels that this was an isolated incident.

Recommendation – We recommend that a process be put into place that would identify all University receivables. This would ensure the proper amount of receivables is recorded on the financial statements.

**Status:** During the current year engagement, we noted that this issue has been corrected.

**IDAHO STATE UNIVERSITY**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2009**

<u>Federal Grant/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>		
<b>DEPARTMENT OF AGRICULTURE</b>				
USDA/NRCS	10.001	10,847	R	1
GERMINO: USDA WEEDS	10.206	97,664	R	1
USDA REMOTE SENSING TECHNIQUES	10.912	14,531	R	1
Pass Through Payments				
ST HILAIRE SHELF-LIFE STUDY	10.200	1,414	R	1
ST HILAIRE: FLY PROJECT-USDA	10.200	40,053	R	1
EARLY LEARNING CENTER	10.558	59,817		
ISU PRESCHOOL	10.558	14,734		
UPWARD BOUND	10.559	9,831		
CARIBOU AMPHIBIAN MONITORING	10.652	2,718	R	1
Total Department of Agriculture		251,609		
<b>DEPARTMENT OF COMMERCE</b>				
NOAA GEOSPATIAL OUTREACH	11.460	56,595	R	1
B-CAL-3	11.460	116,849	R	1
Pass Through Payments				
IDAHO MANUFACTRNG ALLIANCE/EDA	11.303	70,258	P	
Total Department of Commerce		243,702		
<b>DEPARTMENT OF DEFENSE</b>				
SNM FORENSICS	12.351	394,027	R	1
SMART PROSTHETIC HAND	12.420	370,817	R	1
EOLIAN SOIL TRANSPORT	12.431	118,706	R	1
HI INTENSERAD CHEM/BIO DEF YR2	12.800	1,569,066	R	1
NIATEC	12.902	2,683	R	1
Pass Through Payments				
OPTICAL-FISK	12.910	19	R	1
Total Department of Defense		2,455,318		
<b>DEPARTMENT OF THE INTERIOR</b>				
BIA ANCSA GIS PROJECT	15.036	49,185	R	1
GRAND STAIRCASE-ESCALANTE RES	15.224	1,527	R	1
BLM - WUI	15.228	19,446	R	1
BLM WIND EROSION	15.231	54,817	R	1
SISP MAINTENANCE	15.231	5,029	R	1
USGS - GREAT DIVIDE TRANSECT	15.808	33,640	R	1
USGS-POBS-TELEMETRY STUDY	15.808	20,300	R	1
LEMNA MINOR BIOASSAY	15.808	6,415	R	1
USGS PROJECTS	15.808	22,203	R	1
ST. HILAIRE: CHYTRID PROJ-USGS	15.808	12,007	R	1
KINGS PEAK EDMAP	15.810	92	R	1

**IDAHO STATE UNIVERSITY**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2009**

<u>Federal Grant/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>		
EDMAP-ALLAN MOUNTAIN	15.810	11,692	R	1
EDMAP-SOUTHERN PORTNEUF RANGE	15.810	7,234	R	1
EDMAP-SHEWAG LAKE QUAD	15.810	5,405	R	1
PETERSON GRYN AMPHIBIAN PROTOC	15.923	24,307	R	1
ETHNOGRAPHIC STUDY	15.DAL	201	R	1
KIPUKA INVENTORY	15.DAV	15,215	R	1
MOUNTAIN GOATS	15.DAV	30,555	R	1
OWYHEE UPLANDS PROJECT	15.DAV	3,223	R	1
Pass Through Payments				
RESTORING MOUNTAIN QUAIL - QU	15.000	18,519	R	1
MTN QUAIL RESTORATION TO IDAHO	15.605	7,187	R	1
TEX CREEK ELK STUDY	15.611	24,431	R	1
BAXTER: USGS - GRAND CANYON	15.808	61,369	R	1
Total Department of the Interior		433,999		
<b>DEPARTMENT OF LABOR</b>				
ENERGY SYSTEMS TECH & ED CTR	17.269	560,006	T	
Pass Through Payments				
RITA GRANT	17.261	723	T	
Total Department of Labor		560,729		
<b>DEPARTMENT OF TRANSPORTATION</b>				
Pass Through Payments				
LFA STABILIZATION	20.205	64,225	R	1
CHIP SEAL SURFACE	20.205	22,646	R	1
MICRO DEVAL TEST	20.205	34,716	R	1
FREQUENCY ANALYSIS	20.205	7,002	R	1
ID DEPT/TRANSPORT. INTERNSHIP	20.205	12,249	O	
Total Department of Transportation		140,838		
<b>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</b>				
NASA O'NEAL	43.000	372,847	R	1
NASA INTERNATIONAL	43.000	202,364	R	1
NASA POST-FIRE	43.000	3,285	R	1
Pass Through Payments				
NASA-HYDROGEN SULFIDE 2008	43.000	5,000	R	1
PHASE MEMORY	43.000	45,692	R	1
NASA SYNTHTC APERTURE RADAR	43.000	998	R	1
NASA ISGC K-12 OUTREACH FY06	43.000	14,586	R	1
MARIUS HILLS PROJECT	43.000	11,065	R	1
ISGC SPG	43.000	4,967	T	
EVILIA NASA	43.000	9,140	R	1
UT ST IRRAD OF THIN FILMS 06	43.000	2,250	R	1
Total National Aeronautics and Space Administration		\$ 672,194		

**IDAHO STATE UNIVERSITY**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2009**

<u>Federal Grant/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>		
<b>NATIONAL ENDOWMENT FOR THE HUMANITIES</b>				
Pass Through Payments				
LAUREL THATCHER	45.129	3,500	P	
IMAGES OF SHOSHONI LIFE	45.129	2,509	R	1
WHM KEYNOTE SPEAKER	45.129	1,821	P	
Total National Endowment for the Humanities		7,830		
<b>NATIONAL SCIENCE FOUNDATION</b>				
HARMONIOUS CALIBRATION	47.049	74,623	R	1
NSF-CLAS POLARIZATION	47.049	108,030	R	1
SNO PROJECT	47.049	21,594	R	1
FOREST NSF	47.049	67,295	R	1
REU FOR APPLIED PHYSICS	47.049	47,701	R	1
MAGNUSON BIOGEO	47.050	22,415	R	1
WORKSHOP TRAVEL	47.050	192	T	
FOSSIL PLOT PROJECT	47.050	71,463	R	1
NEOPROTEROZOIC RIFTING OF UTAH	47.050	26,019	R	1
KEELEY UMEB STUDENTS	47.074	25,635	R	1
KELCHNER NSF BAMBOO	47.074	57,033	R	1
STEROIDS AND CARDIA FUNCTION	47.074	69,399	R	1
TERRESTRIAL EF/AQUATIC IN	47.074	62,617	R	1
MATOCQ: NSF - DDIG	47.074	31	R	1
EVILIA - NSF	47.074	10,315	R	1
NSF - CAREER - MATOCQ	47.074	3,159	R	1
CROWELL - NSF1	47.074	74,725	R	1
NSF DDIG - MINEAU	47.074	1,354	R	1
NSF DDIG - BECHTOLD	47.074	1,589	R	1
COMPLEXITY ACROSS BOUNDARIES	47.074	4,943	R	1
WE LEAD	47.075	89,626	O	
DYNCOOPNET	47.075	117,557	R	1
MRI - SEM	47.075	356,917	R	1
WE LEAD 2	47.075	64,265	O	
RSMITHGK12RENEW	47.076	554,547	T	
CSEM SCHOLARSHIPS	47.076	819	T	
SCHOLARSHIP FOR SERVICE	47.076	96,972	T	
INFORMATION SECURITY	47.076	73,479	R	1
SCHOLARSHIP FOR SERVICE II	47.076	172,053	T	
NSF ATE I&C TECHNICIAN GRANT	47.076	117,467	T	
ALASKA THERMOKARST	47.078	8,383	R	1
FISHERIES POLICY PROJECT	47.078	17,963	R	1
SANAK BIOCOMPLEXITY PROJECT	47.078	84,763	R	1
NSF MRI LAB	47.078	247,189	R	1
VZAP	47.078	111,099	R	1
NSF US-CHINA WKSHP MTN GLACIER	47.079	5,933	R	1

**IDAHO STATE UNIVERSITY**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2009**

<u>Federal Grant/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>		
<b>Pass Through Payments</b>				
QUARKNET - ND/NSF	47.049	14,982	T	
LA TECH GEM ISU	47.049	40,133	R	1
HIS DESKTOP	47.050	16,755	R	1
ANDERSON: SENSORIMOTOR INTEGRA	47.074	28,602	R	1
TBILISI RADON ASSESSMENT INIT	47.075	2,313	R	1
RODNICK/NSF EPSCoR - FISH	47.076	28,801	R	1
PORTNEUF RIVER EPSCoR PROJECT	47.076	1,503	R	1
NSF EPSCoR RII (INOUYE)	47.076	59,002	R	1
NSF EPSCoR V	47.076	11,159	R	1
WRCC EPSCOR - BAXTER	47.080	64,918	R	1
WRCC EPSCOR - GERMINO	47.080	85,601	R	1
WRCC EPSCOR - AMES	47.080	562	R	1
WRCC EPSCOR - CROSBY	47.080	27,492	R	1
WRCC EPSCOR - GLENN	47.080	31,204	R	1
WRCC EPSCOR - WHEATON	47.080	55,007	R	1
WRCC EPSCOR - OFF OF RESEARCH	47.080	115,453	R	1
WRCC EPSCOR/CYBRINFRSTRUCTURE	47.080	315	R	1
 Total National Science Foundation		 3,452,966		
 <b>SMALL BUSINESS ADMINISTRATION</b>				
<b>Pass Through Payments</b>				
SBDC - IDAHO FALLS GRANT	59.037	48,743	P	
SBDC - POCATELLO GRANT	59.057	55,897	P	
 Total Small Business Administration		 104,640		
 <b>DEPARTMENT OF VETERANS AFFAIRS</b>				
VA SDHS TRAINING	64.115	174,117	T	
 Total Department of Veterans Affairs		 174,117		
 <b>NUCLEAR REGULATORY COMMISSION</b>				
NRC FELLOWSHIP PROGRAM	77.008	30,540	T	
 Total Nuclear Regulatory Commission		 30,540		
 <b>DEPARTMENT OF ENERGY</b>				
MAGNUSON - DOE-BES	81.049	105,868	R	1
STRUCTURE OF MESONS	81.049	39,755	R	1
DOE EPSCOR IMPLEMENTATION	81.049	469,361	R	1
GENERAL ATOMICS 2006	81.112	115,023	R	1
UNIVERSITY REACTOR SHARING	81.114	14,223	R	1
GNEP	81.121	4,631	T	

**IDAHO STATE UNIVERSITY**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2009**

<u>Federal Grant/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>		
IAC AFC RESEARCH	81.121	1,159,178	R	1
HYBRID K-EDGE	81.121	300,773	R	1
Pass Through Payments				
USTUR	81.000	39,418	R	1
2+2 UI	81.000	20,000	T	
NICCR TREELINES	81.049	28,065	R	1
INRA ICEWATER	81.049	53,950	R	1
WYP2005	81.049	89	P	
INRA - IRRIGATION	81.049	12	R	1
INRA - PORTNEUF RIVER	81.049	22,690	R	1
INRA WATER RESOURCES	81.049	23,711	T	
CARBON SEQUESTRATION	81.089	44,567	R	1
INRA FIELD TRIP	81.104	78	T	
INRA CORE COURSE SUPPORT	81.104	527	T	
INRA SUBSURFACE SCI GRAD PROGM	81.104	34,141	T	
INRA SSGP FIELD TRIP '04	81.104	737	T	
CORE COURSE SUPPORT	81.104	563	T	
MIT AT INSE	81.121	131,302	R	1
NUCLEAR FUEL PROCESSING	81.121	25,022	R	1
INEEL OVERSIGHT ENVIR ANALYSIS	81.502	389,113	R	1
DEQ ENVIRO SAMPLE ANALYSIS	81.502	25,545	R	1
Total Department of Energy		3,048,342		

**DEPARTMENT OF EDUCATION**

SEOG	84.007	374,918	T	2
CWSP - AMERICA READS PROGRAM	84.033	1,787	T	2
CWSP-GENERAL	84.033	442,259	T	2
PELL GRANT-PRIOR YR COLLECTION	84.063	23,965	T	2
PELL GRANT-AID YEAR 2007-08	84.063	2,795	T	2
PELL GRANT-AID YEAR 2008-09	84.063	14,590,966	T	2
FED DIRECT LEND/SUB 2007-08	84.268	43,310	T	2
FED DIRECT LEND/UNSUB 2007-08	84.268	24,712	T	2
FED DIRECT LEND/SUB 2008-09	84.268	28,030,781	T	2
FED DIRECT LEND/UNSUB 2008-09	84.268	30,689,016	T	2
FED DIRECT LEND/PLUS 2008-09	84.268	271,889	T	2
FED DIRECT GRAD PLUS 2007-08	84.268	887	T	2
FED DIRECT GRAD PLUS 2008-09	84.268	1,075,202	T	2
ACAD COMP (ACG) GRANT 2007-08	84.375	(1,125)	T	2
ACAD COMP (ACG) GRANT 2008-09	84.375	218,446	T	2
NATIONAL SMART GRANT 2008-09	84.376	393,115	T	2
FED TEACH GRANT (UG) 2008-09	84.379	355,158	T	2
FED TEACH GRANT (GRAD) 2008-09	84.379	48,500	T	2
TRIO PELL SUPPLEMENT	84.042A	30,013	O	3
TRIO STUDENT SUPPORT SERVICES	84.042A	220,800	T	3
EDUCATIONAL TALENT SEARCH	84.044A	400,185	T	3

**IDAHO STATE UNIVERSITY**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2009**

<u>Federal Grant/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>		
UPWARD BOUND	84.047A	345,290	T	3
CHALLENGE COURSE	84.128J	2,172	T	
SERIOUS BEHAVIOR DISORDERS	84.324B	152,850	R	1
CHILD CARE FOR STUDENT SERVICE	84.335A	156,061	P	
Pass Through Payments				
INCARCERATED/INST GRANT	84.002	792	T	
ADULT BASIC ED	84.002	163,528	T	
ABE IMAS CONTRACT	84.002	4,000	T	
ABE/ACADEMY OF EXCELLENCE	84.002	3,014	T	
ABE AQ PD PERSONNEL	84.002	21,386	T	
ABE TEACHER TRN & PRG IMPRVMT	84.002	10,193	T	
EL/CIVICS GRANT	84.002	6,628	T	
IDAHO BUILDING CAPACITY	84.010	158,802	P	
ICEE CONTRACTS	84.010A	9,367	T	
GLENNS FERRY SUPPLEMENTAL SERV	84.010	(3,657)	T	
REGIONAL SPECIAL ED CONSULTANT	84.027A	445,814	T	
HRTD PRESERVICE WORKSHOP	84.048	34,165	T	
FCCLA PTE MARKETING PROJECT	84.048A	10,466	T	
FCS CURRICULUM GRANTS	84.048A	6,117		
TITLE IIC COUNSELOR	84.048	182,766	T	
TECH GENERAL ED	84.048	156,301	T	
NON TRADITIONAL TRAINING PROJ	84.048	824	T	
RESOURCE CENTER	84.048	45,507	T	
DIVERSITY/RETENTION SPECIALIST	84.048	110,007	T	
CARL PERKINS SUPPORT	84.048	27,628	T	
LEVERAGING ED ASST PRTNR/LEAP	84.069	16,164	T	
SLEAP	84.069	7,942	T	
AREA V TECH PREP CONSORTIUM	84.084A	141,080	T	
SPEECH AND HEARING CLINIC	84.181	1,611		
ROBERT C BYRD SCHOLARSHIP	84.185	13,500		
AREA V TECH PREP CONSORTIUM	84.243A	12,125	T	
TECH GENERAL ED	84.243A	13,591	T	
RESOURCE CENTER	84.243A	4,501	T	
DIVERSITY/RETENTION SPECIALIST	84.243A	13,596	T	
MSP08	84.366	61,382	T	
MATH SCIENCE PARTNERSHIP-EDUC	84.366	98	T	
MATH SCIENCE PARTNERSHIP-ENGIN	84.366	240	T	
TOTAL INSTRUCTIONAL ALIGNMENT	84.367	19,743	T	
ELIG PARTNER GRANT-SHELT INST	84.367B	21,471	T	
HIGHLY QUALIFIED TEACHERS	84.367B	16,466	T	
LITERACY IN THE CONTENT AREA	84.367B	25,170	T	
COLLEGE ACCESS CHALLENGE GRANT PROG	84.378	9,830		
Total Department of Education		79,666,110		

**IDAHO STATE UNIVERSITY**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2009**

<u>Federal Grant/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>		
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
TBI	93.234	56,964	R	1
TRAUMATIC BRAIN INJRY PRTNRSHP	93.234	46,583	R	1
CHILD TRAUMA CENTER	93.243	3,278	R	1
YOUTH SUICIDE PREVENTION	93.243	353,318	R	1
NIH SLEEP PROBLEMS	93.273	88,218	R	1
ALCOHOL & COGNITION	93.273	301,049	R	1
ETHANOL/GENDER SELECT EFFECTS	93.273	15,081	R	1
SELVAGE NIH R01	93.273	52,502	R	1
PROF. NURSING TRAINEESHIP 1993	93.358	33,731	T	
RURAL NURSE RESIDENCY	93.359	106,271	T	
HOSPITAL DISCHARGE MODEL	93.779	172,936	R	1
HCAP-NIH	93.855	46,206	R	1
ACTIVE FAMILIES FOR LIFE	93.884	288,064	T	
SCHPS/DISADVNTGD PA STUDENTS	93.925	24,500	T	2
SCHPS/DISADVNTGD PT STUDENTS	93.925	20,417	T	2
SDS - PHARMACY	93.925	54,444	T	2
SDS SPEECH PATHOLOGY	93.925	5,445	T	2
BIOTERRORISM PREPAREDNESS	93.996	347,260	T	
Pass Through Payments				
REAL-TIME DISEASE DETECTION	93.069	35,889	P	
LMS HOSTING	93.069	385	P	
SAFE & STABLE FAMILIES (SASF)	93.087	168,796	T	
HIV TRAINING PROGRAM	93.145	110,230	T	
NRHA	93.155	9,103	T	
SEID HOSPITAL	93.211	42,587	O	
DISCOVERY HOUSE	93.243	14,803	T	
EARLY CANCER PREVENT BEHAVIOR	93.283	5,751	R	1
RURAL NURSE INTERNSHIP	93.359	52	T	
WWAMI NURSING TECH CLLBRTVE	93.359	4,944	T	
INBRE	93.389	384,091	R	1
BETTER TODAYS BETTER TOMORROWS	93.558	43,149	P	
ELC QRS GRANT	93.575	3,655	P	
TITLE IV-E	93.658	116,839	T	
TITLE IV-E SUPERVISON/TRAINING	93.658	171,720	T	
CHILD DEVELPMNT CNTR TRNSHIP	93.778	31,601	T	4
CENTER FOR DISABILITY EVALUATN	93.778	2,752,263	P	4
DRUG UTILIZATION REVIEW	93.778	359,406	T	4
AIM-HIGH	93.837	34,525	R	1
TEMPORAL LOBE EPILEPSY	93.853	15,022	R	1
NEEDS ASSESS & PLAN HIV SERV	93.943	33,057	P	
HIV COMMUNITY / PREVENTION	93.943	5,586	T	
W.I.S.E.	93.943	6,734	T	
HIV PREVENTION EDUCATION 2006	93.943	47,705	P	
CAC/CDT	93.959	27,753	T	
RAPE PREV & EDUC PGM/MENS GRP	93.991	7,293	T	

**IDAHO STATE UNIVERSITY**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2009**

<u>Federal Grant/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>	
RYAN WHITE III GRANT	93.918A	108,273	P
Total Department of Health and Human Services		6,557,479	

**CORPORATION FOR NATIONAL AND COMMUNITY SERVICE**

Pass Through Payments			
ICHC YEAR 8	94.006	30,653	P
ICHC YEAR 9	94.006	98,461	P
Total Corporation for National and Community Service		129,114	

**DEPARTMENT OF HOMELAND SECURITY**

Pass Through Payments			
FY06 ST HOMELAND SEC GRNT PROG	97.067	452,066	T
FY07 ST HOMELAND SEC GRNT PROG	97.067	137,967	T
Total Department of Homeland Security		590,033	

**TOTAL FEDERAL EXPENDITURES**

**98,519,560**

- (2) Student Financial Aid grants combined and tested as a major program  
(4) Medical Assistance Program grant combined and tested as a major program

**IDAHO STATE UNIVERSITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009**

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**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 \$2,384,433 and \$263,186 respectively, for the year ended June 30, 2009. The cumulative administrative costs allowance as of the year ended June 30, 2009 was \$613,869.

Funds distributed as agent for the Federal Direct Lending Program of \$60,135,797 and the Federal TEACH program of \$403,658 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		37,604
Texas Cooperative Extension		826
University of Georgia Research Fndtn		2,838
<u>Germino USDA Weeds</u>	10.206	
University of North Carolina-Asheville		24,563
University of Idaho		42,208
<u>SMN Forensics</u>	12.351	
L-3 Pulse Science Communications		154,592

<u>ESTEC-Energy Systems Tech &amp; Educ Prog</u>	17.269	
Battelle Energy Alliance		139,998
<u>Steriods &amp; Cardia Function</u>	47.074	
Mountain State Tumor & Medical Research Institute		829
<u>Sanak Biocomplexity Project</u>	47.078	
Rocky Mountain Biological Laboratory		15,040
Antioch University		32,258
<u>VA SDHS Training</u>	64.115	
Help, Inc		6,000
Ricky Huang		23,218
Samantha Hurst		17,250
<u>Idaho Building Capacity</u>	84.010	
Laurie Beebe		5,585
Angela Bergeson		10,003
Ronda Black		7,637
Mary Gervasc		8,191
Alice Hocklander		3,276
David Hocklander		4,669
Linda Hoge		6,989
Kelly Murphey		17,990
Karen Osman		10,832
Mary Ann Ward		9,071
Rob Winslow		20,870
<u>DOE EPSCoR Implementation</u>	81.049	
University of Idaho		213,901
Boise State University		201,329
<u>General Atomics 2006</u>	81.112	
General Atomics		146,906
<u>MSP08</u>	84.366	
Aberdeen School Dist #58		200
Blackfoot School Dist #55		471
Idaho Falls School Dist #91		1,826
Pocatello School Dist #25		160
Buhl School Dist #412		136
Clark County School Dist #161		970
Bonneville School Dist #93		1,696
Parma School Dist #137		1,247
Teton School Dist #401		3,482
Educational Assessment and Train		8,000
University of Wisconsin – WCER		463
<u>TBI</u>	93.234	
AGIS Assistguide		17,000

<u>Traumatic Brain Injury Partnership</u>	93.234	
AGIS Assistguide		1,700
<u>Ethanol/Gender Select Effects</u>	93.273	
Portland VA Research Foundation		2,484
<u>Bioterrorism Training and Curriculum Dev Program</u>	93.996	
Mountain States Group, Inc.		20,402
MGMA Center for Research		35,000