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# FY15 ANNUAL FINANCIAL STATEMENTS

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

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

Pocatello | Idaho Falls

Idaho State University

Meridian | Twin Falls

IDAHO STATE UNIVERSITY
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# REPORT OF INDEPENDENT AUDITORS

Idaho State Board of Education
Idaho State University
Pocatello, Idaho

## Report on the Financial Statements

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Foundation, which represents the entirety of the University's discretely presented component unit as described in Note 14. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for that component unit, are based solely on the report of other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Idaho State University Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

## REPORT OF INDEPENDENT AUDITORS
## (continued)

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

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

***Opinion***

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

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents and certain information in Note 11, *Pension Plan* and Note 12, *Postemployment Benefits Other Than Pensions* and labeled as "required supplementary information", be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## REPORT OF INDEPENDENT AUDITORS
## (continued)

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards as required by OMB Circular A-133, *Audits of State, Local Governments, and Non-profit Organizations* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2015, on our consideration of Idaho State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Idaho State University's internal control over financial reporting and compliance.

Moss Adams LLP

Eugene, Oregon
September 28, 2015

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

## *INTRODUCTION*

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

## *PROFILE OF THE UNIVERSITY*

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

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

## *USING THE FINANCIAL STATEMENTS*

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

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

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

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

## *FINANCIAL HIGHLIGHTS*

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

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

Other significant changes to operations were as follows:

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

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

## *CONDENSED FINANCIAL INFORMATION AND ANALYSIS*

### Financial Position - Statement of Net Position

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

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

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

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

Net position is divided into three categories

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

### *SUMMARIZED STATEMENTS OF NET POSITION*

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

**Schedule of Net Position**

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

## *SIGNIFICANT CHANGES IN THE STATEMENTS OF NET POSITION*

- The total net position of the University at June 30, 2015 was $241.1 million, an increase of $9.6 million over the prior year. The University's total net position includes its investment in capital assets, net of related debt which increased $3.5 million to $126.6 million. The restricted portion of net position decreased $0.3 million to $5.0 million, and the unrestricted portion of net position increased $6.4 million to a total of $109.6 million.

- In 2015, the increase in current assets is largely due to an increase in cash and investments of $6.9 million, an increase in the accounts receivable of $13.1 million, and an increase of $1 million in due from state agencies. The primary driver of decline in noncurrent assets is attributed to net property, plant and equipment which decreased $1.7 million during the year with accumulated depreciation outpacing asset additions. Deferred outflows of resources increased $3.4 million due to the net impact of implementing GASB 68.

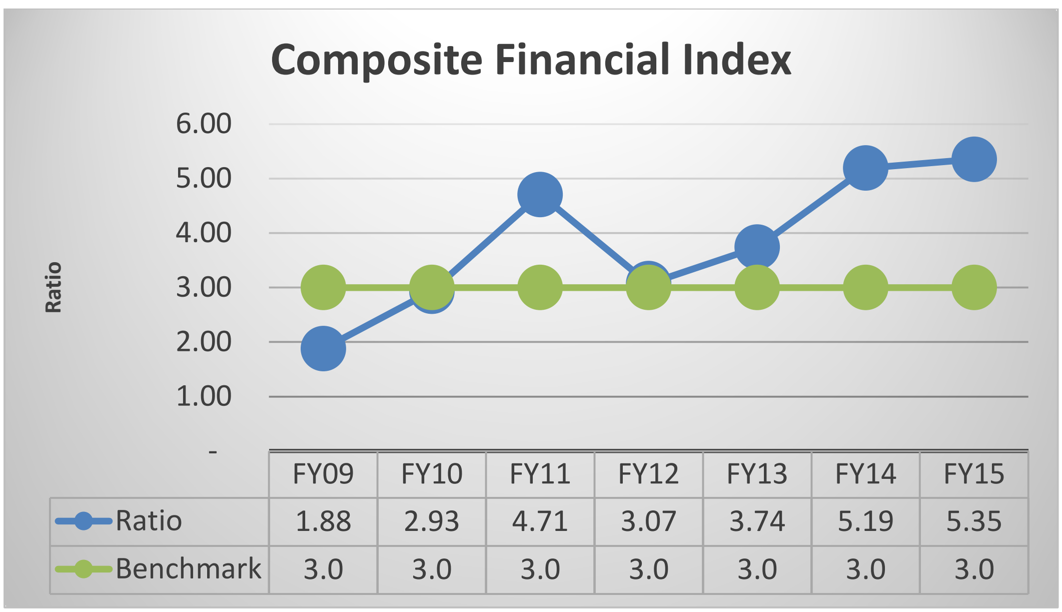
- During the current fiscal year, total liabilities increased by $3.8 million, primarily due to increases in current liabilities of $1.7 million, and to a net increase in noncurrent liabilities of $2.1 million. Noncurrent liability increases in other post-employment benefits payable of $0.8 million and pension liability of $6.8 million were partially offset by declines in notes and bonds payable for debt service payments of ($5.5) million. Deferred inflows of resources reflect an increase of $9.3 million driven by the implementation of GASB 68.

### *Financial Health Indicators*

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

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

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




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

The Statement of Revenues, Expenses and Changes in Net Position is comparable to the income statement of for profit entities. It reflects the sources and amounts of revenues earned and the expense types and amounts incurred during the year, grouped as operating, non-operating or other. The statement of revenues, expenses, and changes in net position reports the revenues earned and expenses incurred during the year on an accrual basis, identified as operating and non-operating activities as prescribed by GASB.

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

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

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

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

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

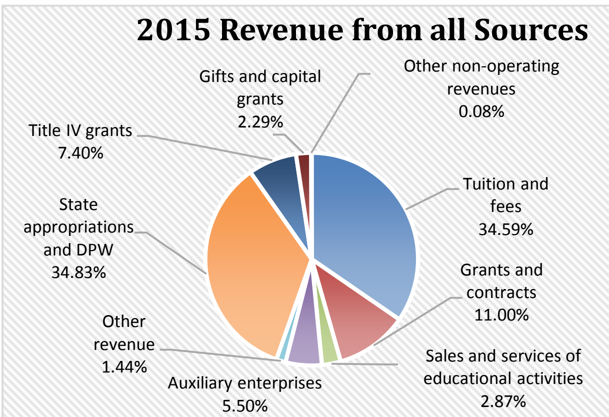
**Summary Statement of Revenues, Expenses & Changes in Net Position**

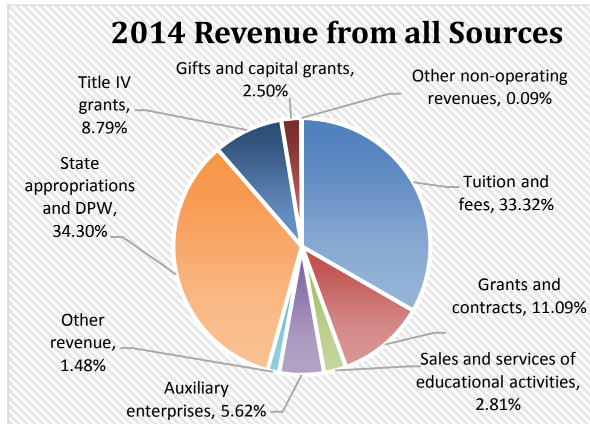
| Operating revenues | **2015** | **2014** | **2015 vs 2014 Change** | **2013** |
|---|---|---|---|---|
| Student tuition and fees (net of scholarship discounts and allowances) | $ 88,206,974 | $ 80,067,373 | $ 8,139,601 | $ 73,937,311 |
| Federal grants and contracts | 9,290,225 | 8,267,766 | 1,022,459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

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

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

**Operating Revenue from all Sources**




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

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

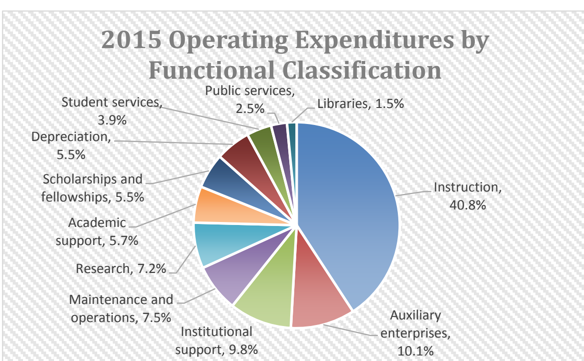
- Federal Title IV Grants: There was a $2.2 million decrease in Title IV revenue from the prior year. This decrease was due to the federal government restricting Pell grant availability, and tightening the eligibility requirements, coupled with declining domestic enrollment.
- Sales and Services: Revenue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

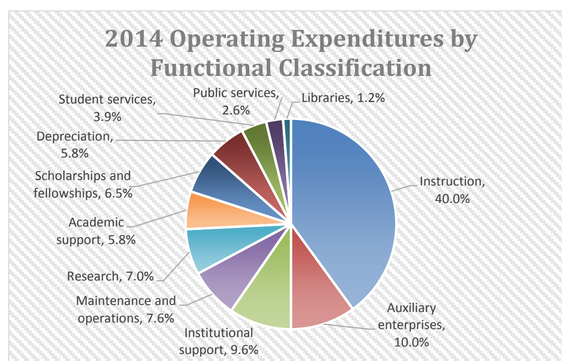
### *Expenses*

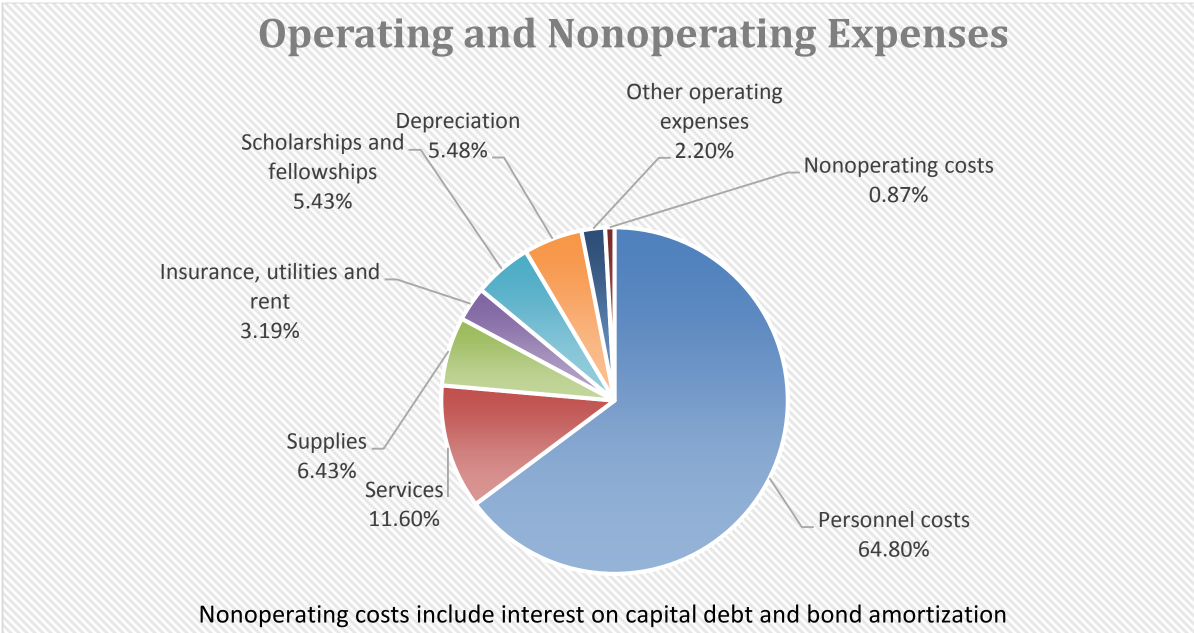
Operating expenses represent the costs associated with providing goods and services to enable us to carry out the mission of the University. Non-operating expenses are generally those associated with interest on debt and the disposal loss of fixed assets.

**Summary Statement of Expenses**

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






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

- Non-operating expenses in fiscal year 2015 remained relatively flat.

***CASH FLOWS***

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

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

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

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

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

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

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

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

**Summary Statement of Cash Flows**

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

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

## *CAPITAL ASSET AND DEBT ACTIVITIES*

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

### Capital Assets

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

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

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

**Debt**

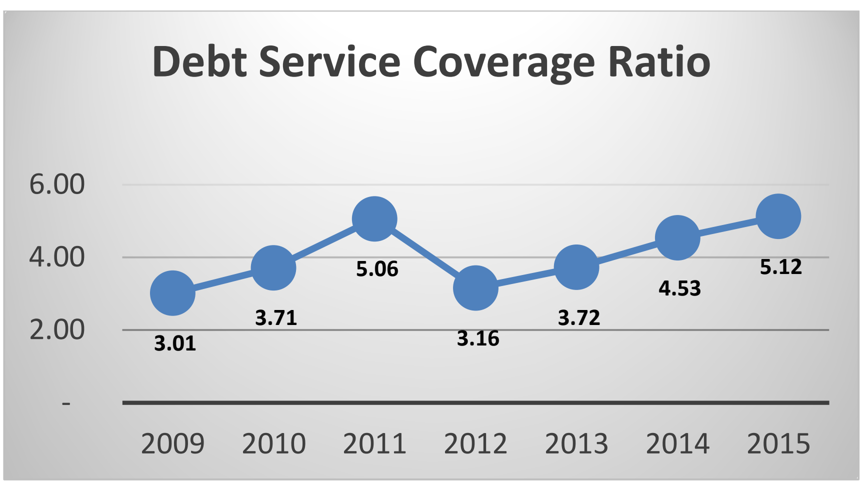
Total notes and bonds payable declined by $5.3 million from $56.6 million at June 30, 2014 to $51.3 million at June 30, 2015. The University continues to pay down existing debt according to the debt schedule detailed in the notes of this report.

| | June 30, 2015 | June 30, 2014 | Change |
|---|---|---|---|
| Notes and bonds payable | $ 51,277,411 | $ 56,585,298 | $ (5,307,887) |

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

**Debt Ratios**

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



## *ECONOMIC OUTLOOK*

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

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

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

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

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

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

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

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

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

**See Accompanying Notes to Financial Statements**

## IDAHO STATE UNIVERSITY COMPONENT UNIT

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

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

**See Accompanying Notes to Financial Statements**

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

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

**See Accompanying Notes to Financial Statements**

## IDAHO STATE UNIVERSITY COMPONENT UNIT

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

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

**See Accompanying Notes to Financial Statements**

## IDAHO STATE UNIVERSITY COMPONENT UNIT

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

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

**See Accompanying Notes to Financial Statements**

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

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

**See Accompanying Notes to Financial Statements**

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### *Financial Reporting Entity*

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

### *Basis of Accounting*

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

### *Cash Equivalents*

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

### *Cash with Treasurer*

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

### *Investments*

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investment income is recorded on the accrual basis. Changes in unrealized gains and losses on the carrying value of investments are reported as a component of net investment income in the Statement of Revenues, Expenses and Changes in Net Position.

### *Student Loans Receivable*

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

### *Accounts Receivable*

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

### *Inventories*

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

### *Property, Plant and Equipment*

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

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

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

### *Deferred Inflows and Outflows of Resources*

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

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

### *Unearned Revenues*

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

### *Compensated Absences*

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

### *Noncurrent Liabilities*

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

### *Net Position*

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

> *Invested in Capital Assets* – This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.
>
> *Restricted, Expendable* – Restricted expendable includes resources which the University is legally or contractually obligated to use in accordance with restrictions imposed by external third parties.
>
> *Unrestricted* – Unrestricted represents resources derived from student fees, state appropriations, and sales and services of educational departments and auxiliary enterprises.

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

### *Income and Unrelated Business Income Taxes*

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

### *Classification of Revenues*

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

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

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

### *Scholarship Discounts and Allowances*

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

### *Pensions*

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### *Use of Accounting Estimates*

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

### *New Accounting Standards Implemented*

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

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

## 2. RESTATEMENT OF NET POSITION

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

The University adopted this new pronouncement in the current year. It is not practical for PERSI to determine the amounts of all deferred inflows of resources and deferred outflows of resources related to pensions as of the beginning of the plan year. As a result, the prior year has not been restated for deferred inflows of resources, deferred outflows of resources, net pension liability and pension expense. Since the restatement of the prior year presented is not practical, the cumulative effect of applying this Statement is reported as a restatement of beginning net position as of June 30, 2014.

***Net Position Restated*** – The cumulative effect of implementing GASB 68 decreases the net position end of year for June 30, 3014, by $14,782,087 from $231,484,666 to $216,702,579.

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

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

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

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

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

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

**Basis of Custodial Credit Risk**
**As of June 30**

| | 2015 | 2014 |
|---|---|---|
| Insured | $ 250,000 | $ 250,000 |
| Uncollateralized | - | - |
| Collateralized by securities held by the pledging financial institution | 35,215,410 | 43,460,487 |
| Total deposits | $ 35,465,410 | $ 43,710,487 |

At June 30, 2015 and 2014, the University had $161,453 and $156,361, respectively, of cash on hand in various change funds. The carrying amount of the University’s cash and cash equivalents at June 30, 2015 and 2014 was $110,790,792 and $104,100,984, respectively. The net difference between deposits and the carrying amount of cash and cash equivalents is primarily a reflection of investment of the daily float.

### *Investments*

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

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

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

### Credit Risk

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

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

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

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

### Concentration of Credit Risk

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

### Custodial Credit Risk

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

### Interest Rate Risk

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

### Foreign Currency Risk

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

**4. ACCOUNTS RECEIVABLE AND DUE FROM STATE AGENCIES**

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

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

**5. STUDENT LOANS RECEIVABLE**

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

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

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

## 6. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

## 7. UNEARNED REVENUES

Unearned revenues consist of the following at June 30:

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

## 8. NONCURRENT LIABILITIES

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

| Description | Balance Outstanding 6/30/2013 | Additions | Reductions | Balance Outstanding 6/30/2014 | Additions | Reductions | Balance Outstanding 6/30/2015 | Amounts Due Within One Year |
|---|---|---|---|---|---|---|---|---|
| Note payable to a financial institution due in semi-annual installments varying from maximum of $2,993,916 to $16,696 plus interest of 5.08% through 09/01/2016 | 3,152,940 | - | (941,639) | 2,211,301 | - | (924,257) | 1,287,044 | 946,488 |
| General Revenue Bonds, Series 2004A (original balance of $4,980,000), consisting of serial bonds payable in annual amounts increasing periodically from $210,000 to a maximum of $375,000, plus interest from 2.00% to 4.375% through the year 2023. All bonds are collateralized by certain student fees and other revenues. | 825,000 | - | (265,000) | 560,000 | - | (275,000) | 285,000 | 285,000 |
| General Revenue Bonds, Series 2004B (original balance of $3.305,000), consisting of serial and term bonds payable in annual amounts increasing periodically from $55,000 commencing in 2022 to a maximum of $345,000, plus interest from 4.50% to 4.75% through the year 2034. All bonds are collateralized by certain student fees and other revenues. | 3,040,000 | - | - | 3,040,000 | - | - | 3,040,000 | - |
| General Revenue Bonds, Series 2004C (original balance of $2.305,000), consisting of term bonds payable in annual amounts increasing periodically from $95,000 to a maximum of $190,000, plus interest of 4.880% through the year 2022. All bonds are collateralized by certain student fees and other revenues. | 1,430,000 | - | (135,000) | 1,295,000 | - | (140,000) | 1,155,000 | 150,000 |
| General Revenue Bonds, Series 2006 (original balance of $10,000,000), consisting of term bonds payable in annual amounts increasing periodically from $320,000 to a maximum of $805,000, plus interest of 5.260% through the year 2028. All bonds are collateralized by certain student fees and other revenues. | 8,620,000 | - | (390,000) | 8,230,000 | - | (410,000) | 7,820,000 | 435,000 |
| General Revenue Bonds, Series 2007 (original balance of $16,120,000), consisting of term bonds payable in annual amounts increasing periodically from $270,000 to a maximum of $1,055,000, plus interest from 3.90% to 5.00% through the year 2032. All bonds are collateralized by certain student fees and other revenues. | 13,190,000 | - | (600,000) | 12,590,000 | - | (620,000) | 11,970,000 | 645,000 |
| General Revenue Refunding Bonds, Series 2012 (original balance of $27,530,000), consisting of annual amounts increasing periodically from $965,000 to a maximum of $3,470,000, plus interest from 2.00% to 4.00% through the year 2023. All bonds are collateralized by certain studentfees and other revenues. | 26,225,000 | - | (965,000) | 25,260,000 | - | (2,255,000) | 23,005,000 | 2,340,000 |
| General Revenue Refunding Bonds, Series 2013 (original balance of $3,810,000), consisting of annual amounts increasing periodically from $334,000 to a maxiumum of $1,669,000 plus interest from 2.25% to 2.75% through the year 2020. All bonds are collateralized by certain student fees and other revenues. | 3,810,000 | - | (1,669,000) | 2,141,000 | - | (334,000) | 1,807,000 | 341,000 |
| | 60,292,940 | - | (4,965,639) | 55,327,301 | - | (4,958,257) | 50,369,044 | 5,142,488 |
| Premium on bonds | 1,754,155 | - | (397,535) | 1,356,620 | - | (359,353) | 997,267 | - |
| Discount on bonds | (108,693) | 10,070 | | (98,623) | 9,723 | | (88,900) | - |
| Totals | $ 61,938,402 | $ 10,070 | $ (5,363,174) | $ 56,585,298 | $ 9,723 | $ (5,317,610) | $ 51,277,411 | $ 5,142,488 |

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

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

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

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

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

## 9. ACCOUNTING FOR LEASES

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

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

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

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

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

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

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

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

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

## 10. OPTIONAL RETIREMENT PLANS AND TERMINATION PAYMENTS

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

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

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

Contributions required and paid are as follows:

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

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

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

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

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

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

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

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

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

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

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

## 11. PENSION PLAN

***Plan Description***

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

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

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

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

### *Pension Benefits*

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

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

### *Member and Employer Contributions*

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

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

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

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

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

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

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

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

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

| Year ended June 30: | |
|---|---|
| 2016 | $ (2,181,340) |
| 2017 | (2,181,340) |
| 2018 | (2,181,340) |
| 2019 | (2,181,340) |
| 2020 | (36,133) |

***Actuarial Assumptions***

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

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

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

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

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

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

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

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

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

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

### *Discount Rate*

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

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

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

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

### *Pension plan fiduciary net position*

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

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

### *Payables to the pension plan*

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

## Required Supplementary Information

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

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

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

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

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

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

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

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

## 12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

### *Summary of Plans*

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

### *Plan Descriptions and Funding Policy*

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

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

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

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

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

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

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

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

### *Annual Other Post-Employment Benefit (OPEB) Costs*

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

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

| | Retiree Healthcare Plan | Long-Term Disability Plan: Income | Long-Term Disability Plan: Healthcare | Long-Term Disability Plan: Life Insurance | Life Insurance Plan | Total |
|---|---|---|---|---|---|---|
| Annual Required Contribution | $ 396 | $ 62 | $ 124 | $ 104 | $ 1,110 | $ 1,796 |
| Interest | 105 | 1 | 4 | (1) | 168 | 277 |
| Adjustment to ARC | (199) | (1) | (8) | 1 | (320) | (527) |
| Total Annual OPEB Cost | 302 | 62 | 120 | 104 | 958 | 1,546 |
| Contributions Made | (224) | (50) | (167) | (87) | (161) | (689) |
| Increase (Decrease) in NOO | 78 | 12 | (47) | 17 | 797 | 857 |
| NOO – Beginning of Year | 2,566 | 26 | 98 | (24) | 4,733 | 7,399 |
| NOO (Funding Excess) – End of Year | $ 2,644 | $ 38 | $ 51 | $ (7) | $ 5,530 | $ 8,256 |

## *Annual OPEB Cost Comparison*

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

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

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

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

**Funded Status and Funding Progress**
*(dollars in thousands)*

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

### *Actuarial Methods and Assumptions*

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

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

**Significant Methods and Actuarial Assumptions**

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

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

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

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

**Schedule of Employer Contributions**
*(dollars in thousands)*

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

## 13. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATION

**2015**

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

**2014**

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

## 14. COMPONENT UNIT DISCLOSURE

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

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

### *Foundation Operations*

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

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

### *Principles of Consolidation*

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

### *Basis of Accounting*

The Foundation financial statements included in this report have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America, whereby revenue is recorded when earned and expenses are recorded when materials or services are received. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

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

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

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

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

***Investments***

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

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

***Promises to Give***

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

The allowance for doubtful accounts for all promises to give represents the Foundation's best estimate of the amount of probable losses in the Foundation's existing promises to give. The Foundation determines the allowance by performing on-going evaluations of its donors and their ability to make payments. The Foundation determines the adequacy of the allowance based upon length of time past due, historical experience and judgment of economic conditions. Account balances are charged off against the allowance after all means of collection have been exhausted and potential recovery is considered unlikely.

### *Obligations under Split Interest Agreements*

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

### *Fair Value Measurements*

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

### *Capitalized Bond Issuance Costs*

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

### *Endowments*

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

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

### *Fair Value of Assets and Liabilities*

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

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

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

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

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

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

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

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

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

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

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

## *Multi-Mode Variable Rate Revenue Bonds*

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

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

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

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

**15. SUBSEQUENT EVENTS**

No reportable subsequent events.

**16. CONTINGENCIES AND LEGAL MATTERS**

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

**17. RISK MANAGEMENT**

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

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

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

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

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

Idaho State Board of Education
Idaho State University
Pocatello, Idaho

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

## Internal Control Over Financial Reporting

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

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

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

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

### Compliance and Other Matters

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

### Purpose of this Report

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

Moss Adams LLP

Eugene, Oregon
September 28, 2015

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

Idaho State Board of Education
Idaho State University
Pocatello, Idaho

## Report on Compliance for Each Major Federal Program

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

### *Management's Responsibility*

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

### *Auditor's Responsibility*

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

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

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

***Opinion on Each Major Federal Program***

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control Over Compliance

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

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

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

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

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

Moss Adams LLP

Eugene, Oregon
September 28, 2015

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

## Section I - Summary of Auditor's Results

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

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

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

**Identification of Major Programs**

| *CFDA Numbers* | *Name of Federal Program or Cluster* | *Type of Auditor's Report Issued* |
|---|---|---|
| Various | Student Financial Aid Cluster | Unmodified |

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

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

## Section II - Financial Statement Findings

None reported

## Section III - Federal Award Findings and Questioned Costs

None reported

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

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

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

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

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

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

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

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

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

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

(1) Student Financial Aid

Definitions:

R - Research and Development

O - Other Programs

T - Training and Instruction

P - Public Service

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

## 1. BASIS OF PRESENTATION

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

## 2. UNIVERSITY ADMINISTERED LOAN PROGRAMS

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

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

## 3. FEDERAL WORK STUDY

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

**4. SUBRECIPIENTS**

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

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

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

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

*discover* OPPORTUNITY

# FY15 ANNUAL
# FINANCIAL STATEMENTS

Pocatello | Idaho Falls

Idaho State UNIVERSITY

Meridian | Twin Falls