

Idaho State

UNIVERSITY



Idaho State University

*Financial Statements for the Years
Ended June 30, 2011 and 2010
and Independent Auditor's Report*

*Including Schedule of Expenditures
Of Federal Awards and Single Audit
Documents for the Year Ended June 30, 2011*

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IDAHO STATE UNIVERSITY
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REPORT OF INDEPENDENT AUDITORS

The Idaho State Board of Education
Idaho State University

We have audited the accompanying financial statements of Idaho State University (the University) and its discretely presented component unit, Idaho State University Foundation, Inc. (the Foundation) as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Idaho State University Foundation, Inc., a 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, is based solely on the report of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University and its discretely presented component unit as of June 30, 2011 and 2010, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2011, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12 and certain information in Note 10, *Postemployment Benefits Other Than Pensions*, that is labeled as "required supplementary information" are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Moss Adams LLP

Eugene, Oregon
September 30, 2011

IDAHO STATE UNIVERSITY

Management's Discussion and Analysis For the fiscal year ended June 30, 2011

INTRODUCTION

This Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Idaho State University for the fiscal year ended June 30, 2011. It is intended to promote greater understanding of Idaho State University's (ISU or the University) financial activities and position. The MD&A includes the University's condensed and comparative statements, along with related graphs and charts. It should be read in conjunction with the financial statements and related footnote disclosures that follow the discussion. The financial statements, footnotes, and this discussion are the responsibility of management.

As a comprehensive public institution of higher learning, Idaho State University, located in Pocatello, Idaho, has served the citizens of the State since 1901, when it was first established as the Academy of Idaho. The University provides both general education and specialized programs in arts, humanities, sciences, the professions, and technologies and contributes to the State and nation through related research and public service programs. Idaho State University offers a diverse range of degree programs from baccalaureate to post-doctoral levels through the Colleges of Science and Engineering, Arts and Letters, Business, Education, Health Professions, Pharmacy, Technology, and the Graduate School. Through its programs in Health Professions, Pharmacy, the Family Practice Medical Residency, and the Idaho Dental Education Program, the University represents the primary higher educational institution for health professions in the state of Idaho.

OVERVIEW

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

The financial statements are comprised of the following components as explained briefly below.

Independent Auditor's Report – Presents an unqualified opinion rendered by an independent certified public accounting firm as to the fairness (in all material respects) of the financial statements. The audit firm is selected and engaged by the Idaho State Board of Education.



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

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

Statement of 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.

Notes to the Financial Statements – The Notes provide important additional information that expands and clarifies the financial statement data.

Component Unit – The Idaho State University Foundation, Incorporated (the Foundation) is a key partner and contributor to the University’s educational mission and holds significant economic resources that benefit the University. It is the only affiliated organization that qualifies as a component unit of the University. Because the Foundation is a non-governmental entity, their financial statements are based upon reporting standards promulgated by the Financial Accounting Standards Board (FASB) and are audited by separate independent auditors. For purposes of this report, their financial information is presented on separate pages immediately following the corresponding university information.



STATEMENT OF NET ASSETS

The *Statement of Net Assets* reflects the financial position of the University at the end of the fiscal year. The difference between total assets and total liabilities represents net assets. Changes in net assets occur over time and are one indicator of the financial condition of the University. Net Assets are presented in three major categories on the statement, each of which is described in more detail within the footnotes to the statements. A summary comparison of the assets, liabilities, and net assets for the years ended June 30, 2011, 2010, and 2009, is presented below.

Schedule of Net Assets			
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Assets:			
Current Assets	\$ 94,971,188	\$ 80,612,923	\$ 69,902,072
Noncurrent Assets	<u>196,119,584</u>	<u>191,955,047</u>	<u>192,081,655</u>
Total Assets	<u>291,090,772</u>	<u>272,567,970</u>	<u>261,983,727</u>
Liabilities:			
Current Liabilities	28,439,127	27,585,649	28,214,198
Noncurrent Liabilities	<u>71,749,739</u>	<u>75,445,975</u>	<u>78,931,975</u>
Total Liabilities	<u>100,188,866</u>	<u>103,031,624</u>	<u>107,146,173</u>
Net Assets:			
Invested in capital assets, net of related debt	123,571,307	113,836,708	108,043,090
Restricted, expendable	6,558,524	8,479,940	13,023,152
Unrestricted	<u>60,772,075</u>	<u>47,219,698</u>	<u>33,771,312</u>
Total Net Assets	<u>\$ 190,901,906</u>	<u>\$ 169,536,346</u>	<u>\$ 154,837,554</u>

As shown in the schedule above, the University's total net assets increased by approximately \$21.4 million from the prior fiscal year. The increase results from a variety of issues, but the major contributing factors are holding costs relatively flat, stable enrollment, and reducing debt, coupled with increases in tuition and fees, grants, and additions to capital assets. The overall increase was offset by the continuing decline in state funding.



REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

A comparative statement summarizing the University's revenues, expenses, and changes in net assets for the years ended June 30, 2011, 2010, and 2009, is shown below.

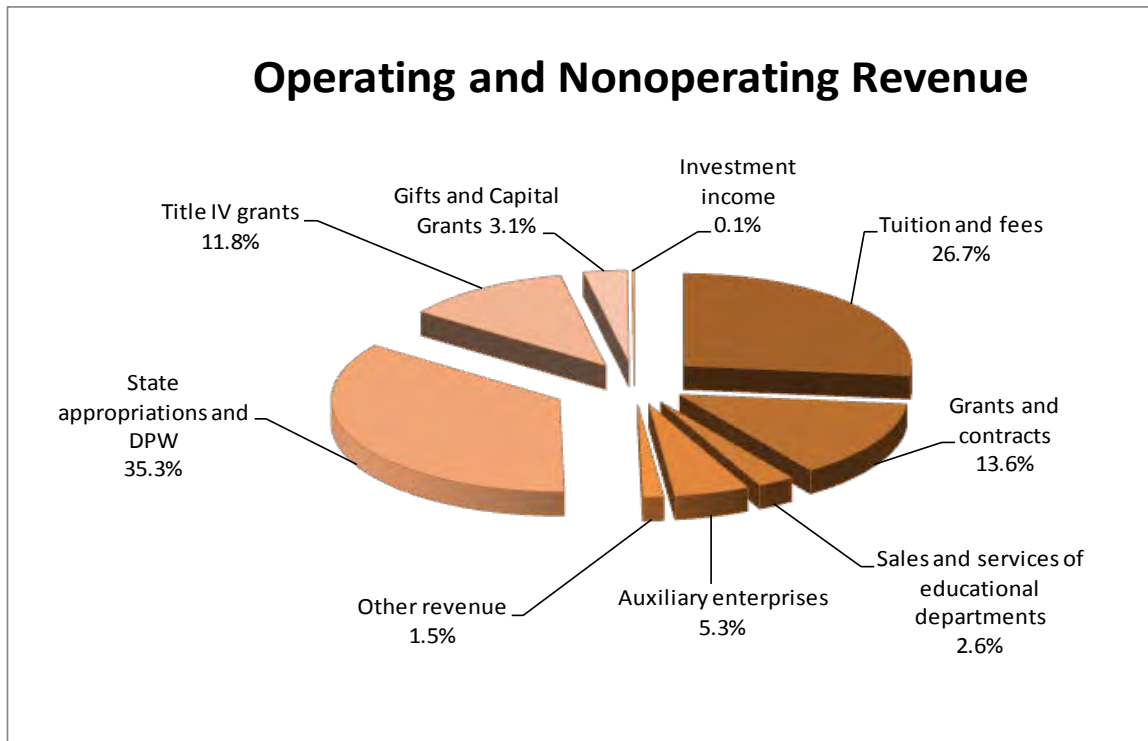
Summary Statement of Revenues, Expenses & Changes in Net Assets

	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>
Operating revenues			
Student tuition and fees (net of scholarship discounts and allowances)	\$ 62,525,361	\$ 57,721,128	\$ 52,694,142
Federal grants and contracts	13,653,117	14,166,811	13,734,296
State and local grants and contracts	9,786,215	9,813,602	9,822,969
Private grants and contracts	8,532,830	6,719,031	6,932,162
Sales and services of educational activities	6,066,029	5,543,843	4,233,153
Sales and services of auxiliary enterprises	12,426,182	12,444,156	12,222,735
Other	3,470,991	2,821,388	3,349,149
Total operating revenues	<u>116,460,725</u>	<u>109,229,959</u>	<u>102,988,606</u>
Operating expenses	<u>209,724,689</u>	<u>207,824,538</u>	<u>211,124,375</u>
Operating income (loss)	<u>(93,263,964)</u>	<u>(98,594,579)</u>	<u>(108,135,769)</u>
Nonoperating revenues (expenses)			
State appropriations	75,402,147	78,816,476	88,048,039
State Department of Public Works	7,375,601	3,892,864	11,962,205
Title IV grants	27,767,664	24,301,307	15,515,208
Gifts	5,396,289	5,959,068	6,705,788
Net investment income	252,720	238,229	614,313
Amortization of bond financing costs	(60,954)	(60,953)	(60,953)
Interest on capital asset related debt	(3,355,101)	(3,507,755)	(3,502,128)
Net nonoperating revenues (expenses)	<u>112,778,366</u>	<u>109,639,236</u>	<u>119,282,472</u>
Other revenue and expenses			
Capital gifts and grants	1,937,104	3,639,092	84,764
Gain or (loss) on disposal of fixed assets	(85,946)	15,043	(76,953)
Net other revenues and expenses	<u>1,851,158</u>	<u>3,654,135</u>	<u>7,811</u>
Increase in net assets	21,365,560	14,698,792	11,154,514
Net assets - beginning of year	<u>169,536,346</u>	<u>154,837,554</u>	<u>143,683,040</u>
Net assets - end of year	<u>\$ 190,901,906</u>	<u>\$ 169,536,346</u>	<u>\$ 154,837,554</u>

Revenue

Operating revenues received by the University are the result of providing goods and services to the various customers and constituencies of the University. Student tuition and fees, as well as research grants and contracts, are prime examples of operating revenues. Nonoperating revenues are those monies received for which goods and services are not provided. For example, as a public institution, 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 nonoperating 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 assets at the end of the year.

Total revenues for the year ended June 30, 2011, were \$234.6 million, representing an increase of 3.8% from fiscal year 2010. Below is a graphic illustration of revenues by source (both operating and non-operating) for the year ended June 30, 2011.



Fiscal year 2011, continued the trend in reduced general and programmatic appropriations from the State of Idaho. This is reflected by a 4.3% reduction in appropriated funding, which equates to \$3.4 million. When combined with the Department of Public Works (DPW), total state funding is relatively flat. However, this is a factor of one-time funding of \$5.2 million from the DPW for completion of the Meridian remodel project.



To help offset appropriated funding reductions, all state-supported institutions of higher education in Idaho increased tuition and fees in fiscal year 2011. This increase at ISU, coupled with the on-going cost reduction initiatives, were strategic steps considered necessary to sustain the institution and build reserves to face the challenging and uncertain economic times, and maintain a course that ensures educational excellence for our students. In addition, revenue from federal title IV grant funds delivered as aid to students rose during the year by \$3.5 million, or 14.3%.

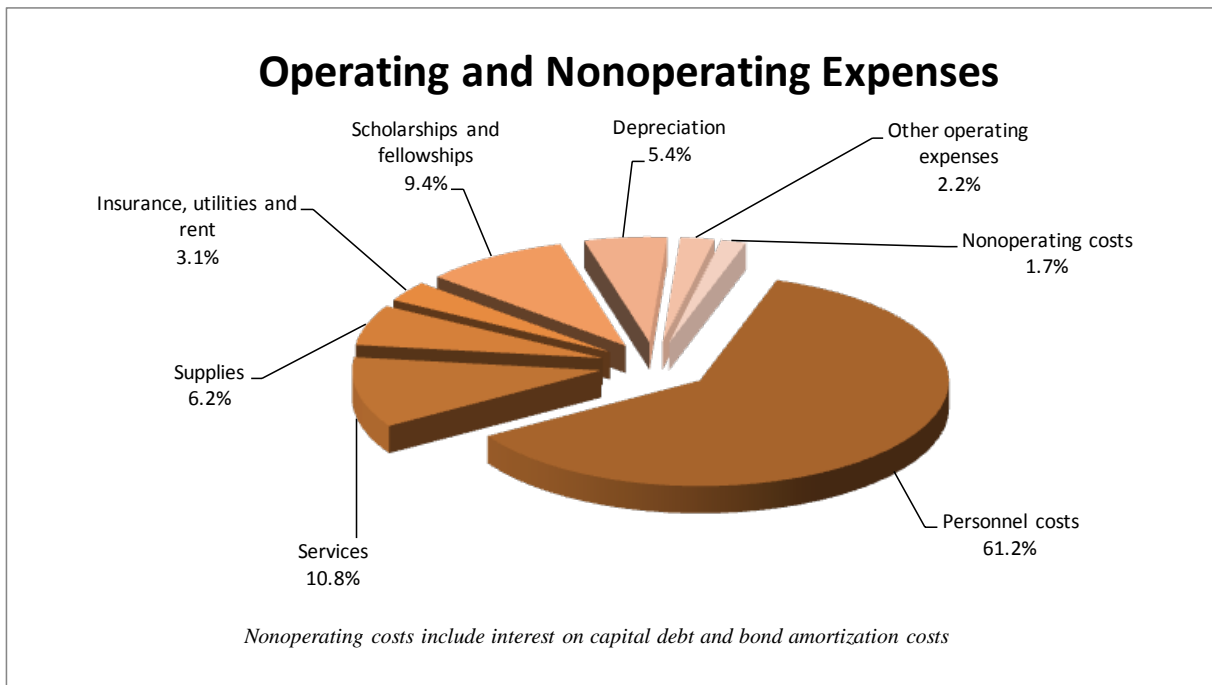
Revenue from research grants was up 4.1%, or about \$1.3 million. The institution continues its strong commitment to research, as evidenced by the Carnegie Foundation's classification of Idaho State University as a Research University-High status. ISU is only one of 98 institutions in the country in this prestigious group. As part of our commitment to research, the University purchased a 209,000 square foot building located in the University Research Park to house the Idaho Joint Research Center. The center

will provide a multidisciplinary approach to energy research, including material sciences, electrical engineering, and nuclear engineering.

Expenses

Operating expenses represent the costs associated with providing goods and services to enable us to carry out the mission of the University. A comparative summary of expenses for the years ended June 30, 2011, 2010, and 2009 is presented below, along with a graphic of expenditures by natural classification.

Summary Statement of Expenses			
	2011	2010	2009
Operating			
Personnel costs	\$ 130,457,000	\$ 133,372,372	\$ 137,900,068
Services	23,073,330	21,246,038	22,905,039
Supplies	13,257,589	11,200,367	12,311,174
Insurance, utilities and rent	6,660,260	7,172,329	7,913,599
Scholarships and fellowships	20,084,127	20,067,882	15,048,716
Depreciation Expense	11,462,198	10,832,307	10,047,530
Other operating Expenses	4,730,185	3,933,243	4,998,249
Total operating expenses	209,724,689	207,824,538	211,124,375
Nonoperating			
Amortization of bond financing costs	60,954	60,953	60,953
Loss (gain) on disposal of fixed assets	85,946	(15,043)	76,953
Interest on capital asset related debt	3,355,101	3,507,755	3,502,128
Total nonoperating expenses	\$ 3,502,001	\$ 3,553,665	\$ 3,640,034



At \$209.7 million, fiscal year 2011 operating expenditures increased by less than 1%. Holding operating costs at a relatively flat position is once again indicative of the initiatives the University implemented to

meet the challenges of the declining economy and budget holdbacks and prepare for additional financial challenges in the future. Where feasible, delayed hiring and the use of temporary employees helped to maintain stable personnel costs. The majority of the \$2.9 million dollar decrease in these costs is related to state insurance premium reprieves during the year. This was partially offset by increases in supplies, which were driven by much needed non-capital expenditures in computer labs and centers, instructional media, and the Center for Advanced Energy Studies research facility. Increased outlays for services were primarily the result of completing necessary repair and maintenance efforts through the DPW and an increase in costs stemming from subcontract work on sponsored grants and projects.

In addition to the natural classification of expenses presented previously, the three-year comparative summary of expenses categorized by functional classification provides additional insight into the nature of University expenditures. While there were no material changes over the prior year, it is noteworthy that expenditures for student services continue to increase. This reflects the infusion of \$380,000 in the Career Path Internship program and enhanced efforts for international students and advising.

Summary Statement of Operating Expenses by Function			
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Instruction	\$ 80,931,125	\$ 81,513,589	\$ 86,851,409
Research	18,092,340	17,394,610	17,282,465
Public Service	4,064,941	4,291,417	5,127,353
Academic Support	11,025,514	11,351,090	11,306,932
Libraries	2,400,075	2,522,461	2,552,186
Student Services	8,269,463	7,443,122	7,428,907
Institutional Support	17,620,322	17,526,844	17,824,842
Maintenance and Operations	14,027,825	13,572,310	16,005,877
Auxiliary Enterprises	21,746,759	21,308,706	21,648,158
Scholarships and Fellowships	20,084,127	20,068,082	15,048,716
Depreciation	11,462,198	10,832,307	10,047,530
Total Functional Expenses	<u>\$ 209,724,689</u>	<u>\$ 207,824,538</u>	<u>\$ 211,124,375</u>

CASH FLOWS

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 Assets*.

A summary of the *Statement of Cash Flows* for the year ended June 30, 2011, is presented below.

<u>Summary Statement of Cash Flows</u>			
	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>
Cash and cash equivalents (used in) or provided by:			
Operating activities	\$ (77,316,030)	\$ (86,116,976)	\$ (91,536,212)
Noncapital financing activities	107,537,874	105,911,573	109,034,526
Capital and related financing activities	(16,803,973)	(14,241,614)	(21,467,964)
Investing activities	<u>214,823</u>	<u>217,735</u>	<u>539,831</u>
Net increase (decrease) in cash	13,632,694	5,770,718	(3,429,819)
Cash and cash equivalents, beginning of year	<u>62,597,060</u>	<u>56,826,342</u>	<u>60,256,161</u>
Cash and cash equivalents, end of year	<u><u>\$ 76,229,754</u></u>	<u><u>\$ 62,597,060</u></u>	<u><u>\$ 56,826,342</u></u>

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

CAPITAL ASSET AND DEBT ACTIVITIES

The University considers the effective management of the institution’s physical resources 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. Idaho State University’s total capital assets before depreciation increased by \$14.0 million; from \$326.0 million in 2010, to \$340.0 million in 2011.

Total institutional long-term debt declined by \$4.3 million from \$75.1 million at June 30, 2010, to \$70.8 million at June 30, 2011. The University incurred no new long-term debt and continued to pay down existing debt according to the debt schedule detailed in the notes of this report.



ECONOMIC OUTLOOK

Despite the challenges experienced during the economic downturn in the nation and world, ISUs overall financial position remains relatively strong. The University has incurred no new debt in recent years and continues to monitor and minimize expenditures wherever and whenever it makes sense to do so. Managing multiple, consecutive years of reductions in state appropriated dollars has been, and continues to be challenging. Along with cost containment, alternative revenue sources have been utilized to maintain and sustain quality educational programs. As the cost of delivering these programs continues to rise, the University must depend on private gifts, research grants, and tuition and fees for incremental revenue.

The University continued its efforts and progress on many initiatives during the fiscal year. The research efforts of faculty and others continue to produce exemplary results. For example, there will be more family doctors in Idaho due to a \$960,000 grant awarded this fall to the Family Medicine Residency Program. The grant is designed to increase the number of primary care physicians in the state and will increase the total number of medical residents in the residency program from 18 to 21 over the next five years.

The College of Technology received a \$1.2 million dollar “Go On” grant from the J.A. and Kathryn Albertson Foundation to improve Idaho’s student retention rates. Under the program, students will work with the Center for New Directions to develop an educational and career plan and counselors and faculty will serve as mentors. Scholarships will be available for further credit courses and various business and industry representatives will frequently meet with students about their career options and choices.



The Idaho Museum of Natural History, located on the Pocatello campus, was awarded full accreditation by the American Association of Museums. The museum met rigid standards in all areas and was cited as making impressive changes, especially in terms of university support. The Association stated the museum has become not only “...one of the finest in Idaho, but also one of the best in America.”



Efforts by University researchers were bolstered by a \$1.0 million grant from the National Science Foundation dealing with “virtual zooarchaeology.” The grant furthers development of an online two and three-dimensional archeological collection of Arctic animal bones and will provide tools necessary to assist more efficient, accurate, and cost-effective analyses by researchers around the world.

The NCAA Division I Committee on Athletics Certification awarded the Department of Athletics NCAA Certification without condition. In meeting the NCAA requirements, the University increased the number of women's athletic scholarships, increased funding for the program, and improved the women's softball complex and the intercollegiate locker rooms for women's volleyball, softball, and basketball.



Since the University is ultimately subject to the same economic variables that affect other financial entities, it is not possible to predict future outcomes. We have a number of challenges ahead and maintaining the ambitious course we have set will not be a simple task. However, we remain confident that through careful stewardship of our resources, exercising thoughtful and prudent decision making, and continuing to work together with the various stakeholders and constituencies that support Idaho State University, we will continue to offer outstanding educational opportunities for our students.



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

IDAHO STATE UNIVERSITY
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 46,469,047	\$ 45,898,241
Cash with Treasurer	29,760,707	16,698,819
Student loans receivable	251,780	299,594
Accounts receivable and unbilled charges, less allowance for doubtful accounts of \$1,358,432 and \$510,614, respectively	13,209,650	11,225,799
Due from state agencies	4,048,548	5,661,440
Interest receivable	128,615	90,718
Inventories	276,492	251,702
Prepaid expenses	826,349	486,610
	<u>94,971,188</u>	<u>80,612,923</u>
NONCURRENT ASSETS:		
Student loans receivable, less allowance for doubtful loans of \$504,502 and \$488,852	1,527,146	1,564,654
Assets held in trust	269,941	1,512,602
Deferred bond financing costs	1,037,808	1,125,445
Property, plant, and equipment, net	193,284,689	187,752,346
	<u>196,119,584</u>	<u>191,955,047</u>
TOTAL ASSETS	<u>\$ 291,090,772</u>	<u>\$ 272,567,970</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 2,685,986	\$ 2,223,049
Due to state agencies	546,367	1,541,318
Accrued salaries and benefits payable	9,452,002	8,915,073
Compensated absences payable	4,288,645	4,594,205
Deposits	179,794	152,637
Funds held in custody for others	698,243	694,740
Deferred revenue	5,300,724	4,438,141
Accrued interest payable	864,961	917,425
Notes and bonds payable	4,422,405	4,109,061
	<u>28,439,127</u>	<u>27,585,649</u>
NONCURRENT LIABILITIES:		
Other post-employment benefits payable	5,360,000	4,453,000
Notes and bonds payable	66,389,739	70,992,975
	<u>71,749,739</u>	<u>75,445,975</u>
TOTAL LIABILITIES	<u>100,188,866</u>	<u>103,031,624</u>
NET ASSETS:		
Invested in capital assets, net of related debt	123,571,307	113,836,708
Restricted, expendable	6,558,524	8,479,940
Unrestricted	60,772,075	47,219,698
	<u>190,901,906</u>	<u>169,536,346</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 291,090,772</u>	<u>\$ 272,567,970</u>

See Accompanying Notes to Financial Statements

IDAHO STATE UNIVERSITY COMPONENT UNIT

IDAHO STATE UNIVERSITY FOUNDATION STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2011 AND 2010

ASSETS	2011	2010
Cash and cash equivalents	\$ 2,419,802	\$ 642,044
Cash and cash equivalents-restricted	851,039	735,366
Investments	41,051,000	37,757,721
Gift Pledges receivable, net	3,233,981	3,768,157
Cash surrender value	44,219	40,062
Miscellaneous receivables	20,001	40,509
Capitalized bond issuance costs, net	165,154	188,945
Property held for sale and investments	1,697,327	1,999,271
Total Assets	<u>\$ 49,482,523</u>	<u>\$ 45,172,075</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 58,904	\$ 57,953
Scholarships and other payables to ISU	785,724	787,018
Obligations to beneficiaries under split-interest agreements	710,014	1,216,702
Funds held in custody for others	49,310	42,073
Long term debt	6,000,000	9,260,000
Total liabilities	7,603,952	11,363,746
NET ASSETS		
Unrestricted	(4,793,872)	(10,267,059)
Temporarily restricted	16,622,396	16,127,084
Permanently restricted	30,050,047	27,948,304
Total net assets	<u>41,878,571</u>	<u>33,808,329</u>
Total Liabilities and net assets	<u>\$ 49,482,523</u>	<u>\$ 45,172,075</u>

See Accompanying Notes to Financial Statements

IDAHO STATE UNIVERSITY

STATEMENT OF REVENUES EXPENSES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
OPERATING REVENUES		
Student tuition and fees (net of scholarship discounts and allowances of \$22,998,668 and \$21,643,103 respectively)	\$ 62,525,361	\$ 57,721,128
Federal grants and contracts	13,653,117	14,166,811
State and local grants and contracts	9,786,215	9,813,602
Private grants and contracts	8,532,830	6,719,031
Sales and services of educational activities	6,066,029	5,543,843
Sales and services of auxiliary enterprises	12,426,182	12,444,156
Other	3,470,991	2,821,388
Total operating revenues	<u>116,460,725</u>	<u>109,229,959</u>
OPERATING EXPENSES		
Personnel costs	130,457,000	133,372,372
Services	23,073,330	21,246,038
Supplies	13,257,589	11,200,367
Insurance, utilities and rent	6,660,260	7,172,329
Scholarships and fellowships	20,084,127	20,067,882
Depreciation	11,462,198	10,832,307
Miscellaneous	4,730,185	3,933,243
Total operating expenses	<u>209,724,689</u>	<u>207,824,538</u>
OPERATING LOSS	<u>(93,263,964)</u>	<u>(98,594,579)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations:		
State general account - general education	61,632,435	64,586,565
Endowment income	2,124,036	2,124,326
Other state appropriations	2,646,998	2,580,092
Professional technical education	8,998,678	9,525,493
Department of Public Works	7,375,601	3,892,864
Title IV grants	27,767,664	24,301,307
Gifts (including \$5,064,955 and \$4,876,757 respectively, from Idaho State University Foundation)	5,396,289	5,959,068
Net investment income	252,720	238,229
Amortization of bond financing costs	(60,954)	(60,953)
Interest on capital asset related debt net of capitalized	(3,355,101)	(3,507,755)
Net nonoperating revenues	<u>112,778,366</u>	<u>109,639,236</u>
INCOME BEFORE OTHER REVENUES AND EXPENSES	19,514,402	11,044,657
OTHER REVENUES AND EXPENSES		
Capital gifts and grants (including \$0 and \$3,354,000, respectively from Idaho State University Foundation)	1,937,104	3,639,092
Gain or (loss) on disposal of fixed assets	(85,946)	15,043
Net other revenues and expenses	<u>1,851,158</u>	<u>3,654,135</u>
INCREASE IN NET ASSETS	21,365,560	14,698,792
NET ASSETS, BEGINNING OF YEAR	<u>169,536,346</u>	<u>154,837,554</u>
NET ASSETS, END OF YEAR	<u>\$ 190,901,906</u>	<u>\$ 169,536,346</u>

See Accompanying Notes to Financial Statements

IDAHO STATE UNIVERSITY COMPONENT UNIT

IDAHO STATE UNIVERSITY FOUNDATION STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Contributions and gifts	\$ 2,861,739	\$ 2,444,905	\$ 2,047,129	\$ 7,353,773
Contributed services	745,262	-	-	745,262
Interest and dividends	252,304	391,828	-	644,132
Net realized/unrealized gains on investments	1,046,043	4,891,465	-	5,937,508
Fees, charges, and miscellaneous	670,103	9,176	-	679,279
Net change in value of annuity and life insurance	-	893,447	43,835	937,282
Total revenues and gains	5,575,451	8,630,821	2,090,964	16,297,236
Board and donor designated transfers	(4,067)	(6,712)	10,779	-
Net assets released from program restrictions	8,128,797	(8,128,797)	-	-
Total revenues	13,700,181	495,312	2,101,743	16,297,236
EXPENSES				
Program support to Idaho State University				
Donations/transfers	2,764,353	-	-	2,764,353
Scholarships	1,041,106	-	-	1,041,106
Athletic	317,685	-	-	317,685
ISU department support	1,644,096	-	-	1,644,096
Support services				
Management and general	468,819	-	-	468,819
Fundraising	1,990,935	-	-	1,990,935
Total expenses	8,226,994	-	-	8,226,994
CHANGE IN NET ASSETS	5,473,187	495,312	2,101,743	8,070,242
NET ASSETS, beginning of year	(10,267,059)	16,127,084	27,948,304	33,808,329
NET ASSETS, end of year	\$ (4,793,872)	\$ 16,622,396	\$ 30,050,047	\$ 41,878,571

See Accompanying Notes to Financial Statements

IDAHO STATE UNIVERSITY COMPONENT UNIT

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

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

See Accompanying Notes to Financial Statements

IDAHO STATE UNIVERSITY

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Student fees	\$ 53,207,671	\$ 50,069,170
Grants and contracts	32,609,310	30,022,009
Sales and services of educational activities	4,873,212	5,379,116
Sales and services from auxiliary enterprises	12,519,251	12,437,410
Other operating revenue	3,825,364	2,514,656
Collection on loans to students	405,447	531,456
Payments to and on behalf of employees	(128,159,792)	(130,463,238)
Payments to suppliers	(43,555,989)	(42,127,255)
Payments for scholarships and fellowships	(12,693,141)	(14,024,438)
Loans issued to students	(347,363)	(455,862)
Net cash used by operating activities	<u>(77,316,030)</u>	<u>(86,116,976)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	75,596,855	79,101,114
Gifts	4,770,009	4,494,451
Title IV grants	28,499,455	23,522,731
Agency account receipts	19,360,495	65,859,565
Agency account payments	(21,094,332)	(66,164,858)
Direct lending receipts	77,351,376	78,416,464
Direct lending payments	(76,945,984)	(79,317,894)
Net cash provided by noncapital financing activities	<u>107,537,874</u>	<u>105,911,573</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital gifts and grants	294,781	3,403,961
Capital Purchases	(10,670,641)	(12,414,974)
Transfer from Bond trustee	1,242,661	2,076,195
Principal paid on capital debt	(4,109,061)	(3,575,834)
Interest paid on capital debt	(3,561,713)	(3,730,962)
Net cash used by financing activities	<u>(16,803,973)</u>	<u>(14,241,614)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	214,823	217,735
Net cash provided by investing activities	<u>214,823</u>	<u>217,735</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,632,694	5,770,718
CASH AND CASH EQUIVALENTS--Beginning of year	<u>62,597,060</u>	<u>56,826,342</u>
CASH AND CASH EQUIVALENTS--End of year	<u>\$ 76,229,754</u>	<u>\$ 62,597,060</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES		
Operating Loss	\$ (93,263,964)	\$ (98,594,579)
Adjustments to reconcile net operating loss to net cash used by operating activities		
Depreciation	11,462,198	10,832,307
Maintenance costs paid by Department of Public Works and other	2,710,159	2,022,568
Change in assets and liabilities		
Accounts receivable, net	(22,526)	(2,577,615)
Prepaid expenses	(339,739)	50,165
Student loans receivable, net	85,323	62,850
Inventory	(24,790)	27,325
Accounts payable and accrued liabilities	431,241	239,202
Accrued salaries and benefits payable	1,126,470	(162,191)
Deposits	27,157	(1,263)
Deferred revenue	492,441	1,984,255
Net cash used in operating activities	<u>\$ (77,316,030)</u>	<u>\$ (86,116,976)</u>
SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Assets acquired from the Department of Public Works	\$ 5,329,471	\$ 2,543,419
Donated capital assets	<u>\$ 1,642,323</u>	<u>\$ 235,131</u>

See Accompanying Notes to Financial Statements

IDAHO STATE UNIVERSITY COMPONENT UNIT

IDAHO STATE UNIVERSITY FOUNDATION STATEMENT OF CASHFLOWS FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES		
Change in net assets	\$ 8,070,242	\$ (109,437)
Adjustments to reconcile increase in net assets to net cash from (used by) operating activities		
Unrealized gain on investments	(5,133,360)	(2,661,545)
Realized gain on investments	(92,822)	-
Realized gain on sale of property held for sale and investment	(711,325)	-
Donated assets held for sale	(100,954)	(285,022)
Write down of property held for sale	-	662,599
Change in value of split interest agreements	(909,537)	(266,594)
Other	4,020	(874)
Amortization expense	23,791	21,338
Changes in assets and liabilities		
Obligations to beneficiaries	506,688	87,040
Payments to beneficiaries	(136,263)	(232,478)
Gift pledges receivable	141,726	355,417
Cash surrender value	(4,157)	(11,548)
Miscellaneous receivable	20,508	45,504
Accounts payable	951	(23,423)
Scholarships and other payables to ISU	(1,294)	787,018
Funds held for others	7,237	5,612
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,685,451	(1,626,393)
CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES		
Proceeds from sale of investments	3,033,000	74,771
Restricted cash	(115,673)	1,558,211
Purchase of investments	(703,290)	(828,984)
Proceeds from sale of land	1,138,270	67,657
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,352,307	871,655
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on bonds payable	(3,260,000)	(1,550,000)
NET CASH USED BY FINANCING ACTIVITIES	(3,260,000)	(1,550,000)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,777,758	(2,304,738)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	642,044	2,946,782
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,419,802	\$ 642,044
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 20,301	\$ 23,288
Pledge receivable reclassified as land held for sale	\$ -	\$ 346,400

See Accompanying Notes to Financial Statements

IDAHO STATE UNIVERSITY

Notes To Financial Statements Years Ended June 30, 2011 And 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity – The Idaho State University Foundation, Inc. (the Foundation) is considered a component unit of the University as defined by GASB Statement No 39, *Determining Whether Certain Organizations are Component Units*. As such, the Foundation is discretely presented for fiscal years ended June 30, 2011 and 2010. Additional detail and discussion related to the Foundation can be found in Note 13 of this report.

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

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

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

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

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

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

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

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



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

The University adopted this policy in compliance with the State of Idaho guidelines related to the requirements of implementation for GASB No. 51.

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

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

Compensated Absences – Employee vacation pay that is earned but unused is accrued at year-end for financial statement purposes. Amounts included in accrued salaries and benefits payable in the statement of net assets are \$4,288,645 and \$4,594,205 at June 30, 2011 and 2010, respectively.

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

Net Assets – The University’s net assets are classified as follows.

Invested in Capital Assets, Net of Related Debt – This represents the University’s total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

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

Unrestricted – Unrestricted net assets represent resources derived from student fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions related to the educational and general operations of the University, and may be used at the discretion of the institution to meet current expenses for any lawful purpose and in accordance with SBOE policy.

Income and Unrelated Business Income Taxes – The University, as a political subdivision of the State of Idaho, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. The University is liable for tax on its unrelated business income. Defined by the Internal Revenue Code, unrelated business income is income from a trade or business, regularly carried on, that is not substantially related to the performance by the organization of its exempt purpose or function. The University did not incur unrelated business income tax expense in the fiscal years ended June 30, 2011 or 2010.

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

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

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

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



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

New Accounting Standards – The GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans* in 2009. This statement addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer OPEB plans. The requirements of this statement are effective for the fiscal year ending June 30, 2012. Management has not yet determined the impact this standard will have on the University’s financial statements.

The GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, in 2010. This statement provides accounting and financial reporting guidance for service concession arrangements. The requirements of this statement are effective for the fiscal year ending June 30, 2013. Management has not yet determined the impact this standard will have on the University’s financial statements.



The GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - and amendment of GASB Statements No. 14 and No. 34*, in 2010. This Statement will improve the information presented about the financial reporting entity. The requirements of this Statement are effective for the fiscal year ending June 30, 2013. Management has not yet determined the impact this standard will have on the University’s financial statements.

The GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements* in 2010. This Statement combines all previous applicable FASB and AICPA guidance into the GASB codification. The requirements of this Statement are effective for the fiscal year ending June 30, 2013. Management has not yet determined the impact these standards will have on the University’s financial statements.

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

Cash with treasurer is under the control of the Idaho State Treasurer and is carried at cost. The University's deposits are maintained in commercial checking accounts which, as of June 30, 2011 and 2010, have unlimited coverage through the Federal Deposit Insurance Corporation (FDIC) under the Temporary Liquidity Guarantee Program, which provides full deposit insurance coverage for non-interest bearing deposit transaction accounts in institutions insured by the FDIC, regardless of dollar amount. After all debit and credit transactions have posted at the end of each business day, excess balances are automatically moved to the Automated Repurchase Investment Sweep account for overnight investment at competitive market rates to maximize the use of idle funds, including the cash float from outstanding checks. The investments in the sweep account consist of direct obligations or those that are fully guaranteed as to the principal and interest by the U.S. Government or its agencies and are collateralized at 100% of market value. At June 30, 2011 and June 30, 2010, total deposits consisted of the following:

	<u>2011</u>	<u>2010</u>
Cash	\$ 596,717	\$ 331,959
Non-negotiable certificates of deposit	749,293	749,293
Obligations of the U.S. Government and its agencies	47,850,000	46,814,047
Cash equity with the State Treasurer	<u>29,760,707</u>	<u>16,698,819</u>
Total deposits	<u>\$ 78,956,717</u>	<u>\$ 64,594,118</u>

There were no deposit amounts subject to custodial credit risk at June 30, 2011 and June 30, 2010.

At June 30, 2011 and June 30, 2010, the University had \$100,997 and \$90,882, respectively, of cash on hand in various change funds. The carrying amount of the University's cash and cash equivalents at June 30, 2011 and June 30, 2010, was \$76,229,754 and \$62,597,060, respectively. The net difference between deposits and the carrying amount of cash and cash equivalents is primarily a reflection of investment of the daily float.

3. ACCOUNTS RECEIVABLE AND DUE FROM STATE AGENCIES

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

	<u>2011</u>	<u>2010</u>
Accounts receivable	\$ 14,568,082	\$ 11,736,413
Due from state agencies	<u>4,048,548</u>	<u>5,661,440</u>
	18,616,630	17,397,853
Less allowance for doubtful accounts	<u>(1,358,432)</u>	<u>(510,614)</u>
Net accounts receivable and Due from state agencies	<u>\$ 17,258,198</u>	<u>\$ 16,887,239</u>

4. STUDENT LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program (the Program) comprise substantially all of the loans receivable at June 30, 2011 and 2010. 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, 2011 and 2010, is \$1,989,979 and \$1,976,001, 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, 2011 and 2010, the allowance for uncollectible loans was approximately \$504,502 and \$488,852, 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 the event the University should withdraw from the NFLP Program, or the government was to cancel the Program, the amount the University would be liable for as of June 30, 2011 and 2010, is \$21,801 and \$24,855. Loans receivable from students bear interest at rates ranging from 5.00% to

10.00% and are generally repayable in installments to the University over a 5 to 10 year period commencing 3 to 9 months after the date of separation from the University.

5. PROPERTY, PLANT AND EQUIPMENT

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

	2010			2011			Balance at June 30, 2011
	Balance at June 30, 2009	Additions	Retirements	Balance at June 30, 2010	Additions	Transfers & Retirements	
Property, plant and equipment:							
Land	\$ 4,064,973	\$ -	\$ -	\$ 4,064,973	\$ 947,580	\$ -	\$ 5,012,553
Construction in progress	10,154,168	5,385,561	(23,783)	15,515,946	1,175,053	(15,465,985)	1,225,014
Total property, plant and equipment not being depreciated	14,219,141	5,385,561	(23,783)	19,580,919	2,122,633	(15,465,985)	6,237,567
Other property, plant and equipment:							
Buildings and improvements	215,088,267	2,567,203	(307,761)	217,347,709	8,791,716	15,465,985	241,605,410
Intangibles	2,214,462	-	-	2,214,462	-	-	2,214,462
Furniture, fixtures and equipment	38,626,231	2,667,850	(220,309)	41,073,772	3,800,885	(3,084,805)	41,789,852
Library materials	43,096,624	2,642,718	-	45,739,342	2,368,753	-	48,108,095
Total other property, plant and equipment	299,025,584	7,877,771	(528,070)	306,375,285	14,961,354	12,381,180	333,717,819
Less accumulated depreciation and amortization:							
Buildings and improvements	(69,506,413)	(5,443,455)	-	(74,949,868)	(6,014,206)	-	(80,964,074)
Intangibles	(55,361)	(110,724)	-	(166,085)	(110,723)	-	(276,808)
Furniture, fixtures and equipment	(25,335,648)	(3,055,104)	220,309	(28,170,443)	(3,041,465)	2,995,358	(28,216,550)
Library materials	(32,694,437)	(2,223,025)	-	(34,917,462)	(2,295,804)	-	(37,213,266)
Total accumulated depreciation and amortization	(127,591,859)	(10,832,308)	220,309	(138,203,858)	(11,462,198)	2,995,358	(146,670,698)
Other property, plant and equipment net of accumulated depreciation	171,433,725	(2,954,537)	(307,761)	168,171,427	3,499,156	(89,447)	187,047,121
Property, Plant and Equipment Summary:							
Property, plant and equipment not being depreciated	14,219,141	5,385,561	(23,783)	19,580,919	2,122,633	(15,465,985)	6,237,567
Other property, plant and equipment at cost	299,025,584	7,877,771	(528,070)	306,375,285	14,961,354	12,381,180	333,717,819
Total property, plant and equipment	313,244,725	13,263,332	(551,853)	325,956,204	17,083,987	(3,084,805)	339,955,386
Less accumulated depreciation and amortization	(127,591,859)	(10,832,308)	220,309	(138,203,858)	(11,462,198)	2,995,358	(146,670,698)
Property, plant and equipment, net	\$ 185,652,866	\$ 2,431,024	\$ (331,544)	\$ 187,752,346	\$ 5,621,789	\$ (89,447)	\$ 193,284,688

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, 2011, is approximately \$1,100,401. These costs will be financed by available resources of Idaho State University and through General Refunding and Improvement Revenue Bond proceeds.



6. DEFERRED REVENUE

Deferred revenue consists of the following at June 30:

	<u>2011</u>	<u>2010</u>
Student Fees	\$ 2,987,975	\$ 2,588,321
Auxiliary enterprises	316,723	70,336
Grants and contracts	1,974,067	1,733,172
Other ticket sales	<u>21,959</u>	<u>46,312</u>
	<u>\$ 5,300,724</u>	<u>\$ 4,438,141</u>

7. NONCURRENT LIABILITIES

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

Description	Balance Outstanding 6/30/2009			Balance Outstanding 6/30/2010			Balance Outstanding 6/30/2011			Amounts Due Within One Year
	Balance Outstanding 6/30/2009	Additions	Reductions	Balance Outstanding 6/30/2010	Additions	Reductions	Balance Outstanding 6/30/2011	Additions	Reductions	
Note payable to a bank, due in annual amounts varying from a maximum of \$11,200 to \$8,082 plus interest of 8.5% through 08/01/2011	\$ 28,755	\$ -	\$ (8,769)	\$ 19,986	\$ -	\$ (9,513)	\$ 10,473	\$ -	\$ -	\$ 10,473
Note payable to a financial institution due in annual amounts varying from a maximum of \$209,629 to \$200,270 plus interest of 2.64% through 10/13/2009	205,557	-	(205,557)	-	-	-	-	-	-	-
Note payable to a financial institution due in semi-annual installments varying from maximum of \$2,993,916 to \$16,696 plus interest of 5.08% through 09/01/2016	5,706,496	-	(111,508)	5,594,988	-	(699,548)	4,895,440	-	-	846,933
Student Facilities Fee Revenue Bonds, Series 1998, (original balance of \$12,400,000), consisting of serial and term bonds (either directly or through sinking funds) in annual amounts increasing periodically from \$585,000 to a maximum of \$920,000, plus interest from 4.875% to 5.00% through the year 2022. All bonds are collateralized by certain student fees and other revenues.	7,430,000	-	(765,000)	6,665,000	-	(800,000)	5,865,000	-	-	835,000
General Refunding and Improvement Revenue Bonds, Series 2003 (original balance of \$35,895,000), consisting of serial bonds payable in annual amounts increasing periodically from \$715,000 to a maximum of \$3,115,000, plus interest from 3.00% to 5.00% through the year 2023. All bonds are collateralized by certain student fees and other revenues.	29,780,000	-	(1,315,000)	28,465,000	-	(1,385,000)	27,080,000	-	-	1,450,000
General Revenue Bonds, Series 2004A (original balance of \$4,980,000), consisting of serial bonds payable in annual amounts increasing periodically from \$210,000 to a maximum of \$375,000, plus interest from 2.00% to 4.375% through the year 2023. All bonds are collateralized by certain student fees and other revenues.	4,120,000	-	(230,000)	3,890,000	-	(235,000)	3,655,000	-	-	245,000
General Revenue Bonds, Series 2004B (original balance of \$3,305,000), consisting of serial and term bonds payable in annual amounts increasing periodically from \$55,000 commencing in 2022 to a maximum of \$345,000, plus interest from 4.50% to 4.75% through the year 2034. All bonds are collateralized by certain student fees and other revenues.	3,305,000	-	-	3,305,000	-	-	3,305,000	-	-	-
General Revenue Bonds, Series 2004C (original balance of \$2,305,000), consisting of term bonds payable in annual amounts increasing periodically from \$95,000 to a maximum of \$190,000, plus interest of 4.88% through the year 2022. All bonds are collateralized by certain student fees and other revenues.	1,910,000	-	(110,000)	1,800,000	-	(115,000)	1,685,000	-	-	125,000
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 5.26% through the year 2028. All bonds are collateralized by certain student fees and other revenues.	10,000,000	-	(320,000)	9,680,000	-	(335,000)	9,345,000	-	-	355,000
General Revenue Bonds, Series 2007 (original balance of \$16,120,000), consisting of term bonds payable in annual amounts increasing periodically from \$270,000 to a maximum of \$1,055,000, plus interest from 3.90% to 5.00% through the year 2032. All bonds are collateralized by certain student fees and other revenues.	15,360,000	-	(510,000)	14,850,000	-	(530,000)	14,320,000	-	-	555,000
	77,845,808	-	(3,575,834)	74,269,974	-	(4,109,061)	70,160,913	-	-	4,422,406
Original issue discount on Note payable	(1,630)	1,630	-	-	-	-	-	-	-	-
Premium on bonds	1,301,077	-	(226,687)	1,074,390	-	(199,889)	874,501	-	-	-
Discount on bonds	(261,446)	19,118	-	(242,328)	19,058	-	(223,270)	-	-	-
Totals	\$ 78,883,809	\$ 20,748	\$ (3,802,521)	\$ 75,102,036	\$ 19,058	\$ (4,308,950)	\$ 70,812,144	\$ -	\$ -	\$ 4,422,406

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

Principal and interest maturities on notes and bonds payable in future periods for the year ending June 30, 2011, are as follows:

	Bonds		Notes	
	Principal	Interest	Principal	Interest
2012	\$ 3,565,000	\$ 3,125,048	\$ 857,405	\$ 238,945
2013	3,730,000	2,956,920	895,567	194,433
2014	3,905,000	2,777,994	941,639	148,361
2015	3,990,000	2,592,724	924,257	100,743
2016	4,185,000	2,401,616	946,488	53,512
2017-2021	23,090,000	8,780,107	340,557	8,650
2022-2026	15,855,000	3,479,660	-	-
2027-2031	5,520,000	954,106	-	-
2032-2034	1,415,000	114,886	-	-
	<u>\$ 65,255,000</u>	<u>\$ 27,183,061</u>	<u>\$ 4,905,913</u>	<u>\$ 744,644</u>

Pledged Revenue—As disclosed, the University currently has two bond issues outstanding: the Student Facilities Fee Revenue Bond (Series 1998) and the General Refunding and Improvement Revenue Bonds, which were issued pursuant to a Resolution adopted by the State Board of Education on September 17, 1992, providing for the issuance of revenue bonds (the “Original Resolution”). The Original Resolution provided for the issuance of an initial series of facility revenue bonds and authorized the issuance of additional series of revenue bonds pursuant to Supplemental Resolutions.



Currently outstanding issuances are Series 2003, 2004A, 2004B, 2004C, 2006, and 2007. The University has pledged certain revenues as collateral for these bonds. The pledged revenue amounts as of June 30 are as follows:

Pledged Revenues	2011		
	Student Facility Fee Revenue Bonds		
	Series 1998	Series 2003, 2004C, 2004A, 2004B, 2006 and 2007	Total
Matriculation fee	\$ -	\$ 42,600,426	\$ 42,600,426
Student facilities fee	3,706,507	482,708	4,189,215
Revenue of student housing system	-	5,104,221	5,104,221
CAES lease payment	-	850,104	850,104
	<u>\$ 3,706,507</u>	<u>\$ 49,037,459</u>	<u>\$ 52,743,966</u>
Debt Service	<u>\$ 1,123,710</u>	<u>\$ 5,566,338</u>	<u>\$ 6,690,048</u>
Debt service coverage	330%	881%	788%
Coverage requirement	110%	110%	110%

2010

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

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

8. ACCOUNTING FOR LEASES

The University is a lessor under a ground lease agreement with Portneuf Medical Center (lessee). The lease is for 20 years, expiring on August 11, 2012, with a renewal option for an additional 20 years, exercisable in the final year of the original lease term. The lease allows for the construction of a sports medicine facility (the Facility) on the premises, which was completed in September 1994. The lessee pays rent of \$1 per year for the ground lease, payable on the date of the execution of the lease and annually thereafter on the anniversary date of such execution.

The University leases a weight/training room and associated common areas from Portneuf Medical Center (lessor). The lease term is 20 years, with a renewal option for an additional 20 years, exercisable if the lessor exercises its option to renew, as provided in the ground lease agreement. Rent for the weight/training room portion of the lease is \$1 per year. Rent for shared use of the common areas is \$14,000 per year. Rents for the initial term and optional lease term are payable on the date of the execution of the lease and annually thereafter on the anniversary date of such execution. Upon expiration of the lease term, the Facility shall become the property of the University.



ISU leases building and office facilities under various non-cancelable operating leases. Total costs for such leases were \$306,017 and \$512,463 for the years ended June 30, 2011 and 2010, respectively.

Future minimum lease payments at June 30, 2011 for all leases are as follows:

<u>Fiscal Years</u>	<u>Payments</u>
2012	\$ 250,597
2013	239,540
2014	139,857
2015	13,355
Totals	<u>\$ 643,349</u>

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

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

<u>Fiscal Years</u>	
2012	\$ 850,104
2013	850,104
2014	850,104
2015	850,104
2016	850,104
2017-2028	9,988,722
Totals	<u>\$ 14,239,242</u>

Battelle Energy Alliance, LLC makes all lease payments directly to the trustee. Rental income is restricted and is to be used solely for debt service on the 2006 Revenue bonds, the proceeds from which were used to construct the facility. As on June 30, 2011, the book value of the building is \$16,827,981, which is net of accumulated depreciation in the amount of \$872,868.

9. RETIREMENT PLANS AND TERMINATION PAYMENTS

Public Employee Retirement System of Idaho – The Public Employee Retirement System of Idaho (“PERSI”), a cost-sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The plan provides benefits based on members’ years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with

PERSI. The benefits and obligations to contribute to the plan were established, and may be amended by, the Idaho State Legislature. Financial reports for the plan are available from PERSI's website at www.persi.idaho.gov.

After 60 months of credited service, members become fully vested in retirement benefits earned to date and receive a lifetime benefit at retirement. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.00% of the average monthly salary for the highest consecutive 42 months.

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

	2011	2010	2009
University contributions required and paid	\$ 2,565,255	\$ 2,666,184	\$ 2,862,506
Employee contributions	1,538,160	1,597,805	1,716,406
Total contributions	<u>\$ 4,103,415</u>	<u>\$ 4,263,989</u>	<u>\$ 4,578,912</u>
University required contribution rate	10.39%	10.39%	10.39%
Employee contribution rate	6.23%	6.23%	6.23%

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

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

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

Contributions required and paid are as follows:

	2011	2010	2009
University contributions required and paid	\$ 5,430,019	\$ 5,463,978	\$ 5,536,217
Employee contributions	4,082,768	4,108,157	4,164,171
Total Contribution	<u>\$ 9,512,787</u>	<u>\$ 9,572,135</u>	<u>\$ 9,700,388</u>
University required contribution rate	9.30%	9.30%	9.30%
Employee contribution rate	6.96%	6.96%	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, 2011 and 2010, supplemental funding payments to PERSI were \$874,510 and \$879,094, respectively. These amounts are not included in the regular University PERSI contribution discussed previously.

Termination Payments – Employees who qualify for retirement under PERSI or ORP are eligible to use 50% 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, 2011 and 2010, were \$541,976 and \$549,987, respectively.

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Summary of Plans

The University participates in other postemployment benefit plans relating to health and disability administered by the State of Idaho as agent multiple-employer defined benefit plans. The life insurance benefit is a single-employer defined benefit plan. Idaho Code, Sections 67-5760 to 67-5767 and 72-1335, establish the benefits and contribution obligations. Each of these benefits is provided by the University to retired or disabled employees. The most recent actuarial valuation is as of June 30, 2010. 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 as follows:

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



Plan Descriptions and Funding Policy

Retiree Healthcare Plan – A retired employee of the University who is eligible to retire under 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 of their retirement. Additionally, the unreduced PERSI monthly benefit at the time of retirement must meet or exceed the monthly cost of single retiree health insurance coverage, or employees must have 10 or more years (20,800 or more hours) of credited state 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 \$16.44 per active employee per month towards the retiree premium cost.

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

The plan provides long-term disability income benefits to active employees who become disabled, generally up to a maximum age of 70. The gross benefit equals 60% 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, worker’s compensation, unemployment benefits, and certain retirement benefits. The State of Idaho is self-insured for employees who became disabled prior to July 1, 2003; the state pays 100% of the cost of this benefit. The amount of the contribution is based on active claims and the number of insured individuals.



Employees disabled after July 1, 2003, are insured by Principal Life Insurance Company and the obligation for the payment of benefits has been effectively transferred. The University pays 100% of the cost of the premiums. The University’s contribution for the period was 0.324% of payroll in fiscal year 2011. This portion of the long-term disability income benefit is not included in the actuarial estimate.

For up to 30 months following the date of disability, an employee is entitled to continue healthcare coverage under the state plan. The University pays 100% of the University’s share of medical and dental premiums while the employee remains disabled. The employee is required to pay the normal active employee contribution for the plan and rate category in which the employee is enrolled. The University’s contribution for the period was \$6.96 per active employee per month in fiscal year 2011.

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% of annual salary, but not less than \$20,000. In addition, a \$2,000 life insurance benefit is provided for spouses, and a \$1,000 life insurance benefit is provided for dependent children. These benefits do not increase with inflation. The University pays 100% of the premiums; the contribution is actuarially determined based on actual claims experience.

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% of their annual salary at retirement. The University pays 100% of the cost of basic life insurance for eligible retirees. The University’s contribution for the period as a percent of payroll was 1.177% for retirees under 65

years of age, 0.0894% for retirees between the ages of 65 and 69, and 0.0600% for retirees over age 70.

Annual OPEB Cost

The Annual OPEB Cost (AOC) is actuarially determined based on the Annual Required Contribution (ARC) of the employer in accordance with GASB Statement Nos. 43 and 45. The following tables illustrate the annual OPEB cost, the amount of the contributions made, the increase (decrease) in the net OPEB obligation (NOO), and the NOO (funding excess) for the years ended June 30, 2011 and 2010.

Annual OPEB Cost and Net OPEB Obligation 2011

(dollars in thousands)

	Retiree Healthcare Plan	Long-Term Disability Plan			Life Insurance Plan	Total
		Income	Healthcare	Life Insurance		
Annual Required Contributions	\$402	\$83	\$132	\$77	\$913	\$1,607
Interest	113	(2)	6	0	78	195
Adjustment to ARC	(169)	3	(9)	0	(116)	(291)
Total Annual OPEB Cost	346	84	129	77	875	\$1,511
Contributions Made	(155)	(76)	(110)	(115)	(148)	(604)
Increase (Decrease) in NOO	191	8	19	(38)	727	907
NOO – Beginning of Year	2,473	(39)	138	(9)	1,890	4,453
NOO (Funding Excess) – End of Year	\$2,664	(\$31)	\$157	(\$47)	\$2,617	\$5,360

Annual OPEB Cost and Net OPEB Obligation 2010

(dollars in thousands)

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

Annual OPEB Cost Comparison

The following table compares the OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation (funding excess) for the current and prior year.

		Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	Total
			Healthcare	Insurance	Income		
Annual OPEB Cost	2009	\$294	\$161	\$72	\$92	\$832	\$1,451
	2010	261	156	68	87	862	1,434
	2011	346	129	77	84	875	1,511
Percentage of AOC Contributed	2009	111.02%	96.06%	147.37%	96.03%	24.89%	60.76%
	2010	58.79%	56.65%	107.47%	79.71%	25.89%	42.23%
	2011	44.80%	85.27%	149.35%	90.48%	16.91%	39.97%
NOO (Funding Excess) – End of Year	2009	\$2,365	\$69	(\$4)	(\$57)	\$1,251	\$3,624
	2010	2,472	139	(9)	(39)	1,890	4,453
	2011	2,664	157	(47)	(31)	2,617	5,360

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

	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan
		Income	Healthcare	Life Insurance	
Actuarial Valuation Date	7/1/2010	7/1/2010	7/1/2010	7/1/2010	7/1/2010
Actuarial Value of Assets	\$0	\$0	\$0	\$0	\$0
Accrued Liability (AAL)	2,417	558	876	974	11,362
Unfunded AAL (UAAL) (2) - (1)	2,417	558	876	974	11,362
Funded Ratios (1) : (2)	0.0%	0.0%	0.0%	0.0%	0.0%
Annual Covered Payroll	\$83,360	\$83,360	\$83,360	\$83,360	\$83,360
UAAL as a Percentage of Covered Payroll (3) : (5)	2.90%	0.67%	1.05%	1.17%	13.63%

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 contains multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the



pattern of sharing costs between the employer and plan members. Any variations in future experience from that expected from these assumptions will result in corresponding changes in the estimated costs of the benefits. The projection of benefits for financial reporting purposes does not incorporate the potential effects of legal funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

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

	Significant Methods and Actuarial Assumptions				
	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan
	Healthcare	Life	Insurance	Income	Plan
	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Actuarial Cost Method					
Amortization Method	Level Percentage of Payroll	Level Percentage of Payroll	Level Percentage of Payroll	Level Dollar Amount	Level Percentage of Payroll
Amortization Period	11 years, Closed	30 years, Open	30 years, Open	8 years, Closed	30 years, Open
Assumptions:					
Inflation Rate	3.0%	3.0%	3.0%	3.0%	3.0%
Investment Return	4.00%	4.00%	4.00%	4.00%	4.00%
OPEB Increases	N/A	N/A	N/A	N/A	N/A
Projected Salary Increases	3.50%	3.50%	3.50%	3.50%	3.50%
Healthcare Cost Initial Trend Rate	10.00%	10.00%	N/A	N/A	N/A
Healthcare Cost Ultimate Trend Rate	5.00%	5.00%	N/A	N/A	N/A



Required Supplementary Information

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	7/1/2006	\$0	\$33,223	\$33,223	0.0%	\$86,470	38.42%
	7/1/2008	\$0	\$2,228	\$2,228	0.0%	\$84,670	2.63%
	7/1/2010	\$0	\$2,417	\$2,417	0.0%	\$83,360	2.90%
Long-Term Disability:							
Life Insurance	7/1/2006	\$0	\$999	\$999	0.0%	\$86,470	1.16%
	7/1/2008	\$0	\$1,029	\$1,029	0.0%	\$84,670	1.21%
	7/1/2010	\$0	\$974	\$974	0.0%	\$83,360	1.17%
Healthcare	7/1/2006	\$0	\$941	\$941	0.0%	\$86,470	1.09%
	7/1/2008	\$0	\$860	\$860	0.0%	\$84,670	1.02%
	7/1/2010	\$0	\$876	\$876	0.0%	\$83,360	1.05%
Income	7/1/2006	\$0	\$600	\$600	0.0%	\$86,470	0.69%
	7/1/2008	\$0	\$599	\$599	0.0%	\$84,670	0.71%
	7/1/2010	\$0	\$558	\$558	0.0%	\$83,360	0.67%
Retiree Life Insurance	7/1/2006	\$0	\$8,587	\$8,587	0.0%	\$86,470	9.93%
	7/1/2008	\$0	\$9,753	\$9,753	0.0%	\$84,670	11.52%
	7/1/2010	\$0	\$11,362	\$11,362	0.0%	\$83,360	13.63%

Effective July 1, 2009, legislative changes to the Retiree Healthcare Plan regarding eligibility stipulate that an officer or employee must be an active employee on or before June 30, 2009, and retire directly from State service; the maximum benefit is \$1,860 per retiree per year. Additionally, any retiree will remain eligible until they are eligible for Medicare. Beginning January 1, 2010, coverage was not available to Medicare-eligible retirees or their Medicare-eligible dependents.

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	06/30/09	\$832	\$207	24.88%
	06/30/10	\$862	\$223	25.87%
	06/30/11	\$875	\$148	16.91%

11. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATION

2011								
	Personnel Costs	Services	Supplies	Insurance, Utilities and Rent	Scholarships and Fellowships	Depreciation	Miscellaneous	Operating Expenses Totals
Instruction	\$ 69,988,650	\$ 5,742,119	\$ 3,917,682	\$ 243,132	\$ -	\$ -	\$ 1,039,542	\$ 80,931,125
Research	11,948,816	3,550,068	1,801,218	137,351	-	-	654,887	18,092,340
Public services	3,291,391	384,309	191,313	100,716	-	-	97,212	4,064,941
Academic support	7,617,260	1,575,314	1,641,316	6,733	-	-	184,891	11,025,514
Libraries	2,139,742	152,868	95,091	-	-	-	12,374	2,400,075
Student services	6,763,393	778,588	436,304	40,317	-	-	250,861	8,269,463
Institutional support	12,728,825	2,564,283	1,416,377	85,245	-	-	825,592	17,620,322
Maintenance and operations	5,624,328	2,880,317	1,568,498	3,955,249	-	-	(567)	14,027,825
Auxiliary enterprises	10,354,595	5,445,464	2,189,790	2,091,517	-	-	1,665,393	21,746,759
Scholarships and fellowships	-	-	-	-	20,084,127	-	-	20,084,127
Depreciation	-	-	-	-	-	11,462,198	-	11,462,198
Total expenses	\$ 130,457,000	\$ 23,073,330	\$ 13,257,589	\$ 6,660,260	\$ 20,084,127	\$ 11,462,198	\$ 4,730,185	\$ 209,724,689

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

12. CONTINGENCIES AND LEGAL MATTERS

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

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

13. RISK MANAGEMENT

The University participates in the State of Idaho Risk Management Program, which manages property and general liability risk. That program provides liability (cap) protection to \$500,000 per occurrence. Insurance premium payments are made to the state risk management program based on rates determined by a state agency's loss trend experience and asset value covered. Presently, Idaho State University's total insured property value is \$823,569,521.

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

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

14. COMPONENT UNIT DISCLOSURE

The 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 Trustees. Under the Idaho State Board of Education's administrative rules, the Foundation must be independent of, and cannot be controlled by, the University. A memorandum of understanding between the Foundation and the University defines the relationship between the two entities in accordance to the State Board of Education's rules.

Basis of Accounting

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

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

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

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

Investments

Investments are recorded in accordance with FASB Accounting Standards Codification Topic (ASC) ASC 958-320 *Investments – Debt and Equity Securities Held by Not-for-Profit Organizations*. Investments in equity and debt securities that have readily determinable fair values are recorded at quoted market prices. Investment securities without quoted market prices are valued at estimated fair value using appropriate valuation methods that consider the underlying assets and financial reports.

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

Pledges Receivable

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

Obligations under Split Interest Agreements

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



Fair Value Measurements

The Foundation has determined the fair value of certain assets and liabilities in accordance with the provisions of 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, 2011 and 2010 were \$404,846 and \$381,055, 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, 2011 and 2010 are shown below.

	<u>2011</u>	<u>2010</u>
Investment securities		
Mutual funds	\$ 2,079,143	\$ 1,591,289
Fixed income investments	264,451	285,023
Co-mingled and pooled marketable investment funds	36,591,760	34,419,059
Hedge Funds	<u>2,115,646</u>	<u>1,462,350</u>
Total assets	<u>\$41,051,000</u>	<u>\$37,757,721</u>

Assets and liabilities measured at fair value on a nonrecurring basis at June 30, 2011 and 2010 are as follows.

	<u>2011</u>	<u>2010</u>
Gift pledges receivable	\$ 44,458	\$ 3,768,157
Property held for sale and investments	<u>125,000</u>	<u>821,401</u>
Total assets	<u>\$ 169,458</u>	<u>\$ 4,589,558</u>



The related fair value of these assets and liabilities as of June 30, 2011, 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				
Index fund	\$ 2,079,143	\$ -	\$ -	\$ 2,079,143
Fixed income investments	124,460	139,991	-	264,451
Co-mingled and pooled marketable investment funds	-	36,591,760	-	36,591,760
Hedge funds	-	-	2,115,646	2,115,646
	<u>\$ 2,203,603</u>	<u>\$ 36,731,751</u>	<u>\$ 2,115,646</u>	<u>\$ 41,051,000</u>

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

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level	Significant Unobservable Inputs (Level 3)	Total
Mutual funds				
Index fund	\$ 1,591,289	\$ -	\$ -	\$ 1,591,289
Fixed income investments	156,434	128,589	-	285,023
Co-mingled and pooled marketable investment funds	-	34,419,059	-	34,419,059
Hedge funds	-	-	1,462,350	1,462,350
	<u>\$ 1,747,723</u>	<u>\$ 34,547,648</u>	<u>\$ 1,462,350</u>	<u>\$ 37,757,721</u>

The fair value for mutual fund investments is determined based on quoted market prices. For fixed income investments, fair value is determined based on the value of the underlying investments. For co-mingled and pooled marketable investment funds, fair value is obtained by using the net asset value of the underlying investments. At this level, the underlying assets have a direct market reference price that is traceable. For hedge funds, fair value is determined with independent, third part 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 and nonrecurring basis using significant unobservable inputs (level 3) for the year ended June 30, 2011, are shown below.

	<u>Hedge Funds</u>
Beginning balance	\$ 1,462,350
Total unrealized gains and losses included in earnings (or changes in net assets)	109,283
Calls	<u>544,013</u>
Ending balance	<u>\$ 2,115,646</u>

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

	<u>Hedge Funds</u>
Beginning balance	\$ 2,438,978
Total unrealized gains and losses included in earnings (or changes in net assets)	(998,061)
Calls	<u>21,433</u>
Ending balance	<u>\$ 1,462,350</u>



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

Idaho State Board of Education
Idaho State University

We have audited the financial statements of Idaho State University (University) and its discretely presented component unit as of and for the year ended June 30, 2011, and have issued our report thereon dated September 30, 2011. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit, as described in our report on the University's financial statements. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Moss Adams LLP

Eugene, Oregon
September 30, 2011

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

Idaho State Board of Education
Idaho State University

Compliance

We have audited Idaho State University's (University) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2011. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

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

Moss Adams LLP

Eugene, Oregon
December 12, 2011

**IDAHO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified
 Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
17.275	ARRA - Program for Competitive Grants for Worker Training and Placement in High Growth and Emerging Sectors
84.010	Title I Grants to Local Educational Agencies Cluster
84.388	ARRA - School Improvement Grants
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.375	Academic Competitiveness Grant
84.376	National Science and Mathematics Access to Retain Talent Grant
84.379	Federal TEACH Grant
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds
93.407	ARRA - Scholarships for Disadvantaged Students
Various	Research & Development Cluster
	State Fiscal Stabilization Grant Cluster:
84.394A	ARRA - State Fiscal Stabilization Fund - Education State Grants

Dollar threshold used to distinguish between type A and type B programs: \$ 894,511

Auditee qualified as low-risk auditee? _____ yes X no

**IDAHO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Section II - Financial Statement Findings

NONE REPORTED.

Section III - Federal Award Findings and Questioned Costs

NONE REPORTED.

**IDAHO STATE UNIVERSITY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011**

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

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

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

View of responsible officials and Current Year Status - This finding has been resolved. The Controller's Office began an effort to remedy this situation approximately three years ago. The effort proved to be difficult due to the proprietary nature of the legacy financial system and the very limited size of the Controller's staff. The legacy financial system, while efficient, required lengthy and in depth training to gain proficiency in its use. With the decision to implement a new system, it was not logical to train employees on a system that was going away. Recent funding and support made it possible to increase the staff size. This, along with the Banner implementation, provided an ideal opportunity to accelerate this effort and accommodate the plans to balance the workload, delegate functions and duties, and provide cross training to assure continuity. As a result, we began flattening the organization and have delegated, or will soon delegate, significant portions of the Associate Controller's workload to other staff members. In summary, the University:

- Hired and assigned University Business Officers to the colleges and major non-academic units has provided opportunity to disseminate functions previously held by the Controller's Office.
- Outsourced the portions of the Treasury function to alleviate the workload on the Controller and Associate Controller and provide for enhanced cash flow analysis and investment opportunities.
- Assigned a senior accountant to oversee the payroll function, removing the majority of this workload from the Associate Controller.
- Added a system's analyst to develop and manage the systems and reporting aspects of the financial processes and activities of the Controller's organization.
- Added an Assistant Controller to manage and assist with tax issues, including UBIT, sales tax, non-resident alien taxes, and student tax reporting, policy development and processes, and special projects related to financial transactions and activities.
- Hired a Controller with over 20 years of accounting experience, 10 of which have been in higher education. She has very extensive experience with Banner and will begin work in October 2011.
- Completed an assessment of the Controller's Office by an external/internal review team with significant experience related to ERP systems and associated functional organizations. The review focused on ensuring that the structure and organization, staffing, and skill sets within the function are aligned with the changes resulting from the ERP system, meet the requisite staffing loads, and ensure proper distribution of

**IDAHO STATE UNIVERSITY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011**

duties and responsibilities to maintain internal controls, including separation of duties and sole reliance on key individuals.

- Completed development of a dedicated “Financial Reporting and Analysis” function within the Controller’s Office staffed by experienced Banner users. The function will be headed up by a newly hired Assistant Controller and includes a Senior Financial Reporting Analyst, a Senior Financial Reporting Specialist, two Senior Accountants, and others as deemed necessary for timely issuance of all financial reports. This function will greatly increase our ability to duplicate the capability to produce financial statements, cross train on the financial statement compilation processes and functions, and update documentation of the process.

2010-02 – Schedule of Expenditure of Federal Awards Preparation

Condition – In its identification of federal awards, the University had incorrectly determined they were a vendor rather than a subrecipient on several Department of Energy subcontracts.

Recommendation – Moss Adams recommended that the University review OMB Circular A-133 §_.210 when making the determination between a subrecipient and a vendor.

View of responsible officials and Current Year Status – This finding has been resolved. As noted by the auditors, management agreed to treat certain contracts from this specific agency as a subrecipient instead of as a vendor and have included the related expenditures on the SEFA. We continue to treat these contracts as subrecipients.

2010-03—Equipment Management – Material Weakness

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

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

View of responsible officials and Current Year Status - This finding has been resolved. Management has taken the necessary steps to assure the rotational audits are resumed and cover all federally acquired property on a two-year cycle. An audit of all federal equipment was completed during fiscal year 2011. After consultation with our external auditors, Moss-Adams, LLP, the following procedure was put into place to ensure future inventories are conducted timely:

1. A count sheet is sent to the designated individual in each department. With the assistance of others, they physically verify the existence, condition, and status of the equipment listed. This includes federally owned equipment, as well as other fixed assets.
2. The designated individual signs the count sheets after the inventory is complete, certifying that the inventory has been physically counted and its condition determined.

**IDAHO STATE UNIVERSITY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011**

3. The University Business Officer (UBO) responsible for the administrative function of the College/Department signs the count sheets attesting to the validity of the count.
4. The count sheets are returned to the Property Office for entry into and update of the inventory database. The Property Office follows up to reconcile any reported exceptions.
5. The ISU property team conducts random inspections of capital equipment to validate the counts and conditions previously attested to by the designated individual and the UBO.
6. All federal property will be physically inventoried on a minimum 2-year cycle.

2010-04 – Timely Reporting of Disbursements (Adjustments)

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

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

View of responsible officials and Current Year Status – This finding has been resolved. Management concurred with this audit comment, and while the University had not overdrawn its overall disbursement levels, we were concerned about this issue and the fact that it was not resolved in the prior year. The University added two additional employees to the Student Financial Accounting staff. Both of these individuals have prior experience working with Banner student accounts. One of the employees has a degree in computer science and will assist with maintenance of the student financial system and developing reports to ensure compliance with Department of Education reporting requirements. In addition, with implementation of the Banner ERP student module in the fall semester of 2010, faculty now have an automated method to post the last day of attendance data for students that have withdrawn during the term, which facilitates meeting the established timelines.

2010-05 – Return to Title IV Funds

Condition -

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

Recommendation -

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

**IDAHO STATE UNIVERSITY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011**

View of responsible officials and Current Year Status - This finding has been resolved. Management concurred with this comment and has added two additional employees to the Student Financial Accounting staff. Both of these individuals have prior experience working with Banner student accounts. One has a degree in computer science and will assist with maintenance of the student financial system and developing reports to ensure compliance with Department of Education reporting requirements. In addition, the financial aid office is taking an expanded role in this area, which will help ensure compliance. In addition, increased the focus on timeliness in this area a priority and have made concerted efforts to ensure last date of attendance data from faculty members is provided timely.

IDAHO STATE UNIVERSITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011**

Federal Grant/Program Title	Federal CFDA Number	Expenditures		
U.S. DEPARTMENT OF AGRICULTURE				
Germino: USDA Weeds	10.206	\$	131	R (2)
Bromus Reenet	10.309		41,663	R (2)
USDA Rapid Carbon Assess	10.903		2,368	R (2)
Pass Through Payments:				
Wildlife Conflicts on the INL	10.028		8,055	R (2)
Oral Delivery System	10.200		41,350	R (2)
Early Learning Center	10.558		72,304	O
ISU Preschool	10.558		18,301	O
Upward Bound	10.559		9,482	T
Total U.S. Department of Agriculture		<u>\$</u>	<u>193,654</u>	
U.S. DEPARTMENT OF COMMERCE				
NOAA Geospatial Outreach	11.460	\$	87,210	R (2)
B-CAL-3	11.460		111,667	R (2)
BCAL Map Window	11.460		82,918	R (2)
NOAA Virtual Watersheds	11.468		23,771	R (2)
Pass Through Payments:				
Idaho Manufactrng Alliance/EDA	11.303		36,390	T
Manufacturing Ext. Partnership	11.611		48,243	P
Tech Help NIST	11.611		48,353	T
Total U.S. Department of Commerce		<u>\$</u>	<u>438,552</u>	
U.S. DEPARTMENT OF DEFENSE				
DOD Fissionable Materials	12.300	\$	70,807	R (2)
SNM Forensics	12.351		290,399	R (2)
DTRA Advanced Diagnostics	12.351		9,337	R (2)
Smart Prosthetic Hand	12.420		464,137	R (2)
Eolian Soil Transport	12.431		102,877	R (2)
Hi Intenserad Chem/Bio Def Yr2	12.800		1,180,057	R (2)
Adv Radiation Detection Research	12.800		35	R (2)
DTRA Electronic Test Research Expr	12.800		17,810	R (2)
Pass Through Payments:				
BSU Memory Research	12.910		12,177	R (2)
UA Ephemeral Streams	12.999		38,550	R (2)
Total U.S. Department of Defense		<u>\$</u>	<u>2,186,186</u>	

See Notes to Schedule of Expenditures of Federal Awards

Federal Grant/Program Title	Federal CFDA Number	Expenditures			
U.S. DEPARTMENT OF THE INTERIOR					
Grand Staircase-Escalante Research	15.224	\$	2,784	R	(2)
BLM Curations	15.224		4,653	P	
BLM - WUI	15.228		9,521	R	(2)
BLM Wind Erosion	15.231		27,957	R	(2)
SISP Maintenance	15.231		10,032	R	(2)
Ethnographic Study	15.238		16,635	R	(2)
Leatherside Chub-Snake River Basin	15.608		36,124	R	(2)
Camas Wildlife Refuge	15.608		993	R	(2)
Selawik Slump Evaluation	15.608		73,434	R	(2)
USFW American White Pelican Diet	15.647		1,560	R	(2)
NPS Sampling Framework	15.650		6,395	R	(2)
USGS Colorado River	15.808		69,145	R	(2)
USGS-POBS-Telemetry Study	15.808		8,267	R	(2)
USGS Methow	15.808		58,227	R	(2)
Yukon River Watershed	15.808		31,933	R	(2)
Renewable Energy - Sage Grouse	15.808		38,175	R	(2)
USGS Grad Research Project	15.808		28,152	R	(2)
USGS Regional Resource Centers	15.809		17,389	P	
USGS Multi-State Planning/Implmntn	15.809		2,619	R	(2)
USGS Wildhorse Detachment	15.810		13,146	R	(2)
USGS Mount Powell	15.810		13,985	R	(2)
Mountain Goats	15.921		28,652	R	(2)
Huntly - Kipuka Plants	15.921		(5,333)	R	(2)
Pass Through Payments:					
Mtn Quail Restoration to Idaho	15.605		158	R	(2)
IDFG Raven Population	15.611		3,520	R	(2)
BIOL Tex Creek Elk Study	15.611		(3,095)	R	(2)
IDFG Hunting Season	15.611		82,509	R	(2)
IDFG Data Analysis Thiel	15.611		9,629	R	(2)
Baxter: USGS - Grand Canyon	15.808		(655)	R	(2)
UI IdahoView Imagery Services	15.815		8,360	R	(2)
Total U.S. Department of Interior			<u>\$ 594,871</u>		
U.S. DEPARTMENT OF JUSTICE					
DOJ Women's Pathways to Jail	16.751	\$	117,563	R	(2)
Total U.S. Department of Justice			<u>\$ 117,563</u>		
U.S. DEPARTMENT OF LABOR					
Energy Systems Tech & Ed Center	17.269	\$	452,016	T	
DOL Occ Safety Training Center	17.502		96,228	T	
Pass Through Payments:					
IDOL TI Diesel Green Grant	17.275		11,615	T	(3)
IDOL Renewable Energy Education	17.275		252,113	T	(3)
Total U.S. Department of Labor			<u>\$ 811,972</u>		

See Notes to Schedule of Expenditures of Federal Awards

Federal Grant/Program Title	Federal CFDA Number	Expenditures		
U.S. DEPARTMENT OF TRANSPORTATION				
Pass Through Payments:				
LFA Stabilization	20.205	\$	917	R (2)
Chip Seal Surface	20.205		8,560	R (2)
Micro Deval Test	20.205		223	R (2)
ITD Highway Transportation Training	20.205		78,344	T
ID Transportation Dept Curation	20.205		827	R (2, 3)
Total U.S. Department of Transportation			<u>\$ 88,871</u>	
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				
NASA Post-Fire	43.001	\$	71,243	R (2)
Pass Through Payments:				
Phase Memory	43.001		39,411	R (2)
OSBE NASA K-12 Coopertaive Agreemen	43.001		200	T
REPT Testing	43.001		50,000	R (2)
UI Gygli NASA	43.001		12,136	R (2)
ISGC Swenson Fellowship	43.001		15,000	R (2)
NASA ISGC K-12 Outreach	43.001		3,972	R (2)
UI Support for S Gould	43.001		14,282	R (2)
UI RISE Project	43.001		2,453	R (2)
Cynthia Blanton ISGC	43.001		9,589	R (2)
UI EPSCoR Post Fire	43.001		31,557	R (2)
UI NASA Undergrad Funds	43.001		7,583	R (2)
Total National Aeronautics and Space Administration			<u>\$ 257,426</u>	
INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
Idaho Geology Outreach	45.301	\$	75,952	T
Pass Through Payments:				
Presentations and Keynotes	45.129		505	P
IHC Pocatello: American Crossroads	45.129		303	R (2)
Total Institute of Museum and Library Services			<u>\$ 76,760</u>	
NATIONAL SCIENCE FOUNDATION				
Harmonious Calibration	47.049	\$	51,208	R (2)
NSF DSC-TGA-MS System Acquisition	47.049		157,400	R (2)
REU for Applied Science	47.049		67,448	R (2)
Fossil Plot Project	47.050		27,824	R (2)
Neoproterozoic Rifting Of Utah	47.050		30,525	R (2)
Pioneer Mountains MCC	47.050		20,234	R (2)
Equipment Upgrade	47.050		1,690	R (2)
NSF Late Pleistocene Climate Change	47.050		21,259	R (2)
NSF Alamo Impact Event	47.050		2,626	R (2)
Kelchner NSF Bamboo	47.074		8,456	R (2)
Terrestrial EF/Aquatic	47.074		118	R (2)
NSF SNAZ	47.074		127,370	R (2)
Crowell - NSF1	47.074		90,117	R (2)
NSF DDIG Mineau	47.074		5,932	R (2)
NSF DDIG - Bechtold	47.074		909	R (2)
Keeley - UMEB	47.074		15,267	R (2)

See Notes to Schedule of Expenditures of Federal Awards

Federal Grant/Program Title	Federal CFDA Number	Expenditures		
NATIONAL SCIENCE FOUNDATION (continued)				
MRI - SEM	47.075	5,179	R	(2)
DYNCOOPNET	47.075	9,417	R	(2)
We Lead 2	47.075	7,482	R	(2)
R Smith G K12 Renew	47.076	127,406	R	(2)
NSF SSTEM Chemistry	47.076	60,604	R	(2)
NSF ATE I&C Technician Grant	47.076	136,452	R	(2)
NSF SNAAP AGEP	47.076	5,192	R	(2)
Information Security	47.076	3,843	R	(2)
Scholarship For Service II	47.076	403,322	R	(2)
Sanak Biocomplexity Project	47.078	100,512	R	(2)
VZAP	47.078	75,820	R	(2)
Alaska Thermokarst	47.078	42,701	R	(2)
NSF VZAP Pahse II	47.078	176,549	R	(2)
Understanding Social Networks	47.080	306,568	R	(2)
Arctic Climate Holocene	47.082	40,142	R	(2, 3)
JLab NSF	47.082	253,872	R	(2, 3)
Pass Through Payments:				
UI Fish Erythrocytes	47.041	57,302	R	(2)
ISU Physics Laserfest Road Show	47.049	2,241	R	(2)
QUARKNET - ND/NSF	47.049	17,557	R	(2)
HIS Desktop	47.050	71,009	R	(2)
Boulder Creek Critical Zone	47.050	15,474	R	(2)
Anderson: Sensorimotor Integration	47.074	9,840	R	(2)
UW Kuril Island Project	47.078	82,085	R	(2)
UI HRTD Cyber Curriculum	47.080	2,578	R	(2)
BIOL WRCC EPSCoR Baxter	47.081	129,831	R	(2)
BIOL WRCC EPSCoR Germino	47.081	76,842	R	(2)
GEOL WRCC EPSCoR Ames	47.081	46,752	R	(2)
GEOL WRCC EPSCoR Crosby	47.081	112,999	R	(2)
GEOL WRCC EPSCoR Glenn	47.081	30,672	R	(2)
GEOL WRCC EPSCoR Wheaton	47.081	17,738	R	(2)
GEOL WRCC EPSCoR Cyberinfrastructure	47.081	65,420	R	(2)
RESR WRCC EPSCoR RESEARCH	47.081	232,218	R	(2)
UI WRCC EPSCoR - Lohse	47.081	140,889	R	(2)
EPSCoR Track 2 Infrastructure	47.081	11,255	R	(2)
EPSCoR Cyber Ames	47.081	78,169	R	(2)
Total National Science Foundation		<u>\$ 3,584,315</u>		
SMALL BUSINESS ADMINISTRATION				
Pass Through Payments:				
SBDC - Pocatello Grant	59.037	\$ 77,823	P	
SBDC - Idaho Falls Grant	59.037	96,120	P	
Total Small Business Administration		<u>\$ 173,943</u>		
ENVIRONMENTAL PROTECTION AGENCY				
EPA Long Fellowship	66.514	\$ 4,893	R	(2)
Total Environmental Protection Agency		<u>\$ 4,893</u>		

See Notes to Schedule of Expenditures of Federal Awards

Federal Grant/Program Title	Federal CFDA Number	Expenditures		
NUCLEAR REGULATORY AGENCY				
Motor Operated Valve Training	77.006	\$	45,517	T
NRC Health Physics Lab	77.006		80,125	T
NRC Faculty Development	77.008		123,379	T
Nuclear Education Scholarship	77.008		29,916	T
NRC ESTEC Scholarships	77.008		49,825	T
Nuclear Ed Scholar Program	77.008		130,201	T
NRC INSE Scholarships	77.008		11,586	T
NRC Fellowship Program	77.008		107,604	T
Total Nuclear Regulatory Agency		\$	<u>578,153</u>	
U.S. DEPARTMENT OF ENERGY				
Isotope Production	81.049	\$	(174,186)	R (2)
Isotope Production Construction	81.049		266,039	O
Development of Positron Source	81.049		186,209	R (2)
Warm Dense Matter	81.049		71,315	R (2)
DOE Isotope Production II	81.049		910,361	R (2)
Structure Of Mesons	81.049		2,139	R (2)
DOE EPSCoR Implementation	81.049		164,703	R (2)
IAS AFC Research	81.121		932,414	R (2)
Nuclear Ed Scholar Program	81.121		74,526	T
NEUP Reactor Upgrade Support	81.121		37,509	R (2)
Pass Through Payments:				
High Repetition Rate	81.000		118,912	R (2)
Long Range High Energy Neutron Det	81.000		1,996	R (2)
NEUP Project	81.000		530,539	R (2)
Active Inspection Technologies	81.000		242,437	R (2)
Ton Container Insp Sys II	81.000		50,578	R (2)
BEA DRCT X-Ray Detectors	81.000		10,477	R (2)
BEA NEC Tandem	81.000		566,196	R (2)
BEA Drum Scanner	81.000		44,223	R (2)
BEA Treaty Verification	81.000		39,523	R (2)
BEA DRCT X-Ray Detectors II	81.000		19,870	R (2)
BEA DRCT MMAS R & D Fuels	81.000		18,747	R (2)
BEA Fuels Cycle Research	81.000		219,432	R (2)
BEA DRCT MMAS R&D	81.000		7,826	R (2)
BEA IMEL Joint Appointment	81.000		20,493	R (2)
BEA RA Support	81.000		4,768	T
BEA COB Graduate Assistantship	81.000		14,261	T
BEA Magnuson CAES AD	81.000		4,619	R (2)
Sheridan - Meehan	81.000		16	R (2)
Magnuson CAES	81.000		17,782	R (2)
PAK - INL - CO2	81.000		51,865	R (2)
IMEL JA	81.000		141	R (2)
Support of HSIS System	81.000		38,786	R (2)
BEA Scaling & Instrumentation	81.000		11,905	R (2)
BEA Flux Sensors	81.000		56,050	R (2)
BEA MANTRA Technical Support	81.000		67,428	R (2, 3)
BEA ATR Test Train Flow Testing	81.000		11,013	R (2)
BEA Open Loop Oscillator	81.000		77,402	R (2)
BEA Burgett Joint Appointment	81.000		208,376	R (2)

See Notes to Schedule of Expenditures of Federal Awards

Federal Grant/Program Title	Federal CFDA Number	Expenditures		
U.S. DEPARTMENT OF ENERGY (continued)				
BEA NEUP Deteriorated Heat Transfer	81.000	88,602	R	(2)
BEA Fuel Performance Experiments	81.000	209,252	R	(2)
BEA Space Nuclear Initiatives	81.000	19,530	R	(2)
BEA Scaling & Instrumentation II	81.000	11,988	R	(2)
BEA Fission Time Projection	81.000	202,077	R	(2)
BEA AVTA on EV Data	81.000	1,893	R	(2)
BEA CAES Radiological Support	81.000	15,563	R	(2)
BEA ESTEC Educational Support	81.000	334,708	T	
BEA Resilient Control	81.000	3,020	R	(2)
Integrated Feedstock	81.000	5,672	R	(2)
INL Watershed Modeling	81.000	22,627	R	(2)
Hyperspectral UAV - Year 2	81.000	8,632	R	(2)
BEA LDRD Transmission Site	81.000	123,156	R	(2)
Assessing Role of Basalt Reactivity	81.000	38,996	R	(2)
BEA Collaboration in Remote Sensing	81.000	42,805	R	(2)
BEA LDRD UAV Hyperspectral Yr 3	81.000	10,478	R	(2)
BEA Strategic Remote Sensing Progra	81.000	23,316	R	(2)
BEA Remote Sensing Prog Joint Appt	81.000	7,680	R	(2)
Jacobsen Joint Appointment	81.000	35	R	(2)
INEEL Book Account	81.000	44,602	T	
INL Education Contract	81.000	255,788	T	
ACE Workshop	81.000	34,888	T	
Joint Appointment MLDG	81.000	29,630	R	(2)
C14 in Graphite	81.000	264,615	R	(2)
INL Student Support	81.000	17,355	R	(2)
Ceramic Waste Forms	81.000	2,971	R	(2)
BEA Chemical Drawdown	81.000	5,058	R	(2)
BEA Nuclear Safety	81.000	19,353	R	(2)
CAES Utilization	81.000	100,901	R	(2)
BEA Tech Safety Office	81.000	10,500	R	(2)
Nuclear Engineering Revitalize	81.000	96,764	R	(2)
DNA Sequencing for Battelle	81.000	192	R	(2)
BEA Lineberry Joint Appointment	81.000	19,788	R	(2)
BEA Jacobsen Joint Appt	81.000	103,662	R	(2)
BSU Chalcogenide Irradiation	81.000	10,000	R	(2)
JL Dr. Yujung Kim	81.000	45,622	R	(2)
JL Region 1 Drift Chamber	81.000	8,700	R	(2)
Northwind One	81.000	7,960	R	(2)
PNNL Fission Counters	81.000	42,482	R	(2)
HFEF Waste Stream	81.049	31,928	R	(2, 3)
SPC Waste Stream	81.049	6,951	R	(2, 3)
INRA - Irrigation	81.049	2,618	R	(2)
INRA Icewater	81.049	1,142	R	(2)
Tools for Monitoring Processes	81.049	20,057	R	(2)
INRA - Portneuf River	81.049	167	R	(2)
INRA Water Resources	81.049	2,335	T	
NICCR Treelines	81.049	(915)	R	(2)
UI Data Management Project	81.087	2,600	R	(2, 3)
INEEL Oversight Envir. Analysis	81.092	439,874	R	(2)
DEQ Environmental Sample Analysis	81.092	7,498	R	(2)
INRA Subsurface Sci Grad Program	81.104	61,749	T	

See Notes to Schedule of Expenditures of Federal Awards

Federal Grant/Program Title	Federal CFDA Number	Expenditures		
U.S. DEPARTMENT OF ENERGY (continued)				
INRA SSGP - Classroom	81.104	25,290	T	
USTUR	81.104	(332)	R	(2)
GIT Fission Measurement	81.121	25,195	R	(2)
MIT AT INSE	81.121	136,457	R	(2)
Stoller Surveillance Project	81.121	141,877	R	(2)
Total U.S. Department of Energy		\$ 8,122,042		
U.S. DEPARTMENT OF EDUCATION				
TRIO Student Support Services	84.042	\$ 39,360	T	
Student Support Services	84.042	232,053	T	
Educational Talent Search	84.044	492,582	T	
Upward Bound	84.047	367,039	T	
Child Care For Student Service	84.335	35,797	P	
ACAD Comp (ACG) Grant	84.375	241,135	T	(1)
Federal College Work Study	84.033	463,989	T	(1)
Federal Pell Grant 2009	84.063	75	T	(1)
Federal Pell Grant 2010	84.063	(27,781)	T	(1)
Federal Pell Grant 2011	84.063	26,792,969	T	(1)
SEOG Grant	84.007	245,197	T	(1)
Direct Lending Subsidized 2010	84.268	(1,670)	T	(1)
Direct Lending Unsubsidized 2010	84.268	2,796	T	(1)
Direct Lending Grad Plus 2010	84.268	16,314	T	(1)
Direct Lending Subsidized 2011	84.268	35,459,218	T	(1)
Direct Lending Unsubsidized 2011	84.268	37,783,746	T	(1)
Direct Lending PLUS 2011	84.268	827,334	T	(1)
Direct Lending Grad Plus 2011	84.268	2,417,233	T	(1)
National Smart Grant 2011	84.376	515,806	T	(1)
Federal TEACH Grant 2010	84.379	2,000	T	(1)
Federal TEACH Grant 2011	84.379	382,454	T	(1)
Federal TEACH Grant Grad 2011	84.379	57,500	T	(1)
Pass Through Payments:				
Adult Basic Ed	84.002	207,300	T	
ABE Staff Development	84.002	15,265	T	
ABE AQ PD Personnel	84.002	1,170	T	
ABE Incentive Award	84.002	200	T	
ABE Skills Tutor	84.002	2,762	T	
ABE IMAS Contract	84.002	4,000	T	
El/Civics Grant	84.002	9,545	T	
Incarcerated/Inst Grant	84.002	5,311	T	
Idaho Building Capacity	84.010	78,059	P	
OSBE IBC Yr 3 Non ARRA	84.010	2,379	T	
Idaho Building Capacity Phase 2	84.010	866,015	T	
Regional Special Ed Consultant	84.027	390,872	T	
Federal LEAP Grant	84.069	15,423	T	
Federal SLEAP Grant	84.069	6,977	T	
Speech and Hearing Clinic	84.181	1,923	T	
Robert C Byrd Scholarship	84.185	27,750	T	
MSP08	84.366	70,650	T	
Highly Qualified Teachers	84.367	16,319	T	
Teacher Evaluation Model Pilot	84.367	2,804	T	

See Notes to Schedule of Expenditures of Federal Awards

Federal Grant/Program Title	Federal CFDA Number	Expenditures		
U.S. DEPARTMENT OF EDUCATION (continued)				
Total Instructional Alignment	84.367	118,220	T	
College Access Challenge Grant	84.378	49,555	T	
OSBE Idaho Building Capacity 3	84.388	112,471	T	(3)
Title IIC Counselor	84.048A	205,470	T	
Area V Tech Prep Consortium	84.048A	106,218	T	
FCS Curriculum Grants	84.048A	474	T	
Resource Center	84.048A	65,967	T	
Carl Perkins Support	84.048A	26,665	T	
Diversity/Retention Specialist	84.048A	131,295	T	
Tech General Ed	84.048A	149,887	T	
CAN Curriculum Grant	84.048A	29	T	
COT-Non Traditional Training Proj	84.048A	97,665	T	
HRTD Preservice Workshop	84.048A	22,963	T	
COT HRTD HRD 404 Online Course	84.048A	2,739	T	
State Fiscal Stabilization Fund	84.394A	2,103,735	T	(3)
Total U.S. Department of Education		\$ 111,263,223		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
NIH Xct Project	93.113	\$ 68,706	R	(2)
TBI	93.234	262,113	R	(2)
AA YSP	93.243	579,046	R	(2)
Selvage NIH R01	93.273	2,302	R	(2)
NIH Sleep Problems	93.273	44,564	R	(2)
Rural Nurse Residency	93.359	230,648	T	
HRSA SDS-ARRA	93.407	28,132	T	(1, 3)
HRSA Prim Care Residency Expansion	93.510	3,599	T	
Domain Specific Functions	93.701	51,654	R	(2, 3)
Hospital Discharge Model	93.779	254,465	R	(2)
HCAP-NIH	93.855	14,571	R	(2)
NIH Action Patterns	93.865	33,343	R	(2)
Active Families For Life	93.884	326,737	T	
HRSA Biochemistry Equipment	93.887	381,832	R	(2)
Idaho Oral Health Institute	93.887	26,350	T	
Patient Simulation	93.887	233,872	T	
Ryan White CDG	93.918	8,610	T	
HRSA SDS	93.925	42,595	T	(1)
Pass Through Payments:				
LMS Hosting	93.006	502	T	
IDHW IEM LMS	93.069	131,720	T	
Safe & Stable Families (SASF)	93.087	94,273	T	
Men Today Men Tomorrow	93.136	9,296	R	(2)
Men Today Men Tomorrow II	93.136	17,792	R	(2)
Autoimmune Outcomes	93.136	60,033	R	(2)
HIV Training Program	93.145	114,458	T	
NRHA 2010	93.155	10,778	T	
HIV Prevention Grant	93.217	3,000	T	
SSLEEC	93.242	318,210	R	(2)
Discovery House	93.243	979	T	
UCB Ethanol & Teratogenesis	93.273	139,625	R	(2)
INBRE	93.389	309,828	R	(2)

See Notes to Schedule of Expenditures of Federal Awards

Federal Grant/Program Title	Federal CFDA Number	Expenditures	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)			
IDHW Consultant Services	93.556	3,775	P
Title IV Training Program	93.558	104,076	T
IDHW Pregnancy Prevention	93.558	13,295	P
Rape Prev & Educ Program/Mens Group	93.558	5,006	T
IDHW Title IV-E Scholars Program	93.658	92,593	T
INBRE Supplement	93.701	95,500	R (2, 3)
IdahoSTARS - QRIS-IFELC	93.713	5,150	T (3)
IdahoSTARS QRIS - PocELC	93.713	1,917	T (3)
Center For Disability Evaluation	93.778	1,778,981	P
IDHW ICDE - Children	93.778	9,042	P
Drug Utilization Review	93.778	152	T
Child Development Center Traineeship	93.778	1,188	T
IDHW Clinical Services	93.778	21,729	T
AIM-HIGH	93.837	28,027	R (2)
CAPTION	93.837	19,557	R (2)
Ryan White III Grant	93.918	120,296	P
HIV Prevention Grant	93.940	6,564	T
W.I.S.E. Project - HIV Prevention	93.940	4,804	T
Genesis Project	93.940	44,887	P
CAC/CDT	93.959	27,434	T

Total U.S. Department of Health and Human Services

\$ 6,187,606

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Pass Through Payments:

ICHC Year 10	94.006	\$ 31,772	P
ICHC Year 11	94.006	88,717	P
IHCF Serve Idaho	94.006	34,307	P
IHCF Serve Idaho Year 2	94.006	151,909	P

Total Corporation for National and Community Service

\$ 306,705

U.S. DEPARTMENT OF HOMELAND SECURITY

Pass Through Payments:

Department of Homeland Security			
COT Fire Service Training Grant	97.043	\$ 7,246	T
FY07 State Homeland Sec Grant Prog	97.067	(12,758)	T
BHS IEM LMS	97.067	84,853	T

Total U.S. Department of Homeland Security

\$ 79,341

Total Federal Expenditures

\$ 135,066,076

- (1) Student Financial Aid
- (2) Research and Development
- (3) ARRA funded programs

Definitions:

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

See Notes to Schedule of Expenditures of Federal Awards

IDAHO STATE UNIVERSITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2011

1. BASIS OF PRESENTATION

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

2. UNIVERSITY ADMINISTERED LOAN PROGRAMS

The University administers the following Federal Perkins Loan Program (CFDA number 84.038). The outstanding loan balance and total loan disbursements were \$2,249,841 and \$235,594 respectively, for the year ended June 30, 2011. The cumulative administrative costs allowance as of the year ended June 30, 2010 was \$613,869.00

Funds distributed as agent for the Federal Direct Lending Program of \$76,504,971 and the Federal Teach Program of \$441,954 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.

IDAHO STATE UNIVERSITY

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011**

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
BROMUS - REENET	10.309	
US Geological Survey		\$ 11,635
Colorado State University		22,825
SMN Forensics	12.351	
L-3 Pulse Science Communications		\$ 97,727
Hi Intenserad Chem/Bio Def Yr 2	12.800	
Positron Systems, Inc		\$ 188,309
Axter Inc		124,842
USGS Methow	15.808	
Oregon State University		\$ 13,051
DOJ Women's Pathways to Jail	16.751	
Georgetown University		\$ 25,627
University of Colorado		21,574
South Caroline Research Foundation		34,495
NSF SNAZ	47.074	
University of Arizona		\$ 74,155
NSF ATE I&C Technician Grant	47.076	
Partners for Prosperity		\$ 5,305
The Sheinkopf Group		29,835
Sanak Biocomplexity Project	47.078	
Antioch University		\$ 11,031

Program Title	Federal CFDA Number	Amounts Provided to Subrecipients
<u>C14 in Graphite</u>	81.000	
Univ of Missouri		\$ 56,184
FNAG-Furnaces Nuclear Applications Grenoble		6,521
<u>NEUP Project</u>	81.000	
Colorado School of Mines		\$ 60,779
University of Massachusetts		66,436
University of Kentucky		111,359
Washington State University		67,267
US Naval Academy		65,206
University of Dallas		55,381
Texas Engineering Experiment Station		50,870
<u>BEA Fuel Performance Experiments</u>	81.000	
Georgia Tech Research Corp		\$ 32,164
University of Florida		4,662
<u>BEA Fission Time Projection</u>	81.000	
Colorado School of Mines		\$ 48,793
Oregon State University		3,851
Ohio University		7,935
California Polytechnic State University		74,485
<u>DOE EPSCoR Implementation</u>	81.049	
University of Idaho		\$ 56,181
Boise State University		40,751
<u>MIT at INSE</u>	81.121	
Robert W Benedict		\$ 26,880
<u>Idaho Building Capacity</u>	84.010	
Mary Lu Barry		\$ 20,788
Angela Bergeson		22,630
Karen Osman		18,866
<u>Idaho Building Capacity Phase 2</u>	84.010	
Mary Lu Barry		\$ 17,407
Laurie Beebe		21,360
Angela Bergeson		11,832
Ronda Black		25,135

Program Title	Federal CFDA Number	Amounts Provided to Subrecipients
<u>Idaho Building Capacity Phase 2 (continued)</u>		
Mary Gervase		53,378
Nick Hallett		29,628
Hanson Educational Consulting		725
H&H Education Consultants		63,091
Alice Hocklander		24,763
David Hocklander		22,026
Linda Hoge		39,274
Jewel Hoopes		20,282
Tom Hughes		41,696
Kay Jean Brown Jones		9,765
JMP Inc.		725
Patricia Kay Moor		14,252
Kelly Murphey		65,090
Karen Osman		14,377
Cheri Dill-Schenkar		42,301
Gene Sharratt		6,500
Dale Thornsberry		4,040
Mary Ann Ward		40,211
<u>Regional Special Ed Consultant</u>	84.027	
NCS Pearson Inc.		\$ 6,600
<u>Idaho Building Capacity Project - Year 3</u>	84.388	
Mary Lu Barry		\$ 6,051
Laurie Beebe		3,962
Angela Bergeson		2,449
Ronda Black		2,815
Mary Gervase		7,292
H & H Consultants		10,739
Nick Hallett		3,875
Linda Hoge		4,663
Jewel M. Hoopes		2,166
Kay Jones		3,966
Patricia Kay Moor		2,626
Kelly Alan Murphey		2,932
Karen Osman		4,504
Schenkar Educational Consulting		5,204
Mary Ann Ward		1,862

Program Title	Federal CFDA Number	Amounts Provided to Subrecipients
<u>MSP08</u>	84.366	
Aberdeen School Dist #58		\$ 2,196
Blackfoot School Dist #55		1,464
Idaho Falls School Dist #91		6,588
Pocatello School Dist #25		5,124
School District #182		732
Teton School Dist #401		3,660
School District #331		1,464
Educational Assessment and Train		8,000
American Association of Physics Teachers		13,500
<u>Total Instructional Alignment</u>	84.367	
Lisa Carter		\$ 14,980
<u>TBI</u>	93.234	
AGIS Assistguide		\$ 19,600
<u>NIH Sleep Problems</u>	93.273	
University of Michigan		\$ 13,106
<u>Hospital Discharge Model</u>	93.779	
AGIS Assistguide		\$ 6,600
Total Subrecipients		\$ <u>2,294,978</u>