



# FY12 ANNUAL FINANCIAL STATEMENTS

Financial Statements for the Years  
Ended June 30, 2012 and 2011  
and Independent Auditor's Report

Including Schedule of Expenditures  
of Federal Awards and Single Audit  
Documents for the Year Ended June 30, 2012

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IDAHO STATE UNIVERSITY  
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## REPORT OF INDEPENDENT AUDITORS

Idaho State Board of Education  
Idaho State University

We have audited the accompanying financial statements of Idaho State University (University) and the discretely presented component unit, Idaho State University Foundation (Foundation) as of and for the years ended June 30, 2012 and 2011, which collectively comprise the University's basic financial statements 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 the Foundation, a discretely presented component unit as described in Note 10. 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 University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the financial position of Idaho State University and its discretely presented component unit as of June 30, 2012 and 2011, and the changes in their financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**REPORT OF INDEPENDENT AUDITORS**  
**(continued)**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and certain information in Note 12, *Postemployment Benefits Other Than Pensions*, that is labeled as "required supplementary information" be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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



Eugene, Oregon  
September 28, 2012

**IDAHO STATE UNIVERSITY**

**Management’s Discussion and Analysis  
For the fiscal year ended June 30, 2012**

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***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, 2012. 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, 2012, 2011, and 2010, is presented below.

**Schedule of Net Assets**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>Assets:</b>			
Current Assets	\$ 106,830,059	\$ 94,971,188	\$ 80,612,923
Noncurrent Assets	<u>194,015,430</u>	<u>196,197,584</u>	<u>191,955,047</u>
<b>Total Assets</b>	<u>\$ 300,845,489</u>	<u>\$ 291,168,772</u>	<u>\$ 272,567,970</u>
<b>Liabilities:</b>			
Current Liabilities	\$ 31,045,698	\$ 28,439,127	\$ 27,585,649
Noncurrent Liabilities	<u>67,805,654</u>	<u>71,827,739</u>	<u>75,445,975</u>
<b>Total Liabilities</b>	<u>98,851,352</u>	<u>100,266,866</u>	<u>103,031,624</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	125,992,772	123,571,307	113,836,708
Restricted, expendable	5,554,894	6,558,524	8,479,940
Unrestricted	<u>70,446,471</u>	<u>60,772,075</u>	<u>47,219,698</u>
<b>Total Net Assets</b>	<u>201,994,137</u>	<u>190,901,906</u>	<u>169,536,346</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 300,845,489</u>	<u>\$ 291,168,772</u>	<u>\$ 272,567,970</u>

In 2012, the University's total unrestricted net assets increased by \$9.7 million over the prior year. This increase is largely due to an increase in cash of \$14.2 million, which was partially offset by a \$2.4 million decrease in student and various receivables. Net property, plant and equipment decreased \$2.1 million during the year with net fixed asset additions amounting to \$8.4 million. Among the additions were synthetic turf, an electron microscope, plus various other pieces of scientific equipment, some additions to construction in progress and building improvements. The cost of these additions was more than offset by a \$10.5 million increase in accumulated depreciation.

Also during the year, total liabilities decreased by \$1.4 million over 2011 balances due to a decrease in long-term debt of \$4.8 million, which was offset by an increase of \$2.6 million in short-term payables and an increase in other post-employment benefits payable of \$0.8 million.



The University's total net assets include investment in capital assets, net of related debt (increased \$2.4 million to \$126.0 million), restricted net assets (decreased \$1.0 million to \$5.6 million) and unrestricted net assets (increased \$9.7 million to a total of \$70.4 million). The decrease in restricted net assets was related to a decrease of funds restricted for the ERP system. Total net assets of the University at June 30, 2012 were \$202.0 million, an increase of 5.8% (\$11.1 million) over the prior year.

**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, 2012, 2011, and 2010, is shown below.

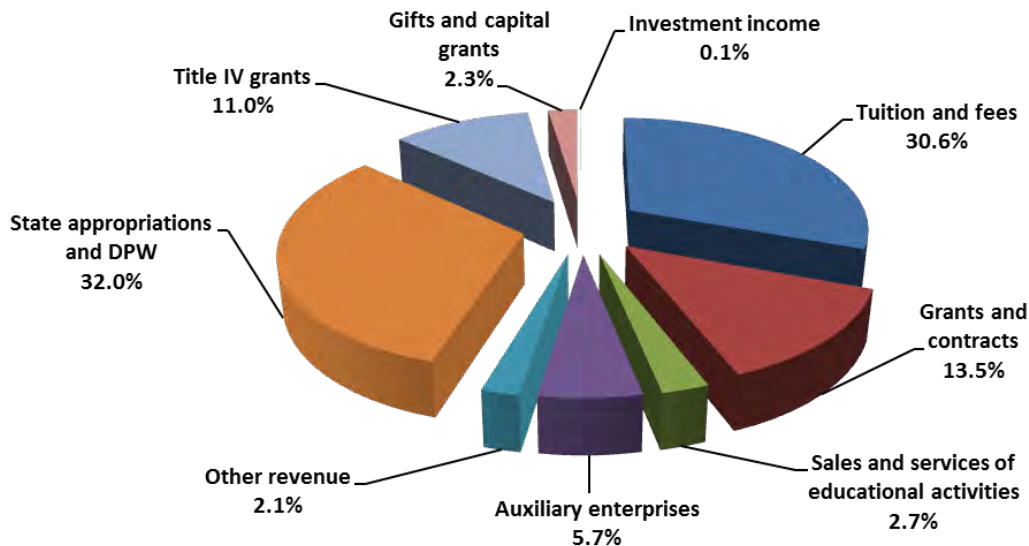
**Summary Statement of Revenues, Expenses & Changes in Net Assets**

	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>
Operating revenues			
Student tuition and fees (net of scholarship discounts and allowances)	\$ 72,360,828	\$ 62,525,361	\$ 57,721,128
Federal grants and contracts	9,661,792	13,653,117	14,166,811
State and local grants and contracts	10,982,493	9,786,215	9,813,602
Private grants and contracts	11,247,629	8,532,830	6,719,031
Sales and services of educational activities	6,270,535	6,066,029	5,543,843
Sales and services of auxiliary enterprises	13,573,775	12,426,182	12,444,156
Other	5,021,161	3,470,991	2,821,388
Total operating revenues	<u>129,118,213</u>	<u>116,460,725</u>	<u>109,229,959</u>
Operating expenses	<u>222,035,121</u>	<u>209,724,689</u>	<u>207,824,538</u>
Operating income/(loss)	<u>(92,916,908)</u>	<u>(93,263,964)</u>	<u>(98,594,579)</u>
Nonoperating revenues (expenses)			
State appropriations	71,158,994	75,402,147	78,816,476
State Department of Public Works	4,413,710	7,375,601	3,892,864
Title IV grants	26,076,231	27,767,664	24,301,307
Gifts	4,609,727	5,396,289	5,959,068
Net investment income	144,574	252,720	238,229
Amortization of bond financing costs	(60,954)	(60,954)	(60,953)
Interest on capital asset related debt	(3,177,831)	(3,355,101)	(3,507,755)
Net nonoperating revenues/(expenses)	<u>103,164,451</u>	<u>112,778,366</u>	<u>109,639,236</u>
Other revenue and expenses			
Capital gifts and grants	854,931	1,937,104	3,639,092
Gain or (loss) on disposal of fixed assets	(10,243)	(85,946)	15,043
Net other revenues and expenses	<u>844,688</u>	<u>1,851,158</u>	<u>3,654,135</u>
Increase in net assets	11,092,231	21,365,560	14,698,792
Net assets - beginning of year	<u>190,901,906</u>	<u>169,536,346</u>	<u>154,837,554</u>
Net assets - end of year	<u>\$ 201,994,137</u>	<u>\$ 190,901,906</u>	<u>\$ 169,536,346</u>

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, 2012 were \$236.4 million, representing an increase of 0.8% from fiscal year 2011. Below is a graphic illustration of revenues by source (both operating and nonoperating) for the year ended June 30, 2012.

### Operating and Nonoperating Revenue



#### *Operating Revenue*

Tuition and fee revenue was up by 15.7%, or \$9.8 million, over the prior year for a total of \$72.4 million. The increase is due to a combination of a tuition increase of 7% and a favorable enrollment mix. Fiscal year 2012 showed a decrease in federal grants and contracts revenue over the prior year of \$4.0 million with part of that decrease reflecting the timing of awards closing and new ones beginning. The decrease in federal grant revenue was offset with increases in both our state and private grant revenues of \$1.2 million and \$2.7 million, respectively. In total, operating grant revenues in fiscal year 2012 were \$31.9 million compared to \$32.0 million in 2011. Sales and services revenue showed an increase of \$1.4 million to \$19.8 million for fiscal year 2012. This was due to increases in commissions from our food service concessionaire, housing rentals, NCAA payments and advertising sales. The 'other revenue' category also increased over the prior year from \$3.5 million in 2011 to \$5.0 million in 2012. The reason for this increase was a \$1.6 million repayment from the University's utility provider for overcharges that had occurred over several prior years.

***Nonoperating revenue***

The largest component of nonoperating revenue is State appropriations. In 2012, State funding decreased overall by \$7.2 million, or 8.7%, over the prior year. The largest decrease was in state appropriations for general education totaling \$61.6 million in 2011 and \$57.3 million in 2012, a 7.0% decrease amounting to \$4.3 million. Funding from the Department of Public Works (DPW) fluctuates from year to year depending on the number and extent of the building projects. During 2012, it decreased \$3.0 million from the prior year amount of \$7.4 million to \$4.4 million. State funds allocated for professional technical education increased by \$0.1 million. Another significant component of nonoperating revenue is federal Title IV grants. There was a \$1.7 million decrease in Title IV revenue from the prior year. This decrease was due to the federal government restricting Pell grant availability from summer tuition and the ACG and SMART grant programs closing.

Capital gift revenue decreased in fiscal year 2012 by \$1.1 million largely due to a decrease in capital DPW projects.

***Expenses***

Operating expenses represent the costs associated with providing goods and services to enable us to carry out the mission of the University.

Nonoperating expenses are generally those associated with interest on debt and the disposal loss of fixed assets.

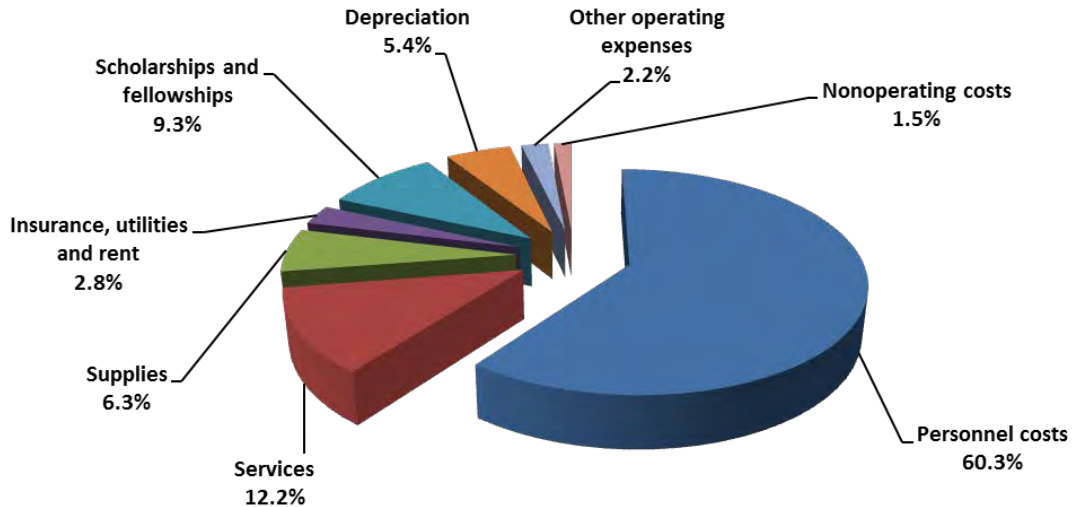


**Summary Statement of Expenses**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating			
Personnel costs	\$ 135,940,976	\$ 130,457,000	\$ 133,372,372
Services	27,513,868	23,073,330	21,246,038
Supplies	14,200,321	13,257,589	11,200,367
Insurance, utilities and rent	6,364,159	6,660,260	7,172,329
Scholarships and fellowships	20,885,766	20,084,127	20,067,882
Depreciation Expense	12,104,795	11,462,198	10,832,307
Other operating Expenses	5,025,236	4,730,185	3,933,243
Total operating expenses	<u>222,035,121</u>	<u>209,724,689</u>	<u>207,824,538</u>
Nonoperating			
Amortization of bond financing costs	60,954	60,954	60,953
Loss (gain) on disposal of fixed assets	10,243	85,946	(15,043)
Interest on capital asset related debt	3,177,831	3,355,101	3,507,755
Total nonoperating expenses	<u>\$ 3,249,028</u>	<u>\$ 3,502,001</u>	<u>\$ 3,553,665</u>



## Operating and Nonoperating Expenses

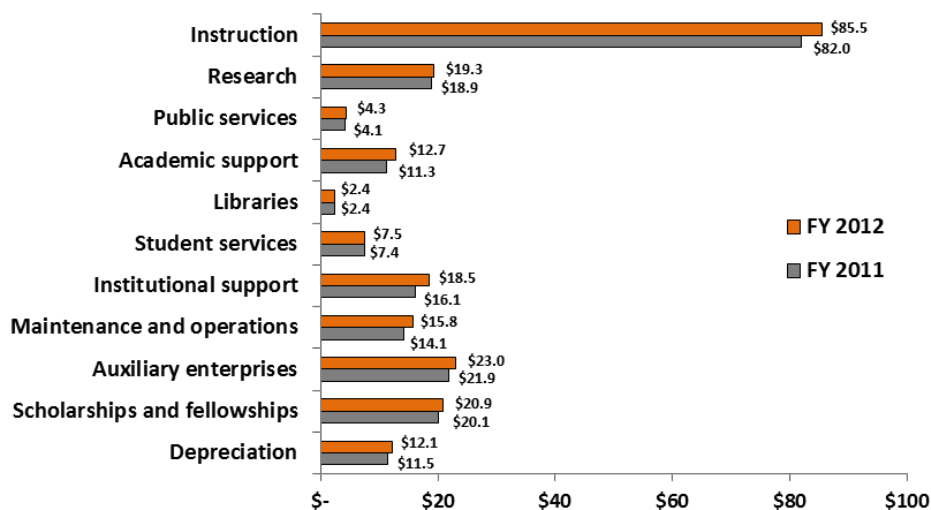


Nonoperating costs include interest on capital debt and bond amortization costs

Expenses in fiscal year 2012 increased by \$12.1 million, or 5.7%, over the prior year. The largest component of this increase is due to an increase in personnel costs of \$5.5 million. Additionally, expenses for services increased \$4.4 million over the prior year totaling \$27.5 million in 2012. Supplies expenses increased by \$0.9 million and scholarship expense increased by \$0.8 million over the prior year amount of \$20.1 million. The remaining expenses increased by \$0.5 million with the majority of that being an increase in depreciation.

## Expense Comparison

(\$ in Millions)



**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 nonoperating 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, 2012 is presented below.

**Summary Statement of Cash Flows**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Cash and cash equivalents (used in) or provided by:			
Operating activities	\$ (74,228,625)	\$ (77,316,030)	\$ (86,116,976)
Noncapital financing activities	103,483,406	107,537,874	105,911,573
Capital and related financing activities	(15,290,744)	(16,803,973)	(14,241,614)
Investing activities	<u>272,979</u>	<u>214,823</u>	<u>217,735</u>
Net increase (decrease) in cash	14,237,016	13,632,694	5,770,718
Cash and cash equivalents, beginning of year	<u>76,229,754</u>	<u>62,597,060</u>	<u>56,826,342</u>
Cash and cash equivalents, end of year	<u>\$ 90,466,770</u>	<u>\$ 76,229,754</u>	<u>\$ 62,597,060</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 \$8.4 million; from \$340.0 million in 2011 to \$348.4 million in 2012.

Total institutional long-term debt declined by \$4.8 million from \$66.4 million at June 30, 2011 to \$61.6 million at June 30, 2012. 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***

The financial position of Idaho State University is stable and improving, however, we are aware of the need to actively pursue other revenue streams and maintain cost controls. We also are cognizant of the fact that the economic recovery is not complete and that there continue to be many demands on limited federal and state resources. For instance, the continuing fires in the Northwest have greatly impacted finances in Idaho and the surrounding states.

The recent executive order for federal agencies to cut their budgets by ten percent is a cause for concern amongst states heavily dependent on federal grants to help fund their research and outreach activities. Higher education institutions, Idaho State University included, will likely be impacted by both the cut back in federal spending directly and by the reduction in federal awards administered by the state of Idaho.

Idaho State University is in a highly competitive student market in southeast Idaho and efforts to expand the recruiting range will require an investment of additional resources. Starting July 2012, federal financial aid will be more limited and a large segment of southeastern Idaho students will be impacted by the tightened eligibility requirements. The institution is considering how best to assist the students most affected by this change.

As part of the ongoing efforts to reduce costs whenever possible, in July, 2012, the University issued \$27,530,000 of Series 2012 revenue bonds. The proceeds of these bonds will be used to refund existing bonds when they become callable. The University took advantage of record low interest rates to save \$3.2 million in interest expense over the next eleven years. Moody's and Standard and Poors Rating

Services rated the bonds A and A1, respectively, both citing the University's stable financial position and debt coverage as part of the basis for their ratings.

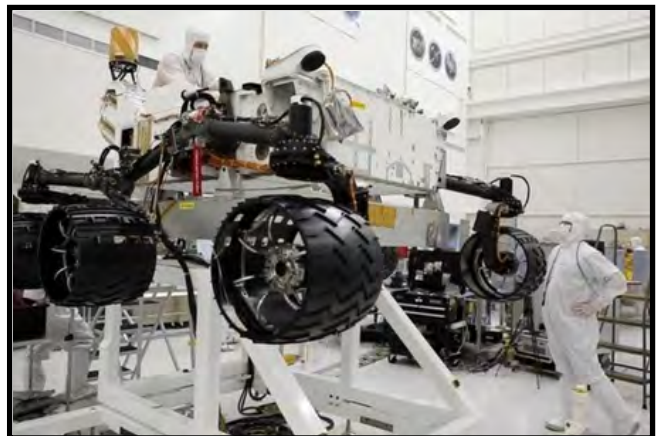
The University proposed and received approval for a 4.7% tuition and fee increase for fiscal year 2013, the lowest increase for ISU in 16 years. It reflects a shared balance between faculty, staff, students, and other institutional needs in meeting the University's budget requirements. However, it is only one piece of several initiatives across all areas of the University. ISU is and remains extremely competitive in tuition and fees, even after the increase, which is essential in enabling the University to balance its budget and continue to provide quality educational opportunities to students.

The University is making a strong commitment toward improving the campus physical environment. A reduction in deferred maintenance is viewed as integral to achieving that objective. The University is underway towards creating and implementing a preventative maintenance plan to achieve the following goals: preserve taxpayers' investment in public buildings, help buildings function and operate at peak efficiency, including minimizing energy consumption, prevent building system failures that will cause interruption of occupants' activities and the delivery of public services, sustain a safe and healthful environment, and provide maintenance in ways that are cost-effective.

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

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

*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.*



An ISU researcher designed the portable linear accelerators the Idaho National Laboratory used to check the welds on NASA's newest Mars rover's nuclear power supply.



**IDAHO STATE UNIVERSITY**  
**STATEMENT OF NET ASSETS**  
**AS OF JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 51,356,473	\$ 46,469,047
Cash with Treasurer	39,110,297	29,760,707
Student loans receivable	218,025	251,780
Accounts receivable and unbilled charges, less allowance for doubtful accounts of \$1,683,543 and \$1,358,432, respectively	11,354,439	13,209,650
Due from state agencies	3,735,585	4,048,548
Interest receivable	-	128,615
Inventories	284,875	276,492
Prepaid expenses	<u>770,365</u>	<u>826,349</u>
Total current assets	<u>106,830,059</u>	<u>94,971,188</u>
<b>NONCURRENT ASSETS:</b>		
Student loans receivable, less allowance for doubtful loans of \$535,112 and \$504,502	1,500,893	1,527,146
Assets held in trust	273,497	269,941
Deferred bond financing costs	950,172	1,037,808
Property, plant, and equipment, net	191,215,868	193,284,689
Other long-term assets	<u>75,000</u>	<u>78,000</u>
Total noncurrent assets	<u>194,015,430</u>	<u>196,197,584</u>
<b>TOTAL ASSETS</b>	<u>\$ 300,845,489</u>	<u>\$ 291,168,772</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 3,941,214	\$ 2,685,986
Due to state agencies	593,510	546,367
Accrued salaries and benefits payable	9,925,660	9,452,002
Compensated absences payable	4,791,459	4,288,645
Deposits	344,180	179,794
Funds held in custody for others	653,483	698,243
Deferred revenue	5,362,840	5,300,724
Accrued interest payable	807,785	864,961
Notes and bonds payable	<u>4,625,567</u>	<u>4,422,405</u>
Total current liabilities	<u>31,045,698</u>	<u>28,439,127</u>
<b>NONCURRENT LIABILITIES:</b>		
Other post-employment benefits payable	6,197,000	5,438,000
Notes and bonds payable	<u>61,608,654</u>	<u>66,389,739</u>
Total noncurrent liabilities	<u>67,805,654</u>	<u>71,827,739</u>
<b>TOTAL LIABILITIES</b>	<u>98,851,352</u>	<u>100,266,866</u>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	125,992,772	123,571,307
Restricted, expendable	5,554,894	6,558,524
Unrestricted	<u>70,446,471</u>	<u>60,772,075</u>
Total net assets	<u>201,994,137</u>	<u>190,901,906</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 300,845,489</u>	<u>\$ 291,168,772</u>

See Accompanying Notes to Financial Statements

**IDAHO STATE UNIVERSITY COMPONENT UNIT**

**IDAHO STATE UNIVERSITY FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2012 AND 2011**

ASSETS	2012	2011
Cash and cash equivalents	\$ 1,335,356	\$ 2,419,802
Cash and cash equivalents-restricted	729,453	851,039
Investments	40,583,656	41,051,000
Gift Pledges receivable, net	5,008,945	3,233,981
Life insurance cash surrender value	69,298	44,219
Miscellaneous receivables	20,187	20,001
Capitalized bond issuance costs, net	145,303	165,154
Property held for sale and investments	1,541,502	1,697,327
Total Assets	\$ 49,433,700	\$ 49,482,523
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 32,284	\$ 58,904
Scholarships and other payables to ISU	320,200	785,724
Obligations to beneficiaries under split-interest agreements	683,972	710,014
Funds held in custody for others	59,055	49,310
Long-term debt	5,900,000	6,000,000
Total liabilities	6,995,511	7,603,952
<b>NET ASSETS</b>		
Unrestricted	(5,302,030)	(4,793,872)
Temporarily restricted	16,040,654	16,622,396
Permanently restricted	31,699,565	30,050,047
Total net assets	42,438,189	41,878,571
Total Liabilities and net assets	\$ 49,433,700	\$ 49,482,523

**See Accompanying Notes to Financial Statements**

**IDAHO STATE UNIVERSITY**  
**STATEMENT OF REVENUES EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
<b>OPERATING REVENUES</b>		
Student tuition and fees (net of scholarship discounts and allowances of \$22,412,832 and \$22,998,668 respectively)	\$ 72,360,828	\$ 62,525,361
Federal grants and contracts	9,661,792	13,653,117
State and local grants and contracts	10,982,493	9,786,215
Private grants and contracts	11,247,629	8,532,830
Sales and services of educational activities	6,270,535	6,066,029
Sales and services of auxiliary enterprises	13,573,775	12,426,182
Other	5,021,161	3,470,991
Total operating revenues	<u>129,118,213</u>	<u>116,460,725</u>
<b>OPERATING EXPENSES</b>		
Personnel costs	135,940,976	130,457,000
Services	27,513,868	23,073,330
Supplies	14,200,321	13,257,589
Insurance, utilities and rent	6,364,159	6,660,260
Scholarships and fellowships	20,885,766	20,084,127
Depreciation	12,104,795	11,462,198
Miscellaneous	5,025,236	4,730,185
Total operating expenses	<u>222,035,121</u>	<u>209,724,689</u>
<b>OPERATING LOSS</b>	<u>(92,916,908)</u>	<u>(93,263,964)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations:		
State general account - general education	57,323,100	61,632,435
Endowment income	2,123,271	2,124,036
Other state appropriations	2,604,540	2,646,998
Professional technical education	9,108,083	8,998,678
Department of Public Works	4,413,710	7,375,601
Title IV grants	26,076,231	27,767,664
Gifts (including \$3,985,199 and \$5,064,955 from the Idaho State University Foundation, respectively)	4,609,727	5,396,289
Net investment income	144,574	252,720
Amortization of bond financing costs	(60,954)	(60,954)
Interest on capital asset related debt net of capitalized	(3,177,831)	(3,355,101)
Net nonoperating revenues	<u>103,164,451</u>	<u>112,778,366</u>
<b>INCOME BEFORE OTHER REVENUES AND EXPENSES</b>	10,247,543	19,514,402
<b>OTHER REVENUES AND EXPENSES</b>		
Capital gifts and grants	854,931	1,937,104
Gain or (loss) on disposal of fixed assets	(10,243)	(85,946)
Net other revenues and expenses	<u>844,688</u>	<u>1,851,158</u>
<b>INCREASE IN NET ASSETS</b>	11,092,231	21,365,560
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>190,901,906</u>	<u>169,536,346</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 201,994,137</u>	<u>\$ 190,901,906</u>

See Accompanying Notes to Financial Statements

**IDAHO STATE UNIVERSITY COMPONENT UNIT**

**IDAHO STATE UNIVERSITY FOUNDATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES</b>				
Contributions and gifts	\$ 2,686,382	\$ 2,786,383	\$ 1,686,944	\$ 7,159,709
Property contributions	-	107,000	-	107,000
Contributed services	702,555	-	-	702,555
Interest and dividends	289,721	387,437	-	677,158
Net realized/unrealized gains on investments	742,112	(2,242,526)	-	(1,500,414)
Fees, charges, and miscellaneous	660,812	-	-	660,812
Net change in value of annuity and life insurance	-	(45,627)	5,975	(39,652)
Total revenues and gains	<u>5,081,582</u>	<u>992,667</u>	<u>1,692,919</u>	<u>7,767,168</u>
Board and donor designated transfers	20,685	22,716	(43,401)	-
Net assets released from program restrictions	<u>1,597,125</u>	<u>(1,597,125)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>6,699,392</u>	<u>(581,742)</u>	<u>1,649,518</u>	<u>7,767,168</u>
<b>EXPENSES</b>				
Program support to Idaho State University				
Donations/transfers	2,471,149	-	-	2,471,149
Scholarships	1,033,312	-	-	1,033,312
Athletic	206,432	-	-	206,432
ISU department support	1,636,399	-	-	1,636,399
Support services				
Management and general	390,538	-	-	390,538
Fundraising	<u>1,469,720</u>	<u>-</u>	<u>-</u>	<u>1,469,720</u>
Total expenses	<u>7,207,550</u>	<u>-</u>	<u>-</u>	<u>7,207,550</u>
CHANGE IN NET ASSETS	(508,158)	(581,742)	1,649,518	559,618
NET ASSETS, beginning of year	<u>(4,793,872)</u>	<u>16,622,396</u>	<u>30,050,047</u>	<u>41,878,571</u>
NET ASSETS, end of year	<u>\$ (5,302,030)</u>	<u>\$ 16,040,654</u>	<u>\$ 31,699,565</u>	<u>\$ 42,438,189</u>



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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES</b>				
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	<u>5,575,451</u>	<u>8,630,821</u>	<u>2,090,964</u>	<u>16,297,236</u>
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	<u>13,700,181</u>	<u>495,312</u>	<u>2,101,743</u>	<u>16,297,236</u>
<b>EXPENSES</b>				
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	<u>8,226,994</u>	<u>-</u>	<u>-</u>	<u>8,226,994</u>
CHANGE IN NET ASSETS	5,473,187	495,312	2,101,743	8,070,242
NET ASSETS, beginning of year	<u>(10,267,059)</u>	<u>16,127,084</u>	<u>27,948,304</u>	<u>33,808,329</u>
NET ASSETS, end of year	<u>\$ (4,793,872)</u>	<u>\$ 16,622,396</u>	<u>\$ 30,050,047</u>	<u>\$ 41,878,571</u>

See Accompanying Notes to Financial Statements

**IDAHO STATE UNIVERSITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student fees	\$ 61,863,479	\$ 53,207,671
Grants and contracts	30,969,236	32,609,310
Sales and services of educational activities	6,328,257	4,873,212
Sales and services from auxiliary enterprises	13,500,921	12,519,251
Other operating revenue	5,332,920	3,825,364
Collection on loans to students	309,213	405,447
Payments to and on behalf of employees	(130,585,954)	(128,159,792)
Payments to suppliers	(47,709,436)	(43,555,989)
Payments for scholarships and fellowships	(13,957,446)	(12,693,141)
Loans issued to students	(279,815)	(347,363)
	<u>(74,228,625)</u>	<u>(77,316,030)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	71,266,518	75,596,855
Gifts	4,421,656	4,770,009
Title IV grants	26,279,045	28,499,455
Agency account receipts	18,107,252	19,360,495
Agency account payments	(17,150,707)	(21,094,332)
Direct lending receipts	77,934,201	77,351,376
Direct lending payments	(77,374,559)	(76,945,984)
	<u>103,483,406</u>	<u>107,537,874</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital gifts and grants	378,855	294,781
Capital purchases	(7,908,352)	(10,670,641)
Proceeds from sale of assets	25,000	-
Transfer from bond trustee	-	1,242,661
Principal paid on capital debt	(4,422,405)	(4,109,061)
Interest paid on capital debt	(3,363,842)	(3,561,713)
	<u>(15,290,744)</u>	<u>(16,803,973)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	<u>272,979</u>	<u>214,823</u>
	272,979	214,823
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	14,237,016	13,632,694
<b>CASH AND CASH EQUIVALENTS--Beginning of year</b>		
	<u>76,229,754</u>	<u>62,597,060</u>
<b>CASH AND CASH EQUIVALENTS--End of year</b>		
	<u>\$ 90,466,770</u>	<u>\$ 76,229,754</u>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES</b>		
Operating Loss	\$ (92,916,908)	\$ (93,263,964)
Adjustments to reconcile net operating loss to net cash used by operating activities		
Depreciation	12,104,795	11,462,198
Maintenance costs paid by Department of Public Works and other	3,532,404	2,710,159
Change in assets and liabilities		
Accounts receivable, net	(68,881)	(22,526)
Prepaid expenses	55,984	(339,739)
Student loans receivable, net	60,008	85,323
Inventory	(8,383)	(24,790)
Accounts payable and accrued liabilities	1,209,402	431,241
Accrued salaries and benefits payable	1,728,995	1,126,470
Deposits	12,400	27,157
Deferred revenue	62,115	492,441
Non-current assets	(556)	-
	<u>(74,228,625)</u>	<u>(77,316,030)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		
	<u>\$ (74,228,625)</u>	<u>\$ (77,316,030)</u>
<b>SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Assets acquired from the Department of Public Works	<u>\$ 1,562,357</u>	<u>\$ 5,329,471</u>
Donated capital assets	<u>\$ 494,995</u>	<u>\$ 1,642,323</u>

**See Accompanying Notes to Financial Statements**

**IDAHO STATE UNIVERSITY**  
**Notes To Financial Statements**  
**Years Ended June 30, 2012 And 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity** – 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, 2012 and 2011. Additional detail and discussion related to the Foundation can be found in Note 12 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 implementation requirements of 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 \$4,791,459 and \$4,288,645 at June 30, 2012 and 2011, respectively.

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

**Net 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, 2012 or 2011.

***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 non-exchange 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 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 University will be required to implement the provisions of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. 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 full impact this standard will have on the University’s financial statements.

The University will be required to implement the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - and amendment of GASB Statements No. 14 and No. 34*. The University will be required to address modifications to certain requirements for inclusion of component units in 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 full impact this standard will have on the University’s financial statements.

The University will be required to implement the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. The University will be required to address certain FASB Statements and interpretations, APB opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure that this standard incorporates into GASB literature. 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.



The University will be required to implement the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective with the fiscal year ending June 30, 2013. This Statement defines deferred outflows and inflows of resources as elements of consuming or acquiring net assets by the University that is applicable to a future reporting period. The standard also incorporates deferred outflows or inflows of resources into the definition of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The University has not yet determined the full impact of this standard on its financial statements.

**Reclassification** – Certain amounts reported in the June 30, 2011 financial statements have been reclassified to conform to the June 30, 2012 financial statement presentation.

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

Cash with treasurer is under the control of the Idaho State Treasurer and is carried at cost. The University's deposits are maintained in commercial checking accounts which, as of June 30, 2012 and 2011, 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, 2012 and June 30, 2011, total deposits consisted of the following:

	<u>2012</u>	<u>2011</u>
Cash	\$ 1,910,532	\$ 596,717
Non-negotiable certificates of deposit	-	749,293
Obligations of the U.S. Government and its agencies	50,890,000	47,850,000
Cash equity with the State Treasurer	<u>39,110,297</u>	<u>29,760,707</u>
Total deposits	<u>\$ 91,910,829</u>	<u>\$ 78,956,717</u>

There were no deposit amounts subject to custodial credit risk at June 30, 2012 and June 30, 2011.

At June 30, 2012 and June 30, 2011, the University had \$93,943 and \$100,997, respectively, of cash on hand in various change funds. The carrying amount of the University's cash and cash equivalents at June 30, 2012 and June 30, 2011, was \$90,466,770 and \$76,229,754, 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>2012</u>	<u>2011</u>
Accounts receivable	\$ 13,037,982	\$ 14,568,082
Due from state agencies	<u>3,735,585</u>	<u>4,048,548</u>
	16,773,567	18,616,630
Less allowance for doubtful accounts	<u>(1,683,543)</u>	<u>(1,358,432)</u>
Net accounts receivable and Due from state agencies	<u>\$ 15,090,024</u>	<u>\$ 17,258,198</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, 2012 and 2011. 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, 2012 and 2011, is \$1,989,605 and \$1,989,979, 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, 2012 and 2011, the allowance for uncollectible loans was approximately \$535,112 and \$504,502, 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, 2012 and 2011, is \$12,870 and \$21,801. 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.

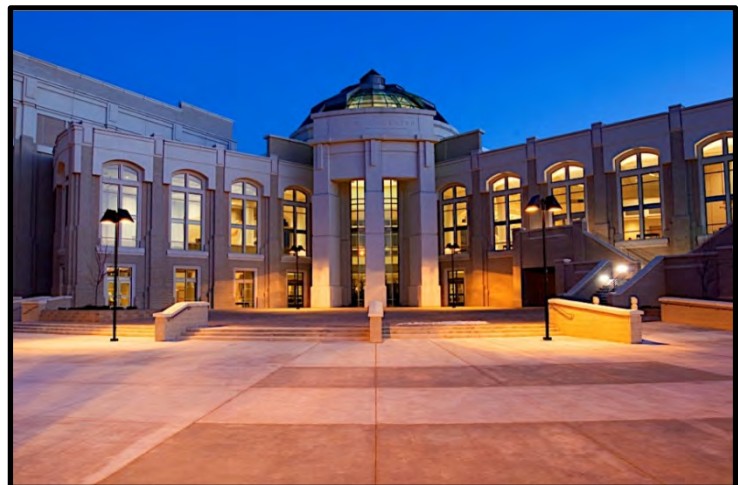


**5. PROPERTY, PLANT AND EQUIPMENT**

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

	2011			2012			
	Balance at June 30, 2010	Additions	Transfers & Retirements	Balance at June 30, 2011	Additions	Transfers & Retirements	Balance at June 30, 2012
Property, plant and equipment:							
Land	\$ 4,064,973	\$ 947,580	\$ -	\$ 5,012,553	\$ -	\$ -	\$ 5,012,553
Construction in progress	15,515,946	1,175,053	(15,465,985)	1,225,014	969,926	(889,345)	1,305,595
<b>Total property, plant and equipment not being depreciated</b>	<b>19,580,919</b>	<b>2,122,633</b>	<b>(15,465,985)</b>	<b>6,237,567</b>	<b>969,926</b>	<b>(889,345)</b>	<b>6,318,148</b>
Other property, plant and equipment:							
Buildings and improvements	217,347,709	8,791,716	15,465,985	241,605,410	2,525,881	-	244,131,291
Intangibles	2,214,462	-	-	2,214,462	-	-	2,214,462
Furniture, fixtures and equipment	41,073,772	3,800,885	(3,084,805)	41,789,852	4,837,931	(1,694,471)	44,933,312
Library materials	45,739,342	2,368,753	-	48,108,095	2,679,079	-	50,787,174
<b>Total other property, plant and equipment</b>	<b>306,375,285</b>	<b>14,961,354</b>	<b>12,381,180</b>	<b>333,717,819</b>	<b>10,042,891</b>	<b>(1,694,471)</b>	<b>342,066,239</b>
Less accumulated depreciation and amortization:							
Buildings and improvements	(74,949,868)	(6,014,205)	-	(80,964,073)	(6,253,462)	-	(87,217,535)
Intangibles	(166,085)	(110,723)	-	(276,808)	(110,723)	-	(387,531)
Furniture, fixtures and equipment	(28,170,443)	(3,041,465)	2,995,358	(28,216,550)	(3,363,792)	1,606,973	(29,973,369)
Library materials	(34,917,462)	(2,295,804)	-	(37,213,266)	(2,376,818)	-	(39,590,084)
<b>Total accumulated depreciation and amortization</b>	<b>(138,203,858)</b>	<b>(11,462,197)</b>	<b>2,995,358</b>	<b>(146,670,697)</b>	<b>(12,104,795)</b>	<b>1,606,973</b>	<b>(157,168,519)</b>
<b>Other property, plant and equipment net of accumulated depreciation</b>	<b>168,171,427</b>	<b>3,499,157</b>	<b>15,376,538</b>	<b>187,047,122</b>	<b>(2,061,904)</b>	<b>(87,498)</b>	<b>184,897,720</b>
Property, Plant and Equipment Summary:							
Property, plant and equipment not being depreciated	19,580,919	2,122,633	(15,465,985)	6,237,567	969,926	(889,345)	6,318,148
Other property, plant and equipment at cost	306,375,285	14,961,354	12,381,180	333,717,819	10,042,891	(1,694,471)	342,066,239
<b>Total property, plant and equipment</b>	<b>325,956,204</b>	<b>17,083,987</b>	<b>(3,084,805)</b>	<b>339,955,386</b>	<b>11,012,817</b>	<b>(2,583,816)</b>	<b>348,384,387</b>
Less accumulated depreciation and amortization	(138,203,858)	(11,462,197)	2,995,358	(146,670,697)	(12,104,795)	1,606,973	(157,168,519)
<b>Property, plant and equipment, net</b>	<b>\$ 187,752,346</b>	<b>\$ 5,621,790</b>	<b>\$ (89,447)</b>	<b>\$ 193,284,689</b>	<b>\$ (1,091,978)</b>	<b>\$ (976,843)</b>	<b>\$ 191,215,868</b>

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





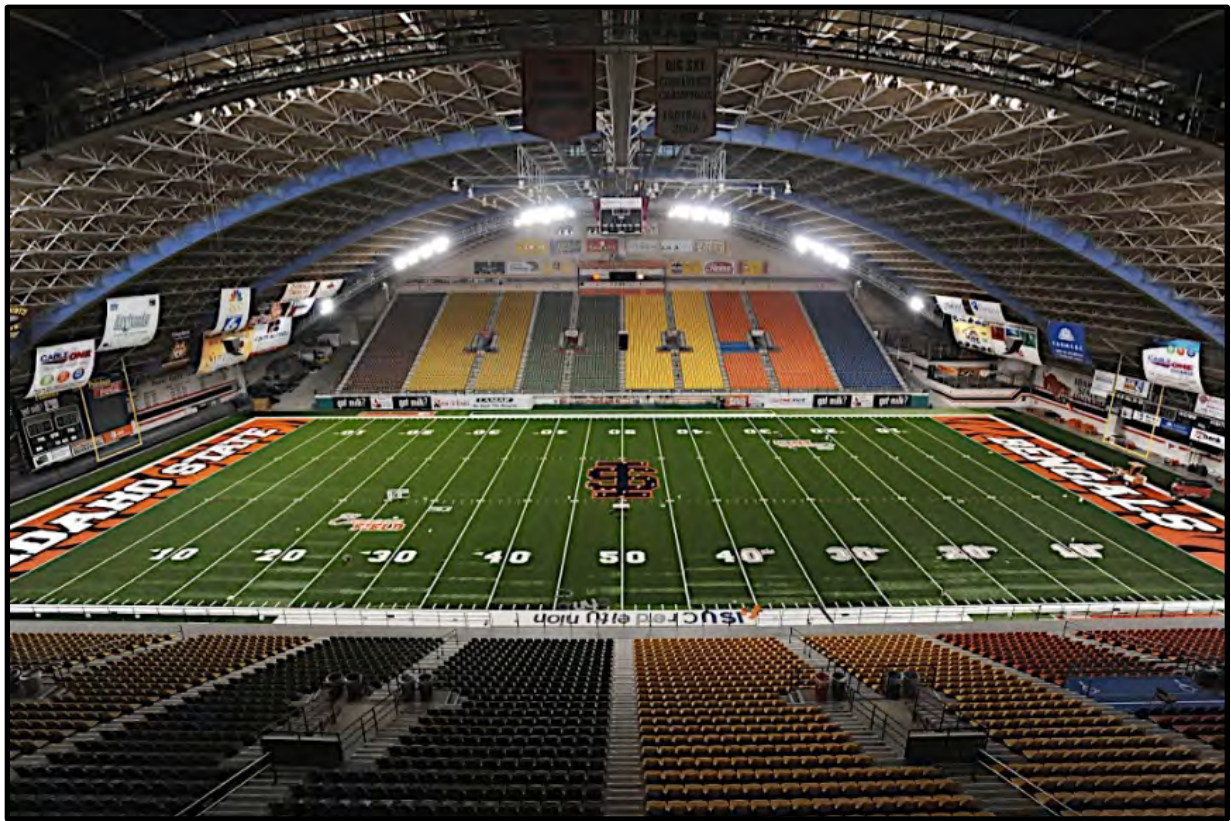
(i.e., cost) over the gross rents payable by the University were recorded as an asset of the University in recognition of the permanent transfer of rights of use to the University for only nominal consideration.

In addition to accounts payable for construction in progress, the estimated cost to complete property authorized or under construction at June 30, 2012, is approximately \$1,719,205. These costs will be financed by available resources of Idaho State University.

**6. DEFERRED REVENUE**

Deferred revenue consists of the following at June 30:

	<u>2012</u>	<u>2011</u>
Student Fees	\$ 3,045,634	\$ 2,987,975
Auxiliary enterprises	59,090	316,723
Grants and contracts	2,188,833	1,974,067
Other ticket sales	69,283	21,959
	<u>\$ 5,362,840</u>	<u>\$ 5,300,724</u>





**7. NONCURRENT LIABILITIES**

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

Description	Balance Outstanding 6/30/2010			Balance Outstanding 6/30/2011			Balance Outstanding 6/30/2012			Amounts Due Within One Year
		Additions	Reductions		Additions	Reductions		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	\$ 19,986	\$ -	\$ (9,514)	\$ 10,472	\$ -	\$ (10,472)	\$ -	\$ -	\$ -	-
Note payable to a financial institution due in semi-annual installments varying from a maximum of \$2,993,916 to \$16,696 plus interest of 5.08% through 09/01/2016	5,594,988	-	(699,547)	4,895,441	-	(846,934)	4,048,507	-	-	895,567
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.	6,665,000	-	(800,000)	5,865,000	-	(835,000)	5,030,000	-	-	880,000
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.	28,465,000	-	(1,385,000)	27,080,000	-	(1,450,000)	25,630,000	-	-	1,520,000
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.	3,890,000	-	(235,000)	3,655,000	-	(245,000)	3,410,000	-	-	255,000
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.	1,800,000	-	(115,000)	1,685,000	-	(125,000)	1,560,000	-	-	130,000
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.	9,680,000	-	(335,000)	9,345,000	-	(355,000)	8,990,000	-	-	370,000
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.	14,850,000	-	(530,000)	14,320,000	-	(555,000)	13,765,000	-	-	575,000
	74,269,974	-	(4,109,061)	70,160,913	-	(4,422,406)	65,738,507	-	-	4,625,567
Premium on bonds	1,074,390	-	(199,889)	874,501	-	(174,575)	699,926	-	-	-
Discount on bonds	(242,328)	19,058	-	(223,270)	19,058	-	(204,212)	-	-	-
Totals	\$ 75,102,036	\$ 19,058	\$ (4,308,950)	\$ 70,812,144	\$ 19,058	\$ (4,596,981)	\$ 66,234,221	\$ -	\$ -	\$ 4,625,567

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, 2012, are as follows:

	Bonds		Notes	
	Principal	Interest	Principal	Interest
2013	\$ 3,730,000	\$ 2,956,920	\$ 895,567	\$ 194,433
2014	3,905,000	2,777,994	941,638	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	4,380,000	2,201,070	340,557	8,650
2018-2022	23,695,000	7,659,873	-	-
2023-2027	12,940,000	2,729,206	-	-
2028-2032	4,195,000	690,399	-	-
2033-2034	670,000	48,213	-	-
	<u>\$ 61,690,000</u>	<u>\$ 24,058,015</u>	<u>\$ 4,048,507</u>	<u>\$ 505,699</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	2012		
	Student Facility Fee Revenue Bonds		
	Series 1998	Series 2003, 2004C, 2004A, 2004B, 2006 and 2007	Total
Matriculation fee	\$ -	\$ 49,177,627	\$ 49,177,627
Student facilities fee	3,725,203	485,143	4,210,346
Revenue of student housing system	-	5,709,462	5,709,462
CAES lease payment	-	850,104	850,104
	<u>\$ 3,725,203</u>	<u>\$ 56,222,336</u>	<u>\$ 59,947,539</u>
Debt Service	\$ 1,128,630	\$ 5,558,290	\$ 6,686,920
Debt service coverage	330%	1012%	896%
Coverage requirement	110%	110%	110%

2011			
Student Facility Fee Revenue Bonds			
Pledged Revenues	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%

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 \$444,101 and \$306,017 for the years ended June 30, 2012 and 2011, respectively.

Future minimum lease payments at June 30, 2012 for all leases are as follows:

<u>Fiscal Years</u>	<u>Payments</u>
2013	\$ 380,534
2014	263,404
2015	87,938
2016	69,947
2017	4,900
Totals	<u>\$ 806,723</u>

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

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

<u>Fiscal Years</u>	
2013	\$ 850,104
2014	850,104
2015	850,104
2016	850,104
2017	850,104
2018-2028	<u>9,138,618</u>
Totals	<u>\$ 13,389,138</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 were used to construct the facility. As of June 30, 2012, the book value of the building is \$16,473,708, which is net of accumulated depreciation in the amount of \$1,227,141.

## 9. RETIREMENT PLANS AND TERMINATION PAYMENTS

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

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

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

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

	2012	2011	2010
University contributions required and paid	\$ 2,544,195	\$ 2,565,255	\$ 2,666,184
Employee contributions	1,525,532	1,538,160	1,597,805
Total contributions	<u>\$ 4,069,727</u>	<u>\$ 4,103,415</u>	<u>\$ 4,263,989</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:

	2012	2011	2010
University contributions required and paid	\$ 5,667,518	\$ 5,430,019	\$ 5,463,978
Employee contributions	4,261,345	4,082,768	4,108,157
Total Contribution	<u>\$ 9,928,863</u>	<u>\$ 9,512,787</u>	<u>\$ 9,572,135</u>
University required contribution rate	9.27%	9.27%	9.27%
Employee contribution rate	6.97%	6.97%	6.97%



Although enrollees in the ORP no longer belong to PERSI, the University is required to contribute a percentage of the annual covered payroll to PERSI. Effective July 1, 2007, the percentage was changed from 3.03% to 1.49%, allowing the difference of 1.54% to be used to increase the University's contribution to ORP retirement accounts. In addition, the payoff period of the unfunded liability obligation was extended from July 1, 2015, to July 1, 2025. During the years ended June 30, 2012 and 2011, supplemental funding payments to PERSI were \$912,212 and \$874,510 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, 2012 and 2011 were \$546,323 and \$541,976, 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, 4<sup>th</sup> Floor  
P.O. Box 83720  
Boise, ID 83720-0011  
[www.sco.idaho.gov](http://www.sco.idaho.gov)



### *Plan Descriptions and Funding Policy*

**Retiree Healthcare Plan** – 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 \$8.00 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 premium costs. The University’s contribution for the period was 0.318% of payroll in fiscal year 2012. 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 was not required to make a contribution in fiscal year 2012.

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. 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, 2012 and 2011:

**Annual OPEB Cost and Net OPEB Obligation 2012**

*(dollars in thousands)*

	Retiree Healthcare Plan	Long-Term Disability Plan			Life Insurance Plan	Total
		Income	Healthcare	Life Insurance		
Annual Required Contribution	\$ 355	\$ 74	\$ 122	\$ 69	\$ 917	\$ 1,537
Interest	107	(2)	6	(2)	102	211
Adjustment to ARC	(156)	2	(9)	2	(148)	(309)
Total Annual OPEB Cost	306	74	119	69	871	1,439
Contributions Made	(289)	(62)	(109)	(78)	(139)	(677)
Increase (Decrease) in NOO	17	12	10	(9)	732	762
NOO – Beginning of Year	2,664	(31)	157	(47)	2,617	5,360
NOO (Funding Excess) – End of Year	\$ 2,681	\$ (19)	\$ 167	\$ (56)	\$ 3,349	\$ 6,122

**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 Contribution	\$ 402	\$ 83	\$ 132	\$ 77	\$ 913	\$ 1,607
Interest	113	(2)	6	-	78	195
Adjustment to ARC	(169)	3	(9)	-	(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 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 two prior years:

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

		Retiree Healthcare Plan	Long-Term Disability Plan			Life Insurance Plan	Total
			Healthcare	Life Insurance	Income		
Annual OPEB Cost	2010	\$ 261	\$ 156	\$ 68	\$ 87	\$ 862	\$ 1,434
	2011	346	129	77	84	875	1,511
	2012	306	119	69	74	871	1,439
Percentage of AOC Contributed	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%
	2012	94.44%	91.60%	113.04%	83.78%	15.96%	47.05%
NOO (Funding Excess) – End of Year	2010	\$ 2,472	\$ 139	\$ (9)	\$ (39)	\$ 1,890	\$ 4,453
	2011	2,664	157	(47)	(31)	2,617	5,360
	2012	2,681	167	(56)	(19)	3,349	6,122

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

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

	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan
		Income	Healthcare	Life Insurance	
Actuarial Valuation Date	7/1/2010	7/1/2010	7/1/2010	7/1/2010	7/1/2010
Actuarial Value of Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Liability (AAL)	\$ 2,237	\$ 446,000	\$ 799,000	\$ 833,000	\$ 11,617,000
Unfunded AAL (UAAL) (2) - (1)	\$ 2,237	\$ 446,000	\$ 799,000	\$ 833,000	\$ 11,617,000
Funded Ratios (1) : (2)	0.0%	0.0%	0.0%	0.0%	0.0%
Annual Covered Payroll	\$85,709,000	\$85,709,000	\$85,709,000	\$85,709,000	\$ 85,709,000
UAAL as a Percentage of Covered Payroll (3) : (5)	2.61%	0.52%	0.93%	0.97%	13.55%

**Actuarial Methods and Assumptions**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information,

contains multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members. Any variations in future experience from that expected from these assumptions will result in corresponding changes in the estimated costs of the benefits. The projection of benefits for financial reporting purposes does not incorporate the potential effects of legal funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.



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

**Significant Methods and Actuarial Assumptions**

	<b>Retiree Healthcare Plan</b>	<b>Long-Term Disability Plan</b>			<b>Retiree Life Insurance Plan</b>
		<b>Healthcare</b>	<b>Life Insurance</b>	<b>Income</b>	
	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Actuarial Cost Method	Level	Level	Level	Level	Level
Amortization Method	Percentage of Payroll	Percentage of Payroll	Percentage of Payroll	Level Dollar Amount	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**  
**As of and for Each of the Years Ended June 30**
**Schedule of Funding Progress (dollars in thousands):**

OPEB Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2)	(3)	(4)	(5)	(6)
			Accrued Liability (AAL)	Unfunded AAL (UAAL) (2) - (1)	Funded Ratios (1) : (2)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll (3) : (5)
Retiree Healthcare	7/1/2006	\$ -	\$33,223,000	\$33,223,000	0.0%	\$86,470,000	38.42%
	7/1/2008	\$ -	\$ 2,228,000	\$ 2,228,000	0.0%	\$84,670,000	2.63%
	7/1/2010	\$ -	\$ 2,417,000	\$ 2,417,000	0.0%	\$83,360,000	2.90%
Long-Term Disability:							
Life Insurance	7/1/2006	\$ -	\$ 999,000	\$ 999,000	0.0%	\$86,470,000	1.16%
	7/1/2008	\$ -	\$ 1,029,000	\$ 1,029,000	0.0%	\$84,670,000	1.21%
	7/1/2010	\$ -	\$ 974,000	\$ 974,000	0.0%	\$83,360,000	1.17%
Healthcare	7/1/2006	\$ -	\$ 941,000	\$ 941,000	0.0%	\$86,470,000	1.09%
	7/1/2008	\$ -	\$ 860,000	\$ 860,000	0.0%	\$84,670,000	1.02%
	7/1/2010	\$ -	\$ 876,000	\$ 876,000	0.0%	\$83,360,000	1.05%
Income	7/1/2006	\$ -	\$ 600,000	\$ 600,000	0.0%	\$86,470,000	0.69%
	7/1/2008	\$ -	\$ 599,000	\$ 599,000	0.0%	\$84,670,000	0.71%
	7/1/2010	\$ -	\$ 558,000	\$ 558,000	0.0%	\$83,360,000	0.67%
Retiree Life Insurance	7/1/2006	\$ -	\$ 8,587,000	\$ 8,587,000	0.0%	\$86,470,000	9.93%
	7/1/2008	\$ -	\$ 9,753,000	\$ 9,753,000	0.0%	\$84,670,000	11.52%
	7/1/2010	\$ -	\$11,362,000	\$11,362,000	0.0%	\$83,360,000	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	06/30/10	\$ 881	\$ 223	25.31%
	06/30/11	\$ 913	\$ 148	16.21%
	06/30/12	\$ 917	\$ 139	15.16%

**11. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATION**

2012

	Personnel Costs	Services	Supplies	Insurance, Utilities and Rent	Scholarships and Fellowships	Depreciation	Miscellaneous	Operating Expenses Totals
Instruction	\$ 73,365,262	\$ 6,194,026	\$ 4,405,860	\$ 237,920	\$ -	\$ -	\$ 1,268,847	\$ 85,471,915
Research	12,716,626	4,338,023	1,479,477	158,083	-	-	620,374	19,312,583
Public services	3,663,766	357,096	144,444	110,427	-	-	67,856	4,343,589
Academic support	9,546,388	1,542,296	1,336,185	6,538	-	-	264,025	12,695,432
Libraries	2,093,104	185,627	67,427	368	-	-	20,195	2,366,721
Student services	6,294,257	745,393	325,223	41,058	-	-	128,459	7,534,390
Institutional support	11,755,816	3,257,997	2,439,894	124,582	-	-	896,008	18,474,297
Maintenance and operations	6,032,099	4,485,063	1,398,383	3,885,968	-	-	19,976	15,821,489
Auxiliary enterprises	10,473,658	6,408,347	2,603,428	1,799,215	-	-	1,739,496	23,024,144
Scholarships and fellowships	-	-	-	-	20,885,766	-	-	20,885,766
Depreciation	-	-	-	-	-	12,104,795	-	12,104,795
<b>Total expenses</b>	<b>\$ 135,940,976</b>	<b>\$ 27,513,868</b>	<b>\$ 14,200,321</b>	<b>\$ 6,364,159</b>	<b>\$ 20,885,766</b>	<b>\$ 12,104,795</b>	<b>\$ 5,025,236</b>	<b>\$ 222,035,121</b>

2011

	Personnel Costs	Services	Supplies	Insurance, Utilities and Rent	Scholarships and Fellowships	Depreciation	Miscellaneous	Operating Expenses Totals
Instruction	\$ 71,055,434	\$ 5,742,119	\$ 3,917,682	\$ 243,132	\$ -	\$ -	\$ 1,039,542	\$ 81,997,909
Research	12,751,116	3,550,068	1,801,218	137,351	-	-	654,887	18,894,640
Public services	3,306,389	384,309	191,313	100,716	-	-	97,212	4,079,939
Academic support	7,882,046	1,575,314	1,641,316	6,733	-	-	184,891	11,290,300
Libraries	2,160,565	152,868	95,091	-	-	-	12,374	2,420,898
Student services	5,920,190	778,588	436,304	40,317	-	-	250,861	7,426,260
Institutional support	11,219,903	2,564,283	1,416,377	85,245	-	-	825,592	16,111,400
Maintenance and operations	5,646,948	2,880,317	1,568,498	3,955,249	-	-	(567)	14,050,445
Auxiliary enterprises	10,514,409	5,445,464	2,189,790	2,091,517	-	-	1,665,393	21,906,573
Scholarships and fellowships	-	-	-	-	20,084,127	-	-	20,084,127
Depreciation	-	-	-	-	-	11,462,198	-	11,462,198
<b>Total expenses</b>	<b>\$ 130,457,000</b>	<b>\$ 23,073,330</b>	<b>\$ 13,257,589</b>	<b>\$ 6,660,260</b>	<b>\$ 20,084,127</b>	<b>\$ 11,462,198</b>	<b>\$ 4,730,185</b>	<b>\$ 209,724,689</b>

## 12. 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, 2012 and 2011 were \$424,697 and \$404,846, 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, 2012 and 2011 are shown below.



	<u>2012</u>	<u>2011</u>
Investment securities		
Mutual funds	\$ 2,191,933	\$ 2,079,143
Fixed income investments	222,024	264,451
Co-mingled and pooled marketable investment funds	34,441,074	36,591,760
Hedge Funds	<u>3,728,625</u>	<u>2,115,646</u>
Total assets	<u>\$40,583,656</u>	<u>\$41,051,000</u>

Assets and liabilities measured at fair value on a recurring basis at June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Gift pledges receivable	\$ 1,729,004	\$ 44,458
Property held for sale and investments	<u>107,000</u>	<u>125,000</u>
Total assets	<u>\$ 1,836,004</u>	<u>\$ 169,458</u>

The related fair value of these assets and liabilities as of June 30, 2012, 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	\$ 2,191,933	\$ -	\$ -	\$ 2,191,933
Fixed income investments	50	145,898	76,076	222,024
Co-mingled and pooled marketable investment funds	-	34,441,074	-	34,441,074
Hedge funds	-	-	<u>3,728,625</u>	<u>3,728,625</u>
	<u>\$ 2,191,983</u>	<u>\$ 34,586,972</u>	<u>\$ 3,804,701</u>	<u>\$ 40,583,656</u>

The related fair value of these assets and liabilities as of June 30, 2011 are determined as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds				
Index fund	\$ 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 fair value for mutual fund investments is determined based on quoted market prices. For fixed income investments, fair value is determined based on the value of the underlying investments. For co-mingled and pooled marketable investment funds, fair value is obtained by using the net asset value of the underlying investments. At this level, the underlying assets have a direct market reference price that is traceable. For hedge funds, fair value is determined with independent, third party valuations occurring monthly to every six months, depending upon the investment type. Property held for sale and investments are valued based on property sold that had a similar use, size, and location as the property held by the Foundation. The value of pledges receivable is determined at the present value of expected future cash flows and is fair valued at the time of the gift. In subsequent years, the value is amortized over the life of the pledge.

Assets measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the year ended June 30, 2012, are shown below.

	<u>Hedge Funds</u>
Beginning balance	\$ 2,115,646
Total unrealized gains and losses included in earnings (or changes in net assets)	258,719
Calls	<u>1,354,260</u>
Ending balance	<u>\$ 3,728,625</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the year ended June 30, 2011, are as follows.

	<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>



### 13. SUBSEQUENT EVENTS

In July 2012, the Idaho State Board of Education approved the issuance of Series 2012 Bonds under a supplemental bond resolution adopted by the Board on June 21, 2012. The Series 2012 Bonds were delivered on July 12, 2012. The Series 2012 Bonds are being issued by the University to (i) refund certain outstanding bonds of the University to achieve debt service savings and (ii) pay the costs of issuance of the Series 2012 Bonds. The Series 2012 Bonds will be dated the date of their delivery and are issuable in fully registered form, book-entry-only, in the aggregate principal amount of \$27,530,000. The Series 2012 Bonds bear interest from the date of issuance of 2% to 4%, payable semiannually on April 1 and October 1 of each year, commencing October 1, 2012.

The Series 2012 Bonds are secured on a parity with the Outstanding Parity Bonds by a pledge of the Pledged Revenues, as designated by the Board, including the University's Tuition Fee, the Student Facilities Fee/Facilities, Revenues of the Housing System and CAES Base Rent, all investment income derived from the Revenue Fund and the Bond Fund, and proceeds from the sale of a series of bonds and money and investment earnings thereon.

The Series 2012 Bonds maturing on or prior to April 1, 2022 are not subject to redemption prior to maturity. The Series 2012 Bonds maturing on or after April 1, 2023 are subject to redemption prior to maturity at the option of the University in whole or in part on any date on and after April 1, 2022, and if in part, in such order of maturity as may be directed by the University at a redemption price equal to 100% of the principal amount of the Series 2012 Bonds to be redeemed plus accrued interest to the date of redemption.

A portion of the proceeds from the sale of the Series 2012 Bonds is being used to provide funds sufficient to refund certain outstanding bonds of the University to achieve debt service savings. The Supplemental Resolution provides for the current refunding of the remaining \$5,030,000 principal amount of the University's Student Facilities Fee Refunding and Improvement Revenue Bonds, Series 1998 which mature April 1, 2017 and April 1, 2022 (the "Series 1998 Refunded Bonds"). The Supplemental Resolution also provides for the advance refunding (i) of \$20,300,000 principal amount of the University's General Refunding and Improvement Revenue Bonds, Series 2003 (ii) of \$2,330,000 principal amount of the University's General Revenue Bonds, Series 2004A and (iii) of \$265,000 principal amount of the University's General Revenue Bonds, Series 2004B.

The university completed the advance refunding to reduce its total debt service payments over the next 10 years by \$3.5 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3.2 million.

### 14. 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.

In May, 2011, it was discovered that a server in one of the health clinics associated with the University and attached to the University's network had been compromised. The server contained the protected health information (PHI) of approximately 4,000 individuals. There is no evidence to suggest that this information was accessed. The University notified the Federal Health and Human Services' Office of Civil Rights (OCR) about the situation and OCR has done an investigation of the University's network security. As a result, the University has implemented or is in the process of implementing OCR's recommendations towards securing PHI information.

The potential penalties for HIPAA violations vary depending on knowledge of the breach, whether it was due to reasonable cause or whether it resulted from willful neglect. The fines that could be levied are tiered by severity (see The Health Information Technology for Economic and Clinical Health (HITECH) provisions of the American Recovery and Reinvestment Act of 2009 (ARRA).

“Tier 1: If person is not aware of the violation (and would not have known with reasonable diligence), the minimum penalty is \$100 per violation, to a maximum of \$25,000 for the calendar year.

Tier 2: If violation is due to “reasonable cause” but not willful neglect, the minimum penalty is \$1,000 per violation, to a maximum of \$100,000 for the calendar year.

Tier 3: If violation is due to willful neglect and is corrected within 30 days, the minimum penalty is \$10,000 per violation, to a maximum of \$250,000 for the calendar year.

Tier 4: If violation is due to willful neglect and is not corrected within 30 days, the minimum penalty is \$50,000 per violation, to a maximum of \$1.5 million for the calendar year.”

As of the date of this report, OCR has not finalized its determination and has not indicated that the University will be fined. Therefore, the University's fiscal year 2012 financial statements do not contain an associated loss expense and liability.

## **15. 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 \$934,872,255.

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.

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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, 2012, which collectively comprise the University's basic financial statements, and have issued our report thereon dated September 28, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with the auditing 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*, and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the discretely presented component unit.

### **Internal Control over Financial Reporting**

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.

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

Our consideration of internal control 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 previously.

**Compliance and Other Matters**

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

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

*Moss Adams LLP*

Eugene, Oregon  
September 28, 2012



**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, 2012. 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, 2012.

**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 (continued)**

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

*Moss Adams LLP*

Eugene, Oregon  
September 28, 2012

**IDAHO STATE UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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**Section I - Summary of Auditors' Results**

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*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes     X  no
- Significant 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
84.388	ARRA – School Improvement Grants
Various	Student Financial Assistance Cluster

Dollar threshold used to distinguish between type A and type B programs: \$786,187

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes     X  no

**IDAHO STATE UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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**Section II - Financial Statement Findings**

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None reported

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

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None reported



**IDAHO STATE UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2012**

Federal Grant/Program Title	Federal CFDA Number	Expenditures			
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
Bromus Reenet	10.309	\$	23,081	R	(2)
USDA Rapid Carbon Assess	10.903		8,927	R	(2)
Pass Through Payments:					
WSU Oral Delivery System	10.200		36,521	R	(2)
Early Learning Center	10.558		83,964	O	
ISU Preschool	10.558		11,629	O	
Upward Bound	10.559		10,051	T	
Team Nutrition Grants	10.574		1,663	O	
Total U.S. Department of Agriculture			\$ 175,836		
<b>U.S. DEPARTMENT OF COMMERCE</b>					
NOAA Geospatial Outreach	11.460	\$	10,944	R	(2)
B-CAL-3	11.460		709	R	(2)
BCAL Map Window	11.460		98,037	R	(2)
NOAA Virtual Watersheds	11.468		51,865	R	(2)
Pass Through Payments:					
Idaho Manufacturing Alliance/EDA	11.303		24,438	T	
Manufacturing Ext. Partnership	11.611		13,446	P	
Tech Help NIST	11.611		78,750	T	
Total U.S. Department of Commerce			\$ 278,189		
<b>U.S. DEPARTMENT OF DEFENSE</b>					
DOD Fissionable Materials	12.300	\$	19,501	R	(2)
SNM Forensics	12.351		374,305	R	(2)
DTRA Advanced Diagnostics	12.351		105,018	R	(2)
DTRA Adaptation of ISIS	12.351		58,138	R	(2)
Smart Prosthetic Hand	12.420		479,202	R	(2)
Hi Intenserad Chem/Bio Def Yr2	12.800		172,556	R	(2)
DTRA Electronic Test Research Expr	12.800		31,904	R	(2)
USAF Kirtland Air Force Base	12.800		50,000	R	(2)
Pass Through Payments:					
UTEN Accelerator Operations	12.351		7,563	R	(2)
SSLEEC	12.750		144,494	R	(2)
BSU Memory Research	12.910		46,919	R	(2)
UA Ephemeral Streams	12.999		63,311	R	(2)

Federal Grant/Program Title	Federal CFDA Number	Expenditures		
U.S. DEPARTMENT OF DEFENSE (continued)				
Total U.S. Department of Defense		\$	1,552,911	
U.S. DEPARTMENT OF THE INTERIOR				
BLM Curations	15.224	\$	10,918	P
BLM Wind Erosion	15.231		30,606	R (2)
BLM SISP Maintenance	15.231		(13)	R (2)
BLM Ethnographic Study	15.238		(821)	R (2)
BOR GIS Database for AF Reservoir	15.511		23,121	R (2)
USFW Grays Lake NWR Bird Survey	15.608		7,702	R (2)
USFW Leatherside Snake River Basin	15.608		36,947	R (2)
USFW Selawik Slump Evaluation	15.608		62,169	R (2)
USFW American White Pelican Diet	15.647		2,542	R (2)
NPS Sampling Framework	15.650		421	R (2)
USGS Methow	15.808		23,011	R (2)
USGS Yukon River Watershed	15.808		50,513	R (2)
USGS Renewable Energy - Sage Grouse	15.808		25,263	R (2)
USGS Grad Research Project	15.808		32,118	R (2)
USGS Arctic Contract Hydrologist	15.808		64,963	R (2)
USGS Spatial Patterns of Fuels	15.808		1,410	R (2)
USGS Multi-State Planning/Implmntn	15.809		35,221	R (2)
USGS Wildhorse Detachment	15.810		1,666	R (2)
USGS Saddle Peak Hills	15.810		5,622	R (2)
NPS Mountain Goats	15.921		23,599	R (2)
NPS In-Situ Durability	15.923		3,290	R (2)
Pass Through Payments:				
IDFG Raven Population	15.611		761	R (2)
Restoring Mountain Quail - QU	15.611		1,051	R (2)
IDFG Hunting Season	15.611		18,218	R (2)
IDFG Data Analysis Thiel	15.611		16,646	R (2)
AV IdahoView	15.815		21,255	R (2)
UI IdahoView Imagery Services	15.815		(626)	R (2)
Total U.S. Department of the Interior		\$	497,573	
U.S. DEPARTMENT OF JUSTICE				
DOJ Women's Pathways to Jail	16.751	\$	332,321	R (2)
Pass Through Payments:				
Juvenile Accountability Incentive	16.523		1,211	T
SC SART/SANE Course 2011	16.588		6,000	T
Total U.S. Department of Justice		\$	339,532	

<b>Federal Grant/Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>		
<b>U.S. DEPARTMENT OF LABOR</b>				
DOL Occ Safety Training Center	17.502	\$	48,186	T
DOL Virtual Safety Training Center	17.502		120,175	T
Pass Through Payments:				
IDOL Renewable Energy Education	17.258		52,997	T
IDOL Renewable Energy Education	17.275		386,971	T (3)
IDOL TI Diesel Green Grant	17.275		122,385	T (3)
CSI Ladder to Success	17.282		914	T
Total U.S. Department of Labor			<u>\$ 731,628</u>	
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
Pass Through Payments:				
ITD Highway Transportation Training	20.205	\$	105,988	T
ITD Highway Trans Training II	20.205		87,550	T
Total U.S. Department of Transportation			<u>\$ 193,538</u>	
<b>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</b>				
Pass Through Payments:				
UI Gygli NASA	43.001	\$	11,426	R (2)
BSU Phase Memory	43.001		2,512	R (2)
OSBE NASA K-12 Coopertaive Agreemen	43.001		915	T
UI RISE Project	43.001		547	R (2)
UI EPSCoR Post Fire	43.001		(1,638)	R (2)
UI NASA Undergrad Funds	43.001		3,821	R (2)
UI Idaho Space Grant REU	43.001		2,495	R (2)
Total National Aeronautics and Space Administration			<u>\$ 20,078</u>	
<b>NATIONAL ENDOWMENT FOR THE ARTS</b>				
Pass Through Payments:				
ICA War in Society	45.025	\$	1,280	P
Total National Endowment for the Arts			<u>\$ 1,280</u>	
<b>NATIONAL ENDOWMENT FOR THE HUMANITIES</b>				
NEH Lawyers at Play	45.160	\$	50,400	O
Pass Through Payments:				
IHC Life of Stanley Fish	45.129		3,500	P
IHC War in Society - Lectures	45.129		1,500	P
IHC Indigenous Languages:	45.129		2,978	P

Federal Grant/Program Title	Federal CFDA Number	Expenditures		
NATIONAL ENDOWMENT FOR THE HUMANITIES (continued)				
IHC Rocky Mtn Medieval	45.129	2,000		P
IHC National Poetry Month 2012	45.129	2,000		P
IHC Pocatello: American Crossroads	45.129	1,122		R (2)
IHC Camas Field Trip	45.129	73		P
Total National Endowment for the Humanities		\$ 63,573		
INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
Idaho Geology Outreach	45.301	\$ 629		T
Total Institute of Museum and Library Services		\$ 629		
NATIONAL SCIENCE FOUNDATION				
Harmonious Calibration	47.049	\$ 2,494		R (2)
NSF Bimetallic Complexes	47.049	40,137		R (2)
NSF Dynamic Signal Modeling	47.049	45,240		R (2)
REU for Applied Science	47.049	62,980		R (2)
NSF Indigenous Nations	47.050	10,760		R (2)
Pioneer Mountains MCC	47.050	2,921		R (2)
NSF Late Pleistocene Climate Change	47.050	54,277		R (2)
NSF Alamo Impact Event	47.050	62,748		R (2)
Kelchner NSF Bamboo	47.074	1,054		R (2)
Terrestrial EF/Aquatic	47.074	(100)		R (2)
NSF SNAZ	47.074	89,624		R (2)
NSF DDIG Mineau	47.074	(1,681)		R (2)
NSF MRI Ion PGM	47.074	119,576		R (2)
R Smith G K12 Renew	47.076	12,745		R (2)
NSF SSTEM Chemistry	47.076	116,291		R (2)
NSF ATE I&C Technician Grant	47.076	91,907		R (2)
NSF SNAAP AGEP	47.076	36,006		R (2)
Information Security	47.076	(2,213)		R (2)
Scholarship For Service II	47.076	351,451		R (2)
NSF Scholarship for Service III	47.076	14,202		R (2)
Sanak Biocomplexity Project	47.078	29,758		R (2)
Alaska Thermokarst	47.078	57,145		R (2)
NSF VZAP Phase II	47.078	239,850		R (2)
NSF Workshop: Virtual Repositories	47.078	18,574		R (2)
NSF Orca Scan	47.078	13,682		R (2)
Understanding Social Networks	47.080	323,455		R (2)
Arctic Climate Holocene	47.082	46,480		R (2, 3)
JLab NSF	47.082	235,122		R (2, 3)

<b>Federal Grant/Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>		
NATIONAL SCIENCE FOUNDATION (continued)				
NSF REU Site for Applied N S	47.049	39,673	R	(2)
Pass Through Payments:				
UI Fish Erythrocytes	47.041	48,597	R	(2)
QUARKNET - ND/NSF	47.049	15,843	R	(2)
HIS Desktop	47.050	114,991	R	(2)
Boulder Creek Critical Zone	47.050	5,225	R	(2)
UCB Method of Anchored Distr	47.050	42,479	R	(2)
CUAHSI HydroDesktop Maint	47.050	11,797	R	(2)
UW Kuril Island Project	47.078	60,081	R	(2)
UI NSF WRCC EPSCoR - Liaison	47.081	9,412	R	(2)
UI EPSCoR WRCC Postdoc	47.081	13,481	R	(2)
UI WRCC EPSCoR - Lohse	47.081	136,721	R	(2)
UI WRCC EPSCoR Germino	47.081	34,222	R	(2)
UI WRCC EPSCoR Baxter	47.081	24,386	R	(2)
UI EPSCoR WRCC Green	47.081	11,177	R	(2)
UI WRCC EPSCoR Crosby	47.081	78,907	R	(2)
UI WRCC EPSCoR Glenn	47.081	7,422	R	(2)
UI WRCC EPSCoR Ames	47.081	88,107	R	(2)
UI WRCC EPSCoR Cyberinfrastructure	47.081	66,084	R	(2)
EPSCoR Track 2 Infrastructure	47.081	23,429	R	(2)
EPSCoR Cyber Ames	47.081	87,580	R	(2)
UI WRCC EPSCoR - Godsey	47.081	111,255	R	(2)
UI HRTD Cyber Curriculum	47.081	11,639	R	(2)
UI WRCC EPSCoR Office of Research	47.081	110,718	R	(2)
UA CZO	47.082	35,506	R	(2, 3)
UI Campus Connectivity	47.082	88,193	R	(2, 3)
Total National Science Foundation		\$ 3,351,410		
SMALL BUSINESS ADMINISTRATION				
Pass Through Payments:				
SBDC - Pocatello Grant	59.037	\$ 49,832	P	
SBDC - Idaho Falls Grant	59.037	44,964	P	
BSU SBDC Jobs Bill Poc	59.037	17,002	T	
BSU SBDC Jobs Bill IF	59.037	22,044	T	
Total Small Business Administration		\$ 133,842		
ENVIRONMENTAL PROTECTION AGENCY				
EPA Long Fellowship	66.514	\$ 12,372	R	(2)
Total Environmental Protection Agency		\$ 12,372		



Federal Grant/Program Title	Federal CFDA Number	Expenditures		
<b>NUCLEAR REGULATORY AGENCY</b>				
Motor Operated Valve Training	77.006	\$	60,017	T
NRC Faculty Development	77.008		121,753	T
NRC INSE Scholarships	77.008		83,247	T
NRC Safety Curriculum Development	77.008		14,270	T
NRC Fellowship Program	77.008		90,683	T
			<u>369,970</u>	
<b>Total Nuclear Regulatory Agency</b>				
<b>U.S. DEPARTMENT OF ENERGY</b>				
Development of Positron Source	81.049	\$	60,876	R (2)
Warm Dense Matter	81.049		85,519	R (2)
DOE Isotope Production II	81.049		547,639	R (2)
DOE EPSCoR Implementation	81.049		33,704	R (2)
Nuclear Ed Scholar Program	81.121		51,933	T
DOE NEUP Reactor Upgrades	81.121		35,476	R (2)
NEUP Reactor Upgrade Support	81.121		88,895	R (2)
<b>Pass Through Payments:</b>				
Long Range High Energy Neutron Det	81.000		4	R (2)
NEUP Project	81.000		427,288	R (2)
Active Inspection Technologies	81.000		130,804	R (2)
JL Dr. Yujong Kim	81.000		42,822	R (2)
BEA Treaty Verification	81.000		86,477	R (2)
BEA DRCT X-Ray Detectors II	81.000		2,473	R (2)
BEA DRCT MMAS R & D Fuels	81.000		1,232	R (2)
JL Region 1 Drift Chamber	81.000		192,214	R (2)
BEA Fuels Cycle Research	81.000		1,176,591	R (2)
BEA DRCT MMAS R&D	81.000		37,815	R (2)
BEA DRCT High Energy	81.000		69,844	R (2)
JHU Active Measurements	81.000		211,353	R (2)
NST Electron Beam Monitor	81.000		5,000	R (2)
BEA INSIGHTS Scoping Work	81.000		44,695	R (2)
BEA DRCT MMAS R&D 2	81.000		48,840	R (2)
BEA Irradiation of Sensors	81.000		11,666	R (2)
BEA Fission Transmutation	81.000		143,507	R (2)
LBNL Delayed Gamma	81.000		73,071	R (2)
BEA Joint Fuel Studies	81.000		3,150	R (2)
BEA IMEL Joint Appointment	81.000		20,423	R (2)
BEA COB Graduate Assistantship	81.000		21,604	T
BEA Tech Transfer Best Practices	81.000		4,148	T
BEA Bengal Solutions	81.000		3,092	T
BEA Magnuson CAES AD	81.000		12,674	R (2)

<b>Federal Grant/Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>		
U.S. DEPARTMENT OF ENERGY (continued)				
Magnuson CAES	81.000	9,435	R	(2)
PAK - INL - CO2	81.000	7,170	R	(2)
BEA NanoMaterials	81.000	22,615	R	(2)
BEA Flux Sensors	81.000	18,078	R	(2)
PNNL Fission Counters	81.000	1,496	R	(2)
BEA ATR Test Train Flow Testing	81.000	5,308	R	(2)
BEA Open Loop Oscillator	81.000	86,233	R	(2)
BEA Burgett Joint Appointment	81.000	216,495	R	(2)
BEA NEUP Deteriorated Heat Transfer	81.000	228,218	R	(2)
BEA NEUP Fuel Performance Experiments	81.000	393,724	R	(2)
BEA Space Nuclear Initiatives	81.000	23,745	R	(2)
BEA Scaling & Instrumentation II	81.000	11,925	R	(2)
BEA Fission Time Projection	81.000	745,047	R	(2)
BEA AVTA on EV Data	81.000	72,047	R	(2)
PNNL Uranium Fission Counters	81.000	35,666	R	(2)
BEA CAES Radiological Support	81.000	47,947	R	(2)
BEA Joint Appt in Structural Engr	81.000	63,655	R	(2)
BEA Zydek Joint Appointment	81.000	55,035	R	(2)
BEA NEUP Plasmonically Cloaked Scin	81.000	219,431	R	(2)
BEA NEUP NanoVision	81.000	253,210	R	(2)
BEA Lineberry Joint Appointment	81.000	10,435	R	(2)
BEA Nuclear Operations Main	81.000	143,739	T	
BEA ESTEC Educational Support	81.000	149,347	T	
BEA Resilient Control	81.000	4,751	R	(2)
BEA LDRD Transmission Site	81.000	54,804	R	(2)
BEA Assessing Role of Basalt Reactivity	81.000	30,453	R	(2)
BEA Collaboration in Remote Sensing	81.000	5,445	R	(2)
BEA LDRD UAV Hyperspectral Yr 3	81.000	4,521	R	(2)
BEA Strategic Remote Sensing Progra	81.000	10,736	R	(2)
BEA Remote Sensing Prog Joint Appt	81.000	159,915	R	(2)
BEA Collaborative Remote Sensing	81.000	23,192	R	(2)
INL Education Contract	81.000	382,375	T	
Joint Appointment MLDG	81.000	1,406	R	(2)
BEA NEUP C14 in Graphite	81.000	267,486	R	(2)
BEA Nuclear Safety	81.000	3,580	R	(2)
BEA Electrical Transmission Lines	81.000	1,754	R	(2)
Nuclear Engineering Revitalize	81.000	21,083	R	(2)
DNA Sequencing for Battelle	81.000	956	R	(2)
BEA Lineberry Joint Appointment	81.000	72,401	R	(2)
BEA Jacobsen Joint Appt	81.000	53,757	R	(2)
BEA Harris Joint Appointment	81.000	44,820	R	(2)

Federal Grant/Program Title	Federal CFDA Number	Expenditures			
U.S. DEPARTMENT OF ENERGY (continued)					
INRA - Irrigation	81.049	870	R	(2)	
UI Data Management Project	81.087	44,900	R	(2, 3)	
UI Data Mgmt Project Phase II	81.087	3,500	R	(2)	
INEEL Oversight Envir. Analysis	81.092	363,483	R	(2)	
DEQ Environmental Sample Analysis	81.092	10,283	R	(2)	
GIT Ultrafast ZnO	81.113	9,194	R	(2)	
BSU CAES Energy Center	81.117	7,612	R	(2)	
BSU SunShot	81.117	124,831	R	(2)	
GIT Fission Measurement	81.121	79,805	R	(2)	
MIT AT INSE	81.121	(78)	R	(2)	
Stoller Surveillance Project	81.121	283,124	R	(2)	
GSS OSL Project	81.121	43,591	R	(2)	
CC PNCECE Project	81.122	21,660	R	(2, 3)	
Total U.S. Department of Energy		\$ 8,631,040			
U.S. DEPARTMENT OF EDUCATION					
Federal SEOG Grant	84.007	\$ 236,096	T	(1)	
Federal College Work Study	84.033	468,460	T	(1)	
TRIO Student Support Services	84.042	(137)	T		
TRIO Student Support Services	84.042	254,922	T		
Educational Talent Search	84.044	65,997	T		
TRIO Educational Talent Search-Poc	84.044	351,904	T		
TRIO Upward Bound	84.047	60,325	T		
Upward Bound	84.047	290,945	T		
Federal Pell Grant 2010	84.063	40	T	(1)	
Federal Pell Grant 2011	84.063	14,739	T	(1)	
Federal Pell Grant 2012	84.063	25,876,312	T	(1)	
Federal Direct Lending Subsidized 2010	84.268	(23,348)	T	(1)	
Federal Direct Lending Subsidized 2011	84.268	15,277	T	(1)	
Federal Direct Lending Subsidized 2012	84.268	35,672,595	T	(1)	
Federal Direct Lending Unsubsidized 2010	84.268	(2,266)	T	(1)	
Federal Direct Lending Unsubsidized 2011	84.268	25,828	T	(1)	
Federal Direct Lending Unsubsidized 2012	84.268	37,643,618	T	(1)	
Federal Direct Lending Grad Plus 2011	84.268	4,499	T	(1)	
Federal Direct Lending Grad Plus 2012	84.268	2,761,980	T	(1)	
Federal Direct Lending Plus 2012	84.268	871,217	T	(1)	
Federal TEACH Grant Grad 2011	84.379	1,500	T	(1)	
Federal TEACH Grant Grad 2012	84.379	15,500	T	(1)	
Federal TEACH Grant 2011	84.379	1,000	T	(1)	
Federal TEACH Grant 2012	84.379	387,159	T	(1)	

Federal Grant/Program Title	Federal CFDA Number	Expenditures		
U.S. DEPARTMENT OF EDUCATION (continued)				
Pass Through Payments:				
COT Adult Basic Ed	84.002	211,389		T
COT Abe Staff Development	84.002	16,785		T
COT ABE Incentive Award	84.002	12,850		T
COT ABE Math ESTEC	84.002	4,558		T
COT EI/Civics Grant	84.002	8,373		T
Idaho Building Capacity Phase 2	84.010	200		T
OSBE IBC Yr 3 Non ARRA	84.010	55,393		T
ISDE IBC Year 4 Non-ARRA	84.010	40,234		T
Regional Special Ed Consultant	84.027	25,422		T
SBOE Regional Special Ed Grant II	84.027	437,714		T
OSBE Grow Your Own 2	84.027	85,806		T
ISDE Regional Special Ed 3013	84.027	1,453		T
COT Title I/c Counselor	84.048	200,959		T
COT Non Traditional Training Proj	84.048	1,404		T
COT Resource Center	84.048	65,353		T
COT Carl Perkins Support	84.048	(44)		T
COT Area V Tech Prep Consortium	84.048	93,851		T
COT Dvrsity/Retention Specialist	84.048	129,082		T
COT Tech General Ed	84.048	163,938		T
Speech and Hearing Clinic	84.181	1,667		T
Robert C Byrd Scholarship	84.185	2,250		T
MSP08	84.366	27,059		T
OSBE MSP11	84.366	57,980		T
Total Instructional Alignment	84.367	184,777		T
OSBE Idaho Building Capacity 3	84.388	399,485		T (3)
ISDE IBC Year 4 ARRA	84.388	424,029		T (3)
Total U.S. Department of Education		\$ 107,646,129		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
NIH Xct Project	93.113	\$ 94,255	R	(2)
TBI	93.234	216,608	R	(2)
AAYSP	93.243	455,679	R	(2)
Rural Nurse Residency	93.359	321,593	T	
HRSA Prim Care Residency Expansion	93.510	66,851	T	
Domain Specific Functions	93.701	53,581	R	(2, 3)
DHHS Hospital Discharge Model	93.779	112,431	R	(2)
NIH Microvascular in HHcy	93.837	48,465	R	(2)
NIH Action Patterns	93.865	43,244	R	(2)
DHHS Active Families For Life	93.884	2,562	T	

Federal Grant/Program Title	Federal CFDA Number	Expenditures		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)				
HRSA BBMH	93.884	143,321	R	(2)
HRSA Biochemistry Equipment	93.887	13,898	R	(2)
HRSA SDS	93.925	118,500	T	(1)
HRSA Hep C 1	93.928	62,048	P	
Pass Through Payments:				
LMS Hosting	93.006	36	T	
Safe & Stable Families (SASF)	93.087	99,781	T	
Autoimmune Outcomes	93.136	84,426	R	(2)
IDHW Men Today Men Tomorrow II	93.136	9,362	R	(2)
BS UW HIV Training Program II	93.145	105,017	T	
NRHA 2010	93.155	14,570	T	
State Rural Hospital Flexibility	93.241	9,100	T	
IDHW ABR Equipment Meridian	93.251	10,000	T	
UCB Ethanol & Teratogenesis	93.273	87,619	R	(2)
INBRE	93.389	251,234	R	(2)
IDHW Pregnancy Prevention	93.558	19,147	P	
Title IV Training Program	93.558	10,672	T	
IDHW Title IV-E Scholars Program	93.658	76,925	T	
IDHW Child Welfare Training	93.658	344,494	T	
UW Visiting Scholars	93.701	13,306	T	(3)
INBRE Supplement	93.701	15,392	R	(2, 3)
IdahoSTARS - QRIS-IFELC	93.713	5,995	T	(3)
IdahoSTARS QRIS - PocELC	93.713	3,851	T	(3)
Center For Disability Evaluation	93.778	1,565,985	P	
IDHW ICDE - Children	93.778	953,324	P	
Drug Utilization Review	93.778	(247)	T	
IDHW Clinical Services	93.778	11,287	T	
USCO Navegantes Para Salud	93.779	7,048	R	(2)
AIM-HIGH	93.837	63,490	R	(2)
CAPTION	93.837	9,419	R	(2)
UI INBRE Project Year 4	93.859	133,382	R	(2)
Ryan White III Grant	93.918	123,169	P	
HIV Prevention Grant	93.940	13,168	T	
W.I.S.E. Project - HIV Prevention	93.940	2,706	T	
Genesis Project	93.940	50,854	P	
IDHW Epidemiology Compliance	93.944	12,439	O	
CAC/CDT	93.959	18,539	T	
Total U.S. Department of Health and Human Services		\$ 5,878,526		



<b>Federal Grant/Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>	
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
Pass Through Payments:			
ICHC Year 11	94.006	\$ 112,742	P
IHCF Serve Idaho Year 2	94.006	178,414	P
		<u>\$ 291,156</u>	
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Pass Through Payments:			
IDWR Priest Lake	97.045	\$ 52,368	R (2)
BHS IEM LMS	97.067	73,344	T
		<u>\$ 125,712</u>	
		<u>\$ 130,294,924</u>	

- (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

**IDAHO STATE UNIVERSITY****NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012**

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**1. BASIS OF PRESENTATION**

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

**2. UNIVERSITY ADMINISTERED LOAN PROGRAMS**

The University administers the following Federal Perkins Loan Program (CFDA number 84.038). The outstanding loan balance and total loan disbursements were \$2,241,625 and \$240,500, respectively, for the year ended June 30, 2012. The cumulative administrative costs allowance as of the year ended June 30, 2012 was \$613,869.

Funds distributed as agent for the Federal Direct Lending Program of \$76,969,400 and the Federal Teach Program of \$405,159 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, 2012**

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**4. SUBRECIPIENTS**

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

<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Amounts Provided to Subrecipients</b>
<b>BROMUS - REENET</b>	10.309	
US Geological Survey		\$ 3,366
Colorado State University		19,715
<b>SMN Forensics</b>	12.351	
Raytheon, Inc		\$ 71,575
Battelle Energy Alliance		112,436
<b>Hi Intenserad Chem/Bio Def Yr 2</b>	12.800	
Positron Systems, Inc		\$ 367
Axter Inc		108,752
<b>USGS Methow</b>	15.808	
Oregon State University		\$ 6,123
<b>DOJ Women's Pathways to Jail</b>	16.751	
Georgetown University		\$ 72,712
University of Colorado		68,363
South Caroline Research Foundation		118,090
<b>ESTEC Renewable Energy</b>	17.275	
Red, Inc. Communications		\$ 43,252
<b>NSF Bimetallic Complexes</b>	47.049	
Rice University		\$ 5,288
<b>NSF SNAZ</b>	47.074	
University of Arizona		\$ 23,232

<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Amounts Provided to Subrecipients</b>
<u>NSF SNAAP AGEP</u>	47.076	
South Dakota School of Mines and Technology		\$ 875
Black Hills State University		574
Lewis-Clark State College		7,850
<u>Sanak Biocomplexity Project</u>	47.078	
Antioch University		\$ 10,846
<u>C14 in Graphite</u>	81.000	
Montana State University		\$ 56,184
<u>NEUP Project</u>	81.000	
Colorado School of Mines		\$ 50,043
University of Massachusetts		70,139
University of Kentucky		84,813
Washington State University		55,778
US Naval Academy		34,795
University of Dallas		34,481
Texas Engineering Experiment Station		42,484
Los Alamos National Lab		20,775
<u>BEA NEUP Deteriorated Heat Transfer</u>	81.000	
Glenn McCreery		\$ 21,200
<u>BEA Fuel Performance Experiments</u>	81.000	
Georgia Tech Research Corp		\$ 76,723
University of Florida		117,178
NuMat, Inc		29,925
<u>BEA Scaling &amp; Instrument II</u>	81.000	
Glenn McCreery		\$ 11,600
<u>BEA Fission Time Projection</u>	81.000	
Colorado School of Mines		\$ 94,045
Oregon State University		58,412
Ohio University		88,959
California Polytechnic State University		165,515
Texas Engineering Experiment Station		(4,770)
Abilene Christian Univeristy		176,755

<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Amounts Provided to Subrecipients</b>
<u>BEA NEUP NanoVision</u>	81.000	
University of Maryland		\$ 39,202
<u>BEA Fissionable Transmutation</u>	81.000	
Texas Engineering Experiment Station		\$ 45,637
<u>DOE EPSCoR Implementation</u>	81.049	
University of Idaho		\$ 13,703
Boise State University		14,341
<u>ISDE IBC Year 4 ARRA</u>	84.010	
Kay Jones		\$ 10,523
Deb Lund		4,097
Patricia Kay Moor		5,313
<u>MSP08</u>	84.366	
Aberdeen School Dist #58		\$ 2,200
Blackfoot School Dist #55		1,100
Idaho Falls School Dist #91		2,750
Marsh Valley Joint School Dist		1,100
Bonneville School Dist #93		3,300
Teton School Dist #401		1,100
Madison School Dist #321		2,200
Bonneville School District #93		9,516
<u>Total Instructional Alignment</u>	84.367	
Lisa Carter		\$ 15,000
<u>Idaho Building Capacity Project - Year 3</u>	84.388	
Mary Lu Barry		\$ 18,802
Laurie Beebe		8,344
Angela Bergeson		11,375
Ronda Black		6,891
Mary Gervase		27,063
H & H Consultants		44,737
Nick Hallett		9,344
Linda Hoge		18,828
Jewel M. Hoopes		12,313
Thomas Hughes		19,592
Kay Jones		9,375
Deb Lund		4,379



<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Amounts Provided to Subrecipients</b>
<u>Idaho Building Capacity Project - Year 3 (continued)</u>		
Patricia Kay Moor		7,219
Kelly Alan Murphey		2,912
Karen Osman		18,979
Schenkar Educational Consulting		22,734
Mary Ann Ward		12,844
<u>OSBE IBC Yr 3 Non ARRA</u>	84.388	
Angela Bergeson		\$ 437
Ronda Black		1,156
H & H Consultants		2,500
Nick Hallett		1,000
Linda Hoge		1,156
Jewel M. Hoopes		1,156
Thomas Hughes		1,000
Kay Jones		5,688
Deb Lund		2,463
Patricia Kay Moor		3,281
Kelly Alan Murphey		4,677
Mary Ann Ward		1,000
<u>ISDE IBC Year 4 ARRA</u>	84.388	
Mary Lu Barry		\$ 16,656
Laurie Beebe		2,625
Angela Bergeson		11,391
Ronda Black		11,766
Business of Learning (Mary Gervase)		13,109
Norman (Nick) Hallett		7,703
H & H Consultants		44,723
Linda Hoge		18,002
Jewel M. Hoopes		25,307
Thomas Hughes		25,820
Kay Jones		10,253
Deb Lund		7,706
Patricia Kay Moor		16,534
Karen Osman		12,356
Schenkar Educational Consulting		20,156
Mary Ann Ward		20,188

<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Amounts Provided to Subrecipients</b>
<u>TBI</u>	93.234	
AGIS Assistguide		\$ 14,100
<u>IDHW Child Welfare Training</u>	93.658	
One Plus One, Inc. (Sara V. Jarvis)		\$ 11,434
Resources of Change, Inc. (John Alderson)		\$ 11,480
<u>Hospital Discharge Model</u>	93.779	
AGIS Assistguide		\$ 1,800
<u>Rural Nurse Residency</u>	93.959	
New Mexico Ctr for Nursing Excellence		\$ 32,123
Heidi Blossom		3,095
Angeline Bushy		4,457
Total Subrecipients		<u>\$ 2,753,559</u>