Idaho State
UNIVERSITY

LEADING IN OPPORTUNITY AND INNOVATION

FY13 ANNUAL FINANCIAL STATEMENTS

Financial Statements for the Years
Ended June 30, 2013 and 2012
and Report of Independent Auditors

Including Schedule of Expenditures
of Federal Awards and Single Audit
Documents for the Year Ended June 30, 2013

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Idaho State UNIVERSITY

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IDAHO STATE UNIVERSITY

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REPORT OF INDEPENDENT AUDITORS

Idaho State Board of Education
Idaho State University

Report on the Financial Statements

We have audited the accompanying financial statements of Idaho State University (University) and Idaho State University Foundation (Foundation), its discretely presented component unit as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Idaho State University Foundation, a discretely presented component unit as described in Note 12. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for that component unit, are based solely on the report of other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. The financial statements of the Idaho State University Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

REPORT OF INDEPENDENT AUDITORS
(continued)

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

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

Opinions

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Idaho State University and its discretely presented component unit, as of June 30, 2013 and 2012, and the respective changes in 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the *management's discussion and analysis* listed in the table of contents and certain information in Note 10, *Postemployment Benefits Other Than Pensions*, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

REPORT OF INDEPENDENT AUDITORS
(continued)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Idaho State University's basic financial statements. The schedule of expenditures of federal awards as required by 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.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2013, on our consideration of Idaho State University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Idaho State University's internal control over financial reporting and compliance.

Moss Adams LLP

Eugene, Oregon
September 30, 2013

IDAHO STATE UNIVERSITY

Management's Discussion and Analysis
For the fiscal year ended June 30, 2013

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, 2013. 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.

Report of Independent Auditor's – 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 Position – The statement of net position includes all assets, deferred outflows, deferred inflows and liabilities of the University. Assets, deferred outflows, deferred inflows and liabilities are generally reported at their book value, on an accrual basis, as of the statement date. This statement also identifies major categories of the net position of the University as net investment in capital assets, restricted and unrestricted.

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

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 POSITION

The *Statement of Net Position* reflects the financial position of the University at the end of the fiscal year. The difference between assets plus deferred outflows and liabilities plus deferred inflows represents net position. Changes in net position occur over time and are one indicator of the financial condition of the University. Net Position is presented in three major categories on the statement each of which is described in more detail within the footnotes to the statements. A summary comparison of the assets, deferred outflows, liabilities, deferred inflows and net position for the years ended June 30, 2013, 2012, and 2011, is presented below.

Schedule of Net Position

	June 30, 2013	June 30, 2012	June 30, 2011
Assets:			
Current Assets	$ 120,533,853	$ 106,830,059	$ 94,971,188
Noncurrent Assets	187,731,130	193,801,970	196,197,584
Total Assets	308,264,983	300,632,029	291,168,772
Deferred outflows of resources	629,729	213,460	-
Liabilities:			
Current Liabilities	31,896,377	31,045,698	28,439,127
Noncurrent Liabilities	63,714,764	67,805,654	71,827,739
Total Liabilities	95,611,141	98,851,352	100,266,866
Deferred inflows of resources	34,760	-	-
Net Position:			
Invested in capital assets	124,561,381	125,992,772	123,571,307
Restricted, expendable	4,581,880	5,554,894	6,558,524
Unrestricted	84,105,550	70,446,471	60,772,075
Total Net Position	$ 213,248,811	$ 201,994,137	$ 190,901,906

In 2013, the total unrestricted portion of net position increased by $13.7 million over the prior year. This increase is largely due to an increase in cash and investments of $11.6 million, an increase in the amount due from state agencies of $2.4 million, and an increase of $0.1 million in prepaid expenses. These were partially offset by a $0.4 million decrease in student and various receivables. Net property, plant and equipment decreased $5.2 million during the year with net fixed asset additions amounting to $8.0 million. The cost of these additions was largely offset by a $12.9 million increase in accumulated depreciation. Net disposals account for the remaining difference of $0.3 million. Among the additions are: a confocal microscope, an electron microscope, various pieces of scientific equipment and computer network equipment plus some additions to construction in progress and building improvements. The increase in deferred outflow of resources of $0.4 million stems from the Series 2012 refunding bond issue.

Also during the year, total liabilities decreased by $3.2 million over 2012 balances due to a net decrease in long-term debt of $4.6 million, which was offset by an increase of $0.9 million in short-term payables and debt and an increase in other post-employment benefits payable of $0.5 million. The deferred inflow of resources increased by $34,760 due to the Series 2013 refunding bond issue.

The University's total net position includes investment in capital assets, net of related debt (decreased $1.4 million to $124.6 million), the restricted portion of net position (decreased $1.0 million to $4.6 million) and the unrestricted portion of net position (increased $13.7 million to a total of $84.1 million). The decrease in restricted net position was related to a decrease of funds restricted for the Meridian facility's improvements, the Center for Advanced Energy Studies parking lot and the Pocatello campus beautification project. Total net position of the University at June 30, 2013 was $213.2 million, an increase of 5.6% ($11.3 million) over the prior year.

REVENUES, EXPENSES, AND CHANGES IN NET POSITION

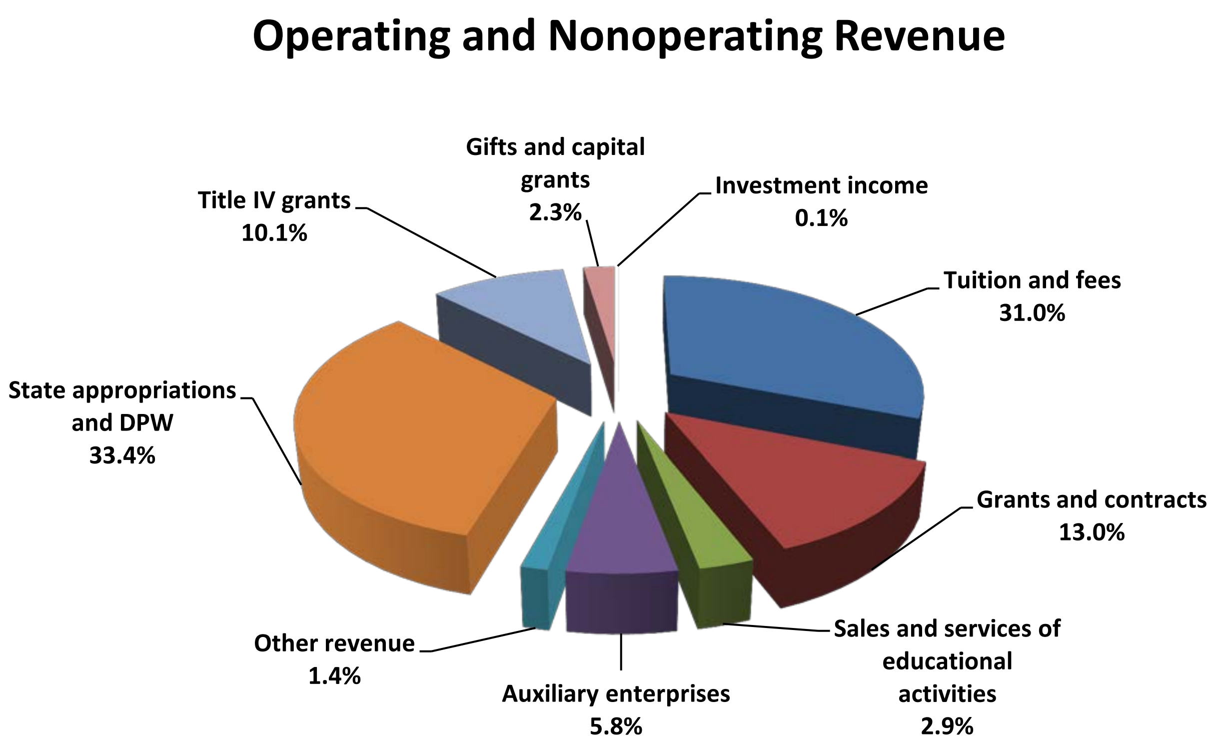
A comparative statement summarizing the University's revenues, expenses and changes in net position for the years ended June 30, 2013, 2012, and 2011, is shown below.

Summary Statement of Revenues, Expenses & Changes in Net Position

Operating revenues	2013	2012	2011
Student tuition and fees (net of scholarship discounts and allowances)	$ 73,937,311	$ 72,360,828	$ 62,525,361
Federal grants and contracts	9,416,032	9,661,792	13,653,117
State and local grants and contracts	11,693,989	10,982,493	9,786,215
Private grants and contracts	9,912,398	11,247,629	8,532,830
Sales and services of educational activities	6,933,778	6,270,535	6,066,029
Sales and services of auxiliary enterprises	13,737,710	13,573,775	12,426,182
Other	3,404,559	5,021,161	3,470,991
Total operating revenues	129,035,777	129,118,213	116,460,725
Operating expenses	223,289,422	222,035,121	209,724,689
Operating income/(loss)	(94,253,645)	(92,916,908)	(93,263,964)
Nonoperating revenues/(expenses)			
State appropriations	77,032,719	71,158,994	75,402,147
State Department of Public Works	2,431,128	4,413,710	7,375,601
Title IV grants	24,104,048	26,076,231	27,767,664
Gifts	5,484,315	4,609,727	5,396,289
Net investment income	60,485	144,574	252,720
Amortization of bond insurance costs	-	(9,539)	(9,539)
Bond issuance costs	(941,514)	(51,415)	(51,415)
Interest on capital asset related debt	(2,354,492)	(3,177,831)	(3,355,101)
Net nonoperating revenues/(expenses)	105,816,689	103,164,451	112,778,366
Other revenues and expenses			
Capital gifts and grants	20,699	854,931	1,937,104
Gain or (loss) on disposal of fixed assets	(329,069)	(10,243)	(85,946)
Net other revenues and expenses	(308,370)	844,688	1,851,158
Increase in net position	11,254,674	11,092,231	21,365,560
Net position - beginning of year	201,994,137	190,901,906	169,536,346
Net position - end of year	$ 213,248,811	$ 201,994,137	$ 190,901,906

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 non-operating revenue. As a result, the University's financial statements typically show an operating loss. A more comprehensive assessment of the operations of the University is reflected in the change in net position at the end of the year.

Total revenues for the year ended June 30, 2013 were $238.2 million, representing an increase of 0.8% from fiscal year 2012. Below is a graphic illustration of revenues by source (both operating and non-operating) for the year ended June 30, 2013.



Operating Revenue

Tuition and fee revenue was up by 2.18%, or $1.6 million, over the prior year for a total of $73.9 million. Fiscal year 2013 showed a decrease in federal grants and contracts revenue over the prior year of $0.2 million to $9.4 million, with part of that decrease reflecting the timing of awards closing and new ones beginning. Private grant revenue was $9.9 million in 2013, down $1.3 million from the 2012 amount of $11.2. State grant revenue increased by $0.7 million over 2012 to $11.7 million for 2013. In total, grant revenue decreased by $0.8 million in 2013 to $31.0 million. Sales and services revenue showed an increase of $0.8 million to $20.7 million for fiscal year 2013. This was largely due to increases in clinic revenue and game guarantees which were offset by decreases in advertising revenue. The 'other revenue' category decreased over the prior year from $5.0 million in 2012 to $3.4 million in 2013. The reason for this increase was a $1.6 million repayment in 2012 from the University's utility provider for overcharges that had occurred previously.

Nonoperating revenue

The largest component of non-operating revenue is State appropriations. In 2013, State funding increased overall by $3.9 million, or 5.2%, over the prior year. The largest increase was in state appropriations for general education totaling $62.6 million in 2013 and $57.3 million in 2012, a 9.3% increase amounting to $5.3 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 2013, it decreased $2.0 million from the prior year amount of $4.4 million to $2.4 million. State funds allocated for professional technical education increased by $0.5 million. Another significant component of non-operating revenue is federal Title IV grants. There was a $2.0 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 tighter eligibility requirements.

Capital gift revenue decreased in fiscal year 2013 by $0.8 million largely due to a decrease in capital DPW projects.

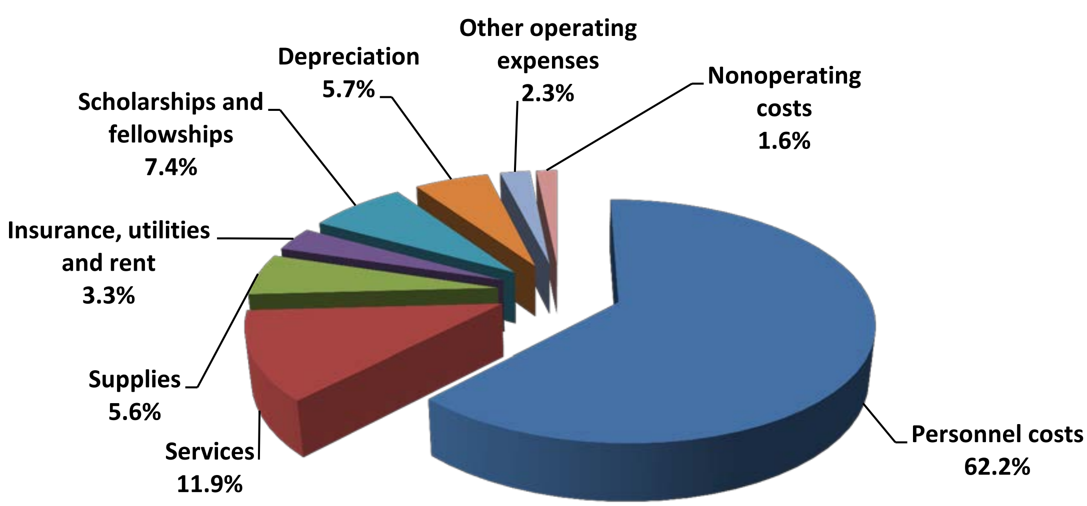
Expenses

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

	2013	2012	2011
Operating			
Personnel costs	$ 141,146,294	$ 135,940,976	$ 130,457,000
Services	27,050,947	27,513,868	23,073,330
Supplies	12,773,653	14,200,321	13,257,589
Insurance, utilities and rent	7,375,222	6,364,159	6,660,260
Scholarships and fellowships	16,851,589	20,885,766	20,084,127
Depreciation Expense	12,914,220	12,104,795	11,462,198
Other operating Expenses	5,177,497	5,025,236	4,730,185
Total operating expenses	223,289,422	222,035,121	209,724,689
Nonoperating			
Amortization of bond insurance costs	-	9,539	9,539
Bond issuance costs	941,514	51,415	51,415
Loss (gain) on disposal of fixed assets	329,069	10,243	85,946
Interest on capital asset related debt	2,354,492	3,177,831	3,355,101
Total nonoperating expenses	$ 3,625,075	$ 3,249,028	$ 3,502,001

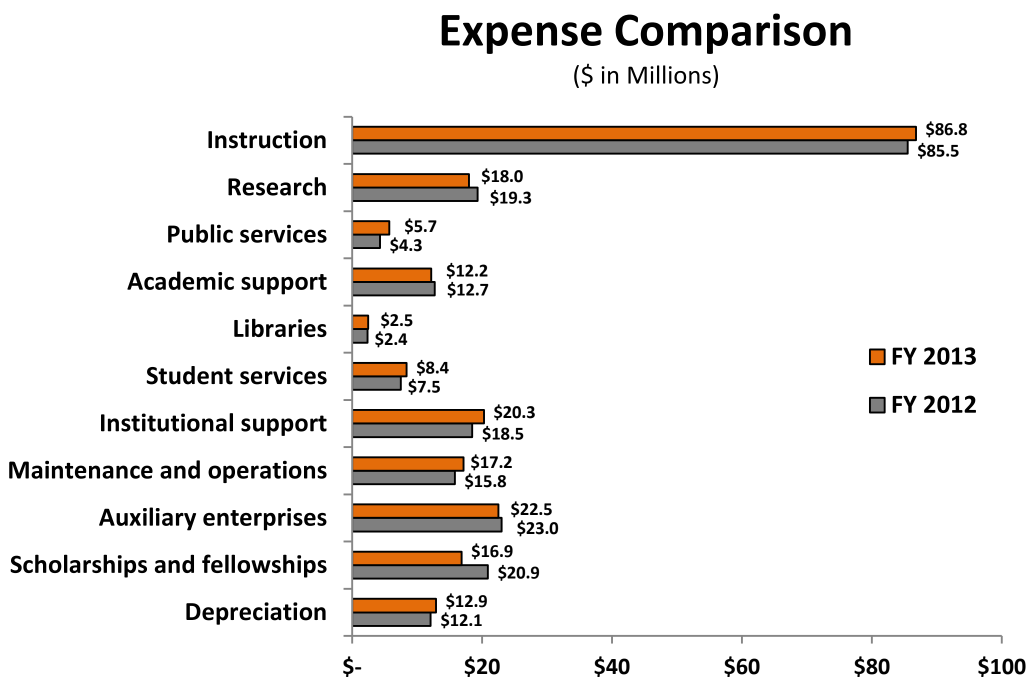
Operating and Nonoperating Expenses



Nonoperating costs include interest on capital debt and bond

Expenses in fiscal year 2013 increased by $1.6 million, or 0.7%, over the prior year. The largest component of this increase is due to an increase in personnel costs of $5.2 million. Additionally, expenses for services decreased $0.5 million over the prior year totaling $27.0 million in 2013. Supplies expense decreased $1.4 million and scholarship expense decreased $4.0 million over the prior year amount of $20.9 million to $16.9 in 2013. Depreciation expense increased $0.8 million from the prior year. The remaining expenses increased by $1.5 million with the majority of that being an increase in insurance, utilities and rent.

The University has chosen to early implement the requirements of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as encouraged. According to the Statement, debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. Therefore, readers of these financial statements will notice a large bond issuance expense for fiscal year 2013 due to the issuance of the Series 2012 and 2013 Refunding Bonds as well as unamortized portions of previous bond issuances. Bond insurance costs will continue to be amortized over time.



CASH FLOWS

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

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

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

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

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

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

A summary of the *Statement of Cash Flows* for the year ended June 30, 2013 is presented below.

Summary Statement of Cash Flows

	2013	2012	2011
Cash and cash equivalents (used in) or provided by:			
Operating activities	$ (79,414,677)	$ (74,228,625)	$ (77,316,030)
Noncapital financing activities	106,108,619	103,483,406	107,537,874
Capital and related financing activities	(15,177,477)	(15,290,744)	(16,803,973)
Investing activities	(4,945,990)	272,979	214,823
Net increase (decrease) in cash	6,570,475	14,237,016	13,632,694
Cash and cash equivalents, beginning of year	90,466,770	76,229,754	62,597,060
Cash and cash equivalents, end of year	$ 97,037,245	$ 90,466,770	$ 76,229,754

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 $6.5 million; from $348.4 million in 2012 to $354.9 million in 2013.

Total institutional long-term debt declined by $4.3 million from $66.2 million at June 30, 2012 to $61.9 million at June 30, 2013. The University issued new general revenue refunding bonds to refund existing bonds when they become callable and to reduce its interest expense. The University continues 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 remains stable due to increases in unrestricted net assets over the past few years. The nationwide college-age population is decreasing after more than a decade of sharp growth and many adults who chose to leave the job market to go back to school during the recession now have been drawn back to work by the economic recovery. According to the National Student Clearinghouse Research Center, national enrollment of four-year public institutions decreased by 1.1% in spring 2013 compared to the prior year.

Idaho State University's local demographics also are impacting the general enrollment of the University. The regional high schools have fewer graduating students than in prior years and the Church of Jesus Christ Latter Day Saints, which represents a large portion of the regional population, recently reduced the mission age to 18 for men and 19 for women. The Utah state legislature in response to the mission age reduction is allowing Utah higher education institutions to offer in-state tuition rates to non-resident students. These reduced tuition programs offered in Utah may lead to adverse effects on ISU's enrollment.

Meanwhile, Moody's Investor Service has noted some significant factors affecting the higher education market. In January 2013, Moody's announced its 2013 outlook for the U.S. higher education sector reflecting increasing pressure on all key university revenue sources. Price sensitivity continues to suppress net tuition revenue growth as years of depressed family income and net worth, uncertain job prospects for graduates, and declines in high school graduates are creating enrollment pressure and weakened pricing power for colleges and universities. Also, the slow economic recovery and economic stress from federal budget reduction measures have increased pressure on non-tuition revenue sources. Further, while employment and earnings data continue to support the underlying value of a degree, rising student loan burden, defaults, and diminishing affordability of higher education are causing a skeptical public perception of the value of a college or university degree. This increase in public scrutiny may lead to more regulation and accreditation sanctions.

As a result, the University is actively pursuing other revenue streams and evaluating programs and processes in an effort to further cut costs. The University took action to reduce its interest expense by issuing $27,530,000 of Series 2012 revenue bonds in July 2012 to refund existing bonds when they become callable. And in June 2013, the University issued $3,810,000 of Series 2013 revenue bonds to refund the Series 2003 revenue bonds. The low bond interest rates will save the University approximately $3.5 million in interest expense over the next eleven years. Moody's and Standard and Poor's 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.

During the year, the University proposed and received approval for a 4.5% tuition and fee increase for fiscal year 2014, the lowest increase for ISU in 24 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. In fact, AffordableCollegesOnline.org released a unique new list of 60 low-cost colleges with graduates who earn high starting salaries. ISU ranks as the 15th lowest-cost public university with high starting salaries for its graduates in the nation.

The University is also undergoing a resource reallocation and prioritization process to provide a greater infusion of performance measurement metrics into institutional budgeting decisions. It will provide data for better program planning and funding allocation decisions, integrating planning efforts, making institutional and state of Idaho missions operational, and reallocating resources from lower to higher priorities. The University has identified two key objectives for the upcoming fiscal year: 1) fund an ongoing university-wide compensation plan for faculty and staff to recruit and retain talented employees, and 2) fund ongoing student programs in order to maximize student success in terms of access, opportunity, and retention with a focus on additional scholarship funding. In the current climate of declining enrollment, decreasing revenue, and increasing expense, resource reallocation needs to be data driven in order to meet those goals.

The University continues to make a strong commitment toward improving the campus physical environment. A reduction in deferred maintenance is viewed as integral to achieving that objective. The University began 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, preventing building system failures that could cause interruption of occupants' activities, and delivering public services while sustaining a safe and healthful environment), and provide cost-effective maintenance.

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

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

IDAHO STATE UNIVERSITY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 51,351,770	$ 51,356,473
Cash with Treasurer	45,685,475	39,110,297
Investments	5,003,471	-
Student loans receivable	279,410	218,025
Accounts receivable and unbilled charges, less allowance for doubtful accounts of $1,636,158 and $1,683,543, respectively	10,920,831	11,354,439
Due from state agencies	6,131,662	3,735,585
Inventories	265,129	284,875
Prepaid expenses	896,105	770,365
Total current assets	120,533,853	106,830,059
NONCURRENT ASSETS:		
Student loans receivable, less allowance for doubtful loans of $589,120 and $535,112, respectively	1,288,709	1,500,893
Assets held in trust	280,727	273,497
Unamortized bond issuance costs	-	736,712
Prepaid bond insurance costs	99,951	-
Property, plant, and equipment, net	185,999,743	191,215,868
Other long-term assets	62,000	75,000
Total noncurrent assets	187,731,130	193,801,970
TOTAL ASSETS	308,264,983	300,632,029
DEFERRED OUTFLOWS OF RESOURCES		
Series 2012 Bond Defeasance	629,729	-
Series 2003 Bond Defeasance	-	213,460
Total deferred outflows of resources	629,729	213,460
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	3,428,744	3,941,214
Due to state agencies	1,297,696	593,510
Accrued salaries and benefits payable	10,315,434	9,925,660
Compensated absences payable	4,782,004	4,791,459
Deposits	314,185	344,180
Funds held in custody for others	719,451	653,483
Unearned revenues	5,468,290	5,362,840
Accrued interest payable	604,934	807,785
Notes and bonds payable	4,965,639	4,625,567
Total current liabilities	31,896,377	31,045,698
NONCURRENT LIABILITIES:		
Other post-employment benefits payable	6,742,000	6,197,000
Notes and bonds payable	56,972,764	61,608,654
Total noncurrent liabilities	63,714,764	67,805,654
TOTAL LIABILITIES	95,611,141	98,851,352
DEFERRED INFLOWS OF RESOURCES		
Series 2013 Bond Defeasance	34,760	-
NET POSITION:		
Invested in capital assets	124,561,381	125,992,772
Restricted, expendable	4,581,880	5,554,894
Unrestricted	84,105,550	70,446,471
Total net position	$ 213,248,811	$ 201,994,137

See Accompanying Notes to Financial Statements

IDAHO STATE UNIVERSITY COMPONENT UNIT

IDAHO STATE UNIVERSITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 716,215	$ 1,335,356
Cash held pursuant to bond requirements	568,684	729,453
Promises to give, net	4,320,795	5,008,945
Life insurance cash surrender value	60,616	69,298
Miscellaneous receivables	985	20,187
Capitalized bond issuance costs, net	125,833	145,303
Donated land held for sale	1,434,502	1,541,502
Investments	44,586,428	40,583,656
Total assets	$ 51,814,058	$ 49,433,700
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 35,681	$ 32,284
Scholarships and other payables to Idaho State University	221,782	320,200
Obligations to beneficiaries under split-interest agreements	744,490	683,972
Funds held in custody for others	53,329	59,055
Long-term debt	5,800,000	5,900,000
Total liabilities	6,855,282	6,995,511
Net Assets		
Unrestricted	(4,352,789)	(5,302,030)
Temporarily restricted	16,712,393	16,040,654
Permanently restricted	32,599,172	31,699,565
Total net assets	44,958,776	42,438,189
TOTAL LIABILITIES AND NET ASSETS	$ 51,814,058	$ 49,433,700

See Accompanying Notes to Financial Statements

IDAHO STATE UNIVERSITY
STATEMENT OF REVENUES EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
OPERATING REVENUES		
Student tuition and fees (net of scholarship discounts and allowances of $24,723,681 and $22,412,832 respectively)	$ 73,937,311	$ 72,360,828
Federal grants and contracts	9,416,032	9,661,792
State and local grants and contracts	11,693,989	10,982,493
Private grants and contracts	9,912,398	11,247,629
Sales and services of educational activities	6,933,778	6,270,535
Sales and services of auxiliary enterprises	13,737,710	13,573,775
Other	3,404,559	5,021,161
Total operating revenues	129,035,777	129,118,213
OPERATING EXPENSES		
Personnel costs	141,146,294	135,940,976
Services	27,050,947	27,513,868
Supplies	12,773,653	14,200,321
Insurance, utilities and rent	7,375,222	6,364,159
Scholarships and fellowships	16,851,589	20,885,766
Depreciation	12,914,220	12,104,795
Miscellaneous	5,177,497	5,025,236
Total operating expenses	223,289,422	222,035,121
OPERATING LOSS	(94,253,645)	(92,916,908)
NONOPERATING REVENUES (EXPENSES)		
State appropriations:		
State general account - general education	62,631,800	57,323,100
Endowment income	2,125,560	2,123,271
Other state appropriations	2,662,418	2,604,540
Professional technical education	9,612,941	9,108,083
Department of Public Works	2,431,128	4,413,710
Title IV grants	24,104,048	26,076,231
Gifts (including $5,058,262 and $3,985,199 from the Idaho State University Foundation, respectively)	5,484,315	4,609,727
Net investment income	60,485	144,574
Amortization of bond insurance costs	-	(9,539)
Bond issuance costs	(941,514)	(51,415)
Interest on capital asset related debt net of capitalized	(2,354,492)	(3,177,831)
Net nonoperating revenues	105,816,689	103,164,451
INCOME BEFORE OTHER REVENUES AND EXPENSES	11,563,044	10,247,543
OTHER REVENUES AND EXPENSES		
Capital gifts and grants	20,699	854,931
Gain or (loss) on disposal of fixed assets	(329,069)	(10,243)
Net other revenues and expenses	(308,370)	844,688
INCREASE IN NET POSITION	11,254,674	11,092,231
NET POSITION, BEGINNING OF YEAR	201,994,137	190,901,906
NET POSITION, END OF YEAR	$ 213,248,811	$ 201,994,137

See Accompanying Notes to Financial Statements

IDAHO STATE UNIVERSITY COMPONENT UNIT

IDAHO STATE UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Contributions and gifts	$ 1,416,376	$ 1,846,446	$ 825,405	$ 4,088,227
Contributed services	747,202	-	-	747,202
Interest and dividends	286,928	270,648	-	557,576
Net realized/unrealized gain on investments	262,905	3,164,453	-	3,427,358
Fees, charges, and miscellaneous	683,706	18,342	-	702,048
Net change in value of split-interest agreements and life insurance	-	(13,661)	37,013	23,352
Total revenues and gains	3,397,117	5,286,228	862,418	9,545,763
Donor designated transfers	-	(37,189)	37,189	-
Net assets released from program restrictions	4,577,300	(4,577,300)	-	-
Total revenues	7,974,417	671,739	899,607	9,545,763
EXPENSES				
Program support to Idaho State University				
Donations/transfers	1,752,259	-	-	1,752,259
Scholarships	1,037,184	-	-	1,037,184
Athletic	388,971	-	-	388,971
Department support	1,960,396	-	-	1,960,396
Support services				
Management and general	387,427	-	-	387,427
Fundraising	1,498,939	-	-	1,498,939
Total expenses	7,025,176	-	-	7,025,176
CHANGE IN NET ASSETS	949,241	671,739	899,607	2,520,587
NET ASSETS, beginning of year	(5,302,030)	16,040,654	31,699,565	42,438,189
NET ASSETS, end of year	$ (4,352,789)	$ 16,712,393	$ 32,599,172	$ 44,958,776

See Accompanying Notes to Financial Statements

IDAHO STATE UNIVERSITY COMPONENT UNIT

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
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 gain 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	5,081,582	992,667	1,692,919	7,767,168
Donor designated transfers	20,685	22,716	(43,401)	-
Net assets released from program restrictions	1,597,125	(1,597,125)	-	-
Total revenues	6,699,392	(581,742)	1,649,518	7,767,168
EXPENSES				
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
Department support	1,636,399	-	-	1,636,399
Support services				
Management and general	390,538	-	-	390,538
Fundraising	1,469,720	-	-	1,469,720
Total expenses	7,207,550	-	-	7,207,550
CHANGE IN NET ASSETS	(508,158)	(581,742)	1,649,518	559,618
NET ASSETS, beginning of year	(4,793,872)	16,622,396	30,050,047	41,878,571
NET ASSETS, end of year	$ (5,302,030)	$ 16,040,654	$ 31,699,565	$ 42,438,189

See Accompanying Notes to Financial Statements

IDAHO STATE UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Student fees	$ 64,882,664	$ 61,863,479
Grants and contracts	31,362,290	30,969,236
Sales and services of educational activities	5,851,796	6,328,257
Sales and services from auxiliary enterprises	13,659,952	13,500,921
Other operating revenue	3,337,962	5,332,920
Collection of loans to students	399,581	309,213
Payments to and on behalf of employees	(137,160,026)	(130,585,954)
Payments to suppliers	(51,480,899)	(47,709,436)
Payments for scholarships and fellowships	(9,965,207)	(13,957,446)
Loans issued to students	(302,790)	(279,815)
Net cash used by operating activities	(79,414,677)	(74,228,625)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	76,948,534	71,266,518
Title IV grants	24,148,376	26,279,045
Gifts	4,870,217	4,421,656
Agency account receipts	22,705,449	18,107,252
Agency account payments	(22,542,602)	(17,150,707)
Direct lending receipts	72,493,356	77,934,201
Direct lending payments	(72,514,711)	(77,374,559)
Net cash provided by noncapital financing activities	106,108,619	103,483,406
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital gifts and grants	-	378,855
Capital purchases	(7,646,005)	(7,908,352)
Proceeds from sale of assets	-	25,000
Proceeds from Advance refunding of debt	273,657	-
Cost of issuance for advance refunding bonds	(266,800)	-
Principal paid on capital debt	(5,050,567)	(4,422,405)
Interest paid on capital debt	(2,487,762)	(3,363,842)
Net cash used by financing activities	(15,177,477)	(15,290,744)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(5,000,000)	-
Investment income	54,010	272,979
Net cash provided by investing activities	(4,945,990)	272,979
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,570,475	14,237,016
CASH AND CASH EQUIVALENTS--Beginning of year	90,466,770	76,229,754
CASH AND CASH EQUIVALENTS--End of year	$ 97,037,245	$ 90,466,770
RECONCILIATION OF NET OPERATING LOSS TO NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES		
Operating Loss	$ (94,253,645)	$ (92,916,908)
Adjustments to reconcile net operating loss to net cash used by operating activities		
Depreciation	12,914,220	12,104,795
Maintenance costs paid by Department of Public Works and other	3,113,328	3,532,404
Change in assets and liabilities		
Accounts receivable, net	(2,057,879)	(68,881)
Prepaid expenses	(186,693)	55,984
Student loans receivable, net	150,799	60,008
Inventory	19,747	(8,383)
Accounts payable and accrued liabilities	(138,012)	1,209,402
Accrued salaries and benefits payable	917,275	1,728,995
Deposits	(19,539)	12,400
Unearned revenue	119,952	62,115
Non-current assets	5,770	(556)
Net cash used in operating activities	$ (79,414,677)	$ (74,228,625)
SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Assets acquired from the Department of Public Works	$ -	$ 1,562,357
Donated capital assets	$ 20,699	$ 494,995

See Accompanying Notes to Financial Statements

IDAHO STATE UNIVERSITY
Notes To Financial Statements
Years Ended June 30, 2013 And 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Idaho State University (the University) is part of the public system of higher education in the State of Idaho (the State). The system is considered part of the State of Idaho financial reporting entity. The State Board of Education (SBOE), appointed by the Governor and affirmed by the legislature, directs the system. The University is headquartered in Pocatello, Idaho with satellite campuses in Idaho Falls, Twin Falls, and Meridian, 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. 61, *The Financial Reporting Entity: Omnibus - and amendment of GASB Statements No. 14 and No. 34*. As such, the Foundation is discretely presented for fiscal years ended June 30, 2013 and 2012. 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.

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

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

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

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

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

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 Outflows of Resources – Deferred outflows of resources are a consumption of net assets by the University that are applicable to future reporting periods. Similar to assets, they have a positive effect on net position.

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

Compensated Absences – Employee vacation pay that is earned but unused is accrued at year-end for financial statement purposes. Amounts included in accrued salaries and benefits payable in the statement of net position are $4,782,004 and $4,791,459 at June 30, 2013 and 2012, 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.

Deferred Inflows of Resources – Deferred inflows of resources are an acquisition of net assets that are applicable to future reporting periods. Similar to liabilities, they have a negative effect on net position.

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

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

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

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

Income and Unrelated Business Income Taxes – The University, as a political subdivision of the State of Idaho, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. The University is liable for tax on its unrelated business income. Defined by the Internal Revenue Code, unrelated business income is income from a trade or business, regularly carried on, that is not substantially related to the performance by the organization of its exempt purpose or function. The University did not incur unrelated business income tax expense in the fiscal years ended June 30, 2013 or 2012.

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

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

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

Fund Accounting, and GASB Statement No. 34, such as state appropriations and investment income.

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

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 has early implemented the provisions of *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. This Statement establishes a new accounting classification for certain financial statement items that were previously reported as assets and liabilities that will now be classified as deferred outflows of resources and deferred inflows of resources. The requirements of this Statement will improve financial reporting by ensuring consistency in the appropriate use of deferred outflows of resources and deferred inflows of resources. The impact to the University's financial statements of implementing this statement is that the remaining balance of pre-FY 2013 bond issuance costs which were being amortized over the lifetime of the particular bonds associated with them were expensed in FY 2013 along with the issuance costs of the Series 2012 and the Series 2013 bonds issued in FY 2013.

Additional information regarding the impact of this change in accounting principle follows: The line item 'Amortization of bond insurance costs' was added to the face of the statements for clarification and to separate it from the item 'Bond issuance costs'. The bond insurance is attached to the outstanding bonds thus the expense benefits future periods and will be amortized over the life of the bonds. Bond issuance costs do not benefit future periods and is expensed in the period incurred. Both will continue to be reported as nonoperating expenses. In the future 'Bond issuance cost' expense will only be presented during periods when bonds have been issued.

The amount of the pre 2013 bond issuance costs to be expensed due to the implementation of GASB Statement No. 65 was determined to be immaterial to the financial statements and therefore management chose not to restate prior year net position balances as is generally the case when there is a change in accounting principle.

The University will be required to implement the provisions of *GASB Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25.* The primary objective of this Statement is to improve financial reporting of state and local government pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions, with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability). GASB Statement No. 67 is effective for the fiscal year ending June 30, 2014. At this time, management has not yet determined the impact of this Statement on the University's financial statements.

The University will be required to implement the provisions of *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.* The primary objective of this Statement is to improve accounting and financial reporting of pensions by state and local governments. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Note disclosure and required supplementary information requirements about pensions are also addressed. GASB Statement No. 68 is effective for the fiscal year ending June 30, 2015. The University participates in the State's defined benefit retirement plan where the benefits and obligations to contribute to the plan are established, and may be amended by, the Idaho State Legislature. Since the State administrates the plan and provides its component units the respective pension benefit and obligation amounts, the University has not yet determined the impact of this Statement on its financial statements.

In January, 2013, the GASB issued *Statement No. 69, Government Combinations and Disposals of Government Operations.* This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. It also requires measurements of assets acquired and liabilities assumed, generally to be based upon their acquisition values. GASB Statement No. 69 also provides guidance for transfers of operations that do not constitute entire legally separate entities and for which no significant consideration is exchanged. The Statement is effective for the fiscal year ending June 30, 2015. Management believes this Statement does not apply to the University at this time.

In April, 2013, the GASB issued *Statement No. 70, Accounting and Financial Reporting for Non-exchange Financial Guarantees.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive non-exchange financial guarantees. This Statement requires a government that extends a non-exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement specifies the information required to be disclosed by governments that extend non-exchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive non-exchange financial guarantees. GASB Statement No. 70 is effective for the fiscal year ending June 30, 2014. Under management's current understanding, it does not appear this Statement will have an impact on the University's financial statements.

Reclassification – Certain amounts reported in the June 30, 2012 financial statements have been reclassified to conform to the June 30, 2013 financial statement presentation.

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

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

Cash with Treasurer is under the 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, 2013, have insurance coverage up to $250,000 through the Federal Deposit Insurance Corporation (FDIC). 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, 2013 and June 30, 2012, total deposits consisted of the following:

	2013	2012
Cash	$ 54,530,756	$ 1,910,532
Obligations of the U.S. Government and its agencies	-	50,890,000
Cash equity with the State Treasurer	45,685,475	39,110,297
Total deposits	$ 100,216,231	$ 91,910,829

In fiscal year 2012, cash was held in an Automated Repurchase Investment Sweep account. In fiscal year 2013, this cash was moved to an interest-bearing account that will earn a higher rate of return than the sweep account. There was no cash and cash equivalents invested in obligations of the U.S. Government and its agencies for fiscal year 2013.

The deposit amounts subject to custodial credit risk at June 30, 2013 and 2012 were $54,280,756 and $0, respectively, which were uncollateralized and uninsured. The increase in risk is attributable to the expiration of the unlimited FDIC insurance coverage provided under the Dodd-Frank Wall Street Reform and Consumer Protection Act on December 31, 2012.

At June 30, 2013 and 2012, the University had $120,155 and $93,943, respectively, of cash on hand in various change funds. The carrying amount of the University’s cash and cash equivalents at June 30, 2013 and 2012 was $97,037,245 and $90,466,770, respectively. The net difference between deposits and the carrying amount of cash and cash equivalents is primarily a reflection of investment of the daily float.

Investments

The general investment policy of the University as adopted by the State Board of Education outlines that investments in securities are to be made with the objective of maximizing long-term total return, ensuring safety of principal, and providing satisfactory current income. In accordance with the established investment policy, the University may invest in various mortgage-backed securities, such as collateralized mortgage obligations. These securities are recorded at fair value in the statement of net position. Investment income, including change in fair value of investments, is recognized as revenue in the statement of revenues, expenses and changes in net position.

The following table represents the fair value of investments by type, credit risk (the credit risk ratings issued upon standards set by Standard and Poor's) and interest rate risk at June 30, 2013 and June 30, 2012, respectively:

			Investment Maturities				
Fiscal Year	**University Investments**	**Fair Value**	**<1 year**	**1-3 years**	**3-5 years**	**5-10 years**	**Credit Rating**
2013	Mutual Funds – Government Securities	5,003,471	-	650,451	900,625	3,452,395	AA
2012	N/A	-	-	-	-	-	N/A

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation, causing the University to experience a loss of principal, or that negative perceptions of issuer's ability to make these payments will cause prices to decline. GASB Statement No. 40, *Deposit and Investment Risk Disclosure,* requires disclosure of credit quality ratings for investments in debt securities. The University does not presently have a formal policy that addresses credit risk.

Credit risk disclosed for Mutual Funds – Government Securities is related to the mutual funds' underlying assets. The mutual fund typically holds most of its exposure in mortgage-backed securities, including collateralized mortgage obligations, issued or guaranteed by U.S. Government agencies or government-sponsored entities. In addition, it targets maintaining an average credit quality rating that is equivalent to the highest rating available from a Nationally Recognized Statistical Rating Organization.

Concentration of Credit Risk

Concentration of credit risk is defined per GASB Statement No. 40 as the risk of loss attributed to the magnitude of an investment in a single issuer other than the federal government. The Governmental Accounting Standards Board has adopted a principle that governments should provide note disclosure when 5 percent of investments are concentrated in any one issuer. At present, the University does not have a formal policy that addresses concentration of risk. The University did not have any investments at June 30, 2013 or 2012 that represented a 5 percent or greater concentration in any one issuer.

Custodial Credit Risk

Custodial credit risk for investments is defined as the risk that, in the event of a failure of the counterparty to a transaction, the University will not be able to recover the value of its investments that are in the possession of an outside party. The University does not have a policy that specifically addresses custodial credit risk. As of June 30, 2013, all investments were held by the University or its counterparty in the University's name.

Interest Rate Risk

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

Foreign Currency Risk

GASB Statement No. 40 defines foreign currency risk as the risk that changes in exchange rates will adversely affect the fair value of an investment of deposit. The University does not presently have a policy that addresses foreign currency risk. As of June 30, 2013, all investments held by the University were denominated in U.S. Dollars; therefore, no foreign currency risk needs to be considered at this time.

3. ACCOUNTS RECEIVABLE AND DUE FROM STATE AGENCIES

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

	2013	2012
Accounts receivable	$ 12,556,989	$ 13,037,982
Due from state agencies	6,131,662	3,735,585
	18,688,651	16,773,567
Less allowance for doubtful accounts	(1,636,158)	(1,683,543)
Net accounts receivable and Due from state agencies	$ 17,052,493	$ 15,090,024

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, 2013 and 2012. 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, 2013 and 2012, is $1,964,160 and $1,989,605, 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, 2013 and 2012, the allowance for uncollectible loans was approximately $589,120 and $535,112, 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, 2013 and 2012, is $10,117 and $12,870. 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

Property, plant and equipment at June 30, 2013 and 2012 consisted of the following:

	2013				
	Balance July 1, 2012	Additions	Retirements	Transfers	Balance June 30, 2013
Property, plant and equipment not being depreciated:					
Land	$ 5,012,553	$ -	$ -	$ -	$ 5,012,553
Construction in progress	1,305,595	1,248,697	-	(1,132,694)	1,421,598
Total property, plant and equipment not being depreciated	6,318,148	1,248,697	-	(1,132,694)	6,434,151
Other property, plant and equipment:					
Buildings and improvements	244,131,291	-	(751,928)	752,923	244,132,286
Intangibles	2,214,462	-	-	-	2,214,462
Furniture, fixtures and equipment	44,939,347	4,242,467	(799,904)	379,771	48,761,681
Library materials	50,787,174	2,556,350	-	-	53,343,524
Total other property, plant and equipment	342,072,274	6,798,817	(1,551,832)	1,132,694	348,451,953
Less accumulated depreciation and amortization:					
Buildings and improvements	(87,217,535)	(6,222,582)	431,022	-	(93,009,095)
Intangibles	(387,531)	(110,723)	-	-	(498,254)
Furniture, fixtures and equipment	(29,979,404)	(4,142,132)	771,391	-	(33,350,145)
Library materials	(39,590,084)	(2,438,783)	-	-	(42,028,867)
Total accumulated depreciation and amortization	(157,174,554)	(12,914,220)	1,202,413	-	(168,886,361)
Other property, plant and equipment net of accumulated depreciation	184,897,720	(6,115,403)	(349,419)	1,132,694	179,565,592
Property, plant and equipment summary:					
Property, plant and equipment not being depreciated	6,318,148	1,248,697	-	(1,132,694)	6,434,151
Other property, plant and equipment at cost	342,072,274	6,798,817	(1,551,832)	1,132,694	348,451,953
Total property, plant and equipment	348,390,422	8,047,514	(1,551,832)	-	354,886,104
Less accumulated depreciation and amortization	(157,174,554)	(12,914,220)	1,202,413	-	(168,886,361)
Property, plant and equipment, net	$ 191,215,868	$ (4,866,706)	$ (349,419)	$ -	$ 185,999,743

	2012				
	Balance July 1, 2011	Additions	Retirements	Transfers	Balance June 30, 2012
Property, plant and equipment not being depreciated:					
Land	$ 5,012,553	$ -	$ -		$ 5,012,553
Construction in progress	1,225,014	969,926	-	(889,345)	1,305,595
Total property, plant and equipment not being depreciated	6,237,567	969,926	-	(889,345)	6,318,148
Other property, plant and equipment:					
Buildings and improvements	241,605,410	1,636,536	-	889,345	244,131,291
Intangibles	2,214,462	-	-	-	2,214,462
Furniture, fixtures and equipment	41,789,852	4,843,966	(1,694,471)	-	44,939,347
Library materials	48,108,095	2,679,079	-	-	50,787,174
Total other property, plant and equipment	333,717,819	9,159,581	(1,694,471)	889,345	342,072,274
Less accumulated depreciation and amortization:					
Buildings and improvements	(80,964,073)	(6,253,462)	-	-	(87,217,535)
Intangibles	(276,808)	(110,723)	-	-	(387,531)
Furniture, fixtures and equipment	(28,216,550)	(3,363,792)	1,600,938	-	(29,979,404)
Library materials	(37,213,266)	(2,376,818)	-	-	(39,590,084)
Total accumulated depreciation and amortization	(146,670,697)	(12,104,795)	1,600,938	-	(157,174,554)
Other property, plant and equipment net of accumulated depreciation	187,047,122	(2,945,214)	(93,533)	889,345	184,897,720
Property, plant and equipment summary:					
Property, plant and equipment not being depreciated	6,237,567	969,926	-	(889,345)	6,318,148
Other property, plant and equipment at cost	333,717,819	9,159,581	(1,694,471)	889,345	342,072,274
Total property, plant and equipment	339,955,386	10,129,507	(1,694,471)	-	348,390,422
Less accumulated depreciation and amortization	(146,670,697)	(12,104,795)	1,600,938	-	(157,174,554)
Property, plant and equipment, net	$ 193,284,689	$ (1,975,288)	$ (93,533)	$ -	$ 191,215,868

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, 2013, is approximately $661,427. These costs will be financed by available resources of Idaho State University.

6. UNEARNED REVENUES

Unearned revenues consist of the following at June 30:

	2013	2012
Student Fees	$ 3,829,436	$ 3,045,634
Auxiliary enterprises and other	347,366	59,090
Grants and contracts	1,225,182	2,188,833
Other ticket sales	66,306	69,283
	$ 5,468,290	$ 5,362,840

7. NONCURRENT LIABILITIES

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

Description	Balance Outstanding 6/30/2011	Additions	Reductions	Balance Outstanding 6/30/2012	Additions	Reductions	Balance Outstanding 6/30/2013	Amounts Due Within One Year
Note payable to a bank, due in annual amounts varing from a maximum of $11,200 to $8,082 plus interest of 8.5% through 08/01/2011	$ 10,472	$ -	$ (10,472)	$ -	$ -	$ -	$ -	$ -
Note payable to a financial institution due in semi-annual installments varying from maximum of $2,993,916 to $16,696 plus interest of 5.08% through 09/01/2016	4,895,440	-	(846,933)	4,048,507	-	(895,567)	3,152,940	941,639
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.	5,865,000	-	(835,000)	5,030,000	-	(5,030,000)	-	-
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.	27,080,000	-	(1,450,000)	25,630,000	-	(25,630,000)	-	-
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.	3,655,000	-	(245,000)	3,410,000	-	(2,585,000)	825,000	265,000
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	-	(265,000)	3,040,000	-
General Revenue Bonds, Series 2004C (original balance of $2.305,000), consisting of term bonds payable in annual amounts increasing periodically from $95,000 to a maximum of $190,000, plus interest of 4.880% through the year 2022. All bonds are collateralized by certain student fees and other revenues.	1,685,000	-	(125,000)	1,560,000	-	(130,000)	1,430,000	135,000
General Revenue Bonds, Series 2006 (original balance of $10,000,000), consisting of term bonds payable in annual amounts increasing periodically from $320,000 to a maximum of $805,000, plus interest of 5.260% through the year 2028. All bonds are collateralized by certain student fees and other revenues.	9,345,000	-	(355,000)	8,990,000	-	(370,000)	8,620,000	390,000
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.	14,320,000	-	(555,000)	13,765,000	-	(575,000)	13,190,000	600,000
General Revenue Refunding Bonds, Series 2012, consisting of annual amounts increasing periodically from $965,000 to a maximum of $3,470,000, plus interest from 2.5% to 4.00% through the year 2023. All bonds are collateralized by certain student fees and other revenues.	-	-	-	-	27,530,000	(1,305,000)	26,225,000	965,000
General Revenue Refunding Bonds, Series 2013, consisting of annual amounts increasing periodically from $334,000 to a maxiumum of $1,669,000 plus interest from 2.25% to 2.75% through the year 2020. All bonds are collateralized by certain student fees and other revenues.	-	-	-	-	3,810,000	-	3,810,000	1,669,000
	70,160,912	-	(4,422,405)	65,738,507	31,340,000	(36,785,567)	60,292,940	4,965,639
Premium on bonds	874,501	-	(174,575)	699,926	2,034,312	(980,083)	1,754,155	-
Discount on bonds	(223,270)	19,058	-	(204,212)	95,520		(108,692)	-
Totals	$ 70,812,143	$ 19,058	$ (4,596,980)	$ 66,234,221	$ 33,469,832	$ (37,765,650)	$ 61,938,403	$ 4,965,639

Principal and interest maturities on notes and bonds payable in future periods for the year ending June 30, 2013, are as follows:

	Bonds		Notes	
	Principal	Interest	Principal	Interest
2014	$ 4,024,000	$ 2,274,781	$ 941,639	$ 148,361
2015	4,034,000	2,170,012	924,257	100,743
2016	4,196,000	2,008,099	946,488	53,512
2017	4,357,000	1,838,573	340,556	8,650
2018	4,539,000	1,661,596	-	-
2019-2023	23,390,000	5,736,051	-	-
2024-2028	9,155,000	2,104,417	-	-
2029-2033	3,100,000	490,806	-	-
2034	345,000	16,388	-	-
	$ 57,140,000	$ 18,300,723	$ 3,152,940	$ 311,266

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

	2013		
	Student Facility Fee Revenue Bonds		
Pledged Revenues	**Series 1998**	**Series 2004A, 2004B, 2004C, 2006, 2007, 2012 and 2013**	**Total**
Matriculation fee	$ -	$ 49,373,663	$ 49,373,663
Student facilities fee	-	465,944	465,944
Revenue of student housing system	-	5,978,179	5,978,179
CAES lease payment	-	850,104	850,104
	$ -	$ 56,667,890	$ 56,667,890
Debt service	$ -	$ 6,298,781	$ 6,298,781
Debt service coverage	0%	900%	900%
Coverage requirement	0%	110%	110%

	2012		
	Student Facility Fee Revenue Bonds		
Pledged Revenues	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
	$ 3,725,203	$ 56,222,336	$ 59,947,539
Debt service	$ 1,128,630	$ 5,558,290	$ 6,686,920
Debt service coverage	330%	1012%	896%
Coverage requirement	110%	110%	110%

As indicated, the Student Facilities Fee is pledged for Series 2003, Series 2004A, Series 2004B, Series 2004C, Series 2006, Series 2007, Series 2012 and Series 2013 bonds. The Revenue of the Housing System is pledged for the Series 2012 and 2013 bonds and the Center for Advanced Energy Studies (CAES) lease payments are pledged for Series 2006 bonds.

Advance Refunding of Debt – Series 2012 Bonds

On July 12, 2012, General Revenue Refunding Bonds, Series 2012, were issued by the University to refund certain outstanding bonds of the University to achieve debt service savings and to pay the costs of issuance of the Series 2012 Bonds. The Series 2012 Bonds were issued in the aggregate principal amount of $27,530,000 and 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 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, on the bonds issuance date, of the prior and refunding debt service payments) of $3.2 million.

Advance Refunding of Debt – Series 2013 Bonds

On June 26, 2013, General Revenue Refunding Bonds, Series 2013, were issued by the University to refund certain outstanding bonds of the University and to pay the cost of issuance of the Series 2013 Bonds. The Series 2013 Bonds were issued in the aggregate principal amount of $3,810,000 and bear interest from the date of issuance of 2.25% to 2.75% payable on October 1, 2013 and semiannually thereafter on each April 1 and October 1.

The advance refunding resulted in reducing total debt service over the next 7 years by $315,045 and acquiring an economic gain of $297,791 (difference between the present values, on the bonds issuance date, of the old and new debt service).

8. ACCOUNTING FOR LEASES

The University is a lessor under a current 20 year ground lease agreement with Portneuf Medical Center (lessee). The lease expires May 31, 2032. The lease allowed for the construction of a sports medicine facility (the Facility) on the premises, which was completed in September 1994. The lessee pays rent of $1 per year for the ground lease, payable on the date of the execution of the lease and annually thereafter on the anniversary date of such execution.

The University leases a weight/training room and associated common areas from Portneuf Medical Center (lessor). The current lease is for 20 years. Rent for the weight/training room portion of the lease is $1 per year. Rent for shared use of the common areas is $14,000 per year. Rents for the initial term and renewal term are payable on the date of the execution of the lease and annually thereafter on the anniversary date of such execution. Upon expiration of the lease term, the Facility shall become the property of the University.

ISU leases building and office facilities under various non-cancelable operating leases. Total costs for such leases were $393,883 and $444,101 for the years ended June 30, 2013 and 2012, respectively.

Future minimum lease payments at June 30, 2013 for all leases are as follows:

Fiscal Years	Payments
2014	$ 298,300
2015	123,439
2016	91,533
2017	18,988
2018	14,000
Totals	$ 546,260

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:

Fiscal Years	Income
2014	$ 850,104
2015	850,104
2016	850,104
2017	850,104
2018	850,104
2019-2028	8,288,514
Totals	$ 12,539,034

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, 2013, the book value of the building is $16,119,435, which is net of accumulated depreciation of $1,581,414.

9. RETIREMENT PLANS AND TERMINATION PAYMENTS

Public Employee Retirement System of Idaho – The Public Employee Retirement System of Idaho ("PERSI"), a cost-sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. The benefits and obligations to contribute to the plan were established, and may be amended by, the Idaho State Legislature. Financial reports for the plan are available from PERSI's website at www.persi.idaho.gov.

After 60 months of credited service, members become fully vested in retirement benefits earned to date and receive a lifetime benefit at retirement. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.00% of the average monthly salary for the highest consecutive 42 months. Employer contributions to PERSI are made as set forth in Section 59-1322 of Idaho Code, and described in Section 59.01.03 of the Idaho Administrative Procedure Act. Employee contributions are set at 60% of employer contributions per Section 59-1333 of Idaho Code.

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

	2013	2012	2011
University contributions required and paid	$ 2,621,008	$ 2,544,195	$ 2,565,255
Employee contributions	1,571,598	1,525,532	1,538,160
Total contributions	$ 4,192,606	$ 4,069,727	$ 4,103,415
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:

	2013	2012	2011
University contributions required and paid	$ 5,913,986	$ 5,667,518	$ 5,430,019
Employee contributions	4,446,655	4,261,345	4,082,768
Total Contribution	$ 10,360,641	$ 9,928,863	$ 9,512,787
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, 2013 and 2012, supplemental funding payments to PERSI were $953,925 and $912,212, 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, 2013 and 2012 were $579,840 and $546,323, 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 July 1, 2012. The University has not set aside any assets to pay future benefits; the University funds these benefits on a pay-as-you-go basis. Details of the plans can be found in the Comprehensive Annual Report of the State of Idaho, which may be obtained from the Office of the Idaho State Controller, 700 W State Street, 4th Floor, P.O. Box 83720, Boise, ID 83720-0011 www.sco.idaho.gov.

Plan Descriptions and Funding Policy

Retiree Healthcare Plan – A retired employee of the University who 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 employee must be receiving PERSI monthly benefits at the time of retirement and must have 10 or more years (20,800 or more hours) of credited service. An employee must have been an active employee on or before June 30, 2009, and must retire directly from State service. Coverage is not available to Medicare-eligible retirees or their Medicare-eligible dependents. Retirees eligible for medical health insurance pay the majority of the premium cost; however, the retiree plan costs are subsidized by the active employee plan. The maximum benefit is $1,860 per retiree per year. The University contributed $18.84 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.

For up to 30 months following the date of disability, an employee may 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 charged $8 per active employee per month in fiscal year 2013.

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, Workers' Compensation, unemployment benefits, employment rehabilitation earnings, 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 on or 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 rate for the period was 0.264% of payroll in fiscal year 2013. This portion of the long-term disability income benefit is not included in the actuarial estimate.

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 age 65, 0.894% for retirees between the ages of 65 and 69, and 0.600% 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 contributions made, the increase (decrease) in the net OPEB obligation (NOO), and the NOO (funding excess) for the years ended June 30, 2013 and 2012:

Annual OPEB Cost and Net OPEB Obligation 2013
(dollars in thousands)

		Long-Term Disability Plan				
	Retiree Healthcare Plan	Income	Healthcare	Life Insurance	Life Insurance Plan	Total
Annual Required Contribution	$ 234	$ 74	$ 101	$ 146	$ 832	$ 1,387
Interest	102	(1)	6	(2)	103	208
Adjustment to ARC	(202)	2	(13)	4	(203)	(412)
Total Annual OPEB Cost	134	75	94	148	732	1,183
Contributions Made	(189)	(56)	(123)	(154)	(103)	(625)
Increase (Decrease) in NOO	(55)	19	(29)	(6)	629	558
NOO – Beginning of Year	2,681	(19)	167	(56)	3,349	6,122
NOO (Funding Excess) – End of Year	$ 2,626	$ -	$ 138	$ (62)	$ 3,978	$ 6,680

Annual OPEB Cost and Net OPEB Obligation 2012
(dollars in thousands)

	Retiree Healthcare Plan	Long-Term Disability Plan: Income	Long-Term Disability Plan: Healthcare	Long-Term Disability Plan: Life Insurance	Life Insurance Plan	Total
Annual Required Contribution	$ 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 Comparison

The following table compares the annual 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: Income	Long-Term Disability Plan: Healthcare	Long-Term Disability Plan: Life Insurance	Life Insurance Plan	Total
Annual OPEB Cost	2011	$ 346	$ 84	$ 129	$ 77	$ 875	$ 1,511
	2012	306	74	119	69	871	1,439
	2013	134	75	94	148	732	1,183
	2011	44.80%	90.48%	85.27%	149.35%	16.91%	39.97%
Percentage of AOC Contributed	2012	94.44%	83.78%	91.60%	113.04%	15.96%	47.05%
	2013	141.04%	74.67%	130.85%	104.05%	14.07%	51.65%
	2011	$ 2,664	$ (31)	$ 157	$ (47)	$ 2,617	$ 5,360
NOO (Funding Excess) – End of Year	2012	2,681	(19)	167	(56)	3,349	6,122
	2013	2,626	0	138	(62)	3,978	6,680

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

Funded Status and Funding Progress
(dollars in thousands)

	Retiree Healthcare Plan	Long-Term Disability Plan: Income	Long-Term Disability Plan: Healthcare	Long-Term Disability Plan: Life Insurance	Life Insurance Plan
Actuarial Valuation Date	7/1/2012	7/1/2012	7/1/2012	7/1/2012	7/1/2012
Actuarial Value of Assets	$ -	$ -	$ -	$ -	$ -
Accrued Liability (AAL)	$ 1,520	$ 691	$ 653	$ 392	$ 9,898
Unfunded AAL (UAAL) (2) - (1)	$ 1,520	$ 691	$ 653	$ 392	$ 9,898
Funded Ratios (1) : (2)	0.0%	0.0%	0.0%	0.0%	0.0%
Annual Covered Payroll	$ 89,105	$ 89,105	$ 89,105	$ 89,105	$ 89,105
UAAL as a Percentage of Covered Payroll (3) : (5)	1.71%	0.78%	0.73%	0.44%	11.11%

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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits for financial reporting purposes does not incorporate the potential effects of legal funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

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

Significant Methods and Actuarial Assumptions

	Retiree Healthcare Plan	Long-Term Disability Plan: Healthcare	Long-Term Disability Plan: Life Insurance	Long-Term Disability Plan: Income	Life Insurance Plan
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percentage of Payroll	Level Percentage of Payroll	Level Dollar Amount	Level Dollar Amount	Level Percentage of Payroll
Amortization Period	10 years, Closed	30 years, Open	5 years, Closed	6 years, Closed	30 years, Open
Assumptions:					
Inflation Rate	3.0%	3.0%	3.0%	3.0%	3.0%
Investment Return	3.75%	3.75%	3.75%	3.75%	3.75%
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	4.90%	4.90%	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) Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1) : (2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) : (5)
Retiree Healthcare	7/1/2008	$ -	$ 2,228	$ 2,228	0.0%	$ 84,670	2.63%
	7/1/2010	$ -	$ 2,417	$ 2,417	0.0%	$ 83,360	2.90%
	7/1/2012	$ -	$ 1,520	$ 1,520	0.0%	$ 89,105	1.71%
Long-Term Disability:							
Life Insurance	7/1/2008	$ -	$ 1,029	$ 1,029	0.0%	$ 84,670	1.22%
	7/1/2010	$ -	$ 974	$ 974	0.0%	$ 83,360	1.16%
	7/1/2012	$ -	$ 392	$ 392	0.0%	$ 89,105	0.44%
Healthcare	7/1/2008	$ -	$ 860	$ 860	0.0%	$ 84,670	1.02%
	7/1/2010	$ -	$ 876	$ 876	0.0%	$ 83,360	1.05%
	7/1/2012	$ -	$ 653	$ 653	0.0%	$ 89,105	0.73%
Income	7/1/2008	$ -	$ 599	$ 599	0.0%	$ 84,670	0.71%
	7/1/2010	$ -	$ 558	$ 558	0.0%	$ 83,360	0.67%
	7/1/2012	$ -	$ 691	$ 691	0.0%	$ 89,105	0.78%
Retiree Life Insurance	7/1/2008	$ -	$ 9,753	$ 9,753	0.0%	$ 84,670	11.52%
	7/1/2010	$ -	$ 11,362	$ 11,362	0.0%	$ 83,360	13.63%
	7/1/2012	$ -	$ 9,898	$ 9,898	0.0%	$ 89,105	11.11%

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	06/30/11	$ 913	$ 148	16.21%
	06/30/12	$ 917	$ 139	15.16%
	06/30/13	$ 832	$ 103	12.38%

11. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATION

2013

	Personnel Costs	Services	Supplies	Insurance, Utilities and Rent	Scholarships and Fellowships	Depreciation	Miscellaneous	Operating Expenses Totals
Instruction	$ 74,484,956	$ 6,662,945	$ 3,937,934	$ 241,075	$ -	$ -	$ 1,449,493	$ 86,776,403
Research	12,213,943	3,396,494	1,558,647	311,531	-	-	515,192	17,995,807
Public services	4,663,125	554,073	266,430	149,882	-	-	109,323	5,742,833
Academic support	9,353,886	1,331,417	1,261,835	10,171	-	-	228,231	12,185,540
Libraries	2,189,480	182,191	89,645	159	-	-	13,197	2,474,672
Student services	6,846,205	826,862	338,368	52,095	-	-	330,744	8,394,274
Institutional support	14,102,725	3,894,404	1,563,018	144,792	-	-	577,733	20,282,672
Maintenance and operations	6,757,805	4,135,316	1,449,848	4,809,329	-	-	19,120	17,171,418
Auxiliary enterprises	10,534,169	6,067,245	2,307,928	1,656,188	-	-	1,934,464	22,499,994
Scholarships and fellowships	-	-	-	-	16,851,589	-	-	16,851,589
Depreciation	-	-	-	-	-	12,914,220	-	12,914,220
Total expenses	$ 141,146,294	$ 27,050,947	$ 12,773,653	$ 7,375,222	$ 16,851,589	$ 12,914,220	$ 5,177,497	$ 223,289,422

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
Total expenses	$ 135,940,976	$ 27,513,868	$ 14,200,321	$ 6,364,159	$ 20,885,766	$ 12,104,795	$ 5,025,236	$ 222,035,121

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

During fiscal year 2013, the Foundation formed a limited liability corporation called Bengal Pharmacy, LLC (the Pharmacy) to serve students, staff and faculty being seen by the student health center and residency program, in addition to 340b patients of Health West in Southeast Idaho. During 2013 the Pharmacy's activity was limited to startup costs and initial operations. It is anticipated during 2014 for the Pharmacy to reach full operations and will have an impact on the financial statements for 2014.

Principles of Consolidation

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

Basis of Accounting

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

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

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed stipulations that 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.

Promises to Give

Unconditional promises to give are recognized as an asset and contribution revenue in the period the promise is received. Promises to give 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, 2013 and 2012 were $444,167 and $424,697, respectively.

Endowments

The Foundation's endowment consists of approximately 500 individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or the Idaho Prudent Management of Institutional Funds Act (IPMIFA) requires the Foundation to maintain as a fund of perpetual duration. The corpus balance of the endowment was $32,630,944 and $31,726,688 as of June 30, 2013 and 2012, respectively. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were $2,171,690 and $2,837,754 as of June 30, 2013 and 2012, 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, 2013 and 2012 are shown below.

	2013	2012
Investment securities		
Mutual funds	$ 2,642,590	$ 2,191,983
Co-mingled and pooled marketable investment funds	37,550,505	34,586,972
Common stock	-	76,076
Hedge funds	4,393,333	3,728,625
Total assets	$ 44,586,428	$ 40,583,656

The related fair value of these assets and liabilities as of June 30, 2013, is determined as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds				
Stock index fund	$ 2,642,590	$ -	$ -	$ 2,642,590
Co-mingled and pooled				
marketable investment funds				
Real estate funds	-	127,454	-	127,454
Bond funds	-	9,646,912	-	9,646,912
Equity funds	-	17,887,355	-	17,887,355
Hedge funds	-	7,418,284	-	7,418,284
Real asset funds	-	2,470,500	-	2,470,500
Hedge funds	-	-	4,393,333	4,393,333
	$ 2,642,590	$ 37,550,505	$ 4,393,333	$ 44,586,428

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				
Stock index fund	$ 2,191,983	$ -	$ -	$ 2,191,983
Co-mingled and pooled				
marketable investment funds				
Real estate funds	-	-	145,898	145,898
Bond funds	-	10,041,327	-	10,041,327
Equity funds	-	15,382,016	-	15,382,016
Money market funds	-	193,706	-	193,706
Hedge funds	-	5,648,741	-	5,648,741
Real asset funds	-	3,175,284	-	3,175,284
Common Stock	-	-	76,076	76,076
Hedge funds	-	-	3,728,625	3,728,625
	$ 2,191,983	$ 34,441,074	$ 3,950,599	$ 40,583,656

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

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

Assets measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the years ended June 30, 2013 and 2012, are shown below.

	2013 Hedge Funds	2012 Hedge Funds
Beginning balance	$ 3,728,625	$ 2,115,646
Total unrealized gains and losses included in earnings (or changes in net assets)	88,018	258,719
Calls	576,690	1,354,260
Ending balance	$ 4,393,333	$ 3,728,625
The amount of total gains or losses included in changes in net assets that are attributable to the change in unrealized gains and losses relating to the assets held at the reporting date.	$ 88,018	$ 258,719

	2013			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Co-mingled and pooled marketable investment funds				
Real estate funds	$ 127,454	$ -	Annually	95 days
Bond funds	9,646,912	-	Monthly	5 days
Equity funds	17,868,355	-	Monthly	5 days
Hedge funds	7,418,284	-	Annually	95 days
Real asset funds	2,470,500	-	Monthly	5 days
Hedge funds	4,393,333	3,613,105	Annually	95 days

	2012			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Co-mingled and pooled marketable investment funds				
Real estate funds	$ 145,898	$ -	Annually	95 days
Bond funds	10,041,327	-	Monthly	5 days
Equity funds	15,382,016	-	Monthly	5 days
Money market funds	193,706	-	Daily	1 day
Hedge funds	5,648,741	-	Annually	95 days
Real asset funds	3,175,284	-	Monthly	5 days
Hedge funds	3,728,625	2,708,812	Annually	120 days

Multi-Mode Variable Rate Revenue Bonds

A Multi-Mode Variable Rate Revenue Bond was issued on May 30, 2001 in the amount of $22,170,000. The Bonds fully mature on May 1, 2021 and are secured by donations, pledges and other funds held under the Bond Indenture. Debt balance at June 30, 2013 and 2012 was $5,800,000 and $5,900,000, respectively. Interest payments are made monthly with a mandatory bond redemption of $100,000 due annually on May 1st. Total interest expense and fees during 2013 and 2012 were $106,188 and $91,425, respectively.

The Bonds bear interest at rates determined for the Weekly Rate until converted to another permitted interest rate. The interest rate for the Bonds may be changed from time to time among the Weekly Rate, the Semi-Annual Rate, and the Long-Term Rate. Each rate will be determined by the Remarketing Agent. The interest rate at June 30, 2013 and 2012 was 0.06% and 0.18%, respectively. The Bonds are also secured by a direct pay letter of credit issued by a commercial bank in the amount of $5,871,507. On an annual basis, the letter of credit is renewed for a fee of 1.5% of the current debt balance at the time of renewal.

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

2014	$ 100,000
2015	100,000
2016	475,000
2017	475,000
2018	475,000
Thereafter	4,175,000
	$ 5,800,000

13. SUBSEQUENT EVENTS

No reportable subsequent events.

14. CONTINGENCIES AND LEGAL MATTERS

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

In consequence of discovery of disabled server firewall protections, the University agreed to pay $400,000 to the U.S. Department of Health and Human Services (HHS) to settle alleged violations of the Health Insurance Portability and Accountability Act of 1996 (HIPAA) Security Rule. The settlement involves the breach of unsecured electronic protected health information (ePHI) of approximately 17,500 patients at ISU's Pocatello Family Medicine Clinic. The University notified HHS of the breach once the server was discovered to be compromised.

Additionally, the University has agreed to a two-year Corrective Action Plan (CAP). The University Information Technology Services Department has reasonably estimated related costs for implementing the CAP at $318,000.

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 $951,253,781.

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, Idaho State University Foundation, Inc. (Foundation), as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2013. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit as described in our report on the University's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the discretely presented component unit.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free 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*.

Purpose of This Report

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

Moss Adams LLP

Eugene, Oregon
September 30, 2013

MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

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

Idaho State Board of Education
Idaho State University

Report on Compliance for Each Major Program

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, 2013. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above.

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

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

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

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as 2013-01. Our opinion on each major federal program is not modified with respect to these matters.

The University's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Finding and Questioned Costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-01 that we consider to be a significant deficiency.

The University's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Moss Adams LLP

Eugene, Oregon
September 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

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

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

Identification of Major Programs

CFDA Numbers	*Name of Federal Program or Cluster*	*Type of Auditor's Report Issued*
17.275	Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors – ARRA	Unmodified
Various	Student Financial Aid Cluster	Unmodified
Various	TRIO Cluster	Unmodified
93.778	Medicaid Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs: $ 756,267

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

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-01 – Special Tests and Provisions: Enrollment Reporting – Noncompliance and Significant Deficiency

Federal Program: CFDA 84.268 Federal Direct Loans, CFDA 84.038 Federal Perkins Loans

Federal Agency: Department of Education

Criteria – For changes in student status, Idaho State University (ISU) must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the National Student Loan Database System (NSLDS) website. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer.

Condition – ISU reported such changes to a third-party servicer (Clearinghouse); however, the information was not transmitted to NSLDS in a timely manner. ISU did not have monitoring controls in place to ensure the Clearinghouse was reporting all submitted changes to NSLDS timely.

Questioned Costs – None

Context – During our testing of 25 students, 6 students were not timely reported (or not reported at all) to NSLDS as having a status change.

Effect – NSLDS does not have the correct information for these students, which could result in future issues for a student in need of federal aid or for an institution in need of awarding aid to a student.

Cause – ISU has controls in place for timely submissions to their third-party servicer; however, ISU was not monitoring that this information was being transmitted to NSLDS.

Recommendation – We recommend that ISU implements controls to monitor the NSLDS reporting and that ISU corrects the status of students that were not reported to NSLDS.

Management's Response - Management concurs with the audit finding and has implemented the following processes in response:

A manual review of all students withdrawn after the last date of the Fall and Spring terms will be conducted to make sure the NSLDS records are accurate.

A report has been written to compare student legal first names in the ISU database system with names that were matched in the student financial aid social security matching process. This report is already being generated and reviewed weekly to prevent further NSLDS rejects caused by first name mismatches.

IDAHO STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Federal Grant/Program Title	Federal CFDA Number		Expenditures	
U.S. DEPARTMENT OF AGRICULTURE				
Pass Through Payments:				
WSU Oral Delivery System	10.200	$	4,099	R
Early Learning Center	10.558		77,729	O
Upward Bound	10.559		10,964	T
BSU Rural Idaho Saves Energy	10.868		15,142	T
Total U.S. Department of Agriculture		$	107,934	
U.S. DEPARTMENT OF COMMERCE				
BCAL Map Window	11.460	$	85,880	R
NOAA Virtual Watersheds	11.468		97,712	R
Pass Through Payments:				
Idaho Manufactrng Alliance/EDA	11.302		21,853	T
Manufacturing Ext. Partnership	11.611		20,492	P
Tech Help NIST	11.611		50,079	T
Total U.S. Department of Commerce		$	276,016	
U.S. DEPARTMENT OF DEFENSE				
DOD Fissionable Materials	12.300	$	47,920	R
SNM Forensics	12.351		187,354	R
DTRA Advanced Diagnostics	12.351		125,193	R
DTRA Adaptation of ISIS	12.351		141,364	R
Smart Prosthetic Hand	12.420		214,723	R
USAF Kirtland Air Force Base	12.800		15,000	R
Pass Through Payments:				
UTEN Accelerator Operations	12.351		44,159	R
SSLEEC	12.750		3,825	R
BSU Memory Research	12.910		3,565	R
UA Ephemeral Streams	12.999		35,261	R
Total U.S. Department of Defense		$	818,364	
U.S. DEPARTMENT OF THE INTERIOR				
BLM Curations	15.224	$	18,024	P
BLM Fossil Census	15.224		738	R
BOR GIS Database for AF Reservoir	15.511		86	R
USFW Grays Lake NWR Bird Survey	15.608		2,298	R

Federal Grant/Program Title	Federal CFDA Number	Expenditures		
U.S. DEPARTMENT OF THE INTERIOR (continued)				
USFW Selawik Slump Evaluation	15.608	16,878	R	
USFW Aleutian Islands	15.636	57,277	R	
USGS Methow	15.808	(904)	R	
USGS Yukon River Watershed	15.808	15,683	R	
USGS Renewable Energy - Sage Grouse	15.808	4,892	R	
USGS Grad Research Project	15.808	30,258	R	
USGS Arctic Contract Hydrologist	15.808	(30)	R	
USGS Spatial Patterns of Fuels	15.808	4,918	R	
USGS Arctic LCC Contract Hydro	15.808	23,827	R	
USGS Sagebrush Ecosystems	15.808	284	R	
USGS Nevada Grouse	15.808	137,819	R	
NPS In-Situ Durability	15.923	21,550	R	
NPS Craters of the Moon	15.945	5,889	T	
NPS Database of KALA	15.945	36,425	P	
Pass Through Payments:				
IDFG Raven Population	15.611	14,219	R	
AV IdahoView	15.815	26,040	R	
Total U.S. Department of the Interior		$ 416,171		
U.S. DEPARTMENT OF JUSTICE				
DOJ Women's Pathways to Jail	16.751	$ 42,709	R	
Pass Through Payments:				
Juvenile Accountability Incentive	16.523	1,260	T	
Total U.S. Department of Justice		$ 43,969		
U.S. DEPARTMENT OF LABOR				
DOL Virtual Safety Training Center	17.502	$ 41,325	T	
DOL Virtual Safety Training Ctr 2	17.502	120,140	T	
Pass Through Payments:				
IDOL Renewable Energy Education	17.275	602,237	T	(4, 5)
CSI Ladder to Success	17.282	36,125	T	
Total U.S. Department of Labor		$ 799,827		
U.S. DEPARTMENT OF TRANSPORTATION				
Pass Through Payments:				
ITD Highway Trans Training II	20.205	$ 90,075	T	
ITD NSTI Program	20.205	29,167	T	
Total U.S. Department of Transportation		$ 119,242		

Federal Grant/Program Title	Federal CFDA Number	Expenditures	
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
NASA RECOVER	43.001	$ 79,972	R
Pass Through Payments:			
UI NASA EPSCoR Magnuson	43.001	2,411	R
UI Gygli NASA	43.001	1,521	R
OSBE NASA K-12 Coopertaive Agreemen	43.001	2,480	T
UI NASA Undergrad Funds	43.001	(2,614)	R
UI Idaho Space Grant REU	43.001	2,336	R
Total National Aeronautics and Space Administration		$ 86,106	
NATIONAL ENDOWMENT FOR THE ARTS			
Pass Through Payments:			
ICA Slow Textiles	45.025	$ 838	P
Total National Endowment for the Arts		$ 838	
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Pass Through Payments:			
IHC Holocaust Memorial Lecture	45.129	$ 1,200	T
IHC Global Detectives	45.129	1,974	P
IHC Camas Field Trip	45.129	491	P
Total National Endowment for the Humanities		$ 3,665	
NATIONAL SCIENCE FOUNDATION			
NSF Bimetallic Complexes	47.049	$ 67,762	R
NSF Dynamic Signal Modeling	47.049	79,833	R
NSF Genomic Data	47.049	11,605	R
REU for Applied Science	47.049	12,512	R
NSF REU Site for Applied N S	47.049	57,699	R
NSF Electromagnetic Probes	47.049	150,245	R
NSF Indigenous Nations	47.050	58,481	R
NSF Sea Otter Ecosystems	47.050	22,899	R
NSF Late Pleistocene Climate Change	47.050	70,144	R
NSF Alamo Impact Event	47.050	83,240	R
NSF Robotic Hands	47.070	45,632	R
NSF Grass	47.074	10,036	R
NSF Limb Biodiversity	47.074	20,003	R
NSF RAINS	47.074	18,826	R
NSF SNAZ	47.074	52,240	R
NSF MRI Ion PGM	47.074	53,137	R
NSF Post Lapita Fiji	47.075	2,342	R

Federal Grant/Program Title	Federal CFDA Number	Expenditures		
NATIONAL SCIENCE FOUNDATION (continued)				
NSF TUES AMOEBA	47.076	24,652	R	
NSF SSTEM Chemistry	47.076	127,186	R	
NSF SNAAP AGEP	47.076	30,647	R	
Scholarship For Service II	47.076	20,134	R	
NSF Scholarship for Service III	47.076	458,074	R	
Sanak Biocomplexity Project	47.078	21,596	R	
Alaska Thermokarst	47.078	39,119	R	
NSF Climate-Mediated Coupling	47.078	64,028	R	
NSF VZAP Phase II	47.078	453,048	R	
NSF Tebenkof Project	47.078	22,936	R	
NSF Alaska Peninsula Project	47.078	1,145	R	
NSF Understanding Social Networks	47.080	342,514	R	
Arctic Climate Holocene	47.082	37,289	R	(5)
JLab NSF	47.082	97,013	R	(5)
Pass Through Payments:				
UI Fish Erythrocytes	47.041	3,157	R	
QUARKNET - ND/NSF	47.049	9,669	R	
HIS Desktop	47.050	1,290	R	
Boulder Creek Critical Zone	47.050	134	R	
UCB Method of Anchored Distr	47.050	23,082	R	
CUAHSI HydroDesktop Maint	47.050	1,479	R	
UW Kuril Island Project	47.078	23,791	R	
UI NSF WRCC EPSCoR - Liaison	47.081	29,823	R	
UI EPSCoR WRCC Postdoc	47.081	67,173	R	
UI WRCC EPSCoR - Lohse	47.081	130,990	R	
NSF WRCC EPSCoR - Germino	47.081	80,551	R	
NSF WRCC EPSCoR - Baxter	47.081	74,821	R	
UI EPSCOR WRCC Green	47.081	12,771	R	
UI EPSCoR WRCC Delparte	47.081	83,621	R	
UI EPSCoR Cyber - Delparte	47.081	44,510	R	
NSF WRCC EPSCoR - Crosby	47.081	54,314	R	
NSF WRCC EPSCoR - Glenn	47.081	19,638	R	
NSF WRCC EPSCoR - Ames	47.081	60,428	R	
NSF WRCC EPSCoR - Cybrinfrastructure	47.081	75,055	R	
EPSCoR Track 2 Infrastructure	47.081	11,456	R	
EPSCoR Cyber Ames	47.081	71,261	R	
UI WRCC EPSCoR - Godsey	47.081	115,308	R	
UI EPSCoR WRCC Lead Scientist	47.081	76,157	R	
NSF WRCC EPSCoR - Office of Research	47.081	205,333	R	
UI EPSCoR CI - Weber	47.081	540	R	
UA CZO	47.082	29,555	R	(5)
UI Campus Connectivity	47.082	14,250	R	(5)

Federal Grant/Program Title	Federal CFDA Number	Expenditures	
NATIONAL SCIENCE FOUNDATION (continued)			
Total National Science Foundation		$ 3,876,174	
SMALL BUSINESS ADMINISTRATION			
Pass Through Payments:			
SBDC - Pocatello Grant	59.037	$ 31,822	P
SBDC - Idaho Falls Grant	59.037	33,113	P
BSU SBDC Jobs Bill Poc	59.037	18,672	T
BSU SBDC Jobs Bill IF	59.037	17,281	T
BSU SBDC Pocatello FED	59.037	32,250	P
BSU SBDC Idaho Falls FED	59.037	32,977	P
Total Small Business Administration		$ 166,115	
ENVIRONMENTAL PROTECTION AGENCY			
EPA Long Fellowship	66.514	$ 11,911	R
Total Environmental Protection Agency		$ 11,911	
NUCLEAR REGULATORY AGENCY			
Motor Operated Valve Training	77.006	$ 82,018	T
NRC Faculty Development	77.008	144,071	T
NRC INSE Scholarships	77.008	61,225	T
NRC Safety Curriculum Development	77.008	67,904	T
NRC ESTEC Scholarships II	77.008	130,148	T
Total Nuclear Regulatory Agency		$ 485,366	
U.S. DEPARTMENT OF ENERGY			
Development of Positron Source	81.049	$ 52,075	R
Warm Dense Matter	81.049	161,589	R
DOE Non-Invasive Identification	81.113	69,557	R
Nuclear Ed Scholar Program	81.121	51,827	T
DOE NEUP Reactor Upgrades	81.121	114,525	R
Pass Through Payments:			
NEUP Project	81.000	348,848	R
JL Dr. Yujong Kim	81.000	48,385	R
JL Region 1 Drift Chamber	81.000	283,695	R
BEA Fuels Cycle Research	81.000	103,977	R
BEA DRCT High Energy	81.000	25,053	R
JHU Active Measurements	81.000	230,957	R
BEA DRCT MMAS R&D 2	81.000	142,104	R
BEA Fission Transmutation	81.000	384,777	R

Federal Grant/Program Title	Federal CFDA Number	Expenditures		
U.S. DEPARTMENT OF ENERGY (continued)				
LBNL Delayed Gamma	81.000	145,579	R	
BEA Treaty Verification 2012	81.000	39,243	R	
BEA Support of Collaborative Res	81.000	6,093	R	
BEA AECOM Digital	81.000	39,947	R	
BEA Standoff Detection 3	81.000	63,232	R	
BEA IMEL Joint Appointment	81.000	32,344	R	
BEA Bengal Solutions	81.000	9,546	T	
BEA NanoMaterials	81.000	9,385	R	
BEA Synthesis and Characterization	81.000	46,059	R	
BEA Flux Sensors	81.000	28,319	R	
PNNL Fission Counters	81.000	(1,496)	R	
BEA MANTRA Technical Support	81.000	36,390	R	(5)
BEA ATR Test Train Flow Testing	81.000	(5,308)	R	
BEA Open Loop Oscillator	81.000	168,583	R	
BEA Burgett Joint Appointment	81.000	145,916	R	
BEA NEUP Deteriorated Heat Transfer	81.000	313,104	R	
BEA NEUP Fuel Performance Exprmnts	81.000	413,069	R	
BEA Scaling & Instrumentation II	81.000	22,200	R	
BEA Fission Time Projection	81.000	731,414	R	
BEA AVTA on EV Data	81.000	60,673	R	
PNNL Uranium Fission Counters	81.000	28,801	R	
BEA Zydek Joint Appointment	81.000	69,660	R	
BEA NEUP Plasmonically Cloaked Scin	81.000	156,512	R	
BEA NEUP NanoVision	81.000	211,966	R	
BEA Lineberry Joint Appointment	81.000	65,133	R	
BEA Nitrogen Generator	81.000	86,756	R	
BEA Work for Others Subcontract	81.000	12,150	O	
BEA TREAT Thermal Modeling	81.000	8,885	R	
BEA Nuclear Operations Main	81.000	146,723	T	
BEA ESTEC Educational Support	81.000	123,416	T	
BEA Resilient Control	81.000	129	R	
BEA Fractured Reservoir	81.000	2,823	R	
BEA LDRD Transmission Site	81.000	20,625	R	
BEA Assessing Role of Basalt React	81.000	6,972	R	
BEA Remote Sensing Prog Joint Appt	81.000	6,628	R	
BEA Collaborative Remote Sensing	81.000	17,796	R	
INL Education Contract	81.000	559,858	T	
BEA NEUP C14 in Graphite	81.000	60,990	R	
PNNL DNA Sequencing	81.000	13,892	R	
BEA Electrical Transmission Lines	81.000	1,559	R	
DNA Sequencing for Battelle	81.000	122	R	
BEA Jacobsen Joint Appt	81.000	14,683	R	

Federal Grant/Program Title	Federal CFDA Number	Expenditures		
U.S. DEPARTMENT OF ENERGY (continued)				
BEA Harris Joint Appointment	81.000	86,997	R	
BEA Glenn Joint Appointment	81.000	19,369	R	
UI Data Management Project	81.087	36,550	R	(5)
UI Data Mgmt Project Phase II	81.087	14,925	R	(5)
INEEL Oversight Envir. Analysis	81.092	392,526	R	
GIT Ultrafast ZnO	81.113	20,797	R	
BSU CAES Energy Center	81.117	16,272	R	
BSU SunShot	81.117	43,902	R	
BSU Mapper/Sunshot	81.117	49,810	R	
UU Delayed Gamma	81.121	7,876	R	
Stoller Surveillance Project	81.121	268,387	R	
GSS OSL Project	81.121	29,092	R	
CC PNCECE Project	81.122	82,012	R	(5)
Total U.S. Department of Energy		$ 7,006,255		
U.S. DEPARTMENT OF EDUCATION				
Federal SEOG Grant	84.007	$ 330,215	T	(1)
Federal College Work Study	84.033	494,789	T	(1)
TRIO Student Support Services	84.042	298,228	T	(2)
TRIO Educational Talent Search-Poc	84.044	528,835	T	(2)
Upward Bound	84.047	46	T	(2)
TRIO Upward Bound	84.047	368,469	T	(2)
TRIO Upward Bound Math & Science	84.047	128,073	T	(2)
Federal Pell Grant 2011	84.063	15	T	(1)
Federal Pell Grant 2012	84.063	(3,429)	T	(1)
Federal Pell Grant 2013	84.063	23,812,997	T	(1)
Federal Pell Grant Prior Year	84.063	5,551	T	(1)
Federal Direct Lending Unsubsidized 2011	84.268	(1,699)	T	(1)
Federal Direct Lending Subsidized 2012	84.268	1,377	T	(1)
Federal Direct Lending Unsubsidized 2012	84.268	12,965	T	(1)
Federal Direct Lending Subsidized 2013	84.268	23,643,985	T	(1)
Federal Direct Lending Unsubsidized 2013	84.268	44,419,189	T	(1)
Federal Direct Lending Plus 2013	84.268	1,035,566	T	(1)
Federal Direct Lending Grad Plus 2013	84.268	3,038,406	T	(1)
Federal TEACH Grant 2012	84.379	4,000	T	(1)
Federal TEACH Grant Grad 2013	84.379	21,074	T	(1)
Federal TEACH Grant 2013	84.379	339,848	T	(1)
Pass Through Payments:				
COT Adult Basic Ed	84.002	228,618	T	
COT Abe Staff Development	84.002	15,398	T	
COT ABE Math ESTEC	84.002	6,213	T	

Federal Grant/Program Title	Federal CFDA Number	Expenditures		
U.S. DEPARTMENT OF EDUCATION (continued)				
COT ABE Math Bridge Pre-COT	84.002	8,355	T	
COT El/Civics Grant	84.002	10,779	T	
ISDE IBC Year 4 Non-ARRA	84.010	324,684	T	
ISDE IBC Year 5 Non ARRA	84.010	67,055	T	
SBOE Regional Special Ed Grant II	84.027	(17,825)	T	
OSBE Grow Your Own 2	84.027	81,528	T	
ISDE Regional Special Ed 2013	84.027	487,335	T	
ISDE Regional Special Ed 2014	84.027	5,943	P	
COT Title Iic Counselor	84.048	190,763	T	
COT Resource Center	84.048	64,139	T	
COT HRTD Preservice Workshop	84.048	27,125	T	
COT Instructional Equipment Grant	84.048	100,000	T	
COT Area V Tech Prep Consortium	84.048	88,414	T	
COT Dvrsity/Retention Specialist	84.048	117,368	T	
COT Tech General Ed	84.048	156,755	T	
Speech and Hearing Clinic	84.181	25,374	T	
State of Idaho GEAR UP	84.334	39,437	T	
OSBE MSP11	84.366	127,371	T	
Total Instructional Alignment	84.367	116,590	T	
OSBE Integration of CCSS	84.367	152,745	T	
ISDE IBC Year 4 ARRA	84.388	329,536	T	(5)
ISDE IBC Year 5 ARRA	84.388	9,827	T	(5)
Total U.S. Department of Education		$ 101,242,027		
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION				
Pass Through Payments:				
IHPO Idaho Heritage	89.003	$ 3,750	P	
Total National Archives and Records Administration		$ 3,750		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
NIH Xct Project	93.113	$ 16,738	R	
NIH ID of Functional Targets	93.113	94,958	R	
TBI	93.234	208,837	R	
AAYSP	93.243	202,412	R	
Rural Nurse Residency	93.359	290,514	T	
HRSA Prim Care Residency Expansion	93.510	139,006	T	
DHHS Hospital Discharge Model	93.779	21,917	R	
NIH Microvascular in HHcy	93.837	100,478	R	
NIH R15 Spectrum Scoring	93.855	136,074	R	
NIH Action Patterns	93.865	34,277	R	

Federal Grant/Program Title	Federal CFDA Number	Expenditures		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)				
HRSA BBMH	93.884	214,608	R	
Idaho Oral Health Institute	93.887	302,957	T	
HRSA RW Early Intervention	93.918	255,534	P	
HRSA Hep C 1	93.928	86,295	P	
Pass Through Payments:				
IDHW LMS Transition	93.069	30,878	T	
Safe & Stable Families (SASF)	93.087	51,235	R	
Autoimmune Outcomes	93.136	80,747	R	
BS UW HIV Training Program II	93.145	107,789	T	
NRHA 2010	93.155	7,040	T	
FSU Predictors	93.226	3,217	R	
COT HSPS Lab	93.241	10,500	T	
IDHW Med Rural Hosp Flex	93.241	21,237	R	
UCB Ethanol & Teratogenesis	93.273	18,483	R	
UMich Brain Endophenotypes	93.279	13,769	R	
INBRE	93.389	(203)	R	
IDHW Pregnancy Prevention	93.558	20,328	P	
IDHW Title IV-E Scholars Program	93.658	87,645	T	
IDHW Child Welfare Training	93.658	361,814	T	
IdahoSTARS - QRIS-IFELC	93.713	1,456	T	(5)
IdahoSTARS QRIS - PocELC	93.713	357	T	(5)
Center For Disability Evaluation	93.778	1,905,889	P	(3)
IDHW ICDE - Children	93.778	1,044,550	P	(3)
IDHW ICDE - Children II	93.778	90,264	P	(3)
IDHW Clinical Services	93.778	5,895	P	(3)
USCO Navegantes Para Salud	93.779	6,757	R	
AIM-HIGH	93.837	(1,962)	R	
CAPTION	93.837	5,756	R	
Lovelace Data Examination	93.855	39,874	R	
UI INBRE Project Year 4	93.859	315,881	R	
Ryan White III Grant	93.918	(828)	P	
IDHW HIV Prevention Grant	93.940	9,126	T	
Genesis Project	93.940	53,194	P	
IDHW Addiction Studies	93.959	20,000	T	
IDHW Green Dot	93.991	32,214	T	
Total U.S. Department of Health and Human Services		$ 6,447,507		
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Pass Through Payments:				
ICHC Year 11	94.006	$ 140,860	P	
IHCF Serve Idaho Year 2	94.006	187,019	P	

Federal Grant/Program Title	Federal CFDA Number	Expenditures	
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE (continued)			
Total Corporation for National and Community Service		$ 327,879	
U.S. DEPARTMENT OF HOMELAND SECURITY			
Pass Through Payments:			
IDWR Priest Lake	97.045	$ 89,632	R
BHS IEM LMS	97.067	34,986	T
Total U.S. Department of Homeland Security		$ 124,618	
Total Federal Expenditures		$ 122,363,734	

(1) Student Financial Aid
(2) TRIO Programs
(3) Medicaid Programs
(4) Grow Green Program
(5) 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, 2013

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 $2,150,129 and $244,500, respectively, for the year ended June 30, 2013. The cumulative administrative costs allowance as of the year ended June 30, 2013 was $613,869.

Funds distributed as agent for the Federal Direct Lending Program of $72,149,789 and the Federal Teach Program of $364,922 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, 2013

4. SUBRECIPIENTS

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

Program Title	Federal CFDA Number	Amounts Provided to Subrecipients
SMN Forensics	12.351	
Raytheon, Inc		$ 990
Battelle Energy Alliance		37,479
USGS Methow	15.808	
Oregon State University		$ (770)
NPS Craters of the Moon	15.945	
Krista Bolander-Ramacher		$ 1,160
DOJ Women's Pathways to Jail	16.751	
Georgetown University		$ 1,833
University of Colorado		15,562
South Caroline Research Foundation		4,441
IDOLRenewable Energy Education	17.275	
Red, Inc. Communications		$ 75,928
Deborah Pein		4,980
NSF Bimetallic Complexes		
Rice University	47.049	$ 10,948
NSF Dynamic Signal Modeling		
Erik Andries	47.049	$ 15,274
NSF Indigenous Nations	47.050	
University of Idaho		$ 4,423

Program Title	Federal CFDA Number		Amounts Provided to Subrecipients
NSF SNAZ	47.074		
University of Arizona		$	45,945
NSF SNAAP AGEP			
South Dakota School of Mines and Technology	47.076	$	29,467
UI Campus Connectivity	47.082		
Crowell-Schulte Information Technology			6,000
NEUP Project	81.000		
Colorado School of Mines		$	91,778
University of Massachusetts			42,455
University of Kentucky			37,433
Washington State University			58,662
Texas Engineering Experiment Station			6,533
BEA NEUP Deteriorated Heat Transfer	81.000		
Glenn McCreery		$	18,000
BEA NEUP Fuel Performance Experiments	81.000		
Georgia Tech Research Corp		$	184,239
University of Florida			82,350
BEA Scaling & Instrumentation II	81.000		
Glenn McCreery			22,200
BEA Fission Time Projection	81.000		
Colorado School of Mines		$	98,809
Oregon State University			119,038
Ohio University			83,106
California Polytechnic State University			116,815
Indiana University			63,539
Abilene Christian Univeristy			103,525
BEA NEUP Plasmonically Cloaked Scin	81.000		
Georgia Tech Research Corp		$	49,525
BEA NEUP NanoVision	81.000		
University of Maryland		$	126,033

Program Title	Federal CFDA Number		Amounts Provided to Subrecipients
BEA Fissionable Transmutation	81.000		
Texas Engineering Experiment Station		$	122,669
ISDE IBC Year 4 Non ARRA	84.010		
Mary Lu Barry		$	16,393
Angela Bergeson			9,406
Ronda Black			9,584
Business of Learning (Mary Gervase)			11,266
Janice Green			7,838
H & H Consultants			26,111
Norman (Nick) Hallett			7,847
Linda Hoge			8,060
Jewel M. Hoopes			16,195
Thomas Hughes			16,413
Kay Jones			31,571
Deb Lund			4,044
Patricia Kay Moor			14,633
Karen Osman			17,647
Schenkar Education Consulting			3,356
Mary Ann Ward			9,942
ISDE IBC Year 4 Non ARRA	84.010		
Mary Lu Barry		$	1,380
Angela Bergeson			2,285
Ronda Black			1,590
Business of Learning (Mary Gervase)			6,268
Janice Green			2,595
H & H Consultants			5,249
Linda Hoge			3,208
Jewel M. Hoopes			2,985
Thomas Hughes			4,923
Kay Jones			4,363
Patricia Kay Moor			5,797
Mary Ann Ward			2,172
OSBE MSP11	84.366		
Aberdeen School Dist #58		$	1,050
American Assoc of Physics Teachers			11,000
Blackfoot School Dist #55			1,050
Education Assessment & Training Inc			26,000
Idaho Falls School Dist #91			1,750

Program Title	Federal CFDA Number		Amounts Provided to Subrecipients
OSBE MSP11 (continued)			
Janet Mader			5,000
Marsh Valley Joint School Dist			700
Bonneville School Dist #93			2,450
Teton School Dist #401			350
Madison School Dist #321			2,450
OSBE Integration of CCSS	84.367		
Laurie Overman Cavey		$	3,500
ISDE IBC Year 4 ARRA	84.388		
Laurie Beebe		$	2,688
Angela Bergeson			3,781
Ronda Black			13,888
Business of Learning (Mary Gervase)			9,406
Norman (Nick) Hallett			6,106
H & H Consultants			16,272
Linda Hoge			26,913
Jewel M. Hoopes			19,461
Thomas Hughes			24,318
Deb Lund			9,843
Patricia Kay Moor			20,801
Schenkar Educational Consulting			7,539
Mary Ann Ward			18,796
ISDE IBC Year 5 ARRA	84.388		
Norman (Nick) Hallett		$	2,283
Autoimmune Outcomes	93.136		
Roger Diegel		$	10,000
TBI	93.234		
AGIS Assistguide		$	10,800
AAYSP	93.243		
Mountain State Group		$	12,500
Suicide Prevention Action Network of Idaho			6,250
Rural Nurse Residency	93.359		
New Mexico Ctr for Nursing Excellence		$	33,399
Angeline Bushy			3,351

Program Title	Federal CFDA Number	Amounts Provided to Subrecipients
NIH R15 Spectrum Scoring	93.855	
Quantified Inc		$ 10,560
Western Institute of Biomedical Research		51,034
HRSA RW Early Intervention	93.918	
Family Medicine Residency of Idaho		$ 13,164
HRSA Hep C 1	93.928	
Family Medicine Residency of Idaho		$ 2,347
TOTAL SUBRECIPIENTS		$ 2,324,289

FY13 ANNUAL
FINANCIAL STATEMENTS

Idaho State
UNIVERSITY

LEADING IN OPPORTUNITY AND INNOVATION