University of Idaho

FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2017 AND 2016 AND REPORT OF INDEPENDENT AUDITORS

University of Idaho

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MOSSADAMS

Report of Independent Auditors

Idaho State Board of Education
University of Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Idaho (University) and the discretely presented component unit, University of Idaho Foundation (Foundation), as of and for the years ended June 30, 2017 and 2016, and the aggregate remaining fund information of the University (the University of Idaho Health Benefits Trust and the University of Idaho Retiree Benefits Trust), as of and for the years ended December 31, 2016 and 2015, 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 audit. We did not audit the financial statements of the Foundation, which represent 100% of the assets, net position, and revenues of the discretely presented component unit, or the University of Idaho Health Benefits Trust, which represent 11%, 4%, and 92%, of the assets, net position and revenues of the aggregate remaining fund information respectively. Those statements were audited by other auditors whose reports has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation and the University of Idaho Health Benefits Trust, are based solely on the reports of 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Auditor's Responsibility (continued)

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

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

Auditor's Opinion

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University, and its discretely presented component unit, as of June 30, 2017 and 2016, and the aggregate remaining fund information of the University, as of December 31, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16 and the schedules of University's proportionate share of net pension liability – PERSI base plan, University contributions – PERSI base plan, funding progress – Retiree Benefits Trust, and employer contributions – Retiree Benefits Trust on page 73 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 managements 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Moss Adams LLP

Portland, Oregon
September 29, 2017

The University of Idaho (“University”) is a doctoral-research intensive land-grant institution, with the principal responsibility for research and granting Ph.D. degrees in Idaho. The University serves state, national and international communities by providing academic instruction and conducting research that advances fundamental knowledge. In addition to its main campus in Moscow, the University has instructional centers in Coeur d’Alene, Boise, Twin Falls and Idaho Falls as well as research and extension centers located across the state.

Overview

The Management’s Discussion and Analysis is designed to provide an easy to read analysis of the University’s financial condition, results of operations and cash flows based on facts, decisions and conditions known at the date of the auditor’s reports, June 30, 2017.

The discussion and analysis that follows provides an overview of the University’s financial activities for the fiscal year ended June 30, 2017 in comparison to 2016 and 2015. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. They are prepared using the accrual basis of accounting, whereby revenues are recognized when goods and services are provided and expenses are recognized when goods or services are received, regardless of when cash is exchanged.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, Determining Whether Certain Organizations are Component Units, an Amendment of GASB Statement No. 14, these statements also present information for the University of Idaho Foundation, Inc. (“Foundation”), which qualifies as a component unit of the University.

In accordance with GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, the University has included financial statements for the Health Benefits Trust (HBT) and Retirement Benefits Trust (RBT). The HBT was established to meet the requirements of the State of Idaho Department of Insurance in order to manage the University’s self-insurance program. Separate audited financial statements are prepared for the HBT and may be obtained by contacting the Vice President for Finance for the University of Idaho. These statements and related supplementary information are presented after the University’s financial statements and preceding the notes to the financial statements.

Statement of Net Position

The statement of net position outlines the University’s financial condition at fiscal year-end. This is a point-in-time financial statement and presents end-of-year data concerning assets, liabilities and net position. From the data presented, readers are able to determine the assets available to continue the operations of the University. They are also able to determine how much the University owes vendors, investors and lending institutions. Finally, it provides a picture of the net position (assets minus liabilities) and its availability for expenditure by the University. Trends in net position are a useful indicator of whether the entity’s financial condition is improving or declining.

The statement of net position is presented in a classified format, which differentiates between current and noncurrent assets and liabilities, and also groups net position into four categories which are:

1. Net Investment in Capital Assets - the University's investment in property, plant, and equipment - net of depreciation and outstanding debt obligations related to those capital assets.

2. Restricted Nonexpendable - the corpus of nonexpendable restricted resources is available only for investment purposes. These assets are held in perpetuity.

3. Restricted Expendable - subject to external donor or grantor stipulations regarding their use. The University may expend these assets for purposes as determined by donors and/or external entities.

4. Unrestricted - may be expended for any lawful purpose of the University.

Condensed Statement of Net Position
Fiscal Years Ended June 30
(Dollars in Thousands)

	2017	2016	2015
ASSETS			
Current assets	$ 68,831	$ 72,015	$ 63,438
Capital assets - net	443,783	437,766	400,400
Other noncurrent assets	96,403	108,395	141,828
Total assets	$ 609,017	$ 618,176	$ 605,666
Deferred Outflows of Resources	$ 18,562	$ 8,660	$ 8,803
Total assets and Deferred Outflows	$ 627,579	$ 626,836	$ 614,469
LIABILITIES			
Current liabilities	$ 34,820	$ 44,313	$ 46,180
Noncurrent liabilities	220,667	214,086	209,098
Total Liabilities	$ 255,487	$ 258,399	$ 255,278
Deferred Inflows of Resources	$ 4,090	$ 6,885	$ 18,542
Total Liabilities and Deferred Inflows	$ 259,577	$ 265,284	$ 273,820
NET POSITION			
Net investment in capital assets	$ 258,253	$ 258,039	$ 248,984
Restricted nonexpendable	-	-	-
Restricted expendable	39,605	36,162	33,152
Unrestricted	70,144	67,350	58,513
Total net position	$ 368,002	$ 361,551	$ 340,649
Total liabilities, deferred inflows of resources and net position	$ 627,579	$ 626,836	$ 614,469

Total assets and deferred outflows of resources for the University fiscal year 2017 were $627.6 million, an increase of $0.7 million (+0.1%) when compared to prior year.

Current assets decreased $3.2 million (-4.4%) to $68.8 million due to decreases in cash/cash equivalents, prepaid expenses and accounts receivable. Unrestricted cash decreased slightly by $0.4 million (-1.3%) due to the purchase of non-capital furnishings for Integrated Research and Innovation Center (IRIC) and the College of Education projects as they were completed in fiscal year 2017 (FY17). The University maintains higher cash balances at fiscal year-end in order to meet ongoing expenditures upon completion of its annual drawdown of state appropriations by April or May but prior to its receipt of revenues for the next academic term. Additionally, the University chose not to move any operating cash into its longer-term investments in FY17 while capital projects were underway. Prepaid expenses of $0.9 million were significantly lower at year-end FY17 compared to the fiscal year 2016 (FY16) ending balances of $1.4 million due to health insurance claims accruals at fiscal year-end 2016 (FYE16) that were not duplicated at FYE 2017. The University changed to a prefunding model for claims expenses beginning in January 2017. Accounts receivable of $31.1 million decreased $2.5 million (-7.3%) when compared to FYE16. This significant decrease was due to a $1.6 million decrease in student account balances combined with a $1.6 million decrease in accrued grants and contracts revenue accrued at June 30, 2017. This lower grants accrual related to a decrease in year-end accrued grant payroll expenses to which this revenue is directly related. In addition, the allowance for doubtful accounts did not decrease at the same rate as accounts receivable for FY17, thereby resulting in a slightly higher proportional allowance at year-end compared to student accounts receivable balances.

Noncurrent assets decreased from $546.2 million to $540.2 million during FY17, a decrease of $6.0 million (-1.1%). Restricted cash and cash equivalents decreased by $12.0 million (-62.8%) due to University spend-down of restricted bond proceeds as its IRIC and College of Education capital projects were completed. These projects had been primarily financed by the University's issuance of its Series 2014 bonds in July 2015. The University's unrestricted long-term, noncurrent investments decreased by $0.4 million from $78.6 million to $78.2 million by FYE 17. This was a result of unrealized losses incurred in the University's long-term, fixed-asset portfolio as the bond markets experienced a downturn in the first half of calendar 2017. These unrealized losses were partially offset in FY17 by continued reinvestment of all income and realized capital gains back into the portfolio. Net capital assets of $443.8 million increased by $6.0 million (+1.4%) from the FYE 16 balance of $437.8 million. This increase was attributable to the completions of the IRIC and College of Education projects, as well as additional capital projects and assets completed and purchased during the year. These increases were offset by the FY17 increase in accumulated depreciation of $20.8 million and net capital asset retirements of $3.6 million for the year. Total assets of the University decreased by $9.2 million (-1.5%) to $609.0 million as of year-end June 30, 2017.

Deferred outflows of resources increased from $8.7 million to $18.6 million in FY17 (+114.3%). In FY15, the University implemented GASB Statement 68 related to defined benefit pension plans. At year-end FY17, the University recognized deferred outflows of $16.7 million for its FY17 contributions and changes in actuarial assumptions to the Public Employee Retirement System of Idaho (PERSI) program, an increase of $9.9 million (+146.4%) from FYE 16. Since the measurement date for the University's required recognition of its portion of the net PERSI liability is and will continue to be as of the preceding year at June 30th, the University recognizes its current year PERSI contributions as deferred outflows of resources rather than expensing them upon incurrence. The balance of the University's deferred amounts on refunding decreased slightly to $1.8 million as a result of ongoing amortization of these balances.

Current liabilities decreased $9.5 million (-21.4%) to $34.8 million in fiscal year 2017. Accounts payable decreased $0.7 million due to lower year-end FY17 accrued construction costs of $2.0 million, offset by increased accruals for VandalStore, food service, IRIC, EPSCoR (the National Science Foundation's "Experimental Program to Stimulate Competitive Research"), and other smaller operations totaling $1.3 million. Accrued salaries and benefits decreased by $8.6 million from $13.9 million to $5.3 million in FY17. Accrued salaries were $7.6 million lower at June 30, 2017 due to a shorter accrual period (one less pay period required accrual at FYE17). Accrued benefits of $4.4 million decreased $1.0 million due to decreased employer payroll taxes associated with the lower payroll accrual.

Noncurrent liabilities increased $6.6 million (+3.1%) to $220.7 million over the prior year total of $214.1 million. FYE17 notes and bonds payable decreased by $5.7 million from FYE16 due to debt service payments made during the year with no issuance of new debt by the University in FY17. FYE16 had experienced a similar decrease from fiscal year-end 2015 (FYE15) also due to continued payment of debt service without any additional debt being issued during FY16. Additional FYE17 and FYE16 debt information can be found in footnotes 9 and 10 to these financial statements. Additionally, the University's portion of the PERSI FY16 net pension liability (the PERSI plan's measurement date lags by one fiscal year) increased by $12.3 million (+51.3%) from $24.0 million at FYE 16 to $36.3 million at FYE 17. This was due to PERSI's significantly lower investment income in FY16 when compared to FY15 (-44.8%), combined with increased benefits costs of 6.8% for that same time period. The University's proportionate share of the aggregate PERSI net pension liability decreased slightly in FY17 to 1.79% for the PERSI 2016 fiscal year from 1.81% for the PERSI 2015 fiscal year.

Total liabilities of the University decreased by $2.9 million (-1.1%) to $255.5 million as of year-end June 30, 2017.

Deferred inflows of resources of $4.1 million at FYE 17 decreased by $2.8 million (-40.6%) from the FYE 16 balance of $6.9 million. This decrease was related to changes in actuarial/investment experience and changes in assumptions related to the Idaho PERSI fiscal year 2016 plan performance. FYE16 deferred inflows of resources decreased $11.7 million from their FYE15 balance of $18.6 million also due to changes in actuarial/investment experience and changes in assumptions related to the PERSI fiscal year 2015 plan performance.

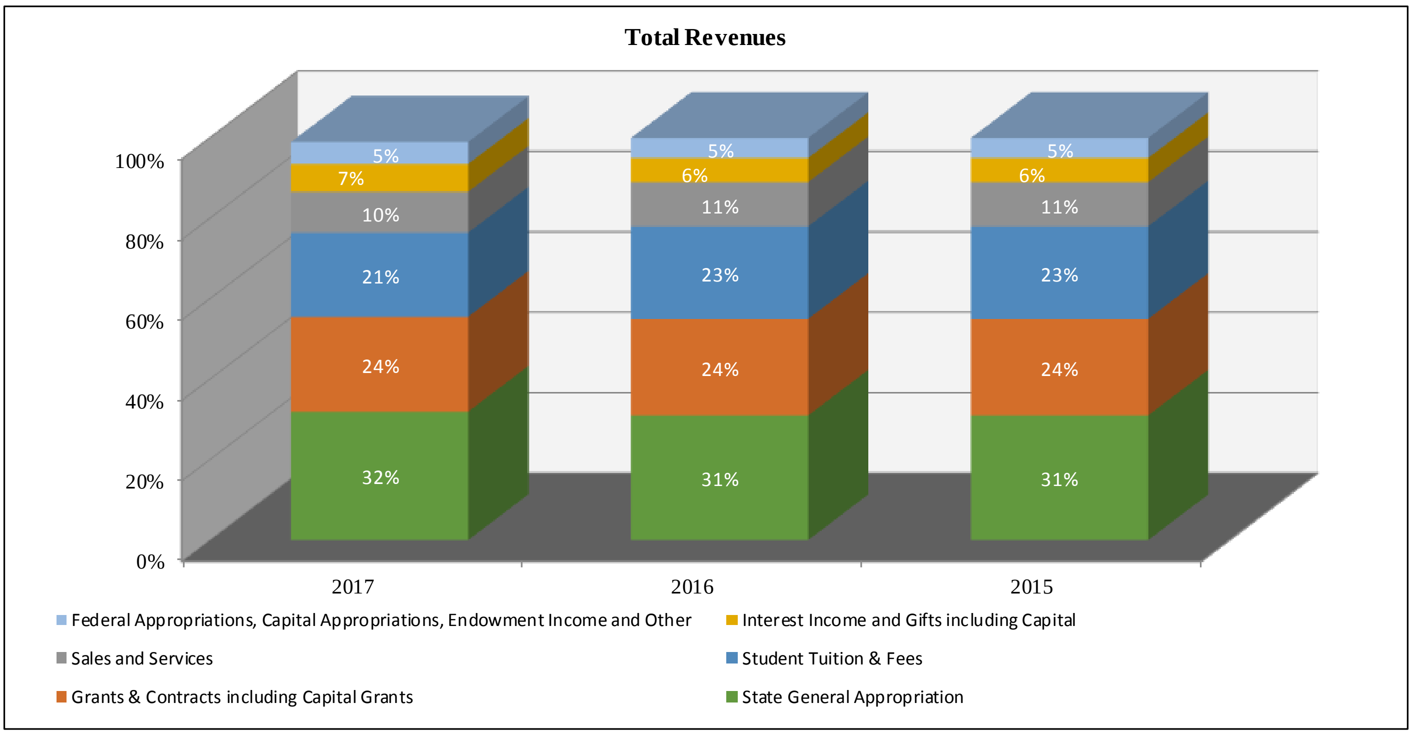
The University's net position increased by $6.5 million (+1.8%) to $368.0 million for the year ended June 30, 2017. Unrestricted net position increased by $2.8 million to $70.1 million (+4.1%) as of year-end 2017, while restricted expendable net position increased by $3.5 million to the year-end total of $39.6 million. Net investment in capital assets increased by $0.2 million to $258.3 million at June 30, 2017.

Statement of Revenues, Expenses and Changes in Net Position

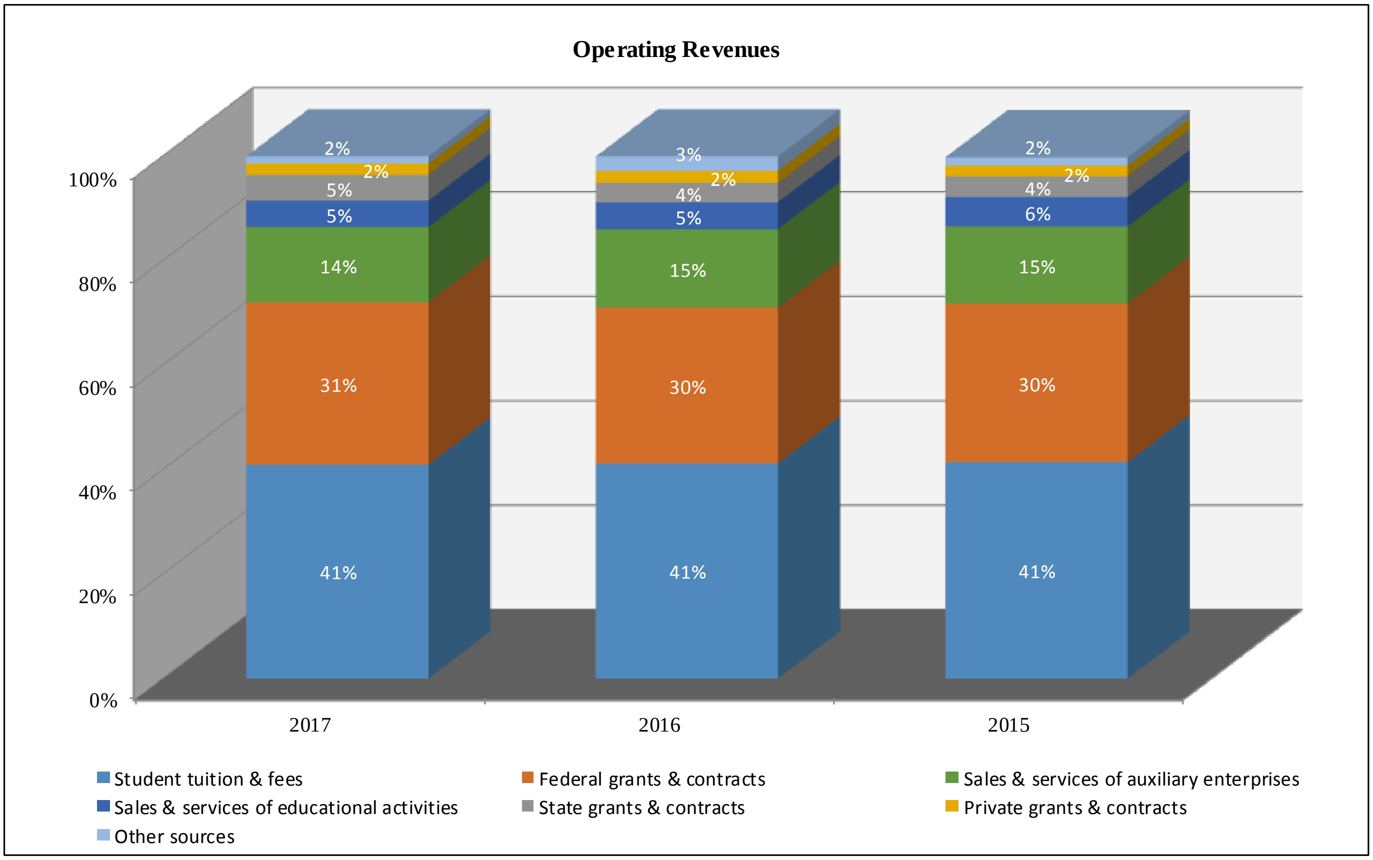
The statement of revenues, expenses and changes in net position presents the revenues earned and expenses incurred during the year, classifying activities as either operating or non-operating. The GASB 34 reporting model classifies state appropriations, gifts, federal appropriations, and investment income as non-operating revenue, which results in a net operating loss.

Operating revenues are derived from exchange transaction activities associated with providing goods and services for instruction, research, public service or related support to entities separate from the University. Examples include student tuition and fees, sales and services, grants and contracts. Operating expenses are those expenses paid to acquire or produce the goods and services to carry out the functions of the University. Examples include salaries, benefits, scholarships, and purchases of supplies. Non-operating revenues are primarily derived from activities that are non-exchange transactions, e.g., gifts and contributions; and from sources defined as such by GASB Statement No. 9, e.g., investment income; and from sources defined as such by GASB Statement Nos. 33 and 34, e.g., state and federal appropriations.

When comparing all of the University's sources of revenue in fiscal year 2017, as shown in the chart below, state appropriations account for 32% of the total revenue received while grants and contracts account for 24%, and student tuition and fees are 21% of the total.



When isolating the review to only operating revenues, as shown in the graph below, approximately 85% of total operating revenues in fiscal year 2017 were generated from three key revenue sources. Student tuition and fees account for 40% of total operating revenues while federal grants and contracts account for 31%, and sales and services of auxiliary enterprises account for 14%. All other categories account for 5% or less.



Condensed Statement of Revenues, Expenses and Changes in Net Position
Fiscal Years Ended June 30
(Dollars in Thousands)

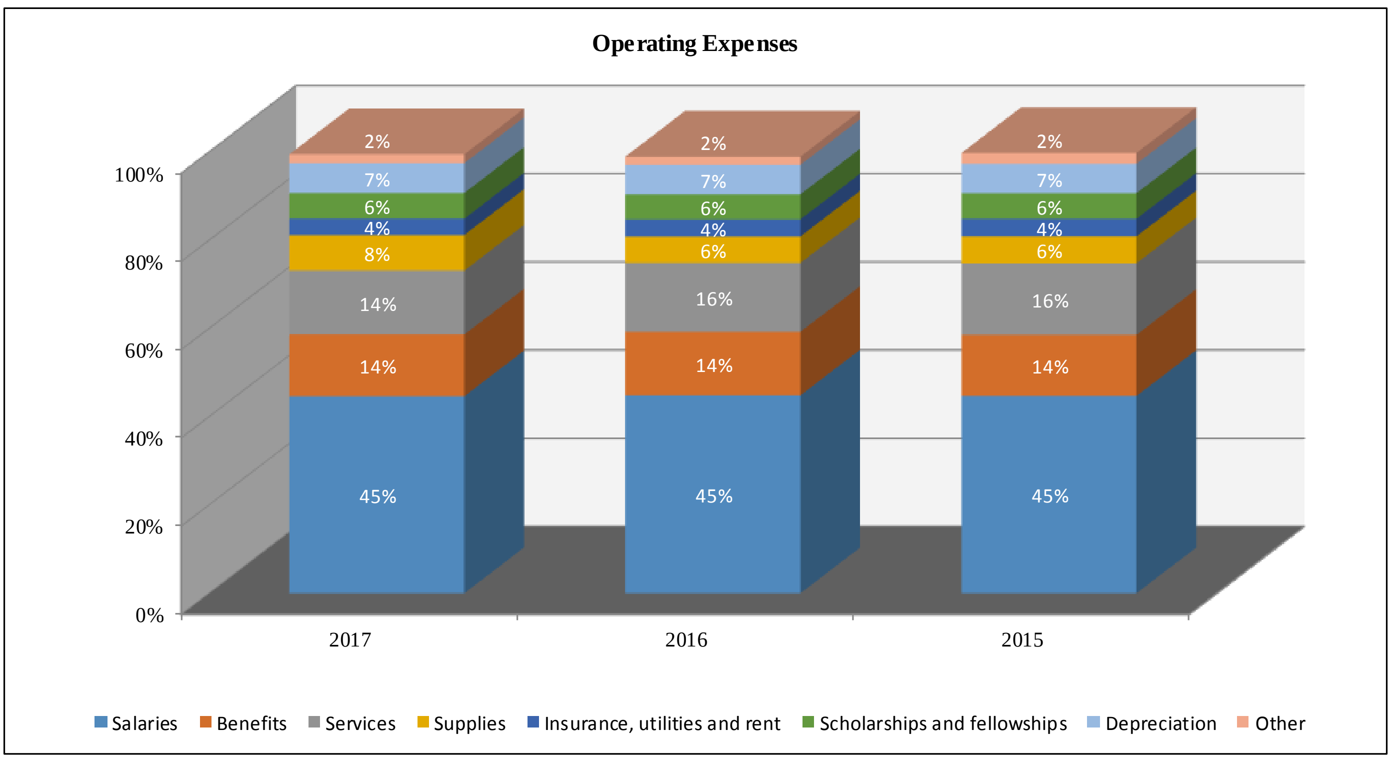
	2017	2016	2015
Operating revenues	$ 215,984	$ 212,592	$ 214,750
Operating expenses	398,017	374,933	364,536
Operating loss	(182,033)	(162,341)	(149,786)
Net nonoperating revenues	176,307	173,193	170,280
Gain (loss) before other revenues	(5,726)	10,852	20,494
Other revenues	12,177	10,051	3,966
Increase In Net Position	6,451	20,903	24,460
Net Position - Beginning of year (Previously reported)	361,551	340,648	345,580
Cumulative effect implementing GASBS 68 (Note 19)	-	-	(29,392)
Net Position - Beginning of year (Restated)	361,551	340,648	316,188
Net Position - End of year	$ 368,002	$ 361,551	$ 340,648

The statement of revenues, expenses and changes in net position details the $6.5 million increase in net position for fiscal year 2017. This increase was below the prior year increase of $20.9 million.

Operating revenues increased slightly by 1.6% from $212.6 million in FY16 to $216.0 million in FY17. Student tuition and fees, net of scholarship allowance, decreased $1.3 million to $86.3 million (-1.5%). The Idaho State Board of Education approved a 3% increase in student tuition and fees for FY17. Total student headcount enrollments in both undergraduate and graduate levels experienced a 2.1% increase in the fall of 2016 over fall 2015 to 11,780 students, and corresponding spring 2017 enrollments increased 0.9% from their spring 2016 level to 10,535 students. However, the fall 2016 headcount increases were driven by dual-credit enrollments of high-school students, so the related full-time equivalent (FTE) fall 2016 enrollments were down 2.0% to 9,422, although spring 2017 FTE enrollments increased by 0.6% to 8,662 from FY16. FY 17 enrollments were down in both semesters for undergraduate and law school students, but increased for graduate students as well as first-year medical school students enrolled in the Washington-Wyoming-Alaska-Montana-Idaho (WWAMI) program. Other factors decreasing net tuition and fee revenues in FY17 were an increase in waivers of $0.8 million (+5.0%) to $17.5 million for the year, as well as an increase in the scholarship allowance during the year of $1.3 million (+5.8%) to $24.1 million. University of Idaho leadership remains committed to effecting strategies for increasing future enrollments at all levels within the University.

Both Federal and State grants and contracts revenues were higher in FY17 compared to FY16. Federal grants and contracts revenues in FY17 of $67.1 million increased by $3.7 million (+5.8%) from $63.4 million in FY16. State grants revenues were $10.7 million for FY17, compared to $7.8 million in FY16, an increase in the current year of $2.9 million (+37.6%). These increases were a reflection of higher awards being received in FY16. Awards are generally reflected as revenues in succeeding years when monies are actually expended on related grants, therefore the higher FY16 awards resulted in higher FY17 revenues. Awards in FY17 were somewhat lower at $78.0 million as compared to $82.0 million in FY16, a decrease of $4.0 million (-4.9%). Private grants and contracts revenues of $4.6 million were down $0.2 million (-4.8%) from $4.8 million in FY16. Private grants and contracts are generally smaller grants than Federal and State awards, and their revenues tend to fluctuate more from year-to-year. FY17 sales and services of educational activities revenues of $11.0 million were consistent with the FY16 total. Sales and services revenues related to auxiliary enterprises of $31.1 million were only down $0.1 million from $31.2 million in FY16. While housing, textbook and supply sales, and rental revenues were down $1.2 million (-8.6%) due primarily to the lower enrollments, combined dining and other food/catering revenues were up $0.1 million (+3.6%) and Athletics NCAA and conference payments were up $1.1 million (+53.5%). A significant portion of the Athletics increase was due to receipt of one-time NCAA monies of $0.6 million. Other sources of operating revenue decreased $1.4 million (-21.9%) to $4.8 million due to decreases in a variety of revenues: pharmacy rebates related to the University's self-insured health plan were up $0.5 million but were offset by decreases in miscellaneous revenues of a one-time Defense Advanced Research Project Agency (DARPA) prize of $0.75 million received in FY16, and decreased revenues related to the University's health plan and billings to an agency agreement of $0.2 million.

In fiscal year 2017, as shown in the graph below, 73% of operating expenses were generated from three key expenditure sources. Total personnel costs (salaries and benefits) account for 59% of total operating expenses while services expenditures account for 14%. All other categories each account for 8% or less.



FY17 operating expenses increased by $23.1 million (+6.2%) over FY16 to $398.0 million. Total personnel costs of $235.8 million in FY17 were $13.6 million higher than the 2016 level of $222.2 million. Salaries expense increased $9.5 million (+5.6%) due to a FY17 across-the-board change in employee compensation (CEC) of 3% combined with additional merit increases awarded and the filling of positon vacancies. Benefits expense increased $4.1 million (+7.6%) in FY17 due to increases in several expense categories. Employer health care expenses of $20.6 million increased $1.6 million due to increased employee and retiree claims costs and related administrative services fees, FICA/FICA Medicare employer costs increased $1.1 million due to the FY17 salary increases, employer retirement costs increased $1.0 million, and other costs such as employer-provided life, disability and worker's compensation insurances, staff and staff spouse tuition/fee waivers and terminal leave accounted for the remaining $0.4 million of benefits expense increase. FY17 supplies expenditures increased by $5.8 million (+22.2%) to $32.1 million. This increase was predominantly related to purchases of non-capital furnishings for the IRIC, College of Education and first floor Library projects of $1.4 million, $1.3 million of non-capitalizable computer equipment for the first floor Library, $0.5 million in photographic equipment for the College of Education Doceo Center an increase in research supplies of $0.5 million, and $1.7 million in additional non-capital repair and remodeling projects across campus. Scholarship expenses of $23.2 million increased by $1.9 million (+9.2%) over their FY16 level due to increased awards during the fiscal year. Depreciation expense increased by $1.7 million (+6.8%) to $26.9 million due to the College of Education and IRIC projects coming online in FY17. Other operating expenses of $7.6 million increased $0.6 million (+9.0%) from FY16 due to increased expenditures of $0.7 million related to the University's Higher Education Research Council, Idaho Global Entrepreneurial Mission (HERC-IGEM) grants for research combined with increased expenditures of $0.4 million on the University's Idaho Millennium Fund grants to provide anti-tobacco education. These increases in other operating revenues were offset by decreases in expenditures for a wide variety of other funds. FY17 services and insurance/utilities/rent expenses were comparable to their FY16 levels.

The University's net operating loss increased ($19.7 million) (+12.1%) to ($182.0 million) in FY17 compared to the FY16 net operating loss of ($162.3 million).

Nonoperating revenues, net of interest expense, increased $3.1 million (+1.8%) to $176.3 million in FY17. State appropriation revenues, including land grant endowment income, increased by $11.7 million (+9.0%) to $142.0 million, due to several factors. The University received an overall increase of $8.2 million in state general education funding consisting of increases for salaries and benefits of $5.1 million (change in employee compensation and benefits increases and one additional payroll incurred in FY17), $0.5 million for the Complete College Idaho initiative, $1.0 million for a computer science program in Coeur d'Alene, $0.7 million for increased state costs (Idaho risk management, state controller's office and rental expenses) and $0.7 million increase in occupancy funding. Land grant endowment income increased $0.9 million to $10.1 million in FY17 based on income generated from endowed lands by the State of Idaho. FY17 Federal appropriations were down $0.4 million to $5.1 million from their FY16 levels. FY17 Federal grants and contracts (Pell grant) revenues decreased by $3.0 million (-17.4%) to $14.1 million, primarily due to the University's increased proportion of part-time students who receive lower award amounts. A net decrease of $6.1 million in the fair market value of investments at fiscal year-end 2017 was due to declines in the fixed asset markets in the latter half of FY17. The University did continue to reinvest all income and realized capital gains back into its investment portfolio during the year. Interest expense decreased 20.2% from $7.5 million to $6.0 million due to the University issuing no new debt in FY17, continued normal pay down of principal on existing debt, and capitalization of FY17 interest expense related to the bond funding of the IRIC and College of Education projects.

The University's loss before other revenues of ($5.7 million) in FY17 decreased ($16.5 million) from its gain before other revenues in FY16 of $10.8M million.

Other revenues increased by $2.1 million in FY17 due to a $3.7 million increase in capital funds from the Foundation offset by a $1.6 million decrease in funding for campus improvements and capital projects from the Idaho Department of Public Works ("DPW"). Capital grants and contracts revenues of $0.8 million were $0.1 million above their FY16 levels. In FY16, the Foundation had provided $1.3 million in funding for capital projects, an increase of $0.8 million over the same revenues for FY15. DPW provided funding of $8.1 million for campus improvements and capital projects in FY16, and increase over FY15's funding level of $2.5 million.

As stated previously, the University's overall increase in net position of $6.5 million was down from its net position increase in FY16 of $20.9 million.

Statement of Cash Flows

The statement of cash flows presents detailed information about the cash activities of the University during the year ended June 30, 2017. The statement is divided into five parts. The first part details operating cash flows and the net cash used by the operating activities of the University. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, non-investing and non-capital financing purposes. The third section, cash flows from capital and related financing activities, shows the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds and interest received. The fifth section reflects the net change in cash position.

Condensed Statement of Cash Flows
Fiscal Years Ended June 30
(Dollars in Thousands)

	2017	2016	2015
Cash provided (used) by:			
Operating activities	$ (163,073)	$ (140,042)	$ (137,712)
Noncapital financing activities	182,490	174,534	176,946
Capital and related financing activities	(32,257)	(64,983)	18,550
Investing activities	379	214	399
Net change in cash	(12,461)	(30,277)	58,183
Cash beginning of the year	51,211	81,488	23,305
Cash end of the year	$ 38,750	$ 51,211	$ 81,488

Operating activities used $163.1 million in cash during fiscal year 2017, resulting in an increase of $23.0 million (+16.4%) from fiscal year 2016 levels. This increase was related to a slight reduction in net tuition and fees revenue of $1.2 million (-1.3%), combined with an increase in operating grants and contracts revenues of $9.0 million

(+12.0%), offset by increased expenditures for payroll and benefits (+$19.7 million), suppliers (+$7.1 million) and scholarships (+$1.9 million). Non-capital financing activities provided $182.5 million in cash during fiscal year 2017, an increase from FY16 of $8.0 million. This increase resulted from increased state appropriations and land grant endowment income (+$11.7 million), offset by decreases in federal appropriations (-$0.4 million), nonoperating federal grants and contracts (-$3.0 million), and gifts and other receipts (-$0.3 million). Capital and related financing activities used $32.3 million of net cash in FY 2017 compared to $65.0 million in FY 2016 (-$32.7 million). This was a result of the University receiving lower state capital appropriations in FY17 (-$1.6 million), this decrease being offset by increased other capital gifts and grants (+3.8 million) and decreased capital asset purchases (-$29.6 million) as the College of Education and IRIC projects finished and came online. Net investing activities generated $0.4 million in cash in fiscal year 2017, as compared to using $0.2 million in fiscal year 2016.

Capital Assets and Debt Management

The University had $891.0 million and $864.2 million of capital assets at June 30, 2017 and 2016 respectively, with accumulated depreciation of $447.2 million and $426.4 million respectively. The major categories and associated value of capital assets as well as accumulated depreciation at June 30, 2017, 2016 and 2015 are illustrated in the table below:

	2017	2016	2015
Capital Asset at Cost			
Buildings and improvements	$ 661,191	$ 600,244	$ 581,379
Equipment	102,958	102,826	96,999
Construction in progress	1,639	40,349	11,070
Library materials	95,112	90,726	86,520
Capitalized collections	2,377	2,381	2,333
Land	27,714	27,641	27,641
Total Capital Assets	$ 890,991	$ 864,167	$ 805,942
Accumulated Depreciation			
Buildings and improvements	$ 287,011	$ 270,303	$ 256,433
Equipment	84,211	83,928	80,620
Library materials	75,987	72,170	68,489
Total Accumulated Depreciation	$ 447,209	$ 426,401	$ 405,542
Total Capital Assets, Net	$ 443,782	$ 437,766	$ 400,400

	2017	2016	2015
Total Notes and Bonds Payable	$ 190,112	$ 195,695	$ 200,713

Building and improvements balances before depreciation increased to $661.1 million in FY17, an increase of $60.9 million over ending FY16. This increase was directly related to the completion of the University's Integrated Research and Innovation Center ("IRIC") in early winter 2016, as well as the completion of the University's entire renovation of its College of Education building, which came online in late summer 2016. Correspondingly, there was a decrease of $38.7 million in the University's construction in progress as of June 30, 2017. FY16 year-end capital asset balances saw an increase of $18.9 million in buildings and improvements over year-end fiscal year 2015 (FY15) due to a combination of University expenditures of $10.8 million on numerous projects across the University's campus, as well as recognition of $8.1 million of DPW projects coming online in FY16. FY16 construction in progress of $40.3 million also increased $29.3 million over FY15's ending balance due to progress of the IRIC and College of Education projects. Further details of the University's capital assets and associated accumulated depreciation can be found in footnote 6 to these financial statements.

At June 30, 2017, 2016, and 2015, the University had debt (or similar long-term obligations) of $190.1 million, $195.7 million, and $200.7 million respectively. As stated previously, the decreases in long-term debt in FYs 17 and 16 were related to the University's ongoing debt service payments combined with no new incurrence of debt during those fiscal years. Additional information regarding the University's long-term obligations can be found in footnotes 9 and 10 of these financial statements.

Economic Outlook

Funding for the major activities of the University comes from a variety of sources including tuition and fees, state appropriations, private and government grants and contracts, auxiliary sales and services, donor gifts and investment income. Revenues are also generated through recovery of costs associated with federal grants and contract activities, which serve to offset related administrative and facility costs at the University.

State of Idaho support for the University has increased steadily over the past 3 years, in whole dollars and as a percentage of revenues. The overall economy of the state has shown strong growth in 2017, finishing the year with $3.4 billion in general fund receipts, which surpassed fiscal year 2016 by 8.3%. The Division of Financial Management is projecting growth in general fund receipts of 4.6% for fiscal year 2018.

The University received approval from the State Board of Education to increase tuition and fees in fiscal year 2017 by 3%. Enrollment was relatively stable in 2017 after several years of declines. Increased investment in strategic enrollment efforts and financial aid management continue to be a critical focus of University leadership and management. The University of Idaho has led efforts with the Idaho State Board of Education to promote and encourage increases in Idaho high-school "go-on" rates to college over the last year and will continue such efforts in future years. In addition, the University has been focusing greater attention on achieving diversified and sustainable growth with respect to its international student population. Finally, significant efforts across all areas of the University continue to remain focused on student retention with promising results seen at both the undergraduate and graduate levels.

The University continues to excel as a national leader in high-quality academic research. Recognized by the Carnegie Foundation as a high research activity institution, the University was actively engaged in approximately $82 million in sponsored programs, grant and contract activities in fiscal year 2017. University efforts toward proactively pursuing new federal, state, industry and other grants and contracts show the ongoing commitment to remain a national leader in academic research. The University submitted 951 proposals in FY17 totaling $256 million and received awards of $78.0 million. Significant awards were received across numerous projects with various sponsors, including the Department of Health and Human Services ($8.4 million), the Idaho Department of Health and Welfare ($6.8 million), the Idaho Department of Education ($4.4 million), the National Science Foundation ($7.2 million), the U.S. Office of Education ($3.1 million), the National Institute of Food and Agriculture/USDA ($4.6 million), USDA Agricultural Research Services/Forest Service/Other USDA ($4.7 million), the U.S. Department of Energy ($2.5 million), the National Aeronautic Space Administration ($3.1 million), Columbia River Inter-Tribal ($2.1 million), Battelle Energy Alliance LLC ($2.7 million), and research with other universities ($6.3 million).

The University has set forth a 9-year Strategic Plan, guided by its mission to shape the future through innovative thinking, community engagement and transformative education, which will guide prioritization of resources through 2025. Every member of the University's collective body, comprised of students, faculty and staff, are fully committed to playing an active role in the continued success of the State of Idaho's premier research and land-grant institution.

University of Idaho

STATEMENT OF NET POSITION
AS OF JUNE 30, 2017 AND 2016

ASSETS	University of Idaho 2017	University of Idaho 2016	University of Idaho Foundation (note 17) 2017	University of Idaho Foundation (note 17) 2016
CURRENT ASSETS				
Cash and cash equivalents	$ 31,612,738	$ 32,033,054	$ 2,481,963	$ 4,749,233
Due from state agencies	198,771	231,932	-	-
Prepaid expenses	880,330	1,380,091	-	-
Investments	-	-	15,170,688	14,198,302
Interest receivable	786,079	711,754	227,280	182,030
Student loans receivable - net	2,190,255	2,179,650	-	-
Accounts receivable & unbilled charges - net	31,055,786	33,513,185	-	-
Inventories	1,831,348	1,674,869	-	-
Promises to give - net	-	-	910,718	873,521
Notes receivable	275,830	290,594	101,022	95,417
Total Current Assets	68,831,137	72,015,129	18,891,671	20,098,503
NONCURRENT ASSETS				
Restricted cash and cash equivalents	7,137,023	19,177,557	17,241,911	11,360,144
Student loans receivable - net	8,434,491	8,393,996	-	-
Investments	78,155,110	78,564,134	276,922,808	254,547,511
Promises to give - net	-	-	2,259,698	1,412,391
Notes receivable	-	-	132,719	239,347
Real estate holdings	-	-	4,420,457	5,340,457
Non-depreciable capital assets	31,729,774	70,371,135	-	-
Depreciable capital assets - net	412,052,804	367,394,707	-	-
Other post-employment benefits asset - net	2,677,000	2,259,000	-	-
Other noncurrent assets	-	-	367,354	371,028
Total Noncurrent Assets	540,186,202	546,160,529	301,344,947	273,270,878
TOTAL ASSETS	$ 609,017,339	$ 618,175,658	$ 320,236,618	$ 293,369,381
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on refunding	1,841,954	1,874,776	-	-
Deferred contributions and changes of assumptions to University's pension plan	16,720,181	6,785,395	-	-
Total Deferred Outflows of Resources	18,562,135	8,660,171	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 627,579,474	$ 626,835,829	$ 320,236,618	$ 293,369,381

See notes to financial statements

AS OF JUNE 30, 2017 AND 2016

LIABILITIES	University of Idaho 2017	University of Idaho 2016	University of Idaho Foundation (note 17) 2017	University of Idaho Foundation (note 17) 2016
CURRENT LIABILITIES				
Accounts payable	$ 4,844,566	$ 5,589,247	$ 71,746	$ 43,042
Accrued salaries and benefits payable	5,287,345	13,855,056	-	-
Compensated absences payable	7,139,661	6,780,580	-	-
Trust earnings payable to trust beneficiaries	-	-	10,675,358	10,236,656
Accrued interest payable	2,225,559	2,263,701	-	-
State teacher education loan advance	171,018	183,086	-	-
Deposits	831,896	836,750	-	-
Unearned revenue	7,153,678	7,313,420	-	-
Funds held in custody for others	1,408,406	1,789,862	-	-
Current portion long-term liabilities	5,721,351	5,583,328	-	-
Other liabilities	36,803	118,498	-	-
Split interest agreements	-	-	1,052,500	983,860
Total Current Liabilities	34,820,283	44,313,528	11,799,604	11,263,558
NONCURRENT LIABILITIES				
Notes and bonds payable	184,390,597	190,111,949	-	-
Net pension liability	36,275,764	23,973,741		
Split interest agreements	-	-	6,497,564	6,363,236
Total Noncurrent Liabilities	220,666,361	214,085,690	6,497,564	6,363,236
TOTAL LIABILITIES	$ 255,486,644	$ 258,399,218	$ 18,297,168	$ 17,626,794
DEFERRED INFLOWS OF RESOURCES				
Deferred actuarial/investment experience and changes of assumptions to University's pension plan	4,090,434	6,885,314	-	-
Total Deferred Inflows of Resources	4,090,434	6,885,314	-	-
NET POSITION				
Net investment in capital assets	258,252,892	258,039,101	-	-
Restricted for:				
Nonexpendable	-	-	228,811,089	216,363,531
Expendable	39,604,882	36,161,850	66,176,111	52,567,752
Unrestricted	70,144,622	67,350,346	6,952,250	6,811,304
Total Net Position	368,002,396	361,551,297	301,939,450	275,742,587
TOTAL LIABILITIES AND NET POSITION	$ 627,579,474	$ 626,835,829	$ 320,236,618	$ 293,369,381

See notes to financial statements

University of Idaho

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

OPERATING REVENUES	University of Idaho 2017	University of Idaho 2016	University of Idaho Foundation (note 17) 2017	University of Idaho Foundation (note 17) 2016
Student tuition and fees (net of scholarship allowances of $24,088,936 and $ 22,770,062 for FY 2017 and FY 2016 respectively)	$ 86,340,857	$ 87,620,004	$ -	$ -
Federal grants and contracts	67,093,338	63,410,653	-	-
State and local grants and contracts	10,733,003	7,801,714	-	-
Private grants and contracts	4,605,116	4,835,592	-	-
Sales and services of educational activities	10,987,292	11,035,032	-	-
Sales and services of auxiliary enterprises	31,093,403	31,249,897	-	-
Interest on loans receivable	310,038	464,276	-	-
Other sources	4,821,065	6,174,893	777,520	583,221
Gifts	-	-	20,552,299	16,123,165
Total operating revenue	215,984,112	212,592,061	21,329,819	16,706,386
OPERATING EXPENSES				
Salaries	177,767,015	168,282,109	-	-
Benefits	58,039,671	53,956,276	-	-
Services	57,696,807	58,537,851	-	-
Supplies	32,135,966	26,300,285	-	-
Insurance, utilities and rent	14,767,793	14,533,248	-	-
Scholarships and fellowships	23,176,051	21,230,400	-	-
Depreciation	26,875,004	25,159,592	-	-
Other	7,558,517	6,933,771	41,928	20,592
Administrative expense	-	-	2,128,616	2,228,528
Total operating expenses	398,016,824	374,933,532	2,170,544	2,249,120
OPERATING (LOSS) INCOME	$ (182,032,712)	$ (162,341,471)	$ 19,159,275	$ 14,457,266

See notes to financial statements

Continued

University of Idaho

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NONOPERATING REVENUES (EXPENSES)	University of Idaho 2017	University of Idaho 2016	University of Idaho Foundation (note 17) 2017	University of Idaho Foundation (note 17) 2016
State appropriations	$ 131,875,900	$ 121,062,600	$ -	$ -
Land grant endowment income	10,095,200	9,171,600	-	-
Federal appropriations	5,060,668	5,504,773	-	-
Federal grants and contracts	14,147,968	17,136,837	-	-
Gifts (including gifts from Foundation)	20,793,785	21,084,665	-	-
Private grants and contracts	-	3,595		
Net investment income	2,323,023	2,138,169	5,959,710	6,360,844
Net increase (decrease) in fair value of investments	(2,353,219)	3,706,587	22,806,192	(1,980,931)
Gain on sale of real estate holdings	-	-	404,200	-
Distribution of endowment income to University and trust beneficiaries	-	-	(10,675,358)	(10,236,656)
Distribution to University and affiliates	-	-	(11,382,658)	(11,169,873)
Distribution of trust income to life income beneficiaries	-	-	(815,552)	(753,860)
Lease and rental income	-	-	43,312	43,941
Property management	-	-	(106,456)	(7,140)
Change to split interest trusts	-	-	804,198	1,134,028
Interest expense (net of capitalized interest of $1,120,689 and $405,535 for FY 2017 and FY 2016 respectively)	(5,953,411)	(7,461,496)	-	-
Other sources	316,720	845,780	-	-
Net nonoperating revenues	176,306,634	173,193,110	7,037,588	(16,609,647)
GAIN (LOSS) BEFORE OTHER REVENUES	(5,726,078)	10,851,639	26,196,863	(2,152,381)
OTHER REVENUES				
Capital grants and contracts	756,853	717,334	-	-
Projects with Idaho Department of Public Works	6,450,564	8,074,459	-	-
Capital gifts from Foundation	4,969,760	1,259,265	-	-
Total other revenues	12,177,177	10,051,058	-	-
INCREASE IN NET POSITION	6,451,099	20,902,697	26,196,863	(2,152,381)
NET POSITION - Beginning of year	361,551,297	340,648,600	275,742,587	277,894,968
NET POSITION - End of year	$ 368,002,396	$ 361,551,297	$ 301,939,450	$ 275,742,587

See notes to financial statements

University of Idaho

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	University of Idaho 2017	University of Idaho 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts and disbursements		
Tuition and fees	$ 87,723,908	$ 88,884,749
Grants and contracts	84,056,994	75,046,659
Sales of services - net	41,616,692	41,661,990
Payments to or for employees	(244,860,959)	(225,202,961)
Payments to suppliers	(112,642,177)	(105,515,796)
Scholarships disbursed	(23,176,051)	(21,230,400)
Funds held for others	(381,456)	555,161
Student loans collected	2,275,909	2,546,372
Student loans disbursed	(2,091,296)	(2,352,874)
Other receipts	4,405,226	5,564,775
Net cash used by operating activities	(163,073,210)	(140,042,325)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Appropriated general education revenues:		
State general account	131,875,900	121,062,600
Land grant endowment income	10,095,200	9,171,600
Federal appropriations	5,060,668	5,504,773
Federal grants and contracts	14,147,968	17,140,432
Gifts	20,793,785	21,084,665
Other receipts	516,638	569,761
Net cash provided by noncapital financing activities	182,490,159	174,533,831
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State appropriations, capital	6,450,564	8,074,459
Capital grants and gifts	5,726,613	1,976,599
Capital asset purchases	(32,891,740)	(62,525,329)
Proceeds from capital debt	-	-
Principal paid on capital debt - net	(5,550,507)	(4,950,476)
Interest paid on capital debt	(5,991,553)	(7,558,581)
Net cash used by capital & related financing activities	(32,256,623)	(64,983,328)

See notes to financial statements.

University of Idaho

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

CASH FLOWS FROM INVESTING ACTIVITIES	University of Idaho 2017	University of Idaho 2016
Proceeds from sales and maturities of investments	6,453,122	12,943,823
Investment income	2,323,023	307,427
Purchase of investments	(8,397,321)	(13,037,146)
Net cash provided (used) by investing activities	378,824	214,104
NET CHANGE IN CASH	(12,460,850)	(30,277,718)
Cash - Beginning of year	51,210,611	81,488,329
Cash - End of year	$ 38,749,761	$ 51,210,611
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (182,032,712)	$ (162,341,471)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation expense	26,875,004	25,159,592
Decrease (increase) in assets:		
Receivables, net	2,179,980	(215,440)
Inventories and prepaids	343,282	442,284
Net other post-employment benefits assets	(418,000)	258,000
Increase (decrease) in liabilities:		
Accounts payable	(744,680)	466,337
Accrued payroll, benefits and compensated absences	(8,636,268)	(3,222,576)
Deposits and unearned revenues	(164,596)	(999,328)
Change in funds held for others	(381,459)	555,160
Other liabilities	(93,761)	(144,883)
Net cash used by operating activities	$ (163,073,210)	$ (140,042,325)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Capital asset write-offs	$ (1,722,415)	$ (156,380)
Amortization of deferred amounts on refunding and bond premium	(433,257)	(569,667)
Donated assets	42,654	110,594
Change in fair value of investments	(2,128,384)	3,799,910

See notes to financial statements

University of Idaho

STATEMENTS OF BENEFIT PLAN NET POSITION
AS OF DECEMBER 31, 2016 AND 2015

	Retiree Benefits Trust 2016	Retiree Benefits Trust 2015	Health Benefits Trust 2016	Health Benefits Trust 2015
Assets				
Cash and short-term investments	$ 940,680	$ 878,152	$ 220,077	$ 643,401
Accounts receivable	-	-	404,525	378,900
Interest receivable	320	139	13,738	13,731
Investments, at fair value				
Fixed income securities	17,372,861	15,882,237	3,350,190	2,843,640
Equity securities	12,932,742	12,436,500	-	-
Total assets	$ 31,246,603	$ 29,197,028	$ 3,988,530	$ 3,879,672
Liabilities				
Accounts payable	$ -	$ -	$ 527,913	$ 390,307
IBNR liability	-	-	2,127,490	1,871,000
Total liabilities	-	-	2,655,403	2,261,307
Net position held in trust for benefits	$ 31,246,603	$ 29,197,028	$ 1,333,127	$ 1,618,365

See notes to financial statements

University of Idaho

STATEMENTS OF CHANGES IN BENEFIT PLAN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Retiree Benefits Trust 2016	Retiree Benefits Trust 2015	Health Benefits Trust 2016	Health Benefits Trust 2015
Additions				
Contributions				
Employer	$ 249,286	$ 630,000	$ 19,690,100	$ 17,233,208
Plan members	-	-	5,258,667	4,965,414
Total contributions	249,286	630,000	24,948,767	22,198,622
Net investment (loss) income	1,876,429	(39,439)	48,119	31,665
Total additions	2,125,715	590,561	24,996,886	22,230,287
Deductions				
Insurance claim benefits	-	-	21,399,469	18,972,225
Change in IBNR	-	-	256,490	(539,000)
Administrative expenses	76,140	73,014	3,626,165	3,358,183
Total deductions	76,140	73,014	25,282,124	21,791,408
Net increase (decrease) in assets held in trust for benefits	2,049,575	517,547	(285,238)	438,879
Benefit plan net position, beginning of year	29,197,028	28,679,481	1,618,365	1,179,486
Benefit plan net position, end of year	$ 31,246,603	$ 29,197,028	$ 1,333,127	$ 1,618,365

See notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity — The University of Idaho ("University") is a publicly-supported comprehensive land grant institution created in 1889 by a statute of the 15th territorial legislature and is part of the public system of higher education in the State of Idaho. The system is considered part of the State of Idaho's financial reporting entity. The State Board of Education, appointed by the Governor and confirmed by the State Senate, directs the University. The significant accounting policies followed by the University are described below to enhance the usefulness of the financial statements to the reader.

The University of Idaho Foundation, Inc. ("Foundation") is considered a component unit of the University as determined by GASB 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No.14, which requires reporting, as a component unit, an organization that holds economic resources raised for the direct benefit of a governmental unit. The Foundation was established in 1970 to solicit financial support for the University of Idaho and to manage and invest the resulting charitable gifts. The Foundation is a separate 501(c)(3) corporation comprised of 25 members who serve as a self-perpetuating Board of Directors.

The Foundation receives all gifts to the University and transfers gifts to the donor-specified area within the University on a regular schedule. In addition, the Foundation manages the endowment funds in a pooled investment fund, Consolidated Investment Trust ("CIT"), and transfers a Board approved percentage of historical investment earnings to the University on an annual basis.

The Foundation also manages a number of split-interest agreements. These are contributions in the form of irrevocable charitable remainder trusts and charitable gift annuities. These gifts have been received from donors subject to obligations to pay stipulated amounts periodically to the donors or designated beneficiaries during their lifetimes or a period of years. These assets for which the Foundation serves as trustee are included in investments, and the present value of the estimated future payments to be made to the donors or other beneficiaries is included in the liabilities. The liabilities are adjusted during the term of the trusts for changes in the value of the assets, amortization of the discount, or the estimated life of the trust.

The University of Idaho Health Benefits Trust ("HBT") was established in June 2007 in accordance with the State of Idaho Department of Insurance ("DOI") requirements. The HBT receives the employer, employee, and retiree contributions for the University's self-insured health plan, and pays the medical, dental, mental health and vision claims, and corresponding administrative processing fees, associated with the health plan. In addition, the HBT maintains a balance sufficient to cover the actuarially-determined incurred-but-not-paid ("IBNP") claims of the health plan, as well as DOI-required supplemental funding of 30% of the actuarially determined IBNP claims. The HBT is overseen by a group of four independent Trustees who are employed by the University. The Trustees are responsible for overseeing the investment of the Trust monies, and ensuring that the University adequately funds the HBT on an ongoing basis through the aforementioned contributions to allow payment of the ongoing claims and maintenance of the statutorily-required minimum reserve. The HBT balances are managed on behalf of the Trustees by U.S. Bank.

The University of Idaho Retiree Benefits Trust ("RBT") was established in April 2008 to fund the University's actuarially-determined projected liability for its self-insured retiree health plan. The RBT is overseen by University of Idaho Administration and the Trust balances are managed on behalf of the University by Wells Fargo Bank.

The HBT and RBT both have December 31 fiscal year ends.

Basis of Accounting — For financial statement purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated. The University is presenting its financial statements in accordance with GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities, an amendment of GASB Statement No. 34*.

Cash and Cash Equivalents — The University considers all highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents. The University is restricted by the State of Idaho statutes and Idaho State Board of Education policy in the types of investments in which it may invest.

Student Loans Receivable — Loans receivable from students bear interest at rates ranging from 3% to 5% and are generally repayable in installments to the University over a 5 to 10-year period commencing 6 or 9 months from the date of separation from the University. Collections on these student loans are primarily handled through a third party servicer.

Accounts Receivable — Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories — All inventories are valued at the lower of first-in-first-out cost or market.

Investments — Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of the net change in fair value of investments in the statement of revenues, expenses, and changes in net position. The University is restricted by the State of Idaho statutes and Idaho State Board of Education policy in the types of investments in which it may invest.

Restricted Cash and Cash Equivalents — Cash and cash equivalents that are restricted to make debt service payments and maintain sinking or reserve funds, except for currently due payments, are classified as non-current assets in the statement of net position.

Capital Assets — Capital Assets are stated at cost when purchased or constructed, or if acquired by gift, at the estimated fair value at the date of gift. For equipment, the University's capitalization policy includes all tangible 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 20 to 40 years for buildings and building improvements, 20 years for improvements other than buildings, 10 years for library materials, and an average of 7 years for equipment. A full-year's depreciation is recorded in the year an asset is placed into service. Depreciation is not computed on capitalized collections which include works of art, historical treasures, and various special collections comprising of anthropological, geological, entomological, musical, and wildlife subjects.

The University capitalizes intangible assets of $200,000 or greater in value that have an expected useful life of one year or longer. Depreciation on intangible assets is computed using the straight-line method over the estimated useful lives of the assets, primarily consisting of computer software and licenses that generally have a useful life of 5 years. Again, a full-year's depreciation is recorded in the year an asset is placed in service. The University adopted this policy in compliance with the State of Idaho guidelines.

Compensated Absences — Employee vacation and compensatory time pay is accrued at year-end for financial statement purposes. Compensated absence costs are included in benefits expense in the statement of revenues, expenses, and changes in net position.

Waivers — Tuition waivers, provided directly by the University for faculty and staff benefits, amounted $1,330,471 and $1,232,810 for the fiscal years ended 2017 and 2016, respectively.

Unearned Revenue — Unearned revenue includes 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 revenue also includes amounts received from grant and contract sponsors that have not yet been earned.

Noncurrent Liabilities — Noncurrent liabilities primarily include (1) principal amounts of revenue bonds payable, and notes payable with contractual maturities greater than one year; and (2) estimated amounts for other liabilities that will not be paid within the next fiscal year.

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

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

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

Net Position — The University's net position is classified as follows:

Net Investment In Capital Assets: This represents the University's investment in capital assets, net of depreciation and 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 offset against their corresponding net debt amount when included as a component of net investment in capital assets.

Restricted—Nonexpendable: Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted—Expendable: Restricted expendable net position includes resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted: Unrestricted net position represents resources derived from student tuition and fees, state appropriations, investment income, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board for any lawful purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff. When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards restricted resources, and then toward unrestricted resources.

Income Taxes — The University is excluded from federal income taxes under Section 115(1) of the Internal Revenue Code, per letter dated November 7, 1945. The University is also considered a Section 501(c)(3) corporation via letter from the Internal Revenue Service dated August 29, 1961. The University is subject to unrelated business income tax.

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

Operating Revenues and Expenses: Operating revenues and expenses include revenues an expenses from activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and their related expenses, (3) most federal, state and local grants and contracts revenues and expenditures, (4) interest on institutional student loans, and (5) administrative and other expenses associated with daily operations of the University, including its off-campus operations.

Nonoperating Revenues*:* Nonoperating revenues and expenses include revenues and expenses from activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue and expense sources that are 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 tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement 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 that is paid by students and/or third parties making payments on the students' behalf. Federal, state and nongovernmental student aid grants are recorded as operating revenues in the University's financial statements, except for federal Pell grants which are recorded in nonoperating revenues. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance. Scholarship allowances for fiscal years 2017 and 2016 were $24,088,936 and $22,770,062 respectively.

Use of Estimates — The preparation of financial statements in conformity 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, liabilities, net position and disclosures regarding contingent assets and liabilities. Actual results could differ from those estimates.

New Accounting Standards — In June 2015 the Governmental Accounting Standards Board ("GASB") issued Statement 74, "Financial Reporting for Postemployement Benefit Plans Other Than Pension Plans". This standard established new accounting and financial reporting requirements for governmental agencies that provide employees other post-employment benefits ("OPEB"). The University of Idaho's retiree health benefits plan constitutes OPEB, and the University is now required to disclose and report its entire net OPEB liability and the actuarial assumptions utilized in determining such liability. The University will be adopting Statement 74 and making the required disclosures as of June 30, 2018.

Reclassifications — Certain items previously reported in the 2016 financial statements have been reclassified to conform to the current 2017 financial statement presentation. Such reclassifications had no effect on the previously reported change in net position.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are deposited with various financial institutions. Custodial credit risk on deposits is the risk that in the event of a bank failure, the University's deposits may not be returned to it. At June 30, 2017, $24,750,170 of the University's bank balance of $38,749,761 was exposed to custodial credit risk because it was uninsured and uncollateralized. At June 30, 2016, $21,675,031 of the University's bank balance of $51,210,611 was exposed to custodial credit risk because it was uninsured and uncollateralized.

3. INVESTMENTS

The general investment policy of the University as adopted by the State Board of Education is that investments in securities are to be made with the objectives of maximizing long-term total return, ensuring safety of principal, and providing satisfactory current income. The University is restricted by the State of Idaho statutes and Idaho State Board of Education policy in the types of investments in which it may invest.

Investment of cash shall be restricted to:

- FDIC passbook savings accounts.
- Certificates of deposit.
- U.S. securities.
- Federal funds repurchase agreements.
- Reverse repurchase agreements.
- Federal agency securities.
- Large money market funds.
- Banker's acceptances.
- Corporate bonds of Aa grade or better.
- Mortgage backed securities of Aa grade or better.
- Commercial paper of prime or equivalent grade.

In accordance with 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.

Investments Measured at Fair Value

Per GASB Statement No. 72, fair value is described as an exit price. Fair value measurements assume a transaction takes place in a government's principal market or a government's most advantageous market in the absence of a principal market. The fair value also should be measured assuming that general market participants would act in their economic best interest. Fair value does not take into consideration transaction costs. The following tables classify the fair value of the University's investments at June 30, 2017 and June 30, 2016 respectively:

Investment Securities Measured at Fair Value at June 30, 2017

		Fair Value Measurements Using		
	6/30/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Money market funds/cash sweeps	$ 2,540,801	$ 2,540,801	$ -	$ -
Debt securities				
U.S. Government and agency obligations	$ 8,517,423	$ -	$ 8,517,423	$ -
Corporate obligations	59,598,720	-	59,598,720	-
Mortgage-backed securities	7,498,166	-	7,498,166	-
Total debt securities	$ 75,614,309	$ -	$ 75,614,309	$ -
Total investments by fair value	$ 78,155,110	$ 2,540,801	$ 75,614,309	$ -

Investment Securities Measured at Fair Value at June 30, 2016

		Fair Value Measurements Using		
	6/30/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Money market funds/cash sweeps	$ 1,451,096	$ 1,451,096	$ -	$ -
Debt securities				
U.S. Government and agency obligations	$ 9,393,673	$ -	$ 9,393,673	$ -
Corporate obligations	59,077,436	-	59,077,436	-
Mortgage-backed securities	8,641,929	-	8,641,929	-
Total debt securities	$ 77,113,038	$ -	$ 77,113,038	$ -
Total investments by fair value	$ 78,564,134	$ 1,451,096	$ 77,113,038	$ -

Money market securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a variety of pricing techniques, including but not limited to fundamental analytical data related to the securities, values of baskets of securities, market interest rates, matrix calculated prices, and purchase price. The University does not hold any securities that would be classified as Level 3, significant unobservable inputs, for fair value measurement.

Interest Rate Risk

Interest rate risk is defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as the risk a government may face should interest rate variances affect the fair value of investments. The University does not presently have a formal policy that addresses interest rate risk; however, it does incorporate weighted average maturity methodology in selecting and reporting its investments. As of June 30, 2017 and June 30, 2016 respectively, the University had the following investments subject to interest rate risk:

Investment Securities Subject to Interest Rate Risk at June 30, 2017

		Investment Maturities in Years				
Investment Type	**Total Fair Value**	**<1**	**1-5**	**6-10**	**11-15**	**>15**
Corporate bonds	$ 59,598,720	$ 329,764	$ 22,115,848	$ 37,153,108	$ -	$ -
U.S. government agency securities	8,103,150	-	1,726,196	5,000,144	1,376,810	-
Mortgage-backed securities	7,498,166	217,433	1,300,045	5,980,688	-	-
Money market mutual funds	2,540,801	2,540,801	-	-	-	-
U.S. government securities	414,273	-	-	414,273	-	-
Total	$ 78,155,110	$ 3,087,998	$ 25,142,089	$ 48,548,213	$ 1,376,810	$ -

Investment Securities Subject to Interest Rate Risk at June 30, 2016

		Investment Maturities in Years				
Investment Type	**Total Fair Value**	**<1**	**1-5**	**6-10**	**11-15**	**>15**
Corporate bonds	$ 59,077,436	$ -	$ 3,644,476	$ 54,760,888	$ 672,072	$ -
U.S. government agency securities	8,956,581	-	5,483,247	3,473,334	-	-
Mortgage-backed securities	8,641,929	1,358,760	567,354	6,715,815	-	-
Money market mutual funds	1,451,096	1,451,096	-	-	-	-
U.S. government securities	437,092	-	-	437,092	-	-
Total	$ 78,564,134	$ 2,809,856	$ 9,695,077	$ 65,387,129	$ 672,072	$ -

Interest rate risk disclosed for Mutual Funds - Government Securities is related to the mutual funds' underlying assets.

Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. The University does not presently have a formal policy that addresses credit risk. (The credit risk ratings listed below are issued by standards set by Standard and Poor's.)

As of June 30, 2017 and June 30, 2016 respectively, the University had the following investment credit risk as seen on the next page:

Investment Securities Subject to Credit Risk at June 30, 2017

Credit Rating	Corporate Bonds	U.S. Government Agency Securities	Mortgage-Backed Securities	Money Market Mutual Funds	U.S. Government Securities	Total Investments
AAA	$ 2,995,705	$ 8,103,150	$ 6,198,121	$ 1,606,554	$ 414,273	$ 19,317,803
AA	17,759,162	-	-	-	-	17,759,162
A	37,817,024	-	1,300,045	-	-	39,117,069
BBB	1,026,829	-	-	-	-	1,026,829
Not rated	-	-	-	934,247	-	934,247
Total	$ 59,598,720	$ 8,103,150	$ 7,498,166	$ 2,540,801	$ 414,273	$ 78,155,110

Investment Securities Subject to Credit Risk at June 30, 2016

Credit Rating	Corporate Bonds	U.S. Government Agency Securities	Mortgage-Backed Securities	Money Market Mutual Funds	U.S. Government Securities	Total Investments
AAA	$ 3,102,563	$ 8,956,581	$ 5,405,559	$ 781,480	$ 437,092	$ 18,683,275
AA	20,391,826	-	567,354	-		20,959,180
A	35,583,047	-	2,669,016	-		38,252,063
Not rated	-	-	-	669,616	-	669,616
Total	$ 59,077,436	$ 8,956,581	$ 8,641,929	$ 1,451,096	$ 437,092	$ 78,564,134

Concentration of Credit Risk

Per Statement No. 40, Concentration of Credit Risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. 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. The University does not presently have a formal policy that addresses concentration of risk. As of June 30, 2017 and June 30, 2016, the University has the following concentration of credit risk as on the following page:

Investment Securities Subject to Concentration of Credit Risk

	At June 30, 2017		At June 30, 2016	
	Total Fair Value	Percentage of Total Investments	Total Fair Value	Percentage of Total Investments
Federal National Mortgage Association (FNMA)	Less than 5% concentration		$ 4,405,959	5.60%
Federal Home Loan Mortgage Corporation (FHLMC)	$ 4,416,603	5.65%	4,550,622	5.79%
Total	$ 4,416,603	5.65%	$ 8,956,581	11.39%

Custodial Credit Risk

Custodial credit risk on investments is the risk that in the event of a failure of the counterparty, 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 presently have an investment policy that addresses custodial credit risk. At June 30, 2017 and June 30, 2016, all investments were held by the University or its counterparty in the University's name.

Risk and Uncertainties

Per Regents of University of Idaho policy, the University invests in various types of investment securities rated A grade or better. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, changes in the values of investment securities may occur in the near term and such changes could affect the amounts reported in the statements of financial position.

There is always risk and volatility in the domestic and international investment markets. Consequently, the fair value of the University's investments may be exposed to higher than typical price volatility which could result in a subsequent reduction in fair value of certain investments from the amounts reported as of June 30, 2017.

4. ACCOUNTS RECEIVABLE AND UNBILLED CHARGES

Receivables and unbilled charges consisted of the following at June 30, 2017 and June 30, 2016 respectively:

	2017	2016
Student tuition and fees,		
including federal financial aid funds	$ 3,774,407	$ 5,385,053
Auxiliary enterprises	2,193,026	2,136,730
Educational activities	1,070,545	662,839
Federal appropriations	132,097	332,016
Grants and contracts	13,571,692	15,197,228
Due from Foundation	10,647,319	10,195,619
	$ 31,389,086	$ 33,909,485
Less allowance for doubtful accounts	(333,300)	(396,300)
Net accounts receivable and unbilled charges	$ 31,055,786	$ 33,513,185

5. STUDENT LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program (the "Program") comprise substantially all of the loans receivable at June 30, 2017 and June 30, 2016. Under this Program, the Federal government provides approximately 67% of the funding for the Program, with the University providing the balance. The Program provides for the cancellation of a loan at rates of 12.5% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The Federal government reimburses the University for amounts cancelled under these provisions.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The allowance for uncollectible loans was $2,095,052 for June 30, 2017 and $2,183,878 at June 30, 2016.

6. CAPITAL ASSETS

Capital assets at June 30, 2017 and 2016 consisted of the following:

	Year ended June 30, 2017				
	Balance July 1, 2016	Additions	Transfers	Retirements	Balance June 30, 2017
Property, plant and equipment not being depreciated:					
Land	$ 27,640,697	$ 70,088	$ 3,285	$ -	$ 27,714,070
Capitalized collections	2,381,385	14,939	-	(19,500)	2,376,824
Equipment construction in progress	79,795	575,514	(77,674)	-	577,635
Construction in progress	40,269,258	1,113,940	(37,765,786)	(2,556,167)	1,061,245
Total property, plant and equipment not being depreciated	$ 70,371,135	$ 1,774,481	$ (37,840,175)	$ (2,575,667)	$ 31,729,774
Other property, plant and equipment:					
Buildings	$ 538,055,492	20,994,124	37,602,483	(1,222,976)	$ 595,429,123
Other improvements	62,188,717	3,445,528	160,018	(32,315)	65,761,948
Furniture and equipment	102,826,008	5,710,588	77,674	(5,656,077)	102,958,193
Library materials	90,725,823	4,664,424	-	(277,958)	95,112,289
Total other property, plant and equipment	793,796,040	34,814,664	37,840,175	(7,189,326)	859,261,553
Less accumulated depreciation:					
Buildings	(229,837,863)	(14,932,621)	-	293,655	(244,476,829)
Other improvements	(40,465,883)	(2,074,832)	-	6,579	(42,534,136)
Furniture and equipment	(83,927,676)	(5,771,702)	-	5,488,891	(84,210,487)
Library materials	(72,169,911)	(4,095,344)	-	277,958	(75,987,297)
Total accumulated depreciation	(426,401,333)	(26,874,499)	-	6,067,083	(447,208,749)
Other property, plant and equipment—net	$ 367,394,707	$ 7,940,165	$ 37,840,175	$ (1,122,243)	$ 412,052,804
Property, plant and equipment summary:					
Property, plant and equipment not being depreciated	$ 70,371,135	$ 1,774,481	$ (37,840,175)	$ (2,575,667)	$ 31,729,774
Other property, plant and equipment—at cost	793,796,040	34,814,664	37,840,175	(7,189,326)	859,261,553
Total cost of property, plant and equipment	864,167,175	36,589,145	-	(9,764,993)	890,991,327
Less accumulated depreciation	(426,401,333)	(26,874,499)	-	6,067,083	(447,208,749)
Property, plant and equipment—net	$ 437,765,842	$ 9,714,646	$ -	$ (3,697,910)	$ 443,782,578

In addition to accounts payable for construction in progress, the estimated cost to complete property authorized or under construction at June 30, 2017 is approximately $35,710,172. These CIP costs will be borne by the University and supplemented with additional funds provided by state appropriations, gifts, grants and contracts, and/or long-term borrowings.

	Balance July 1, 2015	Additions	Transfers	Retirements	Balance June 30, 2016
	Year ended June 30, 2016				
Property, plant and equipment not being depreciated:					
Land	$ 27,640,697	$ -	$ -	$ -	$ 27,640,697
Capitalized collections	2,333,175	67,750	-	(19,540)	2,381,385
Equipment construction in progress	431,330	405,463	(641,841)	(115,157)	79,795
Construction in progress	10,638,724	31,859,946	(1,211,450)	(1,017,962)	40,269,258
Total property, plant and equipment not being depreciated	$ 41,043,926	$ 32,333,159	$ (1,853,291)	$ (1,152,659)	$ 70,371,135
Other property, plant and equipment:					
Buildings	$ 519,973,694	$ 18,705,129	$ 978,856	$ (1,602,187)	$ 538,055,492
Other improvements	61,405,040	551,083	232,594	-	62,188,717
Furniture and equipment	96,998,290	7,776,432	641,304	(2,590,018)	102,826,008
Library materials	86,520,054	4,469,101	-	(263,332)	90,725,823
Total other property, plant and equipment	764,897,078	31,501,745	1,852,754	(4,455,537)	793,796,040
Less accumulated depreciation:					
Buildings	(218,149,231)	(13,290,819)	-	1,602,187	(229,837,863)
Other improvements	(38,283,414)	(2,182,469)	-	-	(40,465,883)
Furniture and equipment	(80,620,559)	(5,740,756)	-	2,433,639	(83,927,676)
Library materials	(68,487,695)	(3,945,548)	-	263,332	(72,169,911)
Total accumulated depreciation	(405,540,899)	(25,159,592)	-	4,299,158	(426,401,333)
Other property, plant and equipment—net	$ 359,356,179	$ 6,342,153	$ 1,852,754	$ (156,379)	$ 367,394,707
Property, plant and equipment summary:					
Property, plant and equipment not being depreciated	$ 41,043,926	$ 32,333,159	$ (1,853,291)	$ (1,152,659)	$ 70,371,135
Other property, plant and equipment—at cost	764,897,078	31,501,745	1,852,754	(4,455,537)	793,796,040
Total cost of property, plant and equipment	805,941,004	63,834,904	(537)	(5,608,196)	864,167,175
Less accumulated depreciation	(405,540,899)	(25,159,592)	-	4,299,158	(426,401,333)
Property, plant and equipment—net	$ 400,400,105	$ 38,675,312	$ (537)	$ (1,309,038)	$ 437,765,842

7. ACCOUNTS PAYABLE

Accounts payable consisted of the following at June 30, 2017 and 2016:

	2017	2016
Operating activities	$4,833,293	$5,577,764
Taxes payable	11,273	11,483
Total accounts payable and accrued liabilities	$4,844,566	$5,589,247

8. OPERATING LEASES

The University has entered into various noncancellable operating lease agreements covering certain assets. The lease terms range from one to five years. The expense for operating leases was $2,892,632 for the year ended June 30, 2017 and $2,812,059 for the year ended June 30, 2016.

Future minimum lease payments on noncancellable leases at June 30, 2017 are as follows:

FY2018	$	2,913,890
FY2019		131,874
FY2020		86,929
FY2021		79,292
FY2022		1,182
Total future minimum obligation	$	3,213,167

9. LONG-TERM LIABILITIES

Long-term liability activity for years ended June 30, 2017 and 2016 is as follows:

	Ending Balance June 30, 2016	Additions	Reductions	Ending Balance June 30, 2017	Amounts Due Within One Year
Bonds, Notes and Capital Lease Obligations:					
Bonds payable	$ 188,865,000	$ -	$ 5,140,000	$ 183,725,000	$ 5,275,000
Notes payable	23,167	-	10,073	13,094	13,094
Capital lease obligatons	-	-	-	-	-
	$ 188,888,167	$ -	$ 5,150,073	$ 183,738,094	$ 5,288,094
Premium on bonds	6,807,110		433,256	6,373,854	433,257
Totals	$ 195,695,277	$ -	$ 5,583,329	$ 190,111,948	$ 5,721,351

	Ending Balance June 30, 2015	Additions	Reductions	Ending Balance June 30, 2016	Amounts Due Within One Year
Bonds, Notes and Capital Lease Obligations:					
Bonds payable	$ 193,370,000	$ -	$ 4,505,000	$ 188,865,000	$ 5,140,000
Notes payable	32,760	-	9,593	23,167	10,072
Capital lease obligatons	-	-	-	-	-
	$ 193,402,760	$ -	$ 4,514,593	$ 188,888,167	$ 5,150,072
Premium on bonds	7,309,885	-	502,775	6,807,110	433,256
Totals	$ 200,712,645	$ -	$ 5,017,368	$ 195,695,277	$ 5,583,328

10. NOTES AND BONDS PAYABLE

Notes and bonds payable consisted of the following at June 30, 2017 and 2016:

Description	Balance Outstanding 2017	Balance Outstanding 2016
General Revenue Bonds, Series 2007B, (original balance of $35,035,000), consisting of bonds due in annual installments, commencing in 2015 and fluctuating periodically from $200,000 to a maximum of $1,713,500 plus interest from 4.25% to 4.50% through the year 2041, collateralized by a pledge of all revenues of the University with the exception of general account appropriated funds of the State of Idaho and restricted gift and grant revenues. The Series 2007B bonds were issued to finance certain electrical upgrades and to fund capital maintenance and replacement of the University's utility corridor, central steam plant and central chiller, and related improvements located on the University's main campus.	34,435,000	34,635,000
General Revenue Refunding Bonds, Series 2010B, (original balance of $10,150,000), consisting of term bonds due beginning in 2024 and fluctuating periodically from $1,660,000 to a maximum of $2,430,000, plus interest from 4.01% to 4.65% through the year 2032, collateralized by a pledge of all revenues of the University with the exception of general account appropriated funds of the State of Idaho and restricted gift and grant revenues. The Series 2010B bonds were issued to pay off an interim loan from Wells Fargo Bank, N.A. which funded improvements to the University's Kibbie Dome.	10,150,000	10,150,000
General Revenue Refunding Bonds, Series 2010C, (original balance of $13,145,000), consisting of term bonds due beginning in 2037 with two payments of $6,390,000 and $6,755,000, plus interest from 6.42% to 6.52% through the year 2041, collateralized by a pledge of all revenues of the University with the exception of general account appropriated funds of the State of Idaho and restricted gift and grant revenues. The Series 2010C bonds were issued to finance and reimburse costs incurred by the University for certain capital improvements to the University's Kibbie Dome. The 2010C bonds are subject to interest subsidy payments thru the U.S. Federal Government's program called Build America Bonds (BAB). The University received BAB interest subsidy payments of $274,063 in FY14 and $297,732 in FY13.	13,145,000	13,145,000

Description	Balance Outstanding 2017	Balance Outstanding 2016
Adjustable Rate General Revenue Refunding Bonds, Series 2011, (original balance of $60,765,000), consisting of term bonds carrying interest at 5.25% through March 31st, 2021, at which time the bonds are subject to mandatory tender for purchase. The bonds may be converted to another term interest period through 2041. The bonds are collateralized by a pledge of all revenues of the University with the exception of general account appropriated funds of the State of Idaho and restricted gift and grant revenues. The Series 2011 bonds were issued to refund the University's Series 2007A General Revenue Refunding Bonds and to pay the costs of issuance of the Series 2011 bonds.	54,640,000	55,795,000
General Revenue and Refunding Bonds, Series 2013A, (original balance of $8,745,000), consisting of serial bonds commencing in 2014, plus interest from 2.00% to 5.00% through 2028, and term bonds due 2033, plus interest at 3.375%. The bonds are collateralized by a pledge of all revenues of the University with the exception of general account appropriated funds of the State of Idaho and restricted gift and grant revenues. The Series 2013A bonds were issued to provide funds to finance certain improvements at the Moscow Campus of the University, to refund all outstanding Series 2003 Student Fee Refunding and Revenue Bonds, to refund the University's 2010 Wells Fargo note payable issued to fund the University's prior track and field renovations, and to pay costs of issuance associated with the Series 2013A Bonds.	3,890,000	4,655,000
Taxable General Revenue Bonds, Series 2013B, (original balance of $6,325,000), consisting of serial bonds commencing in 2014, plus interest from 0.70% to 4.00% through 2030, and term bonds due 2033, plus interest at 4.30%. The bonds are collateralized by a pledge of all revenues of the University with the exception of general account appropriated funds of the State of Idaho and restricted gift and grant revenues. The Series 2013B were issued to provide funds to finance and reimburse costs incurred by the University to acquire land for an outdoor science center in McCall, Idaho and to pay costs associated with the issuance of the Series 2013B Bonds.	5,280,000	5,545,000

Description	Balance Outstanding 2017	Balance Outstanding 2016
General Revenue Bonds, Series 2014, (original balance of $48,660,000) consisting of serial bonds commencing in 2017 maturing through 2033, plus interest from 2.00% to 5.00%, and term bonds due 2035, plus interst of 4.0%; 2039, plus interest of 5.25%; and 2045, plus interest of 4.00%. The bonds are collateralized by a pledge of all revenues of the University with the exception of general account appropriated funds of the State of Idaho and restricted gift and grant revenues. The Series 2014 were issued to (i) provde funds to finance the construction and equipping of a research center to be referred to as the Integated Research and Innovation Center (the "IRIC"), (ii) finance the renovation of the College of Education Building and other improvements at the University; and (iii) to pay costs of issuance associated with the Series 2014 Bonds.	47,830,000	48,660,000
General Revenue Refunding Bonds, Series 2015A, (original balance of $16,280,000) consisting of serial bonds commencing in 2017 maturing through 2026, plus interest from 2.00% to 5.00%. The bonds are collateralized by a pledge of all revenues of the University with the exception of general account appropriated funds of the State of Idaho and restricted gift and grant revenues. The Series 2015A bonds were issued to refund the Series 2005A General Revenue Refunding Bonds in the principal amount of $22,285,000 and to pay costs of issuance associated with the Series 2015A Bonds.	14,355,000	16,280,000
Other indebtedness, consisting of a note payable with the Economic Development Administration carrying interest rates ranging from 3.245% to 5.00% due through the year 2018.	13,094	23,167
Sub-total	183,738,094	188,888,167
Premium on Bonds	6,373,854	6,807,110
TOTAL BONDS & NOTES PAYABLE	**$ 190,111,948**	**$ 195,695,277**

Principal and interest maturities on bonds and notes payable, excluding amortization of bond premium and principal and interest on bonds subject to an in-substance debt defeasance are as follows for the years ending June 30:

	Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2018	5,275,000	8,651,004	13,094	504
2019	5,520,000	8,394,860	-	-
2020	4,900,000	8,176,594	-	-
2021	5,125,000	7,937,225	-	-
2022	4,900,000	7,691,250	-	-
2023-2027	28,675,000	34,571,655	-	-
2028-2032	35,925,000	26,954,449	-	-
2033-2037	41,665,000	17,845,204	-	-
2038-2042	43,295,000	7,050,332	-	-
2043-2047	8,445,000	684,600	-	-
	$ 183,725,000	$ 127,957,173	$ 13,094	$ 504

Pledged Revenues – As stated in the bond descriptions above, the University has pledged certain revenues as collateral for debt instruments comprised of all outstanding University bond issuances. The pledged revenue amounts for the year ended June 30, 2017 and 2016 are as follows:

	FY17	FY16
Source of Pledged Revenues		
Student fees	$ 86,340,857	$ 87,620,004
Sales and services revenues	42,503,972	42,708,156
Other operating revenues	4,821,065	6,174,893
Investment income	2,637,513	2,419,244
F&A recovery revenues	11,416,369	10,792,832
Total Pledged Revenues	$ 147,719,776	$ 149,715,129
Debt service on the Recreation Center bonds and Activity Center bonds	27,423	27,423
Revenues Available for Debt Service	$ 147,692,353	$ 149,687,702
Debt service on bonds	13,968,346	13,634,793
Debt service coverage	10.6	11.0

Debt Defeased Through Advance Refunding – The University has legally defeased certain debt obligations through advanced refunding. These advance refundings are comprised of the University's 2010A, 2011, 2013A, and 2015A bond issuances.

The specific debt, principal payments, refunded amounts and remaining balances for the refunded bonds are as follows:

Refunded Issue	Original Issue Amount	Principal Payments	Refunded Amount	Balance 6/30/2017
Student Fee Refunding Revenue Bonds, Series 1996	$ 9,285,000	$ 6,160,000	$ 3,125,000	$ -
Student Fee Refunding Revenue Bonds, Series 1997B	12,380,000	5,090,000	7,290,000	-
Student Fee Revenue Bonds (Recreation Center Project) Series 1999	20,115,000	795,000	19,320,000	-
Student Fee Revenue Bonds, Series 1999A	1,470,000	295,000	1,175,000	-
Student Fee Revenue Bonds, Series 1999B	6,150,000	1,180,000	4,970,000	-
Student Fee Revenue Bonds, Series 1999C	6,305,000	2,240,000	4,065,000	-
Student Fee Revenue Bonds, Series 2001	40,930,000	2,895,000	38,035,000	-
Student Fee Refunding and Revenue Bonds, Series 2003	17,585,000	12,040,000	5,545,000	-
General Revenue Refunding Bonds, Series 2005A	30,740,000	8,455,000	22,285,000	-
General Revenue Refunding Bonds, Series 2007A	62,445,000	2,945,000	59,500,000	-
Totals	$ 207,405,000	$ 42,095,000	$ 165,310,000	$ -

11. HEALTH INSURANCE PLAN AND HEALTH BENEFITS TRUST

The University of Idaho ("University") is self-insured for the health insurance benefits it provides to employees and retirees. In June 2007, the University established an affiliated but independent trust for the purpose of funding and paying its medical, mental health, dental and vision claims and their associated administrative costs under its health insurance plan for both active and retired employees. This trust, known as the University of Idaho Health Benefits Trust ("HBT"), was established as a tax-exempt entity under Section 115(1) of the Internal Revenue Code of 1986, as amended. The HBT is administered by a board of four trustees who are members of the University's active staff and faculty. The HBT is maintained in an independent trust account established with U.S. Bank. This trust account is maintained under the sole control of the HBT board of trustees. The University as employer retains authority for establishing and amending benefits under this self-insured health plan.

The HBT receives its funding for the payment of University health plan claims through a combination of employer, employee, and retiree contributions. These contribution amounts are established by the University in advance of the health plan year based upon independent actuarial valuation, which takes into account health plan participant demographics, health plan design, expected health claim costs, and expected investment returns on HBT reserves. These contribution amounts are reviewed by the HBT prior to their effective date.

Employee contributions are made to the HBT on a bi-weekly basis corresponding to the University's payroll schedule. Retiree contributions are billed, collected, and remitted to the University by a third-party administrator on a monthly basis and are submitted to the HBT when received. Employer contributions are made monthly in advance in an amount equal to 1/12th the projected employer cost for the plan year. Additional employer funding may be provided by the University to the HBT as necessary to ensure the solvency of the HBT. Deposits into the HBT are irrevocable and may only be utilized for the payment of participating employee and retiree health plan claims, the associated administrative costs of such claims, and other necessary incidental costs attributable to the administration of the HBT.

Payments under the HBT are initiated via electronic request by University personnel on a weekly basis based upon processed claim information provided to the University by its contracted health plan claim administrators. All retiree-related costs incurred on an annual basis within the HBT apply toward the calculation of the University's Annual Required Contribution ("ARC") as determined under the requirements of Governmental Accounting Standards Board Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The University's reported liability related to GASB Statement 45 is funded separately (i.e., not through the HBT) under a second trust, the "University of Idaho Retiree Benefits Trust" (RBT) as disclosed in Footnote 13 of these financial statements. The RBT only reports University resources transferred to it and held under it to make future benefit payments.

Investments Measured at Fair Value

The fair value of the HBT investments as of December 31, 2016 and December 31, 2015 respectively was as follows:

Investments at Fair Value at December 31, 2016

Investment Type	12/31/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds/cash sweeps	$ 220,077	$ -	$ 220,077	$ -
Debt securities				
U.S. government agency securities	$ 1,174,877	$ -	$ 1,174,877	$ -
Corporate certificates of deposit	2,175,313	-	2,175,313	-
Total debt securities	$ 3,350,190	$ -	$ 3,350,190	$ -
Total investments by fair value	$ 3,570,267	$ -	$ 3,570,267	$ -

Investments at Fair Value at December 31, 2015

Investment Type	12/31/2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds/cash sweeps	$ 643,401	$ -	$ 643,401	$ -
Debt securities				
U.S. government agency securities	$ 1,495,814	$ -	$ 1,495,814	$ -
Corporate certificates of deposit	$ 1,347,826	-	1,347,826	-
Total debt securities	$ 2,843,640	$ -	$ 2,843,640	$ -
Total investments by fair value	$ 3,487,041	$ -	$ 3,487,041	$ -

Interest Rate Risk

Interest rate risk is defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as the risk a government may face should interest rate variances affect the fair value of investments. The HBT does not presently have a formal policy that addresses interest rate risk; however, it does incorporate weighted average maturity methodology in selecting and reporting its investments.

HBT Investments subject to interest rate risk were as follows at December 31, 2016 and 2015:

Investment Securities Subject to Interest Rate Risk at December 31, 2016

		Investment Maturity in Years				
Investment Type	**Total Fair Value**	**<1**	**1-5**	**6-10**	**11-15**	**>15**
Money market funds/cash sweeps	$ 220,077	$ 220,077	$ -	$ -	$ -	$ -
U.S. government agency securities	1,174,877	205,633	969,244	-	-	-
Corporate certificates of deposit	2,175,313	943,706	1,231,607	-	-	-
Total	$ 3,570,267	$ 1,369,416	$ 2,200,851	$ -	$ -	$ -

Investment Securities Subject to Interest Rate Risk at December 31, 2015

		Investment Maturity in Years				
Investment Type	**Total Fair Value**	**<1**	**1-5**	**6-10**	**11-15**	**>15**
Money market funds/cash sweeps	$ 643,401	$ 643,401	$ -	$ -	$ -	$ -
U.S. government agency securities	1,495,814	263,693	1,192,119	40,002	-	-
Corporate certificates of deposit	1,347,826	599,705	748,121	-	-	-
Total	$ 3,487,041	$ 1,506,799	$ 1,940,240	$ 40,002	$ -	$ -

Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. The HBT does not presently have a formal policy that addresses credit risk. (The credit risk ratings listed below are issued by standards set by Standard and Poor's.)

HBT Investments subject to credit risk were as follows at December 31, 2016 and 2015:

Investment Securities Subject to Credit Risk at December 31, 2016

Credit Rating	U.S. Government Agency Securities	Corporate Certificates of Deposit	Money Market Funds	Total Investments
AA+	$ 1,174,877	$ -	$ -	$ 1,174,877
Not Rated	-	2,175,313	220,077	2,395,390
	$ 1,174,877	$ 2,175,313	$ 220,077	$ 3,570,267

Investment Securities Subject to Credit Risk at December 31, 2015

Credit Rating	U.S. Government Agency Securities	Corporate Certificates of Deposit	Money Market Funds	Total Investments
AA+	$ 1,495,814	$ -	$ -	$ 1,495,814
Not Rated	-	1,347,826	643,401	1,991,227
	$ 1,495,814	$ 1,347,826	$ 643,401	$ 3,487,041

Custodial Credit Risk

Custodial credit risk on investments is the risk that in the event of a failure of the counterparty, the HBT will not be able to recover the value of its investments that are in the possession of an outside party. The HBT does not presently have an investment policy that addresses custodial credit risk. At June 30, 2016 and June 30, 2015, all investments were held by the HBT or its counterparty in the HBT’s name.

The financial statements of the HBT are audited annually on a calendar-year basis, and are publicly available via public records request through the Office of the General Counsel at the University of Idaho.

12. RETIREMENT PLANS

Pension Plan

Plan Description

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

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are

Idaho citizens not members of the Base Plan except by reason of having served on the Board. The authority to set or amend benefit provisions of the Base Plan is vested solely with the State of Idaho Legislature.

Certain items previously reported for the Base Plan in the 2016 financial statements have been reclassified to conform to the current 2017 financial statement presentation. Such reclassifications had no effect on the previously reported Base Plan position.

Employee membership data related to the PERSI Base Plan, as of June 30, 2016 and 2015 were as follows:

	2016	2015
Retirees and beneficiaries currently receiving benefits	44,181	42,657
Terminated employees entitled to but not yet receiving benefits	12,251	11,859
Active plan members	68,517	67,008
Total system members	124,949	121,524

Pension Benefits

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

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

Member and Employer Contributions

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

The contribution rates for employees are set by State statute at 60% of the employer rate. As of June 30, 2016, it was 6.79% of their annual pay. The employer contribution rate is set by the Retirement Board and was 11.32% of covered compensation. The University's contributions were $6,507,425 and $5,917,860 for the years ended June 30, 2017 and 2016 respectively.

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

At June 30, 2017 and June 30, 2016, the University reported a liability of $36,275,764 and $23,973,741 respectively for its proportionate share of the net pension liability. The net pension liability for each year was measured as of July 1, 2016 and 2015 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability for each year was based on the University's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At July 1, 2016 and 2015, the University's proportion was 1.79 and 1.81 percent, respectively. Since the prior measurement date the University's proportion of the collective net pension liability dropped by 0.02 points or 1.1%.

For the years ended June 30, 2017 and 2016 respectively, the University recognized pension expense of $6,240,049 and $4,746,971. At June 30, 2017 and 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources on the following page:

	June 30, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		$ 3,614,612
Changes in assumptions or other inputs	$ 806,385	
Net difference between projected and actual earnings on pension plan investments	9,406,371	
Change in proportion		475,822
University contributions subsequent to the measurement date , net	6,507,425	
Total	$ 16,720,181	$ 4,090,434

	June 30, 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		$ 2,856,800
Changes in assumptions or other inputs	$ 867,535	
Net difference between projected and actual earnings on pension plan investments		3,742,519
Change in proportion		285,995
University contributions subsequent to the measurement date	5,917,860	
Total	$ 6,785,395	$ 6,885,314

$6,507,425 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2015 the beginning of the measurement period ended June 30, 2016 is 4.9 years and 5.5 years for the measurement period June 30, 2015.

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

Year Ended June 30	Pension Expense (Revenue)
2017	$ 36,866
2018	36,866
2019	4,208,600
2020	2,315,812
	$ 6,598,144

Actuarial Assumptions

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

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 - 10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1.00%

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

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

An experience study was performed for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2016 is based on the results of an actuarial valuation date of July 1, 2016.

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

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

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2016.

Capital Market Assumptions

Asset Class	Expected Return*	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%

Total Fund	Expected Return*	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

* Expected arithmetic return net of fees and expenses

Actuarial Assumptions	
Assumed Inflation - Mean	3.25%
Assumed Inflation - Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.08%
Portfolio Long-Term Expected Rate of Return	7.50%
Assumed Investment Expenses	0.40%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	**7.10%**

Discount Rate

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

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	$ 71,160,173	$ 36,275,764	$ 7,265,524

Pension plan fiduciary net position

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

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

Payables to the pension plan

At June 30, 2017 the University had no payables related to legally-required employer or employee contributions due the defined benefit pension plan for fiscal year 2017 and 2016 that had not been remitted to PERSI as of that date.

<u>Other Retirement Plans</u>

Optional Retirement Plan – Effective July 1, 1990, the Idaho State Legislature authorized the Board of Regents 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 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 July 1, 1990 or thereafter automatically enroll in the ORP and select their 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 include Teachers Insurance and Annuity Association – College Retirement Equities Fund and Variable Annuity Life Insurance Company.

Participants are fully vested in the ORP immediately. Retirement benefits are available either as a lump sum or any portion thereof upon attaining 55 years of age. The contribution requirements (and amounts paid) for the three years ended June 30, 2017, 2016 and 2015 were $16,334,941, $14,916,862, and $14,434,995, respectively, that consisted of $9,324,242 from the University and $7,010,699 from employees for 2017, $8,514,402 from the University and $6,402,460 from employees for 2016, and $8,234,075 from the University and $6,200,920 from employees for 2015.

For the ORP enrollees who opted to irrevocably migrate from PERSI to the ORP plan when the ORP was first implemented, although such enrollees in the ORP no longer belong to PERSI, the University is required by the State of Idaho to contribute supplemental payments to PERSI for these enrollees in the amount of 1.49% of the annual covered payroll. The University will be required to make these annual supplemental payments through July 1, 2025. During the three years ended June 30, 2017, 2016 and 2015, these supplemental funding payments made to PERSI were $1,496,586, $1,370,490, and $1,324,306 respectively. These supplemental amounts are not included in the regular University PERSI contribution discussed previously.

In addition to the University's Optional Retirement Program, the University has a disability benefit for ORP participants and makes payments to Standard Insurance on behalf of these ORP participants. Should an employee become unable to work and is transitioned into long-term disability (LTD), the insurance will continue to pay into their retirement account. The amounts paid for the three years ended June 30, 2017, 2016 and 2015 were $81,255, $87,380, and $84,438, respectively.

The University also contributes to the federal Civil Service and Thrift Savings retirement programs on behalf of its federal employees. The contribution requirements (and amounts paid) for the three years ended June 30, 2017, 2016 and 2015 were $152,823, $231,351 and $243,583 respectively, that consisted of $95,683 from the University and $57,140 from employees for 2017, $140,620 from the University and $90,731 from employees for 2016, and $159,675 from the University and $83,908 from employees for 2015.

The University also sponsors 401(k), 403(b), and 457(b) supplemental retirement plans for its employees. Contributions to these plans are strictly voluntary for employees and such contributions are subject to the applicable plan limitations. The University does not provide any matching or discretionary contributions for these plans.

13. POSTEMPLOYMENT BENEFITS (OTHER THAN PENSIONS) AND RETIREE BENEFITS TRUST

A. PLAN DESCRIPTION

The University of Idaho ("University") provides medical and dental benefits to eligible retirees, disabled employees, spouses, and survivors. The University also provides life insurance benefits to eligible retirees. Long-term disabled employees are treated as retirees and eligible for these same retiree benefits. These benefits represent a single-employer defined benefit plan administered by the University. The University has established a trust to fund the medical and dental portions of these post-employment benefits as described below in Section B.

Under certain conditions the University pays a portion of the coverage for retirees and disabled employees and the retiree or disabled employee pays the remainder. Spouses and survivors are always required to pay 100% of the cost for these benefits. 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. Employees who were hired on or after January 1, 2002 are not eligible for this benefit. Employees hired after January 1, 2002 are eligible to participate in the University's health insurance plan, but the University does not cover any portion of their premiums, deductibles, or coinsurance; those costs are the sole responsibility of the employee. All University post-employment benefits may be further established or amended by the University or the State Board of Education.

Funding for these benefits is comprised of both University and retiree contributions, combined with appropriated funding by the State of Idaho. The University determines the defined contribution costs that will be borne by its retiree plan participants, and the State of Idaho Legislature determines the amount of annual state appropriations that will be granted to the University for employee and retiree benefits, provided to the University as a fixed annual amount per full-time equivalent employee. The University allocates this appropriated sum to its various employee and retiree benefits, including the retiree health insurance program. The University solely bears the risk for adverse financial performance within the retiree health insurance program, subject to a cap of $200,000 per retiree per year, after which the University is reinsured. Retiree contribution rates through calendar year 2017 range from $0 to $2,005 per month, depending upon the retiree's status and number of dependents including spouse. Retiree health plan performance is reviewed annually and contribution rates are then annually adjusted by the University as necessary.

B. TRUST DESCRIPTION

The University of Idaho established the Retiree Benefits Trust ("RBT") in 2008 to fund the future payments required to provide post-employment benefits other than pension ("OPEB") as described in Section A above. The RBT is an independent, irrevocable trust administered on behalf of the University by Wells Fargo Bank as trustee. Funding and payment of the annual, ongoing retiree medical and dental benefits under the University's Health Benefits Trust ("HBT"), as described in Footnote 11 to these financial statements, do apply toward the funding of the RBT to meet the requirements of the Annual Contribution Rate ("ARC").

The RBT financial statements are audited annually on a calendar-year basis as an integral part of the University's annual audit as represented in these statements.

C. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — Financial statements for the RBT are prepared using the accrual basis of accounting. University contributions are recorded and recognized in the period in which they are paid into the RBT.

Valuation of Investments – Investments are reported at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of the net change in fair value of investments in the statement of changes in plan assets.

D. INVESTMENTS

Investments Measured at Fair Value

The fair value of the RBT investments as of December 31, 2016 and December 31, 2015 are seen on the following page:

Investments at Fair Value at December 31, 2016

	12/31/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Money market funds/cash sweeps	$ 941,000	$ 941,000	$ -	$ -
Bond mutual funds	$ 17,372,861	$ 17,372,861	$ -	$ -
Stock mutual funds	12,932,742	12,932,742	-	-
Combined bond and stock mutual funds	$ 30,305,603	$ 30,305,603	$ -	$ -
Total investments by fair value	$ 31,246,603	$ 31,246,603	$ -	$ -

Investments at Fair Value at December 31, 2015

	12/31/2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Money market funds/cash sweeps	$ 878,291	$ 878,291	$ -	$ -
Bond mutual funds	$ 15,882,237	$ 15,882,237	$ -	$ -
Stock mutual funds	12,436,500	12,436,500	-	-
Combined bond and stock mutual funds	28,318,737	28,318,737	-	-
Total investments by fair value	$ 29,197,028	$ 29,197,028	$ -	$ -

Interest Rate Risk

Interest rate risk is defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as the risk a government may face should interest rate variances affect the fair value of investments. The RBT does not presently have a formal policy that addresses interest rate risk; however, it does incorporate weighted average maturity methodology in selecting and reporting its investments.

The investments of the RBT subject to interest rate risk as of December 31, 2016 and December 31, 2015 are seen on the following page:

Investment Securities Subject to Interest Rate Risk at December 31, 2016

		Investment Maturity in Years				
Investment Type	**Total Fair Value**	**<1**	**1-5**	**6-10**	**11-15**	**>15**
Bond mutual funds	$ 17,372,861	1,082,964	5,767,373	3,313,340	908,469	6,300,715
Total	$ 17,372,861	$ 1,082,964	$ 5,767,373	$ 3,313,340	$ 908,469	$ 6,300,715

Investment Securities Subject to Interest Rate Risk at December 31, 2015

		Investment Maturity in Years				
Investment Type	**Total Fair Value**	**<1**	**1-5**	**6-10**	**11-15**	**>15**
Bond mutual funds	$ 15,882,237	$ 1,566,498	$ 3,908,062	$ 3,253,093	$ 911,036	$ 6,243,548
Total	$ 15,882,237	$ 1,566,498	$ 3,908,062	$ 3,253,093	$ 911,036	$ 6,243,548

Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. The RBT does not presently have a formal policy that addresses credit risk. (The credit risk ratings listed below are issued by standards set by Standard and Poor's.) As of December 31, 2016 and December 31, 2015 respectively, the RBT had the following investment credit risk:

Investment Securities Subject to Credit Rate Risk at December 31, 2016

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	Below B	Not Rated
Bond Mutual Funds	$ 17,372,861	$ 9,246,521	$ 1,495,225	$ 1,723,730	$ 3,585,709	$ 610,219	$ 219,698	$ 261,350	$ 230,409
	$ 17,372,861	$ 9,246,521	$ 1,495,225	$ 1,723,730	$ 3,585,709	$ 610,219	$ 219,698	$ 261,350	$ 230,409

Investment Securities Subject to Credit Rate Risk at December 31, 2015

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	Below B	Not Rated
Bond Mutual Funds	$ 15,882,237	$ 8,292,767	$ 1,476,807	$ 1,239,527	$ 3,543,890	$ 666,807	$ 494,977	$ 138,469	$ 28,993
	$ 15,882,237	$ 8,292,767	$ 1,476,807	$ 1,239,527	$ 3,543,890	$ 666,807	$ 494,977	$ 138,469	$ 28,993

Custodial Credit Risk

Custodial credit risk on investments is the risk that in the event of a failure of the counterparty, the RBT will not be able to recover the value of its investments that are in the possession of an outside party. The RBT does not presently have an investment policy that addresses custodial credit risk. At June 30, 2017 and June 30, 2016, all investments were held by the RBT or its counterparty in the RBT’s name.

E. PLAN MEMBERSHIP, CONTRIBUTION AND FUNDING STATUS

The retiree and disabled counts below exclude joint spouses. Retiree counts below also exclude retirees who are currently waiving coverage. These counts are as follows:

	Medical	Dental	Life	Sick Pay
Active	632	632	38	1,938
Retirees	835	197	681	N/A
Disableds	6	N/A	N/A	-
Retirees (Sick Leave)	N./A	N/A	N/A	31
Total Inactive	841	197	681	31
Total Combined	1,473	829	719	1,969

The University's ongoing obligations and liabilities are actuarially determined. These actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and are subject to continual revision based upon actual results. Actuarial projections of benefits are based upon the types of benefits provided under the University's retiree health plan and the pattern of cost sharing between the University and retirees at the time of valuation. The University's actuarial calculations are based upon long-term expectations and include techniques that are designed to reduce short-term volatility in the actuarial accrued liabilities and corresponding asset values.

The Entry Age Normal cost method and the Level Dollar amortization method have been utilized to actuarially calculate the University's Present Value of Benefits ("PVB"), Actuarial Accrued Liability ("AAL"), Annual Required Contribution ("ARC") and Annual OPEB Cost ("AOC") for the retiree health plan. Due to the University's establishment of the RBT to hold the funds required to finance its unfunded OPEB liability, the Unfunded Accrued Liability ("UAL") is amortized with interest over a 30-year period. All expected amortization payments are discounted to the end of the year. These actuarial calculations utilize an estimated discount rate of 6.00% and an estimated salary inflation rate of 3.00%. The discount rate of 6.00% is based upon the University's historical and long-term expected investment returns on the trust that has been established to fund these future benefits. All retiree medical, prescription drug, dental, sick pay conversion and life insurance benefits are included in the University's actuarial calculations. The results of these calculations for fiscal year ending June 30, 2017 are summarized as follows:

	Entry Age Normal Level Dollar Cost Method
Present Value of Benefits (PVB)	$62,596,000
Actuarial Accrued Liability (AAC)	58,201,000
Annual Required Contribution (ARC)[1]	2,711,000
Estimated Pay-As-You-Go Contributions[2]	2,947,000
Contributions to Qualifying Trust	210,000
Total Actual Annual Contributions	3,157,000
Net Annual OPEB Cost (AOC) - Funding Excess for Fiscal Year Ending June 30, 2017	(418,000)
Total Actual Annual Contributions as % of ARC	116.5%

[1]The ARC reflects a 30-year level dollar amortization of the unfunded AAL. The amortization also reflects interest at the discount rate.

[2]Net of retiree contributions and allocated to benefits based on expected with medical as a balancing item.

Annual OPEB Cost (AOC)

The University's Annual OPEB cost at June 30, 2017 is calculated as follows:

Fiscal Year Ending June 30, 2017

	Amount
ARC	$ 2,711,000
Adjustment to ARC	164,000
Interest on the Net Obligation	(136,000)
Annual OPEB Cost	$ 2,739,000

Net OPEB Asset

The University's Net OPEB Asset as of June 30, 2017 is calculated as follows:

Fiscal Year Ending June 30, 2017

	Amount
AOC Needed	$ 2,739,000
AOC Contributed	3,157,000
% of AOC Contributed	115%
Net OPEB (Assets) at June 30, 2016	(2,259,000)
Change in Net OPEB (Assets)	(418,000)
Net OPEB (Assets) at June 30, 2017	$ (2,677,000)

Funded Status, Utilizing Entry Age Normal Cost Method and Level Dollar Amortization Method of UAAL – As of June 30, 2017:

	Medical	Dental	Life	Sick Pay	Total
Present Value of Benefits (PVB)					
Retirees	$34,172,000	$92,000	$3,863,000	$393,000	$38,520,000
Actives	18,691,000	118,000	147,000	5,120,000	24,076,000
Total	$52,863,000	$210,000	$4,010,000	$5,513,000	$62,596,000
Actuarial Accrued Liability (AAL)					
Retirees	$34,173,000	$92,000	$3,863,000	$393,000	$38,521,000
Actives	17,291,000	111,000	146,000	2,132,000	19,680,000
Total	$51,464,000	$203,000	$4,009,000	$2,525,000	$58,201,000
Assets	$26,323,000	$104,000	$2,050,000	$1,291,000	$29,768,000
Unfunded AAL (UAAL)	$25,141,000	$99,000	$1,959,000	$1,234,000	$28,433,000
Assets as % of AAL (Funded Ratio)	51.1%	51.2%	51.1%	51.1%	51.1%
UAAL as % of Annual Covered Payroll	57.2%	0.2%	4.5%	1.2%	18.8%
Annual Required Contribution (ARC)					
Normal Cost[1]	$210,000	$1,000	$0	$434,000	$645,000
Amortization of Unfunded AAL[2]	1,827,000	7,000	142,000	90,000	2,066,000
Total ARC	$2,037,000	$8,000	$142,000	$524,000	$2,711,000
Estimated Benefit Payments (pay-as-you-	$2,061,000	$35,000	$297,000	$109,000	$2,502,000
Covered Payroll	$43,954,000	$43,954,000	$43,954,000	$107,041,000	$150,995,000

[1]Includes interest to year end.

[2]Level dollar basis for 30 years. Interest charged at the discount rate and paid at the end of the year.

[3]Net of retiree contributions and allocated to benefits based on expected with medical as a balancing item.

The accompanying schedule of University contributions presents trend information about the amounts contributed to the plan by the University in comparison to the ARC, an amount that is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the University and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the University and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation is as follows:

	Retiree Benefits Trust ("RBT")
Valuation Date	7/1/2015
Reporting Date	6/30/2017
Measurement Date	4/1/2016
Actuarial Cost Method	Entry Age Normal
Actuarial Amortization Method	Level Dollar to decrement age
Remaining Amortization Period	30 Years, Open
Asset Valuation Method	Fair Market Value
Actuarial Assumptions:	
Investment Rate of Return	6.00%
Healthcare Cost Trend Rates:	
Medical and drug initial	8.25%
Medical and drug ultimate	5.75%
Dental initial	4.50%
Dental ultimate	4.50%
Inflation Rate - All Other	N/A
Administrative Costs - Medical & Dental	Included in Claim Costs
- Life Insurance	10%

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
2012	$ 4,806,000	$ 5,201,000	108%
2013	3,723,000	4,404,000	118%
2014	3,368,000	3,178,000	94%
2015	3,177,000	3,233,000	102%
2016	2,711,000	2,751,000	101%
2017	2,711,000	3,157,000	116%

University of Idaho

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

14. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATION

The following table shows the University's operating expenses by natural classifications within their functional classifications for the years ending June 30, 2017 and 2016:

Expenses 2017	Salaries	Benefits	Services	Supplies	Ins, utilities & rent	Scholarships & Fellowships	Depreciation	Other	Totals
Instruction	$ 63,770,099	$ 20,385,369	$ 8,404,435	$ 5,633,801	$ 651,654	$ 4,042,406	$ -	$ 2,634,935	$ 105,522,699
Research	40,752,678	9,390,630	17,588,020	5,824,111	855,396	2,778,855	-	(2,189,508)	75,000,182
Public Service	16,903,817	4,890,117	6,365,516	1,307,979	411,502	261,598	-	3,262,915	33,403,444
Academic Support	8,675,124	2,708,269	1,712,840	892,168	120,445	(104,476)	-	369,297	14,373,667
Libraries	2,639,231	747,782	370,983	1,741,211	93,592	190,901	-	28,252	5,811,952
Student Services	8,790,767	2,760,073	1,975,465	687,680	473,260	74,922	-	364,073	15,126,240
Insititutional Support	17,375,597	11,432,394	8,537,012	(489,736)	481,853	(542,855)	-	1,789,342	38,583,607
Plant Operations	7,936,714	2,774,760	36,066	9,592,525	9,853,277	16,043	26,875,004	112,800	57,197,189
Scholarships & Fellowships	690,468	1,314	4,094	1,567,552	-	14,973,257	-	-	17,236,685
Auxiliary Enterprises	10,232,520	2,948,963	12,702,376	5,378,675	1,826,814	1,485,400	-	1,186,411	35,761,159
	$ 177,767,015	$ 58,039,671	$ 57,696,807	$ 32,135,966	$ 14,767,793	$ 23,176,051	$ 26,875,004	$ 7,558,517	$ 398,016,824

Expenses 2016	Salaries	Benefits	Services	Supplies	Ins, utilities & rent	Scholarships & Fellowships	Depreciation	Other	Totals
Instruction	$ 60,196,536	$ 19,798,484	$ 7,820,812	$ 4,647,054	$ 309,001	$ 4,007,765	$ -	$ 2,589,233	$ 99,368,885
Research	38,381,319	8,620,900	18,023,942	6,020,434	919,653	2,583,366	-	(1,178,881)	73,370,733
Public Service	15,850,328	4,740,607	6,216,311	1,393,701	463,035	209,217	-	2,449,921	31,323,120
Academic Support	8,588,782	2,712,981	1,502,499	807,046	183,630	(98,864)	-	376,030	14,072,104
Libraries	2,466,557	705,522	350,826	907,662	93,171	11,600	-	19,834	4,555,172
Student Services	7,907,724	2,481,094	2,420,659	689,002	430,500	(5,319)	-	697,355	14,621,015
Insititutional Support	16,552,596	9,607,509	6,819,009	(422,503)	527,229	(516,048)	-	958,635	33,526,427
Plant Operations	7,706,928	2,612,270	992,965	6,842,815	9,674,461	17,378	25,159,592	47,616	53,054,025
Scholarships & Fellowships	628,852	1,485	6,119	10,901	-	13,720,867	-	511	14,368,735
Auxiliary Enterprises	10,002,487	2,675,424	14,384,709	5,404,173	1,932,568	1,300,438	-	973,517	36,673,316
	$ 168,282,109	$ 53,956,276	$ 58,537,851	$ 26,300,285	$ 14,533,248	$ 21,230,400	$ 25,159,592	$ 6,933,771	$ 374,933,532

15. CONTINGENCIES AND LEGAL MATTERS

Revenue from federal research and service grants includes amounts for the recovery of overhead and other costs allocated to these projects. The University may be required to make refunds of amounts received for overhead and other costs reimbursed as a result of audits by agencies of the federal government. The University considers any such potential refunds likely to be immaterial.

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 legal matters will not materially affect the financial position of the University.

16. RISK MANAGEMENT

The University participates in the State of Idaho's risk and insurance program, which includes liability and property coverage. The State of Idaho's Retained Risk Fund has a $500,000 cap for tort claims. The University's premiums are based on the State's actuarial calculations and are weighted for losses sustained by the University. Deductibles for the programs include $2,000 for property losses, $500 for auto physical damage, $5,000 for boiler and machinery losses, $500 for fine art losses and $50 for inland marine losses. There are no casualty deductibles. During the past three fiscal years, no settled claims have exceeded insurance coverage levels, and there has been no significant reduction in coverage.

In July 2014, the University became self-insured for its Worker's Compensation coverage. The University utilizes a third-party administrator to adjudicate its claims and make payments under this coverage. The University maintains two separate bank accounts for its self-insured program, a $500,000 reserve account as well as a separate account for ongoing claims processing and payments. The University provides for estimated losses to be incurred for reported and unreported worker's compensation claims based on individual case estimates and historical data adjusted for current trends. Liability claims have not exceeded the maximum amount of self-insurance per claimant in the past year. Self-insured Worker's Compensation balances at year-end June 30, 2017 and 2016 were as follows:

For the Year Ended June 30, 2017

	Beginning Balance	Claims Incurred	Claims Paid	Ending Balance
Worker's Compensation Self-Insured Liabilities	$ 461,941	$ 443,477	$ 238,740	$ 666,678

For the Year Ended June 30, 2016

	Beginning Balance	Claims Incurred	Claims Paid	Ending Balance
Worker's Compensation Self-Insured Liabilities	$ 252,269	$ 543,825	$ 334,153	$ 461,941

17. COMPONENT UNIT

The University of Idaho Foundation, Inc. (Foundation) is a legally separate 501(c)(3) component unit of the University of Idaho (University) which was established in 1970. The mission of the University of Idaho Foundation, Inc. is to inspire, manage, and distribute private support to enhance the excellence of the University of Idaho. A Board of Directors comprised of up to 25 members governs and conducts the business of the Foundation, meeting three to four times each fiscal year. The officers of the Foundation are Chairman, Vice-Chairman, Treasurer, Secretary, and Past Chairman. Committees include: the Executive Committee, Committee on Directors, Operations and Finance Committee, Investment Committee, Audit Committee, Gift Acceptance Committee, and other committees appointed by the Chairman as necessary to carry out the business of the Foundation. Foundation business is conducted via regular meetings of the Board of Directors and its Executive Committee as well as through ongoing communications with committees and staff. Members of the Foundation's Board of Directors provide strong leadership and expertise in a variety of areas relative to its mission. In addition, directors also advise University leadership as requested, advocate for highter education, serve on various college advisory committees, and personally provide major private funding support for the University. Located in Moscow, the Foundation professional staff work collaboratively with the University development team, donors, and their advisors. The Foundation strategically partners with the leadership team at the University of Idaho including the President, Vice President of University Advancement, and the Vice President for Finance. Separate audited financial statements are prepared by the Foundation and may be obtained by contacting University of Idaho Foundation.

The majority of the resources, or income earned from those resources, that the Foundation holds and invests are restricted to the activities of the University by donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University and because these resources provide a significant amount of support to the University, the Foundation has been determined to be a component unit of the University and is discretely presented in the University's financial statements. Significant accounting policies associated with the University, described in Note 1, apply to the Foundation, when applicable. Significant disclosures at June 30, 2017 and 2016 are as follows:

RECLASSIFICATION – Certain reclassifications of amounts previously reported have been made to the accompanying Foundation financial statements to maintain consistency between periods presented. The reclassification had no impact on previously reported net position.

INVESTMENTS—Investments represent the largest asset of the Foundation making up 91% and 92% of the total assets at June 30, 2017 and 2016, respectively. Of those investments, 85% and 83%, respectively, are owned by the Consolidated Investment Trust (CIT) which was established by the Regents of the University of Idaho in 1959 to pool the endowment funds.

Certain assets and liabilities are reported at fair value in the Foundation financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk or liquidity profile of the asset or liability.

A significant portion of the Foundation's investment assets are classified within Level 1 because they are comprised of open-ended mutual funds and stocks with readily determinable fair values based on daily redemption values. The Foundation invests in debt securities and real assets, which are traded in the financial markets. The U.S. Government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions. Real assets are based on marketable securities or other periodic appraisals of assets. Debt securities, U.S. Government obligations and real assets are classified within Level 2. There are no investments within Level 3.

The Foundation's commingled debt funds are held in an investment trust with the objective to outperform the Barclays U.S. Government/Credit Index. The trust may invest in out-of-benchmark securities in order to provide value and diversification. The CIT's commingled international equity funds are held in an investment trust which invests in global markets excluding the U.S. The trust is not index-oriented and is designed to protect in down markets. The fair values of these funds have been determined using the net asset value (NAV) per share.

The Foundation's private equity limited partnerships are invested in real estate, venture funds, and international funds. The fair values have been determined using the NAV per share. The fair value of the private equity limited partnerships have no readily ascertainable market prices. Similar to real estate, costs closely approximate fair value of recent acquisitions. Therefore, the fair value of private equity limited partnership investments are based on the valuations as presented in the fund's December 31st audited financial statements. Generally, the companies within a fund are valued by the general partner, taking into account many factors such as the purchase price, estimated liquidation value, significant events like initial public offerings, bankruptcies, and additional rounds of financing, and other relevant factors. The fair value may differ significantly from the values that would have been used had a ready market for the investments existed. Although these differences could be material to the individual Foundation values, private equity only represents 5.63% of total investments.

Investments in certain entities that calculate NAV per share are as follows:

	Number of Investments	Principal Valuation Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
As of June 30, 2017					
Commingled funds					
Debt funds	1	$ 19,316,045	$ -	Daily	None
International equity	1	12,186,733	-	Monthly	15 days
Private equity	12	16,437,315	19,769,681	-	-
Total		$ 47,940,093	$ 19,769,681		

	Number of Investments	Principal Valuation Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
As of June 30, 2016					
Comingled funds					
Debt funds	1	$ 17,867,102	$ -	Daily	None
Private equity	9	14,994,647	9,687,762	-	-
Total		$ 32,861,749	$ 9,687,762		

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At June 30, 2017, the fair value of restricted and unrestricted investments was $283,402,871 and $8,690,625, respectively. At June 30, 2016 the fair value of restricted and unrestricted investments was $262,904,995 and $5,840,818, respectively.

The following table represents the fair value of investments by type at June 30, 2017 and 2016 respectively:

Investment Type	2017	2016
U.S. government agency obligations	$ 4,575,944	$ 4,338,623
Corporate debt	21,963,338	23,528,004
U.S. treasuries	3,728,290	2,528,239
Common stock	67,204,068	60,461,421
Mutual funds		
U.S. equity	55,650,283	50,219,190
Debt	20,722,673	21,067,434
International/Emerging Markets	48,231,391	50,601,594
Inflation protected	11,110,400	11,595,652
U.S. treasury	10,808,010	11,229,403
Comingled funds	31,502,778	17,867,102
Private equity	16,437,315	14,994,647
Preferred stock	148,986	199,373
Muinicipal securities	10,020	115,131
	$ 292,093,496	$ 268,745,813

The related fair value of these assets are determined as follows:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
As of June 30, 2017			
Equity Investments			
Common stock	$ 67,204,068	$ -	$ -
Preferred stock	148,986	-	-
Mutual funds	103,881,674	-	-
Fixed income investments			
Corporate bonds	-	21,973,358	-
U.S. government agency obligations	-	8,304,234	-
Mutual funds	42,641,083	-	-
	$ 213,875,811	$ 30,277,592	$ -
As of June 30, 2016			
Equity Investments			
Common stock	$ 60,461,421	$ -	$ -
Preferred stock	199,373	-	-
Mutual funds	100,820,784	-	-
Fixed income investments			
Corporate bonds	-	23,643,135	-
U.S. government agency obligations	-	6,866,862	-
Mutual funds	43,892,489	-	-
	$ 205,374,067	$ 30,509,997	$ -

Interest Rate Risk

Interest rate risk is defined by GASB Statement No. 40 as the risk a government may face should interest rate variances affect the fair value of investments. Investments in debt securities that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. The Foundation does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

At June 30, 2017 the Foundation had the following investments subject to interest rate risk:

		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
Corporate debt	$ 21,963,338	$ 4,517,283	$ 15,602,373	$ 528,199	$ 1,315,483
U.S. government agency obligations	4,575,944	997,545	3,481,599	26,148	70,652
U.S. treasuries	3,728,290	1,997,990	1,730,300	-	-
Municipal securities	10,020	-	-	10,020	-
	$ 30,277,592	$ 7,512,818	$ 20,814,272	$ 564,367	$ 1,386,135

At June 30, 2016 the Foundation had the following investments subject to interest rate risk:

		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
Corporate debt	$ 23,528,004	$ 5,139,991	$ 16,485,662	$ 514,427	$ 1,387,924
U.S. government agency obligations	4,338,623	10,039	4,064,927	164,379	99,278
U.S. treasuries	2,528,239	250,760	2,277,479	-	-
Municipal securities	115,131	-	-	55,356	59,775
	$ 30,509,997	$ 5,400,790	$ 22,828,068	$ 734,162	$ 1,546,977

Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. GASB Statement No. 40 requires disclosure of credit quality ratings for investments in debt securities. The Foundation does not have a formal policy that limits it investment choices. (The credit risk rating listed below are issued upon standards set by Standard and Poor's).

Investment securities subject to credit risk at June 30, 2017:

	Investment Type			
Credit Rating	U.S. Government Agency Obligatons	Corporate Debt	Municipal Securities	Total
AAA	$ -	$ 1,577,379	$ -	$ 1,577,379
AA	4,571,202	7,442,925	-	12,014,127
A	-	7,741,405	-	7,741,405
BBB	-	4,443,121	-	4,443,121
BB	-	271,153	-	271,153
B	-	207,000	-	207,000
CCC	-	1,918	-	1,918
D	-	17,558	-	17,558
Not Rated	4,742	260,879	10,020	275,641
Total	$ 4,575,944	$ 21,963,338	$ 10,020	$ 26,549,302

Investment securities subject to credit risk at June 30, 2016:

	Investment Type			
Credit Rating	U.S. Government Agency Obligatons	Corporate Debt	Municipal Securities	Total
AAA	$ -	$ 1,511,110	$ -	$ 1,511,110
AA	4,332,927	6,461,495	15,071	10,809,493
A	-	9,483,929	-	9,483,929
BBB	-	5,277,716	-	5,277,716
BB	-	459,960	40,285	500,245
B	-	41,218	-	41,218
CCC	-	17,963	-	17,963
D	-	7,342	-	7,342
Not Rated	5,696	267,271	59,775	332,742
Total	$ 4,338,623	$ 23,528,004	$ 115,131	$ 27,981,758

Concentration of Credit Risk

Per GASB Statement No. 40, Concentration of Credit Risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Foundation has a formal policy addressing concentration of credit risk. Investments shall be diversified with the intent to minimize the risk of large realized and unrealized losses to the invested assets. The total portfolio will be constructed and maintained to provide prudent diversification with regard to the concentration of holding in individual issues, corporations, or industries.

- Not more than 5% of the total equity portfolio valued at market may be invested in the common stock of any one corporation.
- Debt securities of any one issuer shall not exceed 5% of the market value of the total bond portfolio at the time of purchase (except U.S. Treasury or other federal agencies).

- With the exception of passively managed portfolios, not more than 20% of the total portfolio may be invested in any one investment manager, fund, or pool.
- With the exception of passively managed portfolios, not more than 30% of the total portfolio may be invested with any one investment manager regardless of the number of funds with that manager.

At the end of 2017 and 2016, the Foundation was in compliance with the policy addressing concentration of credit risk.

Custodial Credit Risk

The custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Foundation will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Foundation minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be clearly marked as to Foundation ownership and further to the extent possible, be held in the Foundaton's name. At June 30, 2017 and 2016 all Foundation funds were held in the name of the counterparty for benefit of the Foundation.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Foundation investment policy limits the exposure to foreign investments holdings in the portfolio. The Foundation is exposed to foreign currency risk in foreign stocks that it holds as follows for June 30, 2017 and 2016 respectively:

Currency Type		June 30, 2017 Fair Value	June 30, 2016 Fair Value
AUD	Australia	$ 948,919	$ 1,224,463
CAD	Canada	392,709	162,271
CHF	Switzerland	1,751,566	1,826,905
DKK	Denmark	554,636	-
EUR	Euro	2,986,270	2,051,023
GBP	Great Britain	3,061,412	2,802,095
HKD	Hong Kong	3,086,315	2,703,309
JPY	Japan	586,098	840,533
SEK	Sweden	200,330	234,202
SGD	Singapore	-	689,853
		$ 13,568,255	$ 12,534,654

DISTRIBUTIONS TO UNIVERSITY OF IDAHO AND AFFILIATES

During fiscal years 2017 and 2016, earnings from endowments invested in the CIT, direct gifts and other revenues to the Foundation were distributed as follows:

	2017		2016	
	CIT Endowment Income	Gifts and Other Revenues	CIT Endowment Income	Gifts and Other Revenues
Scholarships	$ 6,483,856	$ 2,796,410	$ 6,242,674	$ 2,960,061
Student loans	188,107	-	187,383	-
Building funds	-	2,629,444	-	1,270,012
University of Idaho College and Department Operating Accounts				
Academic Excellence	508,352	8,340	504,050	22,848
Agricultural and Life Sciences	502,191	1,910,343	457,538	1,715,506
Art and Architecture	18,895	160,503	14,641	218,443
Athletics	61,182	528,686	60,117	1,293,719
Business and Economics	411,933	395,240	393,287	414,013
Education	49,986	176,851	49,792	413,268
Engineering	301,414	691,022	225,019	591,632
Law	235,412	143,189	232,482	218,005
Letters, Art and Social Science	655,227	319,775	628,709	245,993
Library	184,455	35,941	182,692	135,687
Natural Resources	392,578	308,927	368,497	296,991
Science	210,092	269,668	201,762	433,678
Other departments	453,978	990,155	452,405	922,568
Life beneficiaries	17,288	-	35,198	-
University of Idaho affiliates	412	18,164	410	17,449
Total Distributions	$ 10,675,358	$ 11,382,658	$ 10,236,656	$ 11,169,873

DONOR RESTRICTED ENDOWMENTS

The Foundation receives certain gift assets that are restricted for endowment purposes, and by definition the original gift amount will be held in perpetuity for the benefit of the University. Restriction requirements for principal preservation is addressed by Idaho statute, and is applicable lacking any further guidance from the individual gift agreement. During the fiscal years ended June 30, 2017 and 2016, $9,628,866 and $6,248,025 was contributed to endowments, respectively.

The Foundation Board of Directors establishes a spending rate annually for endowments. The approved fiscal year 2017 and 2016 spending rate was set at 4.4% of the three-year rolling average of the CIT's monthly fair market value.

During the fiscal year ended June 30, 2017 and 2016, the endowments held by the Foundation had net appreciation (depreciation) on donor-restricted endowments of $22,879,127 and $(2,396,296) respectively. Unrealized appreciation (depreciation) is included with the "Restricted–Expendable" Net Position.

18. RELATED ORGANIZATIONS

The Idaho Research Foundation, Inc. (“Research Foundation”) is a separate legal entity that until 2008 provided technology transfer services to the University. In 2008 an agreement was reached between the University and Research Foundation to integrate some of the services into the University. The new role of the Research Foundation is to hold equity from licensing transactions on behalf of the University. The Research Foundation is a legally separate organization which provides a valuable service to the University. It does not provide financial resources to the University and is not reported as a component unit.

The Vandal Boosters, Inc. (“Boosters”) is a fund raising organization that provides financial assistance and services to the University of Idaho intercollegiate athletic department. Contributions received by the University from this organization are recorded as gifts. It does not provide significant financial resources to the University and is not reported as a component unit.

The University of Idaho Alumni Association (“Association”) was established to develop and maintain a positive relationship with alumni, parents, and friends of the University. The Association is a legally separate organization which provides a valuable service to the University. It does not provide significant financial resources to the University and is not reported as a component unit.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of University's Proportionate Share of Net Pension Liability
PERSI - Base Plan

	2017	2016
University's portion of net pension liability	1.79%	1.81%
University's proportionate share of the net pension liability	$ 36,275,764	$ 23,973,741
University's covered employee payroll	52,317,861	50,667,755
University's proportional share of the net pension liabiliy as a percentage of its covered employee payroll	69.34%	47.32%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	91.38%

Data reported is measured as of July 1, 2016 and July 1, 2015 (measurement dates)

Schedule of University Contributions
PERSI - Base Plan

	2017	2016
Statutorialy-required contribution	$ 6,507,425	$ 5,917,860
Contributions in relation to the statutorily-required contribution	6,507,425	5,917,860
Contribution (deficiency) excess	$ -	$ -
University's covered-employee payroll	57,486,009	52,317,861
Contributions as a percentage of covered-employee payroll	11.32%	11.31%

Schedule of Funding Progress
Retiree Benefits Trust

Fiscal Year End Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b-a)/(c)
6/30/2013	$ 24,753,000	$ 63,465,000	$ 38,712,000	39.0%	$ 123,237,000	31.4%
6/30/2014	28,271,000	61,476,000	33,205,000	46.0%	132,777,000	25.0%
6/30/2015	29,768,000	62,465,000	32,697,000	47.7%	140,728,000	23.2%
6/30/2016	30,528,000	58,201,000	27,673,000	52.5%	150,995,000	18.3%
6/30/2017	30,528,000	58,201,000	27,673,000	52.5%	150,995,000	18.3%

Schedule of Employer Contributions
Retiree Benefits Trust

Fiscal Year End Date	Annual Required Contribution	Percentage Contributed
6/30/2013	$ 3,723,000	110.4%
6/30/2014	3,368,000	94.4%
6/30/2015	3,177,000	101.8%
6/30/2016	2,711,000	101.5%
6/30/2017	2,711,000	116.5%

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
University of Idaho

We have audited, in accordance with the 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 University of Idaho (University), and its discretely presented component unit, and the aggregate remaining fund of the University, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated September 29, 2017. Our report includes reference to other auditors who audited the financial statements of the University of Idaho Foundation, a discretely presented component unit, and the University of Idaho Health Benefits Trust, a fiduciary fund, as described in our report of the University of Idaho's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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.

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

Compliance and Other Matters

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

Purpose of this Report

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

Moss Adams LLP

Portland, Oregon
September 29, 2017