

UNIVERSITY OF IDAHO

**Financial Statements and
Additional Information for the
Year Ended June 30, 2000 and
Independent Auditors' Reports**

UNIVERSITY OF IDAHO

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INDEPENDENT AUDITORS' REPORT

To the Board of Regents of the
University of Idaho:

We have audited the accompanying balance sheet of the University of Idaho (the "University") as of June 30, 2000, and the related statements of changes in fund balances and current funds revenues, expenditures and other changes for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the University of Idaho at June 30, 2000, and the changes in its fund balances and its current funds revenues, expenditures and other changes for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2000 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

September 8, 2000

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UNIVERSITY OF IDAHO

BALANCE SHEET

JUNE 30, 2000 WITH COMPARATIVE TOTALS FOR 1999

ASSETS	Current Funds			Student Loan Funds
	Unrestricted	Auxiliary Enterprises	Restricted	
Cash and cash equivalents	\$ 2,361,568	\$ 90,721		\$ 260,461
Student loans receivable, less allowance for doubtful loans of \$1,158,665				10,786,429
Accounts receivable and unbilled charges, less allowance for doubtful accounts of \$259,521	2,757,173	1,053,469	\$12,633,939	45,363
Due from other funds	5,203,407	24,091	1,486,372	67,313
Due from State of Idaho	513,385		35,848	
Accrued interest receivable	169			429,976
Investments	23,295,283	432,975		1,048,672
Investments held in trust				
Inventories	625,496	1,110,365		
Deferred bond financing costs				
Property, plant and equipment				
Installment contracts receivable				
Other assets	2,482,915	195,271	43,081	2,246
	<u>\$37,239,396</u>	<u>\$2,906,892</u>	<u>\$14,199,240</u>	<u>\$12,640,460</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued liabilities	\$17,797,784	\$1,418,740	\$ 6,219,981	\$ 42
Trust earnings payable to trust beneficiaries				
Accrued interest payable				
Due to other funds			4,232,241	
Deposits		379,291		142,143
Deferred revenue	2,468,970	412,189		
Amounts held in custody for others				
Obligations under capital leases				
Notes and bonds payable				
	<u>20,266,754</u>	<u>2,210,220</u>	<u>10,452,222</u>	<u>142,185</u>
FUND BALANCES:				
Unrestricted:				
Designated	1,257,053			
General	15,715,589	696,672		
Unexpended plant				
Renewal and replacement				
Retirement of indebtedness				
Restricted:				
General			3,747,018	3,140,942
Unexpended plant				
Renewal and replacement				
Retirement of indebtedness				
U.S. government grants refundable				9,357,333
Held in trust by the University of Idaho Foundation				
Net investment in plant				
	<u>16,972,642</u>	<u>696,672</u>	<u>3,747,018</u>	<u>12,498,275</u>
	<u>\$37,239,396</u>	<u>\$2,906,892</u>	<u>\$14,199,240</u>	<u>\$12,640,460</u>

See notes to financial statements.

Endowment and Similar Funds	Combined Plant Funds	Agency Funds	Totals	
			2000	1999
\$ 2,222,214	\$ 29,793,198	\$ 54,789	\$ 34,782,951	\$ 49,420,151
			10,786,429	10,225,466
6,478	8,791	7,908	16,513,121	15,669,496
		220	6,781,403	6,879,352
			549,233	886,711
375,731	147,437		953,313	802,388
4,884,624	8,306,679	14,957,961	52,926,194	47,244,147
70,149,140	1,446,500		71,595,640	70,712,068
			1,735,861	1,527,967
	1,860,006		1,860,006	1,678,965
	417,397,697		417,397,697	383,479,358
1,495,254			1,495,254	1,524,317
1,331,221	133,638		4,188,372	2,044,126
<u>\$80,464,662</u>	<u>\$ 459,093,946</u>	<u>\$15,020,878</u>	<u>\$ 621,565,474</u>	<u>\$ 592,094,512</u>
\$ 26,878	\$ 380,181	\$ 109,988	\$ 25,953,594	\$ 25,703,285
256,843			256,843	260,605
	1,238,317		1,238,317	1,159,701
2,549,162			6,781,403	6,879,352
			521,434	491,088
			2,881,159	2,540,325
		14,910,890	14,910,890	7,601,877
	221,541		221,541	113,275
	102,797,957		102,797,957	93,627,089
<u>2,832,883</u>	<u>104,637,996</u>	<u>15,020,878</u>	<u>155,563,138</u>	<u>138,376,597</u>
			1,257,053	1,257,053
			16,412,261	11,921,522
	1,559,697		1,559,697	311,219
	3,565,364		3,565,364	4,899,241
	4,136,724		4,136,724	4,807,791
			6,887,960	5,697,712
	28,734,313		28,734,313	39,191,216
	2,081,653		2,081,653	6,319,664
			9,357,333	9,022,581
77,631,779			77,631,779	80,550,922
	314,378,199		314,378,199	289,738,994
<u>77,631,779</u>	<u>354,455,950</u>		<u>466,002,336</u>	<u>453,717,915</u>
<u>\$80,464,662</u>	<u>\$ 459,093,946</u>	<u>\$15,020,878</u>	<u>\$ 621,565,474</u>	<u>\$ 592,094,512</u>

UNIVERSITY OF IDAHO

STATEMENT OF CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2000 WITH COMPARATIVE TOTALS FOR 1999

	Current Funds			Student Loan Funds
	Unrestricted	Auxiliary Enterprises	Restricted	
REVENUES AND OTHER ADDITIONS:				
Unrestricted current funds revenues	\$ 135,248,256	\$27,898,066		
Private gifts, grants and contracts			\$ 12,195,692	\$ 10,361
Government grants and contracts			66,141,645	99,331
Governmental appropriations			32,349,728	
Investment income				131,033
Interest on loans receivable				258,409
Expended for plant facilities, including \$5,631,741 charged to current funds' expenditures and capitalized interest of \$830,216				
Retirement of indebtedness				
Change in fair value of investments				(39,690)
Proceeds from issuance of bonds and notes payable				
Public works projects completed				
Other additions			2,957,471	92,778
Total revenues and other additions	<u>135,248,256</u>	<u>27,898,066</u>	<u>113,644,536</u>	<u>552,222</u>
EXPENDITURES AND OTHER DEDUCTIONS:				
Educational and general expenditures	124,972,861		108,481,967	
Auxiliary enterprises expenditures		26,387,779		
Indirect costs recovered			4,570,807	
Loan cancellations, write-offs and provisions for doubtful accounts				50,410
Expended for plant facilities, including noncapitalized expenditures of \$2,227,604				
Retirement of indebtedness				
Interest on indebtedness				
Disposal of plant facilities				
Additions to indebtedness				
Additions to capital leases				
Other deductions				11,035
Total expenditures and other deductions	<u>124,972,861</u>	<u>26,387,779</u>	<u>113,052,774</u>	<u>61,445</u>
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):				
Mandatory:				
Principal and interest	(5,289,987)	(1,646,660)	(57,091)	
Loans and matching grants	(364,241)		331,130	33,111
Net transfers (voluntary)	<u>(634,166)</u>	<u>640,111</u>	<u>185,238</u>	<u>(49,927)</u>
Total transfers	<u>(6,288,394)</u>	<u>(1,006,549)</u>	<u>459,277</u>	<u>(16,816)</u>
NET INCREASE (DECREASE) FOR THE YEAR	<u>3,987,001</u>	<u>503,738</u>	<u>1,051,039</u>	<u>473,961</u>
FUND BALANCES, BEGINNING OF YEAR	<u>12,985,641</u>	<u>192,934</u>	<u>2,695,979</u>	<u>12,024,314</u>
FUND BALANCES, END OF YEAR	<u>\$ 16,972,642</u>	<u>\$ 696,672</u>	<u>\$ 3,747,018</u>	<u>\$12,498,275</u>

See notes to financial statements.

Endowment and Similar Funds	Plant Funds				Totals	
	Unexpended Plant	Renewal and Replacement	Retirement of Indebtedness	Net Investment In Plant	2000	1999
\$ 4,070,856	\$ 311,967 3,434,452			\$ 152,545	\$ 163,146,322 16,741,421 69,675,428 32,349,728 6,343,434 258,409	\$ 150,244,036 12,410,191 64,979,422 30,805,110 7,777,408 296,377
3,870,830	1,874,453		\$ 467,118			
				36,395,732 3,268,484	36,395,732 3,268,484 (6,306,322)	17,639,464 4,644,237 3,360,000
(6,067,001)	(344)	\$ (94,070)	(105,217)			
	10,850,000		1,475,000		12,325,000	29,381,969
181,089	143,300		17,879	2,683,661	2,683,661 3,392,517	1,360,762 2,738,779
2,055,774	16,613,828	(94,070)	1,854,780	42,500,422	340,273,814	325,637,755
					233,454,828 26,387,779 4,570,807	219,712,483 25,352,617 3,982,274
					50,410	124,109
	30,671,034	1,267,727			31,938,761	12,045,786
			3,268,484 5,284,934		3,268,484 5,284,934	4,644,237 4,098,629
				5,313,599 12,325,000 222,618	5,313,599 12,325,000 222,618	8,554,988 29,381,969 162,175
4,974,917			186,221		5,172,173	3,851,413
4,974,917	30,671,034	1,267,727	8,739,639	17,861,217	327,989,393	311,910,680
			6,993,738			
	4,848,781	27,920	(5,017,957)			
	4,848,781	27,920	1,975,781			
(2,919,143)	(9,208,425)	(1,333,877)	(4,909,078)	24,639,205	12,284,421	13,727,075
80,550,922	39,502,435	4,899,241	11,127,455	289,738,994	453,717,915	439,990,840
\$77,631,779	\$30,294,010	\$3,565,364	\$ 6,218,377	\$ 314,378,199	\$ 466,002,336	\$ 453,717,915

UNIVERSITY OF IDAHO

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES YEAR ENDED JUNE 30, 2000 WITH COMPARATIVE TOTALS FOR 1999

	Unrestricted	Auxiliary Enterprises
REVENUES:		
Appropriated general education revenues:		
State general account - general education	\$ 72,231,296	\$ 1,782,004
Endowment income	7,835,324	
Student fees and miscellaneous receipts	19,024,324	
Other state general accounts		
Federal appropriations		
Federal grants and contracts	68,739	
State grants and contracts	45,354	
Private gifts, grants and contracts	3,168,961	1,053,011
Other student fees	16,666,433	4,126,920
Sales and services of educational departments	5,251,409	
Sales and services of auxiliary enterprises		20,319,659
Indirect costs recovered	4,570,807	
Other sources	7,355,977	632,863
Change in fair value of investments	<u>(970,368)</u>	<u>(16,391)</u>
Total revenues	<u>135,248,256</u>	<u>27,898,066</u>
EXPENDITURES AND MANDATORY TRANSFERS:		
Educational and general:		
Instruction	54,774,378	
Research	11,529,211	
Public service	1,273,468	
Academic support	9,228,077	
Libraries	5,793,814	
Student services	6,611,844	
Institutional support	16,415,640	
Operations and maintenance of plant	13,791,867	
Scholarships and fellowships	<u>5,554,562</u>	
Educational and general expenditures	124,972,861	
Mandatory transfers for loans and matching grants	364,241	
Mandatory transfers for principal and interest	<u>5,289,987</u>	
Total educational and general	<u>130,627,089</u>	
Auxiliary enterprises:		
Expenditures		26,387,779
Mandatory transfers for principal and interest		<u>1,646,660</u>
Total auxiliary enterprises		<u>28,034,439</u>
Total expenditures and mandatory transfers	<u>130,627,089</u>	<u>28,034,439</u>
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):		
Excess (deficiency) of restricted receipts over transfers to revenue		
Net transfers (voluntary)	<u>(634,166)</u>	<u>640,111</u>
Total other transfers and additions (deductions)	<u>(634,166)</u>	<u>640,111</u>
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$ 3,987,001</u>	<u>\$ 503,738</u>

See notes to financial statements.

Agricultural Research	Restricted		Totals	
	Agricultural Extension	Other	2000	1999
			\$ 74,013,300	\$ 71,385,700
			7,835,324	7,050,233
			19,024,324	18,221,788
\$13,461,751	\$ 8,668,734	\$ 5,387,795	27,518,280	26,382,861
1,755,074	2,767,075		4,522,149	4,211,215
		54,832,400	54,901,139	55,094,165
64,815		6,762,226	6,872,395	5,670,993
		11,550,587	15,772,559	12,413,652
		109,792	20,903,145	18,764,737
41,238			5,292,647	4,422,568
			20,319,659	19,150,682
			4,570,807	3,982,274
1,325		2,805,116	10,795,281	7,013,182
			(986,759)	(364,372)
<u>15,324,203</u>	<u>11,435,809</u>	<u>81,447,916</u>	<u>271,354,250</u>	<u>253,399,678</u>
		13,395,259	68,169,637	64,574,495
15,267,112		24,738,688	51,535,011	49,809,751
	11,435,809	2,446,034	15,155,311	14,098,973
			9,228,077	8,744,636
			5,793,814	5,738,885
			6,611,844	5,859,192
			16,415,640	13,570,198
			13,791,867	11,802,561
		41,199,065	46,753,627	45,513,792
<u>15,267,112</u>	<u>11,435,809</u>	<u>81,779,046</u>	<u>233,454,828</u>	<u>219,712,483</u>
		(331,130)	33,111	45,192
57,091			5,347,078	4,832,167
<u>15,324,203</u>	<u>11,435,809</u>	<u>81,447,916</u>	<u>238,835,017</u>	<u>224,589,842</u>
			26,387,779	25,352,617
			1,646,660	1,575,665
			28,034,439	26,928,282
<u>15,324,203</u>	<u>11,435,809</u>	<u>81,447,916</u>	<u>266,869,456</u>	<u>251,518,124</u>
430,857	(121,558)	556,502	865,801	(593,463)
222,161	(23,715)	(13,208)	191,183	(1,595,738)
653,018	(145,273)	543,294	1,056,984	(2,189,201)
<u>\$ 653,018</u>	<u>\$ (145,273)</u>	<u>\$ 543,294</u>	<u>\$ 5,541,778</u>	<u>\$ (307,647)</u>

UNIVERSITY OF IDAHO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The University of Idaho (the "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 financial reporting entity. The Board of Regents, appointed by the Governor and confirmed by the legislature, directs the University.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with the principles outlined in the American Institute of Certified Public Accountants' Industry Audit Guide, *Audits of Colleges and Universities*. In accordance with the practice generally acceptable for governmental colleges and universities, no provision for depreciation has been recorded by the University. The statement of current funds revenues, expenditures and other changes is a statement of financial activities related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses. The financial information shown for 1999 in the accompanying financial statements is included to provide a basis for comparison with 2000 and presents summarized totals only.

Fund Accounting - In order to ensure observance of limitations and restrictions placed on the use of the resources available, the University maintains its accounting records in accordance with the principles of "fund accounting". These principles require that resources be classified for accounting and reporting purposes into funds in accordance with the activities or objectives specified for the resources. Accounts are separately maintained for each fund. However, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the University's Board of Regents. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the University's Board of Regents retains full control to use in achieving any of its institutional purposes.

All changes in fair value of investments and other noncash assets are accounted for in the fund which owned such assets. Ordinary income derived from receivables and the like is accounted for in the fund owning such assets. Income derived from investments of endowment and similar funds is accounted for in the fund to which it is restricted. Income derived from non-endowment type investments is accounted for in the fund to which it restricted, or if unrestricted, as revenues in unexpended plant funds.

Description of Funds

Current Funds - Current funds are used primarily to account for amounts which are expended in performing the primary and support objectives of the University, i.e., instruction, research, public service, academic support, libraries, student services, institutional support, operations and maintenance of plant, scholarships and fellowships and auxiliary activities. Funds included in this classification consist of the following:

- a. Unrestricted funds - These funds are used to account for transactions related to the educational and general operations of the University. These funds may be used at the discretion of the Board of Regents or their designee to meet current expenditures for any purpose.
- b. Auxiliary enterprise funds - These funds are used to account for transactions of substantially self-supporting activities that primarily provide services to students, faculty and staff. Auxiliary enterprises include, but are not limited to, student housing, food services, bookstore and intercollegiate athletics.
- c. Restricted funds - These funds are used to account for current funds expended for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be used. Revenues of the restricted funds are reported in the statement of current funds revenues, expenditures and other changes only to the extent expended for current operating purposes. The excess or deficiency of receipts over expenditures is included as an addition or deduction directly to fund balances during the year.

Student Loan Funds - These funds, which are primarily obtained from the Federal Government, are used to account for loans to students. The University participates in the Perkins Student Loan Program which requires the University to match 33% of the federal contributions. A portion or all of the loan principal and interest may be canceled upon the occurrence of certain events. The amount of such cancellations is partially absorbed by the Federal Government.

Endowment and Similar Funds - Endowment funds are subject to the restrictions of donor gift instruments requiring that the principal be invested in perpetuity and that only the income be utilized. Term endowment funds provide that upon the passage of a stated period of time or the occurrence of a particular event, all or part of the principal may be expended. Quasi-endowment funds have been established by the University Administration for the same purposes as endowment funds and any portion of such funds may be expended.

Plant Funds - These funds are used to account for the transactions relating to investment in University properties. Plant funds include (1) Unexpended Plant Funds, (2) Renewal and Replacement Funds, (3) Retirement of Indebtedness Funds and (4) Net Investment in Plant Funds. The Unexpended Plant Funds are comprised of amounts which have been appropriated or designated for land, improvements, buildings and equipment. The Renewal and Replacement Funds are comprised of amounts provided for renewal and replacement of certain properties. The Retirement of Indebtedness Funds represent bond sinking funds used to provide for payment of principal and interest pursuant to terms of bond indentures. Net Investment in Plant Funds represent the accumulated cost of property, buildings, equipment over related liabilities.

Agency Funds - These funds are used to account for assets held by the University as custodian or fiscal agent for others. Consequently, the transactions of these funds do not affect the statement of changes in fund balances.

Interfund Borrowings - All interfund borrowings are payable within one year without interest.

Student Loans Receivable - Loans receivable from students bear interest at rates ranging from 3% to 7% 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.

Inventories - Bookstore inventories are valued at average cost. All other inventories are valued at the lower of FIFO cost or market.

Property, Plant and Equipment - To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal additions; (2) mandatory transfers, in the case of required provisions for debt amortization and interest; and (3) as voluntary transfers for all other cases.

Plant assets are stated at cost when purchased or constructed, or if acquired by gift, at the estimated fair market value at date of gift.

Accrued Vacation - Included in accounts payable and accrued liabilities at June 30, 2000 is \$6,582,852 related to compensated absences earned but unused.

Summer Session Activities - Revenues and related expenditures resulting from summer sessions are reported within the fiscal year in which the total summer sessions program is predominantly conducted. Accordingly, only the revenues and expenditures of the 1999 summer sessions are included in the statement of current operating funds revenues, expenditures and other changes. Receipts and disbursements related to the 2000 summer sessions are reflected in the financial statements as deferred items.

Grants-in-Aid - Tuition and fees revenue include grants-in-aid charged to scholarships and fellowships and grants-in-aid for faculty and staff benefits charged to the appropriate expenditure programs to which the applicable personnel relate. Grants-in-aid for 2000 total \$6,181,808.

New Accounting Standards - The Governmental Accounting Standards Board has issued Statements No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*, and No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. The University has not completed the process of evaluating the impact that will result from adopting these Statements. The University is therefore unable to disclose the impact that adopting Statement of Government Accounting Standards Nos. 33 and 35 will have on its financial position and revenues, expenditures and other changes in fund balance. The requirements of these statements are effective for the fiscal years ending June 30, 2001 and 2002, respectively.

Reclassifications - Certain prior year amounts have been reclassified to conform with the current year's presentation.

2. CASH AND CASH EQUIVALENTS

The University accounts for its cash on a pooled basis whereby each fund has a positive or negative equity in cash depending upon the net effect of its cash receipts and disbursements activity. In effect, funds with negative cash balances are borrowing from those with positive cash balances and are recorded as due to other funds.

Cash and cash equivalents are deposited with various financial institutions. Such deposits for the year ended June 30, 2000 are categorized below to give an indication of the level of risk assumed by the University at year end. Category 1 includes deposits that are insured or collateralized with securities held by the University or its agent in the University's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or agent in the University's name. Category 3 includes uninsured deposits which are uncollateralized. Balances of deposits by such categories at June 30, 2000 consisted of the following:

Category 1	\$ 100,000
Category 2	34,323,729
Category 3	<u>359,222</u>
Total	<u>\$34,782,951</u>

Of the cash and cash equivalents reported on the balance sheet at June 30, 2000, \$4,007,465 is restricted by donors, granting agencies, or other contractual agreements.

3. INVESTMENTS AND INVESTMENTS HELD IN TRUST

The general investment policy of the University as adopted by its Board of Regents 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. Long-term investments shall be restricted to rated securities traded on standard exchanges of the United States. Temporary investment of cash shall be restricted to:

- Certificates of deposit in major Idaho banking organizations.
- All obligations of the U.S. Government.
- Federal funds bank repurchase agreements.
- Deposits in savings accounts of commercial banks and savings and loan associations in the state of Idaho.
- Commercial paper of prime or equivalent grade.

Covenants of certain bond resolutions restrict investment of funds to U.S. Government or government guaranteed securities. Repurchase agreements are collateralized by U.S. Government securities held by the pledging financial institution or financial institution's agent in the University's name.

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 balance sheet. Investment income including change in fair value of investments, is recognized as revenue in the statement of current funds revenues, expenditures, and other changes (or in the statement of changes in fund balance depending on the fund).

Investments are held by the University, recorded at fair value, and are generally held until maturity. A total of \$22,337,757 of these investments were restricted by donors, granting agencies, or other contractual agreements at June 30, 2000.

Investments Held in Trust represent investments in the Endowment and similar funds which are held in trust by the University of Idaho Foundation, Inc. and investments held in trust in the University's name. These investments consist of cash and cash equivalents, corporate debt securities, U.S. Government or government guaranteed securities, common stocks and mutual funds. These investments are either restricted to the purpose established by the donors or restricted by bond indentures or other contractual agreements.

The University's investments described above are categorized below to give an indication of the level of risk assumed by the University at June 30, 2000. Category 1 includes investments that are insured or registered, or for which the securities are held by the University or its agent in the University's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the University's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty whether or not in the University's name; or by the counterparty's trust department or agent but not in the University's name.

	<u>Investment Risk Category</u>			Total
	1	2	3	
INVESTMENTS:				
Corporate debt securities and preferred stock	\$16,364,871			\$16,364,871
U.S. Government or government guaranteed securities	34,916,918			34,916,918
Common stocks	761,813			761,813
Mutual Funds	<u>882,592</u>			<u>882,592</u>
	<u>\$52,926,194</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$52,926,194</u>
INVESTMENTS HELD IN TRUST:				
Corporate debt securities and preferred stock	\$18,740,243			\$18,740,243
U.S. Government or government guaranteed securities	11,732,614	\$1,446,500		13,179,114
Common stocks	39,033,745			39,033,745
Mutual funds	<u>642,538</u>			<u>642,538</u>
	<u>\$70,149,140</u>	<u>\$1,446,500</u>	<u>\$ 0</u>	<u>\$71,595,640</u>

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at June 30, 2000 consisted of the following:

Buildings and improvements	\$270,069,945
Furniture, equipment and library materials	121,810,038
Land	7,980,726
Construction in progress	<u>17,536,988</u>
	<u>\$417,397,697</u>

In addition to the accounts payable for construction costs shown in the Plant Fund, the estimated cost to complete property authorized or under construction at June 30, 2000 is \$64,239,200. These costs will be financed by State appropriations, available resources and/or long-term borrowing.

5. CAPITAL LEASES

The University has entered into various capital lease agreements covering equipment and furniture system assets. At June 30, 2000, assets under capital lease total \$290,287 and are included in property, plant and equipment. Future minimum lease obligations under these agreements for the years ending June 30 are as follows:

2001	\$ 78,131
2002	69,033
2003	63,365
2004	28,908
2005	<u>11,504</u>
Total minimum obligations	250,941
Less interest	<u>(29,400)</u>
Present value of minimum obligations	<u>\$ 221,541</u>

6. NOTES AND BONDS PAYABLE

Notes and bonds payable at June 30, 2000 consisted of the following:

Description	Balance Outstanding
Facility Revenue Bonds, Series 1992A, consisting of serial bonds due in annual amounts increasing periodically from \$180,000 to a maximum of \$195,000, plus interest from 6.10% to 6.20% through the year 2002, collateralized by a pledge of net revenues derived from the rentals of the family student and graduate student apartments, the operation of the University Conference Facility, certain utility charges assessed by the University, and by a portion of matriculation fees.	\$ 375,000
Facility Revenue Bonds, Series 1992B, consisting of serial bonds due in annual amounts increasing periodically from \$265,000 to a maximum of \$300,000, plus interest from 5.80% to 6.00% through the year 2002, collateralized by a pledge of net revenues derived from the rentals of the family student and graduate student apartments and by a portion of matriculation fees.	845,000
Facility Refunding and Improvement Revenue Bonds, Series 1994, consisting of serial bonds due in annual installments increasing periodically from \$390,000 to a maximum of \$815,000, plus interest from 4.55% to 5.40% through the year 2016, collateralized by a pledge of net revenues of the Student Housing System, a portion of matriculation fees, and certain other designated funds and revenues.	9,125,000
Student Building Fee Refunding Revenue Bonds, Series 1994, consisting of serial bonds due in annual installments increasing periodically from \$375,000 to a maximum of \$580,000, plus interest from 4.55% to 5.35% through the year 2010, collateralized by a pledge of certain net revenues of the University and the Student Building Debt Service Fees.	4,670,000

(continued)

Description	Balance Outstanding
Student Fee Refunding Revenue Bonds, Series 1996, consisting of serial bonds due in annual installments increasing periodically from \$410,000 to a maximum of \$860,000, plus interest from 4.55% to 5.80% through the year 2013, collateralized by a pledge of revenues and certain student fees of the University.	\$ 7,860,000
Student Fee Revenue Bonds, Series 1996, consisting of serial bonds due in annual installments ranging periodically from \$370,000 to a maximum of \$685,000, plus interest from 4.80% to 5.85% through the year 2011, collateralized by a pledge of the University's Student Matriculation Fee and other pledged net revenues derived from the Telecommunications System, Non-Dormitory Housing System, and Parking System.	5,440,000
Student Fee Refunding Bonds, Series 1997A, consisting of serial bonds due in annual installments increasing periodically from \$320,000 to a maximum of \$390,000, plus interest from 6.75% to 6.85% through the year 2002, collateralized by a pledge of net revenues of the Student Housing System, University's Student Matriculation Fee and other pledged net revenues.	710,000
Student Fee Refunding Revenue Bonds, Series 1997B, consisting of serial bonds due in annual installments commencing in 2003 and increasing periodically from \$640,000 to a maximum of \$1,220,000, plus interest from 5.00% to 5.70% through the year 2016, collateralized by a pledge of net revenues of the Student Housing System, University's Student Matriculation Fee and other pledged net revenues.	12,380,000
Student Fee Revenue Bonds (University Commons Project), Series 1997, consisting of serial bonds due annual installments increasing periodically from \$140,000 to a maximum of \$1,650,000, plus interest from 4.50% to 5.70% through the year 2022, collateralized by a pledge of certain student fees, and certain other pledged revenue.	13,910,000
Student Fee Revenue Bonds Series 1997 (University Commons Supplemental Project), consisting of serial bonds due in annual installments commencing in 2000 and increasing periodically from \$145,000 to a maximum of \$405,000, plus interest from 4.10% to 5.35% through the year 2022, collateralized by a pledge of certain student fees, and certain other pledged revenue.	5,480,000
Student Fee Revenue Bonds, Series 1999, consisting of serial bonds due in annual installments commencing in 2002 and increasing periodically from \$330,000 to a maximum of \$1,425,000, plus interest from 3.65% to 6.50%, through the year 2025, collateralized by a pledge of certain student fees, and certain other pledged revenue.	20,115,000
Student Fee Revenue Bonds, Series 1999A, consisting of serial bonds due in annual installments commencing in 2003 and increasing periodically from \$35,000 to a maximum of \$105,000, plus interest from 3.80% to 5.25% through the year 2025, collateralized by a pledge of net revenues of the Student Housing System, University's Student Matriculation Fee, and other pledged net revenues.	1,470,000

(continued)

Description	Balance Outstanding
Student Fee Revenue Bonds, Series 1999B, consisting of serial bonds due in annual installments commencing in 2003 and increasing periodically from \$150,000 to a maximum of \$445,000, plus interest from 4.80% to 5.625% through the year 2025, collateralized by a pledge of net revenues of the Student Housing System, University's Student Matriculation Fee, and other pledged net revenues.	\$ 6,150,000
Student Fee Revenue Bonds, Series 1999C, consisting of serial bonds due in annual installments commencing in 2001 and increasing periodically from \$210,000 to a maximum of \$515,000, plus interest from 4.15% to 5.70% through the year 2019, collateralized by a pledge of net revenues of the Student Housing System, University's Student Matriculation Fee, and other pledged revenues.	6,305,000
Student Fee Revenue Bonds, Series 1999D, consisting of serial bonds due in annual installments commencing in 2023 and increasing periodically from \$1,385,000 to a maximum of \$1,630,000, plus interest from 5.85% to 6.00% through the year 2026, collateralized by a pledge of revenues of the Activity Center Complex Fee, and certain other pledged net revenues.	6,020,000
Other indebtedness, consisting of notes payable and line-of-credit with interest rates ranging from 5% to 10%, due through the year 2017.	<u>1,670,482</u>
	102,525,482
Premium on bonds	<u>272,475</u>
	<u>\$ 102,797,957</u>

There are a number of limitations and restrictions contained in the various bond indentures.

Principal maturities on notes and bonds payable for the years ending June 30 are as follows:

2001	\$ 3,417,339
2002	3,602,992
2003	3,884,332
2004	3,719,611
2005	3,949,225
Thereafter	<u>83,951,983</u>
	<u>\$ 102,525,482</u>

At June 30, 2000, debt in the amount of \$17,091,309 is considered extinguished through refunding of prior issues by a portion of current issues. Sufficient proceeds are invested in government securities and placed in escrow to assure timely payments of the maturities of those prior issues. Neither the debt nor the escrowed assets are reflected in the University's financial statements.

The University has an unsecured revolving line of credit with a bank for the purchase of real property, equipment, and other capital expenditures. The University may borrow at a variable or fixed rate based on the five year U.S. Government Treasury Note Index less 1.35%. The minimum interest rate is 5.0%, and interest is due semi-annually on any outstanding balance. The maximum available line is \$1,500,000 with \$741,921 in outstanding borrowings at June 30, 2000.

7. RETIREMENT PLANS

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

After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 1.917% or 2.225% (depending upon employee classification) of the average monthly salary for the highest consecutive 42 months.

For the year ended June 30, 2000, the required contribution rate for general employees was 9.77% and 5.86% of covered payroll for the University and its employees, respectively. The University contributions required and paid were \$4,993,312, \$4,932,886, and \$5,080,343 for the three years ended June 30, 2000, 1999, and 1998, respectively.

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 immediately fully vested in the ORP. Retirement benefits are available either as a lump sum or any portion thereof upon attaining 55 years of age. The contribution requirement (and amount paid) for the year ended June 30, 2000 was \$6,561,639 which consisted of \$3,448,330 from the University and \$3,113,309 from employees. These contributions represented approximately 7.72% and 6.97% of covered payroll.

Although enrollees in the ORP no longer belong to PERSI, the University is required to contribute to PERSI 3.03% of the annual covered payroll. These annual supplemental payments are required through July 1, 2015. During the year ended June 30, 2000, this supplemental funding payment made to PERSI was \$1,353,150. This amount is not included in the regular University PERSI contribution discussed previously.

Postretirement Benefits Other Than Pensions - In addition to the pension benefits described above, the University provides postretirement medical, dental and life insurance coverage for life to employees who meet certain age and service requirements. 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 do not qualify for this benefit, but who do qualify for retirement under PERSI or ORP are eligible to use 50% of the cash value of their unused sick leave to continue their insurance coverage through the University. The University partially funds these obligations by depositing .45% of employee gross payroll into a reserve. The University made expenditures totaling \$537,246 in fiscal 2000 to purchase insurance for 637 retired employees receiving these benefits. As of June 30, 2000, approximately \$3,397,424 is available to fund these obligations. The GASB is studying a new accounting standard that would require the University to record these obligations on an actuarially determined basis. The University intends to hire actuaries to quantify the unrecorded obligations and is reviewing the provisions of its benefit plans. The actuarially determined obligations are expected to be significantly higher than the amount currently accrued.

8. ENCUMBRANCES

The accrual basis of accounting provides that expenditures include only amounts associated with goods and services received and liabilities include only the unpaid amounts associated with such expenditures. Accordingly, \$5,601,258 of outstanding purchase orders and purchase commitments are not reported in the financial statements.

9. CONTINGENCIES AND LEGAL MATTERS

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

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

10. RELATED ORGANIZATIONS

The University of Idaho Foundation, Inc. (the Foundation) was established for the purpose of soliciting donations and to hold and manage invested donations for the exclusive benefit of the University. Net assets of the Foundation at June 30, 2000 were \$151,735,234. Of this amount, \$77,631,779 are University net assets held and managed in trust by the Foundation and are included in the accompanying financial statements. The remaining net assets of \$74,103,455, of which \$67,921,670 are restricted to uses designated by the donors, are owned by the Foundation.

On January 18, 2000, the Foundation executed a promissory note with the University of Idaho for \$1,907,000 due January 19, 2003. Interest is due annually and is based on IRS Section 1274(d). The University has recorded this note as other assets in the unrestricted fund.

The Vandal Boosters, Inc. (the 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. Unaudited net assets of the Boosters at June 30, 2000 were \$188,584, of which \$18,763 are restricted to uses designated by the donors. Assets owned by the Boosters are not included in the accompanying financial statements.

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ADDITIONAL INFORMATION

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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Board of Regents of the
University of Idaho:

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the University's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

September 8, 2000

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UNIVERSITY OF IDAHO

SCHEDULE OF CHANGES IN CERTAIN FUND BALANCES YEAR ENDED JUNE 30, 2000

	Fund Balance June 30, 1999	Change in Fair Value	Investment and Other Income	Bond Proceeds	Transfers	
					Student Fees	Auxiliary Enterprises
RETIREMENT OF INDEBTEDNESS FUNDS						
Facility Fee Revenue Bonds:						
1992 Series A	\$ 168,745		\$ 10,505			\$ 96,455
1992 Series B	581,288		5,008			271,547
Facility Improvement 1994	1,250,808		13,572			552,917
Student Buildings 1994	2,389,712		29,758		\$ 810,829	
Student Fee Refunding 1996	1,559,660		80,668		951,444	124,650
Student Fee Revenue 1996	1,163,181		14,304			250,000
Student Fee Refunding 1997A	261,505		7,481		155,786	
Student Fee Refunding 1997B	687,959		10,873			320,091
Student Fee Revenue 1997	1,060,824		12,429		1,423,250	
Student Fee Revenue 1997 (Supp.)	93,871		3,676			
Student Recreation Ctr. 1999	1,667,005		62,277		227,462	
Elmwood Apt. long-term financing	210,386		381			
Sweet Ave. and JCIP 1999B	174,735		361		81,702	31,000
Student Fee Revenue 1999C			26,872	\$ 705,000		
Student Fee Revenue 1999D			33,618	770,000		
All other retirement of indebtedness funds	(165,187)		173,214			68,329
Change in fair value of investments	<u>22,963</u>	<u>\$(105,217)</u>				
	<u>\$11,127,455</u>	<u>\$(105,217)</u>	<u>\$484,997</u>	<u>\$1,475,000</u>	<u>\$3,650,473</u>	<u>\$1,714,989</u>

See notes to financial statements.

From Other Current Funds	Plant Funds	Payments of Principal	Interest Costs and Other Expenses	Unexpended Plant Funds	Transfers to Other Plant Funds	Current Funds	Fund Balance June 30, 2000
\$ 50,426	\$250,000	\$ 170,000	\$ 35,479		\$ 4,350		\$ 366,302
50,000	278	250,000	59,660		101,500		496,961
261,394	32,185	370,000	502,364	\$ 951,000	250,000	\$ 10,000	27,512
		355,000	259,457	1,909,119	7,346	500,000	199,377
	366	390,000	450,165		300,000		1,576,623
689,166	18,445	655,000	348,778	263,912		391,592	475,814
29,168	97,150	300,000	76,926				174,164
115,656	11,435		680,113				465,901
		135,000	797,008	489,678	350,000	375,000	349,817
	350,000	140,000	292,642				14,905
			1,019,139				937,605
	33		77,428				133,372
77,000			345,054				19,744
			204,962				526,910
			216,028				587,590
527,777		503,484	105,952		46,663		(51,966)
							(82,254)
<u>\$1,800,587</u>	<u>\$759,892</u>	<u>\$3,268,484</u>	<u>\$5,471,155</u>	<u>\$3,613,709</u>	<u>\$1,059,859</u>	<u>\$1,276,592</u>	<u>\$6,218,377</u>

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED UPON AN AUDIT PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Regents of the
University of Idaho:

We have audited the financial statements of the University of Idaho (the "University") as of and for the year ended June 30, 2000, and have issued our report thereon dated September 8, 2000. 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.

Compliance

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the University's internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the University in a separate letter dated September 8, 2000.

Board of Regents of the
University of Idaho
Page 2

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

Deloitte & Touche LLP

September 8, 2000