University of Idaho

FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008 AND INDEPENDENT AUDITOR'S REPORT

University of Idaho

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INDEPENDENT AUDITOR'S REPORT

Idaho State Board of Education
University of Idaho
Moscow, Idaho

We have audited the accompanying financial statements of the University of Idaho (University) as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the University's discretely presented component unit as described in Note 17, or the University of Idaho Health Benefits Trust as described in Note 11. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit and the University of Idaho Health Benefits Trust, are based solely on the reports of other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Idaho, its discretely presented component unit and the University of Idaho Health Benefits Trust as of June 30, 2009 and 2008, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Moss Adams LLP

Eugene, Oregon
October 2, 2009

University of Idaho

MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

The University of Idaho (the "University") is a doctoral-research extensive 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. The emphasis of this discussion of the financial performance of the University is for the current year.

The discussion and analysis that follows provides an overview of the University's financial activities for the fiscal year ended June 30, 2009. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. They are prepared using the accrual basis of accounting, whereby revenues are recognized when 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 14*, these statements also present information for the University of Idaho Foundation, Inc. (the "Foundation") which qualifies as a component unit of the University. Separate audited financial statements are prepared for the Foundation and may be obtained by contacting University of Idaho Foundation, P.O. Box 443143, Moscow, ID 83844-3143.

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 (HBT) and Retirement Benefits (RBT) Trusts. 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 University of Idaho, Attn. General Accounting, P.O. Box 443166, Moscow, ID 83844-3166. The RBT was established to meet the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. These statements and related supplementary information is presented after the University's financial statements and preceding the notes to the financial statements.

Statement of Net Assets

The statement of net assets 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 assets. 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 assets (assets minus liabilities) and their availability for expenditure by the University.

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

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

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

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.

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

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

	2009	2008	2007
ASSETS			
Current assets	$ 47,658	$ 37,157	$ 38,637
Capital assets - net	358,971	343,070	327,313
Other noncurrent assets	153,084	196,143	178,994
Total assests	$ 559,713	$ 576,370	$ 544,944
LIABILITIES			
Current liabilities	$ 44,441	$ 44,525	$ 50,258
Noncurrent liabilities	142,472	146,009	117,548
Total Libilities	$ 186,913	$ 190,534	$ 167,806
NET ASSETS			
Invested in capital assets-net of debt	$ 205,938	$ 185,755	$ 202,640
Restricted nonexpendable	62,392	77,042	88,789
Restricted expendable	68,225	84,838	39,824
Unrestricted	36,245	38,201	45,885
Total net assets	$ 372,800	$ 385,836	$ 377,138
Total liabilties and net assets	$ 559,713	$ 576,370	$ 544,944

The University's current assets increased $10.5M, a 28.3% increase, during fiscal year 2009 due primarily to current cash holdings of the liquidated repurchase agreement which will be used to complete the 2007B bond projects. Noncurrent assets decreased $27M due to a $16M decrease in investing activities, a $14.5M decrease in endowment investments held in trust by the UI Foundation and the liquidation of the $33M repurchase agreement from the 2007B bond issue. These decreases were offset by a $15.9M increase in capital assets and $21.2M increase in restricted cash primarily from the liquidation of the 2007B repurchase agreement. Total liabilities decreased 1.9% during fiscal year 2009. This was a result of a $3.9M decrease in notes and bonds payable during the year from annual debt service payments.

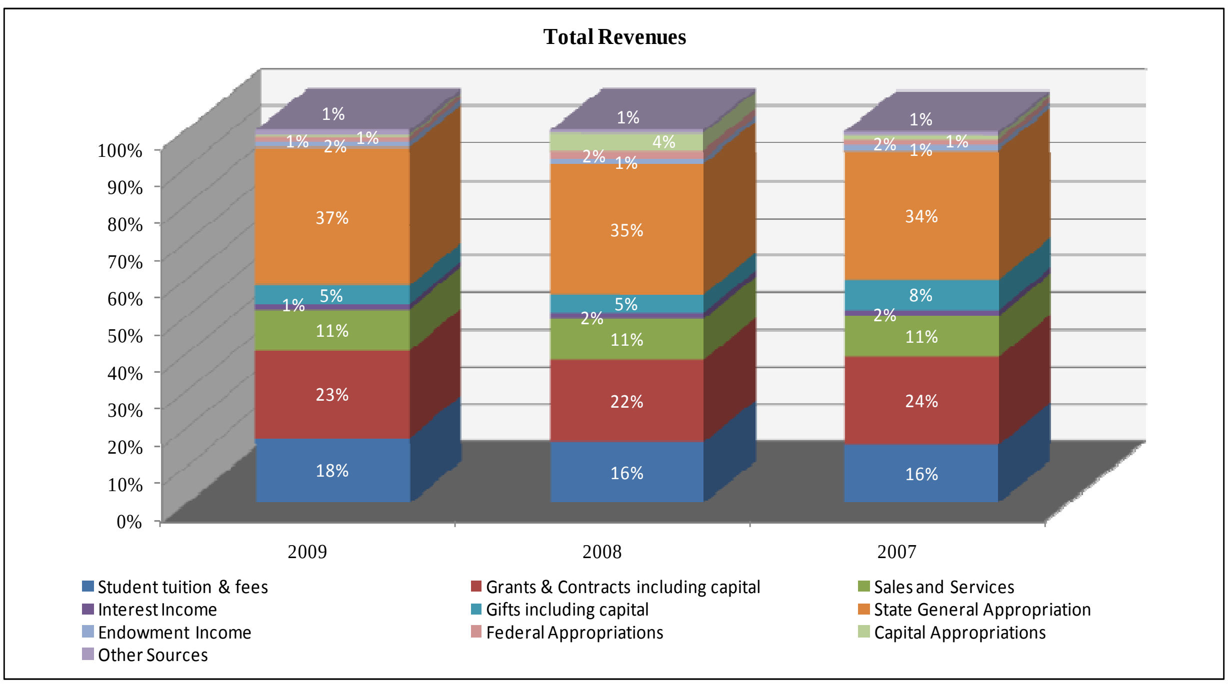
Net assets decreased $13M, 3.4%, for fiscal year 2009. Investments in capital assets increased $20.2M due to projects in progress for life safety improvements to athletic facilities and ongoing work on energy improvements funded by the 2007B bond issue. This increase in capital assets is offset by the $14.6M decrease in the assets held in trust by the foundation which reduced the restricted nonexpendable assets, and a $16.6M decrease to restricted expendable assets resulting from a reclassification entry between restricted and unrestricted net assets to better reflect the finance and administrative revenues from grant and contracts in unrestricted, as well as the ongoing work on the 2007B bond projects. Unrestricted net assets decreased $1.9M as a result of the $11.2M increase to operating revenues offset by a decrease of $13.2 increase in operating expenditures. Details of these changes are discussed in the statement of revenues, expenses and changes in net assets.

Statement of Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses and changes in net assets presents the revenues earned and expenses incurred during the year, 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 activities associated with providing goods and services for instruction, research, public service or related support to entities separate from the university and that are exchange transactions. Examples include student tuition and fees, sales and services of auxiliary enterprises, grants and contracts. Operating expenses are those expenses paid to acquire or produce the goods and services provided to carry out the functions of the University. 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 appropriations.

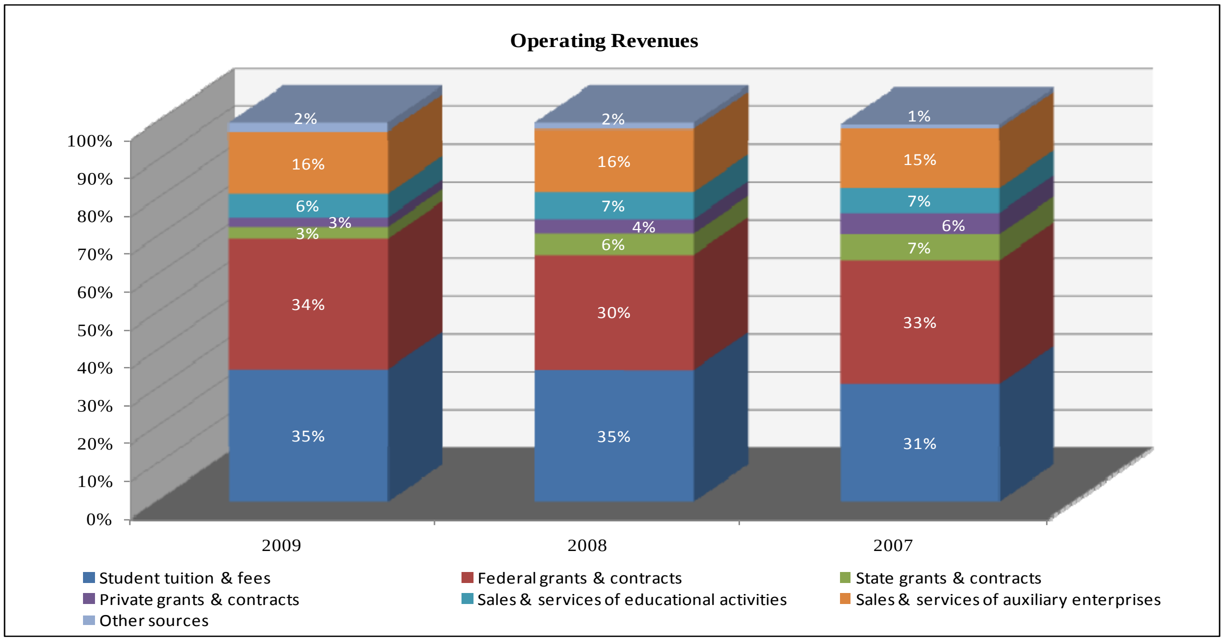
When comparing all of the University's sources of revenue in 2009, as shown in the chart below, state appropriations account for 37% of the total revenue received while grants and contracts and student tuition and fees were 23% and 18% of the total respectively.

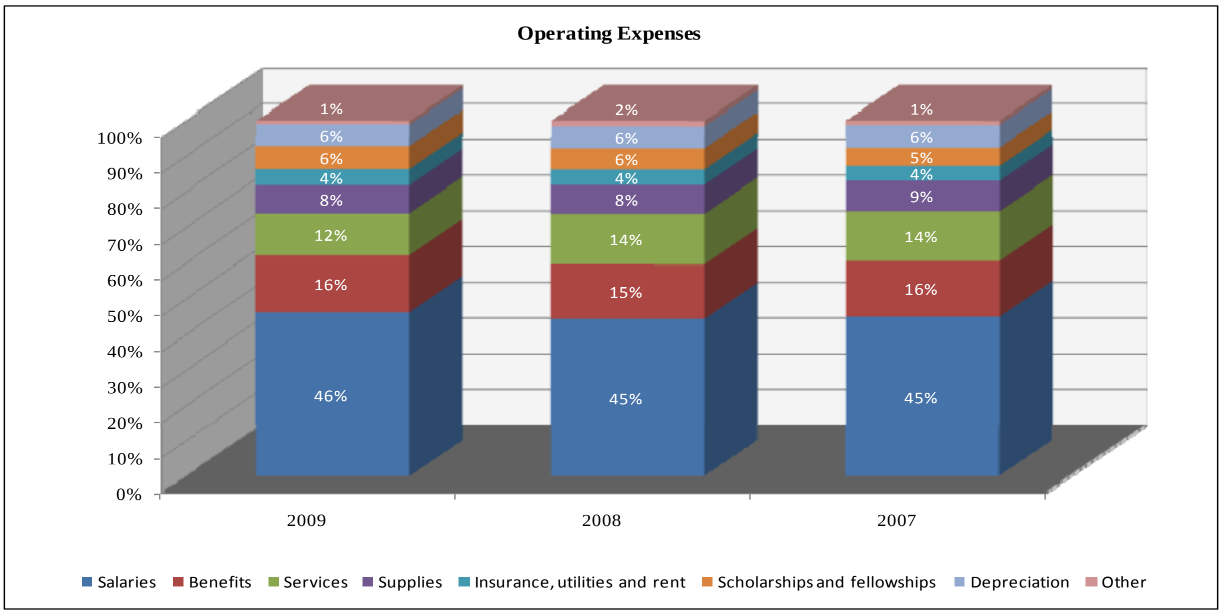


Condensed Statement of Revenues, Expenses and Changes in Net Assets
Fiscal Years Ended June 30
(Dollars in Thousands)

	2009	2008	2007
Operating revenues	$ 172,234	$ 165,286	$ 176,659
Operating expenses	340,286	330,004	317,589
Operating loss	(168,052)	(164,719)	(140,930)
Net nonoperating revenues	151,047	154,390	147,994
Loss before other revenues	(17,005)	(10,328)	7,064
Other revenues	3,970	19,027	24,118
Decrease in net asets	(13,035)	8,699	31,182
Net assets - Beginning of year	385,836	377,137	345,955
Net assets - End of year	$ 372,800	$ 385,836	$ 377,137

The statement of revenues, expenses and changes in net assets details the $13M decrease in net assets for fiscal year 2009. Operating revenues increased $6.9M, a 4.2% increase over fiscal year 2008, due to several factors. Student fees increased for 2009 by $2.7M due to increases in student fee rates and a slight increase in enrollment. Federal grants and contracts increased $9M from increased grant activity. Other sources of revenue increased $1.2M from increasing reserve balances. These increases are offset by $5.6M decreased revenues from state, local and private grants primarily due to the decrease in number of active grants during FY 09. Operating expenses increased 3.1% over fiscal year 2008 in large part to $10.8M increase to salary and benefits in fiscal year 2009. Scholarship expenses increased $2.5M primarily due to increases in state and federal financial aid awards of $1.4M and $1.3M in unrestricted scholarships. Insurance and utilities also increased operating expenses by $1.1M. These increases are offset by a $7.5M decrease in services and supplies primarily due to travel restrictions and efforts to decrease expenses in the current economic climate. Nonoperating revenues and expenses decreased 2.2% in total during fiscal year 2009. State appropriations increased $3.6M while federal appropriations decreased $3.2M. Non-exchange federal grants and contracts increased $1.3M from increases in PELL grants for the fiscal year. Net investment revenues were down $1.4M due to lower interest rates and lower average investment holdings. A $1.7M in increased interest expense rounds out the major changes to nonoperating revenues and expenses. Other revenues and expenses decreased $15M during fiscal year 2009. Capital grants and contracts decreased $1.7M due to several large capital grants ending in fiscal year 2008 with no new capital grants to replace them in fiscal year 2009. Department of Public Works projects decreased $13.9M primarily due to the completion of the Teaching and Learning Center project of $12.6M and closure of several other smaller projects.


Operating Revenues
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
2009
2008
2007
2%
16%
6%
3%
3%
34%
35%
2%
16%
7%
4%
6%
30%
35%
1%
15%
7%
6%
7%
33%
31%
Student tuition & fees
Federal grants & contracts
State grants & contracts
Private grants & contracts
Sales & services of educational activities
Sales & services of auxiliary enterprises
Other sources


Operating Expenses
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
2009
2008
2007
1%
6%
6%
4%
8%
12%
16%
46%
2%
6%
6%
4%
8%
14%
15%
45%
1%
6%
5%
4%
9%
14%
16%
45%
Salaries
Benefits
Services
Supplies
Insurance, utilities and rent
Scholarships and fellowships
Depreciation
Other

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, 2009. The statement is divided into five parts. The first part shows 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)

Cash provided (used) by:	2009	2008	2007
Operating activities	$ (147,991)	$ (150,571)	$ (114,981)
Noncapital financing activities	167,559	163,715	146,614
Capital and related financing activities	(42,653)	6,875	(24,870)
Investing activities	56,552	(21,686)	(8,630)
Net change in cash	33,467	(1,667)	(1,867)
Cash beginning of the year	8,372	10,039	11,906
Cash end of the year	41,839	8,372	10,039

Operating activities used $148M in cash for the year, a decrease of $2.6M from FY 2008. Noncapital financing activities provided $167.6M in cash for the year, a $3.8M increase over FY 2008. Capital and related financing activities used $42.7M of cash during the year, the large variance from the previous fiscal year was primarily from a bond issuance in fiscal year 2008 while no bonds were issued in the current year. Investing activities provided $56.6M during fiscal year 2009. The large change over 2008 is due to a $8.1M increase in the sale of mature investments, a $1M increase in investment income and the liquidation of a $33.7M repurchase agreement.

Capital Assets and Debt Management

The University had $646.9M and $614.1M of capital assets at June 30, 2009 and 2008 respectively, with accumulated depreciation of $287.9M and $271.0M respectively. The major categories and associated value of capital assets as well as accumulated depreciation at June 30, 2009 and 2008 are illustrated in the chart below (in thousands).

	2009	2008	2007
Capital Asset at Cost			
Buildings and improvements	$ 457,030	$ 446,769	$ 424,862
Equipment	80,168	77,302	73,521
Construction in progress	24,431	8,343	5,060
Library materials	64,351	60,788	57,704
Capitalized collections	2,143	2,128	2,084
Land	18,768	18,768	18,244
Total Capital Assets	$ 646,892	$ 614,099	$ 581,475
Accumulated Depreciation			
Building and improvements	$ 176,853	$ 165,685	$ 154,813
Equipment	60,993	57,802	53,859
Library materials	50,075	47,542	45,490
Total Accumulated Depreciation	$ 287,921	$ 271,029	$ 254,162

At June 30, 2009 and 2008 the University had debt (or similar long-term obligations) of $147.9M and $151.8M respectively.

Economic Outlook

The deep financial downturn in the global economy that began in FY2008 has negatively impacted the State of Idaho and the University of Idaho. In fiscal year 2009, the university was directed to return to the State of Idaho $6M of state appropriated funds. This action was required in order for the state leadership to properly address budget shortfalls due to declining state revenues. In addition, investment values for the university also declined by approximately 25% over the last two fiscal years. This decline resulted in reduced investment income and reduced operating funds that typically come to the university from those revenue sources.

The university positioned itself strategically by instituting a hiring pause in the spring of 2008. This action was taken several months prior to awareness of the State’s fiscal challenge and the subsequent directed state appropriation “holdback” in FY2009. This pause became a freeze commensurate with the FY 2009 state holdbacks. In addition a traveling freeze was implemented which allows only mission critical travel. These two actions were, and remain, critical as they facilitated balancing the FY2009 and FY2010 budgets. Both of those actions remain in effect today as only strategically important and aligned positions will be filled and only mission essential travel will be conducted during this time of restricted fiscal resources. With the continuing global and State of Idaho fiscal uncertainty, the university also increased its operational reserve as a potential future course of action to address any FY2010 State of Idaho holdback. This action, if necessary, should facilitate continued current fiscal year operations with a minimal amount of student, personnel, and organizational turbulence.

Additionally, in the spring of 2008, the university took a proactive approach to increasing our liquidity and reserves by working with the Vice Presidents, Deans, and major Directors of the university. The leadership identified the top future revenue generation initiatives for the university, put together a comprehensive plan to internally collect resources and then re-invested those resources into the selected initiatives. As a result, the university collected and then reallocated approximately $6.2M primarily into advancement, enrollment, graduate students, and research, with approximately $5.4M constituting recurring dollars. This action is a long term solution that will help alleviate liquidity concern as well as increase university reserves. Results from this initiative are already paying dividends in all areas as research proposals are up over 40% of just one year ago, first year graduate student enrollment is up over 25%, total student enrollment increased by 2% over the fall of 2008, and even with the challenging fiscal environment advancement is currently having greater success than just last year.

University of Idaho

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009 AND 2008

	University of Idaho 2009	University of Idaho 2008	University of Idaho Foundation (note 17) 2009	University of Idaho Foundation (note 17) 2008
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 20,051,498	$ 7,750,808	$ 10,609,764	$ 8,058,542
Due from state agencies	333,983	169,403	-	-
Prepaid expenses	547,070	467,887	-	-
Investments	601,759	1,141,227	2,793,163	3,677,488
Interest receivable	485,808	551,673	693,017	1,079,994
Student loans receivable	1,551,336	1,457,420	-	-
Accounts receivable & unbilled charges - net	22,213,837	23,808,080	-	-
Inventories	1,872,635	1,810,319	-	-
Pledges receivable - net	-	-	966,123	755,261
Notes receivable	-	-	52,085	50,500
Total Current Assets	47,657,926	37,156,817	15,114,152	13,621,785
NONCURRENT ASSETS				
Restricted cash and cash equivalents	21,787,443	620,916	6,399,527	7,638,537
Student loans receivable - net	10,917,931	10,620,594	-	-
Investments	56,335,644	72,424,094	156,761,325	188,899,335
Assets held in trust by Foundation	62,391,971	77,042,418	-	-
Pledges receivable - net	-	-	1,766,253	2,064,060
Notes receivable	-	-	602,226	655,896
Deferred bond financing costs	1,651,574	1,785,937	-	-
Capital assets	358,970,963	343,070,224	3,607,701	3,241,233
Repurchase agreements	-	33,649,058	-	-
Other noncurrent assets	-	-	193,356	488,350
Total Noncurrent Assets	512,055,526	539,213,241	169,330,388	202,987,411
TOTAL ASSETS	$ 559,713,452	$ 576,370,058	$ 184,444,540	$ 216,609,196

See notes to financial statements

Continued

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009 AND 2008

	University of Idaho 2009	University of Idaho 2008	University of Idaho Foundation (note 17) 2009	University of Idaho Foundation (note 17) 2008
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	$ 7,581,750	$ 6,646,977	$ 210,050	$ 104,378
Accrued salaries and benefits payable	13,383,441	14,338,641	-	-
Compensated absences payable	8,113,752	8,078,001	-	-
Trust earnings payable to trust beneficiaries	-	-	7,329,504	8,120,513
Accrued interest payable	1,606,711	1,656,406	-	-
State teacher education loan advance	161,617	130,547	-	-
Deposits	630,027	625,912	-	-
Deferred revenue	6,490,153	6,558,744	-	-
Funds held in custody for others	332,444	253,607	-	-
Notes and bonds payable	5,417,076	5,838,146	-	-
Other liabilities	724,104	397,979	-	-
Split interest agreements	-	-	873,436	1,054,936
Total Current Liabilities	44,441,075	44,524,960	8,412,990	9,279,827
NONCURRENT LIABILITIES				
Notes and bonds payable	142,471,968	146,009,263	-	-
Assets held in trust for the University	-	-	62,391,971	77,042,418
Split interest agreements	-	-	4,715,392	6,400,646
Total Noncurrent Liabilities	142,471,968	146,009,263	67,107,363	83,443,064
Total Liabilities	186,913,043	190,534,223	75,520,353	92,722,891
NET ASSETS				
Invested in capital assets - net of related debt	205,937,863	185,755,208	-	-
Restricted for:				
Nonexpendable	62,391,971	77,042,418	82,181,263	95,734,757
Expendable	68,225,541	84,837,542	23,534,496	23,270,372
Unrestricted	36,245,034	38,200,667	3,208,428	4,881,176
Total Net Assets	372,800,409	385,835,835	108,924,187	123,886,305
TOTAL LIABILITIES AND NET ASSETS	$ 559,713,452	$ 576,370,058	$ 184,444,540	$ 216,609,196

See notes to financial statements

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	University of Idaho 2009	University of Idaho 2008	University of Idaho Foundation (note 17) 2009	University of Idaho Foundation (note 17) 2008
OPERATING REVENUES				
Student tuition and fees including pledged revenues of $59,562,901 and $54,236,467 (net of scholarship allowance of $11,449,679 and $10,693,531) for FY 2009 and FY 2008 respectively	$ 60,702,738	$ 58,017,484	$ -	$ -
Federal grants and contracts	59,096,376	50,109,296	-	-
State and local grants and contracts	5,502,914	9,155,871	-	-
Private grants and contracts	4,342,407	6,387,333	-	-
Sales and services of educational activities including pledged revenues of $10,643,423 and $11,724,272 for FY 2009 and FY 2008 respectively	10,643,423	11,724,272	-	-
Sales and services of auxiliary enterprises including pledged revenues of $27,964,720 and $27,146,132 for FY 2009 and FY 2008 respectively	27,964,720	27,146,132	-	-
Interest on loans receivable	234,577	205,773	-	-
Other sources	3,747,033	2,539,474	145,572	521,418
Gifts	-	-	16,674,827	17,696,686
Total operating revenue	172,234,188	165,285,635	16,820,399	18,218,104
OPERATING EXPENSES				
Salaries	158,066,029	147,240,935	-	-
Benefits	54,263,999	50,342,854	-	-
Services	39,422,442	46,797,855	-	-
Supplies	26,594,469	26,704,301	-	-
Insurance, utilities and rent	15,249,708	14,105,584	-	-
Scholarships and fellowships	22,068,009	19,559,942	-	-
Depreciation	20,555,241	20,124,222	5,893	5,893
Other	4,066,756	5,128,530	381,830	404,965
Administrative expense	-	-	2,527,796	1,954,630
Total operating expenses	340,286,653	330,004,223	2,915,519	2,365,488
OPERATING (LOSS) INCOME	$ (168,052,465)	$ (164,718,588)	$ 13,904,880	$ 15,852,616

See notes to financial statements

Continued

University of Idaho

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	University of Idaho 2009	University of Idaho 2008	University of Idaho Foundation (note 17) 2009	University of Idaho Foundation (note 17) 2008
NONOPERATING REVENUES (EXPENSES)				
State appropriations	$ 127,767,588	$ 124,175,577	$ -	$ -
Land grant endowment income	5,307,300	4,853,000	-	-
Federal appropriations	4,562,982	7,784,424	-	-
Federal grants and contracts	11,706,909	10,411,108	-	-
Gifts (including gifts from Foundation)	15,731,753	15,700,835	-	-
Private grants and contracts	114,616	277,550	-	-
Net investment income including pledged revenues to UI of $3,040,962 and $4,656,208 for FY 2009 and FY 2008 respectively	4,529,713	5,963,327	9,265,193	10,557,549
Net increase (decrease) in fair value of investments	1,745,586	1,022,670	(22,558,006)	(15,828,178)
Change in value of assets held in trust for University	(14,650,447)	(11,746,429)	-	
Distribution of endowment income to University and trust beneficiaries	-	-	(7,329,504)	(8,120,513)
Distribution to University and affiliates	-	-	(9,686,388)	(8,808,759)
Distribution of trust income to life income beneficiaries	-	-	(548,866)	(584,722)
Lease and rental income	-	-	65,770	93,000
Property management	-	-	(51,759)	(411,712)
Change to split interest trusts	-	-	1,976,562	624,667
Interest expense (net of capitalized interest of $734,106 and $98,582 for FY 2009 and FY 2008 respectively)	(6,292,913)	(4,564,660)	-	-
Other sources	524,166	512,724	-	-
Net nonoperating revenues (expenses)	151,047,253	154,390,126	(28,866,998)	(22,478,668)
LOSS BEFORE OTHER REVENUES	(17,005,212)	(10,328,462)	(14,962,118)	(6,626,052)
OTHER REVENUES				
Capital grants and contracts	435,823	2,153,087	-	-
Projects with Idaho Department of Public Works	1,897,555	15,821,740	-	-
Capital gifts from Foundation	1,636,408	1,052,061	-	-
Total other revenues	3,969,786	19,026,888	-	-
INCREASE (DECREASE) IN NET ASSETS	(13,035,426)	8,698,426	(14,962,118)	(6,626,052)
NET ASSETS - Beginning of year	385,835,835	377,137,409	123,886,305	130,512,357
NET ASSETS - End of year	$ 372,800,409	$ 385,835,835	$ 108,924,187	$ 123,886,305

See notes to financial statements

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	University of Idaho 2009	University of Idaho 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts and disbursements		
Tuition and fees	$ 60,456,013	$ 58,507,332
Grants and contracts	68,941,696	65,652,499
Sales of services - net	38,608,144	38,870,404
Payments to or for employees	(211,911,390)	(205,238,128)
Payments to suppliers	(85,878,185)	(91,038,634)
Scholarships disbursed	(22,068,009)	(19,559,942)
Funds held for others	78,836	3,555
Student loans collected	1,709,102	1,882,843
Student loans disbursed	(1,932,773)	(2,285,185)
Other receipts	4,005,512	2,634,169
Net cash used by operating activities	(147,991,054)	(150,571,087)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Appropriated general education revenues:		
State general account	127,767,588	124,175,577
Land grant endowment income	5,307,300	4,853,000
Federal Appropriations	4,562,982	7,784,424
Federal Grants and Contracts	11,706,909	10,411,108
Gifts	15,846,369	15,978,386
Other receipts	524,164	512,724
Net cash provided by noncapital financing activities	165,715,312	163,715,219
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State appropriations, capital	1,897,555	15,821,740
Capital grants and gifts	435,821	2,153,087
Capital asset purchases	(34,819,570)	(34,829,153)
Proceeds from capital debt	-	37,165,000
Principal paid on capital debt	(4,092,727)	(9,048,147)
Interest paid on capital debt	(6,342,608)	(4,387,737)
Net cash provided (used) by capital & related financing activities	(42,921,529)	6,874,790

See notes to financial statements.

Continued

University of Idaho

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	University of Idaho 2009	University of Idaho 2008
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	46,219,269	38,085,631
Investment income	6,982,020	5,963,327
Repurchase agreement	33,649,058	(33,649,058)
Purchase of investments	(28,185,860)	(32,085,999)
Net cash provided (used) by investing activities	58,664,487	(21,686,099)
NET INCREASE (DECREASE) IN CASH	33,467,216	(1,667,178)
Cash - Beginning of year	8,371,725	10,038,903
Cash - End of year	$ 41,838,941	$ 8,371,725
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$ (168,052,465)	$ (164,718,588)
Adjustments to reconcile:		-
Depreciation expense	20,555,241	20,124,222
Noncash operating transactions		
Decrease (increase) in assets:		
Receivables, net	(374,881)	(74,934)
Inventories and prepaids	(141,498)	126,056
Deferred financing costs	134,363	(111,911)
Increase (decrease) in liabilities:		
Accounts payable	(403,314)	1,547,434
Accrued payroll and benefits	382,887	(8,282,376)
Deferred revenues	(68,591)	373,677
Student deposits	4,115	29,591
Compensated absences	35,752	628,036
Change in funds held for others	78,837	3,555
Other current liabilities	(141,500)	(215,848)
Net cash used by operating activities	$ (147,991,054)	$ (150,571,087)
NONCASH TRANSACTIONS		
Capital asset write-offs	$ 369,626	$ 1,734,096
Donated assets	1,636,408	-
Change in fair value of investments	1,048,850	1,022,670
Change in fair value of assets held in trust	(14,492,027)	(11,746,429)
Proceeds from capital debt deposited to escrow	-	60,315,000
Principal paid on capital debt through defeasance	-	(60,315,000)

See notes to financial statements

University of Idaho

STATEMENTS OF BENEFIT PLAN NET ASSETS
AS OF DECEMEBER 31, 2008

	Retiree Benefits Trust	Health Benefits Trust
Assets		
Cash and short-term investments	$ 135,595	$ 3,876,443
Receivables		
Accounts receivable	-	-
Interest receivable	5,380	13,037
Total receivables	5,380	13,037
Investments, at fair value		
Fixed income securities	2,383,521	1,434,504
Equity securities	2,113,837	97,787
Total investments	4,497,358	1,532,291
Total assets	$ 4,638,333	$ 5,421,771
Liabilities		
Accounts payable	$ -	$ 193,000
IBNR liability	-	1,612,000
Total liabilities	-	1,805,000
Net assets held in trust for benefits	$ 4,638,333	$ 3,616,771

See notes to financial statements

University of Idaho

STATEMENTS OF CHANGES IN BENEFIT PLAN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2008

	Retiree Benefits Trust	Health Benefits Trust
Additions		
Contributions		
Employer	$ 5,295,203	$ 12,083,737
Plan members	-	6,268,539
Total contributions	5,295,203	18,352,276
Interest	81,901	174,191
Realized capital gains	37,548	-
Total additions	5,414,652	18,526,467
Deductions		
Insurance claim benefits	-	17,015,326
Change in IBNR	-	295,000
Unrealized loss on investments	775,194	2,296
Administrative expenses	1,125	10,330
Total deductions	776,319	17,322,952
Net increase in assets held in trust for benefits	4,638,333	1,203,515
Net plan assets, beginning of year	-	2,413,256
Net plan assets, end of year	$ 4,638,333	$ 3,616,771

See notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity—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 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. (the "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 raised and holds economic resources 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, it manages the endowment funds in a pooled investment fund, the Consolidated Investment Trust ("C.I.T."). Earnings from the endowment are transferred annually to the University. Some funds invested in the C.I.T. are held in trust for the University and are shown as an asset and liability on the Foundation's financial statements.

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 ("IBNR") claims of the health plan, as well as DOI-required supplemental funding of 30% of the actuarially determined IBNR 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. The HBT proceeds 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 proceeds are managed on behalf of the University by Wells Fargo Bank.

The HBT and RBT both have December 31, 2008 year ends. The difference in the fiscal year end from the University does not materially impact the net assets of the University.

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.*

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

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.

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—The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* 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 assets.

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

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 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, composite method over the estimated useful lives of the assets, generally 40 years for buildings, 20 years for improvements other than buildings, 10 years for library materials and an average of 7 years for equipment. 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.

Compensated Absences—Employee vacation and compensatory time pay is accrued at year-end for financial statement purposes. The accrued liability at June 30, 2009 and 2008 for compensated absences earned but not used are $8,113,752 and $8,078,001, respectively. Compensated absence costs are included in benefits expense in the statement of revenues, expenses, and changes in net assets.

Waivers—Tuition waivers, provided directly by the University for faculty and staff benefits, amounted to $646,240 and $636,521 for the fiscal years ended 2009 and 2008, respectively.

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

Non-current 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.

Net Assets—The University's net assets are classified as follows:

Invested In Capital Assets—Net of Related Debt—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 not included as a component of invested in capital assets, net of related debt.

Restricted—Nonexpendable—Nonexpendable restricted net assets consist 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 assets include resources for which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted—Unrestricted net assets represent 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 nonoperating according to the following criteria:

Operating Revenues—Operating revenues include revenues 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, (3) most federal, state and local grants and contracts, and (4) interest on institutional student loans.

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

Scholarship Discounts and Allowances—Student 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 Assets. 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. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance. Scholarship allowances for FY2009 and FY2008 are $11,449,679 and $10,693,531 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 assets and disclosures regarding contingent assets and liabilities. Actual results could differ from those estimates.

Reclassifications—Certain prior year balances have been reclassified to conform to current year presentation. The most significant was to reclassify Pell Grant revenues from operating revenue to non-operating revenue to meet the GASB's clarification of Pell Grants as non-exchange transactions. This reclassification resulted in a $10,411,108 decrease in Federal Grants and Contracts in operating revenue and a corresponding increase to Federal Grants and Contracts in nonoperating revenue for fiscal year 2008 on the Statement of Revenues, Expenses and Changes in Net Assets.

New Accounting Standards— In November, 2006 the GASB issued Statement No. 49, *Accounting and Reporting for Pollution Remediation Obligations*. This Statement requires that the University estimate the components of expected pollution remediation outlays and determine whether outlays for such components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. Statement 49 also identifies the conditions under which the University is required to perform these estimations. The requirements of this Statement became effective for the University for the fiscal year ending June 30, 2009, with measurement of pollution remediation liabilities required at the beginning of that period so that beginning net assets can be restated. The University has reviewed the requirements of Statement 49 and determined that it has no liabilities to accrue or costs to be capitalized

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all identifiable intangible assets, not specifically excluded by the Statement, be recorded as capital assets. These intangible assets will be included in the net assets of the University. The implementation of this Statement is effective for fiscal years beginning after June 15, 2009. The University has not completed the process of evaluating the impacts that result from implementation of this statement on its financial statements.

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, 2009, $925,048 of the University's bank balance of $41,838,941 was exposed to custodial credit risk because it was uninsured and uncollateralized. At June 30, 2008, $699,896 of the University's bank balance of $8,371,724 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. 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 assets. Investment income, including change in fair value of investments, is recognized as revenue in the statement of revenues, expenses and changes in net assets.

The following table represents the fair value of investments by type at June 30, 2009:

	Fair Value
Corporate debt securities and preferred stock	$6,601,147
U.S. government or government guaranteed securities	49,955,179
Mutual Funds	381,077
	$56,937,403

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. As of June 30, 2009, the University had the following investments subject to interest rate risk:

Debt Security Investments at June 30, 2009

Investment Maturities in Years

Investment Type:	Fair Value	<1	1-5	6-10	>10	Total
US Corporations	$ 2,201,147	$ -	$ 237,001	$ 736,035	$ 1,228,110	$ 2,201,147
US Government Agencies	49,955,179	601,759	85,827	12,799,761	36,467,833	49,955,179
Total	$ 52,156,326	$ 601,759	$ 322,828	$ 13,535,796	$ 37,695,943	$ 52,156,326

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 40 requires disclosure of credit quality ratings for investments in debt securities. The University does not presently have a formal policy that addresses credit risk. (The credit risk ratings listed below are issued upon standards set by Standard and Poor's.) As of June 30, 2009, the University had the following investment credit risk:

	U.S. Corporations	U.S. Government Agencies	Total
AAA	6,009,012	49,955,179	55,964,191
AA	801,243		801,243
A	171,969		171,969
Total	6,982,224	49,955,179	56,937,403

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 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.

Issuer:	Fair Value	% of Total Investments
Pimco Corp (AAA)	3,800,000	6.67%
Various (no single issuer) exceeds 5% of total	53,137,403	93.33%
Total	56,937,403	100.00%

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 have an investment policy for custodial credit risk. At June 30, 2009 all investments were held by the University or its counterparty in the University's name.

4. ACCOUNTS RECEIVABLE AND UNBILLED CHARGES

Receivables and unbilled charges consisted of the following at June 30, 2009 and June 30, 2008, respectively:

	June 30, 2009	June 30, 2008
Student tuition and fees	$ 2,995,758	$ 2,592,613
Auxiliary enterprises	1,833,097	2,902,826
Educational activities	1,060,882	1,501,314
Federal appropriations	3,452	-
Federal financial aid funds	132,348	75,257
Grants and contracts	9,639,932	9,644,035
Due from Foundation	7,044,168	7,587,835
	$ 22,709,637	$ 24,303,880
Less allowance for doubtful accounts	(495,800)	(495,800)
Net accounts receivable and unbilled charges	$ 22,213,837	$ 23,808,080

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, 2009 and June 30, 2008. 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 $1,406,441 for June 30, 2009 and $1,259,557 at June 30, 2008.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at June 30, 2009 and 2008 consisted of the following:

	Balance July 1, 2008	Year ended June 30, 2009 Additions	Transfers	Retirements	Balance June 30, 2009
Property, plant and equipment not being depreciated:					
Land	$ 18,767,952				$ 18,767,952
Capitalized collections	2,128,456	24,291		(9,350)	2,143,397
Equipment construction in progress	43,593	393,710	(303,909)	(10,941)	122,453
Construction in progress	8,342,704	20,369,160	(4,276,017)	(4,663)	24,431,184
Total property, plant and equipment not being depreciated	$ 29,282,705	$ 20,787,161	$ (4,579,926)	$ (24,954)	$ 45,464,986
Other property, plant and equipment:					
Buildings	$ 405,989,799	$ 5,401,377	$ 4,163,092	$ (310,234)	$ 415,244,034
Other improvements	40,779,373	955,338	112,925	(61,179)	41,786,457
Furniture and equipment	77,258,640	5,867,870	303,909	(3,384,939)	80,045,480
Library materials	60,788,450	3,858,570		(295,858)	64,351,162
Total other property, plant and equipment	584,816,262	16,083,155	4,579,926	(4,052,210)	601,427,133
Less accumulated depreciation:					
Buildings	(141,644,251)	(9,621,356)		104,193	(151,161,414)
Other improvements	(24,040,910)	(1,709,780)		59,514	(25,691,176)
Furniture and equipment	(57,801,526)	(6,395,213)		3,203,262	(60,993,477)
Library materials	(47,542,056)	(2,828,891)		295,858	(50,075,089)
Total accumulated depreciation	(271,028,743)	(20,555,240)		3,662,827	(287,921,156)
Other property, plant and equipment—net	$ 313,787,519	$ (4,472,085)	$ 4,579,926	$ (389,383)	$ 313,505,977
Property, plant and equipment summary:					
Property, plant and equipment not being depreciated	$ 29,282,705	$ 20,787,161	$ (4,579,926)	$ (24,954)	$ 45,464,986
Other property, plant and equipment—at cost	584,816,262	16,083,155	4,579,926	(4,052,210)	601,427,133
Total cost of property, plant and equipment	614,098,967	36,870,316		(4,077,164)	646,892,119
Less accumulated depreciation	(271,028,743)	(20,555,240)		3,662,827	(287,921,156)
Property, plant and equipment—net	$ 343,070,224	$ 16,315,076	$ -	$ (414,337)	$ 358,970,963

In addition to accounts payable for construction in progress, the estimated cost to complete property authorized or under construction at June 30, 2009 is approximately $33,574,225. These costs will be financed by state appropriations, institutional funds, gifts, grants and contracts, the Department of Public Works, and/or long-term borrowing.

		Year ended June 30, 2008			
	Balance July 1, 2007	Additions	Transfers	Retirements	Balance June 30, 2008
Property, plant and equipment not being depreciated:					
Land	$ 18,243,669	$ 524,283			$ 18,767,952
Capitalized collections	2,084,574	61,132		(17,250)	2,128,456
Equipment construction in progress	114,203	332,155	(393,838)	(8,927)	43,593
Construction in progress	5,060,000	7,386,660	(2,784,551)	(1,319,405)	8,342,704
Total property, plant and equipment not being depreciated	$ 25,502,446	$ 8,304,230	$ (3,178,389)	$(1,345,582)	$ 29,282,705
Other property, plant and equipment:					
Buildings	$ 385,501,044	$ 18,793,775	$ 2,343,718	$ (648,738)	$ 405,989,799
Other improvements	39,360,663	977,877	440,833		40,779,373
Furniture and equipment	73,407,164	5,921,832	393,838	(2,464,194)	77,258,640
Library materials	57,703,842	3,693,360		(608,752)	60,788,450
Total other property, plant and equipment	555,972,713	29,386,844	3,178,389	(3,721,684)	584,816,262
Less accumulated depreciation:					
Buildings	(132,453,264)	(9,466,859)		275,872	(141,644,251)
Other improvements	(22,359,460)	(1,681,450)			(24,040,910)
Furniture and equipment	(53,859,310)	(6,314,998)		2,372,782	(57,801,526)
Library materials	(45,489,892)	(2,660,916)		608,752	(47,542,056)
Total accumulated depreciation	(254,161,926)	(20,124,223)		3,257,406	(271,028,743)
Other property, plant and equipment—net	$ 301,810,787	$ 9,262,621	$ 3,178,389	$ (464,278)	$ 313,787,519
Property, plant and equipment summary:					
Property, plant and equipment not being depreciated	$ 25,502,446	$ 8,304,230	$ (3,178,389)	$(1,345,582)	$ 29,282,705
Other property, plant and equipment—at cost	555,972,713	29,386,844	3,178,389	(3,721,684)	584,816,262
Total cost of property, plant and equipment	581,475,159	37,691,074		(5,067,266)	614,098,967
Less accumulated depreciation	(254,161,926)	(20,124,223)		3,257,406	(271,028,743)
Property, plant and equipment—net	$ 327,313,233	$ 17,566,851	$ -	$(1,809,860)	$ 343,070,224

7. ACCOUNTS PAYABLE

Accounts payable consisted of the following at June 30, 2009 and 2008:

	2009	2008
Operating activities	$ 7,547,905	$ 6,620,524
Taxes payable	33,845	26,453
Total accounts payable and accrued liabilities	$ 7,581,750	$ 6,646,977

8. OPERATING LEASES

The University has entered into various noncancellable operating lease agreements covering certain equipment. The lease terms range from one to five years. The expense for operating leases was $2,977,349 for the year ended June 30, 2009 and $3,271,583 for the year ended June 30, 2008.

Future minimum lease payments on noncancellable leases at June 30, 2009 are as follows:

2010	$ 2,977,349
2011	327,125
2012	141,712
2013	93,346
2014	23,700
Total future minimum obligation	$ 3,563,232

9. LONG-TERM LIABILITIES

Long-term liability activity for years ended June 30, 2009 and 2008 is as follows:

	Ending Balance June 30, 2008	Additions	Reductions	Ending Balance June 30, 2009	Amounts Due within One Year
Bonds and notes payable and capital lease obligations:					
Bonds payable	$ 152,810,000	$ -	$ 5,855,000	$ 146,955,000	$ 5,440,000
Notes payable	906,141	1,879,567	112,320	2,673,388	119,775
Sub-Total	$ 153,716,141	$ 1,879,567	$ 5,967,320	$ 149,628,388	$ 5,559,775
Premium on Bonds	3,598,876	-	194,162	3,404,714	180,853
Deferred Refunding Costs	(5,467,608)	-	(323,550)	(5,144,058)	(323,552)
Long-term liabilities	$ 151,847,409	$ 1,879,567	$ 5,837,932	$ 147,889,044	$ 5,417,076

	Ending Balance June 30, 2007	Additions	Reductions	Ending Balance June 30, 2008	Amounts Due within One Year
Bonds and notes payable and capital lease obligations:					
Bonds payable	$ 120,915,000	$ 97,480,000	$ 65,585,000	$ 152,810,000	$ 5,855,000
Notes payable	986,928	-	80,787	906,141	112,535
Capital lease obligations	34,257	-	34,257	-	-
Sub-Total	$ 121,936,185	$ 97,480,000	$ 65,700,044	$ 153,716,141	$ 5,967,535
Premium on Bonds	2,737,185	1,276,132	414,441	3,598,876	194,162
Deferred Refunding Costs	(830,903)	(4,700,844)	(64,139)	(5,467,608)	(323,551)
Long-term liabilities	$ 123,842,467	$ 94,055,288	$ 66,050,346	$ 151,847,409	$ 5,838,146

10. NOTES AND BONDS PAYABLE

Notes and bonds payable consisted of the following at June 30, 2009 and 2008:

Description	Balance Outstanding 2009	Balance Outstanding 2008
Student Fee Refunding Bonds, Series 1996 (original balance of $9,285,000), consisting of term bonds due in the year 2013 in the amount of $3,125,000, plus interest at 5.80% through the year 2013, collateralized by a pledge of net revenues and certain student fees of the University.	$3,125,000	$3,765,000
Student Fee Refunding Revenue Bonds, Series 1997B, (original balance of $12,380,000), consisting of serial bonds due in annual installments commencing in 2003 and increasing annually from $875,000 to a maximum of $1,220,000, plus interest from 5.35% 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. The 2005A General Revenue Refunding Bonds extended the general pledge to these Bonds.	7,290,000	8,120,000
Student Fee Revenue Bonds (Recreation Center Project), Series 1999, (original balance of $20,115,000), consisting of serial bonds due in annual installments commencing in 2002 and increasing periodically from $670,000 to a maximum of $7,610,000, plus interest from 4.30% to 6.50% through the year 2025, collateralized by a pledge of certain student fees, and certain other pledged revenue. Portions of these bonds are considered extinguished through defeasance by the 2005A General Revenue Refunding Bonds and the 2007A General Revenue Refunding Bonds. The defeased amounts totaled $19,320,000 and the University's remaining annual installment was $640,000 in 2008, plus interest at 4.30%.	-	640,000

Description	Balance Outstanding 2009	Balance Outstanding 2008
Student Fee Revenue Bonds, Series 1999A, (original balance of $1,470,000), consisting of serial bonds due in annual installments commencing in 2003 and increasing periodically from $45,000 to a maximum of $105,000, plus interest from 4.30% to 5.25% through the year 2025, collateralized initially by a pledge of the University's Student Matriculation Fee and other pledged net revenues. 2005A General Revenue Refunding Bonds extended the general pledge to these Bonds. A portion of these bonds are considered extinguished through defeasance by the 2007A General Revenue Refunding Bonds. The defeased amount totaled $1,175,000 and the University's remaining annual installment was $50,000 in 2008, plus interest at 4.35%.	-	50,000
Student Fee Revenue Bonds, Series 1999B, (original balance of $6,150,000), consisting of serial bonds due in annual installments commencing in 2003 and increasing periodically from $200,000 to a maximum of $445,000, plus interest from 4.95% to 5.625% through the year 2025, collateralized initially by a pledge of net revenues of the University's Student Matriculation Fee and other pledged net revenues. 2005A General Revenue Refunding Bonds extended the general pledge to these Bonds. A portion of these bonds are considered extinguished through defeasance by the 2007A General Revenue Refunding Bonds. The defeased amount is $4,970,000 and the University's remaining annual installment was $200,000 in 2008, plus interest at 4.95%.	-	200,000

Description	Balance Outstanding 2009	Balance Outstanding 2008
Student Fee Revenue Bonds, Series 1999C, (original balance of $6,305,000), consisting of serial bonds due in annual installments commencing in 2001 and increasing periodically from $270,000 to a maximum of $515,000, plus interest from 4.85% to 5.70% through the year 2019, collateralized initially by a pledge of University's Student Matriculation Fee, and other pledged revenues. 2005A General Revenue Refunding Bonds extended the general pledge to these Bonds. A portion of these bonds are considered extinguished through defeasance by the 2005A General Revenue Refunding Bonds. The defeased amount is $4,065,000 and the University's remaining annual installment was $295,000 in 2008, plus interest at 4.95%.	-	295,000
Student Fee Revenue Bonds, Series 2001, (original balance of $40,930,000), consisting of serial bonds due in annual installments commencing in 2005 and increasing periodically from $435,000 to a maximum of $16,970,000, plus interest from 4.00% to 5.40% through the year 2041, collateralized initially by a pledge of net revenues of the University's Student Matriculation Fee. 2005A General Revenue Refunding Bonds extended the general pledge to these Bonds. A portion of these bonds are considered extinguished through defeasance by the 2007A General Revenue Refunding Bonds. The defeased amount was $38,035,000 and the University's remaining annual installments range from $435,000 to a maximum of $620,000, plus interest from 4.000% to 4.125%.	1,055,000	1,475,000
Student Fee Refunding and Revenue Bonds, Series 2003, (original balance of $17,585,000), consisting of serial bonds due in annual installments commencing in 2003 and increasing periodically from $935,000 to a maximum of $4,465,000, plus interest from 5.00% to 5.25% through the year 2022, collateralized by a pledge of net revenues of the Student Housing System, net revenues derived from the Telecommunications System, and certain other pledged revenues.	10,015,000	11,475,000

Description	Balance Outstanding 2009	Balance Outstanding 2008
General Revenue Refunding Bonds, Series 2005A, (original balance of $30,740,000), consisting of bonds due in annual installments commencing in 2005 and fluctuating periodically from $790,000 to a maximum of $2,265,000, plus interest from 4.00% to 5.00% through the year 2026, 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. Revenues pledged to the Recreation Center Bonds and to the Activity Center Bonds are pledged to the 2005A bonds on a subordinate basis until the retirement of the Recreation Center Bonds and Activity Center Bonds.	28,340,000	29,310,000
General Revenue Refunding Bonds, Series 2007A, (original balance of $62,445,000), consisting of bonds due in annual installments, commencing in 2009 and fluctuating periodically from $300,000 to a maximum of $59,500,000 plus interest from 3.250% to 4.375% 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. Revenues pledged to the Recreation Center Bonds and the Activity Center Bonds are pledged to the 2007A Bonds on a subordinate basis until the retirement of the Recreation Center Bonds and the Activity Center Bonds.	62,095,000	62,445,000

Description	Balance Outstanding 2009	Balance Outstanding 2008
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 $34,235,000 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. Revenues pledged to the Recreation Center Bonds and the Activity Center Bonds are pledged to the 2007B Bonds on a subordinate basis until the retirement of the Recreation Center Bonds and the Activity Center Bonds.	35,035,000	35,035,000
Other indebtedness, consisting of notes payable with interest rates ranging from 4.75% to 5.00% due through the year 2019.	2,673,388	906,141
Sub-total	149,628,388	153,716,141
Premium on Bonds	3,404,711	3,598,875
Deferred amount on Refunding – 2005A & 2007A	(5,144,055)	(5,467,607)
TOTAL	**$147,889,044**	**$151,847,409**

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
2010	$ 5,440,000	$ 6,611,071	$ 119,775	$ 117,724
2011	5,135,000	6,313,962	2,006,789	74,097
2012	2,750,000	5,720,138	135,133	30,003
2013	6,020,000	5,433,306	143,537	21,600
2014	3,950,000	5,180,179	152,466	12,672
2015-2019	13,485,000	21,422,593	115,688	6,964
2020-2024	13,270,000	14,635,934	-	-
2025-2029	3,170,000	10,191,566	-	-
2030-2034	-	7,275,681	-	-
2035-2039	-	3,963,023	-	-
2040-2044	93,735,000	509,010	-	-
	$ 146,955,000	$ 87,256,463	$ 2,673,388	$ 263,060

In December 2008, the University entered into a line of credit agreement with Wells Fargo Bank to finance safety renovations and improvements for the University's Kibbie Dome athletic facility. The total available line of credit extended to the University under this agreement is $10,000,000. As of June 30, 2009, the University had drawn down $1,879,567 under this agreement, as included in the University's other indebtedness. The University is required to make quarterly payments of accrued interest on this line of credit beginning March 31, 2009, with the entire principal balance and remaining accrued interest to be paid on December 31, 2010. This line of credit carries a indexed variable interest rate which was 2.600% as of June 30, 2009. The line of credit is secured by the University's cash and investments held in the accounts of Wells Fargo and/or any Wells Fargo affiliates.

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, 2009 are as follows:

Source of Pledged Revenues		
Student Fees	$	59,562,901
Sales and Services Revenues		38,608,143
Other Operating Revenues		3,747,033
Investment Income		3,040,962
F&A Recovery Revenues		9,457,359
Total Pledged Revenues	$	114,416,398
Revenues Available for Debt Service	$	114,416,398
Debt Service on Bonds		11,567,306
Debt Service Coverage		9.9

Debt Defeased Through Advance Refunding – The University has defeased certain debt obligations through advanced refunding. These advance refundings are comprised of the University's Series 2005A and Series 2007A 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 6/30/2009
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	1,840,000	38,035,000	1,055,000
Totals	$ 74,970,000	$ 6,350,000	$ 67,565,000	$ 1,055,000

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 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 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.

Employer and employee contributions are made to the HBT on a bi-weekly basis corresponding to the University's payroll schedule. Retiree contributions are billed and collected by the University quarterly and deposited to the HBT each calendar quarter. 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 Standard Board Statement 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The funding of the University's liability under GASB 45 is recorded separately from the HBT under a second trust, the "University of Idaho Retiree Benefits Trust" as disclosed in Footnote 12 of these financial statements.

The financial statements of the HBT are audited annually on a calendar-year basis, and are publicly available via public records request by writing to: University of Idaho, Attn. General Accounting, P.O. Box 443166, Moscow, ID 83844-3166.

12. 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. PERSI provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability or death, and for survivors of eligible members or beneficiaries. It is a defined benefit plan requiring that both the member and the employer contribute. Designed as a mandatory system for eligible state employees, the legislation provided for 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 five 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 year of credited service, the annual service retirement allowance is 2% of the average monthly salary for the highest consecutive 42 months.

For the three years ended June 30, 2009, 2008 and 2007, the required contribution rate as determined by PERSI was 10.39% and 6.23% of covered payroll for the University and employees, respectively. The University's contributions required and paid were $5,718,252, $5,563,717 and $5,356,667, for the years ended June 30, 2009, 2008 and 2007, 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 requirements (and amounts paid) for the three years ended June 30, 2009, 2008 and 2007 were $13,358,559, $12,494,135 and $10,147,956, respectively, that consisted of $7,621,025 from the University and $5,737,534 from employees for 2009, $7,127,049 from the University and $5,367,086 from employees for 2008, and $5,354,885 from the University and $4,793,071 from the employees for 2007.

Although 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, 2009, 2008 and 2007, these supplemental funding payments made to PERSI were $1,226,593, $1,147,997 and $2,023,096 respectively. These supplemental amounts are not included in the regular University PERSI contribution discussed previously.

13. POSTREMPLOYMENT BENEFITS OTHER THAN PENSIONS AND RETIREE BENEFITS TRUST

A. PLAN DESCRIPTION

The University of Idaho (the "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, to qualify, 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 premium 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 $150,000 per retiree per year, after which the University is reinsured. Retiree premium rates through calendar year 2009 range from $30.00 to $1003.26 per month, depending upon the retiree's status and number of dependents including spouse. Retiree health plan performance is reviewed annually and premium 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. PLAN MEMBERSHIP, CONTRIBUTION AND FUNDING STATUS

The number and class of retirees and employees are disclosed in the following table. These retiree and disabled counts do not include spouses or surviving spouses. These counts are as follows:

	Medical	Dental	Life	Sick Pay
Active	1,097	1,178	1,178	1,272
Retirees	825	181	693	N/A
Disableds	12	N/A	N/A	-
Retirees (Sick Leave)	N/A	N/A	N/A	3
Total Inactive	837	181	693	3
Total Combined	1,934	1,359	1,871	1,275

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 6.25% and an estimated salary inflation rate of 3.00%. The discount rate of 6.25% 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 are summarized as follows:

	Entry Age Normal Level Dollar Cost Method
Present Value of Benefits (PVB)	$84,177,000
Actuarial Accrued Liability (AAL)	77,141,000
Annual Required Contribution (ARC)[1]	6,362,000
Estimated Pay-As-You-Go Contributions[2]	2,250,000
Contributions to Qualifying Trust	4,180,000
Total Actual Annual Contributions	6,430,000
Net Annual OPEB Cost (AOC) - Funding Excess	68,000
Total Actual Annual Contributions as % of ARC	101.1%

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

[2]E Estimated Pay-As-You-Go Contributions are net of estimated retiree contributions.

Funded Status, Utilizing Entry Age Normal Cost Method and Level Dollar Amortization Method of UAAL – As of June 30, 2009:

	Medical	Dental	Life	Sick Pay	Total
Present Value of Benefits (PVB)					
Retirees	$40,513,000	$206,000	$3,827,000	$33,000	$44,579,000
Actives	36,423,000	207,000	556,000	2,412,000	39,598,000
Total	$76,936,000	$413,000	$4,383,000	$2,445,000	$84,177,000
Actuarial Accrued Liability (AAL)					
Retirees	$40,513,000	$206,000	$3,827,000	$33,000	$44,579,000
Actives	31,325,000	188,000	537,000	512,000	32,562,000
Total	$71,838,000	$394,000	$4,364,000	$545,000	$77,141,000
Assets	$7,760,000	$43,000	$471,000	$59,000	$8,333,000
Unfunded AAL (UAAL)	$64,078,000	$351,000	$3,893,000	$486,000	$68,808,000
Assets as % of AAL (Funded Ratio)	10.8%	10.9%	10.8%	10.8%	10.8%
UAAL as % of Annual Covered Payroll	95.3%	0.5%	5.5%	0.8%	53.2%
Annual Required Contribution (ARC)					
Normal Cost[1]	$645,000	$3,000	$5,000	$277,000	$930,000
Amortization of Unfunded AAL[2]	$5,059,000	$28,000	$307,000	$38,000	$5,432,000
Total ARC	$5,704,000	$31,000	$312,000	$315,000	$6,362,000
Estimated Benefit Payments (pay-as-you-go)[3]	$1,863,000	$62,000	$300,000	$25,000	$2,250,000
Covered Payroll	$67,225,000	$71,338,000	$71,338,000	$58,097,000	$129,435,000

[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.

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	7/1/2008
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	6.25%
Healthcare Cost Trend Rates:	
Medical and drug initial	11%
Medical and drug ultimate	5%
Dental initial	5%
Dental ultimate	5%
Inflation Rate - All Other	N/A
Administrative Costs - Medical & Dental	Included in Claim Costs
- Life Insurance	10%

University of Idaho
Retiree Benefits Trust
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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)
6/30/2008	$ 4,325,000	$ 83,011,000	$ 78,686,000	5.21%	$ 120,560,000	65.27%
6/30/2009	8,333,000	77,141,000	68,808,000	10.80%	129,435,000	53.16%

University of Idaho
Retiree Benefits Trust
Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	$ 7,157,000	101%
2009	6,362,000	101%

14. NATURAL CLASSIFICATION WITH FUNCTIONAL CLASSIFICATIONS

For fiscal years prior to 2003, the University reported expenses in functional categories. In order to be consistent with the State of Idaho's reporting method; operating expenses are displayed in their natural classifications for fiscal year 2009 and 2008. The following table shows natural classifications with functional classifications:

Expenses 2009	Salaries	Benefits	Services	Supplies	Ins, utilities & rent	Scholarships & Fellowships	Depreciation	Other	Totals
Instruction	$ 57,299,218	$ 17,053,278	$ 6,378,181	$ 6,223,160	$ 485,779	$ -	$ -	$ 2,300,803	$ 89,740,420
Research	37,297,422	10,732,383	10,638,964	4,889,737	839,175	-	-	(1,998,996)	62,398,685
Public Service	15,622,975	5,338,266	5,410,593	1,365,766	322,188	-	-	2,055,803	30,115,591
Academic Support	7,241,997	2,359,159	1,705,977	1,211,323	190,592	-	-	278,524	12,987,572
Libraries	2,311,815	913,787	354,591	484,045	-	-	-	13,190	4,077,428
Student Services	5,499,546	2,074,633	1,416,900	469,157	110,658	-	-	246,877	9,817,771
Insititutional Support	14,159,834	8,919,604	7,244,924	188,032	631,514	-	-	490,265	31,634,173
Plant Operations	7,034,371	3,097,803	418,729	1,028,194	10,538,265	-	20,555,241	25,761	42,698,364
Scholarships & Fellowships	461,059	3	-	(459)	-	22,068,009	-	66	22,528,677
Auxiliary Enterprises	11,137,792	3,775,083	5,853,583	10,735,514	2,131,537	-	-	654,463	34,287,972
	$ 158,066,029	$ 54,263,999	$ 39,422,442	$ 26,594,469	$ 15,249,708	$ 22,068,009	$ 20,555,241	$ 4,066,756	$ 340,286,653

Expenses 2008	Salaries	Benefits	Services	Supplies	Ins, utilities & rent	Scholarships & Fellowships	Depreciation	Other	Totals
Instruction	$ 52,235,172	$ 16,506,365	$ 9,081,244	$ 6,254,811	$ 482,860	$ -	$ -	$ 2,304,315	$ 86,864,767
Research	35,968,460	11,025,272	12,466,821	4,339,294	635,442	-	-	(1,259,772)	63,175,517
Public Service	13,590,718	5,000,354	4,128,036	1,077,431	264,398	-	-	1,352,551	25,413,488
Academic Support	7,004,397	2,495,510	1,764,808	1,385,063	205,776	-	-	226,221	13,081,775
Libraries	2,294,115	922,219	367,209	487,569	205	-	-	14,221	4,085,538
Student Services	5,228,931	2,028,332	1,575,105	412,062	100,691	-	-	308,558	9,653,679
Insititutional Support	13,725,265	5,471,696	7,823,053	(519,877)	294,501	-	-	791,514	27,586,152
Plant Operations	6,453,362	3,130,882	3,922,393	2,626,667	9,625,145	-	20,124,222	594,589	46,477,260
Scholarships & Fellowships	526,214	1	162,889	-	-	19,559,942	-	170,345	20,419,391
Auxiliary Enterprises	10,214,301	3,762,223	5,506,297	10,641,281	2,496,566	-	-	625,988	33,246,656
	$ 147,240,935	$ 50,342,854	$ 46,797,855	$ 26,704,301	$ 14,105,584	$ 19,559,942	$ 20,124,222	$ 5,128,530	$ 330,004,223

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 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.

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, and $50 for inland marine losses. There are no casualty deductibles.

The State Fund of Idaho, a competitive state fund, writes the University's Worker's Compensation coverage. The University's premiums and the State Fund loss experience modifications are based on the loss experience of all State agencies.

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). The Foundation was established in 1970 for the purpose of soliciting donations and to hold and manage invested donations for the benefit of the University. A Board of Directors comprised of up to 25 voting members governs and conducts the business of the Foundation, meeting at least four times in each fiscal year. The Foundation is supported by professional staff of the University in the Foundation Office, Trust & Investment Office, the Development Office, and throughout the colleges. Separate audited financial statements are prepared for the Foundation and may be obtained by contacting University of Idaho Foundation, PO Box 443143, Moscow, Idaho 83844-3143.

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, 2009 and 2008 are as follows:

INVESTMENTS—Investments in marketable securities are recorded at fair value as determined by quoted market prices. At June 30, 2009, the fair value of restricted and unrestricted investments was $157,461,475 and $2,093,013 respectively. At June 30, 2008, the fair value of restricted and unrestricted investments was $188,191,613 and $4,385,210 respectively.

The majority of investments held by the Foundation are part of the pooled endowment fund referred to as the Consolidation Investment Trust (C.I.T.) The C.I.T. was established by the Regents of the University of Idaho in 1959 to pool endowment funds received by the University and the Foundation. The C.I.T. utilizes the market value share method of accounting. The fair value of the C.I.T.'s portfolio is divided by the number of outstanding unit participation shares owned by the individual endowments to determine the value of a share when additional contributions are added.

The following table represents the fair value of investments by type at June 30, 2009:

Investment Type	Fair Value
U.S. Government Agency Obligations	$ 29,550,679
Corporate bonds	38,678,823
Preferred Stock	4,162,640
Municipal Securities	959,004
U.S. Treasuries	3,102,292
Common Stock	75,090,656
International equity funds	3,231,155
Mutual Funds	2,238,747
Private Equity	2,535,292
Foreign Currency	5,200
	$ 159,554,488

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. The Foundation does not presently have a formal policy that addresses interest rate risk. As of June 30, 2009, the Foundation had the following investments subject to interest rate risk:

Investment Type	Fair Value	Investment Maturities (in years) Less than 1	1-5	6-10	More than 10
U.S. Corporations	$ 38,678,823	$ 1,938,395	$ 11,658,439	$ 12,063,189	$ 13,018,800
U.S. Government Agency Obligations	$ 29,550,679	-	19,715	5,029,061	24,501,903
U.S. Treasuries	$ 3,102,292	99,995	2,134,791	701,213	166,293
Municipal Securities	$ 959,004	-	376,459	420,576	161,969
	$ 72,290,798	$ 2,038,390	$ 14,189,404	$ 18,214,039	$ 37,848,965

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 40 requires disclosure of credit quality ratings for investments in debt securities. The Foundation does not presently have a formal policy that addresses credit risk. (The credit risk ratings listed below are issued upon standards set by Standard and Poor's.) As of June 30, 2009, the Foundation had the following investment credit risk:

	US Government Agency Obligations	Corporate Debt	Municipal Securities	Total
Credit Rating				
AAA	$ 29,530,043	$ 4,021,995		$ 33,552,038
AA		4,137,425	330,846	4,468,271
A		8,107,507	543,378	8,650,885
BBB		14,150,281		14,150,281
BB		2,816,482	31,910	2,848,392
B		1,219,516		1,219,516
CCC		3,299,524		3,299,524
CC		92,019		92,019
D		430,870		430,870
Not Rated	20,636	403,204	52,870	476,710
	$ 29,550,679	$ 38,678,823	$ 959,004	$ 69,188,506

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.
- Not more than 5% of the total outstanding shares of any one company may be held.
- Not more than 20% of the equity portfolio valued at market may be held in any one industry category.
- Not more than 15% of the equity portfolio valued at market may be invested in securities issued as American Depository Receipts.
- Fixed income securities of any one issuer shall not exceed 5% of the market value of the total bond portfolio at the time of the purchase (except US Treasury or other federal agencies).
- Holdings of any individual fixed income issue must not exceed 5% of the value of the total issue (except US Treasury or other federal agency issues.)

As of June 30, 2009, the Foundation had not invested more than 5 percent of their investments in any one issuer.

Custodial Credit Risk

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 Foundation's name. At June 30, 2009 all Foundation funds were insured or registered investments, or investments held by the Foundation or their agent in the Foundation's name.

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 does not presently have a policy that addresses foreign currency risk. The Foundation is exposed to foreign currency risk in foreign stocks that it holds as follows:

Currency Type	Fair Value
AUD	$ 1,846,423
CAD	40,125
CHF	846,518
DKK	9,878
EUR	2,224,039
GBP	4,118,664
HKD	2,959,217
JPY	4,349,797
NOK	6,585
NZD	294,605
PTE	3,231
SEK	765,654
SGD	984,425
	$ 18,449,161

DISTRIBUTIONS TO UNIVERSITY OF IDAHO AND AFFILIATES

During fiscal years 2009 and 2008, earnings from endowments invested in the C.I.T., direct gifts and other revenues to the Foundation were distributed as follows:

	2009		2008	
	C.I.T. Endowment Income	Gifts and Other Revenues	C.I.T. Endowment Income	Gifts and Other Revenues
Scholarships	$ 4,318,636	$ 3,339,809	$ 4,631,548	$ 3,327,260
Student loans	178,452	-	207,213	-
Building funds	-	1,485,433	-	300,724
Real property	-	-	-	675,000
University of Idaho College and Dept Operating Accounts				
Academic Excellence	418,711	57,167	483,130	37,777
Agricultural and Life Sciences	266,660	534,480	282,559	620,866
Art and Architecture	13,040	55,453	14,872	20,693
Athletics	44,180	551,721	48,856	434,715
Business and Economics	293,950	411,498	337,739	41,393
Education	20,805	16,417	23,635	25,061
Engineering	82,352	615,133	92,233	476,835
Law	200,805	179,823	231,813	211,619
Letters, Art and Social Science	416,452	358,439	453,886	208,134
Library	131,799	745	139,641	1,490
Natural Resources	195,418	260,130	220,131	302,238
Science	95,259	347,928	99,147	69,934
Other departments	364,740	1,204,212	416,971	2,008,065
Life beneficiaries	261,356	-	391,687	-
University of Idaho affiliates	26,889	268,000	45,452	46,955
TOTAL DISTRIBUTIONS	$ 7,329,504	$ 9,686,388	$ 8,120,513	$ 8,808,759

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 requirement for principal preservation is addressed by Idaho statute under "management of Institutional Funds," and is applicable lacking any further guidance from the individual gift agreement. During the fiscal year ended June 30, 2009, $6,415,727 was contributed to current endowments.

The Foundation has a two-tier spending policy dependent upon the endowment agreement that exists for each endowment. 1) Endowments with language requiring the reinvestment of all realized capital gains as principal can distribute only interest and dividends, and all realized gains are reinvested. 2) The Foundation Board of Directors establishes a spending rate annually for endowments without the restrictive reinvestment language. The approved fiscal year 2009 spending rate was set at 4% of the three-year rolling average of the C.I.T.'s monthly fair market value. If total dividends, interest and short-term capital gains are less than the total amount required to make the distributions based on this spending rate, realized long-term gains will be used to make up the shortfall.

During the fiscal year ended June 30, 2009 and 2008, the endowments held by the Foundation had net depreciation on donor restricted endowments of $34,765,134 and $25,924,940. Per terms of the endowment agreements realized capital gains are either reinvested as principal or distributed per the donor agreement. Unrealized appreciation is included with the "Restricted – Non Expendable" Fund Balance.

18. RELATED ORGANIZATIONS

The Idaho Research Foundation, Inc. (the "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. On January 17, 2002, the University executed a revolving line-of-credit agreement with the Research Foundation not to exceed $200,000. As of June 30, 2007, the Research Foundation had drawn $126,000 on the line-of-credit. As part of the agreement to integrate into the University the $126,000 was forgiven and the note was removed from the University's books in fiscal year 2008. 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. (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, 2009 and 2008 were $119,137 and $6,774 respectively. Assets owned by the Boosters are not included in the accompanying financial statements.

The University of Idaho Alumni Association (the "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.

19. RISKS AND UNCERTAINTIES

Per Regents of University of Idaho policy, the University invests in various types of investment securities rated Aa 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 investments securities may occur in the near term and such changes could affect the amounts reported in the statement of financial position.

Since June 2008, there has been significant volatility in the domestic and international investment markets, primarily as a result of liquidity issues in credit 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, 2009.

20. SUBSEQUENT EVENTS

Subsequent to June 30, 2009, Idaho's Governor announced a tiered $98.9 million reduction in state general fund spending in response to lower state revenue forecasts. The University of Idaho's Fiscal Year ("FY") 2010 general fund appropriations, its corresponding reductions (6% where applicable), and final appropriations are as follows:

Appropriation	Initial FY10 Appropriation	Reduction Per Governor's Office	Final FY10 Appropriation
General Education Appropriation	$ 82,748,000	$ 4,964,900	$ 77,783,100
University of Idaho Dairy	10,000,000	600,000	9,400,000
Agricultural Research and Extension	24,989,900	1,499,400	23,490,500
WI Veterinary Medicine	1,739,700	-	1,739,700
WWAMI Medical Education	3,405,200	-	3,405,200
Forest Utilization Research	556,500	22,300	534,200
Idaho Geological Survey	768,600	30,700	737,900
Total Appropriations	$ 124,207,900	$ 7,117,300	$ 117,090,600