University of Idaho

FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2013 AND 2012 AND REPORT OF INDEPENDENT AUDITORS

University of Idaho

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REPORT OF INDEPENDENT AUDITORS

Idaho State Board of Education
University of Idaho
Moscow, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Idaho (the University) and the discretely presented component unit, as of and for the years ended June 30, 2013 and 2012, and the aggregate remaining fund information of the University, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Idaho Foundation (the Foundation), which represent 100 percent of the assets, net position, and revenues of the discretely presented component unit, or the University of Idaho Health Benefits Trust, which represent 11 percent, 4 percent, and 75 percent, respectively, of the assets, net position and revenues of the aggregate remaining fund information. Those statements were audited by other auditors whose reports has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation and the University of Idaho Health Benefits Trust, are based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

MOSS ADAMS LLP

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

Opinions

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University, and its discretely presented component unit, as of June 30, 2013 and 2012, and the aggregate remaining fund information of the University, as of December 31, 2012 and 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 and certain information in Note 14, *Postemployment Benefits (Other Than Pensions) and Retiree Benefits Trust,* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2013 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Moss Adams LLP

For Moss Adams LLP
Eugene, Oregon
September 25, 2013

University of Idaho

MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

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

Overview

The Management's Discussion and Analysis is designed to provide an easy to read analysis of the University's financial condition, results of operations and cash flows based on facts, decisions and conditions known at the date of the auditor's reports. The emphasis of this discussion of the financial performance of the University is for the current year, June 30, 2013.

The discussion and analysis that follows provides an overview of the University's financial activities for the fiscal year ended June 30, 2013 in comparison to 2012 and 2011. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. They are prepared using the accrual basis of accounting, whereby revenues are recognized when 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. ("Foundation") which qualifies as a component unit of the University.

In accordance with GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, the University has included financial statements for the Health Benefits (HBT) Trust and Retirement Benefits (RBT) Trust. 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, 875 Perimeter Drive MS3166, 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 are presented after the University's financial statements and preceding the notes to the financial statements.

Statement of Net Position

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

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

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

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

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

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

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

	2013	2012	2011
ASSETS			
Current assets	$ 60,276	$ 48,726	$ 88,575
Capital assets - net	400,527	396,636	393,825
Other noncurrent assets	78,467	157,864	124,037
Total assets	$ 539,270	$ 603,226	$ 606,437
LIABILITIES			
Current liabilities	$ 55,435	$ 47,026	$ 50,117
Noncurrent liabilities	154,802	152,609	153,966
Total Liabilities	$ 210,237	$ 199,635	$ 204,083
NET POSITION			
Net investment in capital assets	$ 243,071	$ 239,982	$ 246,836
Restricted nonexpendable	-	74,859	78,191
Restricted expendable	28,851	24,796	24,613
Unrestricted	57,111	63,954	52,714
Total net position	$ 329,033	$ 403,591	$ 402,354
Total liabilities and net position	$ 539,270	$ 603,226	$ 606,437

Total assets for the University ended fiscal year 2013 at $539M, a reduction of $64.0M when compared to prior year. During fiscal year 2013, the Idaho Board of Regents ("Regents") approved an action that authorized the University and the Foundation to execute a Release and Waiver of Rights and Restrictions Agreement that permanently eliminates any and all revocation privileges associated with certain Consolidated Investment Trust ("CIT") assets held in trust by the Foundation. This "Special Item" event resulted in a one-time transfer of approximately $81M of restricted, nonexpendable trust assets from the University to the Foundation. However, it is important to note that this transfer is a non-cash event and has no negative financial or operational impact to either the University or the Foundation in the current and future years. In April 2013, both S&P and Moody's bond rating agencies reaffirmed the University's A+ / Aa3 credit rating and indicated no meaningful credit implication or minimal impact to overall financial resources of both the University and the Foundation resulting from this new release agreement. Excluding the financial impact of this Special Item, the University reported an increase in net position of approximately $6.4 million in fiscal year 2013, which compares favorably to prior year's increase of $1.2M.

Current assets increased $11.6M, or 24%, to $60.3M, with the majority of the increase being driven by an overall net increase of $7.4M in cash and cash equivalents and $2.8M in prepaid expenses. Cash and cash equivalents were materially influenced by a planned strategic shift over the past couple of years from cash into long-term higher yielding investments. Beginning in fiscal year 2012, the University has been actively involved in transferring its investment management oversight to two independent, professional firms who are tasked with investing targeted long-term cash reserves into higher yielding investments while minimizing investment principle risk, where possible. This strategy has proved very successful with current investment yields reaching approximately 2.5% and combined investment income and realized gains from strategic investment repositioning exceeding operational budgets by approximately $500k, or 36%, in fiscal year 2013.

Noncurrent assets decreased $75.5M, or -14%, to $479M in fiscal year 2013 primarily due to the Special Item transfer of the CIT assets to the Foundation valued at $74.9M at the end of fiscal year 2012. Long-term investments were down by $6.4M due in part to a $2.9M unrealized loss in fair market value and a $3.5M targeted liquidation of certain investments to supplement cash and cash equivalent reserves as of June 30, 2013.

Current liabilities increased $8.4M, or 17.9%, to $55.4M in fiscal year 2013 primarily due to an $8.0M increase in accrued salaries and benefits payable resulting primarily from an increase in active and retiree employee benefit costs and strategic reserves designed to proactively manage the variability associated with the University's self-insured health benefits and GASB 45 retiree benefit trusts.

Noncurrent liabilities increased $2.2 M, or 1.4%, to $154.8M over prior year due primarily to a $2.3M net increase in notes and bonds payable resulting from the issue of $8.1M of new project funds generated from the issuance of the 2013 A/B bond series offset by $5.8M of scheduled principle debt payments and amortization on existing debt. $6.3M of the $8.1M in new project funds were used to finance the acquisition of land in McCall, ID dedicated to an outdoor science center. Overall total liabilities increased $10.6M, or 5.3%, to $210.2M while the University's net position decreased by $74.6M to $329.0M in fiscal year 2013. Excluding the financial impact of the $81M Special

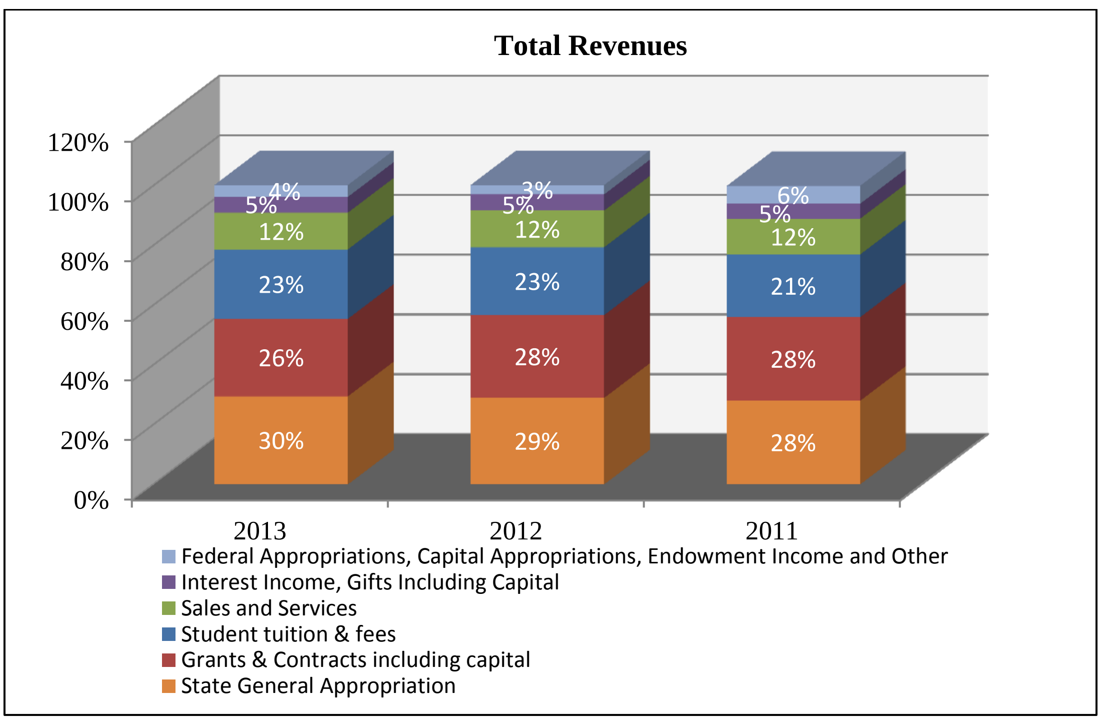
Item transfer of the CIT assets to the Foundation, the University's net position would have increased $6.4M in 2013 vs $1.2M in 2012.

Statement of Revenues, Expenses and Changes in Net Position

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

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

When comparing all of the University's sources of revenue in 2013, as shown in the chart below, state appropriations account for 29% of the total revenue received while grants and contracts, and student tuition and fees were 26% and 22% of the total, respectively.



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

	2013	2012	2011
Operating revenues	$ 209,556	$ 206,726	$ 208,428
Operating expenses	361,480	349,061	354,206
Operating loss	(151,924)	(142,335)	(145,778)
Net nonoperating revenues	151,051	139,310	156,696
Loss before other revenues	(873)	(3,025)	10,918
Other revenues	7,305	4,262	11,151
Increase In Net Position Before Special Item	6,432	1,237	22,069
Special Item - see Note 20	(80,990)	-	-
Increase In Net Position	(74,558)	1,237	22,069
Net Position - Beginning of year	403,591	402,354	380,285
Net Position - End of year	$ 329,033	$ 403,591	$ 402,354

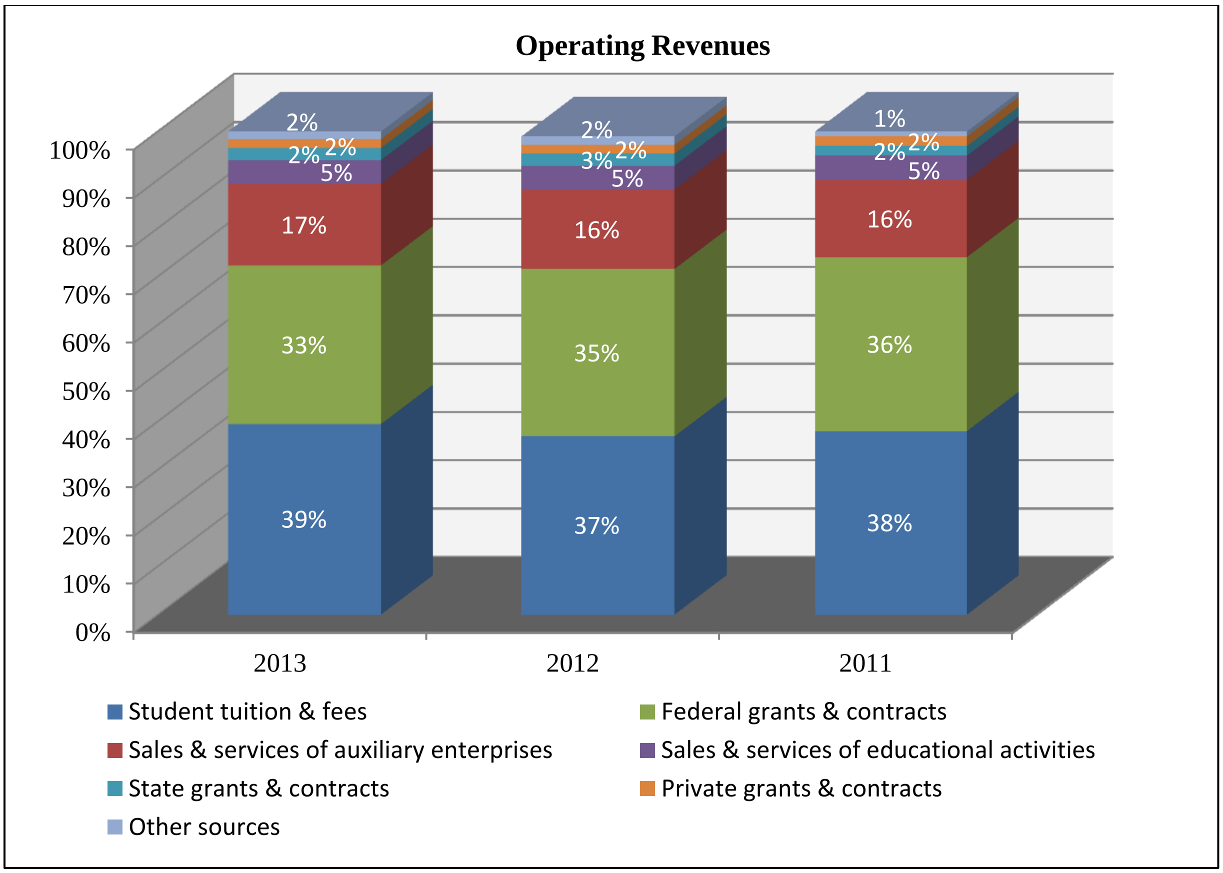
The statement of revenues, expenses and changes in net position details the $74.6M decrease in net position for fiscal year 2013. Excluding the financial impact of the Special Item transfer of $80.9M in CIT assets to the Foundation, the University reported an increase in net position of approximately $6.4 million in fiscal year 2013, which compares favorably to prior year's increase of $1.2M.

As shown in the chart above, operating revenues increased $2.8M, or 1.4%, to $209.6M in fiscal year 2013 due primarily to increases in student tuition and fees and educational and auxiliary enterprise sales and services, offset by a small reduction in federal, state, and private grants. Student tuition and fees, net of scholarship allowances, increased $4.3M due largely in part to a 6% increase in resident undergraduate fee rates, a 7% increase in resident graduate fee rates, and a 2% increase in non-resident fee rates. Overall net revenue per student increased due to a strategic move in fiscal year 2013 to begin reducing the overall amount of institutional tuition waivers offered to students, especially non-resident. This strategy contributed approximately $2M in net tuition revenues without materially impacting enrollment levels. Total student headcount enrollments in both undergraduate and graduate levels, in the Fall of 2012, remained relatively steady at 12,500 students; however, overall full-time student enrollments declined by approximately 3.7% in fiscal year 2013 due largely in part to a lower freshman and transfer class in Fall of 2012 combined with recent changes supported by the Idaho State Board of Education which reduced the number of credits required for graduation thus resulting in a higher proportionate of students graduating when compared to prior periods. We expect this negative impact to overall student full-time equivalent enrollment levels to be temporary and ultimately inconsequential as time passes.

New and existing program fees contributed an additional $523K in revenues for fiscal year 2013 as compared to 2012 with continued success emanating from our national reputation in delivering high quality, professional degreed and non-degreed programs such as our Executive MBA program and our Public Utilities Executive Course.

Federal, state, and private grants and contracts revenue remained consistently strong at $77.9M in fiscal year 2013, compared with $80.5M in the prior year. Sales and services of auxiliary enterprises increased $1.4M, or 4.2%, to $35.5M while sales and services of educational activities remained steady at $10.2M.

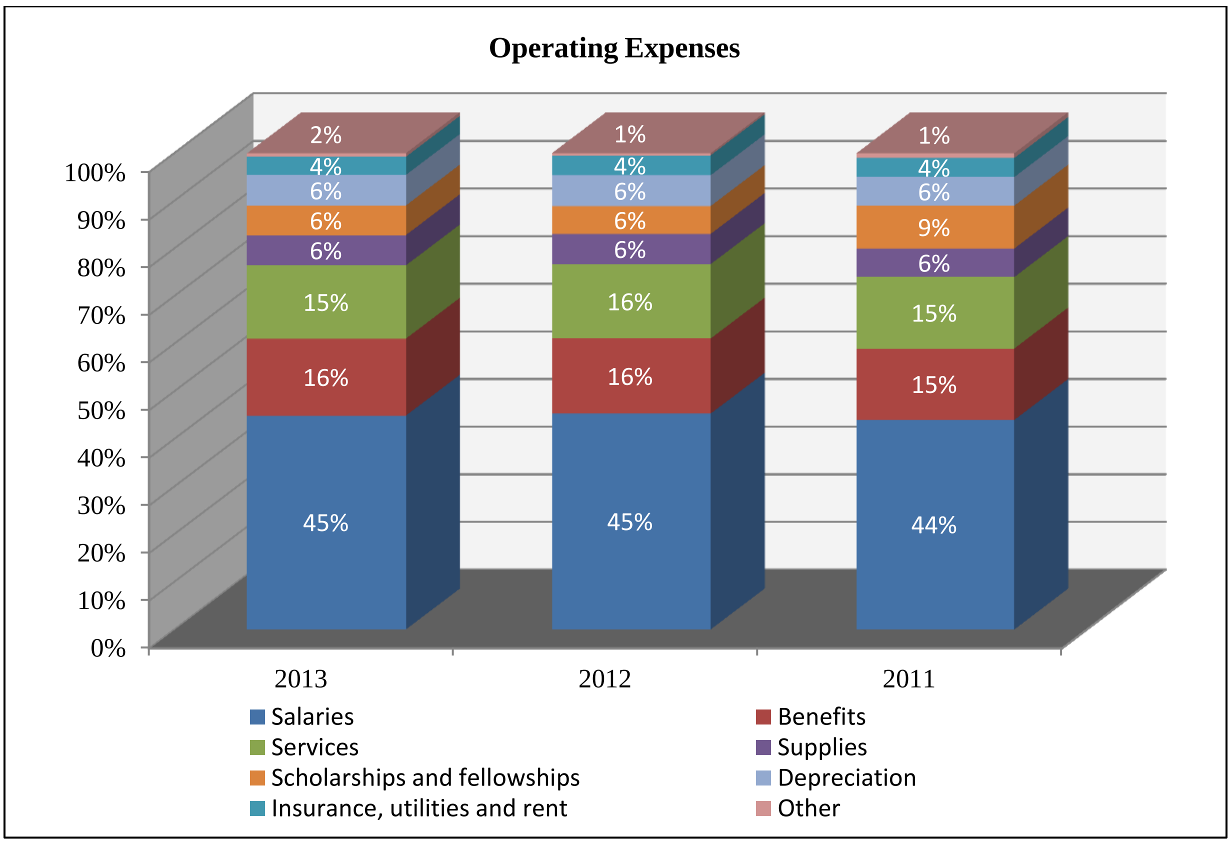
In fiscal year 2013, as shown in the graph below, approximately 90% of total operating revenues were generated from three key revenue sources. Student tuition and fees accounted for 39% of total operating revenues while federal grants and contracts accounted for 33% and sales and services of auxiliary enterprises covers 17%. All other categories account for 5% or less.



Operating expenses increased by $12.4M, or 3.6%, to $361.5M in fiscal year 2013. Total personnel costs of $217.1M in fiscal year 2013 was $7.4M, or 3.5%, higher than 2012 levels of $209.7M due mainly to a SBOE-approved 2% increase in salaries, an overall 1.5% increase in employee staffing levels, and a rise in active and retiree employee benefit costs, including adequately funding OPEB reserves. Total services costs in fiscal 2013 only increased by $1.0M, or 1.8%, to $55.6M and supplies costs only increased by $800K, or 3.6%, to $23.0M. These costs are closely tied to grants and contract related expenditures associated with the academic research arm of the University as well as other key operational areas including student services, enrollment management, athletics, auxiliaries, facilities management, academic support services, and institutional administration. Insurance, utilities, and rent costs showed a marked reduction of $900k, or 6.1%, to $13.8M in fiscal year 2013 due mainly to continued improvement in operational efficiencies gained from recent energy-related capital expenditures over the past five years and the elimination of the land lease rental payments associated to the purchase of the McCall outdoor science center.

Total operating loss increased by $9.6M, or 6.7%, to $151.9M in fiscal year 2013, due in large part to the $7.4M rise in total employee compensation costs. The University's leadership continues to remain actively committed to examining and restructuring academic and administrative programs and services where prudent, strategically monitor employment staffing levels, scrutinize capital improvement activities, and meticulously contain costs, where possible.

In fiscal year 2013, as shown in the graph below, approximately 75% of total operating expenses were generated from three key expenditure sources. Total personnel costs (salaries and benefits) accounted for 60% of total operating expenses while services expenditures accounted for 15%. All other categories account for 6% or less.



Nonoperating revenues, net of interest expense, increased by $11.7M, or 8.4%, to $151.0M in fiscal year 2013. State appropriation revenues, including land grant endowment income, increased by $5.3M, or 5.0%, to $112.3M, due to increased State funding on general education initiatives. Revenues generated from Federal appropriations and Federal grants and contracts remained strong at $22.5M per year for the past two years further solidifying the University's reputation for high quality research and other service-related activities at the national level. Gifts, including those provided by the University's Foundation, increased by $742k, or 4.5%, to $17.3M in fiscal year 2013 due to a combination of strong market returns for the endowment assets and continued successful efforts involved in the $225 million multi-year capital fund-raising campaign. Net investment income declined by $200k, or 14%, to $1.2M in fiscal year 2013 due to the timing effect of lower available investment balances to invest in higher yielding investments during the transition of the long-term investment portfolio management shift during fiscal year 2103. The change in fair value of investments declined to a $2.2M loss in 2013 as compared to a $1.2M gain in 2012 due to weaker bond market conditions resulting from the recent shift by the Federal Reserve to begin reducing its involvement in providing market liquidity in certain interest-rate sensitive financial instruments.

Assets held by the Foundation for the University as part of the overall consolidated investment trust increased in market value by $6.1M, or 8.2%, to $81M in fiscal year 2013 as of the date of the University's transfer of these assets to the Foundation. This increase was due to strong domestic and global financial equity market conditions. On February 8, 2013, the University executed agreements that permanently transferred, without revocation privileges, these CIT assets to the Foundation. Interest expense on long-term debt decreased $755k to $7.3M in 2013 due to positive benefits from recent bond and notes payable debt refinancing and the reduced impact of recognizing some $715k of interest expense in fiscal year 2012 that more accurately belonged in fiscal year 2011. Other sources of revenues also contributed $1.2M during fiscal year 2013, a reduction of $800k from prior year, due mainly to a one-time receipt of $880k in insurance proceeds awarded to the University in 2012 due to the Navy ROTC building being completely destroyed by fire. The Idaho Department of Public Works provided $5.2M of campus improvement capital project resources while the University's Foundation and state and federal grants & contracts also contributed $2.1M in capital funds.

Overall, the University's net position before Special Item in 2013 increased by $6.4M, compared to $1.2M in 2012, a $5.2M positive improvement. The 1-time Special Item transfer of the CIT assets to the Foundation resulted in an overall decrease in net position of $74.6M to $329.0M in fiscal year 2013; however, it is important to note that the $81M Special Item transfer is a non-cash event and has no negative financial or operational impact to either the University or the Foundation in the current and future years.

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, 2013. The statement is divided into five parts. The first part details operating cash flows and the net cash used by the operating activities of the University. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, non-investing and non-capital financing purposes. The third section, cash flows from capital and related financing activities, shows the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds and interest received. The fifth section reflects the net change in cash position.

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

	2013		2012		2011	
Cash provided (used) by:						
Operating activities	$	(123,936)	$	(123,381)	$	(125,860)
Noncapital financing activities		153,221		148,086		150,330
Capital and related financing activities		(25,003)		(28,475)		(35,304)
Investing activities		5,405		(45,906)		18,730
Net change in cash		9,687		(49,676)		7,896
Cash beginning of the year		15,611		65,287		57,391
Cash end of the year	$	25,298	$	15,611	$	65,287

Operating activities used $124.0M in cash during fiscal year 2013, resulting in a marginal increase of only $556k, or 0.5%, from fiscal year 2012 levels. Non-capital financing activities provided $153.2M in cash during fiscal year 2012, also resulting in a marginal increase of only $5.1M, or 3.5%, from fiscal year 2012. This increase was caused primarily by the $5M increase in state appropriations for general educational initiatives. Capital and related financing activities used $25.0M of cash in fiscal year 2013, a decrease of $3.5M, due mostly to approximately $2M of new bond proceeds acquired in 2013 for campus related capital improvements that have not been expended as of June 30, 2013. During fiscal year 2013, $8.1M in new bond proceeds were acquired. Investing activities provided $5.4M in cash in fiscal year 2013, as compared to using $45.9M in fiscal year 2012. The material use of cash in fiscal year 2012 correlates very closely to the $48M increase in long-term investments as of fiscal year end 2012 resulting from the strategic shift to invest our excess cash into higher yielding investments designed to meet certain annual financial interest income goals.

Capital Assets and Debt Management

The University had $765.4M and $741.2M of capital assets at June 30, 2013 and 2012 respectively, with accumulated depreciation of $364.9M and $344.6M respectively. The major categories and associated value of capital assets as well as accumulated depreciation at June 30, 2013, 2012 and 2011 are illustrated in the chart below.

	2013	2012	2011
Capital Asset at Cost			
Buildings and improvements	$ 562,776	$ 548,132	$ 522,949
Equipment	93,153	88,855	85,595
Construction in progress	2,651	7,763	16,984
Library materials	78,892	74,854	71,389
Capitalized collections	2,307	2,259	2,204
Land	25,623	19,375	19,220
Total Capital Assets	$ 765,402	$ 741,238	$ 718,341
Accumulated Depreciation			
Building and improvements	$ 226,363	$ 212,857	$ 199,427
Equipment	77,031	73,451	69,601
Library materials	61,482	58,294	55,488
Total Accumulated Depreciation	$ 364,876	$ 344,602	$ 324,516

At June 30, 2013 and 2012, the University had debt (or similar long-term obligations) of $160.9M and $158.7M respectively. In fiscal year 2013, the University issued Bond Series 2013 A/B that refunded Bond Series 2003, refinanced the Track & Field Complex Note with Wells Fargo Bank, and provided $8.1M in new project funds to finance the $6.3M land purchase in McCall, ID along with $1.8M of funds for various capital improvements to the Moscow Campus.

Economic Outlook

Over the past two years, the economy in Idaho has experienced a solid rebound being fueled by positive trends in housing and employment; however, some caution still remains. As reported by the Idaho Division of Financial Management in the July 2013 Idaho Economic Forecast Report, the State should continue to see modest growth in all sectors and components of the local economy over the next 3 years (2013 thru 2016) provided that the policies and laws executed at the national level do not significantly hinder the sustained economic gains made across the United States and key international countries around the globe. This positive change in the economy provided the State of Idaho the opportunity to increase its funding levels for higher education in 2013 by approximately 8% with the University receiving an increase of approximately 5% ($5 million) in state appropriations for general education purposes compared to fiscal year 2012.

The financial position of the University is stable and improving; however, the leadership is aware of the need to proactively pursue other revenue streams while remaining diligent in monitoring costs. Senior leadership is also cognizant of the fact that the local, national, and international economic recoveries are not fully complete and that there will continue to exist many demands on limited state and federal financial resources. Federal sequestration and directed cutbacks in federal and state grants to help fund research and various outreach activities will also continue to limit resources for higher education institutions, University of Idaho included, involved in significant levels of annual research activities. Fiscal efforts at the state and national level to sustain and potentially increase the funding levels for higher education are promising; however, positive improvements in the local and state economy need to solidify further to provide much needed stable and dependable state tax revenues.

In response to these continued fiscal challenges, the University's leadership has taken proactive measures over the past 2 to 3 years across the main campus and satellite campuses to help mitigate the negative effects as well as reposition much needed fiscal resources to critical academic, student services, and administrative areas. Senior leadership continues to actively plan for future state funding scenarios, both positive and negative, and is well prepared to successfully address them as they materialize.

Increased investment in strategic enrollment efforts over the past two years continue to show promising results with Fall 2013 enrollments remaining stable at approximately 13,000 students across all 5 statewide campuses. New freshmen enrollments continue to show positive trends; however, recent changes supported by the Idaho State Board of Education in reducing the number of credits required for graduation has resulted in a higher proportionate of students graduating when compared to prior periods. We expect this negative impact to overall student full-time equivalent enrollment levels to be temporary and ultimately inconsequential as time passes. Significant efforts across all areas of the university continue to remain focused on student retention with promising results being seen at both the undergraduate and graduate levels.

The University continues to excel as a national leader in high quality academic research. Being recognized by the Carnegie Foundation as a high research activity institution, the University was actively engaged in approximately $76M in sponsored program grant and contract expenditure activities in fiscal year 2013 with total expenditures toward research, instruction and public service of $95.8 million. University efforts toward proactively pursuing new federal, state, industry, and other grants and contracts continue to show our commitment to remain a national leader in academic research. In 2013, approximately $233M of grant and contract proposals were submitted with approximately $89M (or 38%) being successfully awarded. In fiscal year 2013, the University's reputation in highly advanced and complex research was again recognized by the National Science Foundation (NSF) with a $20M grant to Idaho's statewide Experimental Program to Stimulate Competitive Research (EPSCoR), a higher education collaboration among the University of Idaho, Boise State University, and Idaho State University, to study the social and ecological systems and ecosystem services, especially associated with water demand, in mid-sized cities in the face of climate change and urban growth. The University's College of Education was also recognized for its expertise in evaluating and improving student educational outcomes by being awarded a $3M research grant from the Albertson Foundation to improve student achievement, in primary grades thru undergraduate college level classes, through the effective use of technology.

Major capital improvements in FY 2013 continued to positively enhance the beauty, productivity, and safety on the main campus with continued investments in major life safety enhancements to the Kibbie Dome, energy saving improvements across a number of buildings on campus, and key investments in new research equipment and IT infrastructure. The University also expanded it state-wide research footprint by purchasing $6.3M of land in McCall, Idaho for an outdoor science center. In total, the University, with support from the Idaho Dept. of Public Works, invested approximately $28M in capital assets in FY 2013.

In spite of the economic challenges facing the State of Idaho and the nation, the University of Idaho will continue moving forward with strategic academic, student services, and fiscal initiatives that will advance the mission and long-term goals of the University. We will continue to seek efforts to grow and enhance existing revenue sources, while also seeking out new opportunities. We will continue to examine and restructure academic and administrative programs and services where prudent, strategically monitor employment staffing levels, scrutinize capital improvement activities, and meticulously contain costs where possible.

The leadership at the University of Idaho will continue to proactively address all challenges, financial and otherwise, by continuing to operate with a strong sense of integrity, accountability, and fiscal responsibility. Every member of the University's collective body: students, faculty, and staff are fully committed to playing an active role in the continued success of the State of Idaho's premier research and land-grant institution.

UniversityofIdaho

STATEMENT OF NET POSITION
AS OF JUNE 30, 2013 AND 2012

	University of Idaho 2013	University of Idaho 2012	University of Idaho Foundation (note 18) 2013	University of Idaho Foundation (note 18) 2012
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 20,714,345	$ 13,342,778	$ 11,605,647	$ 10,541,837
Due from state agencies	190,986	187,516	-	-
Prepaid expenses	4,180,169	1,364,073	-	-
Investments - Restricted	601,940	601,886	11,338,302	11,153,680
Interest receivable	579,381	494,282	452,118	516,538
Student loans receivable	1,598,188	1,566,780	-	-
Accounts receivable & unbilled charges - net	29,782,066	27,902,779	-	-
Inventories	2,298,645	2,923,300	-	-
Promises to give - net	-	-	1,353,293	1,215,450
Notes receivable	330,753	342,871	66,500	66,700
Total Current Assets	60,276,473	48,726,265	24,815,860	23,494,205
NONCURRENT ASSETS				
Restricted cash and cash equivalents	4,583,089	2,267,824	11,998,360	11,402,008
Student loans receivable - net	9,685,062	10,118,259	-	-
Investments - Unrestricted	62,760,654	67,990,342	-	-
Investments - Restricted	-	1,202,122	213,870,589	194,286,707
Assets held in trust by Foundation	-	74,859,032	-	-
Promises to give - net	-	-	1,671,123	2,310,429
Notes receivable	-	-	388,311	458,273
Deferred bond financing costs	1,437,682	1,425,558	-	-
Capital assets - net	400,527,308	396,636,352	5,832,157	4,306,657
Other noncurrent assets	-	-	378,969	303,017
Total Noncurrent Assets	478,993,795	554,499,489	234,139,509	213,067,091
TOTAL ASSETS	$ 539,270,268	$ 603,225,754	$ 258,955,369	$ 236,561,296
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 539,270,268	$ 603,225,754	$ 258,955,369	$ 236,561,296

See notes to financial statements

Continued

University of Idaho

STATEMENT OF NET POSITION
AS OF JUNE 30, 2013 AND 2012

	University of Idaho 2013	University of Idaho 2012	University of Idaho Foundation (note 18) 2013	University of Idaho Foundation (note 18) 2012
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	$ 3,041,758	$ 2,484,563	$ 159,899	$ 95,424
Accrued salaries and benefits payable	26,678,613	18,677,864	-	-
Compensated absences payable	8,275,598	8,959,087	-	-
Trust earnings payable to trust beneficiaries	-	-	8,616,627	6,795,831
Accrued interest payable	1,867,078	1,930,547	-	-
State teacher education loan advance	247,444	241,038	-	-
Deposits	764,825	735,164	-	-
Deferred revenue	7,551,643	7,017,852	-	-
Funds held in custody for others	906,388	243,346	-	-
Obligations under capital leases	147,530	140,171		
Notes and bonds payable	5,956,633	5,989,900	-	-
Other liabilities	(2,373)	606,230	-	-
Split interest agreements	-	-	1,004,212	1,010,670
Total Current Liabilities	55,435,137	47,025,762	9,780,738	7,901,925
NONCURRENT LIABILITIES				
Obligations under capital leases	-	147,530	-	-
Notes and bonds payable	154,801,920	152,461,587	-	-
Assets held in trust for the University	-	-	-	74,859,032
Split interest agreements	-	-	5,757,568	5,626,385
Total Noncurrent Liabilities	154,801,920	152,609,117	5,757,568	80,485,417
TOTAL LIABILITIES	$ 210,237,057	$ 199,634,878	$ 15,538,305	$ 88,387,341
NET POSITION				
Net investment in capital assets	243,070,923	239,981,523	-	-
Restricted for:				
Nonexpendable	-	74,859,032	202,360,584	110,808,319
Expendable	28,851,316	24,796,022	36,006,967	32,145,781
Unrestricted	57,110,972	63,954,298	5,049,512	5,219,854
Total Net Position	329,033,211	403,590,875	243,417,063	148,173,954
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 539,270,268	$ 603,225,754	$ 258,955,369	$ 236,561,296

See notes to financial statements

University of Idaho

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

	University of Idaho 2013	University of Idaho 2012	University of Idaho Foundation (note 18) 2013	University of Idaho Foundation (note 18) 2012
OPERATING REVENUES				
Student tuition and fees including pledged revenues of $82,657,950 and $77,929,726 (net of scholarship allowance of $21,333,219 and $23,671,319) for FY 2013 and FY 2012 respectively	$ 82,657,950	$ 78,338,457	$ -	$ -
Federal grants and contracts	68,813,321	71,608,054	-	-
State and local grants and contracts	5,203,701	5,171,783	-	-
Private grants and contracts	3,881,344	3,749,260	-	-
Sales and services of educational activities including pledged revenues of $11,320,386 and $10,312,317 for FY 2013 and FY 2012 respectively	10,235,562	10,178,009	-	-
Sales and services of auxiliary enterprises including pledged revenues of $34,368,898 and $34,042,490 for FY 2013 and FY 2012 respectively	35,453,721	34,042,492	-	-
Interest on loans receivable	327,202	286,986	-	-
Other sources	2,983,307	3,351,198	192,422	228,739
Gifts	-	-	17,133,672	14,347,596
Total operating revenue	209,556,108	206,726,239	17,326,094	14,576,335
OPERATING EXPENSES				
Salaries	158,684,035	154,706,421	-	-
Benefits	58,408,947	55,017,974	-	-
Services	55,629,647	54,550,226	-	-
Supplies	22,996,698	22,146,739	-	-
Insurance, utilities and rent	13,752,540	14,651,000	-	-
Scholarships and fellowships	22,489,009	20,407,520	-	-
Depreciation	23,179,119	22,569,052	-	-
Other	6,339,710	5,012,178	68,258	32,593
Administrative expense	-	-	2,047,881	2,052,315
Total operating expenses	361,479,705	349,061,110	2,116,139	2,084,908
OPERATING (LOSS) INCOME	$ (151,923,597)	$ (142,334,871)	$ 15,209,955	$ 12,491,427

See notes to financial statements

Continued

University of Idaho

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITON
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	University of Idaho 2013	University of Idaho 2012	University of Idaho Foundation (note 18) 2013	University of Idaho Foundation (note 18) 2012
NONOPERATING REVENUES (EXPENSES)				
State appropriations	$ 105,845,666	$ 100,824,500	$ -	$ -
Land grant endowment income	6,466,800	6,164,400	-	-
Federal appropriations	5,386,942	3,893,046	-	-
Federal grants and contracts	17,136,217	18,656,793	-	-
Gifts (including gifts from Foundation)	17,275,225	16,533,613	-	-
Private grants and contracts	-	1,475	-	-
Net investment income including pledged revenues of UI of $1,218,954 and $1,197,651 for FY 2013 and FY 2012 respectively	1,215,985	1,415,725	5,564,399	5,722,066
Net increase (decrease) in fair value of investments	(2,242,474)	1,226,392	17,483,581	(6,602,440)
Change in value of assets held in trust for University	6,131,306	(3,331,972)	(6,131,306)	3,331,972
Distribution of endowment income to University and trust beneficiaries	-	-	(8,616,627)	(6,809,561)
Distribution to University and affiliates	-	-	(9,059,759)	(10,881,846)
Distribution of trust income to life income beneficiaries	-	-	(702,154)	(731,799)
Lease and rental income	-	-	-	-
Property management	-	-	(2,776)	(17,596)
Change to split interest trusts	-	-	507,458	890,618
Interest expense (net of capitalized interest of $438,974 and $469,009 for FY 2013 and FY 2012 respectively)	(7,329,495)	(8,084,679)	-	-
Other sources	1,164,690	2,010,651	-	-
Net nonoperating revenues	151,050,862	139,309,944	(957,184)	(15,098,586)
GAIN (LOSS) BEFORE OTHER REVENUES	(872,735)	(3,024,927)	14,252,771	(2,607,159)
OTHER REVENUES				
Capital grants and contracts	1,353,360	788,398	-	-
Projects with Idaho Department of Public Works	5,185,086	2,090,339	-	-
Capital gifts from Foundation	766,963	1,383,234	-	-
Total other revenues	7,305,409	4,261,971	-	-
INCREASE IN NET POSITION BEFORE SPECIAL ITEM	6,432,674	1,237,044	14,252,771	(2,607,159)
SPECIAL ITEM - see Note 20	(80,990,338)	-	80,990,338	-
INCREASE IN NET POSITION	(74,557,664)	1,237,044	95,243,109	(2,607,159)
NET POSITION - Beginning of year	403,590,875	402,353,831	148,173,954	150,781,113
NET POSITION - End of year	$ 329,033,211	$ 403,590,875	$ 243,417,063	$ 148,173,954

See notes to financial statements

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	University of Idaho 2013	University of Idaho 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts and disbursements		
Tuition and fees	$ 82,588,940	$ 85,659,444
Grants and contracts	80,963,993	79,883,129
Sales of services	43,270,591	45,459,303
Payments to or for employees	(209,775,722)	(207,849,698)
Payments to suppliers	(100,961,447)	(100,220,724)
Scholarships disbursed	(22,489,009)	(29,742,995)
Funds held for others	663,042	(7,296)
Student loans collected	2,485,437	2,159,021
Student loans disbursed	(1,801,859)	(1,783,531)
Other receipts	1,120,018	3,062,032
Net cash used by operating activities	(123,936,016)	(123,381,315)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Appropriated general education revenues:		
State general account	105,791,467	100,825,612
Land grant endowment income	6,466,800	6,164,400
Federal Appropriations	5,386,942	3,893,046
Federal Grants and Contracts	17,136,217	18,658,268
Gifts	17,275,225	16,533,613
Other receipts	1,164,693	2,010,651
Net cash provided by noncapital financing activities	153,221,344	148,085,590
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State appropriations, capital	5,185,086	2,090,339
Capital grants and gifts	2,120,322	2,171,632
Capital asset purchases	(27,070,074)	(25,380,225)
Proceeds from capital debt	15,980,090	5,372,306
Principal paid on capital debt	(13,825,320)	(5,310,871)
Interest paid on capital debt	(7,392,964)	(7,417,820)
Net cash used by capital & related financing activities	(25,002,860)	(28,474,639)

See notes to financial statements.

Continued

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	University of Idaho 2013	University of Idaho 2012
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	109,674,439	87,409,082
Investment income	1,215,985	1,415,725
Purchase of investments	(105,486,060)	(134,731,062)
Net cash provided (used) by investing activities	5,404,364	(45,906,255)
NET INCREASE IN CASH	9,686,832	(49,676,619)
Cash - Beginning of year	15,610,602	65,287,221
Cash - End of year	$ 25,297,434	$ 15,610,602
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (151,923,597)	$ (142,334,871)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation expense	23,179,119	22,569,052
Decrease (increase) in assets:		
Receivables, net	(1,492,440)	(564,817)
Inventories and prepaids	(2,191,441)	2,049,979
Increase (decrease) in liabilities:		
Accounts payable	557,195	(5,419,271)
Accrued payroll, benefits and compensated absences	7,317,260	1,874,698
Deposits and deferred revenues	563,452	(1,057,500)
Change in funds held for others	663,042	(7,296)
Other liabilities	(608,606)	(491,289)
Net cash used by operating activities	$ (123,936,016)	$ (123,381,315)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Capital asset write-offs	$ 2,740,591	$ -
Donated assets	2,799,828	1,383,234
Change in fair value of investments	(2,912,610)	1,226,392
Change in fair value of assets held in trust	6,131,306	(3,331,972)
Special Item - see Note 20	(80,990,338)	-

See notes to financial statements

University of Idaho

STATEMENTS OF BENEFIT PLAN NET POSITION
AS OF DECEMEBER 31, 2012 AND 2011

	Retiree Benefits Trust 2012	Retiree Benefits Trust 2011	Health Benefits Trust 2012	Health Benefits Trust 2011
Assets				
Cash and short-term investments	$ 837,798	$ 554,370	$ 230,034	$ 428,095
Interest receivable	52	337	17,610	19,299
Investments, at fair value				
Fixed income securities	12,410,886	9,613,285	2,698,001	3,241,400
Equity securities	10,682,041	8,482,491	-	-
Total investments	23,092,927	18,095,776	2,698,001	3,241,400
Total assets	$ 23,930,777	$ 18,650,483	$ 2,945,645	$ 3,688,794
Liabilities				
Accounts payable	$ -	$ -	$ 1,934	$ 590,710
IBNR liability	-	-	1,851,000	1,690,000
Total liabilities	-	-	1,852,934	2,280,710
Net position held in trust for benefits	$ 23,930,777	$ 18,650,483	$ 1,092,711	$ 1,408,084

See notes to financial statements

University of Idaho

STATEMENTS OF CHANGES IN BENEFIT PLAN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Retiree Benefits Trust 2011	Retiree Benefits Trust 2011	Health Benefits Trust 2011	Health Benefits Trust 2010
Additions				
Contributions				
Employer	$ 3,000,000	$ 500,000	$ 15,257,281	$ 13,638,605
Plan members	-	-	4,646,405	4,710,283
Total contributions	3,000,000	500,000	19,903,686	18,348,888
Interest	466,221	392,146	85,226	110,329
Realized gain in investments	3,195,431	457,839	3,927	1,773
Unrealized gain in investments	-	-	-	116,894
Total additions	6,661,652	1,349,985	19,992,839	18,577,884
Deductions				
Insurance claim benefits	-	-	17,243,579	16,611,352
Change in IBNR	-	-	161,000	(128,000)
Realized loss in investments	-	567,418	-	-
Unrealized loss in investments	1,381,358	-	9,373	-
Administrative expenses	-	-	2,894,260	2,751,290
Total deductions	1,381,358	567,418	20,308,212	19,234,642
Net increase (decrease) in assets held in trust for benefits	5,280,294	782,567	(315,373)	(656,758)
Benefit plan net position, beginning of year	18,650,483	17,867,916	1,408,084	2,064,842
Benefit plan net position, end of year	$ 23,930,777	$ 18,650,483	$ 1,092,711	$ 1,408,084

See notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The University of Idaho Foundation, Inc. ("Foundation") is considered a component unit of the University as determined by GASB 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No.14, which requires reporting, as a component unit, an organization that 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, the Foundation manages the endowment funds in a pooled investment fund, Consolidated Investment Trust ("CIT"), and transfers a designated percentage of historical investment earnings to the University on an annual basis.

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

The University of Idaho Health Benefits Trust ("HBT") was established in June, 2007 in accordance with the State of Idaho Department of Insurance ("DOI") requirements. The HBT receives the employer, employee and retiree contributions for the University's self-insured health plan, and pays the medical, dental, mental health and vision claims, and corresponding administrative processing fees, associated with the health plan. In addition, the HBT maintains a balance sufficient to cover the actuarially-determined incurred-but-not-paid ("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 fiscal 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*.

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 tangible items with a unit cost of $5,000 or more and an estimated useful life of greater than one year. Renovations to buildings, and land improvements that significantly increase the value or extend the useful life of the structure, are capitalized. Routine repairs and maintenance are charged to operating expense in the period in which the expense was incurred. Depreciation is computed using the straight-line, 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.

In fiscal year 2010, in accordance with the requirements and definitions of GASB No. 51, *Accounting and Financial Reporting for Intangible Assets*, the University adopted a policy of capitalizing any intangible assets $200,000 or greater in value that have an expected useful life of one year or longer. Depreciation on intangible assets is computed using the straight-line, composite method over the estimated useful lives of the assets, primarily consisting of computer software and licenses that generally have a useful life of 5 years. The University adopted this policy in compliance with the State of Idaho guidelines related to the requirements of implementation for GASB No. 51.

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

Waivers—Tuition waivers, provided directly by the University for faculty and staff benefits, amounted to $947,623 and $640,586 for the fiscal years ended 2013 and 2012, 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.

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

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

Net Investment In Capital Assets: This represents the University's investment in capital assets, net of depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

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

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

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

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

Classification of Revenues—The University has classified its revenues as either operating or 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 FY2013 and FY2012 are $21,333,219 and $23,671,319 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.

***New Accounting Standards*---**In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements.* The University has reviewed its existing arrangements with other public and non-public entities and has not identified any arrangements that would constitute service concession arrangements under Statement 60.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34.* This Statement amends previous GASB Statements 14 and 34 to improve the financial reporting for governmental financial reporting entities. These amendments relate to the assessment and reporting of potential component units related to the financial reporting entity. The University's sole component unit is the University of Idaho Foundation. The University has reviewed the amendments embodied in Statement 61 to ensure its financial reporting is consistent with such amendments.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This Statement incorporated certain accounting and financial reporting guidance that was issued prior to November 30, 1989 by the FASB and the AICPA, the substance of which did not conflict with nor contradict GASB pronouncements. This Statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Propriety Funds and Other Governmental Entities That Use Proprietary Fund Accounting.* The University has reviewed Statement 62 to ensure that its accounting and financial reporting is consistent and in compliance with this guidance.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This Statement provides guidance to the University regarding the reporting of transactions resulting in the consumption or acquisition of net position in one reporting period that are applicable to future reporting periods, defined as deferred outflows and deferred inflows of resources, respectively. These amounts will be reported on the University's Statement of Net Position in addition to and separate from its current asset and liability portions of its financial statements. The University adopted this standard for its fiscal year ending June 30, 2013.

***Reclassification*---**Certain items previously reported in the financial statements have been reclassified to conform to the current financial statement presentation.

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, 2013, $12,940,188 of the University's bank balance of $25,297,434 was exposed to custodial credit risk because it was uninsured and uncollateralized. At June 30, 2012, $925,431 of the University's bank balance of $15,610,602 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, 2013 and June 30, 2012 respectively:

	2013 Fair Value	2012 Fair Value
Corporate bonds	$ 39,205,568	$ -
U.S. government agency securities	15,701,774	601,886
Mortgage/asset-backed securities	7,766,928	-
Money market mutual funds	688,324	-
Mutual funds - U.S. government securities	-	69,192,464
Total	$ 63,362,594	$ 69,794,350

Interest Rate Risk

Interest rate risk is defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as the risk a government may face should interest rate variances affect the fair value of investments. The University does not presently have a formal policy that addresses interest rate risk; however, it does incorporate weighted average maturity methodology in selecting and reporting its investments. As of June 30, 2013 and June 30, 2012 respectively, the University had the following investments subject to interest rate risk:

Investment Securities Subject to Interest Rate Risk at June 30, 2013

Investment Maturities in Years

Investment Type	Total Fair Value	<1	1-5	6-10	11-15	>15
Corporate bonds	$ 39,205,568	$ -	$ 1,156,379	$ 37,517,189	$ 532,000	$ -
U.S. government agency securities	15,701,774	601,940	6,365,905	8,733,928	-	-
Mortgage/asset-backed securities	7,766,928	-	7,766,928	-	-	-
Money market mutual funds	688,324	688,324	-	-	-	-
Total	$ 63,362,594	$ 1,290,264	$ 15,289,213	$ 46,251,117	$ 532,000	$ -

Investment Securities Subject to Interest Rate Risk at June 30, 2012

Investment Maturities in Years

Investment Type	Total Fair Value	<1	1-5	6-10	11-15	>15
U.S. government agency securities	$ 601,886	$ 601,886	$ -	$ -	$ -	$ -
Mutual funds - U.S. government securities	69,192,464	4,151,548	24,909,287	40,131,629	-	-
Total	$ 69,794,350	$ 4,753,434	$ 24,909,287	$ 40,131,629	$ -	$ -

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

Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. Statement No. 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, 2013 and June 30, 2012, the University had the following investment credit risk:

Investment Securities Subject to Credit Risk at June 30, 2013

Credit Rating	Corporate Bonds	U.S. Government Agency Securities	Mortgage Asset-Backed Securities	Money Market Mutual Funds	Mutual funds - Government Securities	Total
AAA	$ 1,365,990	$ 601,940	$ 1,764,479	$ 688,324	$ -	$ 4,420,733
AA	10,389,075	15,099,834	4,518,439	-	-	30,007,347
A	27,450,503	-	1,484,011	-	-	28,934,514
Total	$ 39,205,568	$ 15,701,774	$ 7,766,928	$ 688,324	$ -	$ 63,362,594

Investment Securities Subject to Credit Risk at June 30, 2012

Credit Rating	Corporate Bonds	U.S. Government Agency Securities	Mortgage Asset-Backed Securities	Money Market Mutual Funds	Mutual funds - Government Securities	Total
AAA	$ -	$ 601,886	$ -	$ -	$ 69,192,464	$ 69,794,350
Total	$ -	$ 601,886	$ -	$ -	$ 69,192,464	$ 69,794,350

Concentration of Credit Risk

Per Statement No. 40, Concentration of Credit Risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Governmental Accounting Standards Board has adopted a principle that governments should provide note disclosure when 5 percent of investments are concentrated in any one issuer. The University does not presently have a formal policy that addresses concentration of risk. As of June 30, 2013 the University had the following concentration of credit risk (the University did not have any investments at June 30, 2012 that represented a 5 percent or greater concentration in any one issuer):

Investment Securities Subject to Concentration of Credit Risk at June 30, 2013

	Total Fair Value	Percentage of Total Investments
Federal National Mortgage Association (FNMA)	$ 9,499,085	14.99%
Federal Home Loan Mortgage Corporation (FGLMC)	6,202,689	9.79%
Total	$ 15,701,774	24.78%

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, 2013 and June 30, 2012 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, 2013 and June 30, 2012, respectively:

	2013	2012
Student tuition and fees, including Federal financial aid funds	$ 4,694,804	$ 3,978,111
Auxiliary enterprises	1,112,274	1,700,547
Educational Activities	782,960	1,440,486
Federal appropriations	58,828	4,629
Federal Financial Aid Funds	88,862	173,093
Grants and contracts	14,872,267	14,273,403
Due from Foundation	8,503,853	6,625,510
	$30,113,848	$28,195,779
Less allowance for doubtful accounts	(331,782)	(293,000)
Net accounts receivable and unbilled charges	$29,782,066	$27,902,779

5. STUDENT LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program ("Program") comprise substantially all of the loans receivable at June 30, 2013 and June 30, 2012. 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 $1,918,371 for June 30, 2013 and $1,710,069 at June 30, 2012.

6. CAPITAL ASSETS

Capital assets at June 30, 2013 and 2012 consisted of the following:

	Year ended June 30, 2013				
	Balance July 1, 2012	Additions	Transfers	Retirements	Balance June 30, 2013
Capital assets not being depreciated:					
Land	$ 19,375,352	$ 6,247,488	$ 700	$ -	$ 25,623,540
Capitalized collections	2,258,593	47,931	-	-	2,306,524
Equipment construction in progress	258,546	889,911	(413,297)	(11,011)	724,149
Construction in progress	7,762,746	1,483,071	(6,236,761)	(357,642)	2,651,414
Total capital assets not being depreciated	$ 29,655,237	$ 8,668,401	$ (6,649,358)	$ (368,653)	$ 31,305,627
Capital assets being depreciated:					
Buildings	$ 493,913,741	$ 7,974,594	$ 5,430,549	$ (551,885)	$ 506,766,999
Other improvements	54,219,158	992,547	796,982	-	56,008,687
Furniture and equipment	88,596,424	5,603,534	421,827	(2,192,806)	92,428,979
Library materials	74,853,611	4,371,485	-	(333,218)	78,891,878
Total capital assets being depreciated	711,582,934	18,942,160	6,649,358	(3,077,909)	734,096,543
Less accumulated depreciation:					
Buildings	(181,539,860)	(11,771,242)	-	547,102	(192,764,000)
Other improvements	(31,316,855)	(2,281,725)	-	-	(33,598,580)
Furniture and equipment	(73,451,043)	(5,605,772)	-	2,025,756	(77,031,059)
Library materials	(58,294,061)	(3,520,380)	-	333,218	(61,481,223)
Total accumulated depreciation	(344,601,819)	(23,179,119)	-	2,906,076	(364,874,862)
Capital assets being depreciated - net	$ 366,981,115	$ (4,236,959)	$ 6,649,358	$ (171,833)	$ 369,221,681
Capital assets summary:					
Capital assets not being depreciated	$ 29,655,237	$ 8,668,401	$ (6,649,358)	$ (368,653)	$ 31,305,627
Capital assets being depreciated	711,582,934	18,942,160	6,649,358	(3,077,909)	734,096,543
Total cost of capital assets	741,238,171	27,610,561	-	(3,446,562)	765,402,170
Less accumulated depreciation	(344,601,819)	(23,179,119)	-	2,906,076	(364,874,862)
Capital assets - net	$ 396,636,352	$ 4,431,442	$ -	$ (540,486)	$ 400,527,308

In addition to accounts payable for construction in progress, the estimated cost to complete property authorized for acquisition, or under construction, at June 30, 2013 is approximately $10,240,000. These costs will be financed by state appropriations, institutional funds, gifts, grants and contracts, the Department of Public Works, and/or long-term borrowings.

	Year ended June 30, 2012				
	Balance July 1, 2011	Additions	Transfers	Retirements	Balance June 30, 2012
Capital assets not being depreciated:					
Land	$ 19,220,253	$ 155,139	$ -	$ (40)	$ 19,375,352
Capitalized collections	2,204,030	60,027	-	(5,464)	2,258,593
Equipment construction in progress	241,262	660,312	(628,693)	(14,335)	258,546
Construction in progress	16,984,295	5,181,918	(14,403,410)	(57)	7,762,746
Total capital assets not being depreciated	$ 38,649,840	$ 6,057,396	$ (15,032,103)	$ (19,896)	$ 29,655,237
Capital assets being depreciated:					
Buildings	$ 472,271,448	$ 8,475,235	$ 13,418,717	$ (251,659)	$ 493,913,741
Other improvements	50,677,501	2,565,635	984,693	(8,671)	54,219,158
Furniture and equipment	85,354,038	4,549,308	628,693	(1,935,615)	88,596,424
Library materials	71,388,798	3,970,288	-	(505,475)	74,853,611
Total capital assets being depreciated	679,691,785	19,560,466	15,032,103	(2,701,420)	711,582,934
Less accumulated depreciation:					
Buildings	(170,324,871)	(11,392,321)	-	177,332	(181,539,860)
Other improvements	(29,102,075)	(2,223,451)	-	8,671	(31,316,855)
Furniture and equipment	(69,600,847)	(5,642,396)	-	1,792,200	(73,451,043)
Library materials	(55,488,652)	(3,310,884)	-	505,475	(58,294,061)
Total accumulated depreciation	(324,516,445)	(22,569,052)	-	2,483,678	(344,601,819)
Capital assets being depreciated - net	$ 355,175,340	$ (3,008,586)	$ 15,032,103	$ (217,742)	$ 366,981,115
Capital assets summary:					
Capital assets not being depreciated	$ 38,649,840	$ 6,057,396	$ (15,032,103)	$ (19,896)	$ 29,655,237
Capital assets being depreciated	679,691,785	19,560,466	15,032,103	(2,701,420)	711,582,934
Total cost of capital assets	718,341,625	25,617,862	-	(2,721,316)	741,238,171
Less accumulated depreciation	(324,516,445)	(22,569,052)	-	2,483,678	(344,601,819)
Capital assets - net	$ 393,825,180	$ 3,048,810	$ -	$ (237,638)	$ 396,636,352

7. ACCOUNTS PAYABLE

Accounts payable consisted of the following at June 30, 2013 and 2012:

	2013	2012
Operating activities	$ 3,014,493	$ 2,461,011
Taxes payable	27,265	23,552
Total accounts payable and accrued liabilities	$ 3,041,758	$ 2,484,563

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 $3,552,880 for the year ended June 30, 2013 and $3,191,148 for the year ended June 30, 2012.

Future minimum lease payments on noncancellable leases at June 30, 2013 are as follows:

2014	$ 3,233,698
2015	17,383
2016	15,822
2017	12,449
2018	5,623
Total future minimum lease obligations	$ 3,284,975

9. LONG-TERM LIABILITIES

Long-term liability activity for years ended June 30, 2013 and 2012 is as follows:

	Ending Balance June 30, 2012	Additions	Reductions	Ending Balance June 30, 2013	Amounts Due within One Year
Bonds, Notes and Capital Lease Obligations:					
Bonds Payable	$ 155,795,000	$ 15,070,000	$ 10,500,000	$ 160,365,000	$ 5,325,000
Notes Payable	5,301,487	-	2,843,276	2,458,211	725,527
Capital Lease Obligations	287,702	-	140,171	147,531	147,530
	161,384,189	15,070,000	13,483,447	162,970,742	6,198,057
Premium on Bonds	2,746,194	653,624	727,265	2,672,553	243,026
Deferred Bond Refunding Costs	(5,391,195)	256,466	(397,518)	(4,737,211)	(336,920)
Totals	$ 158,739,188	$ 15,980,090	$ 13,813,194	$ 160,906,084	$ 6,104,163

	Ending Balance June 30, 2011	Additions	Reductions	Ending Balance June 30, 2012	Amounts Due within One Year
Bonds, Notes and Capital Lease Obligations:					
Bonds Payable	$ 160,535,000	$ -	$ 4,740,000	$ 155,795,000	$ 4,817,894
Notes Payable	1,017,422	4,929,328	645,263	5,301,487	1,172,006
Capital Lease Obligations	-	442,977	155,275	287,702	140,171
	161,552,422	5,372,305	5,540,538	161,384,189	6,130,071
Premium on Bonds	3,009,029	-	262,835	2,746,194	262,833
Deferred Bond Refunding Costs	(5,802,463)	-	(411,268)	(5,391,195)	(411,268)
Totals	$ 158,758,988	$ 5,372,305	$ 5,392,105	$ 158,739,188	$ 5,981,636

10. NOTES AND BONDS PAYABLE

Notes and bonds payable consisted of the following at June 30, 2013 and 2012:

Description	Balance Outstanding 2013	Balance Outstanding 2012
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 4.00% 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. The Series 2003 bonds were issued to provide funds to finance the cost of renovating and equipping certain research facilities on the University's campus, to refund a portion of the University's bank line of credit for a borrowing incurred for improvements to research facilities, to currently refund the outstanding Series 1994 Facility Refunding and Improvement Revenue Bonds in the principal amount of $8,335,000 and the Series 1994 Student Building Fee Refunding Revenue Bonds in the principal amount of $3,905,000, and to pay bond issuance expenses. On May 29, 2013, Series 2013A were issued to refund 100% of the outstanding principle amount of the Series 2003 Bonds.	$ -	$ 6,575,000
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. The Series 2005A bonds were issued to advance refund the Series 1996 Student Fee Revenue Bonds (Telecommunications Infrastructure Facilities Project) in the principal amount of $2,700,000, to advance refund the Series 1997 Student Fee Revenue Bonds (University Commons Project) in the principal amount of $12,965,000, to advance refund the Series 1997 Student Fee Revenue Bonds (University Commons Supplemental Project) in the principal amount of $4,120,000, to advance refund the Series 1999C Student Fee Revenue Bonds (University Infrastructure and Facilities Improvement Projects) in the principal amount of $4,065,000, to advance refund all of the outstanding Series 1999D Student Fee Revenue Bonds (Kibbie and Enrollment Services Centers Improvement Projects) in the principal amount of $6,020,000, to fund the debt service reserve account, and to pay bond issuance expenses.	24,060,000	24,890,000

Description	Balance Outstanding 2013	Balance Outstanding 2012
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. The Series 2007B bonds were issued to finance certain electrical upgrades and to fund capital maintenance and replacement of the University's utility corridor, central steam plant and central chiller, and related improvements located on the University's main campus.	35,035,000	35,035,000
General Revenue Refunding Bonds, Series 2010A, (original balance of $10,230,000), consisting of serial bonds due in annual installments commencing in 2011 and fluctuating periodically from $585,000 to a maximum of $2,075,000, plus interest from 2.25% to 5.00% through the year 2016, collateralized by a pledge of all revenues of the University with the exception of general account appropriated funds of the State of Idaho and restricted gift and grant revenues. The Series 2010A bonds were issued to refund the Series 1996 Student Fee Refunding Revenue Bonds in the principal amount of $3,125,000 and to refund the Series 1997B Student Fee Refunding Revenue Bonds in the principal amount of $7,290,000.	3,975,000	6,130,000
General Revenue Refunding Bonds, Series 2010B, (original balance of $10,150,000), consisting of term bonds due beginning in 2024 and fluctuating periodically from $1,660,000 to a maximum of $2,430,000, plus interest from 4.01% to 4.65% through the year 2032, collateralized by a pledge of all revenues of the University with the exception of general account appropriated funds of the State of Idaho and restricted gift and grant revenues. The Series 2010B bonds were issued to pay off an interim loan from Wells Fargo Bank, N.A. which funded improvements to the University's Kibbie Dome.	10,150,000	10,150,000
General Revenue Refunding Bonds, Series 2010C, (original balance of $13,145,000), consisting of term bonds due beginning in 2037 with two payments of $6,390,000 and $6,755,000, plus interest from 6.42% to 6.52% through the year 2041, collateralized by a pledge of all revenues of the University with the exception of general account appropriated funds of the State of Idaho and restricted gift and grant revenues. The Series 2010C bonds were issued to finance and reimburse costs incurred by the University for certain capital improvements to the University's Kibbie Dome.	13,145,000	13,145,000

Description	Balance Outstanding 2013	Balance Outstanding 2012
Adjustable Rate General Revenue Refunding Bonds, Series 2011, (original balance of $60,765,000), consisting of term bonds carrying interest at 5.25% through March 31st, 2021, at which time the bonds are subject to mandatory tender for purchase. The bonds may be converted to another term interest period through 2041. The bonds are collateralized by a pledge of all revenues of the University with the exception of general account appropriated funds of the State of Idaho and restricted gift and grant revenues. The Series 2011 bonds were issued to refund the University's Series 2007A General Revenue Refunding Bonds and to pay the costs of issuance of the Series 2011 bonds.	58,930,000	59,870,000
General Revenue and Refunding Bonds, Series 2013A, (original balance of $8,745,000), consisting of serial bonds commencing in 2014, plus intererst from 2.00% to 5.00% through 2028, and term bonds due 2033, plus interest at 3.375%. The bonds are collateralized by a pledge of all revenues of the University with the exception of general account appropriated funds of the State of Idaho and restricted gift and grant revnues. The Series 2013A bonds were issued to provide funds to finance certain improvements at the Moscow Campus of the University, to refund all outstanding Series 2003 Student Fee Refunding and Revenue Bonds, to pay off the University's 2010 Wells Fargo note payable issued to fund the University's prior track and field renovations, and to pay costs of issuance associated with the Series 2013A Bonds.	8,745,000	-
Taxable General Revenue Bonds, Series 2013B, (original balance of $6,325,,000), consisting of serial bonds commencing in 2014, plus interest from 0.70% to 4.00% through 2030, and term bonds due 2033, plus interest at 4.30%. The bonds are collateralized by a pledge of all revenues of the University with the exception of general account appropriated funds of the State of Idaho and restricted gift and grant revnues. The Series 2013B were issued to provide funds to finance and reimburse costs incurred by the University to acquire land for an outdoor science center in McCall, Idaho and to pay costs associated with the issuance of the Series 2013B Bonds.	6,325,000	-
Other indebtedness, consisting of notes payable with interest rates ranging from 3.245% to 5.00% due through the year 2019.	2,458,210	5,301,487
Sub-total	162,823,210	161,096,487
Premium on Bonds	2,672,551	2,746,195
Deferred amount on Refunding - 2005A, 2007A, 2010A, 2013A	(4,737,208)	(5,391,195)
TOTAL BONDS & NOTES PAYABLE	**$ 160,758,553**	**$ 158,451,487**

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
2014	5,325,000	7,364,000	726,000	98,000
2015	6,195,000	7,236,000	683,000	64,000
2016	6,460,000	6,964,000	634,000	36,000
2017	4,445,000	6,679,000	403,000	4,000
2018	4,620,000	6,488,000	11,000	1,000
2019-2023	20,175,000	29,478,000	2,000	-
2024-2028	21,375,000	24,286,000	-	-
2029-2033	18,780,000	18,013,000	-	-
2034-2038	21,205,000	10,650,000	-	-
2039-2043	51,785,000	2,334,000	-	-
	$ 160,365,000	$ 119,492,000	$ 2,459,000	$ 203,000

In August 2010, the University entered into a line of credit agreement with Wells Fargo Bank to finance improvements to the Dan O'Brien Outdoor Track and Field Complex. The total available line of credit extended to the University under this agreement was $2,500,000. This note was refinanced with the Series 2013A bond issuance.

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, 2013 and 2012 are as follows:

	FY13	FY12
Source of Pledged Revenues		
Student Fees	$ 82,657,950	$ 77,929,726
Sales and Services Revenues	45,689,284	44,354,807
Other Operating Revenues	2,983,307	3,495,016
Investment Income	1,218,954	1,197,651
F&A Recovery Revenues	10,408,306	10,590,922
Total Pledged Revenues	$ 142,957,801	$ 137,568,122
Debt Service on the Recreation Center Bonds and Activity Center Bonds	170,317	170,317
Revenues Available for Debt Service	$ 142,787,483	$ 137,397,805
Debt Service on Bonds	12,720,128	12,902,303
Debt Service Coverage	11.2	10.6

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, Series 2007A, 2010A, 2011 and 2013A 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 6/30/13
Student Fee Refunding Revenue Bonds, Series 1996	$ 9,285,000	$ 6,160,000	$ 3,125,000	$ -
Student Fee Refunding Revenue Bonds, Series 1997B	12,380,000	5,090,000	7,290,000	-
Student Fee Revenue Bonds (Recreation Center Project), Series 1999	20,115,000	795,000	19,320,000	-
Student Fee Revenue Bonds, Series 1999A	1,470,000	295,000	1,175,000	-
Student Fee Revenue Bonds, Series 1999B	6,150,000	1,180,000	4,970,000	-
Student Fee Revenue Bonds, Series 1999C	6,305,000	2,240,000	4,065,000	-
Student Fee Revenue Bonds, Series 2001	40,930,000	2,895,000	38,035,000	-
Student Fee Refunding and Revenue Bonds, Series 2003	17,585,000	12,040,000	5,545,000	-
General Revenue Refunding Bonds, Series 2007A	62,445,000	2,945,000	59,500,000	-
Totals	$ 176,665,000	$ 33,640,000	$ 143,025,000	$ -

During the year ended June 30, 2013, the University issued the Series 2013A bonds in the total amount of $8,745,000 consisting of serial bonds due in annual installments commencing in 2014 and one term bond due in 2033 with interest rates ranging from 2.00% to 5.00% through fiscal year 2033. The Series 2013A bonds were issued, in part, to advance refund 100% of the outstanding balance of $5,545,000 of the Series 2003 bonds. For this purpose, the Series 2013A bonds totaled $5,270,000 in par amount. The refunded Series 2003 bonds had interest rates ranging from 4.00% to 5.25% through fiscal year 2022. All bond premium, accrued interest and certain closing costs in the amount of $131,877 were refinanced in the issuance of the Series 2013A bonds.

The Series 2013A bond issuance was undertaken by the University to restructure the existing Series 2003 bond's total debt service (principal and interest) payment terms and to secure new fixed interest rates of 2.00% to 5.00% for the succeeding nine year period. Due to an upfront savings strategy, in fiscal year 2014, the refunding of the Series 2003 bonds will result in cash flow savings of $488,041 based on the reduced debt service payments during that period.

11. CAPITAL LEASE OBLIGATION

The University has entered into various capital lease agreements covering computer-related software and equipment. Assets under capital lease are included in capital assets, net of depreciation. Amortization of assets under capital lease is included in depreciation expense. These amounts are included in capital assets.Future minimum lease obligations under these agreements at June 30, 2013, are as follows:

FY 2014	$ 155,276
Total minimum lease obligations	$ 155,276
Less interest	(7,746)
Present value of minimum lease obligations	$ 147,530

12. 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, 875 Perimeter Drive MS3166, Moscow, ID 83844-3166.

13. 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 sent to Public Employee Retirement System of Idaho, P.O. Box 83720, Boise, Idaho 83720-0078.

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, 2013, 2012 and 2011, 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 $5,262,492, $5,217,910, and $5,270,141 for the years ended June 30, 2013, 2012 and 2011, 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, 2013, 2012 and 2011 were $13,718,868, $13,299,794, and $13,079,670, respectively, that consisted of $7,829,148 from the University and $5,889,720 from employees for 2013, $7,593,175 from the University and $5,706,619 from employees for 2012, and $7,465,789 from the University and $5,613,881 from employees for 2011.

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, 2013, 2012 and 2011, these supplemental funding payments made to PERSI were $1,250,386, $1,223,679, and $1,196,093 respectively. These supplemental amounts are not included in the regular University PERSI contribution discussed previously.

The University also contributes to the federal Civil Service and Thrift Savings retirement programs on behalf of its federal employees. The contribution requirements (and amounts paid) for the three years ended June 30, 2013, 2012 and 2011 were $279,951, $188,674 and $191,983 respectively, that consisted of $177,585 from the University and $102,366 from employees for 2013, $143,208 from the University and $45,466 from employees for 2012, and $143,742 from the University and $48,241 from employees for 2011.

14. POSTREMPLOYMENT BENEFITS (OTHER THAN PENSIONS) AND RETIREE BENEFITS TRUST

A. PLAN DESCRIPTION

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

Under certain conditions the University pays a portion of the coverage for retirees and disabled employees and the retiree or disabled employee pays the remainder. Spouses and survivors are always required to pay 100% of the cost for these benefits. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at least 80 to qualify for this benefit. Employees who were hired on or after January 1, 2002 are not eligible for this benefit. Employees hired after January 1, 2002 are eligible to participate in the University's health insurance plan, but the University does not cover any portion of their premiums, deductibles, or coinsurance; those costs are the sole responsibility of the employee. All University post-employment benefits may be further established or amended by the University or the State Board of Education.

Funding for these benefits is comprised of both University and retiree contributions, combined with appropriated funding by the State of Idaho. The University determines the defined 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 $200,000 per retiree per year, after which the University is reinsured. Retiree premium rates through calendar year 2013 range from $0.00 to $2,232.57 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 12 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	882	940	90	1,201
Retirees	838	204	871	N/A
Disableds	8	N/A	N/A	-
Retirees (Sick Leave)	N/A	N/A	N/A	11
Total Inactive	846	204	871	11
Total Combined	1,728	1,144	961	1,212

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)	$67,831,000
Actuarial Accrued Liability (AAL)	63,465,000
Annual Required Contribution (ARC)[1]	3,723,000
Estimated Pay-As-You-Go Contributions[2]	3,110,000
Contributions to Qualifying Trust	1,000,000
Total Actual Annual Contributions	4,110,000
Net Annual OPEB Cost (AOC) - Funding Excess	651,000
Total Actual Annual Contributions as % of ARC	110.4%

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

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

The following table shows the components of the University's annual OPEB cost for the fiscal year ending June 30, 2013, the amount actually contributed to the plans, and changes in the University's net OPEB funding excess:

OPEB Component	Amount
Annual required contribution (ARC)	$ 3,723,000
Interest earned on net OPEB obligation	(114,000)
Adjustments to ARC	144,000
Annual OPEB cost (expense)	3,753,000
Contributions made	(4,404,000)
Increase in OPEB funding excess	(651,000)
Net OPEB funding excess, beginning of the year	(1,821,000)
Net OPEB funding excess, end of the year	$ (2,472,000)

Funded Status, Utilizing Entry Age Normal Cost Method and Level Dollar Amortization Method of UAAL – As of June 30, 2013:

	Medical	Dental	Life	Sick Pay	Total
Present Value of Benefits (PVB)					
Retirees	$34,022,000	$138,000	$4,184,000	$137,000	$38,481,000
Actives	25,531,000	181,000	280,000	3,358,000	29,350,000
Total	$59,553,000	$319,000	$4,464,000	$3,495,000	$67,831,000
Actuarial Accrued Liability (AAL)					
Retirees	$34,022,000	$138,000	$4,184,000	$137,000	$38,481,000
Actives	23,111,000	168,000	276,000	1,429,000	24,984,000
Total	$57,133,000	$306,000	$4,460,000	$1,566,000	$63,465,000
Assets	$19,602,000	$105,000	$1,530,000	$537,000	$21,774,000
Unfunded AAL (UAAL)	$37,531,000	$201,000	$2,930,000	$1,029,000	$41,691,000
Assets as % of AAL (Funded Ratio)	34.3%	34.3%	34.3%	34.3%	34.3%
UAAL as % of Annual Covered Payroll	67.0%	0.3%	5.0%	1.6%	33.7%
Annual Required Contribution (ARC)					
Normal Cost[1]	$331,000	$2,000	$2,000	$278,000	$613,000
Amortization of Unfunded AAL[2]	$2,799,000	$15,000	$219,000	$77,000	$3,110,000
Total ARC	$3,130,000	$17,000	$221,000	$355,000	$3,723,000
Estimated Benefit Payments (pay-as-you-go)[3]	$2,662,000	$50,000	$352,000	$46,000	$3,110,000
Covered Payroll	$56,043,000	$58,985,000	$58,985,000	$64,607,000	$123,592,000

[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	7/1/2012
Reporting Date	6/30/2013
Measurement Date	4/1/2013
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:	
Discount Rate	6.25%
Healthcare Cost Trend Rates:	
Medical and drug initial	9.0%
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%

Retiree Benefits Trust
Required Supplementary Information
Schedule of Funding Progress

Fiscal Year End 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%
6/30/2010	13,768,000	75,973,000	62,205,000	18.12%	124,584,000	49.93%
6/30/2011	19,159,000	74,563,000	55,404,000	25.70%	121,834,000	45.47%
6/30/2012	21,774,000 *	73,240,000	51,466,000	29.73%	123,237,000	41.76%
6/30/2013	24,753,000	63,465,000	38,712,000	39.00%	123,592,000	31.32%

* Assets as of 06/30/2012 were shown as $21,753,000 in the prior valuation report. However, they were updated to $21,774,000 due to the GASB trust being notified of a bank statement adjustment in September 2012.

Retiree Benefits Trust
Required Supplementary Information
Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	$ 7,157,000	101%
2009	6,362,000	101%
2010	5,863,000	116%
2011	5,250,000	107%
2012	4,806,000	108%
2013	3,723,000	110%

17. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATION

The following table shows the University's operating expenses by natural classifications within their functional classifications for the years ending June 30, 2013 and 2012:

Expenses 2013	Salaries	Benefits	Services	Supplies	Ins, utilities & rent	Scholarships & Fellowships	Depreciation	Other	Totals
Instruction	$ 57,159,824	$ 25,827,354	$ 7,541,385	$ 4,489,388	$ 592,285	$ 9,985,909	$ -	$ 2,247,741	$ 107,843,887
Research	36,359,095	12,307,637	16,338,299	6,736,976	810,367	1,937,632	-	(1,589,888)	72,900,119
Public Service	14,559,354	5,896,503	4,997,666	1,130,164	340,221	707,318	-	2,476,168	30,107,395
Academic Support	8,074,917	3,060,360	1,734,763	944,656	168,195	47,213	-	253,356	14,283,458
Libraries	2,422,268	1,082,256	550,187	617,824	4,195	49,917	-	9,385	4,736,032
Student Services	7,496,087	3,062,496	1,424,774	512,215	299,275	41,920	-	896,812	13,733,579
Insititutional Support	14,976,417	(162,359)	6,368,888	(1,385,548)	341,471	(642,703)	-	735,495	20,231,660
Plant Operations	6,838,115	3,396,456	2,773,625	2,628,075	8,942,665	17,316	23,179,119	108,534	47,883,906
Scholarships & Fellowships	619,712	34,716	160,548	19,238	-	9,388,978	-	202,359	10,425,552
Auxiliary Enterprises	10,178,246	3,903,528	13,739,512	7,303,710	2,253,866	955,508	-	999,751	39,334,119
	$ 158,684,035	$ 58,408,947	$ 55,629,647	$ 22,996,698	$ 13,752,540	$ 22,489,009	$ 23,179,119	$ 6,339,711	$ 361,479,708

Expenses 2012	Salaries	Benefits	Services	Supplies	Ins, utilities & rent	Scholarships & Fellowships	Depreciation	Other	Totals
Instruction	$ 53,154,131	$ 24,312,717	$ 6,330,266	$ 4,129,657	$ 493,736	$ 3,823,258	$ -	$ 2,088,540	$ 94,332,305
Research	37,246,896	11,217,416	16,923,658	6,404,011	919,066	2,546,531	-	(1,470,104)	73,787,474
Public Service	13,973,733	4,670,739	4,837,893	1,170,694	332,375	1,011,070	-	1,845,333	27,841,836
Academic Support	7,039,009	2,250,871	1,433,536	948,111	144,656	139,663	-	281,485	12,237,329
Libraries	2,236,431	892,955	446,340	596,712	4,580	94,258	-	26,055	4,297,332
Student Services	7,037,376	2,512,434	1,075,985	440,000	344,871	110,857	-	427,829	11,949,353
Insititutional Support	16,091,750	2,639,905	6,583,927	(692,992)	225,597	(323,529)	-	682,879	25,207,537
Plant Operations	6,982,921	3,022,892	2,754,885	2,463,760	9,858,128	17,133	22,569,052	172,343	47,841,115
Scholarships & Fellowships	493,395	28,666	134,692	1,741	-	11,193,944	-	92,231	11,944,669
Auxiliary Enterprises	10,450,779	3,469,379	14,029,045	6,685,045	2,327,992	1,794,335	-	865,587	39,622,161
	$ 154,706,421	$ 55,017,974	$ 54,550,226	$ 22,146,739	$ 14,651,000	$ 20,407,520	$ 22,569,052	$ 5,012,178	$ 349,061,110

16. CONTINGENCIES AND LEGAL MATTERS

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

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

17. RISK MANAGEMENT

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

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.

18. COMPONENT UNIT

The University of Idaho Foundation, Inc. (Foundation) is a legally separate, 501(c)(3) component unit of the University of Idaho (University) which was established in 1970. The mission of the University of Idaho Foundation, Inc. Moscow, Idaho is to secure, manage, and distribute private support to enhance the growth and development of the University of Idaho. A Board of Directors comprised of up to 25 members governs and conducts the business of the Foundation, meeting three to four times each fiscal year. The officers of the Foundation are Chairman, Vice-Chairman, Treasurer, Secretary, and Past Chairman. Committees include: the Executive Committee, Committee on Directors, Operations and Finance Committee, Investment Committee, Audit Committee, Gift Acceptance Committee, and other committees appointed by the Chairman as necessary to carry out the business of the Foundation. An Executive Director manages the operations of the Foundation. The Foundation professional staff also includes the Director of Finance; Director, Endowment and Gift Administration; Assistant Director, Finance; a Financial Specialist and support staff. The Foundation strategically partners with the leadership team at the University of Idaho including the President, the Vice President of University Advancement, the Vice President for Finance and Administration, and the Executive Director of Planning and Budget. Separate audited financial statements are prepared by 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, 2013 and 2012 are as follows:

INVESTMENTS—Investments in marketable securities are recorded at fair value as determined by quoted market prices. At June 30, 2013, the fair value of restricted and unrestricted investments was \$221,713,115 and \$3,495,776 respectively. At June 30, 2012, the fair value of restricted and unrestricted investments was \$201,730,137 and \$3,710,250 respectively.

The majority of investments held by the Foundation are part of the pooled endowment fund referred to as the Consolidated Investment Trust (CIT). The CIT was established by the Regents of the University of Idaho to pool endowment funds received by the University and the Foundation. The CIT utilizes the market value share method of accounting. The fair value of the CIT'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, 2013 and 2012 respectively:

Investment Type	2013	2012
U.S. Government Agency Obligations	$ 3,651,648	$ 2,740,091
Corporate Bonds	40,650,686	40,930,535
Preferred Stock	1,122,907	1,563,836
Municipal Securities	359,871	512,534
U.S. Treasuries	15,951,065	16,031,090
Common Stock	112,328,151	93,903,684
International Equity Funds	15,664,067	14,840,153
Mutual Funds	17,486,019	17,158,258
Private Equity	7,718,833	6,749,573
Real Assets	10,274,933	11,009,940
Foreign Currency	711	693
	$ 225,208,891	$ 205,440,387

Interest Rate Risk

Interest rate risk is defined by 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, 2013, the Foundation had the following investments subject to interest rate risk:

		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
U.S. Corporations	$ 40,650,686	$ 3,045,324	$ 26,631,899	$ 9,410,238	$ 1,563,225
U.S. Government Agency Obligations	3,651,648	5,045	3,043,262	316,964	286,377
U.S. Treasuries	15,951,065	45,855	9,415,063	6,490,147	-
Municipal Securities	359,871	-	150,730	5,007	204,134
	$ 60,613,270	$ 3,096,224	$ 39,240,954	$ 16,222,356	$ 2,053,736

As of June 30, 2012, the Foundation had the following investments subject to interest rate risk:

		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
U.S. Corporations	$ 40,930,535	$ 7,587,682	$ 22,258,245	$ 8,518,240	$ 2,566,368
U.S. Government Agency Obligations	2,740,091	1,067,704	577,944	588,944	505,499
U.S. Treasuries	16,031,090	823,041	1,023,475	14,184,574	-
Municipal Securities	512,534	85,436	221,058	5,010	201,030
	$ 60,214,250	$ 9,563,863	$ 24,080,722	$ 23,296,768	$ 3,272,897

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. Statement No. 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, 2013 and 2012 respectively, the Foundation had the following investment credit risk:

Credit Rating	U.S. Government Agency Obligations	Corporate Debt	Municipal Securities	Total
AAA	$ -	$ 485,540	$ -	$ 485,540
AA	3,638,980	9,591,151	-	13,230,131
A	-	15,346,277	275,065	15,621,342
BBB	-	11,155,465	-	11,155,465
BB	-	1,990,609	39,999	2,030,608
B	-	1,591,550	-	1,591,550
CCC	-	36,040	-	36,040
CC	-	-	-	-
D	-	33,639	-	33,639
Not Rated	12,668	420,415	44,807	477,890
Total	$ 3,651,648	$ 40,650,686	$ 359,871	$ 44,662,205

Investment Securities Subject to Credit Risk at June 30, 2012

Credit Rating	U.S. Government Agency Obligations	Corporate Debt	Municipal Securities	Total
AAA	$ -	$ 2,122,528	$ -	$ 2,122,528
AA	2,725,352	10,490,561	-	13,215,913
A	-	12,215,784	338,006	12,553,790
BBB	-	11,685,766	5,010	11,690,776
BB	-	2,036,731	40,023	2,076,754
B	-	1,426,225	-	1,426,225
CCC	-	137,889	-	137,889
CC	-	22,035	-	22,035
D	-	18,215	-	18,215
Not Rated	14,739	774,801	129,495	919,035
Total	$ 2,740,091	$ 40,930,535	$ 512,534	$ 44,183,160

Concentration of Credit Risk

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

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

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

As of June 30, 2013 and 2012 respectively, 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, 2013 and 2012 all Foundation funds were held in the name of the counterparty for benefit of the Foundation.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Foundation 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 for June 30, 2013 and 2012 respectively:

Investment Securities Subject to Foreign Currency Risk

Currency Type		June 30, 2013 Fair Value	June 30, 2012 Fair Value
AUD	Australia	$ 2,604,069	$ 2,743,365
BRL	Brazil	1,194,298	1,328,378
CHF	Switzerland	2,408,312	1,978,669
CLP	Chile	138,639	212,325
CNY	China	1,982,860	1,803,996
EUR	Euro	2,794,562	2,606,455
GBP	Great Britain	7,778,163	6,211,354
HKD	Hong Kong	2,998,233	2,979,964
IDR	Indonesia	308,957	377,627
INR	India	779,082	858,991
JPY	Japan	2,785,957	2,837,498
KRW	Korea	1,875,246	1,714,623
MXN	Mexico	739,088	730,108
MYR	Malaysia	405,936	412,158
PHP	Philippines	184,277	125,282
PLN	Poland	256,125	173,301
RUB	Russia	674,618	611,250
SEK	Sweden	563,831	455,156
SGD	Singapore	1,607,754	1,448,843
THB	Thailand	439,768	297,816
TRY	Turkey	411,701	250,611
TWD	Taiwan	1,615,660	1,443,143
ZAR	South Africa	665,825	954,603
Various	Various	232,147	252,685
		$ 35,445,108	$ 32,808,201

DISTRIBUTIONS TO UNIVERSITY OF IDAHO AND AFFILIATES

During fiscal years 2013 and 2012, earnings from endowments invested in the CIT, direct gifts and other revenues to the Foundation were distributed as follows:

	2013		2012	
	CIT Endowment Income	Gifts and Other Revenues	CIT Endowment Income	Gifts and Other Revenues
Scholarships	$ 5,232,748	$ 2,080,691	$ 4,123,882	$ 2,578,983
Student loans	177,382	-	168,091	-
Building funds	-	692,905	-	1,287,082
University of Idaho College and Dept Operating Accounts				
Academic Excellence	464,204	15,541	383,873	17,099
Agricultural and Life Sciences	336,937	1,389,860	261,741	1,322,193
Art and Architecture	13,673	67,244	12,820	54,585
Athletics	55,088	674,604	29,153	1,514,098
Business and Economics	351,404	555,799	253,900	526,501
Education	42,604	453,014	23,469	477,957
Engineering	120,720	885,543	77,635	515,181
Law	218,633	243,529	169,589	127,825
Letters, Art and Social Science	489,016	259,101	419,258	394,051
Library	161,539	373	122,427	1,745
Natural Resources	263,729	393,604	178,609	280,304
Science	156,223	174,991	121,687	511,972
Other departments	423,444	1,018,369	305,595	1,231,837
Life beneficiaries	108,895	-	157,464	-
University of Idaho affiliates	388	154,591	368	40,433
TOTAL DISTRIBUTIONS	$ 8,616,627	$ 9,059,759	$ 6,809,561	$ 10,881,846

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, and is applicable lacking any further guidance from the individual gift agreement. During the fiscal years ended June 30, 2013 and 2012, $6,752,809 and $5,021,768 was contributed to current endowments, respectively.

The Foundation Board of Directors establishes a spending rate annually for endowments. The approved fiscal year 2013 and 2012 spending rate was set at 4.5% of the three-year rolling average of the CIT's monthly fair market value.

During the fiscal year ended June 30, 2013 and 2012, the endowments held by the Foundation had net appreciation (depreciation) on donor-restricted endowments of $17,497,040 and $(6,048,938) respectively. Unrealized appreciation is included with the "Restricted–Nonexpendable" fund balance.

19. RELATED ORGANIZATIONS

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

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

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

20. SPECIAL ITEM

In 1974, the Idaho Board of Regents ("Regents") authorized the University to transfer the Consolidated Investment Trust ("CIT") to the University of Idaho Foundation ("Foundation") in trust under the terms and conditions of an Indenture Agreement. The CIT was established by the University to allow pooling of endowment assets for investment purposes.

On December 13, 2012, the Regents took action to modify the Indenture Agreement to release the assets transferred to the Foundation from the in-trust designation. On February 8, 2013, the University and the Foundation executed a Release and Waiver of Rights and Restrictions Agreement that permanently eliminates any and all revocation privileges associated with the Indenture Assets.

$80,990,338 represents the fair value of the Indenture Assets that was transferred from the University to the Foundation.

21. 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.

There is always existent risk and volatility in the domestic and international investment markets. Consequently, the fair value of the University's investments may be exposed to higher than typical price volatility which could result in a subsequent reduction in fair value of certain investments from the amounts reported as of June 30, 2013.

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

Idaho State Board of Education
University of Idaho
Moscow, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of Idaho (the University), and its discretely presented component unit, and the aggregate remaining fund information of the University, as of and for the year ended June 30, 2013, and the related notes to the financial statements , which collectively comprise the University of Idaho's basic financial statements, and have issued our report thereon dated September 25, 2013. Our report includes reference to other auditors who audited the financial statements of the University of Idaho Foundation, a discretely presented component unit, and the University of Idaho Health Benefits Trust, a fiduciary fund, as described in our report on the University of Idaho's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

MOSS ADAMS LLP

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

Compliance and Other Matters

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

Purpose of this Report

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

Moss Adams LLP

Eugene, Oregon
September 25, 2013