University of Idaho

FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2015 AND 2014 AND REPORT OF INDEPENDENT AUDITORS

University of Idaho

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MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

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, 2015 and 2014, and the aggregate remaining fund information of the University, as of and for the years ended December 31, 2014 and 2013, 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 13 percent, 4 percent, and 92 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.

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, 2015 and 2014, and the aggregate remaining fund information of the University, as of December 31, 2014 and 2013, 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 15 and the schedules of University's proportionate share of net pension liability – PERSI base plan, University contributions – PERSI base plan, and funding progress – Retiree Benefits Trust on page 66 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 28, 2015 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 28, 2015

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, 2015.

The discussion and analysis that follows provides an overview of the University's financial activities for the fiscal year ended June 30, 2015 in comparison to 2014 and 2013. 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. 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)

	2015	2014	2013
ASSETS			
Current assets	$ 63,438	$ 48,765	$ 54,886
Capital assets - net	400,400	402,222	400,527
Other noncurrent assets	141,828	94,209	87,157
Total assets	$ 605,666	$ 545,196	$ 542,570
Deferred Outflows of Reources	$ 8,803	$ 4,400	$ -
Total assets and Deferred Outflows	$ 614,469	$ 549,596	$ 542,570
LIABILITIES			
Current liabilities	$ 46,180	$ 52,952	$ 55,772
Noncurrent liabilities	209,098	151,064	159,202
Total Liabilities	$ 255,278	$ 204,016	$ 214,974
Deferred Inflows of Resources	$ 18,542	$ -	$ -
Total Liabilities and Deferred Inflows	$ 273,820	$ 204,016	$ 214,974
NET POSITION			
Net investment in capital assets	$ 248,985	$ 248,652	$ 243,071
Restricted nonexpendable	-	-	-
Restricted expendable	23,498	31,913	28,852
Unrestricted	68,166	65,015	55,673
Total net position	$ 340,649	$ 345,580	$ 327,596
Total liabilities, deferred inflows of resources and net position	$ 614,469	$ 549,596	$ 542,570

Total assets for the University ended fiscal year 2015 at $605.7M, an increase of $60.5M, an 11.1% change, when compared to prior year.

Current assets increased $14.7M (+30.1%) to $63.4M due to increases in cash/cash equivalents and accounts receivable. Unrestricted cash increased by $12M due to the University building cash reserves of approximately $7M in anticipation of funding construction costs prior to reimbursement from bond proceeds. In addition, the University had shifted $5M in FY14 from cash to long-term investments, and no such similar move was made in FY15. Accounts receivable increased by $3.3M (+10.8%) in FY15 due primarily to an outstanding account of $2.6M with the Brazilian government for their students attending the University, payment for which was received in August 2015. Inventory levels increased over the past year from $1.6M to $1.8M (+11.9%) primarily due to $241,000 more textbook inventory compared to the prior year. This $241,000 increase in textbook inventories are partially offset by the closing of the on-campus health clinic reducing inventories by $61,000 of pharmacy inventories no longer carried. Restricted investments of $601,000 reported at June 30, 2014 related to the University's Series 2005A bonds debt service reserve were released with the refinancing of that series by the University's issuance of its Series 2015A bonds. The Series 2005A debt service reserve balance was eliminated with the issuance of the Series 2015A bonds transaction.

Noncurrent assets increased from $496.4M to $542.2 during FY15, an increase of $45.8M. The primary cause of this large increase was due to a 2014 Series Bond release of $48.7M in July 2014 resulting in a $46.2M increase in restricted cash. This increase is slightly offset by a $1.8M decrease in capital assets resulting from depreciation and asset disposals, the total of which exceeded capital asset additions acquired during the fiscal year. Unrestricted investments increased $1.4M (+1.9%) due to favorable market conditions and increased focus on a higher yield portfolio.

Total assets of the University increased by $60.5M (+11.1%) to $606M as of year-end June 30, 2015.

Deferred outflows of resources increased from $4.4M to $8.8M in FY15. With the implementation by the University in FY15 of GASB Statement 68 related to defined benefit pension plans, the University recognized deferred outflows of $6.9M for its FY15 contributions to the Public Employee Retirement System of Idaho (PERSI) program. Since the measurement date for the University's required recognition of its portion of the net PERSI liability is and will continue to be as of the preceding year at June 30th, the University has begun recognizing its current year PERSI contributions as deferred outflows of resources rather than expensing them upon incurrence as in prior years. This increase was partially offset by a decrease in deferred amounts on refunding due to the expensing of $2.5M of such amounts in FY15.

Current liabilities decreased $6.8M (-12.8%) to $46.2M in fiscal year 2015. Accrued salaries and benefits decreased by $6.5M from $21.5M to $15.0M in FY15 due to the elimination of a recorded liability for an anticipated change in the reserve requirement for the University's Health Benefits Trust (HBT), part of the University's self-insured health insurance program. A statutory revision effected during the spring 2015 Idaho legislative session eliminated this planned July 1, 2015 change which would have required the University to fund an additional $6M+ to the reserve balance of the HBT. Compensated absence liabilities increased $673,000 (+9.5%) due to a reinstatement of compensatory time accruals for overtime worked which increased the liability from $7M to $7.8M. Accrued interest payable increased from $1.9M to $2.4M with the addition of the Series 2014 bonds issued in July 2014. The current portion of notes and bonds payable decreased $2.1M (-28.8%) from FY14 due to the issuance of both the Series 2014 and Series 2015A bonds which had the effect of extending the average life of the aggregate University bonds outstanding.

Other liabilities increased $100,400 during FY15 from $137,400 to $237,800. The primary cause of this increase is a higher number of grants during the fiscal year providing funding at the time of award. Funds not yet expended are carried as liabilities until used in the research effort.

Noncurrent liabilities increased $58M (+38.4%) to $209.1M over the prior year total of $151M. Notes and bonds payable increased by $44.6M due to the issuance of the University's Series 2014 bonds issued in July 2014 to finance the construction and equipment for the new Integrated Research and Innovation Center (IRIC) on the University's main campus in Moscow, Idaho, as well as finance the complete renovation of the existing College of Education building, also on the Moscow campus. In addition, the University was required to record a net pension liability related to its participation in the Idaho PERSI retirement program of $13.5M in accordance with the University's adoption of the GASB Statement 68 accounting requirements.

Total liabilities of the University increased by $51.3M (+25.1%) to $255M as of year-end June 30, 2015.

Deferred inflows of resources of $18.5M related to changes in actuarial/investment experience and changes in assumptions related to the Idaho PERSI program were recorded in FY15, again due to the University's adoption of GASB Statement 68 accounting standards.

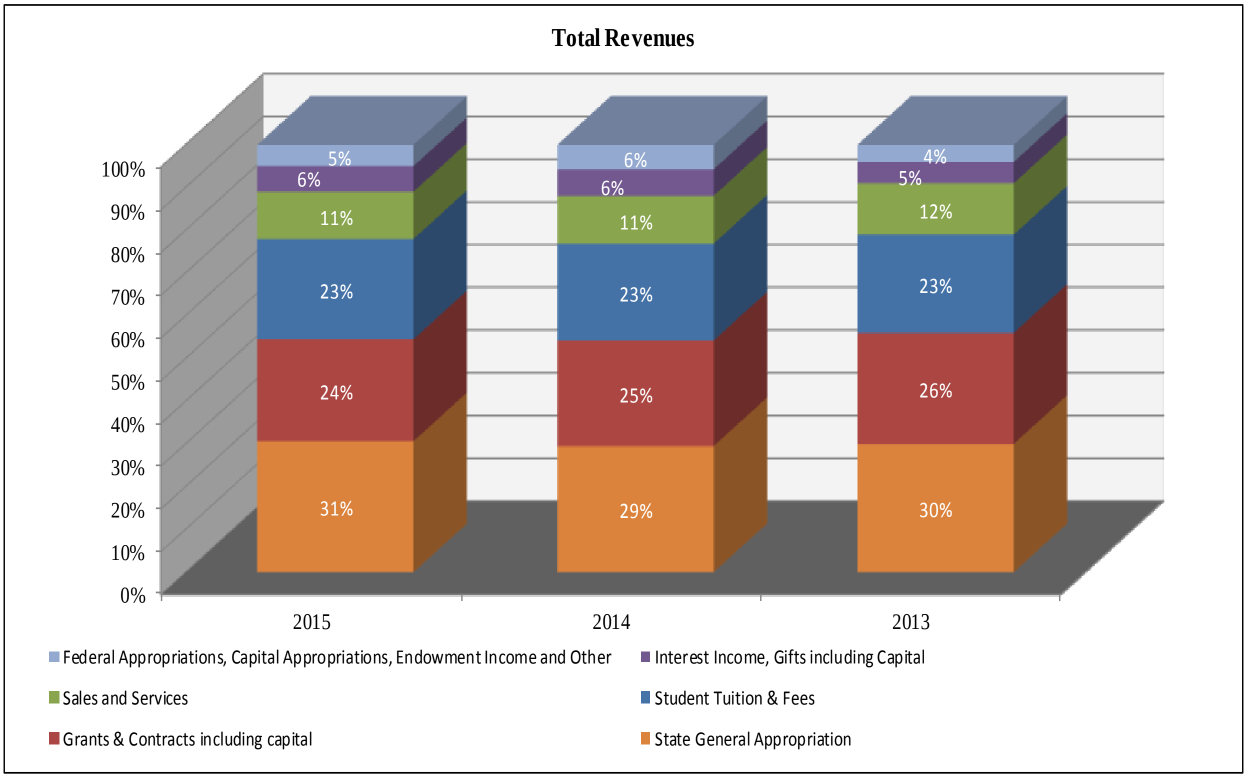
The University's net position decreased by $4.9M to $341M for the year ended June 30, 2015. While unrestricted net position was up slightly by $3.2M to $68M as of year-end 2015, restricted expendable net position was down $8.4M by the year-end total of $23M.

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.

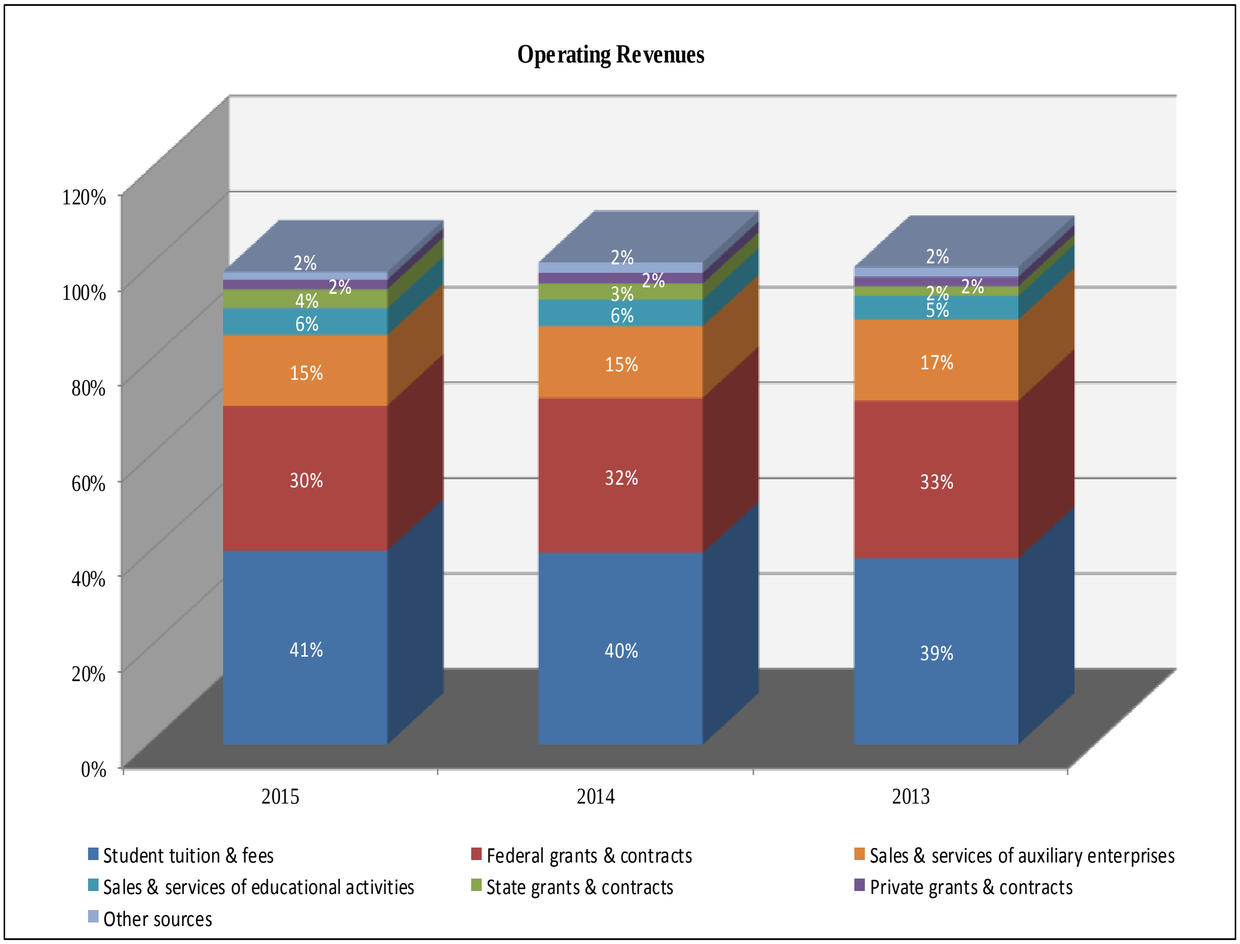
Operating revenues are derived from exchange transaction activities associated with providing goods and services for instruction, research, public service or related support to entities separate from the university. Examples include student tuition and fees, sales and services, grants and contracts. 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 2015, as shown in the chart below, state appropriations

account for 31% of the total revenue received while grants and contracts accounted for 24%, and student tuition and fees were 23% of the total.



MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

When isolating the review to only operating revenues, as shown in the graph below, approximately 86% of total operating revenues in fiscal year 2015 were generated from three key revenue sources. Student tuition and fees accounted for 41% of total operating revenues while federal grants and contracts accounted for 30%, and sales and services of auxiliary enterprises covers 15%. All other categories account for 10% or less.



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

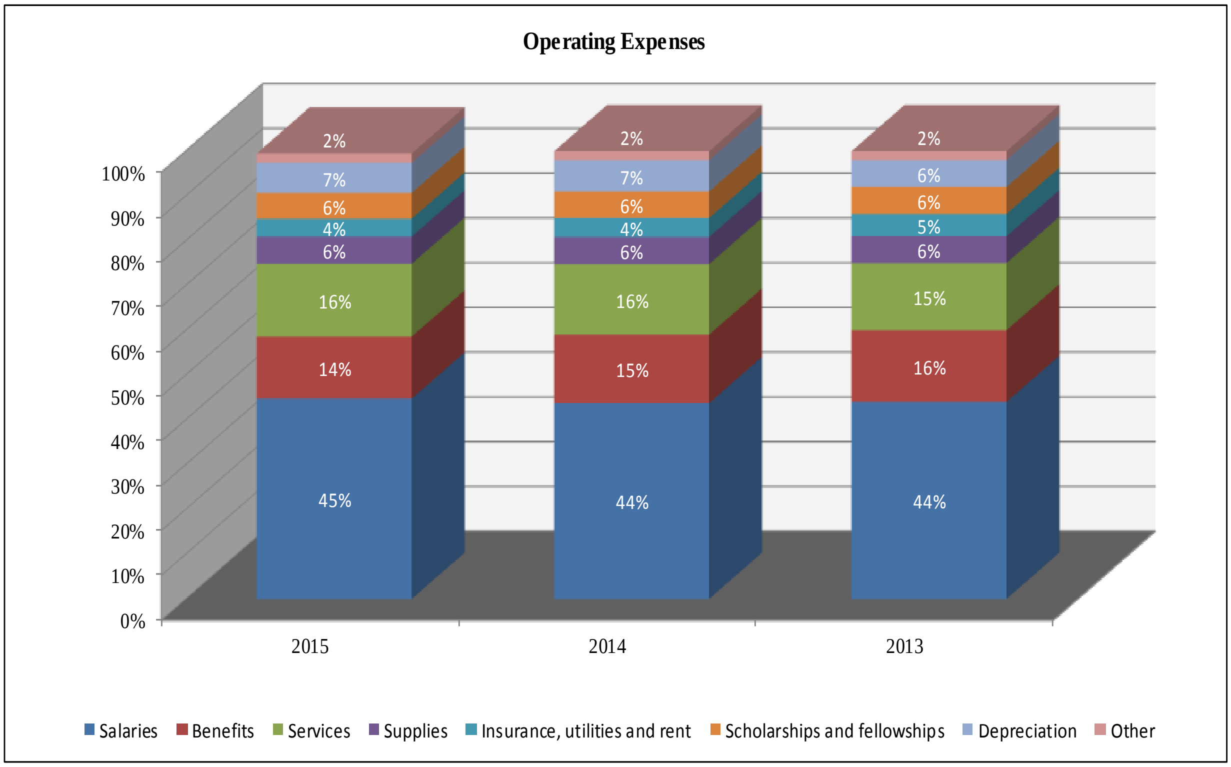
	2015	2014	2013
Operating revenues	$ 214,751	$ 207,782	$ 209,555
Operating expenses	364,536	360,879	361,480
Operating loss	(149,786)	(153,098)	(151,925)
Net nonoperating revenues	170,280	163,479	151,052
Loss before other revenues	20,495	10,382	(873)
Other revenues	3,966	7,603	7,305
Increase In Net Position Before Special Item	24,460	17,985	6,432
Special Item	-	-	(80,990)
Increase In Net Position	24,460	17,985	(74,558)
Net Position - Beginning of year (Previously reported)	345,580	327,595	402,153
Cumulative effect implementing GASBS 68 (Note 19)	(29,392)	-	-
Net Position - Beginning of year (Restated)	316,188	327,595	402,153
Net Position - End of year	$ 340,648	$ 345,580	$ 327,595

The statement of revenues, expenses and changes in net position details the $24.5M increase in net position for fiscal year 2015. This compares favorably to the prior year's increase of $18.0M.

Operating revenues increased 3.4% from $207.8M in FY14 to $214.8M in FY15. Student tuition and fees, net of scholarship allowance, increased $6.0M to $89.4M. (+7.3%) This increase is a result of a 4% increase in student fees approved by the Idaho State Board of Education, an increase in foreign non-resident students paying full tuition, and a 14% increase in law school enrollments. Total student headcount enrollments in both undergraduate and graduate levels experienced a 2.9% decrease in the fall of 2014 to approximately 11,500 students. This translated to a full-time student equivalent of approximately 9,600 students, down 4.1% from fall term 2014. University of Idaho leadership is committed to increasing enrollment, with an intensified focus on increasing the number of Idaho high-school students transitioning on to college. One strategy being implemented is to make the process simpler for students to apply both for admission to the University and for scholarships. The University expects this decrease in overall student full-time equivalent enrollments to be temporary and not adversely impact future student recruitment efforts and enrollments.

State grants and contracts increased $1.6M over FY14. The change from $6.9M to $8.5M is primarily due to combining several State of Idaho funded scholarship programs, such as Idaho Promise scholarships, into the new Idaho Opportunity Scholarship. Due to the timing of the start of this new scholarship program, the University received a larger portion of these new scholarships in FY15 than it expects to receive in future years as this program matures. Private grants and contracts decreased $417K to $4.3M during FY15. These grants are generally smaller grants than Federal and State awards, and their revenues tend to fluctuate more from year-to-year. Other sources of operating revenue decreased $1M (-24.3%) to $3.2M primarily due to a decrease of $904K in royalty and patent revenues.

In fiscal year 2015, as shown in the graph below, 75% of operating expenses were generated from three key expenditure sources. Total personnel costs (salaries and benefits) accounted for 59% of total operating expenses while services expenditures accounted for 16%. All other categories account for 7% or less.



Operating expenses increased 1% in total over FY14 in fiscal year 2015. Total personnel costs of $213.6M in FY15 were $572K higher than the 2014 level of $213M. Salaries expense increased 3.3% due primarily to the 2% wage and salary increase authorized for FY15. Benefits expense decreased $4.7M in FY15 due to pension plan adjustments necessitated by the University's implementation of GASB Statement 68. The University also implemented a self-insured worker compensation insurance plan at the beginning of FY15 which resulted in annual savings of approximately $400,000. Total services costs increased by $2.4M (+4.2%) in FY15 to $59.2M, while supplies costs increased by $352K (+1.6%) to $22.2M. These costs are closely tied to grant-related expenditures associated with academic research conducted by the University, as well as other key operational areas such as student services, enrollment management, athletics, auxiliaries, facilities management, academic support services, and institutional administration. Other operating expenses increased to $9.5M for FY15. This $2.2M increase was largely composed of $1.8M of issuance costs for the 2014 Series Bonds issued early in the fiscal year.

Nonoperating revenues, net of interest expense, increased $6.8M (+4.2%) to $170.3M in FY15. State appropriation revenues, including land grant endowment income, increased by $9.6M, or 8%, to $126.2M, due to several increases. Increases in the State's General Education appropriations included a $1.1M increase in employee benefits reimbursement, a $1.2M increase in general salary reimbursement, $573K in additional salary adjustments, $400K for the second year law school program in Boise, a $333K increase in funding for the Center for Advanced Energy Studies and $2.4M one-time funding for capital expenses. In addition to these increases for General Education, appropriations increased $2M for Research and Extension activities with other smaller appropriated programs receiving increased funding as well. Land grant endowment income increased $1.2M to $8.4M in FY15 based on income generated from endowed lands by the State of Idaho. Federal appropriations increased $1.1M over FY14 revenues to $5.5M. This 23.9% increase was driven by an accelerated drawdown of Federal Hatch funds to fund increased operating expenditures and to close a number of capital projects related to improvements of research locations across the state. A net decrease of $2.5M in the fair market value of investments at fiscal year-end 2015 was due to fixed income markets being lower at the end of the year. Interest expense increased 12.6% from $7.3M to $8.2M with the issuance of the $48.7M 2014 Series bonds in July 2014. This increase was partially offset by a $300,000 decrease in expense associated with the refinancing of the Series 2005A bonds by the Series 2015A General Revenue Refunding bonds issued in February 2015.

The Idaho Department of Public Works provided $2.6M of campus improvement and capital project resources while the University's Foundation, along with state and private grants & contracts, contributed and additional $1.5M in capital funds. Major projects funded by these capital project revenues were the renovation of the College of Business and Economics US Bank Trading Room, the improvement of the Student Health Center heating and ventilation systems, the replacement of the Menard Law Building elevator and several additional capital purchases.

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, 2015. 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)

	2015	2014	2013
Cash provided (used) by:			
Operating activities	$ (137,712)	$ (128,928)	$ (123,937)
Noncapital financing activities	176,946	165,329	153,221
Capital and related financing activities	18,550	(33,698)	(25,002)
Investing activities	399	(4,695)	5,405
Net change in cash	58,183	(1,992)	9,687
Cash beginning of the year	23,305	25,297	15,610
Cash end of the year	$ 81,488	$ 23,305	$ 25,297

Operating activities used $130M in cash during fiscal year 2015, resulting in an increase of $1M (+1%) from fiscal year 2014 levels. Non-capital financing activities provided $169.3M in cash during fiscal year 2015, resulting in an increase of $4M (+2.4%) from fiscal year 2014. This increase was due primarily to an $8.4M increase in state appropriations for general educational initiatives combined with a $1.2M increase in land grant endowment income, offset by a decrease in other receipts of $7.9M from FY14. This decrease was the reflection of a more normalized cash flow from other receipts. In FY14, the University had a one-time revenue recognition related to the elimination of excess fringe benefits expense reserves and a recognition for the first time of its net OPEB asset related to its retiree health insurance program. Capital and related financing activities generated $18.6M of net cash in fiscal year 2015 due to the University's issuance of its Series 2014 bonds to finance construction of its new IRIC building and the complete renovation of its College of Education building. Net investing activities generated $400K in cash in fiscal year 2015, as compared to using $4.7M in fiscal year 2014 due to a reinvestment of $5M of cash into long-term investments.

Capital Assets and Debt Management

The University had $805.9M and $788.8M of capital assets at June 30, 2015 and 2014 respectively, with accumulated depreciation of $405.5M and $386.6M respectively. The major categories and associated value of capital assets as well as accumulated depreciation at June 30, 2015, 2014 and 2013 are illustrated in the chart on the next page.

	2015	2014	2013
Capital Asset at Cost			
Buildings and improvements	$ 581,379	$ 573,539	$ 562,775
Equipment	97,430	96,272	93,153
Construction in progress	10,639	6,488	2,651
Library materials	86,520	82,713	78,892
Capitalized collections	2,333	2,318	2,307
Land	27,641	27,490	25,624
Total Capital Assets	$ 805,942	$ 788,821	$ 765,402
Accumulated Depreciation			
Building and improvements	$ 256,433	$ 241,540	$ 226,362
Equipment	80,621	80,256	77,031
Library materials	68,489	64,804	61,482
Total Accumulated Depreciation	$ 405,542	$ 386,600	$ 364,875
Total Capital Assets, Net	$ 400,400	$ 402,221	$ 400,527

	2015	2014	2013
Total Notes and Bonds Payable	$ 200,713	$ 158,200	$ 165,643

At June 30, 2015 and 2014, the University had debt (or similar long-term obligations) of $200.7M and $158.2M respectively. On July 10, 2014, the University issued $48.7M Series 2014 general revenue bonds to provide funds to finance two major capital projects. The first is the construction and equipping of a new 71,000 square-foot research center on the main campus in Moscow, Idaho, referred to as the Integrated Research and Innovation Center (IRIC), and the second is the full renovation of the existing College of Education building. Total bond proceeds received from the Series 2014 bond issuance were $52.0M which provided $51.6M in project funding.

Economic Outlook

In 2015, Idaho's economy continues to experience growth and the trend is expected to continue for the next few years. As reported by the Idaho Division of Financial Management in their July 2015 Idaho Economic Forecast Report, the state's housing and job markets are holding strong. Single-family housing started for the first half of 2015 grew at 5% annual rate during the first quarter and Idaho's nonfarm employment grew 6.2% during the same period. Growth in these two market are translating to recovery in income categories. Idaho personal income is forecast to grow 3.5% in 2015 and again by 2.65% in 2016.

On the national scene, the economy saw slower growth in the 1st quarter of 2015 due to cold winter weather in the Northeast leading consumers to postpone purchases until warmer spring weather. The second quarter saw signs of growth more in line with economic expansion as spending grew. National labor markets have also grown lending to more consumer confidence by adding an estimated 236,000 jobs per month. The national housing market continues to increase as well adding to the strength of the economy.

The financial position of the University is stable and improving; however, leadership proactively continues to 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. Fiscal efforts at the state and national level to sustain and potentially increase the funding levels for higher education continue to look promising; however, positive improvements in the local and state economy need to solidify further to provide much needed stable and predictable state tax revenues. In response to these continued fiscal challenges, the University's leadership has taken proactive measures over the past few years to 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 and financial aid management over the past three years continue to show meaningful results with fall 2014 student FTE enrollments reflecting a manageable 4% decline to approximately 9,600 students across all 5 statewide campuses. Significant efforts across all areas of the University continue to remain focused on student retention with promising results seen at both the undergraduate and graduate levels.

The University continues to excel as a national leader in high-quality academic research. Recognized by the Carnegie Foundation as a high research activity institution, the University was actively engaged in approximately $75 million in sponsored program, grant and contract activities in fiscal year 2015**.** University efforts toward proactively pursuing new federal, state, industry and other grants and contracts show our ongoing commitment to remain a national leader in academic research. In fiscal year 2015, several key awards were granted to UI research faculty. A $10.6 million, five-year grant from the National Institute of General Medical Sciences of the National Institutes of Health will support the university's new Center for Modeling Complex Interactions that will focus its efforts on using mathematical, statistical and molecular models to address biomedical research questions of urgent relevance in the world today. The Howard Hughes Medical Institute (HHMI) has awarded a $1.2 million, five-year grant to UI's Biosciences Retention and Academic Innovation Network for Students (BRAINS) program with the goal of attracting and retaining more students to science, technology, engineering and mathematics (STEM) fields. Beginning this year, the BRAINS program will introduce a new curriculum to a select number of first-year and sophomore-level laboratory classes, with an initial focus on water-quality issues in the state of Idaho. UI is one of 37 universities – out of 170 total applicants nationwide – to be awarded an HHMI grant.

In spite of the economic challenges facing the State of Idaho and the nation, the University of Idaho continues to move 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. Efforts continue to 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, comprised of students, faculty and staff, are fully committed to playing an active role in the continued success of the State of Idaho's premier research and land-grant institution.

University of Idaho

STATEMENT OF NET POSITION
AS OF JUNE 30, 2015 AND 2014

ASSETS	University of Idaho 2015	University of Idaho 2014	University of Idaho Foundation (note 17) 2015	University of Idaho Foundation (note 17) 2014
CURRENT ASSETS				
Cash and cash equivalents	$ 24,157,921	$ 12,226,597	$ 7,685,628	$ 14,965,612
Due from state agencies	190,832	192,441	-	-
Prepaid expenses	1,652,898	1,643,651	-	-
Investments - Restricted	-	601,282	13,898,388	12,757,435
Interest receivable	502,243	485,631	488,399	474,714
Student loans receivable	1,465,311	1,588,150	-	-
Accounts receivable & unbilled charges - net	33,319,551	30,060,995	-	-
Inventories	1,844,346	1,648,353	-	-
Promises to give - net	-	-	1,040,592	1,259,225
Notes receivable	304,647	318,022	92,640	59,135
Total Current Assets	63,437,749	48,765,122	23,205,647	29,516,121
NONCURRENT ASSETS				
Restricted cash and cash equivalents	57,330,408	11,078,962	11,987,758	18,376,600
Student loans receivable - net	9,047,068	9,351,105	-	-
Investments - Unrestricted	72,933,482	71,539,013	-	-
Investments - Restricted	-	-	252,140,843	242,452,596
Promises to give - net	-	-	1,977,249	1,976,086
Notes receivable	-	-	340,158	296,894
Capital assets - net	400,400,105	402,221,498	5,300,457	5,545,157
Net OPEB asset	2,517,000	2,240,000	-	-
Other noncurrent assets	-	-	354,614	355,818
Total Noncurrent Assets	542,228,063	496,430,578	272,101,079	269,003,151
TOTAL ASSETS	$ 605,665,812	$ 545,195,700	$ 295,306,726	$ 298,519,272
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on refunding	1,941,668	4,400,291	-	-
Deferred contributions and changes of assumptions to net pension plan	6,861,372	-	-	-
Total Deferred Outflows of Resources	8,803,040	4,400,291	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 614,468,852	$ 549,595,991	$ 295,306,726	$ 298,519,272

See notes to financial statements

University of Idaho

STATEMENT OF NET POSITION
AS OF JUNE 30, 2015 AND 2014

LIABILITIES	University of Idaho 2015	University of Idaho 2014	University of Idaho Foundation (note 17) 2015	University of Idaho Foundation (note 17) 2014
CURRENT LIABILITIES				
Accounts payable	$ 5,122,910	$ 4,898,768	$ 77,800	$ 70,922
Accrued salaries and benefits payable	15,018,423	21,488,099	-	-
Compensated absences payable	7,763,330	7,090,389	-	-
Trust earnings payable to trust beneficiaries	-	-	9,703,998	9,121,826
Accrued interest payable	2,360,786	1,875,807	-	-
State teacher education loan advance	208,708	250,620	-	-
Deposits	850,046	853,184	-	-
Unearned revenue	8,299,452	8,092,050	-	-
Funds held in custody for others	1,234,702	1,129,678	-	-
Current portion long-term liabilities	5,084,258	7,135,884	-	-
Other liabilities	237,760	137,356	-	-
Split interest agreements	-	-	1,024,156	926,831
Total Current Liabilities	46,180,375	52,951,835	10,805,954	10,119,579
NONCURRENT LIABILITIES				
Notes and bonds payable	195,628,387	151,063,948	-	-
Net pension liability	13,469,341	-		
Split interest agreements	-	-	6,605,804	5,477,962
Total Noncurrent Liabilities	209,097,728	151,063,948	6,605,804	5,477,962
TOTAL LIABILITIES	$ 255,278,103	$ 204,015,783	$ 17,411,758	$ 15,597,541
DEFERRED INFLOWS OF RESOURCES				
Deferred actuarial/investment experience and changes of assumptions to net pension plan	18,542,149	-	-	-
Total Deferred Inflows of Resources	18,542,149	-	-	-
NET POSITION				
Net investment in capital assets	248,984,259	248,651,560	-	-
Restricted for:				
Nonexpendable	-	-	210,115,506	202,560,453
Expendable	23,498,196	31,913,431	61,817,544	74,414,683
Unrestricted	68,166,145	65,015,217	5,961,918	5,946,595
Total Net Position	340,648,600	345,580,208	277,894,968	282,921,731
TOTAL LIABILITIES AND NET POSITION	$ 614,468,852	$ 549,595,991	$ 295,306,726	$ 298,519,272

See notes to financial statements

University of Idaho

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	University of Idaho 2015	University of Idaho 2014	University of Idaho Foundation (note 17) 2015	University of Idaho Foundation (note 17) 2014
OPERATING REVENUES				
Student tuition and fees (net of scholarship allowance of $ 22,246,858 and $22,153,189)	$ 89,409,083	$ 83,361,394	$ -	$ -
Federal grants and contracts	65,140,096	65,427,222	-	-
State and local grants and contracts	8,546,228	6,912,713	-	-
Private grants and contracts	4,280,413	4,696,995	-	-
Sales and services of educational activities	12,142,941	11,642,661	-	-
Sales and services of auxiliary enterprises	31,737,838	31,218,731	-	-
Interest on loans receivable	312,221	321,056	-	-
Other sources	3,181,741	4,200,739	372,472	438,281
Gifts	-	-	19,004,124	27,246,645
Total operating revenue	214,750,561	207,781,511	19,376,596	27,684,926
OPERATING EXPENSES				
Salaries	163,072,654	157,799,066	-	-
Benefits	50,494,666	55,196,667	-	-
Services	59,219,821	56,820,725	-	-
Supplies	22,240,679	21,888,166	-	-
Insurance, utilities and rent	14,486,328	15,308,861	-	-
Scholarships and fellowships	21,131,685	21,352,287	-	-
Depreciation	24,391,156	25,223,503	-	-
Other	9,499,267	7,289,834	39,066	71,908
Administrative expense	-	-	2,357,971	2,324,487
Total operating expenses	364,536,256	360,879,109	2,397,037	2,396,395
OPERATING (LOSS) INCOME	$ (149,785,695)	$ (153,097,598)	$ 16,979,559	$ 25,288,531

See notes to financial statements

Continued

University of Idaho

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NONOPERATING REVENUES (EXPENSES)	University of Idaho 2015	University of Idaho 2014	University of Idaho Foundation (note 17) 2015	University of Idaho Foundation (note 17) 2014
State appropriations	$ 117,862,200	$ 109,403,934	$ -	$ -
Land grant endowment income	8,356,800	7,166,400	-	-
Federal appropriations	5,450,647	4,399,634	-	-
Federal grants and contracts	15,864,524	17,848,393	-	-
Gifts (including gifts from Foundation)	20,834,048	19,006,156	-	-
Private grants and contracts	54,439	-		
Net investment income	2,241,950	2,063,988	5,850,790	6,706,439
Net increase (decrease) in fair value of investments	(448,966)	2,019,084	(6,975,167)	28,401,434
Distribution of endowment income to University and trust beneficiaries	-	-	(9,703,998)	(9,158,572)
Distribution to University and affiliates	-	-	(10,789,896)	(11,780,663)
Distribution of trust income to life income beneficiaries	-	-	(769,730)	(708,350)
Lease and rental income	-	-	56,819	64,472
Property management	-	-	(30,947)	(51,101)
Change to split interest trusts	-	-	355,807	742,478
Interest expense (net of capitalized interest of $289,280 and $438,974 for FY 2014 and FY 2013 respectively)	(8,202,682)	(7,285,783)	-	-
Other sources	8,267,400	8,857,653	-	-
Net nonoperating revenues	170,280,360	163,479,459	(22,006,322)	14,216,137
GAIN (LOSS) BEFORE OTHER REVENUES	20,494,665	10,381,861	(5,026,763)	39,504,668
OTHER REVENUES				
Capital grants and contracts	997,722	46,586	-	-
Projects with Idaho Department of Public Works	2,471,485	5,023,344	-	-
Capital gifts from Foundation	496,541	2,532,889	-	-
Total other revenues	3,965,748	7,602,819	-	-
INCREASE IN NET POSITION	24,460,413	17,984,680	(5,026,763)	39,504,668
NET POSITION - Beginning of year (Previously reported)	345,580,208	327,595,528	282,921,731	243,417,063
Cumulative effect implementing GASBS 68 (See Note 19)	(29,392,020)	-	-	-
NET POSITION - Beginning of year (Restated)	316,188,188	327,595,528	282,921,731	243,417,063
NET POSITION - End of year	$ 340,648,600	$ 345,580,208	$ 277,894,968	$ 282,921,731

See notes to financial statements

University of Idaho

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	University of Idaho 2015	University of Idaho 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts and disbursements		
Tuition and fees	$ 87,208,029	$ 83,583,614
Grants and contracts	77,926,535	75,462,060
Sales of services - net	43,735,370	46,389,897
Payments to or for employees	(223,605,959)	(221,611,456)
Payments to suppliers	(104,626,019)	(96,124,038)
Scholarships disbursed	(21,131,685)	(21,352,287)
Funds held for others	105,023	223,290
Student loans collected	2,735,395	2,696,927
Student loans disbursed	(2,012,910)	(1,881,365)
Other receipts	1,954,213	3,684,927
Net cash used by operating activities	(137,712,008)	(128,928,431)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Appropriated general education revenues:		
State general account	117,862,200	109,403,934
Land grant endowment income	8,356,800	7,166,400
Federal Appropriations	5,403,163	4,449,948
Federal Grants and Contracts	15,918,963	16,462,397
Gifts	20,834,048	18,989,071
Other receipts	8,570,848	8,857,653
Net cash provided by noncapital financing activities	176,946,022	165,329,403
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State appropriations, capital	2,471,485	5,023,343
Capital grants and gifts	1,494,263	2,579,475
Capital asset purchases	(23,270,534)	(26,917,693)
Proceeds from capital debt	70,193,278	-
Principal paid on capital debt	(24,620,560)	(7,106,290)
Interest paid on capital debt	(7,717,703)	(7,277,054)
Net cash used by capital & related financing activities	18,550,229	(33,698,219)

See notes to financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	University of Idaho 2015	University of Idaho 2014
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	12,175,594	2,995,012
Investment income	2,241,962	2,063,988
Purchase of investments	(14,019,029)	(9,753,628)
Net cash provided (used) by investing activities	398,527	(4,694,628)
NET INCREASE IN CASH	58,182,770	(1,991,875)
Cash - Beginning of year	23,305,559	25,297,434
Cash - End of year	$ 81,488,329	$ 23,305,559
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (149,785,695)	$ (151,694,518)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation expense	24,391,156	25,223,503
Decrease (increase) in assets:		
Receivables, net	(2,834,918)	122,697
Inventories and prepaids	(205,240)	3,186,810
Net OPEB assets	(277,000)	(2,240,000)
Increase (decrease) in liabilities:		
Accounts payable	182,230	1,857,010
Accrued payroll, benefits and compensated absences	(9,592,227)	(6,375,724)
Deposits and unearned revenues	204,259	628,771
Change in funds held for others	105,023	223,290
Other liabilities	100,404	139,730
Net cash used by operating activities	$ (137,712,008)	$ (128,928,431)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Capital asset write-offs	$ (259,908)	$ (126,872)
Amortization of deferred amounts on refunding and bond premium	(3,060,155)	(463,268)
Donated assets	126,818	101,497
Change in fair value of investments	(747,701)	2,141,865

See notes to financial statements

University of Idaho

STATEMENTS OF BENEFIT PLAN NET POSITION
AS OF DECEMBER 31, 2014 AND 2013

	Retiree Benefits Trust 2014	Retiree Benefits Trust 2013	Health Benefits Trust 2014	Health Benefits Trust 2013
Assets				
Cash and short-term investments	$ 838,640	$ 705,491	$ 1,101,540	$ 193,438
Accounts receivable	-	-	1,133,450	800,000
Interest receivable	9	6	14,148	17,697
Investments, at fair value				
Fixed income securities	15,228,550	14,795,892	2,156,510	2,728,634
Equity securities	12,612,282	11,171,994	-	-
Total investments	27,840,832	25,967,886	2,156,510	2,728,634
Total assets	$ 28,679,481	$ 26,673,383	$ 4,405,648	$ 3,739,769
Liabilities				
Accounts payable	$ -	$ -	$ 816,162	$ 733,964
IBNR liability	-	-	2,410,000	2,139,000
Total liabilities	-	-	3,226,162	2,872,964
Net position held in trust for benefits	$ 28,679,481	$ 26,673,383	$ 1,179,486	$ 866,805

See notes to financial statements

University of Idaho

STATEMENTS OF CHANGES IN BENEFIT PLAN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Retiree Benefits Trust 2014	Retiree Benefits Trust 2013	Health Benefits Trust 2014	Health Benefits Trust 2013
Additions				
Contributions				
Employer	$ -	$ -	$ 19,046,498	$ 16,526,739
Plan members	-	-	5,097,490	5,189,034
Total contributions	-	-	24,143,988	21,715,773
Net investment (loss) income	2,064,707	2,795,289	58,105	(31,215)
Total additions	2,064,707	2,795,289	24,202,093	21,684,558
Deductions				
Insurance claim benefits	-	-	20,436,600	18,447,461
Change in IBNR	-	-	271,000	288,000
Administrative expenses	58,609	52,683	3,181,812	3,022,519
Total deductions	58,609	52,683	23,889,412	21,757,980
Net increase (decrease) in assets held in trust for benefits	2,006,098	2,742,606	312,681	(73,422)
Benefit plan net position, beginning of year	26,673,383	23,930,777	866,805	940,227
Benefit plan net position, end of year	$ 28,679,481	$ 26,673,383	$ 1,179,486	$ 866,805

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 Board approved percentage of historical investment earnings to the University on an annual basis.

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

The University of Idaho Health Benefits Trust ("HBT") was established in June 2007 in accordance with the State of Idaho Department of Insurance ("DOI") requirements. The HBT receives the employer, employee and retiree contributions for the University's self-insured health plan, and pays the medical, dental, mental health and vision claims, and corresponding administrative processing fees, associated with the health plan. In addition, the HBT maintains a balance sufficient to cover the actuarially-determined incurred-but-not-paid ("IBNP") claims of the health plan, as well as DOI-required supplemental funding of 30% of the actuarially determined IBNP claims. The HBT is overseen by a group of four independent Trustees who are employed by the University. The Trustees are responsible for overseeing the investment of the Trust monies, and ensuring that the University adequately funds the HBT on an ongoing basis through the aforementioned contributions to allow payment of the ongoing claims. 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 position 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 20 to 40 years for buildings and building improvements, 20 years for improvements other than buildings, 10 years for library materials, and an average of 7 years for equipment. 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 $1,188,737 and $1,103,700 for the fiscal years ended 2015 and 2014, respectively.

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

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

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

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

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

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

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

<u>Operating Revenues</u>*:* 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.

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

Scholarship Discounts and Allowances — Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net 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 non-operating 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 FY2015 and FY2014 are $22,153,189 and $21,333,219 respectively.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net position and disclosures regarding contingent assets and liabilities. Actual results could differ from those estimates.

New Accounting Standards — In June 2012 the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions.* This Statement is an amendment of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, issued in November, 1994. This Statement was required to be adopted for reporting periods beginning after June 15, 2014. For employers such as the University who provide certain employees pension benefits under a group pension plan such as the Public Employee Retirement System of Idaho (PERSI), this Statement requires the individual employers contributing to such group plans to report a pro-rata share of the net plan liability on their Statement of Net Position and report ongoing changes and adjustments to such liability through their Statement of Revenues, Expenses and Changes in Net Position. The University has adopted and recorded these changes in its financial statements for the year ending June 30, 2015. The cumulative effect of prior year amounts has been reflected in the fiscal year 2015 Statement of Revenues, Expenses and Changes in Net Position.

In January 2013 the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations.* This Statement establishes accounting and reporting standards related to government combinations and disposals of governmental operations, and was effective for reporting periods beginning after December 15, 2013. The University has reviewed this Statement and has no financial transactions for which it would be applicable.

In November 2013 the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* The effective date for this Statement was simultaneous with the required adoption date for Statement No. 68 (reporting periods beginning after June 15, 2014). This Statement specifically addresses the recording and reporting for pension plan contributions made subsequent to the measurement date of plan liabilities and changes thereto in any given fiscal year. The University adopted the provisions of this Statement, as it did for Statement No. 68, in its fiscal year ending June 30, 2015.

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, 2015, \$20,198,172 of the University's bank balance of \$81,488,329 was exposed to custodial credit risk because it was uninsured and uncollateralized. At June 30, 2014, \$13,720,006 of the University's bank balance of \$23,305,558 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 on the next page represents the fair value of investments by type at June 30, 2015 and June 30, 2014 respectively:

Investment Type	Total Fair Value As of June 30, 2015	Total Fair Value As of June 30, 2014
Corporate bonds	$ 55,373,355	$ 48,700,205
U.S. government agency securities	8,114,029	14,094,825
Mortgage/asset-backed securities	6,030,261	7,640,833
Money market mutual funds	3,003,455	697,017
U.S. government securities	412,382	1,007,415
Total	$ 72,933,482	$ 72,140,295

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, 2015 and June 30, 2014 respectively, the University had the following investments subject to interest rate risk:

Investment Securities Subject to Interest Rate Risk at June 30, 2015

Investment Type	Total Fair Value	Investment Maturities in Years <1	1-5	6-10	11-15	>15
Corporate bonds	$ 55,373,355	$ -	$ 2,265,614	$ 53,107,741	$ -	$ -
U.S. government agency securities	8,114,029	-	-	8,114,029	-	-
Mortgage/asset-backed securities	6,030,261	1,806,842	2,195,945	2,027,474	-	-
Money market mutual funds	3,003,455	3,003,455	-	-	-	-
U.S. government securities	412,382	-	-	412,382	-	-
Total	$ 72,933,482	$ 4,810,297	$ 4,461,559	$ 63,661,626	$ -	$ -

Investment Securities Subject to Interest Rate Risk at June 30, 2014

Investment Type	Total Fair Value	Investment Maturities in Years <1	1-5	6-10	11-15	>15
Corporate bonds	$ 48,700,205	$ -	$ 2,241,760	$ 45,925,105	$ 533,341	$ -
U.S. government agency securities	14,094,825	-	1,791,898	12,302,926	-	-
Mortgage/asset-backed securities	7,640,833	1,729,064	5,911,770	-	-	-
Money market mutual funds	697,017	697,017	-	-	-	-
U.S. government securities	1,007,415	601,282	-	406,132	-	-
Total	$ 72,140,295	$ 3,027,363	$ 9,945,428	$ 58,634,163	$ 533,341	$ -

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 by standards set by Standard and Poor's.) As of June 30, 2015 and June 30, 2014 respectively, the University had the following investment credit risk as seen on the next page:

Investment Securities Subject to Credit Risk at June 30, 2015

Credit Rating	Corporate Bonds	U.S. Government Agency Securities	Mortgage/Asset-Backed Securities	Money Market Mutual Funds	U.S. Government Securities	Total Investments
AAA	$ 2,891,415	$ 8,114,029	$ 2,027,474	$ 2,472,814	$ 412,382	$ 15,918,114
AA	19,480,075	-	2,588,340	530,642	-	22,599,057
A	33,001,864	-	1,414,447	-	-	34,416,311
Total	$ 55,373,354	$ 8,114,029	$ 6,030,261	$ 3,003,456	$ 412,382	$ 72,933,482

Investment Securities Subject to Credit Risk at June 30, 2014

Credit Rating	Corporate Bonds	U.S. Government Agency Securities	Mortgage/Asset-Backed Securities	Money Market Mutual Funds	U.S. Government Securities	Total Investments
AAA	$ 1,443,068	$ -	$ 1,729,064	$ 697,017	$ 601,282	$ 4,470,431
AA	18,396,640	14,094,825	4,439,325	-	406,132	37,336,922
A	28,860,498	-	1,472,444	-	-	30,332,942
Total	$ 48,700,206	$ 14,094,825	$ 7,640,833	$ 697,017	$ 1,007,414	$ 72,140,295

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, 2015 and June 30, 2014, the University has the following concentration of credit risk:

Investment Securities Subject to Concentration of Credit Risk

	At June 30, 2015		At June 30, 2014	
	Total Fair Value	Percentage of Total Investments	Total Fair Value	Percentage of Total Investments
Federal National Mortgage Association (FNMA)	Less than 5% concentration		$ 6,754,714	9.44%
Federal Home Loan Mortgage Corporation (FGLMC)	5,103,812	7.00%	5,760,687	8.05%
General Electric Company	Less than 5% concentration		5,096,429	7.12%
Total	$ 5,103,812	7.00%	$ 17,611,830	24.61%

Custodial Credit Risk

Custodial credit risk on investments is the risk that in the event of a failure of the counterparty, the University will not be able to recover the value of its investments that are in the possession of an outside party. The University does not presently have an investment policy that addresses custodial credit risk. At June 30, 2015 and June 30, 2014, all investments were held by the University or its counterparty in the University's name.

Risk and Uncertainties

Per Regents of Universty 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 scuh changes could affect the amounts reported in the statements of financial position.

There is always existent risk and volatility in the domestic and internation 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, 2015.

4. ACCOUNTS RECEIVABLE AND UNBILLED CHARGES

Receivables and unbilled charges consisted of the following at June 30, 2015 and June 30, 2014 respectively:

	2015	2014
Student tuition and fees,		
including Federal financial aid funds	$ 7,595,526	$ 5,190,217
Auxiliary enterprises	1,352,374	1,112,727
Educational activities	824,255	918,493
Federal appropriations	55,998	8,514
Grants and contracts	14,195,929	14,155,726
Due from Foundation	9,638,169	9,034,118
	$ 33,662,251	$ 30,419,795
Less allowance for doubtful accounts	(342,700)	(358,800)
Net accounts receivable and unbilled charges	$ 33,319,551	$ 30,060,995

5. STUDENT LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program (the "Program") comprise substantially all of the loans receivable at June 30, 2015 and June 30, 2014. 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 $1,990,994 for June 30, 2015 and $1,945,568 at June 30, 2014.

6. CAPITAL ASSETS

Capital assets at June 30, 2015 and 2014 consisted of the following:

	Year ended June 30, 2015				
	Balance July 1, 2014	Additions	Transfers	Retirements	Balance June 30, 2015
Property, plant and equipment not being depreciated:					
Land	$ 27,490,197	$ 152,000	$ -	$ (1,500)	$ 27,640,697
Capitalized collections	2,317,588	15,587	-	-	2,333,175
Equipment construction in progress	744,030	489,798	(801,166)	(1,332)	431,330
Construction in progress	6,487,866	5,961,681	(1,743,282)	(67,541)	10,638,724
Total property, plant and equipment not being depreciated	$ 37,039,681	$ 6,619,066	$ (2,544,448)	$ (70,373)	$ 41,043,926
Other property, plant and equipment:					
Buildings	$ 515,492,250	$ 3,911,352	$ 1,297,723	$ (727,631)	$ 519,973,694
Other improvements	58,047,600	2,911,881	445,559	-	61,405,040
Furniture and equipment	95,528,147	5,763,042	801,166	(5,094,065)	96,998,290
Library materials	82,713,337	4,065,193	-	(258,476)	86,520,054
Total other property, plant and equipment	751,781,334	16,651,468	2,544,448	(6,080,172)	764,897,078
Less accumulated depreciation:					
Buildings	(205,565,946)	(13,099,197)	-	515,912	(218,149,231)
Other improvements	(35,973,582)	(2,309,832)	-	-	(38,283,414)
Furniture and equipment	(80,255,529)	(5,040,416)	-	4,675,386	(80,620,559)
Library materials	(64,804,460)	(3,941,711)	-	258,476	(68,487,695)
Total accumulated depreciation	(386,599,517)	(24,391,156)	-	5,449,774	(405,540,899)
Other property, plant and equipment—net	$ 365,181,817	$ (7,739,688)	$ 2,544,448	$ (630,398)	$ 359,356,179
Property, plant and equipment summary:					
Property, plant and equipment not being depreciated	$ 37,039,681	$ 6,619,066	$ (2,544,448)	$ (70,373)	$ 41,043,926
Other property, plant and equipment—at cost	751,781,334	16,651,468	2,544,448	(6,080,172)	764,897,078
Total cost of property, plant and equipment	788,821,015	23,270,534	-	(6,150,545)	805,941,004
Less accumulated depreciation	(386,599,517)	(24,391,156)	-	5,449,774	(405,540,899)
Property, plant and equipment—net	$ 402,221,498	$ (1,120,622)	$ -	$ (700,771)	$ 400,400,105

In addition to accounts payable for construction in progress, the estimated cost to complete property authorized or under construction at June 30, 2015 is approximately $48,833,120. These CIP costs will be borne by the University and supplemented with additional funds provided by state appropriations, gifts, grants and contracts, and/or long-term borrowings.

	Year ended June 30, 2014				
	Balance July 1, 2013	Additions	Transfers	Retirements	Balance June 30, 2014
Property, plant and equipment not being depreciated:					
Land	$ 25,623,540	$ 1,863,907	$ 2,750	$ -	$ 27,490,197
Capitalized collections	2,306,524	17,930	-	(6,866)	2,317,588
Equipment construction in progress	724,149	1,398,738	(1,351,158)	(27,699)	744,030
Construction in progress	2,651,414	4,941,105	(1,084,662)	(19,991)	6,487,866
Total property, plant and equipment not being depreciated	$ 31,305,627	$ 8,221,680	$ (2,433,070)	$ (54,556)	$ 37,039,681
Other property, plant and equipment:					
Buildings	$ 506,766,999	$ 9,021,599	$ 939,978	$ (1,236,326)	$ 515,492,250
Other improvements	56,008,687	1,896,979	141,934	-	58,047,600
Furniture and equipment	92,428,979	3,824,521	1,351,158	(2,076,511)	95,528,147
Library materials	78,891,878	4,177,431	-	(355,972)	82,713,337
Total other property, plant and equipment	734,096,543	18,920,530	2,433,070	(3,668,809)	751,781,334
Less accumulated depreciation:					
Buildings	(192,764,000)	(13,955,582)	-	1,153,636	(205,565,946)
Other improvements	(33,598,580)	(2,375,002)	-	-	(35,973,582)
Furniture and equipment	(77,031,059)	(5,213,710)	-	1,989,240	(80,255,529)
Library materials	(61,481,223)	(3,679,209)	-	355,972	(64,804,460)
Total accumulated depreciation	(364,874,862)	(25,223,503)	-	3,498,848	(386,599,517)
Other property, plant and equipment—net	$ 369,221,681	$ (6,302,973)	$ 2,433,070	$ (169,961)	$ 365,181,817
Property, plant and equipment summary:					
Property, plant and equipment not being depreciated	$ 31,305,627	$ 8,221,680	$ (2,433,070)	$ (54,556)	$ 37,039,681
Other property, plant and equipment—at cost	734,096,543	18,920,530	2,433,070	(3,668,809)	751,781,334
Total cost of property, plant and equipment	765,402,170	27,142,210	-	(3,723,365)	788,821,015
Less accumulated depreciation	(364,874,862)	(25,223,503)	-	3,498,848	(386,599,517)
Property, plant and equipment—net	$ 400,527,308	$ 1,918,707	$ -	$ (224,517)	$ 402,221,498

7. ACCOUNTS PAYABLE

Accounts payable consisted of the following at June 30, 2015 and 2014:

	2015	2014
Operating activities	$5,101,255	$4,885,213
Taxes payable	21,655	13,555
Total accounts payable and accrued liabilities	$5,122,910	$4,898,768

8. OPERATING LEASES

The University has entered into various noncancellable operating lease agreements covering certain assets. The lease terms range from one to five years. The expense for operating leases was $2,827,493 for the year ended June 30, 2015 and $3,579,128 for the year ended June 30, 2014.

Future minimum lease payments on noncancellable leases at June 30, 2015 are as follows:

FY2016	$	2,810,094
FY2017		40,397
FY2018		28,627
FY2019		11,133
FY2020		4,064
Total future minimum obligation	$	2,894,315

9. LONG-TERM LIABILITIES

Long-term liability activity for years ended June 30, 2015 and 2014 is as follows:

	Ending Balance June 20, 2014	Additions	Reductions	Ending Balance June 20, 2015	Amounts Due Within One Year
Bonds, Notes and Capital Lease Obligations:					
Bonds Payable	$ 155,040,000	$ 64,940,000	$ 26,610,000	$ 193,370,000	$ 4,505,000
Notes Payable	730,556	-	697,796	32,760	9,592
Capital Lease Obligatons	-	-	-	-	-
	$ 155,770,556	$ 64,940,000	$ 27,307,796	$ 193,402,760	$ 4,514,592
Premium on Bonds	2,429,278	5,253,526	372,919	7,309,885	502,774
Totals	$ 158,199,834	$ 70,193,526	$ 27,680,715	$ 200,712,645	$ 5,017,366

	Ending Balance June 20, 2013	Additions	Reductions	Ending Balance June 20, 2014	Amounts Due Within One Year
Bonds, Notes and Capital Lease Obligations:					
Bonds Payable	$ 160,365,000	$ -	$ 5,325,000	$ 155,040,000	$ 6,195,000
Notes Payable	2,458,461	-	1,727,905	730,556	697,859
Capital Lease Obligatons	147,531	125,847	273,378	-	-
	$ 162,970,992	$ 125,847	$ 7,326,283	$ 155,770,556	$ 6,892,859
Premium on Bonds	2,672,553	-	243,275	2,429,278	243,025
Totals	$ 165,643,545	$ 125,847	$ 7,569,558	$ 158,199,834	$ 7,135,884

10. NOTES AND BONDS PAYABLE

Notes and bonds payable consisted of the following at June 30, 2015 and 2014:

Description	Balance Outstanding 2015	Balance Outstanding 2014
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.	-	22,285,000
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.	34,835,000	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.	1,375,000	2,700,000
General Revenue Refunding Bonds, Series 2010B, (original balance of $10,150,000), consisting of term bonds due beginning in 2024 and fluctuating periodically from $1,660,000 to a maximum of $2,430,000, plus interest from 4.01% to 4.65% through the year 2032, collateralized by a pledge of all revenues of the University with the exception of general account appropriated funds of the State of Idaho and restricted gift and grant revenues. The Series 2010B bonds were issued to pay off an interim loan from Wells Fargo Bank, N.A. which funded improvements to the University's Kibbie Dome.	10,150,000	10,150,000
General Revenue Refunding Bonds, Series 2010C, (original balance of $13,145,000), consisting of term bonds due beginning in 2037 with two payments of $6,390,000 and $6,755,000, plus interest from 6.42% to 6.52% through the year 2041, collateralized by a pledge of all revenues of the University with the exception of general account appropriated funds of the State of Idaho and restricted gift and grant revenues. The Series 2010C bonds were issued to finance and reimburse costs incurred by the University for certain capital improvements to the University's Kibbie Dome. The 2010C bonds are subject to interest subsidy payments thru the U.S. Federal Government's program called Build America Bonds (BAB). The University received BAB interest subsidy payments of $274,063 in FY14 and $297,732 in FY13.	13,145,000	13,145,000
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.	56,895,000	57,940,000

General Revenue and Refunding Bonds, Series 2013A, (original balance of $8,745,000), consisting of serial bonds commencing in 2014, plus interest from 2.00% to 5.00% through 2028, and term bonds due 2033, plus interest at 3.375%. The bonds are collateralized by a pledge of all revenues of the University with the exception of general account appropriated funds of the State of Idaho and restricted gift and grant revenues. The Series 2013A bonds were issued to provide funds to finance certain improvements at the Moscow Campus of the University, to refund all outstanding Series 2003 Student Fee Refunding and Revenue Bonds, to refund the University's 2010 Wells Fargo note payable issued to fund the University's prior track and field renovations, and to pay costs of issuance associated with the Series 2013A Bonds.	6,225,000	7,720,000
Taxable General Revenue Bonds, Series 2013B, (original balance of $6,325,,000), consisting of serial bonds commencing in 2014, plus interest from 0.70% to 4.00% through 2030, and term bonds due 2033, plus interest at 4.30%. The bonds are collateralized by a pledge of all revenues of the University with the exception of general account appropriated funds of the State of Idaho and restricted gift and grant revenues. The Series 2013B were issued to provide funds to finance and reimburse costs incurred by the University to acquire land for an outdoor science center in McCall, Idaho and to pay costs associated with the issuance of the Series 2013B Bonds.	5,805,000	6,065,000
General Revenue Bonds, Series 2014, (original balance of $48,660,000) consisting of serial bonds commencing in 2017, plus interest from 2.00% to 5.00%, and term bonds due 2035, plus interst of 4.0%; 2039, plus interest of 5.25%; and 2045, plus interest of 4.00%. The bonds are collateralized by a pledge of all revenues of the University with the exception of general account appropriated funds of the State of Idaho and restricted gift and grant revenues. The Series 2014 were issued to (i) provde funds to finance the construction and equipping of a research center to be referred to as the Integated Research and Innovation Center (the "IRIC"), (ii) finance the renovation of the College of Education Building and other improvements at the University; and (iii) to pay costs of issuance associated with the Series 2014 Bonds.	48,660,000	-

General Revenue Refunding Bonds, Series 2015A, (original balance of $16,280,000) consisting of serial bonds commencing in 2017, plus interest from 2.00% to 5.00%. The bonds are collateralized by a pledge of all revenues of the University with the exception of general account appropriated funds of the State of Idaho and restricted gift and grant revenues. The Series 2015A bonds were issued to refund the Series 2005A General Revenue Refunding Bonds in the principal amount of $22,285,000 ad to pay costs of issuance associated with the Series 2015A Bonds.	16,280,000	-
Other indebtedness, consisting of notes payable with interest rates ranging from 3.245% to 5.00% due through the year 2018.	32,760	730,556
Sub-total	193,402,760	155,770,556
Premium on Bonds	7,309,887	2,429,278
TOTAL BONDS & NOTES PAYABLE	**$ 200,712,647**	**$ 158,199,834**

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**
2016	4,505,000	9,092,525	9,592	1,638
2017	5,140,000	8,802,552	10,072	1,158
2018	5,275,000	8,651,004	13,095	504
2019	5,520,000	8,167,241	-	-
2020	4,900,000	7,950,307	-	-
2021-2025	26,440,000	36,092,658	-	-
2026-2030	32,855,000	29,165,317	-	-
2031-2035	39,400,000	20,891,609	-	-
2036-2040	47,395,000	11,324,334	-	-
2041-2045	21,940,000	2,047,663	-	-
	$ 193,370,000	$ 142,185,210	$ 32,759	$ 3,300

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, 2015 and 2014 are as follows:

		FY15		FY14
Source of Pledged Revenues				
Student Fees		89,409,083	$	83,361,394
Sales and Services Revenues		43,880,779		42,861,393
Other Operating Revenues		10,246,311		4,200,739
Investment Income		2,154,153		1,832,991
F&A Recovery Revenues		10,100,673		9,815,977
Total Pledged Revenues	$	155,790,999	$	142,072,494
Debt Service on the Recreation Center Bonds and Activity Center Bonds		27,423		125,003
Revenues Available for Debt Service	$	155,763,576	$	141,947,492
Debt Service on Bonds		12,773,685		12,909,568
Debt Service Coverage		12.2		11.0

Debt Defeased Through Advance Refunding – The University has legally defeased certain debt obligations through advanced refunding. These advance refundings are comprised of the University's 2010A, 2011, 2013A, and 2015A bond issuances. The specific debt, principal payments, refunded amounts and remaining balances for the refunded bonds are as follows:

Refunded Issue	Original Issue Amount	Principal Payments	Refunded Amount	Balance 6/30/2015
Student Fee Refunding Revenue Bonds, Series 1996	$ 9,285,000	$ 6,160,000	$ 3,125,000	$ -
Student Fee Refunding Revenue Bonds, Series 1997B	12,380,000	5,090,000	7,290,000	-
Student Fee Revenue Bonds (Recreation Center Project) Series 1999	20,115,000	795,000	19,320,000	-
Student Fee Revenue Bonds, Series 1999A	1,470,000	295,000	1,175,000	-
Student Fee Revenue Bonds, Series 1999B	6,150,000	1,180,000	4,970,000	-
Student Fee Revenue Bonds, Series 1999C	6,305,000	2,240,000	4,065,000	-
Student Fee Revenue Bonds, Series 2001	40,930,000	2,895,000	38,035,000	-
Student Fee Refunding and Revenue Bonds, Series 2003	17,585,000	12,040,000	5,545,000	-
General Revenue Refunding Bonds, Series 2005A	30,740,000	8,455,000	22,285,000	
General Revenue Refunding Bonds, Series 2007A	62,445,000	2,945,000	59,500,000	-
Totals	$ 207,405,000	$ 42,095,000	$ 165,310,000	$ -

During the year eded June 30, 2015, the University issued the Series 2015A in the total amount of $16,280,000 consisting of serial bonds commencing in 2017, plus interest from 2.00% to 5.00%. The

Series 2015A bonds were issued to advance refund 100% of the outstanding balance of the Series 2005A General Revenue Refunding Bonds in the principal amount of $22,285,000. The refunded Series 2005A bonds had interest rates ranging from 4.00% to 5.00% through the fiscal year 2026.

11. HEALTH INSURANCE PLAN AND HEALTH BENEFITS TRUST

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

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

Employer and employee contributions are made to the HBT on a bi-weekly basis corresponding to the University's payroll schedule. Retiree contributions are billed, collected, and remitted to the University by a third-party administrator on a monthly basis and are submitted to the HBT when received. 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 14 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.

12. RETIREMENT PLANS

Pension Plan

Plan Description

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

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board. The authority to set or amend benefit provisions of the Base Plan is vested solely with the State of Idaho Legislature.

Employee membership data related to the PERSI Base Plan, as of June 30, 2014 was as follows:

Retirees and beneficiaries currently receiving benefits	40,776
Terminated employees entitled to but not yet receiving benefits	11,504
Active plan members	66,223
Total system members	118,503

Pension Benefits

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

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

Member and Employer Contributions

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

The contribution rates for employees are set by State statute at 60% of the employer rate. As of June 30, 2015 it was 6.79% of their annual pay. The employer contribution rate is set by the Retirement Board and was 11.32% of covered compensation. The University's contributions were $5,740,167 for the year ended June 30, 2015.

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

At June 30, 2015, the University reported a liability of $13,469,341 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability was based on the University's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At July 1, 2014, the University's proportion was 1.83 percent.

For the year ended June 30, 2015, the University recognized pension expense of $1,498,267. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		$ 1,672,011
Changes in assumptions or other inputs	$ 1,121,205	
Net difference between projected and actual earnings on pension plan investments		16,870,138
University contributions subsequent to the measurement date	5,740,167	
Total	$ 6,861,372	$ 18,542,149

$5,740,167 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2013 the beginning of the measurement period ended June 30, 2014 is 5.6 years.

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

Year Ended Jun 30	Pension Expense (Revenue)
2016	($4,337,275)
2017	(4,337,275)
2018	(4,337,275)
2019	(4,337,275)
2020	(71,844)

Actuarial Assumptions

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

The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.5 – 10.25%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1%

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

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

An experience study was performed in 2012 for the period July 1, 2007 through June 30, 2011 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2014 is based on the results of an actuarial valuation date of July 1, 2014.

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

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

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2014.

Asset Class	**Index**	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Wilshire 5000 / Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI EAFE	15.00%	7.55%
Assumed Inflation - Mean			3.25%
Assumed Inflation - Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.42%
Portfolio Standard Deviation			13.34%
Portfolio Long-Term Expected Rate of Return			7.50%
Assumed Investment Expenses			0.40%
Long-Term Expected Rate of Return, Net of Investment Expenses			**7.10%**

Discount Rate

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

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	$ 46,775,884	$ 13,469,341	$ (14,216,649)

Pension plan fiduciary net position

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

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

Payables to the pension plan

At June 30, 2015 the University had no payables related to legally-required employer or employee contributions due the defined benefit pension plan for fiscal year 2015 that had not been remitted to PERSI as of that date.

Other Retirement Plans

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, 2015, 2014 and 2013 were $14,434,995, $13,820,699, and $13,718,868, respectively, that consisted of $8,234,075 from the University and $6,200,920 from employees for 2015, $7,884,035 from the University and $5,936,664 from employees for 2014, and $7,829,148 from the University and $5,889,720 from employees for 2013.

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, 2015, 2014 and 2013, these supplemental funding payments made to PERSI were $1,324,306, $1,269,127, and $1,250,386 respectively. These supplemental amounts are not included in the regular University PERSI contribution discussed previously.

In addition to the University's Optional Retirement Program, the University has a disability benefit for ORP participants and makes payments to Standard Insurance on behalf of these ORP participants. Should an employee become unable to work and is transitioned into long-term disability (LTD), the insurance will continue to pay into their retirement account. The amounts paid for the three years ended June 30, 2015, 2014 and 2013 were $84,438, $79,791 and $67,554, respectively.

The University also contributes to the federal Civil Service and Thrift Savings retirement programs on behalf of its federal employees. The contribution requirements (and amounts paid) for the three years ended June 30, 2015, 2014 and 2013 were $243,583, $260,373 and $279,951 respectively, that consisted of $159,675 from the University and $83,908 from employees for 2015, $168,338 from the University and $92,035 from employees for 2014, and $177,585 from the University and $102,366 from employees for 2013.

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

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

A. PLAN DESCRIPTION

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

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

Funding for these benefits is comprised of both University and retiree contributions, combined with appropriated funding by the State of Idaho. The University determines the defined contribution costs that will be borne by its retiree plan participants, and the State of Idaho Legislature determines the amount of annual state appropriations that will be granted to the University for employee and retiree benefits, provided to the University as a fixed annual amount per full-time equivalent employee. The University allocates this appropriated sum to its various employee and retiree benefits, including the retiree health insurance program. The University solely bears the risk for adverse financial performance within the retiree health insurance program, subject to a cap of $200,000 per retiree per year, after which the University is reinsured. Retiree contribution rates through calendar year 2015 range from $0.00 to $2,031.12 per month, depending upon the retiree's status and number of dependents including spouse. Retiree health plan performance is reviewed annually and contribution rates are then annually adjusted by the University as necessary.

B. TRUST DESCRIPTION

The University of Idaho established the Retiree Benefits Trust ("RBT") in 2008 to fund the future payments required to provide post-employment benefits other than pension ("OPEB") as described in Section A above. The RBT is an independent, irrevocable trust administered on behalf of the University by Wells Fargo Bank as trustee. Funding and payment of the annual, ongoing retiree medical and dental benefits under the University's Health Benefits Trust ("HBT"), as described in Footnote 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 retiree and disabled counts below exclude joint spouses. Retiree counts below also exclude retirees who are currently waiving coverage. These counts are as follows:

	Medical	Dental	Life	Sick Pay
Active	687	687	46	1,748
Retirees	840	218	681	N/A
Disableds	7	N/A	N/A	-
Retirees (Sick Leave)	N./A	N/A	N/A	23
Total Inactive	847	218	681	23
Total Combined	1,534	905	727	1,771

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 for fiscal year ending June 30, 2015 are summarized as follows:

	Entry Age Normal Level Dollar Cost Method
Present Value of Benefits (PVB)	$66,736,000
Actuarial Accrued Liability (AAC)	62,465,000
Annual Required Contribution (ARC)[1]	3,177,000
Estimated Pay-As-You-Go Contributions[2]	2,603,000
Contributions to Qualifying Trust	630,000
Total Actual Annual Contributions	3,233,000
Net Annual OPEB Cost (AOC) - Funding Excess for Fiscal Year Ending June 30, 2015	(14,000)
Total Actual Annual Contributions as % of ARC	101.8%

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

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

Annual OPEB Cost (AOC)

The University's Annual OPEB cost at June 30, 2015 is calculated as follows:

	Fiscal Year Ending June 30, 2015				
	Medical	Dental	Life	Sick Pay	Total
ARC	$ 2,535,000	$ 11,000	$ 153,000	$ 478,000	$ 3,177,000
Adjustment to ARC	198,000	-	-	-	198,000
Interest on the Net Obligation	(156,000)	-	-	-	(156,000)
Annual OPEB Cost	$ 2,577,000	$ 11,000	$ 153,000	$ 478,000	$ 3,219,000

Net OPEB Asset

The University's Net OPEB Asset as of June 30, 2015 is calculated as follows:

	Fiscal Year Ending June 30, 2015				
	Medical	Dental	Life	Sick Pay	Total
AOC Needed	$ 2,577,000	$ 11,000	$ 153,000	$ 478,000	$ 3,219,000
AOC Contributed	2,591,000	11,000	153,000	478,000	3,233,000
% of AOC Contributed	101%	100%	100%	100%	100%
Net OPEB (Assets) at June 30, 2013	(2,503,000)	-	-	-	(2,503,000)
Change in Net OPEB (Assets)	(14,000)	-	-	-	(14,000)
Net OPEB (Assets) at June 30, 2014	$ (2,517,000)	$ -	$ -	$ -	$ (2,517,000)

Funded Status, Utilizing Entry Age Normal Cost Method and Level Dollar Amortization Method of UAAL – As of June 30, 2015:

	Medical	Dental	Life	Sick Pay	Total
Present Value of Benefits (PVB)					
Retirees	$37,759,000	$119,000	$3,573,000	$272,000	$41,723,000
Actives	20,183,000	131,000	160,000	4,539,000	25,013,000
Total	$57,942,000	$250,000	$3,733,000	$4,811,000	$66,736,000
Actuarial Accrued Liability (AAL)					
Retirees	$37,759,000	$119,000	$3,573,000	$272,000	$41,723,000
Actives	18,571,000	123,000	158,000	1,890,000	20,742,000
Total	$56,330,000	$242,000	$3,731,000	$2,162,000	$62,465,000
Assets	$25,494,000	$110,000	$1,689,000	$978,000	$28,271,000
Unfunded AAL (UAAL)	$30,836,000	$132,000	$2,042,000	$1,184,000	$34,194,000
Assets as % of AAL (Funded Ratio)	45.3%	45.5%	45.3%	45.2%	45.3%
UAAL as % of Annual Covered Payroll	66.5%	0.3%	4.4%	1.3%	24.3%
Annual Required Contribution (ARC)					
Normal Cost[1]	$235,000	$1,000	$1,000	$390,000	$627,000
Amortization of Unfunded AAL[2]	2,300,000	10,000	152,000	88,000	2,550,000
Total ARC	$2,535,000	$11,000	$153,000	$478,000	$3,177,000
Estimated Benefit Payments (pay-as-you-go)[3]	$2,224,000	$45,000	$262,000	$72,000	$2,603,000
Covered Payroll	$46,399,000	$46,399,000	$46,399,000	$94,329,000	$140,728,000

[1]Includes interest to year end.

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

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

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

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

	Retiree Benefits Trust ("RBT")
Valuation Date	7/1/2014
Reporting Date	6/30/2015
Measurement Date	4/1/2015
Actuarial Cost Method	Entry Age Normal
Actuarial Amortization Method	Level Dollar to decrement age
Remaining Amortization Period	30 Years, Open
Asset Valuation Method	Fair Market Value
Actuarial Assumptions:	
Investment Rate of Return	6.25%
Healthcare Cost Trend Rates:	
Medical and drug initial	8.50%
Medical and drug ultimate	4.50%
Dental initial	4.50%
Dental ultimate	4.50%
Inflation Rate - All Other	N/A
Administrative Costs - Medical & Dental	Included in Claim Costs
- Life Insurance	10%

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

14. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATION

The following table shows the University's operating expenses by natural classifications within their functional classifications for the years ending June 30, 2015 and 2014:

Expenses 2015	Salaries	Benefits	Services	Supplies	Ins, utilities & rent	Scholarships & Fellowships	Depreciation	Other	Totals
Instruction	$ 58,766,017	$ 19,956,816	$ 6,728,208	$ 4,908,405	$ 504,094	$ 3,697,438	$ -	$ 2,266,502	$ 96,827,480
Research	36,999,840	8,766,610	17,692,052	6,184,000	1,077,626	2,414,909	-	(1,268,729)	71,866,308
Public Service	15,494,053	4,739,064	6,186,126	1,184,791	493,735	157,752	-	2,689,054	30,944,575
Academic Support	8,434,801	2,434,325	1,379,613	876,057	176,148	(100,881)	-	352,581	13,552,644
Libraries	2,380,546	795,905	416,350	1,201,625	963	-	-	22,172	4,817,561
Student Services	7,702,786	2,379,501	1,507,811	588,365	412,078	(6,004)	-	835,649	13,420,186
Insititutional Support	15,993,999	5,968,886	8,069,474	(1,085,392)	748,138	(495,914)	-	938,288	30,137,479
Plant Operations	6,785,470	2,664,802	2,694,492	3,195,530	9,283,985	10,669	24,391,156	2,638,753	51,664,857
Scholarships & Fellowships	652,826	880	189,706	3,983	-	14,221,264	-	67,517	15,136,176
Auxiliary Enterprises	9,862,316	2,787,876	14,355,989	5,183,315	1,789,561	1,232,452	-	957,481	36,168,990
	$ 163,072,654	$ 50,494,666	$ 59,219,821	$ 22,240,679	$ 14,486,328	$ 21,131,685	$ 24,391,156	$ 9,499,268	$ 364,536,256

Expenses 2014	Salaries	Benefits	Services	Supplies	Ins, utilities & rent	Scholarships & Fellowships	Depreciation	Other	Totals
Instruction	$ 57,104,137	$ 22,386,379	$ 6,526,544	$ 4,294,338	$ 663,123	$ 3,481,756	$ -	$ 2,143,431	$ 96,599,708
Research	35,178,826	9,906,207	16,518,551	6,324,518	1,082,335	2,513,508	-	(974,163)	70,549,782
Public Service	15,413,872	5,175,502	6,032,692	1,346,807	385,231	254,600	-	2,322,719	30,931,423
Academic Support	8,450,613	2,644,064	1,535,321	1,291,072	677,932	(34,086)	-	292,783	14,857,699
Libraries	2,364,388	901,726	420,497	1,024,544	40	46,672	-	18,620	4,776,487
Student Services	7,078,213	2,438,822	1,288,471	459,367	389,729	585	-	1,029,187	12,684,374
Insititutional Support	15,040,573	5,543,842	8,271,316	(817,525)	669,803	(506,291)	-	1,229,563	29,431,281
Plant Operations	6,593,052	3,005,791	2,416,137	2,579,320	9,143,497	4,450	25,223,503	33,800	48,999,550
Scholarships & Fellowships	492,808	340	122,970	39,919	-	14,185,199	-	285,155	15,126,391
Auxiliary Enterprises	10,082,584	3,193,994	13,688,226	5,345,806	2,297,171	1,405,894	-	908,739	36,922,414
	$ 157,799,066	$ 55,196,667	$ 56,820,725	$ 21,888,166	$ 15,308,861	$ 21,352,287	$ 25,223,503	$ 7,289,834	$ 360,879,109

15. CONTINGENCIES AND LEGAL MATTERS

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

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

16. RISK MANAGEMENT

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

In July 2015 the University became self-insured for its Worker's Compensation coverage. The University utilizes a third-party administrator to adjudicate its claims and make payments under this coverage. The University maintains two separate bank accounts for its self-insured program, a $500,000 reserve account as well as a separate account for ongoing claims processing and payments.

17. COMPONENT UNIT

The University of Idaho Foundation, Inc. (Foundation) is a legally separate, 501(c)(3) component unit of the University of Idaho (University) which was established in 1970. The mission of the University of Idaho Foundation, Inc. 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. Foundation business is conducted via regular meetings of the Board of Directors and its Executive Committee as well as through ongoing communications with committees and staff. Members of the Foundation's Board of Directors provide strong leadership and expertise in a variety of areas relative to its mission. In addition, directors also advise University leadership as requested, advocate for highter education, serve on various college advisory committees, and personally provide major private funding support for the University. Located in Moscow, the Foundation professional staff work collaboratively with the University development team, donors, and their advisors. The Foundation strategically partners with the leadership team at the University of Idaho including the President, Vice President of University Advancement, and the Vice President for Finance. Separate audited financial statements are prepared by the Foundation and may be obtained by contacting University of Idaho Foundation, 875 Perimeter Drive MS 3143, 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, 2015 and 2014 are as follows:

INVESTMENTS—Investments in marketable securities are recorded at fair value as determined by quoted market prices. At June 30, 2015, the fair value of restricted and unrestricted investments was $261,204,795 and $4,834,436 respectively. At June 30, 2014, the fair value of restricted and unrestricted investments was $250,947,165 and $4,262,866 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, 2015 and 2014 respectively:

Investment Type	2015	2014
U.S. Government Agency Obligations	$ 4,695,607	$ 3,986,172
Corporate Debt	47,392,623	40,639,833
Preferred Stock	484,608	567,335
Muinicipal Securities	114,228	191,082
U.S. Treasuries	17,136,362	16,269,715
Common Stock	117,424,123	119,061,688
International Equity Funds	16,249,113	18,284,068
Mutual Funds	47,542,761	32,311,363
Private Equity	14,999,806	12,017,435
Real Assets	-	11,881,340
	$ 266,039,231	$ 255,210,031

Interest Rate Risk

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

At June 30, 2015 the Foundation had the following investments subject to interest rate risk:

		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
Corporate debt	$ 47,392,623	$ 5,098,824	$ 30,948,386	$ 9,996,390	$ 1,349,023
U.S. government agency obligations	4,695,607	436	4,148,349	463,074	83,748
U.S. treasuries	17,136,362	7,323	9,398,717	7,730,322	-
Municipal securities	114,228	-	-	40,036	74,192
	$ 69,338,820	$ 5,106,583	$ 44,495,452	$ 18,229,822	$ 1,506,963

At June 30, 2014 the Foundation had the following investments subject to interest rate risk:

		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
Corporate debt	$ 40,639,833	$ 3,406,621	$ 25,559,229	$ 10,263,501	$ 1,410,482
U.S. government agency obligations	3,986,172	21	3,159,394	82,489	744,268
U.S. treasuries	16,269,715	-	8,924,586	7,345,129	-
Municipal securities	191,082	75,374	-	5,009	110,699
	$ 61,086,802	$ 3,482,016	$ 37,643,209	$ 17,696,128	$ 2,265,449

Credit Risk

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

Investment securities subject to credit risk at June 30, 2015:

	Investment Type			
Credit Rating	U.S. Government Agency Obligatons	Corporate Debt	Municipal Securities	Total
AAA	$ -	$ 1,276,704	$ -	$ 1,276,704
AA	4,686,862	6,467,300	15,067	11,169,229
A	-	19,326,416	-	19,326,416
BBB	-	19,384,900	-	19,384,900
BB	-	501,525	40,036	541,561
B	-	44,507	-	44,507
CCC	-	24,404	-	24,404
D	-	27,602	-	27,602
Not Rated	8,745	339,265	59,125	407,135
Total	$ 4,695,607	$ 47,392,623	$ 114,228	$ 52,202,458

Investment securities subject to credit risk at June 30, 2014:

	Investment Type			
Credit Rating	U.S. Government Agency Obligatons	Corporate Debt	Municipal Securities	Total
AAA	$ -	$ 496,265	$ -	$ 496,265
AA	3,441,590	6,760,458	20,570	10,222,618
A	-	15,420,000	75,374	15,495,374
BBB	-	16,569,591	-	16,569,591
BB	-	600,225	40,024	640,249
CCC	-	29,486	-	29,486
D	-	30,949	-	30,949
Not Rated	544,582	732,859	55,114	1,332,555
Total	$ 3,986,172	$ 40,639,833	$ 191,082	$ 44,817,087

Concentration of Credit Risk

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

- Not more than 5% of the total equity portfolio valued at market may be invested in the common stock of any one corporation.
- Debt securities of any one issuer shall not exceed 5% of the market value of the total bond portfolio at the time of purchase (except U.S. Treasury or other federal agencies).
- With the exception of passively managed portfolios, not more than 20% of the total portfolio may be invested in any one investment manager, fund, or pool.

As of June 30, 2015 and 2014 respectively, the Foundation had not invested more than 5 percent of their investments in any one issuer.

Custodial Credit Risk

The custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Foundation will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Foundation minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be clearly marked as to Foundation ownership and further to the extent possible, be held in the Foundaton's name. At June 30, 2015 and 2014 all Foundation funds were held in the name of the counterparty for benefit of the Foundation.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Foundation investment policy limits the exposure to foreign investments holdings in the portfolio. The Foundation is exposed to foreign currency risk in foreign stocks that it holds as follows for June 30, 2015 and 2014 respectively:

Currency Type		June 30, 2015 Fair Value	June 30, 2014 Fair Value
AUD	Australia	$ 1,761,410	$ 2,364,593
BRL	Brazil	1,038,135	1,409,974
CAD	Canada	335,203	19,839
CHF	Switzerland	3,219,288	2,576,109
CLP	Chile	177,511	193,569
CNY	China	2,305,695	2,111,802
EUR	Euro	3,838,430	4,456,680
GBP	Great Britain	6,711,114	8,440,281
HKD	Hong Kong	3,742,499	3,478,470
IDR	Indonesia	302,829	342,617
INR	India	1,089,507	1,117,329
JPY	Japan	2,736,885	2,853,215
KRW	Korea	1,803,806	2,063,711
MXN	Mexico	697,724	870,845
MYR	Malaysia	433,909	530,543
NOK	Norway	71,229	100,081
PHP	Philippines	159,628	99,221
PLN	Poland	237,507	244,747
RUB	Russia	331,140	522,633
SEK	Sweden	686,396	777,938
SGD	Singapore	1,473,065	1,608,727
THB	Thailand	350,915	348,936
TRY	Turkey	205,038	291,150
TWD	Taiwan	1,779,403	1,916,110
ZAR	South Africa	989,625	1,010,246
Various	Various	302,475	383,718
		$ 36,780,366	$ 40,133,084

DISTRIBUTIONS TO UNIVERSITY OF IDAHO AND AFFILIATES

During fiscal years 2015 and 2014, earnings from endowments invested in the CIT, direct gifts and other revenues to the Foundation were distributed as follows:

	2015		2014	
	CIT Endowment Income	Gifts and Other Revenues	CIT Endowment Income	Gifts and Other Revenues
Scholarships	$ 5,871,545	$ 3,182,855	$ 5,489,757	$ 2,843,656
Student loans	185,179	-	183,394	-
Building funds	-	636,093	-	2,743,143
University of Idaho College and Department Operating Accounts				
Academic Excellence	490,820	-	472,866	13,700
Agricultural and Life Sciences	426,733	1,383,650	388,728	1,426,014
Art and Architecture	14,417	143,942	14,220	101,141
Athletics	58,434	932,157	57,349	479,670
Business and Economics	385,488	538,183	377,452	794,586
Education	49,045	319,066	47,986	337,248
Engineering	175,743	636,702	138,277	699,029
Law	228,706	756,042	226,504	270,377
Letters, Art and Social Science	590,564	452,714	537,419	300,670
Library	180,277	44,083	171,563	3,831
Natural Resources	356,598	548,784	335,998	319,541
Science	192,344	426,420	184,528	224,383
Other departments	446,900	762,872	424,987	1,113,935
Life beneficiaries	50,800	-	107,143	-
University of Idaho affiliates	405	26,333	401	109,739
Total Distributions	$ 9,703,998	$ 10,789,896	$ 9,158,572	$ 11,780,663

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, 2015 and 2014, $7,555,053 and $13,520,023 was contributed to endowments, respectively.

The Foundation Board of Directors establishes a spending rate annually for endowments. The approved fiscal year 2015 and 2014 spending rate was set at 4.4% and 4.5%, respectively, of the three-year rolling average of the CIT's monthly fair market value.

During the fiscal year ended June 30, 2015 and 2014, the endowments held by the Foundation had net appreciation (depreciation) on donor-restricted endowments of $(6,350,568) and $27,458,773 respectively. Unrealized appreciation (depreciation) is included with the "Restricted–Expendable" Net Position.

18. RELATED ORGANIZATIONS

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

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

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

19. RESTATEMENT OF NET POSITION

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, is effective for financial statement periods beginning after June 15, 2014 with the effects of accounting changes to be applied retroactively by restating the financial statements. The Statement requires the University record its proportionate share of the defined benefit pension obligations for active, inactive and retired employees receiving retirement benefits under the Public Employee Retirement System of Idaho ("PERSI").

The University adopted this new pronouncement in the current year. It is not practical for PERSI to determine the amounts of all deferred inflows of resources and deferred outflows of resources related to pensions as of the beginning of the plan year. As a result, the prior year has not been restated for deferred inflows of resources, deferred outflows of resources, net pension liability and pension expense. Since the restatement of the prior year presented is not practical, the cumulative effect of applying this Statement is reported as a restatement of beginning net position as of June 30, 2014.

	As Previously Reported June 30, 2014	Restated June 30, 2014	Cumulative Effect of Change
Deferred Outflows of Resources	$ -	$ 5,611,158	$ 5,611,158
Net Pension Liability	-	35,003,176	35,003,176
Net Position	345,580,206	316,188,188	(29,392,018)

REQUIRED SUPPLEMENTARY INFORMATION

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

	2015
University's portion of net pension liability	1.83%
University's proportionate share of the net pension liability	$ 13,469,341
University's covered employee payroll	50,667,755
University's proportional share of the net pension liability as a percentage of its covered employee payroll	26.58%
Plan fiduciary net position as a percentage of the total pension liability	94.95%

Data reported is measured as of July 1, 2014 (measurement date)

Schedule of University Contributions
PERSI – Base Plan

	2015
Statutorialy-required contribution	$ 5,735,586
Contributions in relation to the statutorily-required contribution	5,735,586
Contribution (deficiency) excess	$ -
University's covered-employee payroll	50,667,755
Contributions as a percentage of covered-employee payroll	11.32%

Schedule of Funding Progress
Retiree Benefits Trust

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)
6/30/2012	$ 21,774,000	$ 73,240,000	$ 51,466,000	29.7%	$ 123,237,000	41.8%
6/30/2013	24,753,000	63,465,000	38,712,000	39.0%	123,592,000	31.3%
6/30/2014	28,271,000	61,476,000	33,205,000	46.0%	132,777,000	25.0%
6/30/2015	29,768,000	62,465,000	32,697,000	47.7%	140,728,000	23.2%

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

Idaho State Board of Education
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 units, and the aggregate remaining fund of the University, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise University of Idaho's basic financial statements, and have issued our report thereon dated September 28, 2015. Our report includes reference to other auditors who audited the financial statements of the University of Idaho Foundation, a discretely presented component unit, and the University of Idaho Health Benefits Trust, a fiduciary fund, as described in our report of the University of Idaho's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

MOSS ADAMS LLP

Compliance and Other Matters

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

Purpose of this Report

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

Moss Adams LLP

Eugene, Oregon
September 28, 2015