University of Idaho

FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015 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 (University) and the discretely presented component unit, University of Idaho Foundation (Foundation), as of and for the years ended June 30, 2016 and 2015, and the aggregate remaining fund information of the University (the University of Idaho Health Benefits Trust and the University of Idaho Retiree Benefits Trust), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Foundation, which represent 100% of the assets, net position, and revenues of the discretely presented component unit, or the University of Idaho Health Benefits Trust, which represent 12%, 5%, and 97%, of the assets, net position and revenues of the aggregate remaining fund information respectively. Those statements were audited by other auditors whose reports has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation and the University of Idaho Health Benefits Trust, are based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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.

REPORT OF INDEPENDENT AUDITORS
(continued)

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

Auditor's Opinion

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University, and its discretely presented component unit, as of June 30, 2016 and 2015, and the aggregate remaining fund information of the University, as of December 31, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16 and the schedules of University's proportionate share of net pension liability – PERSI base plan, University contributions – PERSI base plan, and funding progress – Retiree Benefits Trust on page 74 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 30, 2016 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Moss Adams LLP

Portland, Oregon
September 30, 2016

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, 2016.

The discussion and analysis that follows provides an overview of the University's financial activities for the fiscal year ended June 30, 2016 in comparison to 2015 and 2014. 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 Trust (HBT) and Retirement Benefits Trust (RBT). The HBT was established to meet the requirements of the State of Idaho Department of Insurance in order to manage the University's self-insurance program. Separate audited financial statements are prepared for the HBT and may be obtained by contacting 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. Trends in net position are a useful indicator of whether the entity's financial condition is improving or declining.

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

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

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

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

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

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

	2016	2015	2014
ASSETS			
Current assets	$ 72,015	$ 63,438	$ 48,765
Capital assets - net	367,395	359,356	402,222
Other noncurrent assets	108,395	182,872	94,209
Total assets	$ 547,805	$ 605,666	$ 545,196
Deferred Outflows of Resources	$ 17,427	$ 8,803	$ 4,400
Total assets and Deferred Outflows	$ 565,232	$ 614,469	$ 549,596
LIABILITIES			
Current liabilities	$ 44,314	$ 46,180	$ 52,952
Noncurrent liabilities	214,086	209,098	151,064
Total Liabilities	$ 258,400	$ 255,278	$ 204,016
Deferred Inflows of Resources	$ 15,652	$ 18,542	$ -
Total Liabilities and Deferred Inflows	$ 274,052	$ 273,820	$ 204,016
NET POSITION			
Net investment in capital assets	$ 258,039	$ 248,984	$ 248,652
Restricted nonexpendable	-	-	-
Restricted expendable	36,162	33,152	31,913
Unrestricted	67,350	58,513	65,015
Total net position	$ 361,551	$ 340,649	$ 345,580
Total liabilities, deferred inflows of resources and net position	$ 635,603	$ 614,469	$ 549,596

Total assets and deferred outflows of resources for the University ended fiscal year 2016 at $635.6M, an increase of $21.1M (+3.4%) when compared to prior year.

Current assets increased $8.5M (+13.5%) to $72.0M due to increases in cash/cash equivalents and accounts receivable. Unrestricted cash increased by $7.9M (+32.6%) due to the University continuing to hold cash for the interim funding of ongoing construction costs of its new Integrated Research and Innovation Center (IRIC) and College of Education complete renovation projects prior to reimbursement from bond proceeds. The University chose not to move operating cash into its long-term investments in FY16 due to ongoing construction cash needs. While the current portion of student loans receivable was up by $0.7M (+48.7%), total student loan balances (current plus noncurrent) of $10.6M at FYE (fiscal year-end) 16 were directly comparable with their combined balances at FYE 15 of $10.5MM, indicating an improved current status of such loans at FYE 16 as older loans were paid off. Accounts receivable of $33.5MM remained flat at FYE 16 when compared to FYE 15. Inventory levels decreased over the past year from $1.8MM to $1.6MM (+9.2%) primarily due to lower textbook inventory being held compared to the prior year, in response to lower student enrollments.

Noncurrent assets increased from $542.2M to $546.1MM during FY16, an increase of $3.9MM. Restricted cash and cash equivalents decreased by $38.2MM (-66.5%) due to University spend-down of restricted bond proceeds moving toward completion of its IRIC and College of Education construction/renovation projects. These projects had been primarily financed by the University's issuance of its Series 2014 bonds in July, 2015. The University's unrestricted long-term, noncurrent investments increased by $5.6MM from $72.9MM to $78.5MM by FYE 16. This was a result of moving cash back to long-term investments after holding approximately $3.8MM in cash on an interim basis during the summer of FY15 to ensure adequate liquidity for ongoing construction. The remaining increase in investments of $1.8MM resulted from continued re-investment by the University of long-term income generated by its portfolio. Net capital assets of $437.8MM increased by $37.3MM from the FYE 15 balance of $400.4MM. Approximately $29.2MM of this increase resulted from the ongoing construction-in-progress related to the IRIC and College of Education projects, with the additional $8.1MM of Idaho Department of Public Works (DPW) projects being recognized in FY16.

Total assets of the University increased by $12.5MM (+2.1%) to $618.2MM as of year-end June 30, 2016.

Deferred outflows of resources increased from $8.8MM to $17.4MM in FY16 (+98.0%). In FY15, the University implemented GASB Statement 68 related to defined benefit pension plans. At year-end FY16, the University recognized deferred outflows of $15.6MM for its FY16 contributions and changes in actuarial assumptions to the Public Employee Retirement System of Idaho (PERSI) program, an increase of $8.7MM (+126.7%) from FYE 15. 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. The balance of the University's deferred amounts on refunding decreased slightly to $1.9MM as a result of ongoing amortization of these balances.

Current liabilities decreased $1.9MM (-4.0%) to $44.3MM in fiscal year 2016. Accrued salaries and benefits decreased by $1.2MM from $15.0MM to $13.8MM in FY16 due to an early FYE 16 tax payment of $2.2MM that would otherwise have been accrued. Taking this into account, if the liability had included this early payment, accrued salaries and benefits would have been $16.0MM (+6.7%), in line with the FY16 salary and benefits expense increases. Compensated absences payable decreased by $1.0MM due to a FY16 required cash-out of compensatory time accrued hours accumulated under a previous policy. Unearned revenue decreased by $1MM from $8.3MM a June 30, 2015 to $7.3MM at June 30, 2016. This decrease was due to lower summer special course and web fees and lower local and miscellaneous grant revenues, each down by $500K when compared to prior year.

Noncurrent liabilities increased $5.0MM (+2.4%) to $214.0MM over the prior year total of $209.0MM. Notes and bonds payable decreased by $5.5MM due to debt service payments made during the year with no issuances of additional debt by the University in FY16. Additionally, the University's PERSI net pension liability increased by $10.5MM (+78.0%) from $13.5MM at FYE 15 to $24.0MM at FYE 16. This was due to an increase in apportioned PERSI total plan liabilities of $12.7MM, offset by a likewise-apportioned PERSI positive net plan position increase of $2.2MM. While the University's change in proportionate share percentage of the PERSI plan decreased from 1.83% for PERSI fiscal year 2014 to 1.81% for PERSI fiscal year 2015, the increased University liability was due to aggregate PERSI plan performance in its FY15 plan year.

Total liabilities of the University increased by $3.1MM (+1.2%) to $258MM as of year-end June 30, 2016.

Deferred inflows of resources of $15.6MM at FYE 16 decreased by $2.9MM (-15.6%) from the FYE 15 balances of $18.5MM. This decrease was related to changes in actuarial/investment experience and changes in assumptions related to the Idaho PERSI fiscal year 2015 plan performance.

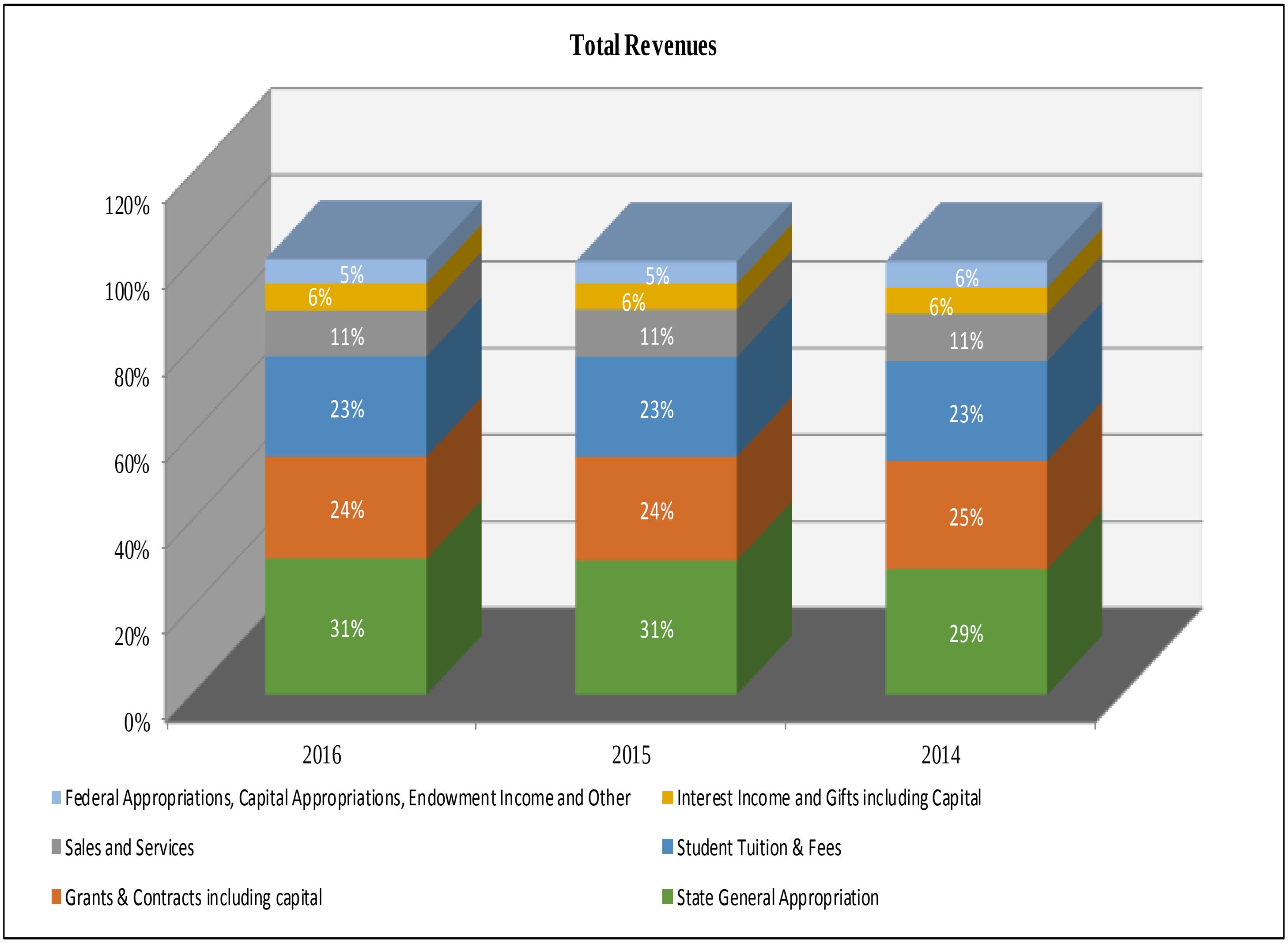
The University's net position increased by $20.9MM (+6.1%) to $361.5MM for the year ended June 30, 2016. Unrestricted net position increased by $8.8MM to $67.3MM as of year-end 2016, while restricted expendable net position increased by $3.0MM to the year-end total of $36.1MM. Net investment in capital assets increased by $9.1MM to $258.0MM at June 30, 2016.

Statement of Revenues, Expenses and Changes in Net Position

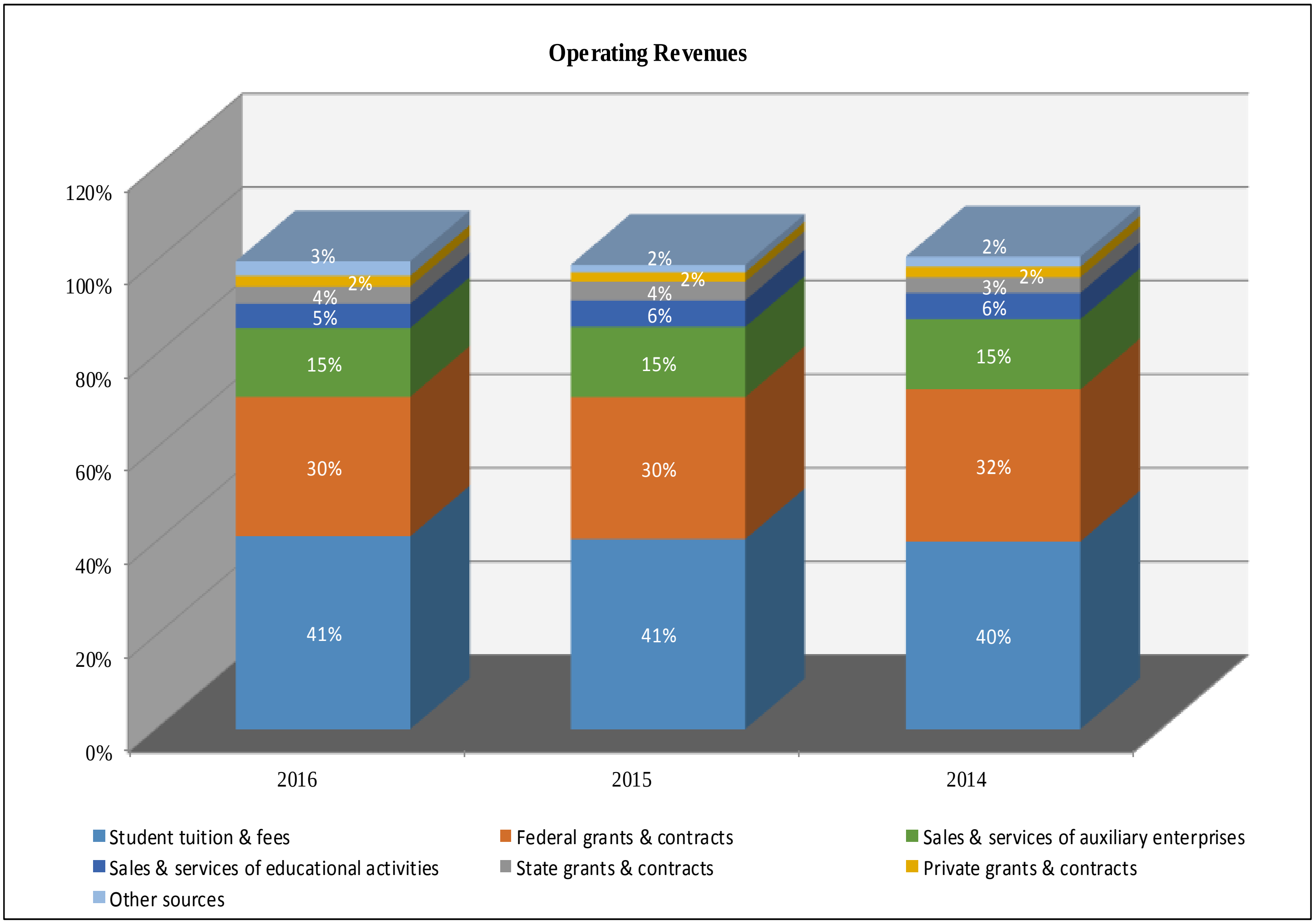
The statement of revenues, expenses and changes in net position presents the revenues earned and expenses incurred during the year, classifying activities as either operating or non-operating. The GASB 34 reporting model classifies state appropriations, gifts, federal appropriations, and investment income 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 fiscal year 2016, as shown in the chart below, state appropriations account for 31% of the total revenue received while grants and contracts account for 24%, and student tuition and fees are 23% of the total.



When isolating the review to only operating revenues, as shown in the graph below, approximately 86% of total operating revenues in fiscal year 2016 were generated from three key revenue sources. Student tuition and fees account for 41% of total operating revenues while federal grants and contracts account for 30%, and sales and services of auxiliary enterprises account for 15%. All other categories account for 5% or less.



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

	2016	2015	2014
Operating revenues	$ 212,592	$ 214,751	$ 207,782
Operating expenses	374,934	364,536	360,879
Operating loss	(162,341)	(149,786)	(153,098)
Net nonoperating revenues	173,193	170,281	163,479
Gain before other revenues	10,852	20,496	10,382
Other revenues	10,051	3,966	7,603
Increase In Net Position	20,903	24,461	17,985
Net Position - Beginning of year (Previously reported)	340,649	345,580	327,595
Cumulative effect implementing GASBS 68 (Note 19)		(29,392)	-
Net Position - Beginning of year (Restated)	340,649	316,188	327,595
Net Position - End of year	$ 361,551	$ 340,649	$ 345,580

Operating Revenues

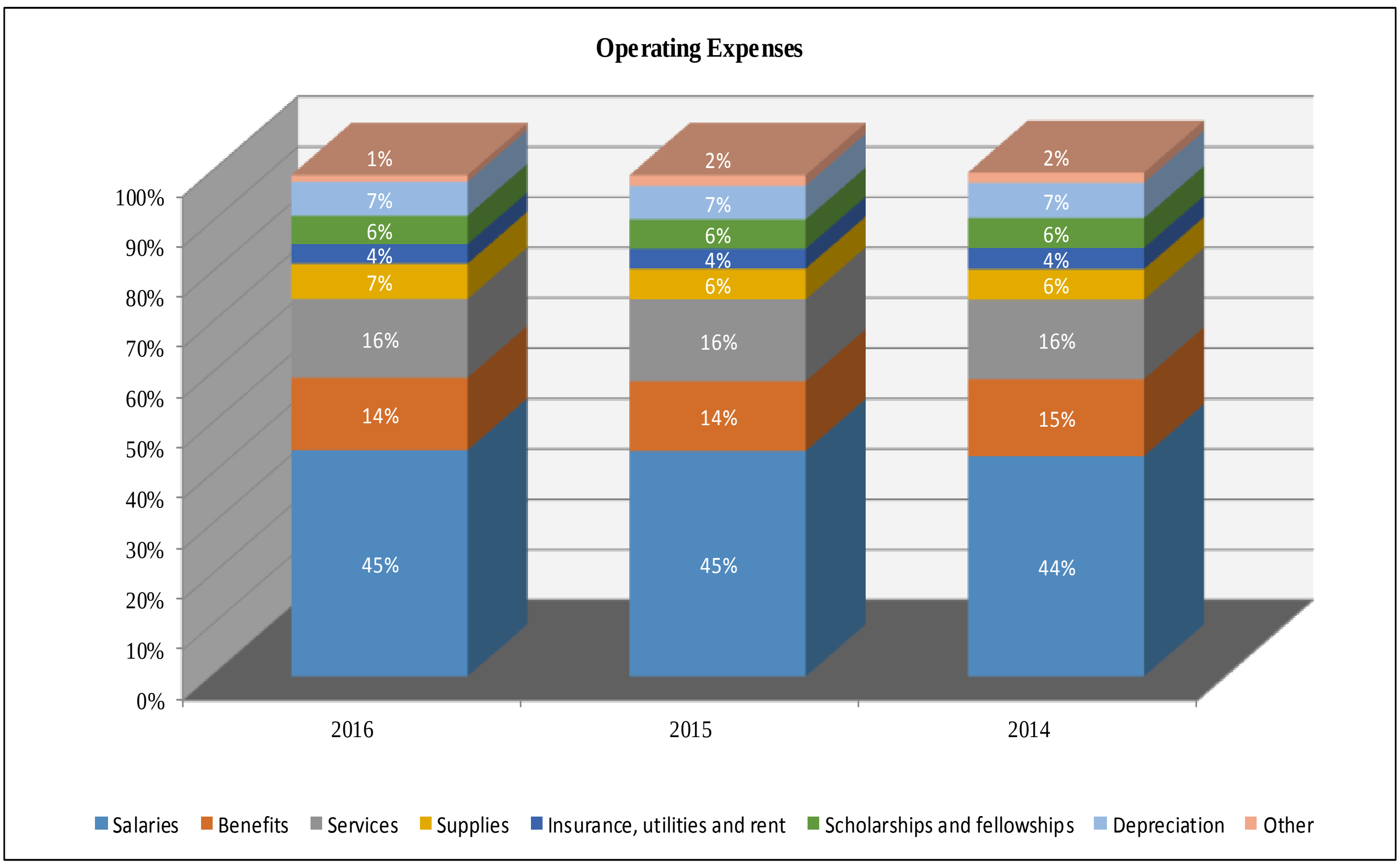
	2016	2015	2014

The statement of revenues, expenses and changes in net position details the $20.9MM increase in net position for fiscal year 2016. This increase was down slightly from the prior year increase of 24.5MM.

Operating revenues decreased slightly by 1.0% from $214.8MM in FY15 to $212.6MM in FY16. Student tuition and fees, net of scholarship allowance, decreased $1.8MM to $87.6MM. (-2.0%). This decrease was a result of a FY16 approximate 4% increase in student tuition and fees approved by the Idaho State Board of Education, offset by a decrease in average fall and spring overall headcount enrollments of 2.5%. Total student headcount enrollments in both undergraduate and graduate levels experienced a 1.4% decrease in the fall of 2015 to 11,372 students, and corresponding spring enrollments decreased 3.8% to 10,440 students. This translated to a full-time student equivalent enrollment of 9,384 students in the fall term, and 8,662 students in the spring term, for an average combined decrease of -3.2%. These decreases were primarily in undergraduate enrollments, with graduate, law school and WWAMI medical student enrollments fairly even with prior year. University of Idaho leadership continues its commitment 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.

Both Federal and State grants and contracts revenues were lower in FY16 compared to FY15. Federal grants and contracts revenues in FY16 of $63.4MM decreased by $1.7MM (-2.7%) from $65.1MM in FY15. State grants revenues were $7.8MM for FY16, compared to $8.5MM in FY15, a decrease in the current year of $0.7MM (-8.7%). These decreases were a reflection of lower awards being received in FY15. Awards are generally reflected as revenues in succeeding years when monies are actually expended on related grants, therefore the lower FY15 awards resulted in lower FY16 revenues. Awards in FY16 were significantly higher at $82.1MM as compared to $71.9MM in FY15, an increase of $10.2MM (+14.1%). This will likely have a positive contribution to grant revenues in FY17 and beyond. Private grants and contracts revenues of $4.8MM were up $0.5MM (+13.0%) from $4.3MM in FY15. Private grants and contracts are generally smaller grants than Federal and State awards, and their revenues tend to fluctuate more from year-to-year. FY16 sales and services of educational activities revenues of $11.0MM were down $1.1MM (-9.1%) from $12.1MM in FY15, this decrease being attributable to lower student enrollments during FY16. Despite lower enrollments, sales and services revenues related to auxiliary enterprises of $31.2MM were only down $0.5MM from $31.7MM in FY15. While FY16 housing, dining and textbook sales were down a combined $$2MM (-10.5%) due to lower enrollments, these decreases were offset by combined increases in revenues from athletics game guarantees/conference payments and other food sales of $1.5MM (+25.8%). Other sources of operating revenue increased $3.0MM (+94.1%) to $6.2MM due to increases in a variety of revenues, including royalty revenues (+15.7%), incentives and rebates (+16.7%), and miscellaneous income (+66.0%) that included a Defense Advanced Research Projects Agency (DARPA) prize of $0.8MM awarded to a University faculty member.

In fiscal year 2016, as shown in the graph below, 75% of operating expenses were generated from three key expenditure sources. Total personnel costs (salaries and benefits) account for 59% of total operating expenses while services expenditures account for 16%. All other categories account for 7% or less.



FY16 operating expenses increased by $10.4MM (+2.8%) over FY15 to $374.9MM. Total personnel costs of $222.2MM in FY19 were $8.7MM higher than the 2015 level of $213.5MM. Salaries expense increased $5.2MM (+3.1%) due to the 3% wage and salary increase authorized for FY16, plus minor wage and salary increases implemented during the year. Benefits expense increased $3.5MM (+6.9%) in FY16 due to increased costs in all benefits expenditure categories. Self-insured health insurance claims and associated administrative fees were up 1.5%, self-insured worker's compensation incurred and paid claims were up 83.1%, FICA and FICA-Medicare employer costs were up consistent with increased University salaries and wages, and employee and dependent costs of educational waivers were up 8.5% over their FY15 expense levels. FY16 supplies expenditures increased by $4.1MM (+18.3%) to $26.3MM. These increases were not related to any one area or category, but were spread across the University campus and operations. Other operating expenses decreased in FY16 by $2.6MM (-27.0%) to $6.9MM. The University issued no new bonds in FY16, whereas it had incurred $1.8MM in bond issuance costs in FY15, which are included in other operating expenses. Otherwise, the remaining decrease in other operating expenses was realized across all remaining other operating expenses. FY16 services, insurance/utilities/rent, scholarship/fellowship, and depreciation expenses were all comparable to FY15 expenditures in these categories.

Nonoperating revenues, net of interest expense, increased $2.9MM (+1.7%) to $173.1MM in FY16. State appropriation revenues, including land grant endowment income, increased by $4.0MM (+3.2%) to $130.2MM, due to several factors. Increases in the State's General Education appropriations were comprised of a $1.9MM increase in salaries combined with a $2.1MM increase in employee benefits reimbursement. Land grant endowment income increased $0.8MM to $9.2MM in FY16 based on income generated from endowed lands by the State of Idaho. FY16 Federal appropriations were consistent with FY15 revenues at $5.5MM. FY16 Federal grants and contracts (Pell grant) revenues increased by $1.3MM (+8.0%) to $17.1MM. A net increase of $4.1MM in the fair market value of investments at fiscal year-end 2016 was due to stronger fixed income markets at the end of the year combined with University reinvestment of income earned in its portfolio during the year. Interest expense decreased 9.0% from $8.2MM to $7.5MM due to a longer average debt service associated with its outstanding bonds in FY16 as well as routine reductions in bond principal from annual debt service payments.

Other revenues increased by $6.1MM in FY16 due to the Idaho Department of Public Works providing $8.1MM of funding for campus improvements and capital projects, an increase of $5.6MM over FY15 funding. The University's Foundation contributed an additional $1.3MM in capital funds (increase of $0.8MM over FY15), while capital grants and contracts revenues of $0.7MM were $0.3MM below their FY15 levels.

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, 2016. 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.

Fiscal Years Ended June 30
(Dollars in Thousands)

	2016	2015	2014
Cash provided (used) by:			
Operating activities	$ (140,042)	$ (137,712)	$ (128,928)
Noncapital financing activities	174,534	176,946	165,329
Capital and related financing activities	(64,983)	18,550	(33,698)
Investing activities	214	399	(4,695)
Net change in cash	(30,277)	58,183	(1,992)
Cash beginning of the year	81,488	23,305	25,297
Cash end of the year	$ 51,211	$ 81,488	$ 23,305

Operating activities used $140MM in cash during fiscal year 2016, resulting in an increase of $2.3MM (+1.7%) from fiscal year 2015 levels. Non-capital financing activities provided $174.5MM in cash during fiscal year 2016, resulting in a decrease of $2.4MM (-1.4%) from fiscal year 2015. This decrease was due to an $8.0MM decrease in other receipts, offset by increases in state appropriations for general educational initiatives of $3.2MM, a $0.8MM increase in land grant endowment income, a $1.2MM increase in Pell grant revenues, and a $250K increase in gift revenues. Capital and related financing activities used $65.0MM of net cash in fiscal year 2016 due to $62.6MM of expenditures related to University's IRIC, College of Education and other ongoing capital projects, and $12.5MM for ongoing debt service. These decreases in cash were offset by FY16 increased state capital appropriations of $8.1MM and capital grants and gifts of $2.0MM. Net investing activities generated $0.2MM in cash in fiscal year 2016, as compared to using $0.4MM in fiscal year 2015.

Capital Assets and Debt Management

The University had $864.1MM and $805.9MM of capital assets at June 30, 2016 and 2015 respectively, with accumulated depreciation of $426.4MM and $405.5MM respectively. The major categories and associated value of capital assets as well as accumulated depreciation at June 30, 2016, 2015 and 2014 are illustrated in the table on the next page.

		2016		2015		2014
Capital Asset at Cost						
Buildings and improvements	$	600,244	$	581,379	$	573,539
Equipment		102,826		96,998		96,272
Construction in progress		40,349		11,070		6,488
Library materials		90,726		86,520		82,713
Capitalized collections		2,381		2,333		2,318
Land		27,641		27,641		27,490
Total Capital Assets	$	864,167	$	805,942	$	788,821
Accumulated Depreciation						
Buildings and improvements	$	270,303	$	256,433	$	241,540
Equipment		83,928		80,621		80,256
Library materials		72,170		68,489		64,804
Total Accumulated Depreciation	$	426,401	$	405,542	$	386,600
Total Capital Assets, Net	$	437,766	$	400,400	$	402,221

		2016		2015		2014
Total Notes and Bonds Payable	$	195,695	$	200,713	$	158,200

At June 30, 2016 and 2015, the University had debt (or similar long-term obligations) of $195.7MM and $200.7MM respectively. On July 10, 2014, the University issued $48.7MM 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 $51.6MM in project funding.

Economic Outlook

In 2016, Idaho's economy continued 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 2016 Idaho Economic Forecast Report, the state's housing and job markets are holding strong. Growth in single-family housing starts is projected at an average of approximately 5.5% through 2018, then tapering off to below 1% in 2019. Idaho's nonfarm employment is expected to grow an average of 2.2% through 2019. Idaho's job growth regained its status as number one in the nation for over-the-year July, 2016 job growth of 23,000 jobs and a 3.4% increase driven by across-the-board gains in all industries. Projections are for increased employment in construction, logging, and wood products jobs, to hold steady for computer and electronics manufacturing positons, and for decreased positons in the mining industry. Idaho's personal income in current dollars is expected to grow at 5+% through 2019.

For the national economy, real GDP growth held steady in 2015 at 2.4%, with a forecast for 2016 decreasing to 1.9%. Expected real disposable income gain across 2014 through 2016 is 9.5%, with projected continued annual growth of approximately 3% through 2019. 1.38 million housing starts are projected for 2017, increasing to 1.50 million starts in 2018 and 1.55 million starts in 2019. Nonfarm employment growth is expected to decrease gradually from 1.7% growth in 2016 to 0.09% growth by 2019, with a forecast of 148MM jobs in 2019.

The financial position of the University is stable and 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 several 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 continue to be a critical focus of University leadership and management. The University of Idaho has led efforts with the Idaho State Board of Education to promote and encourage increases in Idaho high-school "go-on" rates over the last year and will continue such efforts in future years. In addition, the University has been focusing greater attention on achieving diversified and sustainable growth with respect to its international student population. Finally, significant efforts across all areas of the University continue to remain focused on student retention with promising results seen at both the undergraduate and graduate levels.

The University continues to excel as a national leader in high-quality academic research. Recognized by the Carnegie Foundation as a high research activity institution, the University was actively engaged in approximately $76 million in sponsored program, grant and contract activities in fiscal year 2016**.** University efforts toward proactively pursuing new federal, state, industry and other grants and contracts show the ongoing commitment to remain a national leader in academic research. 912 proposals were submitted in FY16 totaling $227MM. The University received awards of $82MM in FY16, up from $72MM in FY15, which will increase grant revenues over the next several years. Significant awards were received in FY16 across numerous projects with various sponsors, including the Department of Health and Human Services ($8.9MM), the Idaho Department of Health and Welfare ($9.0MM), the Idaho Department of Education ($3.7MM), the National Science Foundation ($16.4MM), the U.S. Office of Education ($3.1MM), the National Institute of Food and Agriculture/USDA ($4.0MM), the National Aeronautic Space Administration ($2.0MM), Columbia River Inter-Tribal ($1.4MM), and Battelle Energy Alliance LLC ($2.8MM).

The improving economic picture in Idaho and across the nation provides an optimistic backdrop for the University of Idaho's 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, 2016 AND 2015

ASSETS	University of Idaho 2016	University of Idaho 2015	University of Idaho Foundation (note 17) 2016	University of Idaho Foundation (note 17) 2015
CURRENT ASSETS				
Cash and cash equivalents	$ 32,033,054	$ 24,157,921	$ 4,749,233	$ 7,685,628
Due from state agencies	231,932	190,832	-	-
Prepaid expenses	1,380,091	1,652,898	-	-
Investments - Restricted	-	-	14,198,302	13,898,388
Interest receivable	711,754	502,243	182,030	488,399
Student loans receivable - net	2,179,650	1,465,311	-	-
Accounts receivable & unbilled charges - net	33,513,185	33,319,551	-	-
Inventories	1,674,869	1,844,346	-	-
Promises to give - net	-	-	873,521	1,040,592
Notes receivable	290,594	304,647	95,417	92,640
Total Current Assets	72,015,129	63,437,749	20,098,503	23,205,647
NONCURRENT ASSETS				
Restricted cash and cash equivalents	19,177,557	57,330,408	11,360,144	11,987,758
Student loans receivable - net	8,393,996	9,047,068	-	-
Investments - Unrestricted	78,564,134	72,933,482	-	-
Investments - Restricted	-	-	254,547,511	252,140,843
Promises to give - net	-	-	1,412,391	1,977,249
Notes receivable	-	-	239,347	340,158
Real estate holdings	-	-	5,340,457	5,300,457
Nondepreciable capital assets	70,371,135	41,043,926	-	-
Depreciable capital assets - net	367,394,707	359,356,179	-	-
Other post-employement benefits asset - net	2,259,000	2,517,000	-	-
Other noncurrent assets	-	-	371,028	354,614
Total Noncurrent Assets	546,160,529	542,228,063	273,270,878	272,101,079
TOTAL ASSETS	$ 618,175,658	$ 605,665,812	$ 293,369,381	$ 295,306,726
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on refunding	1,874,776	1,941,668	-	-
Deferred contributions and changes of assumptions to net pension plan	15,552,305	6,861,372	-	-
Total Deferred Outflows of Resources	17,427,081	8,803,040	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 635,602,739	$ 614,468,852	$ 293,369,381	$ 295,306,726

See notes to financial statements

University of Idaho

STATEMENT OF NET POSITION
AS OF JUNE 30, 2016 AND 2015

LIABILITIES	University of Idaho 2016	University of Idaho 2015	University of Idaho Foundation (note 17) 2016	University of Idaho Foundation (note 17) 2015
CURRENT LIABILITIES				
Accounts payable	$ 5,589,247	$ 5,122,910	$ 43,042	$ 77,800
Accrued salaries and benefits payable	13,855,056	15,018,423	-	-
Compensated absences payable	6,780,580	7,763,330	-	-
Trust earnings payable to trust beneficiaries	-	-	10,236,656	9,703,998
Accrued interest payable	2,263,701	2,360,786	-	-
State teacher education loan advance	183,086	208,708	-	-
Deposits	836,750	850,046	-	-
Unearned revenue	7,313,420	8,299,452	-	-
Funds held in custody for others	1,789,862	1,234,702	-	-
Current portion long-term liabilities	5,583,328	5,084,258	-	-
Other liabilities	118,498	237,760	-	-
Split interest agreements	-	-	983,860	1,024,156
Total Current Liabilities	44,313,528	46,180,375	11,263,558	10,805,954
NONCURRENT LIABILITIES				
Notes and bonds payable	190,111,949	195,628,387	-	-
Net pension liability	23,973,741	13,469,341		
Split interest agreements	-	-	6,363,236	6,605,804
Total Noncurrent Liabilities	214,085,690	209,097,728	6,363,236	6,605,804
TOTAL LIABILITIES	$ 258,399,218	$ 255,278,103	$ 17,626,794	$ 17,411,758
DEFERRED INFLOWS OF RESOURCES				
Deferred actuarial/investment experience and changes of assumptions to net pension plan	15,652,224	18,542,149	-	-
Total Deferred Inflows of Resources	15,652,224	18,542,149	-	-
NET POSITION				
Net investment in capital assets	258,039,101	248,984,259	-	-
Restricted for:				
Nonexpendable	-	-	216,363,531	210,115,506
Expendable	36,161,850	33,151,394	52,567,752	61,817,544
Unrestricted	67,350,346	58,512,947	6,811,304	5,961,918
Total Net Position	361,551,297	340,648,600	275,742,587	277,894,968
TOTAL LIABILITIES AND NET POSITION	$ 635,602,739	$ 614,468,852	$ 293,369,381	$ 295,306,726

See notes to financial statements

University of Idaho

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

OPERATING REVENUES	University of Idaho 2016	University of Idaho 2015	University of Idaho Foundation (note 17) 2016	University of Idaho Foundation (note 17) 2015
Student tuition and fees (net of scholarship allowances of $ 22,770,062 and $22,246,858 for FY 2016 and FY 2015 respectively)	$ 87,620,004	$ 89,409,083	$ -	$ -
Federal grants and contracts	63,410,653	65,140,096	-	-
State and local grants and contracts	7,801,714	8,546,228	-	-
Private grants and contracts	4,835,592	4,280,413	-	-
Sales and services of educational activities	11,035,032	12,142,941	-	-
Sales and services of auxiliary enterprises	31,249,897	31,737,838	-	-
Interest on loans receivable	464,276	312,221	-	-
Other sources	6,174,893	3,181,741	583,221	372,472
Gifts	-	-	16,123,165	19,004,124
Total operating revenue	212,592,061	214,750,561	16,706,386	19,376,596
OPERATING EXPENSES				
Salaries	168,282,109	163,072,654	-	-
Benefits	53,956,276	50,494,666	-	-
Services	58,537,851	59,219,821	-	-
Supplies	26,300,285	22,240,679	-	-
Insurance, utilities and rent	14,533,248	14,486,328	-	-
Scholarships and fellowships	21,230,400	21,131,685	-	-
Depreciation	25,159,592	24,391,156	-	-
Other	6,933,771	9,499,267	20,592	39,066
Administrative expense	-	-	2,228,528	2,357,971
Total operating expenses	374,933,532	364,536,256	2,249,120	2,397,037
OPERATING (LOSS) INCOME	$ (162,341,471)	$ (149,785,695)	$ 14,457,266	$ 16,979,559

See notes to financial statements

Continued

University of Idaho

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

NONOPERATING REVENUES (EXPENSES)	University of Idaho 2016	University of Idaho 2015	University of Idaho Foundation (note 17) 2016	University of Idaho Foundation (note 17) 2015
State appropriations	$ 121,062,600	$ 117,862,200	$ -	$ -
Land grant endowment income	9,171,600	8,356,800	-	-
Federal appropriations	5,504,773	5,450,647	-	-
Federal grants and contracts	17,136,837	15,864,524	-	-
Gifts (including gifts from Foundation)	21,084,665	20,834,048	-	-
Private grants and contracts	3,595	54,439		
Net investment income	2,138,169	2,241,950	6,360,844	5,850,790
Net increase (decrease) in fair value of investments	3,706,587	(448,966)	(1,980,931)	(6,975,167)
Distribution of endowment income to University and trust beneficiaries	-	-	(10,236,656)	(9,703,998)
Distribution to University and affiliates	-	-	(11,169,873)	(10,789,896)
Distribution of trust income to life income beneficiaries	-	-	(753,860)	(769,730)
Lease and rental income	-	-	43,941	56,819
Property management	-	-	(7,140)	(30,947)
Change to split interest trusts	-	-	1,134,028	355,807
Interest expense (net of capitalized interest of $1,120,689 and $405,535 for FY 2016 and FY 2015 respectively)	(7,461,496)	(8,202,682)	-	-
Other sources	845,780	8,267,400	-	-
Net nonoperating revenues	173,193,110	170,280,360	(16,609,647)	(22,006,322)
GAIN (LOSS) BEFORE OTHER REVENUES	10,851,639	20,494,665	(2,152,381)	(5,026,763)
OTHER REVENUES				
Capital grants and contracts	717,334	997,722	-	-
Projects with Idaho Department of Public Works	8,074,459	2,471,485	-	-
Capital gifts from Foundation	1,259,265	496,541	-	-
Total other revenues	10,051,058	3,965,748	-	-
INCREASE IN NET POSITION	20,902,697	24,460,413	(2,152,381)	(5,026,763)
NET POSITION - Beginning of year (Previously reported)	340,648,600	345,580,208	277,894,968	282,921,731
Cumulative effect implementing GASBS 68 (See Note 19)		(29,392,021)	-	-
NET POSITION - Beginning of year (Restated)	340,648,600	316,188,187	277,894,968	282,921,731
NET POSITION - End of year	$ 361,551,297	$ 340,648,600	$ 275,742,587	$ 277,894,968

See notes to financial statements

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	University of Idaho 2016	University of Idaho 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts and disbursements		
Tuition and fees	$ 88,884,749	$ 87,208,029
Grants and contracts	75,046,659	77,926,535
Sales of services - net	41,661,990	43,735,370
Payments to or for employees	(225,202,961)	(223,605,959)
Payments to suppliers	(105,515,796)	(104,626,019)
Scholarships disbursed	(21,230,400)	(21,131,685)
Funds held for others	555,161	105,023
Student loans collected	2,546,372	2,735,395
Student loans disbursed	(2,352,874)	(2,012,910)
Other receipts	5,564,775	1,954,213
Net cash used by operating activities	(140,042,325)	(137,712,008)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Appropriated general education revenues:		
State general account	121,062,600	117,862,200
Land grant endowment income	9,171,600	8,356,800
Federal Appropriations	5,504,773	5,403,163
Federal Grants and Contracts	17,140,432	15,918,963
Gifts	21,084,665	20,834,048
Other receipts	569,761	8,570,848
Net cash provided by noncapital financing activities	174,533,831	176,946,022
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State appropriations, capital	8,074,459	2,471,485
Capital grants and gifts	1,976,599	1,494,263
Capital asset purchases	(62,525,329)	(23,270,534)
Proceeds from capital debt	-	70,193,278
Principal paid on capital debt - net	(4,950,476)	(24,620,560)
Interest paid on capital debt	(7,558,581)	(7,717,703)
Net cash used by capital & related financing activities	(64,983,328)	18,550,229

See notes to financial statements.

University of Idaho

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

CASH FLOWS FROM INVESTING ACTIVITIES	University of Idaho 2016	University of Idaho 2015
Proceeds from sales and maturities of investments	12,943,823	12,175,594
Investment income	307,427	2,241,962
Purchase of investments	(13,037,146)	(14,019,029)
Net cash provided (used) by investing activities	214,104	398,527
NET INCREASE IN CASH	(30,277,718)	58,182,770
Cash - Beginning of year	81,488,329	23,305,559
Cash - End of year	$ 51,210,611	$ 81,488,329
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (162,341,471)	$ (149,785,695)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation expense	25,159,592	24,391,156
Decrease (increase) in assets:		
Receivables, net	(215,440)	(2,834,918)
Inventories and prepaids	442,284	(205,240)
Net other post-employment benefits assets	258,000	(277,000)
Increase (decrease) in liabilities:		
Accounts payable	466,337	182,230
Accrued payroll, benefits and compensated absences	(3,222,576)	(9,592,227)
Deposits and unearned revenues	(999,328)	204,259
Change in funds held for others	555,160	105,023
Other liabilities	(144,883)	100,404
Net cash used by operating activities	$ (140,042,325)	$ (137,712,008)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Capital asset write-offs	$ (156,380)	$ (259,908)
Amortization of deferred amounts on refunding and bond premium	(569,667)	(3,060,155)
Donated assets	110,594	126,818
Change in fair value of investments	3,799,910	(747,701)

See notes to financial statements

University of Idaho

STATEMENTS OF BENEFIT PLAN NET POSITION
AS OF DECEMBER 31, 2015 AND 2014

	Retiree Benefits Trust 2015	Retiree Benefits Trust 2014	Health Benefits Trust 2015	Health Benefits Trust 2014
Assets				
Cash and short-term investments	$ 878,152	$ 838,640	$ 643,401	$ 1,101,540
Accounts receivable	-	-	378,900	1,133,450
Interest receivable	139	9	13,731	14,148
Investments, at fair value				
Fixed income securities	15,882,237	15,228,550	2,843,640	2,156,510
Equity securities	12,436,500	12,612,282	-	-
Total assets	$ 29,197,028	$ 28,679,481	$ 3,879,672	$ 4,405,648
Liabilities				
Accounts payable	$ -	$ -	$ 390,307	$ 816,162
IBNR liability	-	-	1,871,000	2,410,000
Total liabilities	-	-	2,261,307	3,226,162
Net position held in trust for benefits	$ 29,197,028	$ 28,679,481	$ 1,618,365	$ 1,179,486

See notes to financial statements

	Retiree Benefits Trust 2015	Retiree Benefits Trust 2014	Health Benefits Trust 2015	Health Benefits Trust 2014
Additions				
Contributions				
Employer	$ 630,000	$ -	$ 17,233,208	$ 19,046,498
Plan members	-	-	4,965,414	5,097,490
Total contributions	630,000	-	22,198,622	24,143,988
Net investment (loss) income	(39,439)	2,064,707	31,665	58,105
Total additions	590,561	2,064,707	22,230,287	24,202,093
Deductions				
Insurance claim benefits	-	-	18,972,225	20,436,600
Change in IBNR	-	-	(539,000)	271,000
Administrative expenses	73,014	58,609	3,358,183	3,181,812
Total deductions	73,014	58,609	21,791,408	23,889,412
Net increase (decrease) in assets held in trust for benefits	517,547	2,006,098	438,879	312,681
Benefit plan net position, beginning of year	28,679,481	26,673,383	1,179,486	866,805
Benefit plan net position, end of year	$ 29,197,028	$ 28,679,481	$ 1,618,365	$ 1,179,486

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. The University is restricted by the State of Idaho statutes and Idaho State Board of Education policy in the types of investments in which it may invest.

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

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

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

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

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

Capital Assets — Capital Assets are stated at cost when purchased or constructed, or if acquired by gift, at the estimated fair value at the date of gift. For equipment, the University's capitalization policy includes all tangible items with a unit cost of $5,000 or more and an estimated useful life of greater than one year. Renovations to buildings, and land improvements that significantly increase the value or extend the useful life of the structure, are capitalized. Routine repairs and maintenance are charged to operating expense in the period in which the expense was incurred. Depreciation is computed using the straight-line, 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.

The University capitalizes intangible assets of $200,000 or greater in value that have an expected useful life of one year or longer. Depreciation on intangible assets is computed using the straight-line, 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.

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

Waivers — Tuition waivers, provided directly by the University for faculty and staff benefits, amounted $1,232,810 and $1,188,737 for the fiscal years ended 2016 and 2015, respectively.

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

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

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

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

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

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

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

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

Restricted—Expendable: Restricted expendable net position includes resources for which the University is legally or contractually obligated to spend 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:

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

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

Scholarship Discounts and Allowances — Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. 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 fiscal years 2016 and 2015 are $22,770,062 and $22,246,858 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 February 2015 the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement is an amendment of a number of previously issued GASB Statements. This Statement was required to be adopted for reporting periods beginning after June 15, 2015. It requires use of a three-level hierarchy of inputs of valuation to be disclosed for the University's investments in addition to its other footnote disclosures for investments. The University has adopted and disclosed these financial statement fair value requirements for the years ending June 30, 2016 and 2015.

Reclassifications — Certain items previously reported in the 2015 financial statements have been reclassified to conform to the current 2016 financial statement presentation. Such reclassifications had no effect on the previously reported change in net position.

2. CASH AND CASH EQUIVALENTS

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

3. INVESTMENTS

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

Investment of cash shall be restricted to:

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

In accordance with established investment policy, the University may invest in various mortgage-backed securities, such as collateralized mortgage obligations. These securities are recorded at fair value in the statement of net position. Investment income, including change in fair value of investments, is recognized as revenue in the statement of revenues, expenses and changes in net position.

Investments Measured at Fair Value

Per GASB Statement No. 72, Fair Value is described as an exit price. Fair value measurements assume a transaction takes place in a government’s principal market or a government’s most advantageous market in the absence of a principal market. The fair value also should be measured assuming that general market participants would act in their economic best interest. Fair value does not take into consideration transaction costs. The following tables classify the fair value of the University’s investments at June 30, 2016 and June 30, 2015 respectively:

Investment Securities Measure at Fair Value at June 30, 2016

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

Investment Securities Measure at Fair Value at June 30, 2015

		Fair Value Measurements Using		
	6/30/2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Money market funds/cash sweeps	$ 3,003,455	$ 3,003,455	$ -	$ -
Debt securities				
U.S. Government and agency obligations	$ 8,526,411	$ -	$ 8,526,411	$ -
Corporate obligations	55,373,355	-	55,373,355	-
Mortgage/asset backed securities	6,030,261	-	6,030,261	-
Total debt securities	$69,930,027	$ -	$ 69,930,027	$ -
Total investments by fair value	$72,933,482	$ 3,003,455	$ 69,930,027	$ -

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

Interest Rate Risk

Interest rate risk is defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as the risk a government may face should interest rate variances affect the fair value of investments. The University does not presently have a formal policy that addresses interest rate risk; however, it does incorporate weighted average maturity methodology in selecting and reporting its investments. As of June 30, 2016 and June 30, 2015 respectively, the University had the following investments subject to interest rate risk:

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

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

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

		Investment Maturities in Years				
Investment Type	**Total Fair Value**	**<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	$ -	$ -

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

Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. The University does not presently have a formal policy that addresses credit risk. (The credit risk ratings listed below are issued by standards set by Standard and Poor's.) As of June 30, 2016 and June 30, 2015 respectively, the University had the following investment credit risk:

Investment Securities Subject to Credit Risk at June 30, 2016

Credit Rating	Corporate Bonds	U.S. Government Agency Securities	Mortgage/Asset-Backed Securities	Money Market Mutual Funds	U.S. Government Securities	Total Investments
AAA	$ 3,102,563	$ 8,956,581	$ 5,405,559	$ 781,480	$ 437,091	$ 18,683,274
AA	20,391,827	-	567,354	-		20,959,181
A	35,583,047	-	2,669,016	-		38,252,063
Not rated	-	-	-	669,616	-	669,616
Total	$ 59,077,437	$ 8,956,581	$ 8,641,929	$ 1,451,096	$ 437,091	$ 78,564,134

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

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, 2016 and June 30, 2015, the University has the following concentration of credit risk:

Investment Securities Subject to Concentration of Credit Risk

	At June 30, 2016		At June 30, 2015	
	Total Fair Value	Percentage of Total Investments	Total Fair Value	Percentage of Total Investments
Federal National Mortgage Association (FNMA)	$ 4,405,959	5.60%	Less than 5% concentration	
Federal Home Loan Mortgage Corporation (FGLMC)	4,550,622	5.79%	5,103,812	7.00%
Total	$ 8,956,581	11.39%	$ 5,103,812	7.00%

Custodial Credit Risk

Custodial credit risk on investments is the risk that in the event of a failure of the counterparty, the University will not be able to recover the value of its investments that are in the possession of an outside party. The University does not presently have an investment policy that addresses custodial credit risk. At June 30, 2016 and June 30, 2015, 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 A grade or better. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, changes in the values of investments securities may occur in the near term and such changes could affect the amounts reported in the statements of financial position.

There is always existent risk and volatility in the domestic and international investment markets. Consequently, the fair value of the University's investments may be exposed to higher than typical price volatility which could result in a subsequent reduction in fair value of certain investments from the amounts reported as of June 30, 2016.

4. ACCOUNTS RECEIVABLE AND UNBILLED CHARGES

Receivables and unbilled charges consisted of the following at June 30, 2016 and June 30, 2015 respectively:

	2016	2015
Student tuition and fees,		
including Federal financial aid funds	$ 5,385,053	$ 7,595,526
Auxiliary enterprises	2,136,730	1,352,374
Educational activities	662,839	824,255
Federal appropriations	332,016	55,998
Grants and contracts	15,197,228	14,195,929
Due from Foundation	10,195,619	9,638,169
	$33,909,485	$33,662,251
Less allowance for doubtful accounts	(396,300)	(342,700)
Net accounts receivable and unbilled charges	$33,513,185	$33,319,551

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, 2016 and June 30, 2015. Under this Program, the federal government provides approximately 67% of the funding for the Program with the University providing the balance. The Program provides for the cancellation of a loan at rates of 12.5% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The federal government reimburses the University for amounts cancelled under these provisions.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The allowance for uncollectible loans was $2,183,878 for June 30, 2016 and $1,990,994 at June 30, 2015.

6. CAPITAL ASSETS

Capital assets at June 30, 2016 and 2015 consisted of the following:

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

In addition to accounts payable for construction in progress, the estimated cost to complete property authorized or under construction at June 30, 2016 is approximately $24,368,636. These CIP costs will be borne by the University and supplemented with additional funds provided by state appropriations, gifts, grants and contracts, and/or long-term borrowings.

	Balance July 1, 2014	Additions	Transfers	Retirements	Balance June 30, 2015
	Year ended 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

7. ACCOUNTS PAYABLE

Accounts payable consisted of the following at June 30, 2016 and 2015:

	2016	2015
Operating activities	$5,577,764	$5,101,255
Taxes payable	11,483	21,655
Total accounts payable and accrued liabilities	$5,589,247	$5,122,910

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 $2,812,059 for the year ended June 30, 2016 and $2,827,493 for the year ended June 30, 2015.

Future minimum lease payments on noncancellable leases at June 30, 2016 are as follows:

FY2017	$	2,777,464
FY2018		116,341
FY2019		98,847
FY2020		81,812
FY2021		75,782
Total future minimum obligation	$	3,150,246

9. LONG-TERM LIABILITIES

Long-term liability activity for years ended June 30, 2016 and 2015 is as follows:

	Ending Balance June 20, 2015	Additions	Reductions	Ending Balance June 20, 2016	Amounts Due Within One Year
Bonds, Notes and Capital Lease Obligations:					
Bonds Payable	$ 193,370,000	$ -	$ 4,505,000	$ 188,865,000	$ 5,140,000
Notes Payable	32,760	-	9,593	23,167	10,072
Capital Lease Obligatons	-	-	-	-	-
	$ 193,402,760	$ -	$ 4,514,593	$ 188,888,167	$ 5,150,072
Premium on Bonds	7,309,885		502,775	6,807,110	433,256
Totals	$ 200,712,645	$ -	$ 5,017,368	$ 195,695,277	$ 5,583,328

	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	569,666
Totals	$ 158,199,834	$ 70,193,526	$ 27,680,715	$ 200,712,645	$ 5,084,258

10. NOTES AND BONDS PAYABLE

Notes and bonds payable consisted of the following at June 30, 2016 and 2015:

Description	Balance Outstanding 2016	Balance Outstanding 2015
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.	34,635,000	34,835,000
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
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

Description	Balance Outstanding 2016	Balance Outstanding 2015
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.	55,795,000	56,895,000
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.	4,655,000	6,225,000

Description	Balance Outstanding 2016	Balance Outstanding 2015
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.	5,545,000	5,805,000
General Revenue Bonds, Series 2014, (original balance of $48,660,000) consisting of serial bonds commencing in 2017 maturing through 2033, plus interest from 2.00% to 5.00%, and term bonds due 2035, plus interst of 4.0%; 2039, plus interest of 5.25%; and 2045, plus interest of 4.00%. The bonds are collateralized by a pledge of all revenues of the University with the exception of general account appropriated funds of the State of Idaho and restricted gift and grant revenues. The Series 2014 were issued to (i) provde funds to finance the construction and equipping of a research center to be referred to as the Integated Research and Innovation Center (the "IRIC"), (ii) finance the renovation of the College of Education Building and other improvements at the University; and (iii) to pay costs of issuance associated with the Series 2014 Bonds.	48,660,000	48,660,000
General Revenue Refunding Bonds, Series 2015A, (original balance of $16,280,000) consisting of serial bonds commencing in 2017 maturing through 2026, plus interest from 2.00% to 5.00%. The bonds are collateralized by a pledge of all revenues of the University with the exception of general account appropriated funds of the State of Idaho and restricted gift and grant revenues. The Series 2015A bonds were issued to refund the Series 2005A General Revenue Refunding Bonds in the principal amount of $22,285,000 and to pay costs of issuance associated with the Series 2015A Bonds.	16,280,000	16,280,000
Other indebtedness, consisting of a note payable with the Economic Development Administration carrying interest rates ranging from 3.245% to 5.00% due through the year 2018.	23,167	32,760
Sub-total	188,888,167	193,402,760
Premium on Bonds	6,807,110	7,309,887
TOTAL BONDS & NOTES PAYABLE	**$ 195,695,277**	**$ 200,712,647**

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
2017	4,505,000	9,092,525	9,592	1,638
2018	5,140,000	8,802,552	10,072	1,158
2019	5,275,000	8,651,004	13,095	504
2020	5,520,000	8,167,241	-	-
2021	4,900,000	7,950,307	-	-
2022-2026	26,440,000	36,092,658	-	-
2027-2031	32,855,000	29,165,317	-	-
2032-2036	39,400,000	20,891,609	-	-
2038-2041	47,395,000	11,324,334	-	-
2042-2045	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, 2016 and 2015 are as follows:

	FY16	FY15
Source of Pledged Revenues		
Student Fees	$ 87,620,004	$ 89,409,083
Sales and Services Revenues	42,708,156	43,880,779
Other Operating Revenues	6,174,889	10,246,311
Investment Income	2,419,244	2,154,153
F&A Recovery Revenues	10,792,832	10,100,673
Total Pledged Revenues	$ 149,715,125	$ 155,790,999
Debt Service on the Recreation Center Bonds and Activity Center Bonds	27,423	27,423
Revenues Avaliable for Debt Service	$ 149,687,702	$ 155,763,576
Debt Service on Bonds	13,634,793	12,773,685
Debt Service Coverage	11.0	12.2

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 6/30/2016
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 199	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 ended 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 University's reported liability related to GASB Statement 45 is funded separately (i.e., not through the HBT) under a second trust, the "University of Idaho Retiree Benefits Trust" (RBT) as disclosed in Footnote 13 of these financial statements. The RBT only reports University resources transferred to it and held under it to make future benefit payments.

Investments Measured at Fair Value

The fair value of the HBT investments as of December 31, 2015 and December 31, 2014 respectively was as follows:

Investments at Fair Value at December 31, 2015

Investment Type	12/31/2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds/cash sweeps	$ 643,410	$ 643,410	$ -	$ -
Debt securities				
U.S. government agency securities	$ 1,506,539	$ -	$ 1,506,539	$ -
Corporate certificates of deposit	1,350,822	-	1,350,822	-
Total debt securities	$ 2,857,361	$ -	$ 2,857,361	$ -
Total investments by fair value	$ 3,500,771	$ 643,410	$ 2,857,361	$ -

Investments at Fair Value at December 31, 2014

Investment Type	12/31/2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds/cash sweeps	$ 1,101,540	$ 1,101,540	$ -	$ -

Interest Rate Risk

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

HBT Investments subject to interest rate risk were as follows at December 31, 2015 and 2014:

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

		Investment Maturity in Years				
Investment Type	**Total Fair Value**	**<1**	**1-5**	**6-10**	**11-15**	**>15**
Money market funds/cash sweeps	$ 643,401	$ 643,401	$ -	$ -	$ -	$ -
U.S. government agency securities	1,495,814	263,693	1,232,121	-	-	-
Corporate certificates of deposit	1,347,826	599,705	748,121	-	-	-
Total	$ 3,487,041	$ 1,506,799	$ 1,980,242	$ -	$ -	$ -

Investment Securities Subject to Interest Rate Risk at December 31, 2014

		Investment Maturity in Years				
Investment Type	**Total Fair Value**	**<1**	**1-5**	**6-10**	**11-15**	**>15**
Money market funds/cash sweeps	$ 1,101,540	$ 1,101,540	$ -	$ -	$ -	$ -
U.S. government agency securities	2,156,510	210,679	1,580,767	365,064	-	-
Corporate certificates of deposit	-	-	-	-	-	-
Total	$ 3,258,050	$ 1,312,219	$ 1,580,767	$ 365,064	$ -	$ -

Credit Risk

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

HBT Investments subject to credit risk were as follows at December 31, 2015 and 2014:

Investment Securities Subject to Credit Risk at December 31, 2015

Credit Rating	U.S. Government Agency Securities	Corporate Certificates of Deposit	Money Market Funds	Total Investments
AAA	$ 1,506,539	$ -	$ -	$ 1,506,539
Not Rated	-	1,350,822	643,410	1,994,232
	$ 1,506,539	$ 1,350,822	$ 643,410	$ 3,500,771

Investment Securities Subject to Credit Risk at December 31, 2014

Credit Rating	U.S. Government Agency Securities	Corporate Certificates of Deposit	Money Market Funds	Total Investments
AAA	$ 2,070,957	$ -	$ -	$ 2,070,957
Not Rated	99,683	-	1,101,558	1,201,241
	$ 2,170,640	$ -	$ 1,101,558	$ 3,272,198

Custodial Credit Risk

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

The financial statements of the HBT are audited annually on a calendar-year basis, and are publicly available via public records request by writing to: Office of the General Counsel, University of Idaho, 875 Perimeter Drive MS 3158, Moscow, ID 83844-3158.

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, 2015 and 2014 were as follows:

	2015	2014
Retirees and beneficiaries currently receiving benefits	42,657	40,776
Terminated employees entitled to but not yet receiving benefits	11,859	11,504
Active plan members	67,008	66,223
Total system members	121,524	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 $5,917,860 and $5,740,167 for the years ended June 30, 2016 and 2015 respectively.

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

At June 30, 2016 and June 30, 2015, the University reported a liability of $23,973,741 and $13,469,341 respectively for its proportionate share of the net pension liability. The net pension liability for each year was measured as of July 1, 2015 and 2014 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability for each year was based on the University's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At July 1, 2015 and 2014, the University's proportion was 1.81 and 1.83 percent, respectively. Since the prior measurement date the University's proportion of the collective net pension liability dropped by 0.02 percent.

For the years ended June 30, 2016 and 2015 respectively, the University recognized pension expense of $4,746,971 and $1,498,267. At June 30, 2016 and 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 8,766,910	$ 2,855,665
Changes in assumptions or other inputs	867,535	
Net difference between projected and actual earnings on pension plan investments		12,509,428
Change in proportion		287,131
University contributions subsequent to the measurement date , net	5,917,860	
Total	$ 15,552,305	$ 15,652,224

	June 30, 2015	
	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

$5,917,860 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2014 the beginning of the measurement period ended June 30, 2015 is 5.5 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 June 30	Pension Expense (Revenue)
2016	($2,443,566)
2017	(2,443,566)
2018	(2,443,566)
2019	1,773,598
2020	(173,549)

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, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.5 – 10.20%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1.0%

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, 2015 is based on the results of an actuarial valuation date of July 1, 2015.

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%

*Arithmetic return

Actuarial Assumptions	
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 Geometric Rate of Return, Net of Investment Expenses	**7.10%**

Discount Rate

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

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	$ 58,020,091	$ 23,973,741	$ (4,610,415)

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, 2016 the University had no payables related to legally-required employer or employee contributions due the defined benefit pension plan for fiscal year 2016 and 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, 2016, 2015 and 2014 were $14,916,862, $14,434,995, and $13,820,699, respectively, that consisted of $8,514,402 from the University and $6,402,460 from employees for 2016, $8,234,075 from the University and $6,200,920 from employees for 2015, and $7,829,148 from the University and $5,936,664 from employees for 2014.

For the ORP enrollees who opted to irrevocably migrate from PERSI to the ORP plan when the ORP was first implemented, although such enrollees in the ORP no longer belong to PERSI, the University is required by the State of Idaho to contribute supplemental payments to PERSI for these enrollees in the amount of 1.49% of the annual covered payroll. The University will be required to make these annual supplemental payments through July 1, 2025. During the three years ended June 30, 2016, 2015 and 2014, these supplemental funding payments made to PERSI were $1,370,490, $1,324,306, and $1,269,127 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, 2016, 2015 and 2014 were $87,380, $84,438, and $79,791, 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, 2016, 2015 and 2014 were $231,351, $243,583 and $260,373 respectively, that consisted of $140,620 from the University and $90,731 from employees for 2016, $159,675 from the University and $83,908 from employees for 2015, and $168,338 from the University and $92,035 from employees for 2014.

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

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

A. PLAN DESCRIPTION

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

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

post-employment benefits may be further established or amended by the University or the State Board of Education.

Funding for these benefits is comprised of both University and retiree contributions, combined with appropriated funding by the State of Idaho. The University determines the defined contribution costs that will be borne by its retiree plan participants, and the State of Idaho Legislature determines the amount of annual state appropriations that will be granted to the University for employee and retiree benefits, provided to the University as a fixed annual amount per full-time equivalent employee. The University allocates this appropriated sum to its various employee and retiree benefits, including the retiree health insurance program. The University solely bears the risk for adverse financial performance within the retiree health insurance program, subject to a cap of $200,000 per retiree per year, after which the University is reinsured. Retiree contribution rates through calendar year 2016 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 11 to these financial statements, do apply toward the funding of the RBT to meet the requirements of the Annual Contribution Rate ("ARC").

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

C. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

D. INVESTMENTS

Investments Measured at Fair Value

The fair value of the RBT investments as of December 31, 2015 and December 31, 2014 were as follows:

Investments at Fair Value at December 31, 2015

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

Investments at Fair Value at December 31, 2014

	12/31/2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Money market funds/cash sweeps	$ 838,649	$ 838,649	$ -	$ -
Bond mutual funds	$ 15,228,550	$ 15,228,550	$ -	$ -
Stock mutual funds	12,612,282	12,612,282	-	-
Combined debt and equity securities	27,840,832	27,840,832	-	-
Total investments by fair value	$ 28,679,481	$ 28,679,481	$ -	$ -

Interest Rate Risk

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

The investments of the RBT subject to interest rate risk as of December 31, 2015 and December 31, 2014 are as follows:

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

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

Investment Securities Subject to Interest Rate Risk at December 31, 2014

		Investment Maturity in Years				
Investment Type	**Total Fair Value**	**<1**	**1-5**	**6-10**	**11-15**	**>15**
Bond mutual funds	$ 15,228,551	$ 1,464,189	$ 3,953,415	$ 3,445,525	$ 751,724	$ 5,613,698
Total	$ 15,228,551	$ 1,464,189	$ 3,953,415	$ 3,445,525	$ 751,724	$ 5,613,698

Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. The RBT does not presently have a formal policy that addresses credit risk. (The credit risk ratings listed below are issued by standards set by Standard and Poor's.) As of December 31, 2015 and December 31, 2014 respectively, the RBT had the following investment credit risk:

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

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

Investment Securities Subject to Credit Rate Risk at December 31, 2014

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	Below B	Not Rated
Bond Mutual Funds	$ 15,228,551	$ 8,034,207	$ 1,589,469	$ 1,805,852	$ 2,489,810	$ 673,128	$ 409,247	$ 205,544	$ 21,294
	$ 15,228,551	$ 8,034,207	$ 1,589,469	$ 1,805,852	$ 2,489,810	$ 673,128	$ 409,247	$ 205,544	$ 21,294

Custodial Credit Risk

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

E. PLAN MEMBERSHIP, CONTRIBUTION AND FUNDING STATUS

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

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

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

The Entry Age Normal cost method and the Level Dollar amortization method have been utilized to actuarially calculate the University's Present Value of Benefits ("PVB"), Actuarial Accrued Liability ("AAL"), Annual Required Contribution ("ARC") and Annual OPEB Cost ("AOC") for the retiree health plan. Due to the University's establishment of the RBT to hold the funds required to finance its unfunded OPEB liability, the Unfunded Accrued Liability ("UAL") is amortized with interest over a 30-year period. All expected amortization payments are discounted to the end of the year. These actuarial calculations utilize an estimated discount rate of 6.00% and an estimated salary inflation rate of 3.00%. The discount rate of 6.00% is based upon the University's historical and long-term expected investment returns on the trust that has been established to fund these future benefits. All retiree medical, prescription drug, dental, sick pay conversion and life insurance benefits are included in the University's actuarial calculations. The results of these calculations for fiscal year ending June 30, 2016 are summarized as follows:

	Entry Age Normal Level Dollar Cost Method
Present Value of Benefits (PVB)	$62,596,000
Actuarial Accrued Liability (AAC)	58,201,000
Annual Required Contribution (ARC)[1]	2,711,000
Estimated Pay-As-You-Go Contributions[2]	2,502,000
Contributions to Qualifying Trust	249,000
Total Actual Annual Contributions	2,751,000
Net Annual OPEB Cost (AOC) - Funding Excess for Fiscal Year Ending June 30, 2016	(1,000)
Total Actual Annual Contributions as % of ARC	101.5%

[1]The ARC reflects a 30-year level dollar amortization of the unfunded AAL. The amortization also reflects interest at the discount rate.
[2]Net of retiree contributions and allocated to benefits based on expected with medical as a balancing item.

Annual OPEB Cost (AOC)

The University's Annual OPEB cost at June 30, 2016 is calculated as follows:

	Fiscal Year Ending June 30, 2016				
	Medical	Dental	Life	Sick Pay	Total
ARC	$ 2,037,000	$ 8,000	$ 142,000	$ 524,000	$ 2,711,000
Adjustment to ARC	174,000	-	-	-	174,000
Interest on the Net Obligation	(135,000)	-	-	-	(135,000)
Annual OPEB Cost	$ 2,076,000	$ 8,000	$ 142,000	$ 524,000	$ 2,750,000

Net OPEB Asset

The University's Net OPEB Asset as of June 30, 2016 is calculated as follows:

	Fiscal Year Ending June 30, 2016				
	Medical	Dental	Life	Sick Pay	Total
AOC Needed	$ 2,076,000	$ 8,000	$ 142,000	$ 524,000	$ 2,750,000
AOC Contributed	2,077,000	8,000	142,000	524,000	2,751,000
% of AOC Contributed	100%	100%	100%	100%	100%
Net OPEB (Assets) at June 30, 2015	(2,258,000)	-	-	-	(2,258,000)
Change in Net OPEB (Assets)	(1,000)	-	-	-	(1,000)
Net OPEB (Assets) at June 30, 2016	$ (2,259,000)	$ -	$ -	$ -	$ (2,259,000)

Funded Status, Utilizing Entry Age Normal Cost Method and Level Dollar Amortization Method of UAAL – As of June 30, 2016:

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

[1]Includes interest to year end.

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

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

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

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

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

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

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, 2016 and 2015:

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

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	$ 50,494,665	$ 59,219,821	$ 22,240,679	$ 14,486,328	$ 21,131,685	$ 24,391,156	$ 9,499,268	$ 364,536,256

15. CONTINGENCIES AND LEGAL MATTERS

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

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

16. RISK MANAGEMENT

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

In July 2014 the University became self-insured for its Worker's Compensation coverage. The University utilizes a third-party administrator to adjudicate its claims and make payments under this coverage. The University maintains two separate bank accounts for its self-insured program, a $500,000 reserve account as well as a separate account for ongoing claims processing and payments. The University provides for estimated losses to be incurred for reported and unreported worker's compensation claims based on individual case estimates and historical data adjusted for current trends. Liability claims have not exceeded the maximum amount of self-insurance per claimant in the past year. Self-insured Worker's Compensation balances at year-end June 30, 2016 and 2015 were as follows:

For the Year Ended June 30, 2016

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

For the Year Ended June 30, 2015

	Beginning Balance	Claims Incurred	Claims Paid	Ending Balance
Worker's Compensation Self-Insured Liabilities	$ -	$ 425,906	$ 173,636	$ 252,269

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 facilitate the solicitation and management of gifts for the benefit 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, 2016 and 2015 are as follows:

INVESTMENTS—Investments represent the largest asset of the Foundation making up 90% and 91% of the total assets at June 30, 2016 and 2015, respectively. 83% and 85%, respectively, of those assets are owned by the Consolidated Investment Trust (CIT) which was established by the Regents of the University of Idaho in 1959 to pool the endowment funds.

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

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

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

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

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

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

The Foundation's commingled funds are held in an investment trust that invests in debt securities. The trust's investment objective is to outperform the Barclays U.S. Government/Credit Index. The trust may invest in out-of-benchmark securities in order to provide value and diversification. The fair value has been determined using the net asset value (NAV) per share.

The Foundation's private equity limited partnerships are invested in real estate, venture funds, and international funds. The fair values have been determined using the NAV per share. The fair value of the private equity limited partnerships have no readily ascertainable market prices. Similar to real estate, costs closely approximate fair value of recent acquisitions. Therefore, the fair value of private equity limited partnership investments are based on the valuations as presented in the funds December 31st audited financial statements. Generally, the companies within a fund are valued by the general partner, taking into account many factors such as the purchase price, estimated liquidation value, significant events like initial public offerings, bankruptcies, and additional rounds of financing, and other relevant factors. The fair value may differ significantly from the values that would have been used had a ready market for the investments existed. Although these differences could be material to the individual Foundation values, private equity only represents 5.58% of total investments.

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

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

	Number of Investments	Principal Valuation Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
As of June 30, 2015					
Private Equity	8	$ 14,999,806	$ 8,205,469	-	-
Total		$ 14,999,806	$ 8,205,469		

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

At June 30, 2016, the fair value of restricted and unrestricted investments was $262,904,995 and $5,840,818, respectively. At June 30, 2015 the fair value of restricted and unrestricted investments was $261,204,795 and $4,834,436, respectively.

The following table represents the fair value of investments by type at June 30, 2016 and 2015 respectively:

Investment Type	2016	2015
U.S. Government Agency Obligations	$ 4,338,623	$ 4,695,607
Corporate Debt	23,528,004	47,392,623
U.S. Treasuries	2,528,239	17,136,362
Common Stock	60,461,421	117,424,123
International Equity Funds	21,718,245	16,249,113
Mutual Funds	122,995,028	47,542,761
Comingled Funds	17,867,102	-
Private Equity	14,994,647	14,999,806
Preferred Stock	199,373	484,608
Muinicipal Securities	115,131	114,228
	$ 268,745,813	$ 266,039,231

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

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
As of June 30, 2016			
Equity Investments			
Common stock	$ 82,179,666	$ -	$ -
Preferred stock	199,373	-	-
Mutual funds	79,102,539	-	-
Fixed income investments			
Corporate bonds	-	23,643,135	-
U.S. government agency obligations	-	6,866,862	-
Mutual funds	43,892,489	-	-
	$ 205,374,067	$ 30,509,997	$ -

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
As of June 30, 2015			
Equity Investments			
Common stock	$ 133,673,236	$ -	$ -
Preferred stock	484,608	-	-
Mutual funds	31,872,302	-	-
Fixed income investments			
Corporate bonds	-	47,506,851	-
U.S. government agency obligations	-	21,831,969	-
Mutual funds	15,670,459	-	-
	$ 181,700,605	$ 69,338,820	$ -

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

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

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

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, 2016:

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

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

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.
- Not more than 30% of the total portfolio may be invested with any one investment manager regardless of the number of funds with that manager.

At the end of 2016 and 2015, the Foundation was in compliance with the policy addressing concentration of credit risk.

Custodial Credit Risk

The custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Foundation will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Foundation minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be clearly marked as to Foundation ownership and further to the extent possible, be held in the Foundaton's name. At June 30, 2016 and 2015 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, 2016 and 2015 respectively:

Currency Type		June 30, 2016 Fair Value	June 30, 2015 Fair Value
AUD	Australia	$ 1,684,575	$ 1,761,410
BRL	Brazil	956,915	1,038,135
CAD	Canada	469,012	335,203
CHF	Switzerland	2,407,523	3,219,288
CLP	Chile	175,984	177,511
CNY	China	1,605,858	2,305,695
EUR	Euro	5,100,981	3,838,430
GBP	Great Britain	4,577,049	6,711,114
HKD	Hong Kong	3,053,870	3,742,499
IDR	Indonesia	340,970	302,829
ILS	Israel	142,416	46,089
INR	India	1,429,873	1,089,507
JPY	Japan	3,798,630	2,736,885
KRW	Korea	1,539,863	1,803,806
MXN	Mexico	637,943	697,724
MYR	Malaysia	450,960	433,909
NOK	Norway	241,011	71,229
PHP	Philippines	153,986	159,628
PLN	Poland	186,983	237,507
RUB	Russia	263,977	331,140
SEK	Sweden	354,708	686,396
SGD	Singapore	755,583	1,473,065
THB	Thailand	395,965	350,915
TRY	Turkey	197,982	205,038
TWD	Taiwan	1,627,856	1,779,403
ZAR	South Africa	912,919	989,625
Various	Various	230,539	256,386
		$ 33,693,931	$ 36,780,366

DISTRIBUTIONS TO UNIVERSITY OF IDAHO AND AFFILIATES

During fiscal years 2016 and 2015, earnings from endowments invested in the CIT, direct gifts and other revenues to the Foundation were distributed as follows:

	2016		2015	
	CIT Endowment Income	Gifts and Other Revenues	CIT Endowment Income	Gifts and Other Revenues
Scholarships	$ 6,242,674	$ 2,960,061	$ 5,871,545	$ 3,182,855
Student loans	187,383	-	185,179	-
Building funds	-	1,270,012	-	636,093
University of Idaho College and Department Operating Accounts				
Academic Excellence	504,050	22,848	490,820	-
Agricultural and Life Sciences	457,538	1,715,506	426,733	1,383,650
Art and Architecture	14,641	218,443	14,417	143,942
Athletics	60,117	1,293,719	58,434	932,157
Business and Economics	393,287	414,013	385,488	538,183
Education	49,792	413,268	49,045	319,066
Engineering	225,019	591,632	175,743	636,702
Law	232,482	218,005	228,706	756,042
Letters, Art and Social Science	628,709	245,993	590,564	452,714
Library	182,692	135,687	180,277	44,083
Natural Resources	368,497	296,991	356,598	548,784
Science	201,762	433,678	192,344	426,420
Other departments	452,405	922,568	446,900	762,872
Life beneficiaries	35,198	-	50,800	-
University of Idaho affiliates	410	17,449	405	26,333
Total Distributions	$ 10,236,656	$ 11,169,873	$ 9,703,998	$ 10,789,896

DONOR RESTRICTED ENDOWMENTS

The Foundation receives certain gift assets that are restricted for endowment purposes, and by definition the original gift amount will be held in perpetuity for the benefit of the University. Restriction requirements for principal preservation is addressed by Idaho statute, and is applicable lacking any further guidance from the individual gift agreement. During the fiscal years ended June 30, 2016 and 2015, $6,248,025 and $7,555,053 was contributed to endowments, respectively.

The Foundation Board of Directors establishes a spending rate annually for endowments. The approved fiscal year 2016 and 2015 spending rate was set at 4.4% of the three-year rolling average of the CIT's monthly fair market value.

During the fiscal year ended June 30, 2016 and 2015, the endowments held by the Foundation had net appreciation (depreciation) on donor-restricted endowments of $(2,396,296) and $(6,350,568) 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 fiscal year 2015. 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 fiscal year 2014. As a result, the beginning of 2014 was not restated for deferred inflows of resources, deferred outflows of resources, net pension liability and pension expense. Since the restatement of the beginning of fiscal year 2014 is not practical, the cumulative effect of applying this Statement is reported as a restatement of ending 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

	2016	2015
University's portion of net pension liability	1.81%	1.83%
University's proportionate share of the net pension liability	$ 23,973,741	$ 13,469,341
University's covered employee payroll	52,317,861	50,667,755
University's proportional share of the net pension liabiliy as a percentage of its covered employee payroll	45.82%	26.58%
Plan fiduciary net position as a percentage of the total pension liability	91.38%	94.95%

Data reported is measured as of July 1, 2015 and July 1, 2014 (measurement dates)

Schedule of University Contributions
PERSI - Base Plan

	2016	2015
Statutorialy-required contribution	$ 5,917,860	$ 5,735,586
Contributions in relation to the statutorily-required contribution	5,917,860	5,735,586
Contribution (deficiency) excess	$ -	$ -
University's covered-employee payroll	52,317,861	50,667,755
Contributions as a percentage of covered-employee payroll	11.31%	11.32%

Schedule of Funding Progress
Retiree Benefits Trust

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

MOSS ADAMS LLP
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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 unit, and the aggregate remaining fund of the University, as of and for the year ended June 30, 2016, 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 30, 2016. 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.

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* *(CONTINUED)*

Internal Control Over Financial Reporting (continued)

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

Compliance and Other Matters

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

Purpose of this Report

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

Moss Adams LLP

Portland, Oregon
September 30, 2016