University of Idaho

FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017 AND REPORT OF INDEPENDENT AUDITORS

University of Idaho

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Report of Independent Auditors

Idaho State Board of Education
University of 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, the University of Idaho Foundation (Foundation), as of and for the years ended June 30, 2018 and 2017, 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, 2017 and 2016, 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 an opinion on these financial statements based on our audit. We did not audit the financial statements of the University of Idaho 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 11%, 4%, and 92%, of the assets, net position and revenues of the aggregate remaining fund information, respectively. Those statements were audited by other auditors whose reports have 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University, and its discretely presented component unit, as of June 30, 2018 and 2017, and the aggregate remaining fund information of the University, as of December 31, 2017 and 2016, 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.

Emphasis of Matters

In the year ended June 30, 2018, the University adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which modified the presentation of the financial statements by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, GASB Statement 75 requires disclosure of information related to OPEB. As discussed in Note 1 to the financial statements, the adoption of GASB Statements 74 and 75 resulted in the restatement of beginning net position. Our opinions are not modified with respect to this matter.

As discussed in Note 19, the University of Idaho has restated its 2017 financial statements to correct errors in its prior accounting for certain general and law library additions previously capitalized and the corresponding accumulated depreciation and expense. Our opinions are not modified with respect to this matter.

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 21, the schedules of the University's proportionate share of net pension liability – PERSI base plan, University contributions – PERSI base plan on page 82, the Schedule of Changes in Net OPEB Liability on page 83, and the Schedule of OPEB Contributions on page 84, 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.

Moss Adams LLP

Portland, Oregon
November 7, 2018

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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, June 30, 2018.

The discussion and analysis that follows provides an overview of the University's financial activities for the fiscal year ended June 30, 2018 in comparison to 2017 and 2016. 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 goods and 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 No. 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 Statements 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans", and 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", 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 the Vice President for Finance and Administration for the University of Idaho. 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 year-end. 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 its 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)

	2018	2017 (Restated)	2016 (Restated)
ASSETS			
Current assets	$ 47,625	$ 68,831	$ 72,015
Capital assets - net	424,518	427,304	421,480
Other noncurrent assets	102,595	96,404	108,395
Total assets	$ 574,738	$ 592,539	$ 601,890
Deferred Outflows of Resources	$ 14,247	$ 18,562	$ 8,660
Total assets and Deferred Outflows	$ 588,985	$ 611,101	$ 610,550
LIABILITIES			
Current liabilities	$ 36,057	$ 34,820	$ 44,313
Noncurrent liabilities	241,055	220,667	214,086
Total Liabilities	$ 277,113	$ 255,487	$ 258,399
Deferred Inflows of Resources	$ 16,154	$ 4,090	$ 6,885
Total Liabilities and Deferred Inflows	$ 293,267	$ 259,577	$ 265,284
NET POSITION			
Net investment in capital assets	$ 243,910	$ 241,967	$ 242,220
Restricted nonexpendable	-	-	-
Restricted expendable	35,790	39,605	36,162
Unrestricted	16,018	69,952	66,884
Total net position	$ 295,718	$ 351,524	$ 345,266
Total liabilities, deferred inflows of resources and net position	$ 588,985	$ 611,101	$ 610,550

Total assets and deferred outflows of resources for the University fiscal year 2018 (FY18) were $589.0 million, a decrease of $22.1 million (-3.6 %) compared to prior year. Fiscal year 2017 (FY17) ending total assets and deferred outflows of resources of $611.1 million increased $0.6 million from the ending fiscal year 2016 (FY16) balance of $610.5 million.

Current assets decreased $21.2 million (-30.8%) from fiscal year 2017 (FY17) due to a decrease in cash/cash equivalents. This decrease in cash was attributable to a number of factors. FY18 net sales and services revenues of auxiliary enterprises were down $10.4 million. FY18 expenses for employee salaries and benefits increased $25.3 million due to market-based salary adjustments combined with higher health insurance and worker's compensation costs. These increased expenses were partially offset by a $1.4 million decrease in supplies costs. Finally, FY18 scholarship expenses increased $2.2 million in FY18.

Current assets decreased in FY17 compared to FY16 by $3.2 million, primarily due to a $2.5 million decrease (-7.3%) in accounts receivable and unbilled charges. This decrease was attributable to the combination of improved collections on student accounts and lower year-end accruals of grants and contracts revenues.

Capital assets decreased in FY18 from $427.3 million at year-end FY17 to $424.5 million at year-end FY18, a decrease of $2.8 million (-0.7%). At year-end FY18, the University discovered it had been incorrectly capitalizing over an extended number of years certain subscriptions purchased by the University's general and law libraries. Due to the magnitude of these expenditures, the University was required to restate its financial statements. The effect of these restatements was to reduce the University's capital assets, its net position related to investments in capital, and its unrestricted net position. Further detail can be found in footnote 19 of the accompanying financial statements.

Increased year-end FY18 accumulated depreciation of $446.9 million (+$21.6 million, +5.1%) outpaced the FY18 growth in the gross value of capital assets (+$18.8 million, +2.2%). This increase was driven by growth in annual depreciation expense related to College of Education and IRIC projects going live in FY17.

FY17 restated net capital assets increased by $5.8 million (+1.4%) over FY16's restated amount, to a total of $427.3 million. This increase was attributable to the College of Education and IRIC projects coming online in FY17.

FY18 other noncurrent assets increased by $6.2 million (+6.4%) to $102.6 million from year-end FY17. This increase was driven by increased restricted cash related to receipt by the University of $10.0 million from a naming rights agreement between the University and the Idaho Central Credit Union (ICCU) which was entered into by the parties in FY18. In exchange for the up-front receipt of this $10.0 million amount, the University has provided ICCU with the naming rights for a 35-year period for the University's planned construction of a 62,000 square-foot, 4,200 seat multi-use arena. The $10.0 million will be used by the University to cover a portion of the construction costs. The groundbreaking for this project is expected to take place in late fiscal year 2019 (FY19) with occupancy expected in early fiscal year 2022 (FY22). Until construction drawdowns begin to utilize these funds, the University has invested the $10 million with the University of Idaho Foundation. FY17 other noncurrent assets had decreased by $12.0 million (-11.1%) to $96.4 million from their year-end FY16 balance. This decrease in FY17 related to the final spend-down of restricted bond proceeds which funded the College of Education and IRIC projects. Those proceeds had been provided through the University's issuance of its Series 2014 bonds.

Due to the aforementioned factors, the University's total assets at year-end FY18 decreased by $17.8 million to

$574.7 million (-3.0%) from year-end FY17. FY17 year-end total assets decreased $9.4 million to $592.5 million (-1.6%) from year-end FY16.

FY18 deferred outflows of resources decreased by $4.3 million (-23.3%) to $14.2 million due primarily to annual changes in actuarial assumptions related to the State of Idaho's Public Employee Retirement System of Idaho (PERSI) retirement plan. PERSI is a defined-benefit plan in which certain University employees participate. The University makes required annual contributions for its covered employees to this plan, although the plan is ultimately administered by PERSI for all covered State of Idaho and related-agency employees. Year-to-year aggregate PERSI results can demonstrate volatility related to changes in participation rates and demographics, investment performance of assets held, and changes in other actuarial assumptions related to the plan. The University's portions of the aggregate PERSI net pension liability and related components for the University's fiscal years 2018, 2017 and 2016 were 1.851%, 1.789% and 1.809% respectively. At year-end FY18, the University's portion of PERSI deferred outflows of contributions and changes in actuarial assumptions decreased to $12.1 million from year-end FY17 balances of $16.7 million (-$4.6 million, -27.8%). The FY17 year-end deferred outflows balance increased by $9.9 million (+143.4%) from the year-end FY16 balance of $8.7 million. In addition to these changes in balances for the University in FY18, due to the University's adoption of GASB Statements 74 ("*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*") and 75 ("*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*"), the University was required to record the net liability and related components for its other post-employment benefits (OPEB) related to its retiree health care plan. The University recorded deferred outflows of resources related to this obligation in FY18 of $615,000, an increase in year-end balance for which no corresponding balance existed in either FY17 or FY16. One final component of the University's deferred outflows of resources at year-end FY18 is the balance of its deferred amounts on bond refunding activities of $1.6 million. The year-end balance of these amounts for FY17 and FY16 were $1.8 million and $1.9 million respectively.

Total FY18 year-end liability balances were $277.1 million, an increase of $21.6 million (+8.5%) from their FY17 ending balances of $255.5 million. FY17 year-end liability balances decreased $2.9 million (-1.1%) from their year-end FY16 balances of $258.4 million.

FY18 year-end current liabilities balances increased to $36.1 million (+$1.2 million, +3.6%) from their FY17 ending balances of $34.8 million. This increase was related to a $1.5 million increase in accrued salaries and benefits payable. Other FY18 variances in current liabilities compared to FY17 were a decrease in accounts payable balances of $0.8 million (-18.0%) to $4.0 million, related to slight reductions in a number of payable balances, an increase of $0.6 million (+8.4%) to $7.7 million in compensated absences payable due to increased applicable base pay and accrued hours, and a decrease of $0.6 million (-8.5%) in unearned revenue due to lower summer session revenues.

Current liabilities decreased $9.5 million (-21.4%) to $34.8 million in fiscal year 2017. Accounts payable decreased $0.7 million due to lower year-end FY17 accrued construction costs of $2.0 million, offset by increased accruals for VandalStore, food service, IRIC, EPSCoR (the National Science Foundation's "Experimental Program to Stimulate

Competitive Research"), and other smaller operations totaling $1.3 million. Accrued salaries and benefits decreased by $8.6 million from $13.9 million to $5.3 million in FY17. Accrued salaries were $7.6 million lower at June 30, 2017 due to a shorter accrual period (one less pay period required accrual at fiscal year-end 2017 (FYE17). Accrued benefits of $4.4 million decreased $1.0 million due to decreased employer payroll taxes on the lower payroll accrual.

FY18 noncurrent liabilities increased by $20.4 million (+9.2%) to $241.1 million from their FY17 ending balances of $220.7 million. The long-term portion of notes and bonds payable decreased to $178.4 million from $184.4 million at year-end 2018, a decrease of $6.0 million. In February 2018, the University refunded its outstanding Series 2007B bonds on a current basis through the issuance of its Series 2018A bonds. This transaction resulted in reducing the outstanding bond balance for these affected bonds from $34.2 million to $29.1 million (reduction of $5.1 million, -14.9%) due to the Series 2018A bonds being sold at a $5.4 million premium. The effective interest rate on this portion of the University's long-term debt was reduced from 4.25% to 2.61% as a result of this transaction. In addition the issuance of the Series 2018A bonds eliminated a previously-required liquidity facility associated with the Series 2007B bonds, and leveled out the ongoing long-term debt service of the University. The other significant increase in FY18 noncurrent liabilities related to the required recognition of the University's long-term OPEB obligation resulting from its adoption of GASB Standards 74 and 75, as previously mentioned in discussion of the FY18 change in deferred outflows of resources. Under the previous GASB Standard 45, the University had recognized an OPEB asset of $2.7 million due to the 30-year amortization (recognition) period associated with that GASB standard. Statements 74 and 75 require the full recognition on a current basis of the University's net OPEB obligation. The actuarial valuation of this amount is performed on a calendar-year basis, so the University recorded a net OPEB obligation of $33.3 million as of December 31, 2017. Offsetting the University's increase in its net OPEB obligation was a significant decrease in its net pension liability associated with the State of Idaho PERSI retirement system. The University's net pension liability decreased in FY18 by $7.2 million (-19.8%) to $29.1 million at year-end. Further discussion of this long-term liability is found in the following paragraph relating to PERSI performance in FY17.

Noncurrent liabilities at year-end FY17 increased $6.6 million (+3.1%) to $220.7 million over the prior year total of $214.1 million. FYE17 notes and bonds payable decreased by $5.7 million from FYE16 due to debt service payments made during the year with no issuance of new debt by the University in FY17. Additionally, the University's portion of the PERSI FY16 net pension liability (the PERSI plan's measurement date lags by one fiscal year) increased by $12.3 million (+51.3%) from $24.0 million at fiscal year-end 2016 (FYE16) to $36.3 million at FYE 17. This was due to PERSI's significantly lower investment income in FY16 when compared to FY15 (-44.8%), combined with increased benefits costs of 6.8% for that same time period.

FY18 deferred inflows of resources of $16.2 million increased by $12.1 million (+295.0%) over the ending FY17 balances. The largest contributor to this increase was the University's receipt of $10.0 million from the Idaho Central Credit Union in payment for the naming rights agreement related to construction of the University's Arena project as discussed previously in the noncurrent asset section of this narrative. This $10.0 million receipt is considered a deferred inflow resources to the University due to (1) these monies not being utilized until actual construction of the

Arena, and (2) the 35-year life of this agreement contractually commits the University to upkeep and operation of the Arena for that time span. The 35-year period begins upon completion and occupancy of the Arena. In addition, the deferred inflows related to the PERSI pension plan previously discussed contributed to an increase of $0.6 million at fiscal year-end 2018 (FYE18). Finally, $1.4 million of the FY18 year-end increase in deferred inflows of resources related once again to the adoption of GASB Standards 74 and 75 as applicable to the University's OPEB retiree health insurance plan.

Deferred inflows of resources of $4.1 million at FYE 17 decreased by $2.8 million (-40.6%) from the FYE 16 balance of $6.9 million, due to changes in actuarial/investment experience and changes in assumptions related to the Idaho PERSI fiscal year 2016 plan performance.

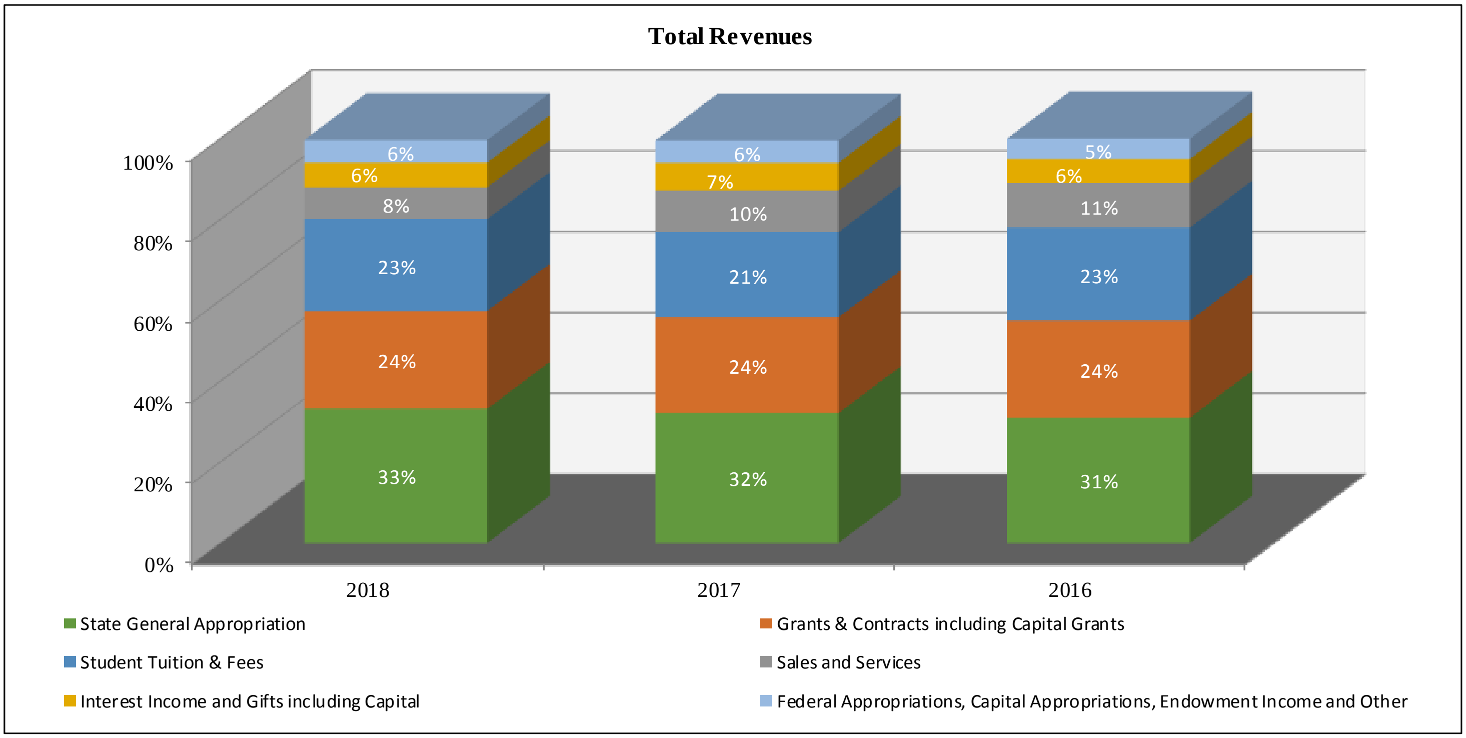
The University's net position decreased by $55.8 million (-15.9%) to $295.7 million for the year ended June 30, 2018 from its restated FY17 total of $351.5 million. Unrestricted net position decreased by $54.1 million to $16.0 million (-77.2%) as of year-end 2018 due to the unrestricted portion (-$19.2 million) of the aggregate loss for FY18, combined with the cumulative negative effect of the adoption of GASB 74/75 of -$34.7 million. Restricted expendable net position decreased by $3.8 million to the year-end total of $35.8 million. Net investment in capital assets increased by $2.1 million to $243.9 million at June 30, 2018, after prior year restatements. FY17 total net position increased by $6.3 million (+1.8%) to $351.5 million compared to the total net positon balance at fiscal year-end 2016 of $345.3 million, again after prior year restatements.

Statement of Revenues, Expenses and Changes in Net Position

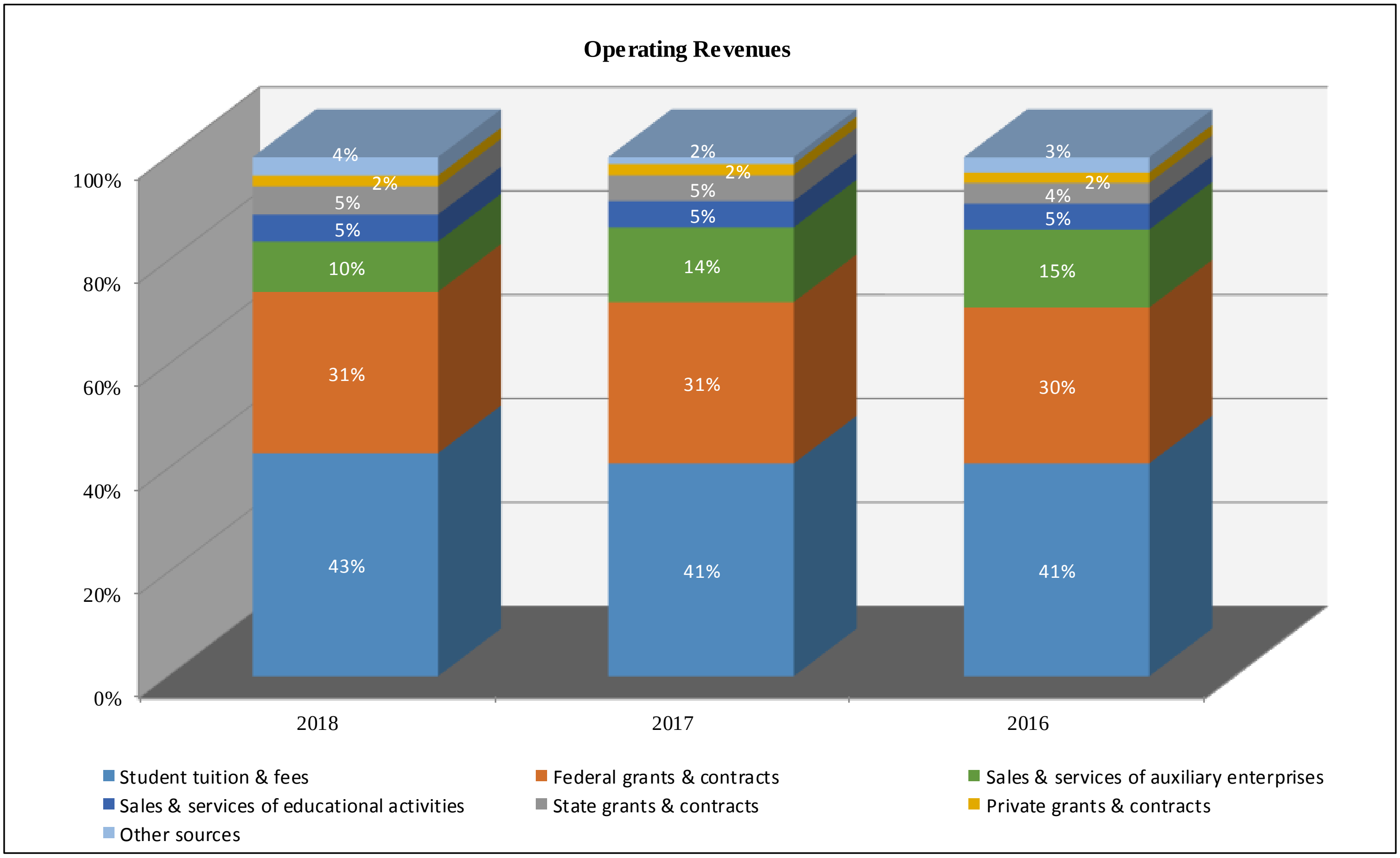
The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year, classifying activities as either operating or non-operating. The GASB 34 reporting model classifies state appropriations, gifts, federal appropriations, and investment income 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 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 2018, as shown in the chart below, state appropriations account for 33% of the total revenue received while grants and contracts including capital grants account for 24%, and student tuition and fees are 23% of the total. Comparable percentages for FY17 were, respectively, 32%, 24% and 21%, while FY16 percentages were 31%, 24% and 23%.



When isolating the review to only operating revenues, as shown in the graph below, approximately 84% of total operating revenues in fiscal year 2018 were generated from three key revenue sources. Student tuition and fees account for 43% of total operating revenues while federal grants and contracts account for 31%, and sales and services of auxiliary enterprises account for 10%. All other categories account for 5% or less. The comparable percentages for these three sources for FY17 were 41%, 31% and 14%, while FY16's percentages were 41%, 30% and 15%. These comparisons point to the fact that in terms of major revenue sources, the University has stable and relatively consistent revenue streams from year-to-year.



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

	2018	2017 (Restated)	2016 (Restated)
Operating revenues	$ 214,018	$ 215,985	$ 212,592
Operating expenses	418,389	398,210	375,400
Operating loss	(204,371)	(182,225)	(162,808)
Net nonoperating revenues	178,460	176,306	173,193
Gain (loss) before other revenues	(25,911)	(5,919)	10,385
Other revenues	4,845	12,177	10,051
Increase In Net Position	(21,066)	6,258	20,436
Net Position - Beginning of year (As restated, Note 19)	351,524	345,266	324,830
Cumulative effect implementing GASBS 74 & 75 (Note 20)	(34,740)	-	-
Net Position - Beginning of year (as fully restated)	316,784	345,266	324,830
Net Position - End of year	$ 295,718	$ 351,524	$ 345,266

The statement of revenues, expenses and changes in net position details the $55.8 million decrease in net position for fiscal year 2018. $34.7 million of this decrease was attributable to the cumulative effect of the University's FY18 adoption of GASB Statements 74 and 75 which required current recognition of the University's net liability for its retiree health insurance plan (OPEB). Refer to Footnote 20 for discussion and further detail of the effect of adoption of these statements. The remaining $21.1 million portion of the decrease related to the combined effect of lower revenues and increased expenses for the University in FY18. After the prior year net position restatements as discussed in Footnote 19, the previous years' changes in the University's net position were an increase of $6.3 million in FY17 and an increase of $20.9 in FY16.

Total operating revenues decreased slightly by 0.9% from $216.0 million in FY17 to $214.0 million in FY18. Student tuition and fees, net of scholarship allowance, increased $5.6 million to $92.0 million (+6.5%). This increase was due in part to an average rate increase of 3.5% approved for FY18 by the Idaho State Board of Education. This increase was slightly higher than the 3.0% Board-approved increase in FY17. Combined undergraduate and graduate student headcount enrollments experienced a 2.5% increase in the fall of 2017 over fall 2016 to 12,072 students, and corresponding spring 2018 enrollments increased 2.8% from their spring 2017 level to 10,832 students. However, as with fall 2016 (FY17), the fall 2017 headcount increases were driven primarily by dual-credit enrollments of high-school students, so the related full-time equivalent (FTE) fall 2017 enrollments increased only 0.1% to 9,433, although spring 2018 FTE enrollments increased by 1.8% to 8,758 from FY17. Total graduate enrollments increased both fall (2,051 total students, +1.5%) and spring (2,033 total students, +4.2%) semesters in FY18 compared to FY17. In particular, enrollments in master's programs, law school and first-year medical students in the Washington-Wyoming-Alaska-Montana-Idaho (WWAMI) program saw increases in both semesters compared to prior year. University of Idaho leadership remains committed to effecting strategies for increasing future enrollments at all levels within the University.

With respect to fiscal year 2017, total student headcount enrollments in both undergraduate and graduate levels experienced a 2.1% increase in the fall of 2016 over fall 2015 to 11,780 students, and corresponding spring 2017 enrollments increased 0.9% from their spring 2016 level to 10,535 students. Fall 2016 headcount increases were driven by dual-credit enrollments of high-school students, so the related full-time equivalent (FTE) fall 2016 enrollments were down 2.0% to 9,422, although spring 2017 FTE enrollments decreased by 0.7% to 8,605 from FY16. FY 17 enrollments were down in both semesters for undergraduate and law school students, but increased for graduate students as well as first-year medical school students enrolled in the Washington-Wyoming-Alaska-Montana-Idaho (WWAMI) program. Other factors decreasing net tuition and fee revenues in FY17 were an increase in waivers of $0.8 million (+5.0%) to $17.5 million for the year, as well as an increase in the scholarship allowance during the year of $1.3 million (+5.8%) to $24.1 million.

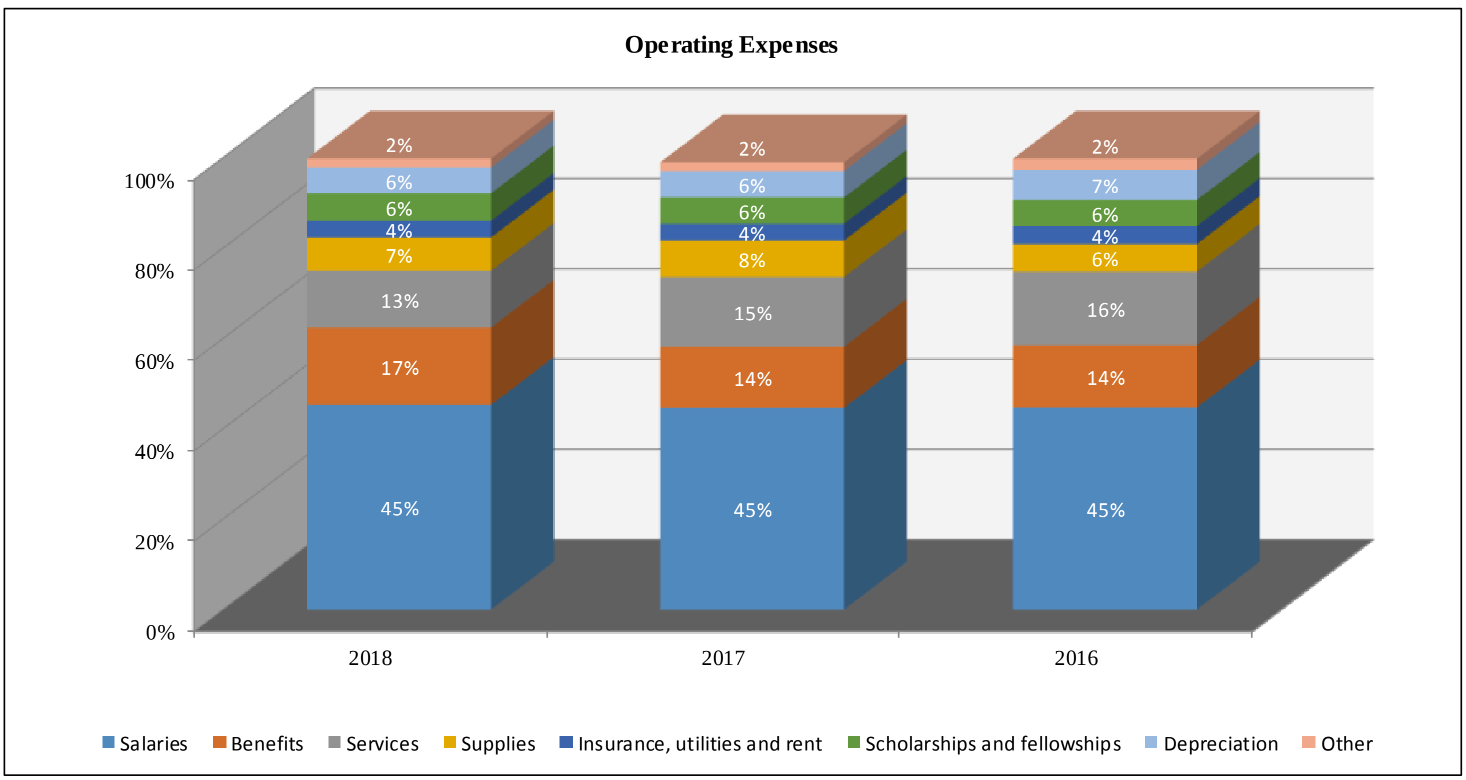
Grants and contracts revenues for FY18 from all sources of $82.5 million (+0.1 million, +0.1%) were essentially flat compared to the same revenues for FY17 of $82.4 million. FY17 revenues, however, were significantly higher (+$6.4 million, +8.4%) than the FY16 total of $76.0 million. Overall FY18 awards for grants and contracts were $81.7 million compared to the FY17 total of $78.0 million, an increase of $3.7 million (+4.7%). FY18 compared positively to FY17 awards which came in lower than the FY16 awards of $82.0 million. Awards are generally reflected as revenues in succeeding years when monies are actually expended on related grants

Federal grants and contracts revenues in FY18 of $66.5 million decreased by $0.6 million (-0.9%) from $67.1 million in FY17. By comparison, federal grants and contracts revenues increased by $3.7 million (+5.8%) in FY17 over the $63.4 million total recorded in FY16. Lower FY17 federal awards of $65.2 million (-$6.4 million, - 9.0%) resulted in lower FY18 federal revenues, whereas the higher FY16 awards of $71.7 million (+$12.2 million, +20.4%) resulted in higher FY17 revenues. State grants revenues were $11.5 million for FY18 compared to $10.7 million in FY17, an increase in the current year of $0.8 million (+7.2%). FY17 state grants and contracts had increased $2.9 million (+37.6%) over the total for FY16 of $7.8 million. Private grants and contracts revenues for all three fiscal years were relatively consistent coming in at $4.5 million in FY18, $4.6 million in FY17, and $4.8 million in FY16.

FY18 sales and services of educational activities revenues of $11.1 million were comparable to both FY17 and FY16 totals of $11.0 million in both years. These revenues consist primarily of facility rental charges, sales of agricultural commodities such as grains and livestock, analytical and lab services, and various publication and printing services. The FY16 revenues were also consistent, coming in at $11.0 million.

Sales and services revenues of auxiliary enterprises of $20.7 million in FY18 were down $10.4 million (-33.4%) from $31.1 million in FY17, while the FY17 revenues were down only $0.2 million from FY16. Auxiliary housing services FY18 revenues of $9.5 million increased $0.2 million from the same revenues recorded in FY17. This increase was due to a small uptick in the number of housing students in FY18. FY17 housing revenues of $9.3 million were $0.3 million lower than those of FY16, in this instance due to slightly lower occupancy. Food services revenues of $0.9 million were down $8.2 million from their FY17 level of $9.1 million. $6.5 million of this decrease related to a contract change with Sodexo, the University's food services provider. In prior fiscal years, the University recorded the gross revenues on food services sales and a corresponding expense to Sodexo for services provided. For FY18, Sodexo captured all food services revenues and paid a commission to the University; in effect, the University received only a "net" portion of the gross revenues. This contract change also resulted in a comparable decrease in services expense to Sodexo for FY18, addressed further in the operating expense portion of this narrative. In addition, other food services revenues decreased by $1.7 million in FY18 compared to FY17. FY17 total food services revenues were comparable to those of FY16, both coming in at $9.1 million. Auxiliary revenues related to athletics game guarantees, NCAA/NIT payments and conference payments of $3.4 million in FY18 were $1.5 million lower (-30.0%) from $4.9 million in FY17. In comparison, these FY17 revenues were up $0.8 million (-18.9%) from FY16 revenues of $4.1 million. Auxiliary revenues related to operation of the University's bookstore of $4.7 million in FY18 decreased by $0.4 million from FY17 (-8.2%), primarily due to lower book and academic content sales resulting from online competition. A similar decrease in bookstore revenues occurred in FY17 with $5.2 million in sales being $0.4 million lower than the same revenues for FY16. As with FY18, that decrease was also attributable to lower book and academic content sales.

In fiscal year 2018, 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 62% of total operating expenses while services expenditures account for 13%. All other categories each account for 7% or less.



FY18 operating expenses increased by $20.2 million (+5.1%) over FY17 to $418.4 million. FY17 operating expenses of $398.2 million increased over FY16's total of $375.4 million by $22.8 million (+6.1%).

Total personnel costs of $261.1million in FY18 were $25.3 million higher than the 2017 level of $235.8 million, an increase of 10.7%. FY18 Salaries expense increased $11.8 million (+6.6%) due in part to a change in employee compensation (CEC) of 3% provided by the State. In addition, in implementing the first phase of the University's transition to a market-based compensation system, a mid-year increase of approximately 2% was effected in FY18. FY17 salaries expense increased $9.5 million (+5.6%) also due to a CEC increase of 3%, combined with additional merit increases awarded and the filling of position vacancies. FY18 benefits expense increased $13.5 million (+23.3%) to $71.6 million due to increases in a number of expense categories. FY18 health plan benefits increased $2.1 million (+10.2%) from increased funding requirements by the State of Idaho Department of Insurance. Tuition waivers expense for staff, spouse, graduate and teaching assistants increased $1.8 million (+30.2%) primarily driven by improved benefits for the graduate/teaching assistants. The University recorded an additional FY18 expense for its OPEB obligation of $2.1 million with the adoption of GASB Standards 74 and 75, whereas it had booked no such expense in FY17. The remaining increase was spread across worker's compensation, retirement matching benefits, and FICA/FICA Medicare increases, which are directly proportional to salary increases.

Benefits expense increased $4.1 million (+7.6%) in FY17 due to increases in several expense categories. Employer health care expenses of $20.6 million increased $1.6 million due to increased employee and retiree claims costs and related administrative services fees, FICA/FICA Medicare employer costs increased $1.1 million due to the FY17 salary increases, employer retirement costs increased $1.0 million, and other costs such as employer-provided life, disability and worker's compensation insurances, staff and staff spouse tuition/fee waivers and terminal leave accounted for the remaining $0.4 million of benefits expense increase.

FY18 services expense of $53.0 million decreased $8.4 million from FY17's total of $61.4 million. This decrease was driven primarily by the change in the Sodexo contract previously discussed in the revenues section related to sales and services of auxiliary revenues. FY17 services expense had decreased slightly (-$1.1 million, -1.8%) from FY16 services expense of $62.5 million. FY18 supplies expense of $30.7 million decreased from FY17's level of $32.1 million (-$1.4 million, -4.4%). This was primarily related to the increased FY17 one-time, non-capitalizable furnishings expenses for the College of Education and IRIC buildings as they came online in FY17. The increased FY17 supplies expenditures were for purchases of non-capital furnishings for the IRIC, College of Education and first floor Library projects of $1.4 million, $1.3 million of non-capitalizable computer equipment for the first floor Library, $0.5 million in photographic equipment for the College of Education Doceo Center an increase in research supplies of $0.5 million, and $1.7 million in additional non-capital repair and remodeling projects across campus.

FY18 scholarship and fellowship expenses of $25.4 million increased $2.2 million (+9.6%) over their FY17 level due to increased awards. The same was true for FY17 when scholarship expenses of $23.2 million increased by $1.9 million (+9.2%) over their FY16 level, also due to increased awards. FY18 depreciation expense of $23.6 million increased by $0.3 million due to FY18 capital asset additions. FY17 depreciation expense increased by $1.6 million

(+7.5%) to $23.3 million due to the College of Education and IRIC projects coming online in FY17. Other operating expenses of $9.0 million in FY18 increased by $1.4 million (+18.7% over the FY17 total of $7.6 million. FY17 other expenses had increased $0.6 million (+9.0%) from FY16. FY18 insurance/utilities and rent expenses of $15.6 million increased by $0.8 million (+5.4%) from their FY17 levels, while FY17's total of $14.8 million was comparable to that of FY16.

The University's FY18 net operating loss of ($204.4 million) increased ($22.2 million) (+12.2%) over FY17's net operating loss of ($182.2 million). The University's FY17 ($182.2 million) net operating loss increased ($19.4 million) (+11.9%) over FY16's net operating loss of ($162.8 million).

FY18 nonoperating revenues, net of interest expense, of $178.5 million increased by $2.2 million (+1.2%) over their FY17 total of $176.3 million. This increase was driven by a $2.5 million increase in State appropriations revenues received in FY18. FY17 nonoperating revenues increased $3.1 million over FY16's revenues of $173.2 million. FY17's increase was driven by an increase in State appropriations of $10.8 million, which had been offset by an FY17 unrealized loss on investments of ($2.4 million), which represented a $6.1 million decrease from FY16's unrealized gain of $3.7 million.

The University's FY18 loss before other revenues was ($25.9 million) compared to its FY17 loss of ($5.9 million). FY17's loss compared to an FY16 gain of $10.4 million.

FY18 other revenues of $4.8 million were $7.3 million less than the FY17 total of $12.2 million. Revenues from the Idaho Department of Public Works (DPW) were $3.3 million lower than FY17 due primarily to DPW funding being higher in FY17 for the IRIC project completion. Capital grants received through the University of Idaho Foundation of $0.7 million decreased $4.3 million from FY17 as fundraising in FY18 focused on the future Arena project. The Arena fundraising will provide greater capital grants revenues as the project commences in FY19 and will result in higher overall other revenues for the University in future years.

Other revenues increased by $2.1 million in FY17 compared to FY16 due to a $3.7 million increase in capital funds from the Foundation offset by a $1.6 million decrease in funding for campus improvements and capital projects from the Idaho Department of Public Works ("DPW").

Finally, FY18 incurred a cumulative effect, catch-up adjustment for the adoption of GASB Standards 74 and 75 as discussed previously. This cumulative adjustment, required to be absorbed in total in fiscal year 2018, was $34.7 million.

The University's overall decrease in net position for FY18 was ($55.8 million) compared to a $6.3 million increase in net position recorded in FY17. This increase in FY17 compares to a $20.5 million increase in net positon recorded in FY16.

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, 2018. The statement is divided into five parts. The first part details operating cash flows and the net cash used by the operating activities of the University. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, non-investing and non-capital financing purposes. The third section, cash flows from capital and related financing activities, shows the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds and interest received. The fifth section reflects the net change in cash position.

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

	2018	2017 (Restated)	2016 (Restated)
Cash provided (used) by:			
Operating activities	$ (181,124)	$ (166,817)	$ (143,969)
Noncapital financing activities	186,223	182,490	174,534
Capital and related financing activities	(18,983)	(28,513)	(61,056)
Investing activities	710	379	214
Net change in cash	(13,174)	(12,461)	(30,277)
Cash beginning of the year	38,750	51,211	81,488
Cash end of the year	$ 25,576	$ 38,750	$ 51,211

FY18 saw a decrease in overall cash balances of $13.2 million to $25.6 million. FY17 experienced a decrease in year-end cash of $12.5 million for a year-end balance of $38.8 million.

Operating activities used $181.1 million in cash during fiscal year 2018, resulting in an increase of $14.3 million (+8.6%) from fiscal year 2017 levels. This was primarily driven by an increase in payments to/for employees of $14.0 million (+5.7%) as discussed in the operating expense section. Operating cash increases consisted of higher tuition and fees of $3.5 million (+3.9%), greater collections on student loans of $2.1 million (+2.5%), lower payments to suppliers of $7.0 million (-6.2%) and an increase in other receipts of $2.8 million (+63.6%), offset by decreases in grants and contracts revenues (-$1.3 million, -1.6%), lower net sales of services (-$10.3 million, -24.7%), and increases in student scholarships and loans disbursed of $4.5 million (+17.7%). FY18 non-capital financing activities provided increase cash of $3.7 million (+2.0%) which was primarily driven by increased state appropriations of $2.5 million (+1.8%) and increased other receipts of $0.7 million (+130.8%). Net cash used by capital and related financing activities decreased by $9.5 million (-33.4%) due to decreased capital asset purchases of $8.3 million in FY18 compared to FY17. This decrease was due to the major projects of the College of Education remodel and the IRIC construction projects coming online in FY17; FY18's level of capital expenditures was a more normalized amount. Net cash provided by investing activities in FY18 of $0.7 million was slightly higher than the comparable amount for FY17 of $0.4 million.

Cash used by operating activities in FY17 saw an increase of $22.8 million (+15.9%). This increase was related to a slight reduction in net tuition and fees revenue of $1.2 million (-1.3%), combined with an increase in operating grants and contracts revenues of $9.0 million (+12.0%), offset by increased expenditures for payroll and benefits (+$19.7 million), suppliers (+$6.9 million) and scholarships (+$1.9 million). Non-capital financing activities provided $182.5 million in cash during fiscal year 2017, an increase from FY16 of $8.0 million. This increase resulted from increased state appropriations and land grant endowment income (+$11.7 million), offset by decreases in federal appropriations (-$0.4 million), nonoperating federal grants and contracts (-$3.0 million), and gifts and other receipts (-$0.3 million). Capital and related financing activities used $28.5 million of net cash in FY 2017 compared to $61.1 million in FY 2016 (-$32.5 million). This was a result of the University receiving lower state capital appropriations in FY17 (-$1.6 million), this decrease being offset by increased other capital gifts and grants (+3.8 million) and decreased capital asset purchases (-$33.4 million) as the College of Education and IRIC projects finished and came online. Net investing activities generated $0.4 million in cash in fiscal year 2017, as compared to using $0.2 million in fiscal year 2016.

Capital Assets and Debt Management

The University had $871.4 million, $852.6 million and $829.6 million of capital assets at June 30, 2018, 2017 and 2016 respectively, with accumulated depreciation of $446.9 million, $427.3 million and $408.1 million respectively. The major categories and associated value of capital assets as well as accumulated depreciation at June 30, 2018, 2017 and 2016 are illustrated in the table on the following page:

	2018	2017 (Restated)	2016 (Restated)
Capital Asset at Cost			
Buildings and improvements	$ 666,947	$ 661,191	$ 600,244
Equipment	109,060	102,958	102,826
Construction in progress	8,868	1,639	40,349
Library materials	56,444	56,761.38	56,118
Capitalized collections	2,408	2,377	2,381
Land	27,714	27,714	27,641
Total Capital Assets	$ 871,441	$ 852,640	$ 829,559
Accumulated Depreciation			
Buildings and improvements	$ (303,887)	$ (287,011)	$ (270,303)
Equipment	(89,289)	(84,210.49)	(83,928)
Library materials	(53,747)	(54,115.01)	(53,848)
Total Accumulated Depreciation	$ (446,924)	$ (425,336)	$ (408,079)
Total Capital Assets, Net	$ 424,518	$ 427,304	$ 421,480

	2018	2017	2016
Total Notes and Bonds Payable	$ 184,402	$ 190,112	$ 195,695

Building and improvements balances before depreciation increased to $666.9 million in FY18, an increase of $5.8 million over ending FY17. This increase was primarily related to renovation of the University's Wallace Residence Center completed in late summer 2017. FY17 experienced a significant increase in the building and improvements balances of $60.9 million related to the completion of the University's Integrated Research and Innovation Center ("IRIC") in early winter 2016, as well as the completion of the University's entire renovation of its College of Education building, which came online in late summer 2016. Correspondingly, there was a decrease of $38.7 million in the University's construction in progress as of June 30, 2017. By contrast, FY18's ending balance in construction in progress increased by $7.2 million due to several projects begun during the year, including renovation of leased space at Gritman Medical Center for the University's participation in the first-year medical student WWAMI program. Further details of the University's capital assets and associated accumulated depreciation can be found in footnote 6 to these financial statements.

At June 30, 2018, 2017, and 2016, the University had debt (or similar long-term obligations) of $184.4 million, $190.1 million, and $195.7 million respectively. As stated previously, the decrease in FY18 long-term debt related to the combination of ongoing principal payments during the year and the current refinancing of the Series 2007B bonds that resulted in a significant reduction in the par value of the University's bond debt. The decreases in long-term debt in FYs 17 and 16 were related to the University's ongoing debt service payments. Additional information regarding the University's long-term obligations can be found in footnotes 9 and 10 of these financial statements.

Economic Outlook

Funding for the major activities of the University comes from a variety of sources including tuition and fees, state appropriations, private and government grants and contracts, auxiliary sales and services, donor gifts and investment income. Revenues are also generated through recovery of costs associated with federal grants and contract activities, which serve to offset related administrative and facility costs at the University.

State of Idaho support for the University has increased steadily over the past 3 years, in whole dollars and as a percentage of revenues. The overall economy of the state has shown strong growth in 2018, finishing the year with $3.6 billion in general fund receipts, which surpassed fiscal year 2017 receipts by 8.2%. Based on continued expectations of strong job and wage growth, the Division of Financial Management had initially projected general fund revenues to increase by another 5.3% in fiscal year 2019. However, projections have recently been revised to essentially be flat with 2018 after adjusting for the impact of Idaho state tax law changes enacted to conform with federal tax legislation.

The University received approval from the State Board of Education to increase tuition and fees in fiscal year 2018 by 3.5%. Enrollment has been relatively stable for the past two years after several years of declines. 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 to college 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 $83 million in sponsored programs, grant and contract activities in fiscal year 2018**.** 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. The University submitted 935 proposals in FY18 totaling $289 million and received awards of $81.7 million. Significant awards were received across numerous projects with various sponsors, including the National Science Foundation ($14.7 million), the Department of Health and Human Services ($8.7 million), the National Institute of Food and Agriculture/USDA ($8.2 million), the Idaho Department of Health and Welfare ($6.6 million), USDA Agricultural Research Services/Forest Service/Other USDA ($4.0 million), the U.S. Department of Education ($3.5 million), Battelle Energy Alliance LLC ($2.9 million), the U.S. Army Corps of Engineers ($2.8 million), the Idaho Department of Education ($2.5 million), the National Aeronautic Space Administration ($2.4 million), the Idaho State Board of Education ($1.7 million), the U.S. Department of Energy ($1.6 million), and research with other universities ($6.5 million).

The University has set forth a 9-year Strategic Plan, guided by its mission to shape the future through innovative thinking, community engagement and transformative education, which will guide prioritization of resources through 2025. 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, 2018 AND 2017

ASSETS	University of Idaho 2018	University of Idaho 2017 (Restated)	University of Idaho Foundation (note 17) 2018	University of Idaho Foundation (note 17) 2017 (Restated)
CURRENT ASSETS				
Cash and cash equivalents	$ 9,104,097	$ 31,612,738	$ 6,889,365	$ 2,481,963
Due from state agencies	205,681	198,771	-	-
Prepaid expenses	1,259,460	880,330	-	-
Investments	-	-	14,119,854	15,170,688
Interest and other receivables	714,138	786,079	248,646	227,280
Student loans receivable - net	2,192,247	2,190,255	-	-
Accounts receivable & unbilled charges - net	31,733,916	31,055,786	-	-
Inventories	2,155,029	1,831,348	-	-
Promises to give - net	-	-	1,088,960	910,718
Notes receivable	260,319	275,830	101,582	101,022
Total Current Assets	47,624,887	68,831,137	22,448,407	18,891,671
NONCURRENT ASSETS				
Restricted cash and cash equivalents	16,472,506	7,137,023	26,920,677	17,241,911
Student loans receivable - net	8,639,418	8,434,491	-	-
Investments	77,483,251	78,155,110	292,627,721	276,922,808
Promises to give - net	-	-	2,221,147	2,259,698
Notes receivable	-	-	30,577	132,719
Real estate holdings	-	-	4,963,457	4,420,457
Non-depreciable capital assets	38,989,906	31,729,774	-	-
Depreciable capital assets - net	385,527,964	395,574,190	-	-
Other post-employment benefits asset - net	-	2,677,000	-	-
Other noncurrent assets	-	-	319,051	367,354
Total Noncurrent Assets	527,113,045	523,707,588	327,082,630	301,344,947
TOTAL ASSETS	$ 574,737,932	$ 592,538,725	$ 349,531,037	$ 320,236,618
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on refunding	1,556,693	1,841,954	-	-
Deferred contributions and changes of assumptions to University's pension plan	12,074,978	16,720,181	-	-
Deferred contributions and changes of assumptions to University's OPEB plan	615,000	-	-	-
Total Deferred Outflows of Resources	14,246,671	18,562,135	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 588,984,603	$ 611,100,860	$ 349,531,037	$ 320,236,618

See notes to financial statements

University of Idaho

STATEMENT OF NET POSITION
AS OF JUNE 30, 2018 AND 2017

LIABILITIES	University of Idaho 2018	University of Idaho 2017 (Restated)	University of Idaho Foundation (note 17) 2018	University of Idaho Foundation (note 17) 2017 (Restated)
CURRENT LIABILITIES				
Accounts payable	$ 4,163,371	$ 4,844,566	$ 890,150	$ 71,746
Accrued salaries and benefits payable	6,793,112	5,287,345	-	-
Compensated absences payable	7,739,280	7,139,661	-	-
Endowment earnings payable to trust beneficiaries	-	-	10,929,770	10,675,358
Accrued interest payable	2,048,902	2,225,559	-	-
State teacher education loan advance	148,808	171,018	-	-
Deposits	853,736	831,896	-	-
Unearned revenue	6,542,928	7,153,678	-	-
Funds held in custody for others	1,484,487	1,408,406	-	-
Obligations under capital leases	62,204	-	-	-
Current portion long-term liabilities	5,977,478	5,721,351	-	-
Other liabilities	243,006	36,803	-	-
Split interest agreements	-	-	1,091,545	1,052,500
Total Current Liabilities	36,057,312	34,820,283	12,911,465	11,799,604
NONCURRENT LIABILITIES				
Obligations under capital leases	202,734	-	-	-
Notes and bonds payable	178,424,066	184,390,597	-	-
Net pension liability	29,092,164	36,275,764	-	-
Net OPEB liability	33,335,831	-	-	-
Other funds due to University of Idaho	-	-	10,000,000	-
Split interest agreements	-	-	7,867,540	6,497,564
Total Noncurrent Liabilities	241,054,795	220,666,361	17,867,540	6,497,564
TOTAL LIABILITIES	$ 277,112,107	$ 255,486,644	$ 30,779,005	$ 18,297,168
DEFERRED INFLOWS OF RESOURCES				
Deferred actuarial/investment experience and changes of assumptions to University's pension plan	4,711,288	4,090,434	-	-
Deferred amortization of ICCU agreement	10,000,000	-	-	-
Deferred actuarial/investment experience and changes of assumptions to University's OPEB plan	1,442,806			
Split interest trusts	-	-	4,350,037	7,069,284
Total Deferred Inflows of Resources	16,154,094	4,090,434	4,350,037	7,069,284
NET POSITION				
Net investment in capital assets	243,910,315	241,966,964	-	-
Restricted for:				
Nonexpendable	-	-	237,176,160	228,811,089
Expendable	35,790,253	39,604,882	70,092,088	59,106,827
Unrestricted	16,017,834	69,951,936	7,133,747	6,952,250
Total Net Position	295,718,402	351,523,782	314,401,995	294,870,166
TOTAL LIABILITIES AND NET POSITION	$ 588,984,603	$ 611,100,860	$ 349,531,037	$ 320,236,618

See notes to financial statements

University of Idaho

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

OPERATING REVENUES	University of Idaho 2018	University of Idaho 2017 (Restated)	University of Idaho Foundation (note 17) 2018	University of Idaho Foundation (note 17) 2017 (Restated)
Student tuition and fees (net of scholarship allowances of $24,652,391 and $ 24,088,936 for FY 2018 and FY 2017 respectively)	$ 91,974,296	$ 86,340,857	$ -	$ -
Federal grants and contracts	66,491,802	67,093,338	-	-
State and local grants and contracts	11,509,212	10,733,003	-	-
Private grants and contracts	4,550,353	4,605,116	-	-
Sales and services of educational activities	11,152,508	10,987,292	-	-
Sales and services of auxiliary enterprises	20,697,095	31,093,403	-	-
Interest on loans receivable	157,558	310,038	-	-
Other sources	7,485,668	4,821,065	719,633	777,520
Gifts	-	-	21,117,965	20,327,847
Total operating revenue	214,018,492	215,984,112	21,837,598	21,105,367
OPERATING EXPENSES				
Salaries	189,570,125	177,767,015	-	-
Benefits	71,569,997	58,039,671	-	-
Services	52,990,732	61,440,612	-	-
Supplies	30,717,586	32,135,966	-	-
Insurance, utilities and rent	15,567,204	14,767,793	-	-
Scholarships and fellowships	25,404,355	23,176,051	-	-
Depreciation	23,600,840	23,323,885	-	-
Other	8,968,499	7,558,517	108,778	41,928
Administrative expense	-	-	2,147,407	2,105,631
Total operating expenses	418,389,338	398,209,510	2,256,185	2,147,559
OPERATING (LOSS) INCOME	$ (204,370,846)	$ (182,225,398)	$ 19,581,413	$ 18,957,808

See notes to financial statements

Continued

University of Idaho

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NONOPERATING REVENUES (EXPENSES)	University of Idaho 2018	University of Idaho 2017 (Restated)	University of Idaho Foundation (note 17) 2018	University of Idaho Foundation (note 17) 2017 (Restated)
State appropriations	$ 134,373,900	$ 131,875,900	$ -	$ -
Land grant endowment income	10,099,200	10,095,200	-	-
Federal appropriations	4,866,343	5,060,668	-	-
Federal grants and contracts	14,539,709	14,147,968	-	-
Gifts (including gifts from Foundation)	21,151,842	20,793,785	-	-
Private grants and contracts	-	-	-	-
Net investment income	2,768,497	2,323,023	6,233,184	5,959,710
Net increase (decrease) in fair value of investments	(2,730,097)	(2,353,219)	14,372,680	22,553,109
Gain (loss) on sale of real estate holdings	-	-	(141,000)	404,200
Distribution of endowment income to University and trust beneficiaries	-	-	(10,929,770)	(10,675,358)
Distribution to University and affiliates	-	-	(9,669,738)	(11,382,658)
Distribution of trust income to life income beneficiaries	-	-	-	-
Lease and rental income	-	-	113,020	43,312
Property management	-	-	(27,960)	(106,456)
Change to split interest trusts	-	-	-	-
Interest expense (net of capitalized interest of $275,666 and $1,120,689 for FY 2018 and FY 2017 respectively)	(7,676,265)	(5,953,411)		-
Other sources	1,067,262	316,720		-
Net nonoperating revenues	178,460,391	176,306,634	(49,584)	6,795,859
GAIN (LOSS) BEFORE OTHER REVENUES	(25,910,455)	(5,918,764)	19,531,829	25,753,667
OTHER REVENUES				
Capital grants and contracts	1,025,689	756,853	-	-
Projects with Idaho Department of Public Works	3,107,121	6,450,564	-	-
Capital gifts from Foundation	711,815	4,969,760	-	-
Total other revenues	4,844,625	12,177,177	-	-
INCREASE (DECREASE) IN NET POSTION	(21,065,830)	6,258,413	19,531,829	25,753,667
NET POSITION - Beginning of year (Previously reported)	351,523,782	361,551,297	294,870,166	269,116,499
Cumulative effect of correction of error and implementation of GASBS 74 and 75	(34,739,550)	(16,285,928)	-	-
NET POSITION - Beginning of year (Restated)	316,784,232	345,265,369	294,870,166	269,116,499
NET POSITION - End of year	$ 295,718,402	$ 351,523,782	$ 314,401,995	$ 294,870,166

University of Idaho

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	University of Idaho 2018	University of Idaho 2017 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts and disbursements		
Tuition and fees	$ 91,184,139	$ 87,723,908
Grants and contracts	82,727,248	84,056,994
Sales of services - net	31,336,480	41,616,692
Payments to or for employees	(258,851,192)	(244,860,959)
Payments to suppliers	(109,421,824)	(116,385,982)
Scholarships disbursed	(25,404,355)	(23,176,051)
Funds held for others	76,081	(381,456)
Student loans collected	4,137,928	2,275,909
Student loans disbursed	(4,115,348)	(2,091,296)
Other receipts	7,206,892	4,405,226
Net cash used by operating activities	(181,123,951)	(166,817,015)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Appropriated general education revenues:		
State general account	134,373,900	131,875,900
Land grant endowment income	10,099,200	10,095,200
Federal appropriations	4,866,343	5,060,668
Federal grants and contracts	14,539,709	14,147,968
Gifts	21,151,842	20,793,785
Other receipts	1,192,529	516,638
Net cash provided by noncapital financing activities	186,223,523	182,490,159
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State appropriations, capital	3,107,121	6,450,564
Capital grants and gifts	11,737,504	5,726,613
Capital asset purchases	(20,814,486)	(29,147,935)
Proceeds from capital debt	34,914,814	-
Principal paid on capital debt - net	(40,075,019)	(5,550,507)
Interest paid on capital debt	(7,852,922)	(5,991,553)
Net cash used by capital & related financing activities	(18,982,988)	(28,512,818)

See notes to financial statements.

University of Idaho

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

CASH FLOWS FROM INVESTING ACTIVITIES	University of Idaho 2018	University of Idaho 2017 (Restated)
Proceeds from sales and maturities of investments	932,718	6,453,112
Investment income	2,768,497	2,323,023
Purchase of investments	(2,990,957)	(8,397,321)
Net cash provided (used) by investing activities	710,258	378,814
NET CHANGE IN CASH	(13,173,158)	(12,460,850)
Cash - Beginning of year	38,749,761	51,210,611
Cash - End of year	$ 25,576,603	$ 38,749,761
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (204,370,846)	$ (182,225,398)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation expense	23,600,840	23,323,885
Decrease (increase) in assets:		
Receivables, net	(929,773)	2,179,980
Inventories and prepaids	(702,811)	343,282
Net other post-employment benefits assets	2,677,000	(418,000)
Deferred contributions and changes of assumptions to pension	4,645,203	-
Deferred contributions and changes to OPEB	(615,000)	-
Increase (decrease) in liabilities:		
Accounts payable	(681,195)	(744,680)
Accrued payroll, benefits and compensated absences	2,105,386	(8,636,268)
Deposits and unearned revenues	(588,910)	(164,596)
Change in funds held for others	76,081	(381,459)
Net pension liability	(7,183,600)	-
Net OPEB liability	(1,403,719)	-
Deferred inflows of resources	2,063,660	-
Other liabilities	183,993	(93,761)
Net cash used by operating activities	$ (181,123,691)	$ (166,817,015)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Amortization of deferred amounts on refunding and bond premium	(794,179)	(433,257)
Donated assets	60,635	42,654
Change in fair value of investments	(2,680,942)	(2,128,384)

See notes to financial statements

University of Idaho

STATEMENTS OF BENEFIT PLAN NET POSITION
AS OF DECEMBER 31, 2017 AND 2016

	Retiree Benefits Trust 2017	Retiree Benefits Trust 2016	Health Benefits Trust 2017	Health Benefits Trust 2016
Assets				
Cash and short-term investments	$ 1,037,703	$ 940,680	$ 1,956,044	$ 220,077
Accounts receivable	-	-	-	404,525
Interest receivable	1,239	320	16,721	13,738
Investments, at fair value				
Fixed income securities	4,525,174	17,372,861	3,567,603	3,350,190
Equity securities	2,323,629	12,932,742	-	-
Pooled securities	27,096,626	-	-	-
Total assets	$ 34,984,371	$ 31,246,603	$ 5,540,368	$ 3,988,530
Liabilities				
Accounts payable	$ -	$ -	$ 180,010	$ 527,913
IBNR liability	-	-	2,301,400	2,127,490
Total liabilities	-	-	2,481,410	2,655,403
Net position held in trust for benefits	$ 34,984,371	$ 31,246,603	$ 3,058,958	$ 1,333,127

See notes to financial statements

University of Idaho

STATEMENTS OF CHANGES IN BENEFIT PLAN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Retiree Benefits Trust 2017	Retiree Benefits Trust 2016	Health Benefits Trust 2017	Health Benefits Trust 2016
Additions				
Contributions				
Employer	$ 210,000	$ 249,286	$ 22,572,080	$ 19,690,100
Plan members	-	-	5,409,903	5,258,667
Total contributions	210,000	249,286	27,981,983	24,948,767
Net investment (loss) income	3,612,405	1,876,429	47,143	48,119
Total additions	3,822,405	2,125,715	28,029,126	24,996,886
Deductions				
Insurance claim benefits	-	-	22,127,933	21,399,469
Change in IBNR	-	-	173,910	256,490
Premiums			79,272	-
Administrative expenses	84,637	76,140	3,922,180	3,626,165
Total deductions	84,637	76,140	26,303,295	25,282,124
Net increase (decrease) in assets held in trust for benefits	3,737,768	2,049,575	1,725,831	(285,238)
Benefit plan net position, beginning of year	31,246,603	29,197,028	1,333,127	1,618,365
Benefit plan net position, end of year	$ 34,984,371	$ 31,246,603	$ 3,058,958	$ 1,333,127

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's 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 holds economic resources raised 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 and maintenance of the statutorily-required minimum reserve. The HBT balances 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 balances are managed on behalf of the University by Wells Fargo Bank.

The HBT and RBT both have December 31 fiscal year ends.

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 — Investments are recorded at fair value. The University is restricted as to the types of investments which it may purchase and hold by Idaho State Board of Education policy in compliance with State of Idaho statutes. The University's investments are limited by such policy primarily to investments in FDIC-insured accounts, certificates of deposits, U.S. government and federal agency securities, large money market funds, corporate bonds of A grade or better, mortgage-backed securities of A grade or better, and State of Idaho run investment funds for state agencies.

Restricted Cash and Cash Equivalents — Cash and cash equivalents that are restricted to make debt service payments and maintain sinking or reserve funds, except for currently due payments, and monies reserved for specific projects 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 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. A full-year's depreciation is recorded in the year an asset is placed into service. 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 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. Again, a full-year's depreciation is recorded in the year an asset is placed in service. 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 to $1,540,732 and $1,330,471 for the fiscal years ended 2018 and 2017, 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 net 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 net 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 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 and 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. Federal, state and nongovernmental student aid grants are recorded as operating revenues in the University's financial statements, except for federal Pell grants which are recorded in nonoperating revenues. 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 2018 and 2017 were $24,652,391 and $24,088,936 respectively.

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

New Accounting Standards — In June 2015 the Governmental Accounting Standards Board ("GASB") issued Statement 74, "*Financial Reporting for Postemployement Benefit Plans Other Than Pension Plans*". Also in June 2015, the GASB issued Statement 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". These two standards established new accounting and financial reporting requirements for governmental agencies that provide employees other post-employment benefits ("OPEB"). The University of Idaho's retiree health benefits plan constitutes OPEB and is funded through the University's Retiree Benefits Trust ("RBT"). The retiree health benefits plan and the RBT are operated on a calendar-year basis. The University has adopted the provisions of Statements 74 and 75 for the year ended June 30, 2018. The accompanying financial statements, footnotes and required supplementary information reflect the adoption of these statements.

Reclassifications — Certain items previously reported in the 2017 financial statements have been reclassified to conform to the current 2018 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, 2018, $19,172,384 of the University's bank balance of $25,576,603 was exposed to custodial credit risk because it was uninsured and uncollateralized. At June 30, 2017, $24,750,170 of the University's bank balance of $38,749,761 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, 2018 and June 30, 2017 respectively:

Investment Securities Measured at Fair Value at June 30, 2018

		Fair Value Measurements Using		
	6/30/2018	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	$ 3,287,085	$ 3,287,085	$ -	$ -
Debt securities				
U.S. Government and agency obligations	$ 7,284,714	$ -	$ 7,284,714	$ -
Corporate obligations	58,904,370	-	58,904,370	-
Mortgage-backed securities	8,007,082	-	8,007,082	-
Total debt securities	$ 74,196,166	$ -	$ 74,196,166	$ -
Total investments by fair value	$ 77,483,251	$ 3,287,085	$ 74,196,166	$ -

Investment Securities Measured at Fair Value at June 30, 2017

		Fair Value Measurements Using		
	6/30/2017	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	$ 2,540,801	$ 2,540,801	$ -	$ -
Debt securities				
U.S. Government and agency obligations	$ 8,517,423	$ -	$ 8,517,423	$ -
Corporate obligations	59,598,720	-	59,598,720	-
Mortgage-backed securities	7,498,166	-	7,498,166	-
Total debt securities	$ 75,614,309	$ -	$ 75,614,309	$ -
Total investments by fair value	$ 78,155,110	$ 2,540,801	$ 75,614,309	$ -

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, 2018 and June 30, 2017 respectively, the University had the following investments subject to interest rate risk:

Investment Securities Subject to Interest Rate Risk at June 30, 2018

		Investment Maturities in Years				
Investment Type	**Total Fair Value**	**<1**	**1-5**	**6-10**	**11-15**	**>15**
Corporate bonds	$ 58,904,370	$ 745,061	$ 36,511,901	$ 21,647,408	$ -	$ -
U.S. government agency securities	6,885,660	-	1,454,178	5,431,482	-	-
Mortgage-backed securities	8,007,082	-	3,199,623	4,807,459	-	-
Money market mutual funds	3,287,085	3,287,085	-	-	-	-
U.S. government securities	399,054	-	399,054		-	-
Total	$ 77,483,251	$ 4,032,146	$ 41,564,756	$ 31,886,349	$ -	$ -

Investment Securities Subject to Interest Rate Risk at June 30, 2017

		Investment Maturities in Years				
Investment Type	**Total Fair Value**	**<1**	**1-5**	**6-10**	**11-15**	**>15**
Corporate bonds	$ 59,598,720	$ 329,764	$ 22,115,848	$ 37,153,108	$ -	$ -
U.S. government agency securities	8,103,150	-	1,726,196	5,000,144	1,376,810	-
Mortgage-backed securities	7,498,166	217,433	1,300,045	5,980,688	-	-
Money market mutual funds	2,540,801	2,540,801	-	-	-	-
U.S. government securities	414,273	-	-	414,273	-	-
Total	$ 78,155,110	$ 3,087,998	$ 25,142,089	$ 48,548,213	$ 1,376,810	$ -

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, 2018 and June 30, 2017 respectively, the University had the following investment credit risk:

Investment Securities Subject to Credit Risk at June 30, 2018

Credit Rating	Corporate Bonds	U.S. Government Agency Securities	Mortgage-Backed Securities	Money Market Mutual Funds	U.S. Government Securities	Total Investments
AAA	$ 2,902,805	$ 6,885,660	$ 6,764,161	$ 2,287,365	$ 399,054	$ 19,239,045
AA	16,108,114	-	-	-	-	16,108,114
A	38,917,199	-	1,242,921	-	-	40,160,120
BBB	976,252	-	-	-	-	976,252
Not rated	-	-	-	999,720	-	999,720
Total	$ 58,904,370	$ 6,885,660	$ 8,007,082	$ 3,287,085	$ 399,054	$ 77,483,251

Investment Securities Subject to Credit Risk at June 30, 2017

Credit Rating	Corporate Bonds	U.S. Government Agency Securities	Mortgage-Backed Securities	Money Market Mutual Funds	U.S. Government Securities	Total Investments
AAA	$ 2,995,705	$ 8,103,150	$ 6,198,121	$ 1,606,554	$ 414,273	$ 19,317,803
AA	17,759,162	-	-	-	-	17,759,162
A	37,817,024	-	1,300,045	-	-	39,117,069
BBB	1,026,829	-	-	-	-	1,026,829
Not rated	-	-	-	934,247	-	934,247
Total	$ 59,598,720	$ 8,103,150	$ 7,498,166	$ 2,540,801	$ 414,273	$ 78,155,110

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, 2018 and June 30, 2017, the University has the following concentration of credit risk as shown on the following page:

Investment Securities Subject to Concentration of Credit Risk

	At June 30, 2018		At June 30, 2017		
	Total Fair Value	Percentage of Total Investments	Total Fair Value		Percentage of Total Investments
Federal Home Loan Mortgage Corporation (FHLMC)	Less than 5% concentration			4,416,603	5.65%
Total	$ -	0.00%	$	4,416,603	5.65%

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, 2018 and June 30, 2017, all investments were held by the University or its counterparty in the University's name.

Risk and Uncertainties

Per Regents of University 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 investment securities may occur in the near term and such changes could affect the amounts reported in the statements of financial position.

There is always 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, 2018.

4. ACCOUNTS RECEIVABLE AND UNBILLED CHARGES

Receivables and unbilled charges consisted of the following at June 30, 2018 and June 30, 2017 respectively:

	2018	2017
Student tuition and fees,		
including federal financial aid funds	$ 3,973,953	$ 3,774,407
Auxiliary enterprises	2,373,863	2,193,026
Educational activities	1,402,832	1,070,545
Federal appropriations	6,830	132,097
Grants and contracts	13,395,811	13,571,692
Due from Foundation	10,912,227	10,647,319
	$ 32,065,516	$ 31,389,086
Less allowance for doubtful accounts	(331,600)	(333,300)
Net accounts receivable and unbilled charges	$ 31,733,916	$ 31,055,786

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, 2018 and June 30, 2017. 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 $2,112,563 for June 30, 2018 and $2,183,878 at June 30, 2017.

6. CAPITAL ASSETS

Capital assets at June 30, 2018 and 2017 consisted of the following:

	Balance July 1, 2017 (Restated)	Year ended June 30, 2018 Additions	Transfers	Retirements	Balance June 30, 2018
Property, plant and equipment not being depreciated:					
Land	$ 27,714,070	$ -	$ -	$ -	$ 27,714,070
Capitalized collections	2,376,824	36,840	-	(5,399)	2,408,265
Equipment construction in progress	577,635	565,970	(688,103)	(7,262)	448,240
Construction in progress	1,061,245	9,439,717	(1,982,127)	(99,504)	8,419,331
Total property, plant and equipment not being depreciated	$ 31,729,774	$ 10,042,527	$ (2,670,230)	$ (112,165)	$ 38,989,906
Other property, plant and equipment:					
Buildings	$ 595,429,123	3,657,125	1,982,127	(287,350)	$ 600,781,025
Other improvements	65,761,948	403,869	-	-	66,165,817
Furniture and equipment	102,958,193	6,402,856	688,103	(988,871)	109,060,281
Library materials	56,761,384	610,020	-	(927,010)	56,444,394
Total other property, plant and equipment	820,910,648	11,073,870	2,670,230	(2,203,231)	832,451,517
Less accumulated depreciation:					
Buildings	(244,476,829)	(14,968,685)	-	146,509	(259,299,005)
Other improvements	(42,534,136)	(2,053,942)	-	-	(44,588,078)
Furniture and equipment	(84,210,487)	(6,018,768)	-	939,965	(89,289,290)
Library materials	(54,115,006)	(559,184)	-	927,010	(53,747,180)
Total accumulated depreciation	(425,336,458)	(23,600,579)	-	2,013,484	(446,923,553)
Other property, plant and equipment—net	$ 395,574,190	$ (12,526,709)	$ 2,670,230	$ (189,747)	$ 385,527,964
Property, plant and equipment summary:					
Property, plant and equipment not being depreciated	$ 31,729,774	$ 10,042,527	$ (2,670,230)	$ (112,165)	$ 38,989,906
Other property, plant and equipment—at cost	820,910,648	11,073,870	2,670,230	(2,203,231)	832,451,517
Total cost of property, plant and equipment	852,640,422	21,116,397	-	(2,315,396)	871,441,423
Less accumulated depreciation	(425,336,458)	(23,600,579)	-	2,013,484	(446,923,553)
Property, plant and equipment—net	$ 427,303,964	$ (2,484,182)	$ -	$ (301,912)	$ 424,517,870

In addition to accounts payable for construction in progress, the estimated cost to complete property authorized or under construction at June 30, 2018 is approximately $83,250,152. These CIP costs will be borne by the University and supplemented with additional funds provided by state appropriations, gifts,grants and contracts, and/or long-term borrowings.

	Year ended June 30, 2017				
	Balance July 1, 2016 (Restated)	Additions (Restated)	Transfers	Retirements	Balance June 30, 2017 (Restated)
Property, plant and equipment not being depreciated:					
Land	$ 27,640,697	$ 70,088	$ 3,285	$ -	$ 27,714,070
Capitalized collections	2,381,385	14,939	-	(19,500)	2,376,824
Equipment construction in progress	79,795	575,514	(77,674)	-	577,635
Construction in progress	40,269,258	1,113,940	(37,765,786)	(2,556,167)	1,061,245
Total property, plant and equipment not being depreciated	$ 70,371,135	$ 1,774,481	$ (37,840,175)	$ (2,575,667)	$ 31,729,774
Other property, plant and equipment:					
Buildings	$ 538,055,492	20,994,124	37,602,483	(1,222,976)	$ 595,429,123
Other improvements	62,188,717	3,445,528	160,018	(32,315)	65,761,948
Furniture and equipment	102,826,008	5,710,588	77,674	(5,656,077)	102,958,193
Library materials	56,118,218	921,124	-	(277,958)	56,761,384
Total other property, plant and equipment	759,188,435	31,071,364	37,840,175	(7,189,326)	820,910,648
Less accumulated depreciation:					
Buildings	(229,837,863)	(14,932,621)	-	293,655	(244,476,829)
Other improvements	(40,465,883)	(2,074,832)	-	6,579	(42,534,136)
Furniture and equipment	(83,927,676)	(5,771,702)	-	5,488,891	(84,210,487)
Library materials	(53,848,234)	(544,730)	-	277,958	(54,115,006)
Total accumulated depreciation	(408,079,656)	(23,323,885)	-	6,067,083	(425,336,458)
Other property, plant and equipment—net	$ 351,108,779	$ 7,747,479	$ 37,840,175	$ (1,122,243)	$ 395,574,190
Property, plant and equipment summary:					
Property, plant and equipment not being depreciated	$ 70,371,135	$ 1,774,481	$ (37,840,175)	$ (2,575,667)	$ 31,729,774
Other property, plant and equipment—at cost	759,188,435	33,911,084	37,840,175	(7,189,326)	820,910,648
Total cost of property, plant and equipment	829,559,570	35,685,565	-	(9,764,993)	852,640,422
Less accumulated depreciation	(408,079,656)	(23,323,885)	-	6,067,083	(425,336,458)
Property, plant and equipment—net	$ 421,479,914	$ 12,361,680	$ -	$ (3,697,910)	$ 427,303,964

7. ACCOUNTS PAYABLE

Accounts payable consisted of the following at June 30, 2018 and 2017:

	2018	2017
Operating activities	$3,961,123	$4,833,293
Taxes payable	12,514	11,273
Total accounts payable	$3,973,637	$4,844,566

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 $3,590,529 for the year ended June 30, 2018 and $3,477,006 for the year ended June 30, 2017.

Future minimum lease payments on noncancellable leases at June 30, 2018 are as follows:

FY2018	$	2,913,890
FY2019		131,874
FY2020		86,929
FY2021		79,292
FY2022		1,182
Total future minimum obligation	$	3,213,167

9. LONG-TERM LIABILITIES

Long-term liability activity for years ended June 30, 2018 and 2017 is as follows:

	Ending Balance June 30, 2017	Additions	Reductions	Ending Balance June 30, 2018	Amounts Due Within One Year
Bonds, Notes and Capital Lease Obligations:					
Bonds payable	$ 183,725,000	$ 29,145,000	$ 39,510,000	$ 173,360,000	$ 5,320,000
Notes payable	13,094	-	13,094	-	-
Capital lease obligatons	-	337,993	73,055	264,938	62,204
	$ 183,738,094	$ 29,482,993	$ 39,596,149	$ 173,624,938	$ 5,382,204
Premium on bonds	6,373,854	5,176,608	508,918	11,041,544	657,478
Totals	$ 190,111,948	$ 34,659,601	$ 40,105,067	$ 184,666,482	$ 6,039,682

	Ending Balance June 30, 2016	Additions	Reductions	Ending Balance June 30, 2017	Amounts Due Within One Year
Bonds, Notes and Capital Lease Obligations:					
Bonds payable	$ 188,865,000	$ -	$ 5,140,000	$ 183,725,000	$ 5,275,000
Notes payable	23,167	-	10,073	13,094	13,094
Capital lease obligatons	-	-	-	-	-
	$ 188,888,167	$ -	$ 5,150,073	$ 183,738,094	$ 5,288,094
Premium on bonds	6,807,110	-	433,256	6,373,854	433,257
Totals	$ 195,695,277	$ -	$ 5,583,329	$ 190,111,948	$ 5,721,351

10. NOTES AND BONDS PAYABLE

Notes and bonds payable consisted of the following at June 30, 2018 and 2017:

Description	Balance Outstanding 2018	Balance Outstanding 2017
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 $1,713,500 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.	-	34,435,000
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 4.50% to 5.00% through the year 2032, collateralized by a pledge of all revenues of the University with the exception of general account appropriated funds of the State of Idaho and restricted gift and grant revenues. The Series 2010B bonds were issued to pay off an interim loan from Wells Fargo Bank, N.A. which funded improvements to the University's Kibbie Dome.	10,150,000	10,150,000
General Revenue Refunding Bonds, Series 2010C, (original balance of $13,145,000), consisting of term bonds due beginning in 2037 with two payments of $6,390,000 and $6,755,000, plus interest from 6.42% to 6.52% through the year 2041, collateralized by a pledge of all revenues of the University with the exception of general account appropriated funds of the State of Idaho and restricted gift and grant revenues. The Series 2010C bonds were issued to finance and reimburse costs incurred by the University for certain capital improvements to the University's Kibbie Dome. The 2010C bonds are subject to interest subsidy payments thru the U.S. Federal Government's program called Build America Bonds (BAB). The University received BAB interest subsidy payments of $297,732 in FY18 and $297,732 in FY17.	13,145,000	13,145,000

Description	Balance Outstanding 2018	Balance Outstanding 2017
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.	53,425,000	54,640,000
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.	3,110,000	3,890,000
Taxable General Revenue Bonds, Series 2013B, (original balance of $6,325,000), consisting of serial bonds commencing in 2014, plus interest from 1.95% to 4.30% 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.	5,015,000	5,280,000

Description	Balance Outstanding 2018	Balance Outstanding 2017
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.	46,975,000	47,830,000
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.	12,395,000	14,355,000
General Revenue Refunding Bonds, Series 2018A, (original balance of $29,145,000) consisting of serial bonds commencing in 2020 maturing through 2041, 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 2018A bonds were issued to refund the Series 2007B General Revenue Refunding Bonds in the principal amount of $34,235,000 and to pay costs of issuance associated with the Series 2018A Bonds.	29,145,000	-
Other indebtedness, consisting of a note payable with the Economic Development Administration carrying interest rates ranging from 3.245% to 5.00% due through the year 2018.	-	13,094
Sub-total	173,360,000	183,738,094
Premium on Bonds	11,041,544	6,373,854
TOTAL BONDS & NOTES PAYABLE	**$ 184,401,544**	**$ 190,111,948**

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, and capital leases are as follows for the years ending June 30:

	Bonds Payable		Capital Leases Payable	
	Principal	Interest	Principal	Interest
2019	5,320,000	8,477,036	62,204	10,851
2020	4,835,000	8,081,650	64,816	8,240
2021	5,055,000	7,848,329	67,539	5,516
2022	4,825,000	7,608,505	70,379	2,676
2023	5,150,000	7,375,937	-	-
2024-2028	29,185,000	32,917,263	-	-
2029-2033	35,935,000	25,223,951	-	-
2034-2038	41,630,000	15,920,961	-	-
2039-2043	35,685,000	5,047,905	-	-
2044-2048	5,740,000	346,800	-	-
	$ 173,360,000	$ 118,848,337	$ 264,938	$ 27,283

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, 2018 and 2017 are as follows:

	FY18	FY17
Source of Pledged Revenues		
Student Fees	$ 91,974,296	$ 86,340,857
Sales and Services Revenues	31,849,603	42,503,972
Other Operating Revenues	7,485,668	4,821,065
Investment Income	2,775,223	2,637,513
F&A Recovery Revenues	11,150,633	11,416,369
Direct Payments for Series 2010B Bonds	297,732	297,732
Total Pledged Revenues	$ 145,533,155	$ 148,017,508
Revenues Available for Debt Service	$ 145,533,155	$ 148,017,508
Debt Service on Bonds	13,948,727	13,968,346
Debt Service Coverage	10.4	10.6

Debt Defeased Through Advance Refunding – The University has legally defeased certain debt obligations through advanced and current refundings. The 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 6/30/2018
Student Fee Refunding Revenue Bonds, Series 1996	$ 9,285,000	$ 6,160,000	$ 3,125,000	$ -
Student Fee Refunding Revenue Bonds, Series 1997B	12,380,000	5,090,000	7,290,000	-
Student Fee Revenue Bonds (Recreation Center Project) Series 1999	20,115,000	795,000	19,320,000	-
Student Fee Revenue Bonds, Series 1999A	1,470,000	295,000	1,175,000	-
Student Fee Revenue Bonds, Series 1999B	6,150,000	1,180,000	4,970,000	-
Student Fee Revenue Bonds, Series 1999C	6,305,000	2,240,000	4,065,000	-
Student Fee Revenue Bonds, Series 2001	40,930,000	2,895,000	38,035,000	-
Student Fee Refunding and Revenue Bonds, Series 2003	17,585,000	12,040,000	5,545,000	-
General Revenue Refunding Bonds, Series 2005A	30,740,000	8,455,000	22,285,000	-
General Revenue Refunding Bonds, Series 2007A	62,445,000	2,945,000	59,500,000	-
General Revenue Refunding Bonds, Series 2007B	35,035,000	800,000	34,235,000	-
Totals	$ 242,440,000	$ 42,895,000	$ 199,545,000	$ -

During the year ended June 30, 2018, the University issued the Series 2018A bonds in the total principal amount of $29,145,000 consisting of serial bonds commencing in 2020, plus interest from 2.00% to 5.00%. The Series 2018A bonds were issued to refund 100% of the outstanding balance of the Series 2007B bonds on a current basis in the principal amount of $34,235,000. The refunded Series 2007B bonds carried interest rates ranging from 4.25% to 4.50%.

Also during the year ended June 30, 2018, the University entered into capital leases for various computer components with Dell and Hewlett Packard. Both lease agreements extend through the University's 2022 fiscal year. Each agreement contains a purchase option at the end of the lease term. The annual and cumulative payments under these agreements are found in the table on the preceding page.

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 University as employer retains authority for establishing and amending benefits under this self-insured health plan.

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 by the University 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. These contribution amounts are reviewed by the HBT prior to their effective date.

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. Employer contributions are made monthly in advance in an amount equal to $1/12^{th}$ the projected employer cost for the plan year. 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 actuarially-determined contribution for each fiscal year, as determined under the requirements of Governmental Accounting Standards Board ("GASB") Statement 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". Additional contributions required for the funding of the University's OPEB obligation are deposited to 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 to make future benefit payments of the University's net OPEB liability.

Investments Measured at Fair Value

The fair value of the HBT investments as of December 31, 2017 and December 31, 2016 respectively was as follows:

Investments at Fair Value at December 31, 2017

Investment Type	12/31/2017	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	$ 1,956,044	$ -	$ 1,956,044	$ -
Debt securities				
U.S. government agency securities	$ 945,027	$ -	$ 945,027	$ -
Corporate certificates of deposit	2,622,576	-	2,622,576	-
Total debt securities	$ 3,567,603	$ -	$ 3,567,603	$ -
Total investments by fair value	$ 5,523,647	$ -	$ 5,523,647	$ -

Investments at Fair Value at December 31, 2016

Investment Type	12/31/2016	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	$ 220,077	$ -	$ 220,077	$ -
Debt securities				
U.S. government agency securities	$ 1,174,877	$ -	$ 1,174,877	$ -
Corporate certificates of deposit	2,175,313	-	2,175,313	-
Total debt securities	$ 3,350,190	$ -	$ 3,350,190	$ -
Total investments by fair value	$ 3,570,267	$ -	$ 3,570,267	$ -

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, 2017 and 2016:

Investment Securities Subject to Interest Rate Risk at December 31, 2017

Investment Type	Total Fair Value	Investment Maturity in Years <1	1-5	6-10	11-15	>15
Money market funds/cash sweeps	$ 1,956,044	$ 1,956,044	$ -	$ -	$ -	$ -
U.S. government agency securities	945,027	312,352	632,675	-	-	-
Corporate certificates of deposit	2,622,576	1,858,437	764,139	-	-	-
Total	$ 5,523,647	$ 4,126,833	$ 1,396,814	$ -	$ -	$ -

Investment Securities Subject to Interest Rate Risk at December 31, 2016

Investment Type	Total Fair Value	Investment Maturity in Years <1	1-5	6-10	11-15	>15
Money market funds/cash sweeps	$ 220,077	$ 220,077	$ -	$ -	$ -	$ -
U.S. government agency securities	1,174,877	205,633	969,244	-	-	-
Corporate certificates of deposit	2,175,313	943,706	1,231,607	-	-	-
Total	$ 3,570,267	$ 1,369,416	$ 2,200,851	$ -	$ -	$ -

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 at December 31, 2017 and 2016 are as disclosed on the following page:

Investment Securities Subject to Credit Risk at December 31, 2017

Credit Rating	U.S. Government Agency Securities	Corporate Certificates of Deposit	Money Market Funds	Total Investments
AAA	$ -	$ -	$ 1,956,044	$ 1,956,044
AA+	945,027	-	-	945,027
Not Rated	-	2,622,576	-	2,622,576
	$ 945,027	$ 2,622,576	$ 1,956,044	$ 5,523,647

Investment Securities Subject to Credit Risk at December 31, 2016

Credit Rating	U.S. Government Agency Securities	Corporate Certificates of Deposit	Money Market Funds	Total Investments
AAA	$ -	$ -	$ 220,077	$ 220,077
AA+	1,174,877	-	-	1,174,877
Not Rated	-	2,175,313	-	2,175,313
	$ 1,174,877	$ 2,175,313	$ 220,077	$ 3,570,267

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, 2017 and June 30, 2016, 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 through the Office of the General Counsel at the University of Idaho.

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, 2017 and 2016 were as follows:

	2017	2016
Retirees and beneficiaries currently receiving benefits	45,468	44,181
Terminated employees entitled to but not yet receiving benefits	12,669	12,251
Active plan members	70,073	68,517
Total system members	128,210	124,949

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, 2018, 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 $6,696,913 and $6,507,425 for the years ended June 30, 2018 and 2017 respectively.

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

At June 30, 2018 and June 30, 2017, the University reported a liability of $29,092,164 and $36,275,764 respectively for its proportionate share of the net pension liability. The net pension liability for each year was measured as of July 1, 2017 and 2016 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, 2017 and 2016, the University's proportion was 1.85 and 1.79 percent, respectively. Since the prior measurement date the University's proportion of the collective net pension liability increased by 0.06 points or 3.4%.

For the years ended June 30, 2018 and 2017 respectively, the University recognized pension expense of $4,779,370 and $6,240,049. At June 30, 2018 and 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 4,030,183	$ 2,620,959
Changes in assumptions or other inputs	537,992	$ -
Net difference between projected and actual earnings on pension plan investments	-	1,743,032
Change in proportion	809,890	347,297
University contributions subsequent to the measurement date, net	6,696,913	-
Total	$ 12,074,978	$ 4,711,288

	June 30, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		$ 3,614,612
Changes in assumptions or other inputs	$ 806,385	
Net difference between projected and actual earnings on pension plan investments	9,406,371	
Change in proportion		475,822
University contributions subsequent to the measurement date, net	6,507,425	
Total	$ 16,720,181	$ 4,090,434

The FY18 amount of $6,696,913 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, 2019. $6,507,425 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date at June 30, 2017 were recognized as a reduction of the net pension liability in the year ending June 30, 2018.

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, 2016 the beginning of the measurement period ended June 30, 2017 is 4.9 years and 4.9 years for the measurement period June 30, 2016.

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)
2018	$ (1,581,550)
2019	2,733,219
2020	775,535
2021	(1,723,019)
2022	-
Thereafter*	-
	$ 204,185

*Note that additional future deferred inflows and outflows of resources may impact these numbers.

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 on an open basis.

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 - 10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1.00%

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 for the period July 1, 2007 through June 30, 2013 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, 2017 is based on the results of an actuarial valuation date of July 1, 2017.

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.

Capital Market Assumptions

Asset Class	Expected Return*	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%

Total Fund	Expected Return*	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

* Expected arithmetic return net of fees and expenses
Data provided by Callan Associates 2015

Actuarial Assumptions	
Assumed Inflation - Mean	3.25%
Assumed Inflation - Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.08%
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, as follows:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	$ 67,616,175	$ 29,092,164	$ (2,922,310)

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, 2018 the University had no payables related to legally-required employer or employee contributions due the defined benefit pension plan for fiscal year 2018 and 2017 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 fully vested in the ORP immediately. 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, 2018, 2017 and 2016 were $16,990,953, $16,334,941, and $14,916,862, respectively, that consisted of $9,698,946 from the University and $7,292,007 from employees for 2018, $9,324,242 from the University and $7,010,699 from employees for 2017, and $8,514,402 from the University and $6,402,460 from employees for 2016.

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, 2018, 2017 and 2016, these supplemental funding payments made to PERSI were $1,556,579 , $1,496,586, and $1,370,490 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, 2018, 2017 and 2016 were $83,531, $81,255, and $87,380, 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, 2018, 2017 and 2016 were $121,045, $152,823 and $231,351 respectively, that consisted of $82,171 from the University and $38,874 from employees for 2018, $95,683 from the University and $57,140 from employees for 2017, and $140,620 from the University and $90,731 from employees for 2016.

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

Plan Description

Plan Administration:

The University of Idaho administers the OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) for permanent full-time general employees. Management of the OPEB plan is overseen by University of Idaho Administration.

Plan membership: At May 1, 2017, the University of Idaho plan membership consisted of the following:

	Medical	Dental	Life	Sick-Leave
Retired members or beneficiaries currently receiving benefits	815	190	663	60
Vested terminated members entitiled to but not yet receiving benefits	N/A	N/A	N/A	N/A
Active members	575	575	38	2,039
Total	1,390	765	701	2,099

Benefits provided:

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. The benefits represent a single-employer defined benefit plan administered by the University.

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. However, these employees are eligible to convert 50% of unused accrued sick time, up to 600 hours, to pay for their medical premiums. All University post-employment benefits may be further established or amended by the University or the Idaho State Board of Education.

University of Idaho Contributions:

The University of Idaho contributes the Actuarial Determined Contribution (ADC) (previously the Annual Required Contribution under GASB Statement No. 45) to fund the future payments required to provide post-employment benefits other than pension ("OPEB"). At the end of each fiscal year, the University of Idaho deposits the excess of the ADC over the amount of actual benefit payments net of retiree contributions into the Retiree Benefits Trust. After the University has paid off the entire Net OPEB Liability under the 20-year closed level dollar amortization funding policy, contributions will be equal to the annual normal cost.

University of Idaho Retiree Benefits Trust:

The University of Idaho established the Retiree Benefits Trust ("RBT") in 2008 to fund the future payments required for its OPEB obligation. 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, dental and pharmaceutical benefits through the University's Health Benefits Trust ("HBT") as described in note 11 of these financial statements apply toward the ongoing annual funding requirements of the RBT.

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

The investments held in the RBT are summarized in the *Retiree Benefits Basis of Accounting and Valuation of Trust Assets* section of this note.

Sensitivity

The following presents the NOL of the University as well as what the University's NOL would be if it were calculated using a discount rate that is 1-percentage point lower (4.50%) or 1-percentage point higher (6.50%) than the current rate. Also, shown is the NOL as if it were calculated using healthcare cost trend rates that were 1-percentage point lower or 1-percentage point higher that the current healthcare trend rates.

	1% Decrease in Discount Rate (4.50%)	Current Discount Rate (5.50%)	1% Increase in Discount Rate (6.50%)
Net OPEB Liability (Asset)	$41,824,578	$33,335,831	$26,246,689

	1% Decrease in Healthcare Cost Trend Rates	Current Healthcare Cost Trend Rates	1% Increase in Healthcare Cost Trend Rates
Net OPEB Liability (Asset)	$26,628,323	$33,335,831	$41,327,663

Net OPEB Liability

Reporting Date for Employer under GASB 75	June 30, 2018
Reporting Date for Trust under GASB 74	December 31, 2017
Measurement Date for Employer under GASB 74 & 75	December 31, 2017

The components of the Net OPEB Liability are as follows:

Total OPEB Liability	$68,320,201
Plan Fiduciary Net Position	34,984,371
Net OPEB Liability	$33,335,831
Plan Fiduciary Net Position as percentage of the Total OPEB Liability	51.21%

The Net OPEB Liability was measured as of December 31, 2017. Plan Fiduciary Net Position (plan assets) was valued as of the measurement date and the Total OPEB Liability was determined from actuarial valuations as of May 1, 2017, and was projected forward to the measurement date of June 30, 2017 using standard actuarial techniques.

Actuarial Assumptions

The total OPEB liability was measured by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00%
Salary increases	3.00%, including inflation
Discount rate	5.50%
Healthcare cost trend rates:	
Non-Medicare Medical & Prescription Drugs	7.58% graded to 4.50% over 13 years
Medicare Medical	5.90% graded to 4.50% over 10 years
Medicare Prescription Drugs	10.67% graded to 4.50% over 13 years
Dental	4.00%

Mortality Rates

Healthy	Approximate 2006 table based on Headcount-Weighted RP-2014 Combined Healthy Annuitant, projected generationally with Scale MP-2015 from 2006
Disabled	Approximate 2006 table based on Headcount-Weighted RP-2014 Disabled Retiree, projected generationally with Scale MP-2015 from 2006

Development of Long-Term Rate

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best estimate ranges of expected future rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The current allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized on the following page:

Asset Class	Current Allocation	Long-Term Expected Arithmetic Real Rate of Return	Money Weighted Real Rate of Return
Domestic equity	29.35%	6.71%	1.97%
International equity, developed markets	10.00%	7.71%	0.77%
Fixed income, core	57.00%	2.11%	1.20%
Short-term governmental money market	3.65%	1.10%	0.04%
Total	100.00%		3.98%
Inflation			2.00%
Investment Rate of Return (Gross)			5.98%
Investment Expenses			-0.25%
Investment Rate of Return (Net)			5.73%
Long-Term Rate of Return Used in Valuation			5.50%

Discount Rate

The projection of cash flow used to determine the discount rate assumed that the University of Idaho's contributions would be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB Plan's fiduciary 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 of 5.50% on plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability.

Retiree Benefits Trust Basis of Accounting and Valuation of Trust Assets

Basis of accounting – Financial statements of 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 the investments are reported as a component of the net change in fair value of investments in the RBT Statement of Changes in Plan Assets.

Investments Measure at Fair Value

The fair value of the RBT investments as of December 31, 2017 and December 31, 2016 were as disclosed on the following page:

Investments at Fair Value at December 31, 2017

	12/31/2017	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	$ 1,197,733	$ 1,197,733	$ -	$ -
Bond mutual funds	$ 18,125,577	$ 18,125,577	$ -	$ -
Stock mutual funds	15,661,062	15,661,062	-	-
Combined mutual funds	$ 33,786,639	$ 33,786,639	$ -	$ -
Total investments by fair value	$ 34,984,372	$ 34,984,372	$ -	$ -

Investments at Fair Value at December 31, 2016

	12/31/2016	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	$ 941,000	$ 941,000	$ -	$ -
Bond mutual funds	$ 17,372,861	$ 17,372,861	$ -	$ -
Stock mutual funds	12,932,742	12,932,742	-	-
Combined mutual funds	30,305,603	$ 30,305,603	-	-
Total investments by fair value	$ 31,246,603	$ 31,246,603	$ -	$ -

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 as 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, 2017 and December 31, 2016 are seen on the following page:

Investment Securities Subject to Interest Rate Risk at December 31, 2017

Investment Type	Total Fair Value	Investment Maturity in Years <1	1-5	6-10	11-15	>15
Bond mutual funds	$ 18,125,577	$ 627,940	$ 6,252,976	$ 3,472,217	$ 803,415	$ 6,969,029
Total	$ 18,125,577	$ 627,940	$ 6,252,976	$ 3,472,217	$ 803,415	$ 6,969,029

Investment Securities Subject to Interest Rate Risk at December 31, 2016

Investment Type	Total Fair Value	Investment Maturity in Years <1	1-5	6-10	11-15	>15
Bond mutual funds	$ 17,372,861	$ 1,082,964	$ 5,767,373	$ 3,313,340	$ 908,469	$ 6,300,715
Total	$ 17,372,861	$ 1,082,964	$ 5,767,373	$ 3,313,340	$ 908,469	$ 6,300,715

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 December 31, 2017 and December 31, 2016 respectively, the University had the following investment credit risk:

Investment Securities Subject to Credit Risk at December 31, 2017

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	Below B	Not Rated
Bond mutual funds	$ 18,125,577	$ 9,833,892	$ 1,326,450	$ 1,890,005	$ 3,728,335	$ 634,270	$ 240,767	$ 244,184	$ 227,674
Total	$ 18,125,577	$ 9,833,892	$ 1,326,450	$ 1,890,005	$ 3,728,335	$ 634,270	$ 240,767	$ 244,184	$ 227,674

Investment Securities Subject to Credit Rate Risk at December 31, 2016

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	Below B	Not Rated
Bond Mutual Funds	$ 17,372,861	$ 9,246,521	$ 1,495,225	$ 1,723,730	$ 3,585,709	$ 610,219	$ 219,698	$ 261,350	$ 230,409
	$ 17,372,861	$ 9,246,521	$ 1,495,225	$ 1,723,730	$ 3,585,709	$ 610,219	$ 219,698	$ 261,350	$ 230,409

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 December 31, 2017 and December 31, 2016, all investments were held by the RBT or its counterparty in the RBT’s name.

OPEB Accounting and Reporting:

The University adopted GASB Statements 74 and 75 in fiscal year 2018. Statement 74 requires the University to disclose and report its net OPEB plan liability and associated components and assumptions in specific OPEB financial statements, footnotes (this footnote), and required supplementary information. With the additional adoption of GASB 75, the University is now required to report within its own financial statements the impact of the net OPEB liability as calculated under Standard 74.

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, 2018 and 2017:

Expenses 2018	Salaries	Benefits	Services	Supplies	Ins, utilities & rent	Scholarships & Fellowships	Depreciation	Other	Totals
Instruction	$ 68,052,180	$ 31,382,044	$ 8,653,171	$ 5,726,848	$ 688,278	$ 4,629,804	$ -	$ 2,392,930	$ 121,525,255
Research	41,556,400	13,085,756	17,140,117	6,113,534	831,256	3,291,174	-	(559,443)	81,458,794
Public Service	18,274,637	5,382,420	6,683,945	1,260,869	469,297	594,358	-	3,196,620	35,862,146
Academic Support	9,488,120	2,882,727	2,034,073	1,112,868	187,223	54,737	-	418,004	16,177,752
Libraries	2,989,986	883,377	4,018,446	1,829,969	93,343	128,390	-	18,564	9,962,075
Student Services	9,648,724	3,029,426	2,425,621	932,319	510,918	72,037	-	410,470	17,029,515
Insititutional Support	19,120,658	8,324,503	8,102,646	563,072	813,816	(557,645)	-	1,629,970	37,997,020
Plant Operations	9,116,164	3,115,477	(2,230,643)	9,896,274	10,122,269	15,500	23,410,845	473,056	53,918,942
Scholarships & Fellowships	809,102	15,246	6,362	3,121	-	15,870,455	-	690	16,704,976
Auxiliary Enterprises	10,514,154	3,469,021	6,346,989	3,278,712	1,850,804	1,305,545	-	987,638	27,752,863
	$ 189,570,125	$ 71,569,997	$ 53,180,727	$ 30,717,586	$ 15,567,204	$ 25,404,355	$ 23,410,845	$ 8,968,499	$ 418,389,338

Expenses 2017	Salaries	Benefits	Services	Supplies	Ins, utilities & rent	Scholarships & Fellowships	Depreciation	Other	Totals
Instruction	$ 63,770,099	$ 21,296,828	$ 8,404,435	$ 5,633,801	$ 651,654	$ 4,042,406	$ -	$ 2,634,933	$ 106,434,156
Research	40,752,678	9,273,327	17,588,018	5,824,111	855,396	2,778,855	-	(2,189,508)	74,882,877
Public Service	16,903,817	5,099,375	6,365,516	1,307,979	411,502	261,598	-	3,262,917	33,612,704
Academic Support	8,675,124	2,918,299	1,712,840	892,168	120,445	(104,476)	-	369,297	14,583,697
Libraries	2,639,231	758,916	4,114,790	1,741,211	93,592	190,901	-	28,252	9,566,893
Student Services	8,790,767	2,668,862	1,975,465	687,680	473,260	74,922	-	364,073	15,035,029
Insititutional Support	17,375,597	10,334,602	8,537,012	(489,736)	481,853	(542,855)	-	1,789,342	37,485,815
Plant Operations	7,936,714	2,809,966	36,066	9,592,525	9,853,277	16,043	23,323,885	112,800	53,681,276
Scholarships & Fellowships	690,468	1,597	4,094	1,567,552	-	14,973,257	-	-	17,236,968
Auxiliary Enterprises	10,232,520	2,877,899	12,702,376	5,378,675	1,826,814	1,485,400	-	1,186,411	35,690,095
	$ 177,767,015	$ 58,039,671	$ 61,440,612	$ 32,135,966	$ 14,767,793	$ 23,176,051	$ 23,323,885	$ 7,558,517	$ 398,209,510

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 liability balances, which are included in accrued salaries and benefits payable on the Statement of Net Position, at year-end June 30, 2018 and 2017 were as outlined on the following page:

Self-Insured Outstanding Liability at June 20, 2018

Accident Year	Projected Ultimate Loss	Paid-to-Date at 6/30/2018	Case Reserves at 6/30/2018	IBNR at 6/30/2018	Outstanding Liability at 6/30/2018
7/1/2014	$ 570,923	$ 445,565	$ 43,456	$ 81,902	$ 125,358
7/1/2015	726,861	459,275	153,612	113,974	267,586
7/1/2016	787,001	554,413	74,174	158,414	232,588
7/1/2017	910,349	360,526	245,388	304,435	549,823
	$ 2,995,134	$ 1,819,779	$ 516,630	$ 658,725	$ 1,175,355

Self-Insured Outstanding Liability at June 20, 2017

Accident Year	Projected Ultimate Loss	Paid-to-Date at 6/30/2017	Case Reserves at 6/30/2017	IBNR at 6/30/2017	Outstanding Liability at 6/30/2017
7/1/2014	$ 498,292	$ 407,810	$ 12,375	$ 78,107	$ 90,482
7/1/2015	762,258	417,482	193,780	150,996	344,776
7/1/2016	994,431	238,740	460,522	295,169	755,691
	$ 2,254,981	$ 1,064,032	$ 666,677	$ 524,272	$ 1,190,949

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. is to inspire, manage, and distribute private support to enhance the excellence 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.

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, 2018 and 2017 are as follows:

RESTATEMENT OF FINANCIALS FOR ADOPTION OF NEW ACCOUNTING STANDARD – During the fiscal year ended June 30, 2018, the Foundation retroactively implemented the GASB Statement 81, *Irrevocable Split-Interest Agreements*. This statement requires that resources pursuant to an irrevocable split interest agreement be recognized as deferred inflows of resources at the inception of the agreement. The remaining resources will be recognized as gift revenue upon the termination of the agreements. As a result of implementing this statement retroactively as required by GASB, the Foundation reclassified $6,626,088 related to years prior to fiscal year 2017 and $443,196 for fiscal year 2017 from restricted expendable net position to deferred inflow from split-interest trust agreements. This resulted in an increase to total deferred inflow and a corresponding decrease to the net position at the end of fiscal year 2017 of $7,069,284.

INVESTMENTS—Investments represent the largest asset of the Foundation making up 88% and 91% of the total assets at June 30, 2018 and 2017, respectively. Of those investments, 86% and 85%, respectively, 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 debt funds are held in an investment trust with the objective 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 CIT's commingled international equity funds are held in an investment trust which invests in global markets excluding the U.S. The trust is not index-oriented and is designed to protect in down markets. The fair values of these funds have 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 values 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 values of private equity limited partnership investments are based on the valuations as presented in the fund's December 31st audited financial statements and adjusted for any cash calls and distributions through June 30th. 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 6.40% 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, 2018					
Commingled funds					
Debt funds	1	$ 19,661,488	$ -	Daily	None
International equity	1	15,266,313	-	Monthly	15 days
Private equity	12	19,640,191	26,271,736	Illiquid	N/A
Total		$ 54,567,992	$ 26,271,736		

	Number of Investments	Principal Valuation Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
As of June 30, 2017					
Comingled funds					
Debt funds	1	$ 19,316,045	$ -	Daily	None
International equity	1	12,186,733	-	Monthly	15 days
Private equity	12	16,437,315	19,769,681	Illiquid	N/A
Total		$ 47,940,093	$ 19,769,681		

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, 2018, the fair value of restricted and unrestricted investments was $297,046,572 and $9,701,003 respectively. At June 30, 2017 the fair value of restricted and unrestricted investments was $283,402,871 and $8,690,625, respectively.

The following table represents the fair value of investments by type at June 30, 2018 and 2017 respectively on the following page:

Investment Type	2018	2017
U.S. government agency obligations	$ 3,463,838	$ 4,575,944
Corporate debt	21,807,179	21,973,358
U.S. treasuries	4,433,072	3,728,290
Common stock	60,226,698	67,204,068
Mutual funds		
U.S. equity	56,043,487	55,650,283
Debt	25,795,014	20,722,673
International/Emerging Markets	51,988,214	48,231,391
Inflation protected	14,464,013	11,110,400
U.S. treasury	13,863,947	10,808,010
Comingled funds	34,927,801	31,502,778
Private equity	19,640,191	16,437,315
Preferred stock	94,121	148,986
	$ 306,747,575	$ 292,093,496

The related fair value of assets not valued at NAV are determined as follows:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
As of June 30, 2018			
Equity Investments			
Common stock	$ 60,226,698	$ -	$ -
Preferred stock	94,121	-	-
Mutual funds	108,031,701	-	-
Fixed income investments			
Corporate bonds	-	21,807,179	-
U.S. government agency obligations	-	7,896,910	-
Mutual funds	54,122,974	-	-
	$ 222,475,494	$ 29,704,089	$ -

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
As of June 30, 2017			
Equity Investments			
Common stock	$ 67,204,068	$ -	$ -
Preferred stock	148,986	-	-
Mutual funds	103,881,674	-	-
Fixed income investments			
Corporate bonds	-	21,973,358	-
U.S. government agency obligations	-	8,304,234	-
Mutual funds	42,641,083	-	-
	$ 213,875,811	$ 30,277,592	$ -

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, 2018, 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	$ 21,807,179	$ 4,857,641	$ 15,429,646	$ 364,238	$ 1,155,654
U.S. government agency obligations and treasuries	3,463,838	498,885	2,915,550	780	48,623
U.S. treasuries	4,433,072	1,746,545	2,686,527	-	-
	$ 29,704,089	$ 7,103,071	$ 21,031,723	$ 365,018	$ 1,204,277

At June 30, 2017, 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	$ 21,973,358	$ 4,517,283	$ 15,602,373	$ 538,219	$ 1,315,483
U.S. government agency obligations and treasuries	4,575,944	997,545	3,481,599	26,148	70,652
U.S. treasuries	3,728,290	1,997,990	1,730,300	-	-
	$ 30,277,592	$ 7,512,818	$ 20,814,272	$ 564,367	$ 1,386,135

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 its investment choices. (The credit risk ratings listed below are issued upon standards set by Standard and Poor's).

At June 30, 2018, the Foundation had the following investment credit risk:

Credit Rating	U.S. Government Agency Obligatons	Corporate Debt	Total
	Investment Type		
AAA	$ -	$ 965,165	$ 965,165
AA	3,463,838	5,176,690	8,640,528
A	-	10,349,840	10,349,840
BBB	-	4,580,362	4,580,362
BB	-	263,462	263,462
B	-	185,250	185,250
D	-	118	118
Not Rated	-	286,292	286,292
Total	$ 3,463,838	$ 21,807,179	$ 25,271,017

At June 30, 2017, the Foundation had the following investment credit risk:

Credit Rating	U.S. Government Agency Obligatons	Corporate Debt	Total
	Investment Type		
AAA	$ -	$ 1,577,379	$ 1,577,379
AA	4,571,202	7,442,925	12,014,127
A	-	7,741,405	7,741,405
BBB	-	4,443,121	4,443,121
BB	-	271,153	271,153
B	-	207,000	207,000
CCC	-	1,918	1,918
D	-	17,558	17,558
Not Rated	4,742	270,899	275,641
Total	$ 4,575,944	$ 21,973,358	$ 26,549,302

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.
- With the exception of passively managed portfolios, 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 2018 and 2017, 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 Foundation's name. At June 30, 2018 and 2017 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 investment holdings in the portfolio.

The Foundation is exposed to foreign currency risk in foreign stocks that it holds as follows:

Currency Type		June 30, 2018 Fair Value	June 30, 2017 Fair Value
AUD	Australia	$ 956,183	$ 948,919
CAD	Canada	401,914	392,709
CHF	Switzerland	1,737,171	1,751,566
DKK	Denmark	816,905	554,636
EUR	Euro	3,983,197	2,986,270
GBP	Great Britain	3,160,039	3,061,412
HKD	Hong Kong	2,733,941	3,086,315
JPY	Japan	785,235	586,098
SEK	Sweden	-	200,330
		$ 14,574,585	$ 13,568,255

DISTRIBUTIONS TO UNIVERSITY OF IDAHO AND AFFILIATES

During fiscal years 2018 and 2017, earnings from endowments invested in the CIT, direct gifts and other revenues to the Foundation were distributed as follows:

	2018		2017	
	CIT Endowment Income	Gifts and Other Revenues	CIT Endowment Income	Gifts and Other Revenues
Scholarships	$ 6,589,073	$ 2,588,860	$ 6,483,856	$ 2,796,410
Student loans	186,916	-	188,107	-
Building funds	-	795,692	-	2,629,444
University of Idaho College and Department Operating Accounts				
Academic Excellence	700,577	5,720	508,352	8,340
Agricultural and Life Sciences	534,244	1,767,011	502,191	1,910,343
Art and Architecture	18,897	180,554	18,895	160,503
Athletics	61,487	339,356	61,182	528,686
Business and Economics	426,424	428,829	411,933	395,240
Education	50,970	52,377	49,986	176,851
Engineering	353,003	1,099,934	301,414	691,022
Law	234,526	167,960	235,412	143,189
Letters, Art and Social Science	709,865	521,941	655,227	319,775
Library	191,469	20,038	184,455	35,941
Natural Resources	395,739	343,850	392,578	308,927
Science	209,276	330,180	210,092	269,668
Other departments	249,715	997,263	453,978	990,155
Life beneficiaries	17,180	-	17,288	-
University of Idaho affiliates	409	30,173	412	18,164
Total Distributions	$ 10,929,770	$ 9,669,738	$ 10,675,358	$ 11,382,658

DONOR RESTRICTED ENDOWMENTS

The Foundation receives certain gift assets that are restricted for endowment purposes, and by definition the original gift amount is in perpetuity for the benefit of the University. Restriction requirements for principal preservation are addressed by Idaho statute, and are applicable lacking any further guidance from the individual gift agreement. During the fiscal years ended June 30, 2018 and 2017, $6,517,420 and $9,628,866 were contributed to endowments, respectively.

The Foundation Board of Directors establishes a spending rate annually for endowments. The approved fiscal year 2018 and 2017 spending rate was set at 4.4% of the three-year rolling average of the CIT’s monthly fair market value.

During the fiscal years ended June 30, 2018 and 2017, the endowments held by the Foundation had net appreciation (depreciation) on endowments of $14,862,172 and $22,879,127 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. PRIOR PERIOD RESTATEMENT

During the 2018 fiscal year audit, it was discovered that the University had erroneously capitalized certain subscription amounts for both the general and law libraries in prior years. The effect of these adjustments reduced capital assets and accumulated depreciation, and net position related to investments in capital and unrestricted net position within the Statement of Net Position for each fiscal year, as well as depreciation, services expense and change in net postion within the Statement of Revenues, Expenses and Changes in Net Position for each year. The cumulative effect on the ending FY16 net position was to decrease net investment in capital assets by $15,819,308 to a total of $242,219,793, to leave restricted expendable net position unchanged at $36,161,850, and to reduce unrestricted net position by $466,620 to a total of $66,883,726. The ending restated, combined total net position for FY16 is therefore $345,265,369. The effects of restatement amounts on the 2017 financial statements are summarized on the following page:

Effects on Statement of Net Position:

	As Previously Reported June 30, 2017	Restated June 30, 2017	Effect of Change
Noncurrent Assets			
Depreciable capital assets, net	$ 412,052,804	$ 395,574,190	$ (16,478,614)
Net Position			
Net investment in capital assets (net position)	258,252,892	241,966,964	(16,285,928)
Unrestricted net position	70,144,622	69,951,936	(192,686)

Effects on Statement of Revenues, Expenses and Changes in Net Position:

	As Previously Reported June 30, 2017	Restated June 30, 2017	Effect of Change
Operating Expenses			
Services	$ 57,696,807	$ 61,440,612	$ 3,743,805
Depreciation	26,875,004	23,323,885	(3,551,119)
Total Operating Expenses	398,016,824	398,209,510	192,686
Operating (Loss) Income	(182,032,712)	(182,225,398)	(192,686)
Gain (Loss) Before Other Revenues	(5,726,078)	(5,918,764)	(192,686)
Increase (Decrease) in Net Position	6,451,099	6,258,413	(192,686)

20. CUMULATIVE EFFECT OF IMPLEMENTATION OF GASB STATEMENTS 74 & 75

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* is effective for fiscal years beginning after June 15, 2016, and the related GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* is effective for fiscal years beginning after June 15, 2017. Prior to the adoption of these standards, the University accounted and reported its Other Post-Employment Benefit Plan {"OPEB", see footnote 13, "Postemployment Benefits (Other Than Pensions) and Retiree Benefits Trust"} under previously-issued GASB Statement No. 45, adopted by the University during its fiscal year ending June 30, 2008. Under Statement 45, the University was allowed to utilize a rolling, 30-year amortization period to recognize its net OPEB liability. With the FY18 adoption of the new Statements 74 and 75 standards, the University is now required to recognize its full net OPEB obligation in its financial accounting and reporting beginning in FY18. The University was not required to adopt these new standards until FY18 due to the fact that both its health plan and the University's Health Benefits Trust ("HBT", refer to footnote 11, "Health Insurance Plan and Health Benefits Trust") operate on a calendar year basis.

The financial statement effect of the adoption of Standards 74 and 75 as reflected in the University's FY18 financial statements are as follows:

STATEMENT OF NET POSITION	
DEFERRED OUTFLOW OF RESOURCES	
Deferred contributions and changes of assumptions to University's OPEB plan (increase)	$ 615,000
NONCURRENT LIABILITIES	
Net OPEB liability (increase)	33,335,831
DEFERRED INFLOWS OF RESOURCES	
Deferred actuarial/investment experience and changes of assumptions to University's OPEB plan (increase)	1,442,806
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	
OPERATING EXPENSES	
Benefits (increase)	$ 2,101,087
INCREASE (DECREASE) IN NET POSITION	
Cumulative effect of implementing GASBS 74 and 75 (decrease)	34,739,550

It is not practical for the University to determine the amounts of deferred inflows of resources, deferred outflows of resources, and net OPEB liability for fiscal years prior to FY18. As a result, no prior years have been restated for the adoption of these new standards.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2018	2017
University's portion of net pension liability	1.85%	1.79%
University's proportionate share of the net pension liability	$ 29,092,164	$ 36,275,764
University's covered employee payroll	52,317,861	52,317,861
University's proportional share of the net pension liabiliy as a percentage of its covered employee payroll	55.61%	69.34%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	87.26%

Data reported is measured as of July 1, 2016 and July 1, 2015 (measurement dates)

Schedule of University Contributions
PERSI - Base Plan

	2018	2017
Statutorialy-required contribution	$ 6,696,913	$ 6,507,425
Contributions in relation to the statutorily-required contribution	6,696,913	6,507,425
Contribution (deficiency) excess	$ -	$ -
University's covered-employee payroll	59,160,024	57,486,009
Contributions as a percentage of covered-employee payroll	11.32%	11.32%

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net OPEB Liability - Last Fiscal Year[1]

Reporting Date for Employer under GASB 75		June 30, 2018
Reporting Date for Employer under GASB 74		December 31, 2017
Measurement Date for Employer under GASB 74 & 75		December 31, 2017
Total OPEB Liability		
Service cost at end of year	$	505,073
Interest		3,606,077
Change of benefit terms		-
Differences between expected and actual experience		-
Changes of assumptions		-
Benefit payments, including refunds of member contributions		(2,676,167)
Net change in Total OPEB Liability	$	1,434,983
Total OPEB Liability - beginning	$	66,885,217
(a) Total OPEB Liability - ending	$	68,320,201
Plan Fiduciary Net Position		
Contributions - employer	$	2,961,065
Contributions - employee		-
Net investment income		3,527,768
Benefit payments, including refunds of member contributions		(2,676,167)
Administrative expense		(74,899)
Net change in Plan Fiduciary Net Position	$	3,737,767
Plan Fiduciary Net Position - beginning	$	31,246,603
(b) Plan Fiduciary Net Position - ending	$	34,984,371
(c) Net OPEB Liability - ending (a) - (b)	$	33,335,830
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability		51.21%
Covered employee payroll	$	159,935,268
Plan Net OPEB Liability as a percentage of covered employee payroll		20.84%

[1] *The above information is required beginning in 2017. A full 10-year trend will be compiled in future years.*

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of OPEB Contributions - Last Ten Fiscal Years [1]

Year Ended June 30,	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions [2]	Contribution Deficiency/(Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2010	$ 5,863,000	$ 6,801,000	$ (938,000)	$ 124,584,000	5.46%
2011	5,250,000	5,618,000	(368,000)	121,834,000	4.61%
2012	4,806,000	5,201,000	(395,000)	123,237,000	4.22%
2013	3,723,000	4,404,000	(681,000)	123,592,000	3.56%
2014	3,368,000	3,178,000	190,000	132,777,000	2.39%
2015	3,177,000	3,233,000	(56,000)	140,728,000	2.30%
2016	2,711,000	2,751,000	(40,000)	150,995,000	1.82%
2017	3,321,000	3,157,000	164,000	152,999,000	2.06%
2018	3,537,000	N/A	N/A	157,589,000	N/A
2019	3,451,000	N/A	N/A	162,317,000	N/A

[1] *All the numbers shown above are rounded to the nearest thousand.*

[2] *For the years ending June 30, 2010 through 2011, the amount of actual contributions in relation to the Actuarially Determined Contribution were estimated based on the percentage contributed" as shown in the footnotes of the University of Idaho Financial Statements for the years ended June 30, 2014 and 2013 and Report of Independent Auditors.*

For years prior to the year ended June 30, 2017, the Actuarial Determined Contribuitons ("ADC") was assumed to be equal to the Annual Required Contributions ("ARC") as reported under GASB Statement No. 45 for each applicable year.