Report of Independent Auditors in accordance with OMB Circular A-133 and Financial Statements for

Lewis-Clark
STATE
COLLEGE

June 30, 2012 and 2011

LEWIS-CLARK STATE COLLEGE

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REPORT OF INDEPENDENT AUDITORS

Idaho State Board of Education
Lewis-Clark State College

We have audited the accompanying financial statements of the Lewis-Clark State College and its discretely presented component unit, the Lewis-Clark State College Foundation, Inc. (collectively the College) as of and for the years ended June 30, 2012 and 2011, which collectively comprise the College's financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to previous present fairly, in all material respects, the respective financial position of Lewis-Clark State College and its discretely presented component unit, the Lewis-Clark State College Foundation, Inc. as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

REPORT OF INDEPENDENT AUDITORS
(continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2012, on our consideration of Lewis-Clark State College's and its discretely presented component units, the Lewis-Clark State College Foundation, Inc., internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 and certain information in Note 9, *Retirement Plans,* that is labeled "required supplementary information" 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's financial statements. The schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Moss Adams LLP

Eugene, Oregon
September 26, 2012

LEWIS-CLARK STATE COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

Overview of the Financial Statements and Financial Analysis

The financial statements for fiscal years ended June 30, 2012 and June 30, 2011 are prepared in accordance with Governmental Accounting Standards Board ("GASB") principles. Three financial statements are presented: the *Statements of Net Assets;* the *Statements of Revenues, Expenses, and Changes in Net Assets;* and the *Statements of Cash Flows.*

Management's Discussion and Analysis is designed to provide an easily readable summary of Lewis-Clark State College's (the "College's") financial condition, results of operations and cash flows based upon facts, decisions, and conditions known at the date of the auditor's reports.

In 2002, GASB issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB 14*. This Statement clarified the definition of a component unit for financial reporting purposes. As a result, the College is discretely reporting the Lewis-Clark State College Foundation's (the "Foundation's") *Statements of Net Assets, Statements of Revenues, Expenses and Changes in Net Assets,* and *Statements of Cash Flows* as part of the financial statements for the College.

Statement of Net Assets

The *Statement of Net Assets* presents the assets, liabilities, and net assets of the College as of the end of the fiscal year. The *Statement of Net Assets* is a point-in-time financial statement intended to present to the readers a fiscal snapshot of the College. The *Statement of Net Assets* presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities).

From the data presented, readers of the *Statement of Net Assets* are able to determine the assets available to continue the operations of the College. They are also able to ascertain how much the College owes vendors, grantors, and lending institutions. Finally, the *Statement of Net Assets* provides a picture of the net assets and their availability for expenditure by the College.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, indicates the net equity in capital assets owned by the College. The next category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is available only for investment purposes. Expendable restricted net assets are available for expenditure by the College, but must be spent for purposes specified by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available to the College to utilize in any legal fashion in accordance with the State Board of Education specified role and mission.

SUMMARY STATEMENTS OF NET ASSETS

	2012	2011	2010
ASSETS:			
Current assets	$ 29,781,077	$ 25,484,576	$ 20,881,453
Capital assets, net	47,458,813	47,689,182	47,234,905
Other assets	3,263,157	3,935,915	4,148,914
Total assets	80,503,047	77,109,673	72,265,272
LIABILITIES:			
Current liabilities	6,619,383	7,309,353	6,509,307
Noncurrent liabilities	6,894,745	8,217,159	9,700,872
Total liabilities	13,514,128	15,526,512	16,210,179
NET ASSETS:			
Invested in capital assets, net of related debt	43,966,416	43,394,474	41,283,868
Restricted – nonexpendable			
Restricted – expendable	1,130,410	1,250,382	1,306,498
Unrestricted	21,892,093	16,938,305	13,464,727
Total net assets	66,988,919	61,583,161	56,055,093
Total liabilities and net assets	$ 80,503,047	$ 77,109,673	$ 72,265,272

Total assets of the College increased $3,393,374 in fiscal year 2012, an increase of 4.4% over 2011. This increase is primarily due to the increase in Cash and cash equivalents and Cash with treasurer of $4,666,867, offset in large part by the elimination of Investments held in trust due to a debt refinancing. Capital assets declined by $230,269, as depreciation expense exceeded investments in new plant and equipment.

Total liabilities at June 30, 2012, as compared to June 30, 2011, decreased by $2,012,384 or 13.0%. This decline is primarily attributable to a reduction in Notes and bonds payable of $1,448,871, resulting from the refinancing of the Student Union Building bonds, and the early payoff of the Student Activity Center note. Unearned revenue declined by $776,139, primarily due to spending down of two previously received Albertson’s grants (Student Success and Foundation Scholarships).

Statement of Revenues, Expenses and Changes in Net Assets

Changes in Total net assets, as presented on the *Statement of Net Assets*, are specifically depicted by the activity presented in the *Statement of Revenues, Expenses and Changes in Net Assets*. The purpose of this statement is to present the revenues earned by the College, operating and nonoperating, operating and nonoperating expenses incurred, and all other revenues, expenses, gains and losses earned or incurred by the College.

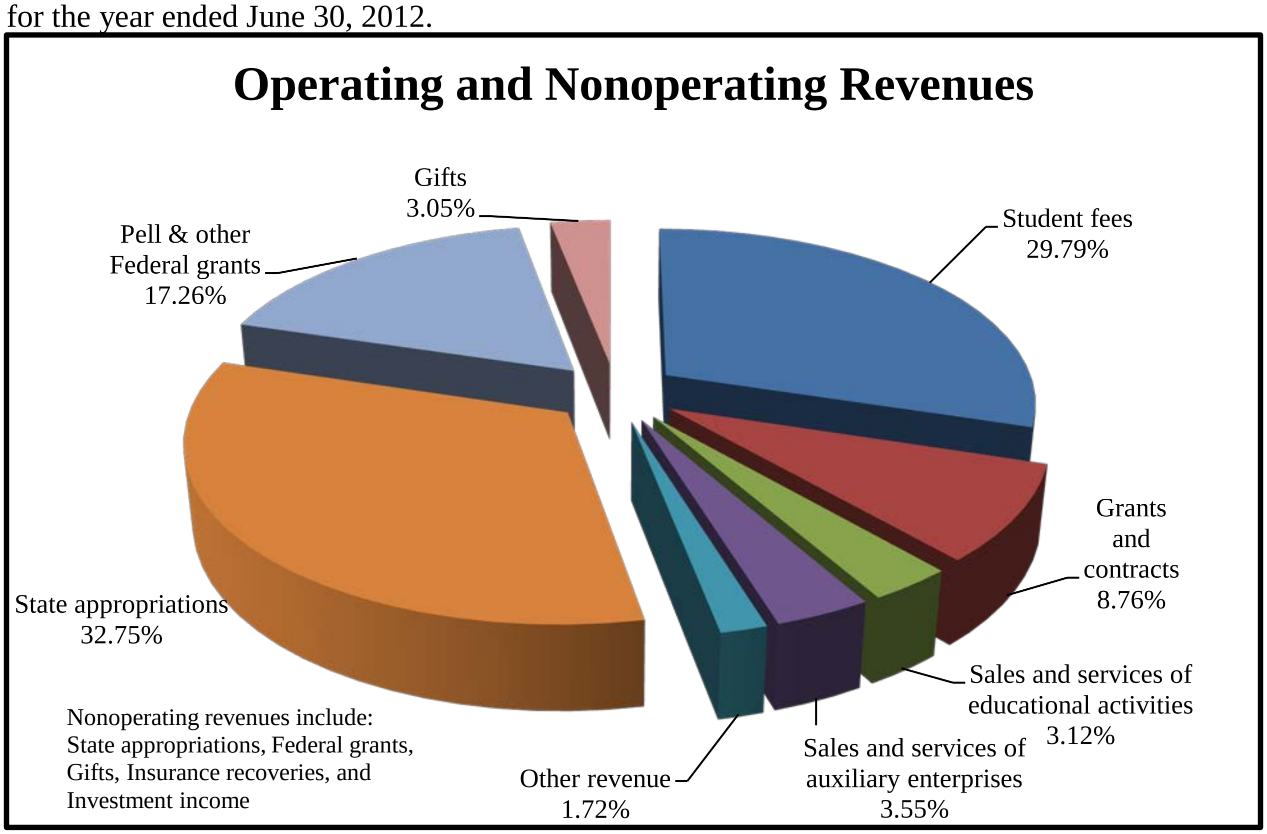
Generally speaking, operating revenues are earned in return for providing goods and services to the various customers and constituents of the College. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the role and mission of the College. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are deemed nonoperating because they are provided by the Idaho Legislature to the College without the Legislature directly receiving value in return for those revenues.

SUMMARY STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	2012	2011	2010
Operating revenues	$ 23,581,960	$ 22,300,888	$ 20,014,581
Operating expenses	46,250,966	45,333,988	43,914,857
Operating loss	(22,669,006)	(23,033,100)	(23,900,276)
Nonoperating revenues and expenses, net	26,188,375	26,745,357	26,907,751
Income before other revenues and expenses	3,519,369	3,712,257	3,007,475
Other revenues (expenses), net	1,886,388	1,815,811	16,394,532
Increase in net assets	5,405,757	5,528,068	19,402,007
Net assets--Beginning of year	61,583,161	56,055,093	36,653,086
Net assets--End of year	$ 66,988,918	$ 61,583,161	$ 56,055,093

Revenues

The College generates revenues from a variety of sources. The following is a graphic depiction of the revenues by source (both operating and nonoperating), which were used to fund the College's activities for the year ended June 30, 2012.



Total operating revenues for fiscal year 2012 increased $1,281,072 or 5.7%. This increase mirrors the $1,204,715 net increase in Student tuition and fees, which are a reflection of the 7% tuition increase and 3% enrollment increase in the current year. A slight decrease in overall grant and contract revenue was offset by increased sales of both educational activities and auxiliary enterprises. The increase of $164,158 (10.1%) in auxiliary enterprises is primarily attributable to an increase in dorm occupancy during fiscal year 2012.

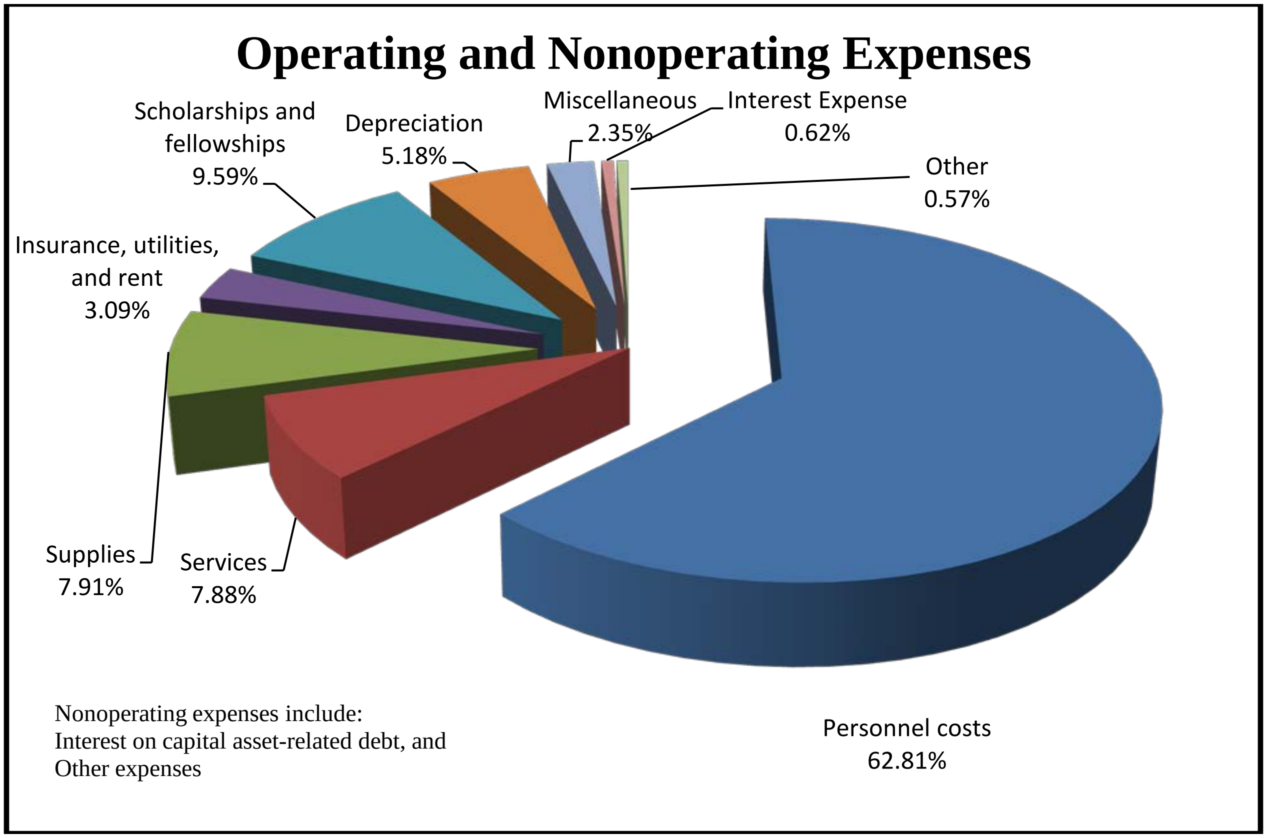
Nonoperating revenues and expenses, net, decreased $556,982 or 2.08% in fiscal year 2012. The primary revenue decline was State appropriations, $774,557, accompanied by declines of $84,401 (to -0- for fiscal year 2012) in Insurance recoveries and continued reductions in Net investment income (decrease of $39,163), reflecting the near zero return on market interest rates. These declines were offset in part by Pell/other federal grant revenue, which increased $448,407.

Expenses

Following is a comparative summary of the College's expenses for the years ended June 30, 2012, 2011 and 2010.

	2012	2011	2010
OPERATING EXPENSES:			
Personnel costs	$ 29,400,105	$ 29,209,679	$ 29,598,644
Services	3,687,518	3,454,970	3,191,340
Supplies	3,702,921	3,420,719	3,492,368
Insurance, utilities, and rent	1,444,219	1,349,889	1,436,762
Scholarships and fellowships	4,490,271	4,158,424	3,193,074
Depreciation	2,426,169	2,309,187	1,953,409
Miscellaneous	1,099,763	1,431,120	1,049,260
Total operating expenses	46,250,966	45,333,988	43,914,857
NONOPERATING EXPENSES:			
Interest on capital asset related debt	291,284	385,381	436,230
Other	267,558	32,560	29,952
Total nonoperating expenses	558,842	417,941	466,182
TOTAL EXPENSES	$ 46,809,808	$ 45,751,929	$ 44,381,039

The following is a graphic depiction of total expenses by natural classification for the year ended June 30, 2012.



Total operating expenses increased $916,978 in fiscal year 2012, or a modest 2.0%. This increase is due in large part to the continued growth in scholarships and fellowships which showed a $331,847 increase from 2011. Interest expense declined by $94,097, or 24.5%. This change reflects the significant paydown of debt as noted previously.

Statement of Cash Flows

The final statement presented by the College is the *Statement of Cash Flows*. The *Statement of Cash Flows* presents detailed information about the cash activity of the College during the year.

The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used to perform the operating activities of the College. The second section reflects cash flows related to noncapital financing activities. This section depicts the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section displays cash flows from capital and related financing activities. This section reflects the cash used for the acquisition and construction of capital and related items. The fourth section presents the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash provided or used in operating activities to the operating income or loss reflected on the *Statement of Revenues, Expenses, and Changes in Net Assets.*

SUMMARY STATEMENTS OF CASH FLOWS

	2012	2011	2010
CASH PROVIDED BY (USED IN):			
Operating activities	$ (20,547,971)	$ (19,800,848)	$ (20,133,340)
Noncapital financing activities	26,801,728	26,881,626	26,427,153
Capital and related financing activities	(1,623,968)	(2,705,910)	(2,490,972)
Investing activities	37,078	78,170	241,902
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,666,867	4,453,038	4,044,743
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	24,007,013	19,553,975	15,509,232
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 28,673,880	$ 24,007,013	$ 19,553,975

Overall, cash increased by $4,666,867 for the year ended June 30, 2012.

As has been described in the past, Government Accounting Standards Board ("GASB") pronouncements require that the College recognize State of Idaho appropriated revenues and certain federal financial aid grants (primarily Pell grants) as noncapital financing activities, while all the expenditures associated with these funds are reflected as operating activities. This causes the financial statements to show a large operating loss and a corresponding large use of cash by operating activities. In fiscal year 2012, these two revenue (and cash) sources totaled over $25 million, far outpacing the reported use of cash by operations, and the related net operating loss as shown on the Statement of Revenues, Expenses and Changes in Net Assets.

Capital Asset and Debt Administration

During fiscal year 2012, the College paid off the balance of its secured student fee revenue note, and refinanced its student fee revenue bonds in favor of a 5 year bank note. The refinancing allowed the College to apply its $635,841 trust account balance towards the outstanding debt. In addition to reducing total debt by over $1.4 million (19%) during the year, the effective interest rate on the combined debt has fallen from 4.4% to 3% as of June 30, 2012. Additional information concerning capital assets and debt administration is detailed in Notes 1, 5, 6, and 7 as part of the notes to the financial statements.

Economic Outlook

While the economic recession continues nationally, Idaho is seeing signs of improvement on several fronts. The reported unemployment rate has dropped from 8.9% in July, 2011 to 7.5% in July, 2012. State revenues rose by 4.7% in fiscal year 2012, and are projected to increase by another 3.2% in fiscal year 2013 as of the August, 2012 Idaho Division of Financial Management Revenue Report.

The uptick in state revenues has allowed for a modest increase in funding for higher education. Overall, LCSC will see a 10.5% increase ($1.2 million) in general education funding for fiscal year 2013. This allocation increase includes funding to cover occupancy costs for the recently-completed Nursing/Health Sciences building, funds for the past year's enrollment workload adjustment, an increase for employee health insurance premiums, and funds to cover a portion of 2% fiscal year 2013 salary increase approved by the Legislature. A tuition increase of 4% for fiscal year 2013 was approved by the State Board of Education, approximately one-half of which will be applied to fund the above-mentioned, across-the-board 2% salary increase for College employees.

LCSC expects enrollment to be relatively flat/steady for fiscal year 2013, with a zero-percent growth projection provided to the State Board of Education in conjunction with the student fee setting process. Recent growth trends appear to have been impacted by the effects of recent changes in federal financial aid regulations, including the 12 semester cap on Pell grants and more stringent Satisfactory Academic Progress rules. Meanwhile, the College is strengthening its efforts in counseling and retention, which is expected to reduce attrition. Considering all factors, overall tuition and fee revenue for fiscal year 2013 is expected to remain at or near fiscal year 2012 levels.

Management is not aware of any known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year; beyond unknown economic variables that could universally impact all similar organizations.

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF NET ASSETS
June 30, 2012 and 2011

	LCSC		Component Unit	
ASSETS	**2012**	**2011**	**2012**	**2011**
CURRENT ASSETS:				
Cash and cash equivalents	$ 17,053,666	$ 16,777,586	$ 110,776	$ 115,247
Cash with treasurer	11,620,214	7,229,427	-	-
Accounts receivable and unbilled charges	780,006	916,842	-	25,010
Due from Lewis-Clark State College	-	-	577,127	434,156
Due from state agencies	179,254	310,504	-	-
Pledges receivable	24,000	55,500	10,310	4,680
Student loan receivables	114,000	181,000	-	-
Prepaid expenses	9,937	13,717	-	-
Other assets	-	-	636	636
Total current assets	29,781,077	25,484,576	698,849	579,729
NONCURRENT ASSETS:				
Student loan receivables, less allowance for doubtful loans of $65,000 for 2012 and 2011	622,809	562,228	-	-
Investments held in trust	-	635,841	-	-
Investments	-	-	5,275,404	5,314,927
Deferred bond financing costs	-	62,498	-	-
Pledges receivable	10,000	45,000	-	-
Net other post employment benefit excess funding	17,000	17,000	-	-
Investment in capital assets	2,613,348	2,613,348	-	-
Capital assets, net	47,458,813	47,689,182	-	-
Total noncurrent assets	50,721,970	51,625,097	5,275,404	5,314,927
TOTAL ASSETS	**$ 80,503,047**	**$ 77,109,673**	**$ 5,974,253**	**$ 5,894,656**

See notes to financial statements.

(Continued)

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF NET ASSETS
June 30, 2012 and 2011

LIABILITIES	LCSC 2012	LCSC 2011	Component Unit 2012	Component Unit 2011
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	$ 239,701	$ 186,615	$ -	$ -
Accrued salaries and benefits payable	2,320,930	2,500,896	-	-
Compensated absences payable	826,704	814,076	-	-
Due to component unit	577,127	434,156	-	-
Due to State of Idaho	79,021	53,455	-	-
Unearned revenue	1,611,751	2,387,890	-	-
Amounts held in trust for others	191,149	171,607	-	-
Accrued interest payable	-	64,201	-	-
Gift annuities payable	-	-	96,746	36,831
Notes and bonds payable	773,000	696,457	-	-
Total current liabilities	6,619,383	7,309,353	96,746	36,831
NONCURRENT LIABILITIES:				
Gift annuities payable	-	-	624,497	685,523
Net other post employment benefit obligations	1,562,000	1,359,000	-	-
Notes and bonds payable	5,332,745	6,858,159	-	-
Total noncurrent liabilities	6,894,745	8,217,159	624,497	685,523
TOTAL LIABILITIES	13,514,128	15,526,512	721,243	722,354
NET ASSETS				
Invested in capital assets, net of related debt	43,966,416	43,394,474	-	-
Restricted for:				
Nonexpendable	-	-	3,281,676	3,184,382
Expendable	1,130,410	1,250,382	1,456,152	1,478,338
Unrestricted	21,892,093	16,938,305	515,182	509,582
TOTAL NET ASSETS	66,988,919	61,583,161	5,253,010	5,172,302
TOTAL LIABILITIES AND NET ASSETS	**$ 80,503,047**	**$ 77,109,673**	**$ 5,974,253**	**$ 5,894,656**

See notes to financial statements.

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2012 and 2011

	LCSC		Component Unit	
	2012	2011	2012	2011
OPERATING REVENUES:				
Student tuition and fees	$ 20,070,522	$ 18,658,268	$ -	$ -
Student fees pledged for debt	1,201,959	1,122,653	-	-
Less Scholarship Discounts and Allowances	(6,276,000)	(5,989,155)	-	-
Net tuition and fees	14,996,481	13,791,766	-	-
Federal grants and contracts	746,179	979,114	-	-
State and local grants and contracts	2,949,559	3,124,765	-	-
Private grants and contracts	709,820	431,386	-	-
Sales and services of educational activities (including revenues of $110,482 and $117,968 pledged for debt in 2012 and 2011, respectively)	1,569,380	1,514,637	-	-
Sales and services of auxiliary enterprises (including revenues of $428,389 and $1,494,020 pledged for debt in 2012 and 2011, respectively)	1,782,039	1,617,881	-	-
Gifts	-	-	591,320	505,610
Other	828,502	841,339	-	375
Total operating revenues	23,581,960	22,300,888	591,320	505,985
OPERATING EXPENSES:				
Personnel costs	29,400,105	29,209,679	-	-
Services	3,687,518	3,454,970	-	-
Supplies	3,702,921	3,420,719	-	-
Insurance, utilities, and rent	1,444,219	1,349,889	-	-
Scholarships and fellowships	4,490,271	4,158,424	-	-
Depreciation	2,426,169	2,309,187	-	3,194
Miscellaneous	1,099,763	1,431,120	93,040	90,031
Total operating expenses	46,250,966	45,333,988	93,040	93,225
OPERATING (LOSS) GAIN	(22,669,006)	(23,033,100)	498,280	412,760
NONOPERATING REVENUES (EXPENSES):				
State appropriations	16,487,117	17,231,674	-	-
Pell and other federal grants	8,691,101	8,242,694	-	-
Gifts (including $432,113 and 483,115 from the Foundation for 2012 and 2011, respectively)	1,531,921	1,528,285	-	-
Insurance recoveries	-	84,404	-	-
Net investment income	37,078	76,241	(7,010)	854,411
Interest on capital asset related debt	(291,284)	(385,381)		
Distributions to the College	-	-	(432,113)	(483,115)
Other	(267,558)	(32,560)	21,551	40,327
Net nonoperating revenues (expenses)	26,188,375	26,745,357	(417,572)	411,623
INCOME BEFORE OTHER REVENUES (EXPENSES)	3,519,369	3,712,257	80,708	824,383
OTHER REVENUES:				
Capital appropriations	55,502	1,240,412	-	-
Capital grants and gifts	1,830,886	575,399	-	-
Total other revenues	1,886,388	1,815,811	-	-
INCREASE (DECREASE) IN NET ASSETS	5,405,757	5,528,068	80,708	824,383
NET ASSETS---BEGINNING OF YEAR	61,583,161	56,055,093	5,172,302	4,347,919
NET ASSETS---END OF YEAR	$ 66,988,918	$ 61,583,161	$ 5,253,010	$ 5,172,302

See notes to financial statements.

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 and 2011

	LCSC		Component Unit	
	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:				
Student fees	$ 13,932,980	$ 12,628,571	$ -	$ -
Student fees pledged for debt	1,201,959	1,122,653	-	-
Grants and contracts	3,919,672	5,120,819	-	-
Sales and services of educational activities	1,569,380	1,520,495	-	-
Sales and services of auxiliary enterprises	1,782,039	1,617,881	-	-
Donations received	-	-	157,985	271,971
Payments to employees	(29,364,443)	(28,821,997)	-	-
Payments to suppliers	(3,751,345)	(3,447,175)	-	-
Other payments	(6,549,364)	(6,327,014)	(111,876)	(105,696)
Payments for scholarships and fellowships	(4,195,197)	(4,158,424)	-	-
Loans issued to students	(149,916)	(132,500)	-	-
Collection of loans from students	103,237	181,829	-	-
Other receipts	953,027	894,014	-	-
Net cash provided (used) by operating activities	(20,547,971)	(19,800,848)	46,109	166,275
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State appropriations	16,630,867	17,107,175	-	-
Federal grants	8,689,820	8,201,159	-	-
Gifts	1,293,285	1,536,610	-	-
Agency account receipts	1,157,921	1,118,459	-	-
Agency account payments	(995,730)	(1,135,232)	-	-
Student loan receipts	18,087,289	17,245,973	-	-
Student loan payments	(18,087,289)	(17,245,973)	-	-
Higher Education Stabilization Fund	25,565	53,455	-	-
Distributions to the College	-	-	(85,392)	(82,229)
Net cash provided (used) by noncapital financing activities	26,801,728	26,881,626	(85,392)	(82,229)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of capital assets	-	12,561	-	-
Capital grants and gifts	177,506	476,826	-	-
Insurance recoveries	-	270,896	-	-
Purchase of capital assets	(632,960)	(1,417,170)	-	-
Proceeds from debt refinancing	3,000,000	-		
Payoff of debt due to refinancing	(3,730,000)	-		
Principal paid on capital debt	(718,871)	(1,653,981)	-	-
Interest paid on capital debt	(355,484)	(395,042)	-	-
Proceeds from sale of investments	635,841	-	-	-
Net cash provided (used) in capital and related financing activities	(1,623,968)	(2,705,910)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	37,078	78,170	31	117
Purchase of investments	-	-	(11,390)	(100,000)
Proceeds for sale of investments	-	-	46,171	-
Net cash provided (used) by investing activities	37,078	78,170	34,812	(99,883)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,666,867	4,453,038	(4,471)	(15,837)
CASH AND CASH EQUIVALENTS---BEGINNING OF THE YEAR	24,007,013	19,553,975	115,247	131,084
CASH AND CASH EQUIVALENTS---END OF THE YEAR	$ 28,673,880	$ 24,007,013	$ 110,776	$ 115,247

See notes to financial statements.

(Continued)

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 and 2011

RECONCILIATION OF NET OPERATING (LOSS) GAIN TO NET CASH AND CASH EQUIVALENTS PROVIDED (USED) BY OPERATING ACTIVITIES:	LCSC 2012	LCSC 2011	Component Unit 2012	Component Unit 2011
Operating (Loss) Gain	$ (22,669,005)	$ (23,033,100)	$ 498,280	$ 412,760
Adjustments to reconcile operating (loss) gain to net cash used in operating activities:				
Noncash donations	-	-	(469,066)	(209,013)
Other noncash receipts	-	-	-	(375)
Other noncash payments	-	-	(18,836)	(15,665)
Depreciation expense	2,426,168	2,309,187	-	3,194
Effect on cash from changes in operating assets and liabilities:				
Receivables, net	137,654	(205,789)	25,010	(25,010)
Due from Lewis-Clark State College	-	-	(10,865)	384
Prepaid expenses and deferred costs	66,279	39,544	-	-
Net other post employment benefit excess funding	-	(6,000)	-	-
Accounts payable and accrued liabilities	53,086	(150,046)	-	-
Accrued salaries and benefits payable	(179,966)	179,844	-	-
Compensated absences payable	12,628	(5,162)	-	-
Net other post employment benefit obligations	203,000	219,000	-	-
Gift annuities payable	-	-	21,586	-
Amounts held in trust for others	162,514	1,680	-	-
Unearned revenue	(766,748)	801,114	-	-
Loans to students	6,419	48,880	-	-
Net cash provided (used) by operating activities	$ (20,547,971)	$ (19,800,848)	$ 46,109	$ 166,275
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:				
Capital assets acquired through Dept. of Public Works' appropriations	$ 55,502	$ 1,240,412		
Capital assets aquired through in-kind contribution	$ 1,719,880	-		

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lewis-Clark State College (the "College") is part of the public system of higher education in the State of Idaho. The system is considered part of the State of Idaho financial reporting entity. The State Board of Education, appointed by the Governor and confirmed by the legislature, directs the system. The College is located in Lewiston, Idaho. Significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation**—**The College has adopted Governmental Accounting Standards Board ("GASB") Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB 14*. This Statement provides additional guidance for determining whether certain organizations, such as not-for-profit foundations, for which the primary institution is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the primary institution. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The 30-member board of the Foundation is self-perpetuating and consists of alumni and friends of the College. The majority of resources and income of the Foundation are donor restricted to the activities of the College. Because these restricted resources held by the Foundation can only be used by or for the benefit of the College, the Foundation is considered a component unit of the College. Therefore, the financial activity of the Foundation is discretely presented in the College's financial statements. See Note 14 for the relevant information related to the Foundation.

Basis of Accounting**—**For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College'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 College has the option to apply all Financial Accounting Standards Board ("FASB") pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected to not apply FASB pronouncements issued after the applicable date.

Cash and Cash Equivalents**—**The College considers all cash on hand, cash deposits and short term instruments deposited with banks to be cash equivalents. Cash with state treasurer funds invested through the Idaho State Treasury Local Government Investment Pool is considered a cash equivalent.

Student Loans Receivable**—**Loans receivable from students bear interest at the rate of 5% and are generally repayable in installments to the College over a 10-year period commencing 9 months after the date of separation from the College.

Accounts Receivable**—**Accounts receivable consist of fee charges to students and auxiliary enterprise services provided to students, faculty and staff; the majority of each residing in the State of Idaho. Accounts receivable also includes amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Investments—The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gains and losses on the carrying value of investments are reported as a component of net investment income in the *Statements of Revenues, Expenses, and Changes in Net Assets*. More comprehensive disclosure of common risks associated with the deposits and investments are detailed in Notes 2 and 14, as per the requirements of GASB Statement No. 40, *Deposit and Investment Risk Disclosures.*

Investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets are classified as noncurrent assets in the S*tatements of Net Assets.*

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets; 50 years for buildings, 10 to 40 years for building improvements, 10 years for library books, and 5 to 15 years for equipment.

Compensated Absences—Employee vacation pay and estimated benefits that are earned but unused are accrued at year end and discretely presented in the *Statements of Net Assets.*

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

Noncurrent Liabilities—Noncurrent liabilities include principal amounts of revenue bonds payable, notes payable, and net other post-employment obligations with contractual maturities greater than one year.

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

> *Invested in Capital Assets, Net of Related Debt*—This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.
>
> *Restricted—Nonexpendable*—Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument,

that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted—Expendable—Restricted expendable net assets include resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted—Unrestricted net assets represent resources derived from student fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions related to the educational and general operations of the College, and may be used to meet current expenses for any lawful purpose in compliance with State Board of Education ("Board") Policy.

When an expense is incurred that can be paid using either restricted or unrestricted resources, restricted resources will be used first, if permitted by the terms of the restrictions.

***Income Taxes*—**The College, as a political subdivision of the State of Idaho, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

***Classification of Revenues*—**The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues—Operating revenues include activities that have the characteristics of exchange transactions, such as student fees, sales and services of educational activities and auxiliary enterprises; as well as most gifts, Federal, state and local grants and contracts that support operations, and interest on institutional loans.

Nonoperating Revenues—Nonoperating revenues include revenues from activities that have the characteristics of nonexchange transactions, such as gifts and capital contributions, Federal financial aid grants, and other revenue resources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, such as state appropriations and investment income.

***Scholarship Discounts and Allowances*—**Student fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or other third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy student fees and related charges, the College has recorded a scholarship discount and allowance.

***Use of Accounting Estimates*—**The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements, and revenues and expenses during the year. Actual results could differ from those estimates.

New Accounting Standards – In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and 34,* which is effective for the year ended June 30, 2013. This Statement modifies certain requirements for component units. The College is currently evaluating the impact of GASB Statement No. 61 will have on the financial statements.

In December 2010, the GASB issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The requirements in this Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This effort brings the authoritative accounting and financial reporting literature together in one place, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users. It will eliminate the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, thereby resulting in a more consistent application of applicable guidance in financial statements of state and local governments. Management believes this standard will have no impact on the College's financial statements. The requirements of this Statement are effective for the fiscal year ended June 30, 2013.

In June 2011, the GASB issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. Management has not yet determined the impact this standard will have on the College's financial statements. The requirements of this Statement are effective for the fiscal year ended June 30, 2013.

Reclassifications – Certain prior year balances have been reclassified to conform to the current year presentation.

2. DEPOSITS AND INVESTMENTS

Deposits – Cash and cash equivalents are deposited with various financial institutions. Cash deposited with the State Treasurer's Office is subject to the legal provisions found throughout *Idaho Code,* Title 67. Enterprise funds held by the College are deposited with financial institutions qualified as state depositories. Deposits are insured, collateralized with securities held in the College's name, or uncollateralized.

Custodial credit risk

Cash with treasurer is under the control of the State Treasurer and is carried at cost. Cash and cash equivalents are deposited at federally chartered institutions and are carried at cost. Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned. The State's policy for managing custodial risk can be found in the Idaho Code, Section 67-2739. Management believes the College is in compliance with this policy.

As of June 30, 2012, $2,031,211 of the College's bank balance of $17,053,666 was uncollateralized and exposed to custodial credit risk. The remainder was insured. As of June 30, 2011, $2,005,425 of the College's bank balance of $16,777,586 was uncollateralized and exposed to custodial credit risk. The remainder was insured.

***Investments held in Trust* –** Investments held by the College as of June 30 were limited to investments held in trust relative to an outstanding debt issue and consisted of the following:

Investment	Maturities	2012	2011
U.S. Treasury mutual fund	< 1 year	$ -	$ 572,933
Federal National Mortgage Association pool	2/1/2017	-	62,908
Total Investments Held in Trust		$ -	$ 635,841

Credit risk
The general investment policy of the College, as adopted by the State Board of Education states that investments in securities are to be made with the objective of ensuring safety of principal. Funds may be invested in FDIC passbook savings accounts, certificates of deposit, U.S. securities, Federal funds repurchase agreements, reverse repurchase agreements, Federal agency securities, large money market funds, bankers acceptances, corporate bonds of AA grade or better, mortgage-backed securities of AA grade or better, and commercial paper of prime or equivalent grade. Authority to make investments in any other form requires prior Board approval.

Interest rate risk
The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

3. ACCOUNTS RECEIVABLE AND UNBILLED CHARGES

Accounts receivable and unbilled charges consisted of the following at June 30:

	2012	2011
Student fees	$ 159,629	$ 185,464
Federal, state and nongovernmental grants and contracts	596,031	709,854
Other receivables	4,042	-
Investment income	5,184	6,215
Educational departments	7,787	4,297
Funds held in custody for others	7,333	11,012
	$ 780,006	$ 916,842

4. STUDENT LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program (“FPLP”) and the Nursing Student Loan Program (“NSLP”) comprise the loans receivable at June 30, 2012 and 2011.

FPLP requires the College to match 33% of the federal contributions. A portion or all of the loan principal and interest may be cancelled upon the occurrence of certain events. The amount of such cancellations is partially absorbed by the Federal Government. In the event the College should withdraw from FPLP or the government was to cancel the program, the amount the College would be liable for is approximately $438,000 and $455,000 as of June 30, 2012 and 2011, respectively. These amounts are not reflected as a liability in the financial statements.

As the College 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 only applies to College funded loans and the College portion of Federal student loans, as the College is not obligated to fund the Federal portion of uncollected student loans. The College has provided an allowance for uncollectible loans, which is believed to be sufficient to absorb the College’s portion of the loans that will ultimately be written off.

The NSLP program requires the College to match one-ninth of the awarded funds.

Student loans receivable at June 30 consisted of the following:

	2012		
	Current	**Noncurrent**	**Total**
Federal Perkins Loan Program	$ 80,000	$ 574,263	$ 654,263
Nursing Student Loan Program	34,000	113,546	147,546
	114,000	687,809	801,809
Less Allowance for doubtful loans	-	(65,000)	(65,000)
Net Student Loans Receivable	$ 114,000	$ 622,809	$ 736,809

	2011		
	Current	**Noncurrent**	**Total**
Federal Perkins Loan Program	$ 128,000	$ 552,052	$ 680,052
Nursing Student Loan Program	53,000	75,176	128,176
	181,000	627,228	808,228
Less Allowance for doubtful loans	-	(65,000)	(65,000)
Net Student Loans Receivable	$ 181,000	$ 562,228	$ 743,228

5. CAPITAL ASSETS—NET

Following are the changes in capital assets, for the years ended June 30, 2012 and 2011:

	Balance at June 30, 2011	Additions	Retirements	Balance at June 30, 2012
Capital assets not being depreciated:				
Land	$ 3,054,232	$ -	$ -	$ 3,054,232
Capitalized collections	15,000		-	15,000
Construction in progress	-	54,737	-	54,737
Total capital assets not being depreciated	$ 3,069,232	$ 54,737	$ -	$ 3,123,969
Other capital assets:				
Buildings and improvements	$ 59,052,618	$ 79,863	$ (285,982)	$ 58,846,499
Furniture, fixtures and equipment	6,344,700	2,102,094	(419,431)	8,027,363
Library materials	6,105,853	226,664	(80,200)	6,252,317
Total other capital assets	71,503,171	2,408,621	(785,613)	73,126,179
Less accumulated depreciation:				
Buildings and improvements	(18,607,306)	(1,432,047)	35,302	(20,004,051)
Furniture, fixtures and equipment	(3,461,479)	(718,329)	402,553	(3,777,255)
Library materials	(4,814,436)	(275,793)	80,200	(5,010,029)
Total accumulated depreciation	(26,883,221)	(2,426,169)	518,055	(28,791,335)
Other capital assets net of accumulated depreciation	$ 44,619,950	$ (17,548)	$ (267,558)	$ 44,334,844
Capital assets summary:				
Capital assets not being depreciated	$ 3,069,232	$ 54,737	$ -	$ 3,123,969
Other capital assets at cost	71,503,171	2,408,621	(785,613)	73,126,179
Total cost of capital assets	74,572,403	2,463,358	(785,613)	76,250,148
Less accumulated depreciation	(26,883,221)	(2,426,169)	518,055	(28,791,335)
Capital assets, net	$ 47,689,182	$ 37,189	$ (267,558)	$ 47,458,813

	2011				
	Balance at June 30, 2010	Additions	Transfers	Retirements	Balance at June 30, 2011
Capital assets not being depreciated:					
Land	$ 2,931,201	$ 32,802	$ 90,229	$ -	$3,054,232
Capitalized collections	15,000	-	-	-	15,000
Construction in progress	760,868	-	(760,868)	-	-
Total capital assets not being depreciated	$ 3,707,069	$ 32,802	$(670,639)	$ -	$ 3,069,232
Other capital assets:					
Buildings and improvements	$56,467,248	$ 1,914,731	$ 670,639	$ -	$59,052,618
Furniture, fixtures and equipment	5,865,004	785,973	-	(306,277)	6,344,700
Library materials	5,879,896	251,365	-	(25,408)	6,105,853
Total other capital assets	68,212,148	2,952,069	670,639	(331,685)	71,503,171
Less accumulated depreciation:					
Buildings and improvements	(16,916,929)	(1,690,828)	-	451	(18,607,306)
Furniture, fixtures and equipment	(3,205,016)	(526,548)	-	270,085	(3,461,479)
Library materials	(4,562,367)	(277,477)	-	25,408	(4,814,436)
Total accumulated depreciation	(24,684,312)	(2,494,853)	-	295,944	(26,883,221)
Other capital assets net of accumulated depreciation	$ 43,527,836	$ 457,216	$ 670,639	$ (35,741)	$ 44,619,950
Capital assets summary:					
Capital assets not being depreciated	$ 3,707,069	$ 32,802	$(670,639)	$ -	$ 3,069,232
Other capital assets at cost	68,212,148	2,952,069	670,639	(331,685)	71,503,171
Total cost of capital assets	71,919,217	2,984,871	-	(331,685)	74,572,403
Less accumulated depreciation	(24,684,312)	(2,494,853)	-	295,944	(26,883,221)
Capital assets, net	$ 47,234,905	$ 490,018	$ -	$ (35,741)	$ 47,689,182

The estimated cost to complete property authorized or under construction at June 30, 2012 is $3,000,000. These costs will be financed by state appropriations and available local resources.

Institutional funds included in the construction costs of the Student Activity Center are reported as Investment in capital assets since ownership of the facility will not pass to the College until debt incurred by the State of Idaho for the majority of the project cost is retired. See Note 11. The total amount in Investment in capital assets was $2,613,348 as of June 30, 2012 and 2011.

Certain land on which four campus buildings are located was donated to the College by the City of Lewiston. Under terms of the gift, ownership of the land reverts back to the City if it ceases to be used for educational purposes. This land is reflected in Capital Assets in the amount of $19,200 as of June 30, 2012 and 2011.

6. LONG-TERM LIABILITIES

Following are the changes in long-term debt for the years ended June 30, 2012 and 2011:

	Balance June 30, 2011	**Additions**	**Reductions**	**Balance June 30, 2012**	**Amounts Due Within One Year**
Bonds and notes:					
Revenue bonds	$ 3,730,000	$ -	$ (3,730,000)	$ -	$ -
Notes	3,824,616	3,000,000	(718,871)	6,105,745	773,000
	$ 7,554,616	$ 3,000,000	$ (4,488,871)	$ 6,105,745	$ 773,000

	Balance June 30, 2010	**Additions**	**Reductions**	**Balance June 30, 2011**	**Amounts Due Within One Year**
Bonds and notes:					
Revenue bonds	$ 4,090,000	$ -	$ (360,000)	$ 3,730,000	$ 380,000
Notes	5,188,663	-	(1,364,047)	3,824,616	316,457
	$ 9,278,663	$ -	$ (1,724,047)	$ 7,554,616	$ 696,457

7. NOTES AND BONDS PAYABLE

Notes and bonds payable at June 30, 2012 and 2011 consisted of the following:

	Balance Outstanding	
	2012	**2011**
Student Fee Refunding Revenue Bonds, Series 1998 (original issuance of $6,335,000), issued to provide for the refunding of certain outstanding obligations and to fund improvements of the Student Union Building and related facilities, due in annual amounts increasing periodically from $345,000 to a maximum of $1,145,000, plus interest from 5.08% to 5.20% through April 2018, collateralized by a pledge of certain auxiliary enterprise revenues.	$ -	$ 3,730,000
Facilities Refinancing Promissory Note, 2010 (original issuance of $4,685,000), issued to provide for the refunding of certain outstanding obligations, due in monthly installments of $26,000, based upon a 15 year amortization, including interest at 3.51%, through June 2014, collateralized by a pledge of certain student housing fees. Renewable at the option of the lender.	3,246,453	3,439,614
Secured Student Fee Revenue Note, Series 2003 (original issuance of $1,126,307), issued to finance construction of the Student Activity Center, due in annual installments of $138,656, including interest at 3.97%, through July 2013, collateralized by dedicated student fees.	-	385,002
Student Union Building Promissory Note, 2012 (original issuance of $3,000,000), refinancing of Student Fee Refunding Revenue Bonds, Series 1998, due in monthly installments of $53,244.95, based upon a 5 year amortization, including interest at 2.466% through March 2017, collateralized of student fees relating to the student union facilities.	2,859,292	-
Total bonds and notes payable	$ 6,105,745	$ 7,554,616

Principal and interest maturities on notes payable for the years ending June 30 are as follows:

	Notes	
	Principal	**Interest**
2013	$ 773,000	$ 177,294
2014	3,635,263	155,555
2015	603,366	35,573
2016	618,575	20,364
2017	475,541	4,997
	$ 6,105,745	$ 393,783

Pledged Revenues**—**As stated in the notes and bonds payable description, the College has pledged certain revenues as collateral for debt instruments. The pledged revenue amounts and coverage requirements are as follows for the year ended June 30, 2012:

	Student Union Promissory Note	**Facilities Refinancing Note 2010**	**Secured Student Fee Note Series 2003**	**Total**
Pledged revenues:				
Student Fees	$ 1,001,284	$ -	$ 200,675	$ 1,201,959
Housing Fees	-	428,389	-	428,389
Other	110,482	-	-	110,482
Total pledged revenues	$ 1,111,766	$ 428,389	$ 200,675	$ 1,740,830

For the bonds and notes payable, the College has agreed to certain covenants, including maintaining certain financial ratios as defined by related agreements.

8. RESTRICTED NET ASSETS

Certain expendable assets are classified as restricted assets on the *Statements of Net Assets.* The purpose and amounts of restricted assets as of June 30 are as follows:

	2012	**2011**
Federal student loan programs	$ 869,509	$ 928,463
Institutional student loan programs	134,196	130,256
Capital projects	34,000	100,500
Grants and contracts	92,705	91,163
	$ 1,130,410	$ 1,250,382

9. RETIREMENT PLANS

Public Employee Retirement System of Idaho**—**The Public Employee Retirement System of Idaho ("PERSI"), a cost-sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. The benefits and obligations to contribute to the plan were established and may be amended by the Idaho State Legislature. Financial reports for the plan are available from PERSI upon request.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.00% or 2.30% (depending upon employee classification) of the average monthly salary for the highest consecutive 42 months.

For the year ended June 30, 2012, the required contribution rate for general employees was 10.39% and 6.23% of covered payroll for the College and its employees, respectively. The College's contributions required and paid were $ 598,976, $606,049 and $634,000, for the three years ended June 30, 2012, 2011, and 2010, respectively.

***Optional Retirement Plan*—**Effective July 1, 1990, the Idaho State Legislature authorized the Idaho State Board of Education to establish an Optional Retirement Plan ("ORP"), a defined contribution plan, for faculty and exempt employees. The employee contribution requirement for the ORP is based on a percentage of total payroll. Employer contributions are determined by the State of Idaho. The plan provisions were established by and may be amended by the State of Idaho.

New faculty and exempt employees hired July 1, 1990 or thereafter automatically enroll in the ORP and select their vendor option. Faculty and exempt employees hired before July 1, 1990 had a one-time opportunity to enroll in the ORP. Enrollees in the ORP no longer belong to PERSI. Vendor options include Teachers Insurance and Annuity Association—College Retirement Equities Fund and Variable Annuity Life Insurance Company.

Participants are immediately fully vested in the ORP. Retirement benefits are available either as a lump sum or any portion thereof upon attaining 55 years of age. The contribution requirement (and amount paid) for the years ended June 30, 2012 and 2011 was $2,175,978 and $2,097,751, respectively, which consisted of $1,246,668 and $1,201,845, respectively, from the College and $929,310 and $895,906, respectively, from employees. For both 2012 and 2011, these contributions represented approximately 9.35% and 6.97% of covered payroll for the College and its employees.

Although enrollees in the ORP no longer belong to PERSI, the College is required to contribute to PERSI. These annual supplemental payments are required through July 1, 2025. During the years ended June 30, 2012 and 2011, this supplemental funding payment made to PERSI was $198,664 and $191,520 or 1.49% of the covered payroll, respectively. These amounts are not included in the regular College PERSI contribution discussed previously.

Postemployment Benefits Other Than Pensions

Summary of Plans

The College participates in other postemployment benefit plans relating to health and disability administered by the State of Idaho as agent multiple-employer defined benefit plans. The Life Insurance benefit is a single-employer defined benefit plan. Idaho Code, Sections 67-5760 to 67-5767 and 72-1335, establishes the benefits and contribution obligations. Each of these benefits is provided by the College to retired or disabled employees. The most recent actuarial valuation is as of June 30, 2010. The College has not set aside any assets to pay future benefits; the College funds these benefits on a pay-as-you-go basis. Details of the plans can be found in the Comprehensive Annual Report of the State of Idaho, which may be obtained as follows:

Office of the Idaho State Controller
700 W State Street, 4th Floor
Boise, ID 83702
P.O. Box 83720
Boise, ID 83720-0011
www.sco.idaho.gov

Plan Descriptions and Funding Policy

Retiree Healthcare Plan

A retired employee of the College who is eligible to retire under the Public Employee Retirement System of Idaho (PERSI) may elect to purchase the retiree health insurance coverage for themselves and eligible dependents. Employees must enroll within 60 days of the date of their retirement. Additionally, the unreduced PERSI monthly benefit at the time of retirement must meet or exceed the monthly cost of single retiree health insurance coverage, or employees must have 10 or more years (20,800 or more hours) of credited service. An employee must have been an active employee on or before June 30, 2009, and must retire directly from State service. Coverage is not available to Medicare-eligible retirees or their Medicare-eligible dependents. Retirees eligible for medical health insurance pay the majority of the premium cost; however, the retiree plan costs are subsidized by the active employee plan. The maximum benefit is $1,860 per retiree per year. The College contributed $16.44 per active employee per month towards the retiree premium cost.

Long-Term Disability Plan

Disabled employees are defined as being unable to perform each of the substantial and material duties of the job for which they were hired and unable to earn more than 70 percent of their monthly salary for the first 30 months of disability. If after 30 months the employee is unable to perform any job for which they are reasonably qualified by experience, education, or training, and unable to earn more than 60 percent of their monthly salary the employee is considered totally disabled. To qualify for long-term disability benefits, the waiting period of the longer of 26 weeks of continuous total disability or exhaustion of accrued sick leave must be met.

The plan provides long-term disability income benefits to active employees who become disabled, generally up to a maximum age of 70. The gross benefit equals 60 percent of monthly pre-disability salary or $4,000, whichever is less. The benefit does not increase with inflation and may be offset by other sources of income such as Social Security, Workers' Compensation, unemployment benefits, and certain retirement benefits. The State is self-insured for employees who became disabled prior to July 1, 2003; the State pays 100 percent of the cost of this benefit. The amount of the contribution is based on active claims and the number of insured individuals.

Employees disabled on or after July 1, 2003, are insured by Principal Life Insurance Company and the obligation for the payment of benefits has been effectively transferred. The College pays 100 percent of the cost of the premiums. The Lewis-Clark State College's contribution rate for the period was 0.324% of payroll in fiscal years 2012 and 2011. This portion of the long-term disability income benefit is not included in the actuarial estimate as this is considered an insured benefit.

For up to 30 months following the date of disability, an employee is entitled to continue healthcare coverage under the State plan. The College pays 100 percent of the College's share of medical and dental premiums while the employee remains disabled. The employee is required to pay the normal active employee contribution for the plan and rate category in which the employee is enrolled. The College's contribution for the period was $0.00 and $6.96 per active employee per month in fiscal years 2012 and 2011.

This plan also provides basic life insurance and dependent life coverage to disabled employees, generally up to a maximum age of 70. The life insurance benefit amount is generally 100 percent of annual salary, but not less than $20,000. In addition, a $2,000 life insurance benefit is provided for spouses, and a $1,000 life insurance benefit is provided for dependent children. These benefits do not increase with inflation. The College pays 100 percent of the premiums; the contribution is actuarially determined based on actual claims experience.

Retiree Life Insurance Plan

This plan provides basic life insurance for certified retired employees. 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. Eligible retirees receive basic life insurance coverage equal to 100 percent of their annual salary at retirement. The College pays 100 percent of the cost of basic life insurance for eligible retirees. The College's contribution for the period as a percent of payroll was 1.177% for retirees under age 65, .0894% for retirees between the ages of 65 and 69, and .0600% for retirees over age 70.

Annual OPEB Cost

The annual OPEB cost (AOC) is actuarially determined based on the annual required contribution (ARC) of the employer in accordance with GASB Statement Nos. 43 and 45. The following table illustrates the annual OPEB cost, the amount of contributions made, the increase (decrease) in the net OPEB obligation (NOO), and the NOO (funding excess) for the current year.

Dollars in Thousands

	Retiree Healthcare Plan	Long-Term Disability Plan: Healthcare	Long-Term Disability Plan: Life Insurance	Long-Term Disability Plan: Income	Retiree Life Insurance Plan	Total
Annual Required Contribution	95	33	18	20	244	410
Interest	29	2	0	0	27	58
Adjustment to ARC	(42)	(3)	0	1	(40)	(84)
Total Annual OPEB Cost	82	32	18	21	231	384
Contributions Made	(78)	(29)	(21)	(17)	(37)	(182)
Increase (Decrease) in NOO	4	3	(3)	4	194	202
NOO – Beginning of Year	696	40	(9)	(8)	624	1,343
NOO (Funding Excess) – End of Year	$700	$43	($12)	($4)	$818	$1,545

Annual OPEB Cost Comparison

The following table compares the annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation (funding excess) for the current and two prior years.

Annual OPEB Cost and Net OPEB Obligation (NOO) Comparison
(dollars in thousands)

			Long-Term Disability Plan			
		Retiree Healthcare Plan	**Healthcare**	**Life Insurance**	**Income**	**Retiree Life Insurance Plan**
Annual OPEB Cost	2010	$70	$42	$18	$23	$205
	2011	$79	$29	$18	$20	$207
	2012	$82	$32	$18	$21	$231
Percentage of AOC Contributed	2010	58.57%	57.14%	105.56%	78.26%	25.85%
	2011	44.60%	85.10%	148.70%	90.90%	-16.90%
	2012	94.31%	91.20%	111.86%	82.49%	-15.96%
NOO (Funding Excess) – End of Year	2010	$652	$36	($1)	($10)	$452
	2011	$696	$40	($9)	($8)	$624
	2012	$700	$43	($12)	($4)	$818

Funded Status and Funding Progress

The following table illustrates the funded status and the funding progress for Lewis-Clark State College:

Funded Status and Funding Progress
(dollars in thousands)

			Long-Term Disability Plan			
		Retiree Healthcare Plan	**Healthcare**	**Life Insurance**	**Income**	**Retiree Life Insurance Plan**
	Actuarial Valuation Date	7/1/2010	7/1/2010	7/1/2010	7/1/2010	7/1/2010
1	Actuarial Value of Assets	$0	$0	$0	$0	$0
2	Accrued Liability (AAL)	$601	$215	$224	$120	$3,092
3	Unfunded AAL (UAAL) (2) - (1)	$601	$215	$224	$120	$3,092
4	Funded Ratios (1) : (2)	0.0%	0.0%	0.0%	0.0%	0.0%
5	Annual Covered Payroll	$19,100	$19,100	$19,100	$19,100	$19,100
6	UAAL as a Percentage of Covered Payroll (3) : (5)	3.15%	1.13%	1.17%	0.63%	16.19%

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements contains multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members. Any variations in future experience from that expected from these assumptions will result in corresponding changes in the estimated costs of the benefits. The projection of benefits for financial reporting purposes does not incorporate the potential effects of legal funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The following table presents the significant methods and assumptions for all plans:

Significant Methods and Actuarial Assumptions

	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan
		Healthcare	Life Insurance	Income	
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percentage of Payroll	Level Percentage of Payroll	Level Percentage of Payroll	Level Dollar Amount	Level Percentage of Payroll
Amortization Period	11 years, Closed	30 years, Open	30 years, Open	8 years, Closed	30 years, Open
Assumptions:					
Inflation Rate	3.0%	3.0%	3.0%	3.0%	3.0%
Investment Return	4.00%	4.00%	4.00%	4.00%	4.00%
OPEB Increases	N/A	N/A	N/A	N/A	N/A
Projected Salary Increases	3.50%	3.50%	3.50%	3.50%	3.50%
Healthcare Cost Initial Trend Rate	10.00%	10.00%	N/A	N/A	N/A
Healthcare Cost Ultimate Trend Rate	5.00%	5.00%	N/A	N/A	N/A

Required Supplementary Information

OTHER POSTEMPLOYMENT BENEFITS – Schedule of Funding Progress *(dollars in thousands):*

OPEB Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1) : (2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) : (5)
Retiree Healthcare	6/30/2010	$0	$554	$554	0.0%	$18,680	2.97%
	7/1/2008	$0	$516	$516	0.0%	$18,861	2.74%
Long-Term Disability:							
Healthcare	6/30/2010	$0	$201	$201	0.0%	$18,680	1.08%
	7/1/2008	$0	$238	$238	0.0%	$18,861	1.26%
Life Insurance	6/30/2010	$0	$223	$223	0.0%	$18,680	1.19%
	7/1/2008	$0	$199	$199	0.0%	$18,861	1.06%
Income	6/30/2010	$0	$128	$128	0.0%	$18,680	0.69%
	7/1/2008	$0	$139	$139	0.0%	$18,861	0.74%
Retiree Life Insurance	6/30/2010	$0	$2,687	$2,687	0.0%	$18,680	14.38%
	7/1/2008	$0	$2,341	$2,341	0.0%	$18,861	12.41%

Effective July 1, 2009, legislative changes to the Retiree Healthcare Plan regarding eligibility stipulate that an officer or employee must be an active employee on or before June 30, 2009, and retire directly from State service; the maximum benefit is $1,860 per retiree per year. Additionally, any retiree will remain eligible until they are eligible for Medicare. Beginning January 1, 2010, coverage was not available to Medicare-eligible retirees or their Medicare-eligible dependents.

Schedule of Employer Contributions
(dollars in thousands):

OPEB Plan	Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions	Actual Contributions as Percentage of ARC
Life Insurance	6/30/2010	$210	$53	25.24%
	6/30/2011	$216	$35	16.20%
	6/30/2012	$244	$37	15.16%

Sick Leave Insurance Reserve Fund

Employees who qualify for retirement under PERSI or ORP are eligible to use 50% of the cash value of their unused sick leave to continue their medical insurance coverage through the College. The College partially funds these obligations by depositing 0.65% of employee gross payroll with PERSI who administers the trust fund. The total contributions for the years ended June 30, 2012 and 2011 were $124,078 and $121,492.

10. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

	2012 Natural Classification							
Functional Classification	Personnel Costs	Services	Supplies	Insurance, Utilities, and Rent	Scholarships and Fellowships	Depreciation	Miscellaneous	Operating Expense Totals
Instruction	$ 15,958,252	$ 841,950	$ 1,164,251	$ 110,715	$ 46,397	$ -	$ 257,097	$ 18,378,662
Research	128,897	2,869	12,916	-	-	-	14,060	158,742
Public services	2,030,102	203,743	85,278	3,572	-	-	134,408	2,457,103
Libraries	612,484	180,003	15,730	-	-	-	280	808,497
Student services	2,847,932	424,280	196,374	7,512	56,816	-	76,372	3,609,286
Plant operations	1,295,113	208,680	450,941	984,011	-	2,426,169	35,880	5,400,794
Institutional support	2,944,478	519,980	436,546	145,831	-	-	268,506	4,315,341
Academic support	1,750,163	469,585	253,945	-	1,000	-	6,372	2,481,065
Scholarships and fellowships	147,504	180	-	-	3,984,441	-	54,599	4,186,724
Auxiliaries	1,685,180	836,248	1,086,940	192,578	401,617	-	252,189	4,454,752
Total expenses:	$ 29,400,105	$ 3,687,518	$ 3,702,921	$ 1,444,219	$ 4,490,271	$ 2,426,169	$ 1,099,763	$ 46,250,966

	2011 Natural Classification							
Functional Classification	Personnel Costs	Services	Supplies	Insurance, Utilities, and Rent	Scholarships and Fellowships	Depreciation	Miscellaneous	Operating Expense Totals
Instruction	$ 16,382,624	$ 734,405	$ 1,192,054	$ 111,147	$ 33,644	$ -	$ 229,738	$ 18,683,612
Research	84,452	8,176	60,708	-	-	-	14,907	168,243
Public services	1,773,098	175,884	65,255	6,688	-	-	107,092	2,128,017
Libraries	606,629	149,542	31,496	-	-	-	514	788,181
Student services	2,717,396	411,749	167,850	4,581	106,846	-	91,219	3,499,641
Plant operations	1,292,590	201,708	387,028	856,378	-	2,309,187	64,955	5,111,846
Institutional support	2,660,644	563,889	312,827	159,358	-	-	630,767	4,327,485
Academic support	1,887,789	451,412	166,364	4,075	500	-	3,157	2,513,297
Scholarships and fellowships	134,193	180	-	-	3,622,988	-	29,738	3,787,099
Auxiliaries	1,670,264	758,025	1,037,137	207,662	394,446	-	259,033	4,326,567
Total expenses:	$ 29,209,679	$ 3,454,970	$ 3,420,719	$ 1,349,889	$ 4,158,424	$ 2,309,187	$ 1,431,120	$ 45,333,988

11. RELATED PARTIES TRANSACTIONS

In fiscal year 2004 the College began constructing a new Student Activity Center (the "facility"). With an estimated cost of approximately $15,000,000, this project was completed in fiscal year 2006. The Idaho State Building Authority (the "ISBA"), with approval from the Idaho State Legislature, issued $10,018,000 of tax exempt bonds to finance the project and will have initial ownership of the facility. The College initially contributed $2,533,463 to the project with the balance to be provided by the State of Idaho. A portion of the College's contribution was financed through the issuance of a Secured Student Fee Revenue Note, Series 2003, issued in the amount of $1,126,307. See Note 7. This note was paid off in fiscal year 2012.

The College, through the State Board of Education, entered into a lease agreement with the ISBA whereby the land upon which the building is being constructed is leased to the ISBA. It is intended that this lease will continue until all amounts owed to the bondholders have been paid. The Idaho Legislature is obligated, via the annual appropriation process, to provide funds to the State Department of Administration (the "SDOA") to make the bond payments.

The facility will be in use for many years prior to the transfer of ownership to the College. Therefore, the SDOA, on behalf of the College, has signed an agreement to lease the facility from the ISBA during the period the bond holders are being paid. This agreement obligates the SDOA to pay rent to the ISBA in the amount of the annual bond obligations, plus expenses, as funded by the Idaho Legislature.

The College and the SDOA have entered into an operating agreement whereby the College is obligated to cover all operating costs including maintenance, insurance, and furnishings. At the termination of these agreements, drafted to coincide with the final bond payments, ownership of the facility should pass to the College. As of June 30, 2012 and 2011 the College's total contribution is discretely presented in the *Statements of Net Assets* as Investment in capital assets in the amount of $2,613,348. See Note 5.

12. 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 College 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. College officials believe that the effect of these refunds, if any, will not have a significant effect on the financial position of the College.

13. RISK MANAGEMENT

The College participates in the State of Idaho Risk Management Program, which manages property and general liability risk. The program provides liability protection up to the Idaho Tort Claims Act maximum of $500,000 for each occurrence. Property damage claims are covered up to $250,000 per occurrence annually. The State of Idaho purchases commercial insurance for claims not self-insured by the above coverages. Insurance premium payments are made to the State risk management program based on rates determined by a State agency's loss trend experience and asset value covered. Presently the College's total insured property value is $158,968,470. The College obtains worker's compensation coverage from the Idaho State Insurance Fund. The College's worker's compensation premiums are based on payroll amount, the College's loss experience, as well as the loss experience of the State of Idaho as a whole. This program also provides coverage for other risks of loss, including but not limited to employee bond and crime, out of state worker's compensation, business interruption, media liability and automobile physical damage insurance.

14. COMPONENT UNIT DISCLOSURE

As described in Note 1, the Lewis-Clark State College Foundation, Inc. (the "Foundation") has been determined to be a component unit of the College. The financial statements of the Foundation are presented in accordance with GASB principles. Significant accounting policies associated with the College, also described in Note 1, apply to the Foundation, when applicable. Other disclosures at June 30, 2012 are as follows:

***Deposits*—**Cash and cash equivalents are deposited with various financial institutions. The amount on deposit fluctuates and at times exceeds the insured limit by the U.S. Federal Deposit Insurance Corporation, which potentially subjects the Foundation to credit risk.

***Investments*—**Foundation investments in marketable securities are recorded at market value as determined by quoted market prices. The Foundation investment policy permits investments in the following investment categories: (a) cash and cash equivalents, including money market funds; (b) fixed income assets to include bonds and bank certificates of deposit; and (c) stocks of large and small U.S. or foreign companies. The Foundation prohibits investments in the following: (a) derivatives, (b) natural resources, (c) precious metals, and (d) venture capital.

Credit Risk of Debt Securities
The risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation is commonly expressed in terms of a credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's, and Fitch's. The ratings below use the Standard & Poor's scale and represent the debt securities held by the Foundation as of June 30, 2012:

Investment Type	Rating	Fair Value
Corporate Debt Instruments	AA	$ 61,143
Corporate Debt Instruments	A+	112,018
Corporate Debt Instruments	A-	189,917
Corporate Debt Instruments	BBB+	64,862
Corporate Debt Instruments	BBB	68,751
Corporate Debt Instruments	BBB-	111,715
Treasury Inflation Index	AAA	83,366
Federal Home Loan Bank	AAA	104,249
Federal Home Loan Mtg. Corporation	AAA	75,128
Federal National Mtg. Association	AAA	177,679
Total Rated Debt Securities		$ 1,048,828

Interest Rate Risk
Investments in debt securities that are fixed for longer periods are likely to experience greater variability in fair value due to future changes in interest rates. The Foundation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of June 30, 2012, the Foundation held debt securities with the following maturities:

Investment Type	Maturity Range	Fair Value
Corporate Debt Instruments	1 - 5 years	$ 192,384
Corporate Debt Instruments	6 - 10 years	416,022
Federal Agencies	1 - 5 years	440,422
Total Debt Securities		$ 1,048,828

Foreign Currency Risk
The Foundation investment policy permits the acquisition of equities denominated in foreign currencies. There is a risk that changes in exchange rates could adversely affect the fair value of these investments. To reduce this risk the investment policy limits the investment in international equities to no more than 15% of the total investment portfolio. As of June 30, 2012, the Foundation's exposure to foreign currency risk is as follows:

SecurityOrigin	Denominated Currency	Fair Value
Argentine	Peso	$ 6,827
Brazilian	Real	22,997
Canadian	Canadian Dollar	31,680
Chinese	Yuan	39,525
Danish	Krone	25,272
European	Euro	110,552
Hong Kong	Hong Kong Dollar	20,661
Israeli	Sheqel	21,919
Japanese	Yen	65,397
Mexican	Mexican Peso	10,840
Russian	Russian Ruble	14,133
Swedish	Swedish Krona	27,907
Swiss	Franc	43,298
Turkish	Turkish Lira	6,288
United Kingdom	British Pound	107,677
United States	US Dollar	17,069
Total Foreign Equity Investments		572,042
Corporate Debt	U.S. Dollar	608,406
Federal Agencies	U.S. Dollar	440,422
Depository Certificates	U.S. Dollar	318,273
Equities and Mutual Funds	U.S. Dollar	3,336,261
Total Foundation Investments		$ 5,275,404

Capital Assets, Net**—**The Foundation had no property holdings during fiscal 2012. Following are the changes in property holdings of the Foundation for the year ended June 30, 2011.

	2011			
	Balance at June 30, 2010	**Additions**	**Reductions**	**Balance at June 30, 2011**
Property holdings not being depreciated:				
Land	$ 13,252	$ -	$ (13,252)	$ -
Total property holdings not being depreciated	$ 13,252	$ -	$ (13,252)	$ -
Other property holdings:				
Buildings	$ 287,488	$ -	$ (287,488)	$ -
Total other property holdings	287,488	-	(287,488)	-
Less accumulated depreciation:				
Buildings	(182,473)	-	182,473	-
Total accumulated depreciation	(182,473)	-	182,473	-
Other property holdings accumulated depreciation	$ 105,015	$ -	$ (105,015)	$ -
Property holdings summary:				
Property holdings not being depreciated	$ 13,252	$ -	$ (13,252)	$ -
Other property holdings at cost	287,488	-	(287,488)	-
Total cost of property buildings	300,740	-	(300,740)	-
Less accumulated depreciation	(182,473)	-	182,473	-
Property holdings, net	$ 118,267	$ -	$ (118,267)	$ -

Income Taxes**—**The Foundation is exempt from income taxes on its activities as a Foundation under Section 501(c)(3) of the Internal Revenue Code and similar state statutes. Activities unrelated to those of a Foundation are subject to corporate tax rates.

Related Party Transactions**—**Exclusive of cash held by third party investment managers, Foundation cash is deposited and withdrawn from a College bank account. The balance in this account attributable to the Foundation is reported as a receivable from the College in the amount of $577,127 and $434,156 as of June 30, 2012 and 2011, respectively.

Certain gifts and gift annuity liabilities involve contributions made to the Foundation by Foundation board members. For the years ended June 30, 2012 and 2011, gifts from these related parties approximated $136,610 and $75,026 or 27% and 15% of total contributions, respectively. Liabilities to these related parties, reflected in the *Statements of Net Assets* as gift annuities payable, totaled $641,665 and $658,438 or 89% and 91% of total gift annuities payable as of June 30, 2012 and 2011, respectively.

Distributions to the College**—**During the years ended June 30, 2012 and 2011, the Foundation distributed $432,113 and $483,115, respectively to the College for both restricted and unrestricted purposes.

Donor-Restricted Endowments**—**The Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the College. During the fiscal years 2012 and 2011 the Foundation received new contributions of $591,320 and $505,610, respectively. At June 30, 2012 and 2011, the amount permanently restricted by donors was $97,294 and $299,208, respectively. The endowments of the Foundation experienced net unrealized market depreciation of $8,196 during fiscal year 2012 and net unrealized market appreciation of $853,275 during fiscal year 2011. Accumulated earnings are reported in restricted net assets, expendable. The Foundation established a spending rate of 4% of the five-year rolling average of the market value of each endowment account as of December 31st for each fiscal year. This amount may be reduced if an account has insufficient accumulated earnings to cover the payout.

Gift Annuities Payable**—**The College is the beneficiary of seven gift annuities. The College recognizes the annuity in the period in which the gift is received. The assets are recorded at fair value when received. An obligation to the annuitant is recorded at the present value of the estimated future payments to be distributed. Income earned on assets, recognized gains and losses, and distributions paid to annuitants are reflected in the *Statements of Net Assets.* Adjustments to the annuity obligation to reflect the revaluation of the present value of the estimated future payments to the annuitant, based upon changes in the actuarial assumptions, are recognized in the *Statements of Revenues, Expenses, and Changes in Net Assets* as a miscellaneous expense.

Discount rates to determine the present value of the obligations to the annuitants range from 5.7% to 10.0% for the years ended June 30, 2012 and 2011. Annuity obligations represent the present value of the aggregate liability to annuitants based upon their estimated life expectancies, via tables provided by the Internal Revenue Service.

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

Idaho State Board of Education
Lewis-Clark State College

We have audited the financial statements of Lewis-Clark State College and its discretely presented component unit, the Lewis-Clark State College Foundation, Inc. (collectively the College) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, Idaho State Board of Education, others within the entity, and federal awarding and pass-through agencies and is not intended to be, and should not be used by anyone other than these specified parties.

Moss Adams LLP

Eugene, Oregon
September 26, 2012

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Idaho State Board of Education
Lewis-Clark State College

Compliance

We have audited the Lewis-Clark State College's (the College) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2012. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (continued)

Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management, Idaho State Board of Education, others within the entity, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Eugene, Oregon
September 26, 2012

LEWIS-CLARK STATE COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2012

Section I - Summary of Auditors' Results

Financial statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ yes	_X_ no
Significant deficiency(ies) identified?	____ yes	_X_ none reported
Noncompliance material to financial statements noted?	____ yes	_X_ no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	____ yes	_X_ no
Significant deficiency(ies) identified ?	____ yes	_X_ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	____ yes	_X_ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
17.275	Worker Training and Placement in High Growth and Emerging Industries Sectors, Recovery Act
Various	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000	
Auditee qualified as low-risk auditee?	_X_ yes	___ no

YEAR ENDED JUNE 30, 2012

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

LEWIS-CLARK STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Federal Grant/Program Title	Pass-Through Entity Identifying #	Federal CFDA Number		Total Expenditures
U.S. DEPARTMENT OF AGRICULTURE:				
Direct Programs:				
RBEG-Electric Apprentice Lab Eq - FY12		10 769	$	11,150
RBEG - CNC Milling Machine - FY12		10 769		12,000
NxLevel Online Rural - FY10		10 769		1,930
				25,080
Pass Through Payments from the State of Idaho:				
USDA Daycare	None	10 558		6,774
Total U.S. Department of Agriculture:			$	31,854
U.S. DEPARTMENT OF LABOR:				
Pass Through Payments from the State of Idaho:				
Grow Green - FY11 (1)	LCSU-U2U-202	17 275	$	101,832
Total U.S. Department of Labor:			$	101,832
NATIONAL ENDOWMENT FOR THE ARTS:				
Pass Through Payments from the State of Idaho:				
ID Commission on the Arts - Entry Track - FY12	None	45 025	$	2,898
Total National Endowment for the Arts:			$	2,898
NATIONAL ENDOWMENT FOR THE HUMANITIES:				
Direct Programs:				
NEH - Collection Preservation - FY12		45 149	$	3,155
Pass Through Payments from Other:				
Talkington Collection - FY11	2010109	45 129		22
IHC- Speakers Bureau - FY12	2011047	45 129		1,143
IHC - H.L. Talkington - FY12	2012009	45 129		181
IHC - Native American Awareness Week - FY12	2011067	45 129		2,000
IHC - Chinese Remembering - FY12	2011061	45 129		2,350
				5,696
Total National Endowment for the Humanities:			$	8,851
INSTITUTE OF MUSEUM AND LIBRARY SERVICES:				
Pass Through Payments from the State of Idaho:				
ALA 2011 Conference - FY11	T10220-21	45 310	$	900
Total Institute of Museum and Library Services:			$	900

LEWIS-CLARK STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Federal Grant/Program Title	Pass-Through Entity Identifying #	Federal CFDA Number	Total Expenditures
NATIONAL SCIENCE FOUNDATION:			
Pass Through Payments from the State of Idaho:			
NSF - WFT - Collabrative - FY12	DUE-1104078	47 076	$ 31,891
SNAAP - FY12	11-154C-RGSC07	47 076	7,850
			39,741
NSF EPSCoR - FY11 (1) (2)	KBK853-SB-001	47 082	5,427
Total National Science Foundation:			$ 45,168
SMALL BUSINESS ADMINISTRATION:			
Pass Through Payments from the State of Idaho:			
ISBDC/SBA - FY11	077G106056B	59 037	$ 20,015
Jobs Bill E-Commerce - FY11	077G106011-B	59 037	19,547
ISBDC/SBA - FY12	077G106058B	59 037	22,453
Total Small Business Administration:			$ 62,015
U.S. DEPARTMENT OF EDUCATION:			
Direct Programs:			
Student Financial Assistance Cluster:			
Supplemental Education Opportunity Grant		84 007	$ 75,423
Workstudy Program		84 033	95,579
Perkins Loan Program		84 038	11,736
Pell Grant		84 063	8,032,639
Direct Loan Program		84 268	18,087,289
			26,302,666
TRIO Cluster:			
TRIO Academic Services - Year 1 - FY11		84 042A	66,055
TRIO Academic Services - Year 2 - FY12		84 042A	230,830
TRIO Academic Services Scholarships		84 042A	9,435
Clearwater Valley ETS - Year 5 - FY11		84 044A	41,807
Lewis Clark ETS - Year 5 - FY11		84 044A	35,440
Clearwater Valley ETS - Year 1 - FY12		84 044A	191,950
			575,517
Pass Through Payments from the State of Idaho:			
ABE - Federal Direct Services - FY11	F-ABE-D01-11B-610	84 002A	129
ABE - Teacher Training - FY11	F-ABE-L01-11A-610	84 002A	54
ABE - Federal Direct Services - FY12	F-ABE-D01-12B-610	84 002A	185,882
ABE - Teacher Training - FY12	F-ABE-L01-12A-610	84 002A	13,349
ABE - Federal Administration -FY12	F-ABE-D02-12A-610	84 002A	960
ABE - IMAS Contract - FY12	F-ABE-D01-12C-610	84 002A	4,000
ABE - Incentive Funds - FY12	F-ABE-L06-12B-610	84 002A	3,751
ABE - Bridge Project - FY12	F-ABE-L10-12A-610	84 002A	24,284
ABE - GAIN - FY12	F-ABE-D01-12D-610	84 002A	550
			232,959
DOC - Title I - FY12	None	84 013	29,563

LEWIS-CLARK STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Federal Grant/Program Title	Pass-Through Entity Identifying #	Federal CFDA Number	Total Expenditures
DOC - Special Education - FY12	None	84 027A	72,217
Tech Prep - Adv Learning Partnership - FY12	RFF-C16-12A-610	84 048A	89,481
Counseling for Prof-Tech Students - FY12	SFF-A08-12A-610C	84 048A	15,580
Counseling for Prof-Tech Students - FY11	SFF-A08-11A-610C	84 048A	766
Advanced Learning Partnership - FY11	PFF-B16-11C-610	84 048A	1,203
Center for New Directions - FY11	PFF-B09-11B-610	84 048A	1,919
Prof-Tech Education Center - FY12	PFF-B09-12A-610	84 048A	178,259
Career Pioneer Symposium - FY12	None	84 048A	11
			287,219
DOC - Incarcerated Individuals - FY12	None	84 331	17,744
SAHE Math Education Grant - FY10	S367B090047	84 367B	46,865
STEM Education - FY12	S367B100047	84 367B	48,750
			95,615
SBOE Dual Credit Scholarships - FY12	None	84 378A	52,016
Tech Prep College Access Challenge - FY11	None	84 378A	1,212
ETS College Access Challenge - FY12	None	84 378A	3,352
			56,580
Pass Through Payments from Other:			
TESLA Program - Year 1 - FY11	09MSP13	84 366	10,225
TESLA Program - Year 2 - FY12	09MSP13	84 366	38,190
			48,415
Total U.S. Department of Education:			$ 27,718,495
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Direct Programs:			
Nurse Scholar - HRSA - FY11		93 888	$ 52,226
Pass Through Payments from the State of Idaho:			
INBRE Renewal - Year 3 - FY11	CWK300-SB-004	93 389	84,264
INBRE Renewal - Year 4 - FY12	CWK400-SB-003	93 389	4,278
			88,542
Child Welfare Scholars Scholarships	KC243300	93 558	(12,730)
IV-E Scholars Program - FY12	KC243300 Amendment 1	93 558	2,302
Child Welfare Scholars Scholarships	KC243300	93 658	27,562
IV-E Scholars Program - FY12	KC243300 Amendment 1	93 658	19,611
Child Welfare Scholars Scholarships	KC243300	93 667	(3,314)
IV-E Scholars Program - FY12	KC243300 Amendment 1	93 667	617
IV-E Scholars Program - FY12	KC243300 Amendment 1	93 778	8
			34,056

LEWIS-CLARK STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Federal Grant/Program Title	Pass-Through Entity Identifying #	Federal CFDA Number	Total Expenditures
H&W Minor in Prevention - FY11	BC013600	93 959	2,160
H&W Minor in Prevention - FY12	BC013600 Amendment 1	93 959	5,000
			7,160
Total U.S. Department of Health & Human Services:			$ 181,984
CORPORATION FOR NATIONAL SERVICE:			
Pass Through Payments from the State of Idaho:			
AmeriCorps - Year 2 - FY12	10ACHID0010001	94 006	$ 1,111,077
AmeriCorps - Year 1 - FY11	10ACHID0010001	94 006	148,157
			1,259,234
Pass Through Payments from Other:			
Washington Campus Compact - FY11	54571-H	94 005	3,555
OR Campus Compact MLK Day - FY12	None	94 007	832
Total Corporation for National Service:			$ 1,263,621
TOTAL FEDERAL EXPENDITURES:			$ 29,417,618

(1) American Recovery and Reinvestment Act Funds
(2) Research and Development Grant

See notes to schedule of expenditures of federal awards

LEWIS-CLARK STATE COLLEGE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.*

2. UNIVERSITY ADMINISTERED LOAN PROGRAMS

The College administers the following loan programs:

Loan Program	**CFDA Number**		**Outstanding Loan Balances**
Federal Perkins	84.038	$	654,263
Federal Nursing Loan	93.364	$	147,546

Total loan expenditures and disbursements of the Department of Education (Perkins) and the Department of Health and Human Services (Health Professions) student financial assistance programs for the year ended June 30, 2012 are identified below:

Loan Program	**CFDA Number**		**Loan Disbursements**
Federal Perkins	84.038	$	100,000
Federal Nursing Loan	93.364	$	49,916

The above expenditures for the Federal Perkins Loan Program include loans to students and administrative cost allowances. The expenditures reported in the Schedule of Expenditures of Federal Awards included the administrative cost allowance and the Federal capital contribution for the year reported.