

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



LEWIS-CLARK STATE
— COLLEGE —

June 30, 2015 and 2014

LEWIS-CLARK STATE COLLEGE

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REPORT OF INDEPENDENT AUDITORS

Idaho State Board of Education
Lewis-Clark State College

Report on the Financial Statements

We have audited the accompanying 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 years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

REPORT OF INDEPENDENT AUDITORS (continued)

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Lewis-Clark State College and its discretely presented component unit as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and certain information on pages 30-31 and 37 in Note 8, *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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lewis-Clark State College's basic 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* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

REPORT OF INDEPENDENT AUDITORS (continued)

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2015, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Portland, Oregon
September 28, 2015

LEWIS-CLARK STATE COLLEGE

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

Overview of the Financial Statements and Financial Analysis

The financial statements for fiscal years ended June 30, 2015 and June 30, 2014 are prepared in accordance with Governmental Accounting Standards Board ("GASB") principles. Three financial statements are presented: the *Statements of Net Position*; the *Statements of Revenues, Expenses, and Changes in Net Position*; 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" or "LCSC'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 Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows* as part of the financial statements for the College.

Statement of Net Position

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

From the data presented, readers of the *Statement of Net Position* 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 Position* provides a picture of the net position and the availability of resources for expenditure by the College.

Net position is divided into three major categories. The first category, net investment in capital assets, indicates the net equity in capital assets owned by the College. The next category is restricted net position, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is available only for investment purposes. Expendable restricted net position is 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 position. Unrestricted net position is 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 POSITION

	2015	2014	2013
ASSETS:			
Current assets	\$ 36,949,174	\$ 36,554,453	\$ 33,664,206
Capital assets, net	46,954,928	47,520,246	46,696,436
Other assets	<u>3,853,961</u>	<u>3,262,432</u>	<u>3,086,641</u>
Total assets	<u><u>\$ 87,758,063</u></u>	<u><u>\$ 87,337,131</u></u>	<u><u>\$ 83,447,283</u></u>
LIABILITIES:			
Current liabilities	\$ 5,747,181	\$ 6,325,969	\$ 6,131,520
Noncurrent liabilities	<u>7,868,377</u>	<u>5,034,780</u>	<u>6,211,939</u>
Total liabilities	<u><u>13,615,558</u></u>	<u><u>11,360,749</u></u>	<u><u>12,343,459</u></u>
NET POSITION:			
Net investment in capital assets	46,527,570	46,192,648	44,002,266
Restricted – nonexpendable	-	-	-
Restricted – expendable	905,456	951,772	1,001,909
Unrestricted	<u>26,709,479</u>	<u>28,831,962</u>	<u>26,099,649</u>
Total net position	<u><u>74,142,505</u></u>	<u><u>75,976,382</u></u>	<u><u>71,103,824</u></u>
Total liabilities and net position	<u><u>\$ 87,758,063</u></u>	<u><u>\$ 87,337,131</u></u>	<u><u>\$ 83,447,283</u></u>

Total assets of the College increased \$420,932 in fiscal year 2015, an increase of 0.5% over 2014. The primary components of the change are Cash with treasurer, up \$1,768,575, and a decline in Cash and cash equivalents, down \$1,241,513.

Total liabilities at June 30, 2015, increased by \$2,254,809 as compared to June 30, 2014. This increase is due to the adoption of GASB 68, which created a deferred inflow liability of \$2,021,685 and a net PERSI pension liability of \$1,468,587. A decline in notes payable of \$900,240 provided some offsetting decrease.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position, as presented on the *Statement of Net Position*, are specifically depicted by the activity presented in the *Statement of Revenues, Expenses and Changes in Net Position*. 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

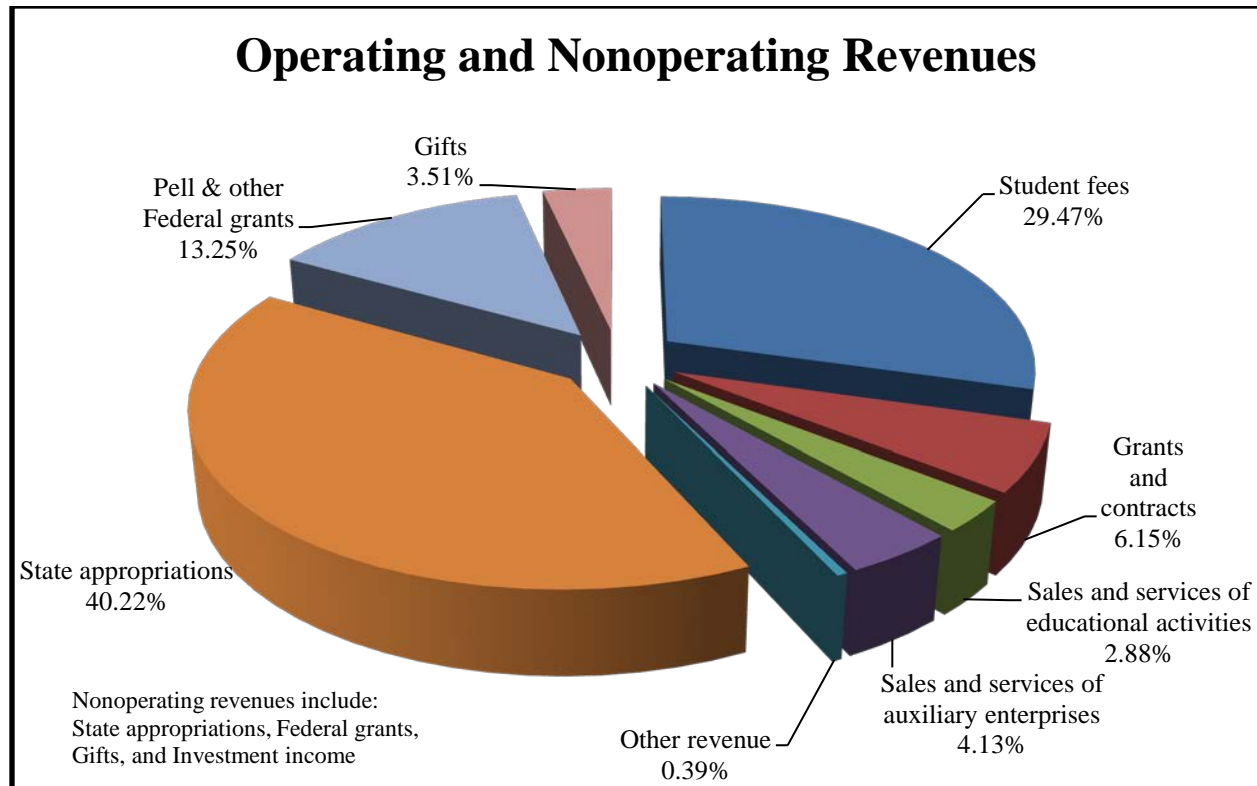
mission of the College. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are deemed nonoperating revenues because they are provided by the Idaho Legislature to the College without the legislature directly receiving value in return for those revenues.

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

	2015	2014	2013
Operating revenues	\$ 21,334,165	\$ 22,098,736	\$ 23,591,722
Operating expenses	48,861,907	47,593,411	48,102,713
Operating loss	(27,527,742)	(25,494,675)	(24,510,991)
Nonoperating revenues and expenses, net	28,250,904	27,471,640	26,912,522
Income before other revenues and expenses	723,162	1,976,965	2,401,531
Other revenues, net	647,627	2,895,593	1,713,374
Increase in net position	1,370,789	4,872,558	4,114,905
Net position--Beginning of year	75,976,382	71,103,824	66,988,919
Cumulative effect of implementing GASB 68	(3,204,666)	-	-
Net position--End of year	\$ 74,142,505	\$ 75,976,382	\$ 71,103,824

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, 2015.



Total operating revenues for fiscal year 2015 decreased \$764,571 or 3.5%. This decrease is primarily the result of reductions in grant and contract funding, down \$408,506, and a \$221,352 decline in other income.

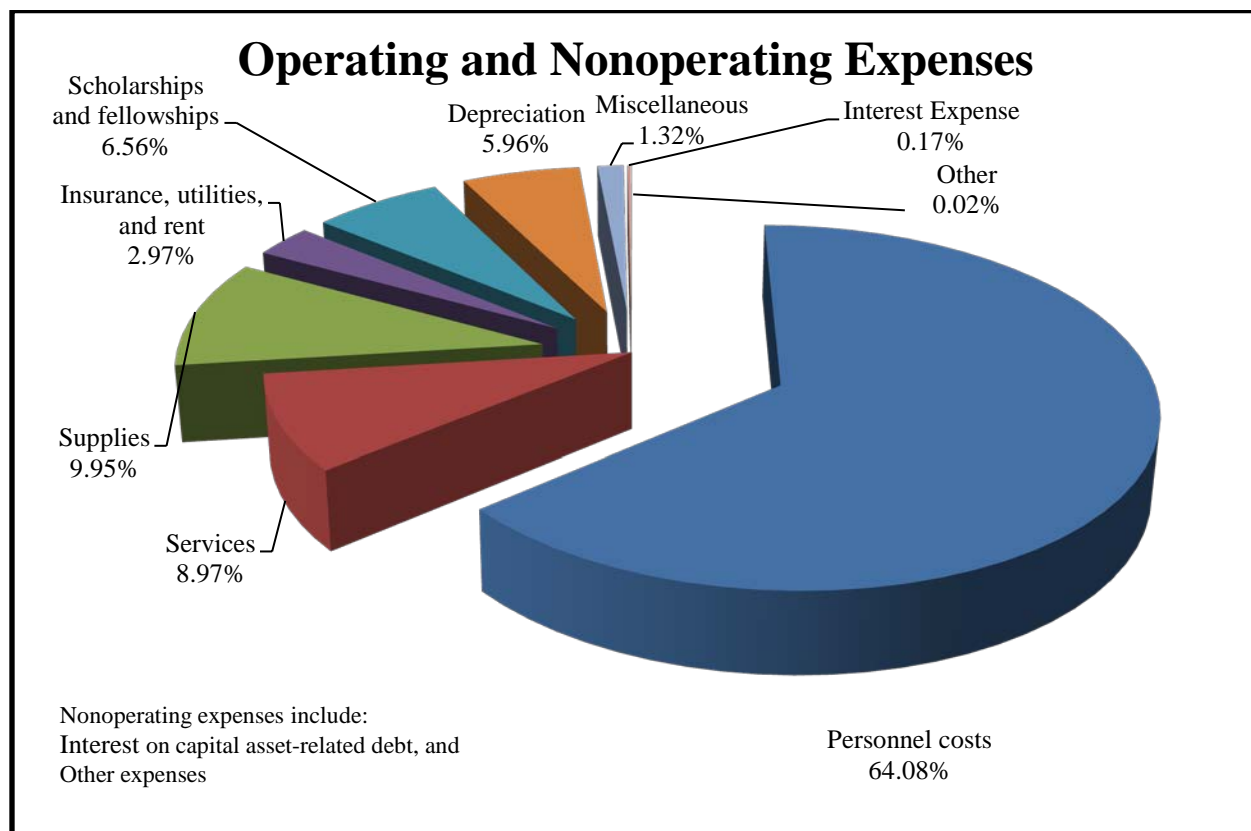
Nonoperating revenues and expenses, net, increased \$779,264 or 2.8% in fiscal year 2015. This increase reflects the net effect of a 6.3% rise in State appropriations (\$1,186,961), a decline in Pell and other federal grant revenues of 10.26% (\$751,235), and an increase in gifts of 19.3% (\$281,319).

Expenses

Following is a comparative summary of the College's expenses for the years ended June 30, 2015, 2014, and 2013.

	2015	2014	2013
OPERATING EXPENSES:			
Personnel costs	\$ 31,369,245	\$ 30,733,201	\$ 31,429,873
Services	4,392,728	4,079,148	3,800,838
Supplies	4,871,419	4,153,276	4,006,527
Insurance, utilities, and rent	1,455,470	1,463,311	1,449,248
Scholarships and fellowships	3,210,271	3,596,791	3,666,967
Depreciation	2,916,715	2,994,612	2,913,163
Miscellaneous	646,059	573,072	836,097
Total operating expenses	<u>48,861,907</u>	<u>47,593,411</u>	<u>48,102,713</u>
NONOPERATING EXPENSES:			
Interest on capital asset related debt	84,085	117,752	170,994
Other	<u>9,513</u>	<u>528</u>	<u>378,210</u>
Total nonoperating expenses	<u>93,598</u>	<u>118,280</u>	<u>549,204</u>
TOTAL EXPENSES	<u><u>\$ 48,955,505</u></u>	<u><u>\$ 47,711,691</u></u>	<u><u>\$ 48,651,917</u></u>

The following is a graphic depiction of total expenses by natural classification for the year ended June 30, 2015.



Total operating expenses increased \$1,268,496 in fiscal year 2015, or 2.6%. This increase reflects a \$718,143 (17.29%) increase in supplies, much of which was attributable to spending on technology infrastructure, hardware, and software. Increases in personnel costs of \$636,044 reflect higher health insurance costs and a 1% general salary increase.

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 Position*.

SUMMARY STATEMENTS OF CASH FLOWS

	2015	2014	2013
CASH PROVIDED BY (USED IN):			
Operating activities	\$ (24,577,269)	\$ (22,067,182)	\$ (21,962,275)
Noncapital financing activities	27,729,438	27,607,918	27,472,949
Capital and related financing activities	(2,719,109)	(2,481,384)	(1,819,620)
Investing activities	<u>94,002</u>	<u>56,465</u>	<u>41,074</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	527,062	3,115,817	3,732,128
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>35,521,825</u>	<u>32,406,008</u>	<u>28,673,880</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 36,048,887</u></u>	<u><u>\$ 35,521,825</u></u>	<u><u>\$ 32,406,008</u></u>

Overall, cash increased by \$527,062 for the year ended June 30, 2015.

Governmental 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 2015, these two revenue (and cash) sources totaled \$26.4 million, 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 Position.

Capital Asset and Debt Administration

During fiscal year 2013, the College refinanced its existing Facilities Refinancing Promissory Note, extending the term for five years and reducing its effective interest rate. The College’s effective interest rate on its remaining debt as of June 30, 2015, is 2.42%. Additional information concerning capital assets and debt administration is detailed in Notes 1, 5, and 6 as part of the notes to the financial statements.

Economic Outlook

Lewis-Clark State College, as a state institution, is directly impacted by trends in the Idaho economy, which continues to show positive signs of emerging from recession. As of August 2015, the Governor's Budget Office (the Division of Financial Management) forecast that revenues for FY2016 would be \$3.128B, a \$53.5M increase over its original projections, representing a 4.1% increase over FY2015 revenues. This positive trend has been accompanied by a decrease in the unemployment rate as the State economy has improved. However, improvements in the job market tend to have a modest counter-effect on enrollment at public higher education institutions. LCSC is projecting an approximate 3% decrease in headcount for Fall 2015 enrollment--though the drop appears to be less than will be experienced at the community colleges, which are even more sensitive to improvements in the job market.

The College's General Fund budget for FY2016 has increased by 10.4% over the FY2015 level. Key components of the increase included \$810,700 awarded for one-time capital replacement items, a 3% Change in Employee Compensation increase, \$299,600 for LCSC's "Complete College Idaho" line item request, and \$209,700 to fully fund the College's "Work Scholars" line item request. LCSC's "Normal School" endowment payout is estimated to increase to over \$1.8M (an increase of over \$200,000 from 2015), and the Professional-Technical Education funding level from the State has increased by 3.23%. Tuition revenues for FY2016 are projected to exceed \$15M.

Of course, the College is also indirectly impacted by national and global economic trends. Among the potential negative trends impacting virtually all higher education are rapidly increasing health care costs, currency fluctuations associated with Eurozone and Chinese economic uncertainty, the potential for increased inflation rates, and the recent volatility of equity and bond markets (with the LCSC Foundation's endowments being most directly affected by stock market trends). On the positive side, there are indications that there may be an increase in the number of out-of-state and international students in the next five years--in which case net revenues for the College's overall enrollment numbers may increase.

In summary, the economic outlook is generally positive, with no indications that any near-term systemic factors would have a material negative impact on the financial health and viability of the College.

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF NET POSITION

JUNE 30, 2015 and 2014

ASSETS	LCSC		Component Unit	
	2015	2014	2015	2014
CURRENT ASSETS:				
Cash and cash equivalents	\$ 16,471,701	\$ 17,713,214	\$ 580,351	\$ 225,441
Cash with treasurer	19,577,186	17,808,611	-	-
Accounts receivable and unbilled charges	507,482	756,355	-	-
Due from Lewis-Clark State College	-	-	252,889	643,704
Assets held for sale	-	-	57,000	57,000
Due from state agencies	246,286	188,981	-	-
Pledges receivable	-	-	3,000	63,500
Student loan receivables	134,000	77,000	-	-
Prepaid expenses	12,519	10,292	-	-
Other assets	-	-	-	636
Total current assets	<u>36,949,174</u>	<u>36,554,453</u>	<u>893,240</u>	<u>990,281</u>
NONCURRENT ASSETS:				
Student loan receivables, less allowance for doubtful loans of \$61,000 and \$63,000 for 2015 and 2014, respectively	519,852	645,084	-	-
Investments	-	-	7,398,614	7,023,394
Pledges receivable	-	-	-	-
Net other post employment benefit excess funding	-	4,000	-	-
Investment in capital assets	2,613,348	2,613,348	-	-
Capital assets, net	<u>46,954,928</u>	<u>47,520,246</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>50,088,128</u>	<u>50,782,678</u>	<u>7,398,614</u>	<u>7,023,394</u>
TOTAL ASSETS	<u>87,037,302</u>	<u>87,337,131</u>	<u>8,291,854</u>	<u>8,013,675</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred contributions and changes of assumptions to net pension plan	<u>720,761</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>720,761</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 87,758,063</u></u>	<u><u>\$ 87,337,131</u></u>	<u><u>\$ 8,291,854</u></u>	<u><u>\$ 8,013,675</u></u>

See notes to financial statements.

(Continued)

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF NET POSITION

JUNE 30, 2015 and 2014

LIABILITIES	LCSC		Component Unit	
	2015	2014	2015	2014
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	\$ 354,569	\$ 374,018	\$ -	\$ -
Accrued salaries and benefits payable	2,543,635	2,547,523	-	-
Compensated absences payable	716,843	720,799	-	-
Due to component unit	252,889	643,704	-	-
Due to State of Idaho	-	46,973	-	-
Unearned revenue	740,243	897,905	-	-
Amounts held in trust for others	215,980	200,460	-	-
Gift annuities payable	-	-	31,478	19,608
Notes payable	923,022	894,587	-	-
Total current liabilities	5,747,181	6,325,969	31,478	19,608
NONCURRENT LIABILITIES:				
Gift annuities payable	-	-	593,869	569,807
Net other post employment benefit obligations	2,248,000	1,976,000	-	-
Net PERSI Pension Liability	1,468,587	-	-	-
Notes payable	2,130,105	3,058,780	-	-
Total noncurrent liabilities	5,846,692	5,034,780	593,869	569,807
TOTAL LIABILITIES	11,593,873	11,360,749	625,347	589,415
DEFERRED INFLOWS OF RESOURCES				
Difference between projected/expected and actual investment earnings and experience	2,021,685	-	-	-
Total deferred inflows of resources	2,021,685	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	13,615,558	11,360,749	625,347	589,415
NET POSITION				
Net investment in capital assets	46,527,570	46,192,648	-	-
Restricted for:				
Nonexpendable	-	-	4,114,335	3,967,515
Expendable	905,456	951,772	2,848,288	2,764,956
Unrestricted	26,709,479	28,831,962	703,884	691,789
TOTAL NET POSITION	74,142,505	75,976,382	7,666,507	7,424,260
TOTAL LIABILITIES AND NET POSITION	<u>\$ 87,758,063</u>	<u>\$ 87,337,131</u>	<u>\$ 8,291,854</u>	<u>\$ 8,013,675</u>

See notes to financial statements.

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEARS ENDED JUNE 30, 2015 and 2014

	LCSC		Component Unit	
	2015	2014	2015	2014
OPERATING REVENUES:				
Student tuition and fees	\$ 19,792,127	\$ 19,800,212	\$ -	\$ -
Student fees pledged for debt	1,085,330	1,108,020	-	-
Less scholarship discounts and allowances	(6,264,000)	(6,167,000)	-	-
Net tuition and fees	14,613,457	14,741,232	-	-
Federal grants and contracts	658,689	694,720	-	-
State and local grants and contracts	2,136,062	2,397,801	-	-
Private grants and contracts	254,428	365,164	-	-
Sales and services of educational activities (including revenues of \$87,932 and \$81,301 pledged for debt in 2015 and 2014, respectively)	1,428,706	1,449,164	-	-
Sales and services of auxiliary enterprises (including revenues of \$467,696 and \$468,592 pledged for debt in 2015 and 2014, respectively)	2,047,094	2,033,574	-	-
Gifts	-	-	678,335	769,549
Other	195,729	417,081	-	-
Total operating revenues	21,334,165	22,098,736	678,335	769,549
OPERATING EXPENSES:				
Personnel costs	31,369,245	30,733,201	-	-
Services	4,392,728	4,079,148	-	-
Supplies	4,871,419	4,153,276	-	-
Insurance, utilities, and rent	1,455,470	1,463,311	-	-
Scholarships and fellowships	3,210,271	3,596,791	-	-
Depreciation	2,916,715	2,994,612	-	-
Miscellaneous	646,059	573,072	85,278	81,445
Total operating expenses	48,861,907	47,593,411	85,278	81,445
OPERATING (LOSS) INCOME	(27,527,742)	(25,494,675)	593,057	688,104
NONOPERATING REVENUES (EXPENSES):				
State appropriations	19,942,151	18,755,190	-	-
Pell and other federal grants	6,569,885	7,321,120	-	-
Gifts (including \$615,448 and \$510,115 from the Foundation for 2015 and 2014, respectively)	1,738,464	1,457,145	-	-
Net investment income	94,002	56,465	245,030	1,186,732
Interest on capital asset related debt	(84,085)	(117,752)	-	-
Distributions to the College	-	-	(615,448)	(510,115)
Other	(9,513)	(528)	19,608	34,493
Net nonoperating revenues (expenses)	28,250,904	27,471,640	(350,810)	711,110
INCOME BEFORE OTHER REVENUES	723,162	1,976,965	242,247	1,399,214
OTHER REVENUES:				
Capital appropriations	626,127	2,821,889	-	-
Capital grants and gifts	21,500	73,704	-	-
Total other revenues	647,627	2,895,593	-	-
INCREASE IN NET POSITION	1,370,789	4,872,558	242,247	1,399,214
NET POSITION---BEGINNING OF YEAR (as previously reported)	75,976,382	71,103,824	7,424,260	6,025,046
Cumulative effect of implementing GASB 68 (see Notes 1 & 8)	(3,204,666)	-	-	-
NET POSITION---END OF YEAR	\$ 74,142,505	\$ 75,976,382	\$ 7,666,507	\$ 7,424,260

See notes to financial statements.

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2015 and 2014

	LCSC		Component Unit	
	2015	2014	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:				
Student fees	\$ 13,598,269	\$ 13,648,238	\$ -	\$ -
Student fees pledged for debt	1,085,330	1,108,020	-	-
Grants and contracts	3,051,729	3,408,236	-	-
Sales and services of educational activities	1,428,706	1,449,164	-	-
Sales and services of auxiliary enterprises	2,047,094	2,033,574	-	-
Donations received	-	-	175,920	238,284
Payments to employees	(31,536,244)	(30,326,101)	-	-
Payments to suppliers	(4,810,713)	(3,977,980)	-	-
Other payments	(6,496,759)	(6,162,512)	(81,004)	(75,304)
Payments for scholarships and fellowships	(3,210,271)	(3,596,792)	-	-
Loans issued to students	(102,531)	(169,408)	-	-
Collection of loans from students	172,392	101,298	-	-
Other receipts	195,729	417,081	55,541	-
Net cash provided (used) by operating activities	<u>(24,577,269)</u>	<u>(22,067,182)</u>	<u>150,457</u>	<u>162,980</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State appropriations	19,924,891	18,755,662	-	-
Federal grants	6,535,243	7,322,004	-	-
Gifts	1,742,195	1,459,074	-	-
Agency account receipts	1,365,860	1,321,021	-	-
Agency account payments	(1,751,733)	(1,243,698)	-	-
Student loan receipts	15,335,818	16,840,909	-	-
Student loan payments	(15,335,818)	(16,840,909)	-	-
Higher Education Stabilization Fund	(87,018)	(6,145)	-	-
Distributions from the College	-	-	500,000	-
Distributions to the College	-	-	(164,596)	(206,676)
Net cash provided (used) by noncapital financing activities	<u>27,729,438</u>	<u>27,607,918</u>	<u>335,404</u>	<u>(206,676)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital grants and gifts	21,500	73,704	-	-
Purchase of capital assets	(1,756,284)	(1,070,763)	-	-
Principal paid on capital debt	(900,240)	(1,366,572)	-	-
Interest paid on capital debt	(84,085)	(117,753)	-	-
Proceeds from sale of investments	-	-	-	-
Net cash used in capital and related financing activities	<u>(2,719,109)</u>	<u>(2,481,384)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	94,002	56,465	108,049	24
Purchase of investments	-	-	(2,575,713)	(6,664,239)
Proceeds from sale of investments	-	-	2,336,713	6,855,980
Net cash provided (used) by investing activities	<u>94,002</u>	<u>56,465</u>	<u>(130,951)</u>	<u>191,765</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	527,062	3,115,817	354,910	148,069
CASH AND CASH EQUIVALENTS---BEGINNING OF THE YEAR	<u>35,521,825</u>	<u>32,406,008</u>	<u>225,441</u>	<u>77,372</u>
CASH AND CASH EQUIVALENTS---END OF THE YEAR	<u>\$ 36,048,887</u>	<u>\$ 35,521,825</u>	<u>\$ 580,351</u>	<u>\$ 225,441</u>

See notes to financial statements.

(Continued)

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2015 and 2014

RECONCILIATION OF NET OPERATING (LOSS) INCOME TO NET CASH AND CASH EQUIVALENTS PROVIDED (USED) BY OPERATING ACTIVITIES:	LCSC		Component Unit	
	2015	2014	2015	2014
Operating (Loss) Income	\$ (27,527,742)	\$ (25,494,675)	\$ 593,057	\$ 688,104
Adjustments to reconcile operating (loss) income to net cash used in operating activities:				
Noncash donations	-	-	(502,415)	(531,265)
Other noncash receipts	-	-	-	-
Other noncash payments	-	-	4,274	6,141
Depreciation expense	2,916,715	2,994,612	-	-
Effect on cash from changes in operating assets and liabilities:	-	-	-	-
Receivables, net	246,883	94,394	-	-
Due from Lewis-Clark State College	-	-	-	-
Prepaid expenses and deferred costs	(2,227)	(1,659)	-	-
Net other post employment benefit excess funding	4,000	7,000	-	-
Accounts payable and accrued liabilities	(19,449)	86,338	-	-
Accrued salaries and benefits payable	(3,888)	149,599	-	-
Compensated absences payable	(3,956)	35,501	-	-
Net other post employment benefit obligations	272,000	215,000	-	-
Gift annuities payable	-	-	55,541	-
Amounts held in trust for others	(375,295)	80,851	-	-
Unearned revenue	(152,542)	(175,353)	-	-
Loans to students	68,232	(58,790)	-	-
Net cash provided (used) by operating activities	<u>\$ (24,577,269)</u>	<u>\$ (22,067,182)</u>	<u>\$ 150,457</u>	<u>\$ 162,980</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:				
Capital assets acquired through Dept. of Public Works' appropriations	<u>\$ 626,127</u>	<u>\$ 2,821,889</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.

LEWIS-CLARK STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS

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 presented its financial statements in accordance with all Governmental Accounting Standards Board (“GASB”) Statements that are effective as of June 30, 2015. This includes discrete presentation of financial statements for its component unit, the Lewis-Clark State College Foundation (the “Foundation”). The Foundation acts solely as a fund-raising organization to supplement the resources that are available to the College in support of its programs, and the 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. 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.

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

Cash with Treasurer – Balances classified as Cash with treasurer are amounts that are required to be remitted to the State of Idaho as a result of the student fee collection process and, once remitted, these balances are under the control of the State Treasurer.

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 Position*. More comprehensive disclosure of common risks associated with the deposits and investments are detailed in Notes 2 and 13, 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 *Statements of Net Position*.

Deferred Outflows of Resources—Deferred outflows of resources are a consumption of net assets by the University that are applicable to future reporting periods. Similar to assets, they have a positive effect on net position.

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 presented in the *Statements of Net Position*.

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 notes payable, net other post-employment obligations with contractual maturities greater than one year, deferred inflows and net PERSI pension liability.

Deferred Inflows of Resources—Deferred inflows of resources are an acquisition of net assets that are applicable to future reporting periods. Similar to liabilities, they have a negative effect on net position.

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

Net Investment in Capital Assets—This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

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

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

Unrestricted—Unrestricted net position represents resources derived from student 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 non-exchange 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 position. 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 make 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.

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

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

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

	June 30, <u>2014</u>	Cumulative Effect of Implementing <u>GASB 68</u>	July 1, <u>2014</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	\$ -	\$ 611,795	\$ 611,795
NET PENSION LIABILITY	-	(3,816,461)	(3,816,461)
	-	(3,204,666)	(3,204,666)
NET POSITION:			
Net investment in capital assets	46,192,648	-	46,192,648
Restricted, expendable	951,772	-	951,772
Unrestricted	28,831,962	(3,204,666)	25,627,296
TOTAL NET POSITION	<u>\$ 75,976,382</u>	<u>\$ 3,204,666</u>	<u>\$ 72,771,716</u>

2. CASH AND CASH EQUIVALENTS, AND CASH WITH TREASURER

Deposits – Cash and cash equivalents are deposited with various financial institutions, and with the Idaho State Treasury Local Government Investment Pool (LGIP). Cash with treasurer is under the control of the State Treasurer and is carried at cost.

Custodial credit risk

Custodial credit risk is the risk that in the event of a financial institution 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, 2015 and 2014, Cash and cash equivalents consisted of the following:

	2015	2014
Cash on hand	\$ 60,556	\$ 27,630
FDIC insured financial institution deposits	3,237,232	3,568,944
Uninsured financial institution deposits	12,298,070	9,848,784
State of Idaho LGIP deposits	875,843	4,267,856
Total Cash and cash equivalents	16,471,701	17,713,214
Cash equity with the State Treasurer	19,577,186	17,808,611
Total Deposits	\$ 36,048,887	\$ 35,521,825

As of June 30, 2015 and 2014, \$12,298,070 and \$9,848,784, respectively, of the College's financial institution balances were uncollateralized and exposed to custodial credit risk. LGIP deposits, managed by the Idaho State Treasurer, are commingled with deposits from other state agencies and invested according to Idaho Code. As of June 30, 2015 and 2014, 69% and 76%, respectively, of total LGIP investments were in the form of government agency notes.

Credit risk

The investment policy of the State Board of Education, as adopted by the College, states that investments are to be made with the objectives of preservation of capital, maintenance of liquidity, and achieving a fair rate of return.

Interest rate risk

Under current investment practices, no College financial institution deposits have maturities greater than one year. LGIP deposits may be withdrawn at any time. The Pool itself has a weighted average maturity of 118 days and 109 days as of June 30, 2015 and 2014, respectively.

Foreign currency risk

The College has no funds deposited that are subject to foreign currency risk, either in financial institutions or through the State of Idaho LGIP fund.

3. ACCOUNTS RECEIVABLE AND UNBILLED CHARGES

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

	2015	2014
Student fees	\$ 198,443	\$ 218,057
Federal, state and nongovernmental grants and contracts	297,239	514,780
Other receivables	1,387	2,044
Investment income	9,327	8,553
Educational departments	368	6,837
Funds held in custody for others	718	6,084
	<u>\$ 507,482</u>	<u>\$ 756,355</u>

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, 2015 and 2014.

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 \$363,000 and \$415,000 as of June 30, 2015 and 2014, 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:

	2015		
	Current	Noncurrent	Total
Federal Perkins Loan Program	\$ 102,000	\$ 440,956	\$ 542,956
Nursing Student Loan Program	32,000	139,586	171,586
Miscellaneous Loans	-	310	310
	134,000	580,852	714,852
Less Allowance for doubtful loans	-	(61,000)	(61,000)
Net Student Loans Receivable	<u>\$ 134,000</u>	<u>\$ 519,852</u>	<u>\$ 653,852</u>

	2014		
	Current	Noncurrent	Total
Federal Perkins Loan Program	\$ 50,000	\$ 570,349	\$ 620,349
Nursing Student Loan Program	27,000	137,055	164,055
Miscellaneous Loans	-	680	680
	77,000	708,084	785,084
Less Allowance for doubtful loans	-	(63,000)	(63,000)
Net Student Loans Receivable	<u>\$ 77,000</u>	<u>\$ 645,084</u>	<u>\$ 722,084</u>

5. CAPITAL ASSETS — NET

Following are the changes in capital assets, for the years ended June 30, 2015 and 2014:

	Balance at June 30, 2014	Additions	Retirements	Balance at June 30, 2015
Capital assets not being depreciated:				
Land	\$ 3,119,732	\$ -	\$ -	\$ 3,119,732
Capitalized collections	15,000	-	-	15,000
Construction in progress	71,315	1,152,840	-	1,224,155
Total capital assets not being depreciated	<u>\$ 3,206,047</u>	<u>\$ 1,152,840</u>	<u>\$ -</u>	<u>\$ 4,358,887</u>
Other capital assets:				
Buildings and improvements	\$ 63,251,179	\$ 541,561	\$ -	\$ 63,792,740
Furniture, fixtures and equipment	8,731,618	410,389	(133,118)	9,008,889
Library materials	6,321,739	256,121	(447,400)	6,130,460
Total other capital assets	78,304,536	1,208,071	(580,518)	78,932,089
Less accumulated depreciation:				
Buildings and improvements	(22,929,421)	(1,578,732)	-	(24,508,153)
Furniture, fixtures and equipment	(5,878,938)	(1,065,587)	123,604	(6,820,921)
Library materials	(5,181,978)	(272,396)	447,400	(5,006,974)
Total accumulated depreciation	<u>(33,990,337)</u>	<u>(2,916,715)</u>	<u>571,004</u>	<u>(36,336,048)</u>
Other capital assets net of accumulated depreciation	<u>\$ 44,314,199</u>	<u>\$ (1,708,644)</u>	<u>\$ (9,514)</u>	<u>\$ 42,596,041</u>

Capital assets summary:				
Capital assets not being depreciated	\$ 3,206,047	\$ 1,152,840	\$ -	\$ 4,358,887
Other capital assets at cost	<u>78,304,536</u>	<u>1,208,071</u>	<u>(580,518)</u>	<u>78,932,089</u>
Total cost of capital assets	81,510,583	2,360,911	(580,518)	83,290,976
Less accumulated depreciation	<u>(33,990,337)</u>	<u>(2,916,715)</u>	<u>571,004</u>	<u>(36,336,048)</u>
Capital assets, net	<u>\$ 47,520,246</u>	<u>\$ (555,804)</u>	<u>\$ (9,514)</u>	<u>\$ 46,954,928</u>

	Balance at June 30, 2013	Additions	Retirements	Balance at June 30, 2014
Capital assets not being depreciated:				
Land	\$ 3,119,732	\$ -	\$ -	\$ 3,119,732
Capitalized collections	15,000	-	-	15,000
Construction in progress	<u>-</u>	<u>71,315</u>	<u>-</u>	<u>71,315</u>
Total capital assets not being depreciated	<u>\$ 3,134,732</u>	<u>\$ 71,315</u>	<u>\$ -</u>	<u>\$ 3,206,047</u>
Other capital assets:				
Buildings and improvements	\$ 60,257,000	\$ 2,994,179	\$ -	\$ 63,251,179
Furniture, fixtures and equipment	8,296,745	536,054	(101,181)	8,731,618
Library materials	<u>6,329,197</u>	<u>217,400</u>	<u>(224,858)</u>	<u>6,321,739</u>
Total other capital assets	74,882,942	3,747,633	(326,039)	78,304,536
Less accumulated depreciation:				
Buildings and improvements	(21,385,133)	(1,544,288)	-	(22,929,421)
Furniture, fixtures and equipment	(4,802,871)	(1,176,721)	100,654	(5,878,938)
Library materials	<u>(5,133,234)</u>	<u>(273,603)</u>	<u>224,859</u>	<u>(5,181,978)</u>
Total accumulated depreciation	<u>(31,321,238)</u>	<u>(2,994,612)</u>	<u>325,513</u>	<u>(33,990,337)</u>
Other capital assets net of accumulated depreciation	<u>\$ 43,561,704</u>	<u>\$ 753,021</u>	<u>\$ (526)</u>	<u>\$ 44,314,199</u>
Capital assets summary:				
Capital assets not being depreciated	\$ 3,134,732	\$ 71,315	\$ -	\$ 3,206,047
Other capital assets at cost	<u>74,882,942</u>	<u>3,747,633</u>	<u>(326,039)</u>	<u>78,304,536</u>
Total cost of capital assets	78,017,674	3,818,948	(326,039)	81,510,583
Less accumulated depreciation	<u>(31,321,238)</u>	<u>(2,994,612)</u>	<u>325,513</u>	<u>(33,990,337)</u>
Capital assets, net	<u>\$ 46,696,436</u>	<u>\$ 824,336</u>	<u>\$ (526)</u>	<u>\$ 47,520,246</u>

The estimated cost to complete property authorized or under construction at June 30, 2015, is \$2,440,248. 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 10. The total amount in Investment in capital assets was \$2,613,348 as of June 30, 2015 and 2014.

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, 2015 and 2014.

6. NOTES PAYABLE

Following are the changes in notes payable for the years ended June 30, 2015 and 2014:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Notes	<u>\$ 3,953,367</u>	<u>\$ -</u>	<u>\$ (900,240)</u>	<u>\$ 3,053,127</u>	<u>\$ 923,022</u>

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Due Within One Year
Notes	<u>\$ 5,319,939</u>	<u>\$ -</u>	<u>\$ (1,366,572)</u>	<u>\$ 3,953,367</u>	<u>\$ 894,587</u>

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

	Balance Outstanding 2015	2014
Facilities Refinancing Promissory Note (original issuance of \$4,685,000), issued to provide for the refunding of certain outstanding obligations, due in monthly installments of \$28,782 based upon a 10 year amortization, including interest at 2.282%, through April 2018, collateralized by a pledge of certain student housing fees. Renewable at the option of the lender. Unless renewed, a balloon payment will be due in 2018.	\$ 2,215,995	\$ 2,506,505
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 \$53,245, based upon a 5 year amortization, including interest at 2.466% through March 2017, collateralized by student fees relating to the student union facilities.	<u>837,132</u>	<u>1,446,862</u>
Total notes payable	<u>\$ 3,053,127</u>	<u>\$ 3,953,367</u>

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

	Notes	
	Principal	Interest
2016	\$ 923,022	\$ 61,303
2017	516,802	41,729
2018	1,613,303	28,660
	<u>\$ 3,053,127</u>	<u>\$ 131,692</u>

Pledged Revenues—As stated in the notes 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, 2015:

	Student Union Promissory Note	Facilities Refinancing Note	Total
Pledged revenues:			
Student Fees	\$ 1,085,330	\$ -	\$ 1,085,330
Housing Fees	-	467,696	467,696
Other	87,932	-	87,932
Total pledged revenues	<u>\$ 1,173,262</u>	<u>\$ 467,696</u>	<u>\$ 1,640,958</u>

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

7. RESTRICTED NET ASSETS

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

	2015	2014
Federal student loan programs	\$ 753,509	\$ 792,516
Institutional student loan programs	151,947	139,941
Grants and contracts	-	19,315
	<u>\$ 905,456</u>	<u>\$ 951,772</u>

8. RETIREMENT PLANS

Public Employee Retirement System of Idaho

Plan Description

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

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

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

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

Pension Benefits

The Base Plan provides retirement, disability, death, and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% of the average monthly salary for the highest consecutive 42 months. Any revisions to the benefit structure can only be made on a prospective basis by the Idaho Legislature per statute.

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

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee

contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by State statute at 60% of the employer rate. As of June 30, 2014, it was 6.79% of their annual pay. The employer contribution rate is set by the Retirement Board and was 11.32% of covered compensation. The College's contributions were \$598,514 for the year ended June 30, 2015.

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

At June 30, 2015, the College reported a liability of \$1,468,587 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At July 1, 2014, the College's proportion was .001994939.

For the year ended June 30, 2015, the College recognized positive pension expense of \$163,359. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 182,302
Changes in assumptions or other inputs	122,247	-
Net difference between projected and actual earnings on pension plan investments	-	1,839,383
College contributions subsequent to the measurement date	598,514	-
Total	<u>\$ 720,761</u>	<u>\$ 2,021,685</u>

The amount of \$598,514 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

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

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

Year ended June 30:		
2016	\$	472,901
2017		472,901
2018		472,901
2019		472,901
2020		7,833

Actuarial Assumptions

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

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

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

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

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

An experience study was performed in 2012 for the period July 1, 2007, through June 30, 2011, which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009, through June 30, 2013. The Total Pension Liability as of June 30, 2015, is based on the results of an actuarial valuation date of July 1, 2014.

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

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

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

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

Discount Rate

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

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
College's proportionate share of the net pension liability (asset)	\$ 5,100,062	\$ 1,468,674	(\$ 1,550,068)

Pension plan fiduciary net position

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

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

Required Supplementary Information

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

	2015
College's portion of net the pension liability	0.001994939
College's proportionate share of the net pension liability	\$ 1,468,587
College's covered-employee payroll	\$ 5,287,228
College's proportional share of the net pension liability as a percentage of its covered-employee payroll	27.78%
Plan fiduciary net position as a percentage of the total pension liability	94.95%

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the College will present information for those years for which information is available.

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

**Schedule of Employer Contributions
PERSI – Base Plan**

	<u>2015</u>
Statutorily required contribution	\$ 648,438
Contributions in relation to the statutorily required contribution	620,399
Contribution (deficiency) excess	(28,039)
College's covered-employee payroll	5,287,228
Contributions as a percentage of covered-employee payroll	11.73%

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the College will present information for those years for which information is available.

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, 2015 and 2014, was \$2,479,657 and \$2,295,464, respectively, which consisted of \$1,429,065 and \$1,315,127, respectively, from the College and \$1,050,592 and \$980,337, respectively, from employees. For both 2015 and 2014, these contributions represented approximately 9.27% and 6.97%, respectively, 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, 2015 and 2014, this supplemental funding payment made to PERSI was \$227,730 and \$209,528 or 1.49% of the covered payroll, respectively. These amounts are not included in the regular College PERSI contribution discussed previously.

Supplemental Retirement Plans - Full and part time faculty, classified and professional staff, enrolled in PERSI as their regular retirement plan, may enroll in supplemental 403(b), 401(k), and 457(b) plans. Full and part time faculty and professional staff enrolled in the ORP as their regular retirement plan may enroll in the 403(b) and the 457(b) plans.

401(k) - PERSI Choice Plan (PCP):

This is only available to active PERSI members. The Choice Plan contains employee gain sharing distributions, any voluntary employee contributions made, and the earnings on those funds.

457(b) - Deferred Compensation Plan:

The 457(b) is a voluntary retirement savings plan covered under Section 457(b) of the Internal Revenue Code. All College employees are eligible to participate in this plan. The plan is funded exclusively through employee pre-tax contributions.

457(b) – State of Idaho Plan:

The State of Idaho 457(B) plan is similar to the 457(b) Deferred Compensation Plan except that pre-tax and after tax (Roth) options are available.

403(b) Plan:

The 403(b) is a voluntary tax-sheltered retirement plan covered under Section 403(b) of the Internal Revenue Code. All College employees are eligible to participate in this plan. The plan is funded exclusively by employee pre-tax contributions.

Supplemental Employee <u>Funded</u> <u>Plan</u>	Participants at <u>June 30, 2015</u>	Approximate Annual <u>Contributions</u>
401(k) PERSI Choice	41	\$ 120,149
457(b) Deferred Compensation	6	\$ 29,340
403(b)	64	\$ 354,774

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 July 1, 2014. 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 from the following location:

<http://www.sco.idaho.gov/web/scoweb.nsf/Main.htm>

Plan Descriptions and Funding Policy

Retiree Healthcare Plan

A retired employee of the College who is eligible to retire under 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 employee must be receiving PERSI monthly benefits at the time of retirement and 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 \$9.54 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% 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% 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 continuous weeks of total disability or exhaustion of accrued sick leave must be met.

For up to 30 months following the date of disability, an employee may continue healthcare coverage under the State plan. The College pays 100% 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 was charged \$9 per active employee per month in fiscal year 2015.

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% 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, employment rehabilitation earnings, and certain retirement benefits. The State is self-insured for employees who became disabled prior to July 1, 2003; the State pays 100% 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 income benefits has been effectively transferred. The College pays 100% of the cost of the premiums. The College's contribution rate for the period was 0.264% of payroll in fiscal year 2015. This portion of the long-term disability income benefit is not included in the actuarial estimate as this is considered an insured benefit.

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% 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 State is self-insured for employees who became disabled prior to July 1, 2012; the State pays 100% of the premiums; the contribution is actuarially determined based on actual claims experience.

Employees disabled on or after July 1, 2012, are insured by Principal Life Insurance Company, and the obligation for the payment of basic life and dependent life coverage benefits has been effectively transferred. The College pays 100% of the premiums. This portion of the basic life insurance and dependent life coverage is not included in the actuarial estimate as this is considered an insured benefit.

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% of their annual salary at retirement. The College pays 100% 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, 0.894% for retirees between the ages of 65 and 69, and 0.60% 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. 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.

Annual OPEB Cost and Net OPEB Obligation (dollars in thousands)					
	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan
		Healthcare	Life Insurance	Income	
Annual Required Contribution	\$90	\$28	\$24	\$14	\$365
Interest on NOO	24	1	0	0	55
Adjustment to ARC	(46)	(2)	0	0	(105)
Total Annual OPEB Cost	68	27	24	14	315
Contributions Made	(51)	(38)	(20)	(11)	(53)
Increase (Decrease) in NOO	17	(11)	4	3	262
NOO – Beginning of Year	671	25	(4)	9	1,272
NOO (Funding Excess) – End of Year	\$688	\$14	\$0	\$12	\$1,534

Annual OPEB Cost Comparison

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

Annual OPEB Cost and Net OPEB Obligation (NOO) Comparison (dollars in thousands)						
		Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan
			Healthcare	Life Insurance	Income	
Annual OPEB Cost	2013	\$36	\$26	\$40	\$21	\$257
	2014	\$32	\$27	\$39	\$21	\$276
	2015	\$68	\$27	\$24	\$14	\$315
Percentage of AOC Contributed	2013	138.90%	126.92%	102.50%	71.43%	-14.10%
	2014	150.00%	140.74%	76.92%	66.67%	-15.58%
	2015	75.00%	140.74%	83.33%	78.57%	-16.83%
NOO (Funding Excess) – End of Year	2013	\$686	\$36	(\$13)	\$2	\$1,039
	2014	\$671	\$25	(\$4)	\$9	\$1,272
	2015	\$688	\$14	\$0	\$12	\$1,534

Funded Status and Funding Progress

The following table illustrates the funded status and the funding progress for Lewis-Clark State College as of June 30, 2015:

Funded Status and Funding Progress (dollars in thousands)						
		Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan
		Healthcare	Life Insurance	Income		
	Actuarial Valuation Date	7/1/2014	7/1/2014	7/1/2014	7/1/2014	
1	Actuarial Value of Assets	\$0	\$0	\$0	\$0	
2	Accrued Liability (AAL)	\$566	\$194	\$107	\$4,734	
3	Unfunded AAL (UAAL) (2) - (1)	\$566	\$194	\$107	\$4,734	
4	Funded Ratios (1) : (2)	0.0%	0.0%	0.0%	0.0%	
5	Annual Covered Payroll	\$20,693	\$20,693	\$20,693	\$20,693	
6	UAAL as a Percentage of Covered Payroll (3) : (5)	2.74%	.94%	.52%	22.88%	

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 multi-year 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 Dollar Amount	Level Dollar Amount	Level Percentage of Payroll
Amortization Period	10 years, Open	30 years, Open	5 years, Open	6 years, Open	30 years, Open
Assumptions:					
Inflation Rate	2.75%	2.75%	2.75%	2.75%	2.75%
Investment Return	3.60%	3.60%	3.60%	3.60%	3.60%
OPEB Increases	N/A	N/A	N/A	N/A	N/A
Projected Salary Increases	3.25%	3.25%	3.25%	3.25%	3.25%
Healthcare Cost Initial Trend Rate	6.70%	6.70%	N/A	N/A	N/A
Healthcare Cost Ultimate Trend Rate	4.70%	4.70%	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	7/1/2012	\$0	\$406	\$406	0.0%	\$19,997	2.03%
	7/1/2013	\$0	\$402	\$402	0.0%	\$19,540	2.06%
	7/1/2014	\$0	\$566	\$566	0.0%	\$20,693	2.07%
Long-Term Disability:							
Healthcare	7/1/2012	\$0	\$185	\$185	0.0%	\$19,997	.93%
	7/1/2013	\$0	\$183	\$183	0.0%	\$19,540	.94%
	7/1/2014	\$0	\$194	\$194	0.0%	\$20,693	.94%
Life Insurance	7/1/2012	\$0	\$175	\$175	0.0%	\$19,997	.88%
	7/1/2013	\$0	\$143	\$143	0.0%	\$19,540	.73%
	7/1/2014	\$0	\$107	\$107	0.0%	\$20,693	.52%
Income	7/1/2012	\$0	\$105	\$105	0.0%	\$19,997	.53%
	7/1/2013	\$0	\$93	\$93	0.0%	\$19,540	.48%
	7/1/2014	\$0	\$75	\$75	0.0%	\$20,693	.36%
Retiree Life Insurance	7/1/2012	\$0	\$3,460	\$3,460	0.0%	\$19,997	17.30%
	7/1/2013	\$0	\$3,857	\$3,857	0.0%	\$19,540	19.74%
	7/1/2014	\$0	\$4,734	\$4,734	0.0%	\$20,693	22.88%

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
Retiree Life Insurance	6/30/2013	\$291	\$36	12.37%
	6/30/2014	\$317	\$43	13.56%
	6/30/2015	\$365	\$53	14.52%

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, 2015 and 2014, were \$134,366 and \$126,930, respectively.

9. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

Functional Classification	2015 Natural Classification							Operating Expense Totals
	Personnel Costs	Services	Supplies	Insurance, Utilities, and Rent	Scholarships and Fellowships	Depreciation	Miscellaneous	
Instruction	\$ 17,462,623	\$ 957,842	\$ 1,274,128	\$ 109,218	\$ 31,517	\$ -	\$ 209,106	\$ 20,044,434
Research	204,902	11,364	88,049	-	-	-	28,821	333,136
Public services	532,250	88,217	49,573	5,666	-	-	26,678	702,384
Libraries	754,384	205,708	28,919	-	-	-	581	989,592
Student services	3,166,519	416,870	378,781	19,769	75,788	-	25,527	4,083,254
Plant operations	1,309,879	204,679	715,729	1,016,349	-	2,916,715	1,539	6,164,890
Institutional support	3,477,278	751,578	323,291	145,677	-	-	53,706	4,751,530
Academic support	2,201,050	633,166	659,223	-	479	-	7,259	3,501,177
Scholarships and fellowships	126,230	600	-	-	2,640,896	-	35,849	2,803,575
Auxiliaries	2,134,130	1,122,704	1,353,726	158,791	461,591	-	256,993	5,487,935
Total expenses:	<u>\$ 31,369,245</u>	<u>\$ 4,392,728</u>	<u>\$ 4,871,419</u>	<u>\$ 1,455,470</u>	<u>\$ 3,210,271</u>	<u>\$ 2,916,715</u>	<u>\$ 646,059</u>	<u>\$ 48,861,907</u>

Functional Classification	2014 Natural Classification							Operating Expense Totals
	Personnel Costs	Services	Supplies	Insurance, Utilities, and Rent	Scholarships and Fellowships	Depreciation	Miscellaneous	
Instruction	\$ 17,080,054	\$ 923,917	\$ 1,191,049	\$ 123,549	\$ 43,097	\$ -	\$ 284,398	\$ 19,646,064
Research	175,001	7,020	15,760	-	-	-	20,768	218,549
Public services	926,216	103,236	46,744	2,738	-	-	40,516	1,119,450
Libraries	703,645	153,964	31,310	143	-	-	320	889,382
Student services	3,013,951	406,591	189,896	6,328	61,845	-	3,794	3,682,405
Plant operations	1,361,857	145,529	563,209	1,031,330	-	2,994,612	-	6,096,537
Institutional support	3,306,893	769,141	519,364	139,072	-	-	5,367	4,739,837
Academic support	2,036,717	485,471	157,620	359	-	-	8,550	2,688,717
Scholarships and fellowships	142,047	530	-	-	3,054,816	-	34,592	3,231,985
Auxiliaries	1,986,820	1,083,749	1,438,324	159,792	437,033	-	174,767	5,280,485
Total expenses:	<u>\$ 30,733,201</u>	<u>\$ 4,079,148</u>	<u>\$ 4,153,276</u>	<u>\$ 1,463,311</u>	<u>\$ 3,596,791</u>	<u>\$ 2,994,612</u>	<u>\$ 573,072</u>	<u>\$ 47,593,411</u>

10. 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 has current ownership of the facility. The College initially contributed \$2,533,463 to the project with the balance provided by the State of Idaho and financed as part of a bond offering. A portion of the College’s contribution was financed through the issuance of a Secured Student Fee Revenue Note, issued in the amount of \$1,126,307. 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 this lease will continue until all amounts owed by the State to its 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, 2015 and 2014, the College’s total contribution is presented in the *Statements of Net Position* as Investment in capital assets in the amount of \$2,613,348. See Note 5.

11. CONTINGENCIES AND LEGAL MATTERS

Revenue from federal 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.

12. 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 coverage. 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 \$174,312,881. 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. No significant reductions in coverage, or losses in excess of payments, have occurred in the last three years.

13. 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, 2015, are as follows:

Deposits—Cash and cash equivalents are deposited with various financial institutions. The amount on deposit fluctuates and at times could exceed the insured limit by the U.S. Federal Deposit Insurance Corporation, which would potentially subject 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 Moody's scale and represent the debt securities held by the Foundation as of June 30, 2015:

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Value</u>
US Government		\$ 661,186
Mortgage Backed Securities		154,783
Corporate Debt Instruments	Aaa	135,150
Corporate Debt Instruments	Aa	149,721
Corporate Debt Instruments	A	382,849
Corporate Debt Instruments	Baa	348,113
Corporate Debt Instruments	Ba	181,979
Corporate Debt Instruments	B	136,778
Corporate Debt Instruments	Caa	14,871
Corporate Debt Instruments	D	6,556
Other – Not Rated		54,286
Total Debt Securities		<u>\$ 2,226,272</u>

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, 2015, the Foundation held debt securities with the following maturities:

<u>Investment Type</u>	<u>Maturity Range</u>	<u>Fair Value</u>
Various	0-1 Years	\$ 59,543
Various	1-5 Years	1,488,828
Various	5-10 Years	512,066
Various	10-20 Years	79,162
Various	20-30 Years	80,651
Various	30+ Years	6,022
Total Debt Securities		<u>\$ 2,226,272</u>

Foreign Currency Risk

The Foundation investment policy permits the acquisition of equities and debt securities 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 17.5% of the total investment portfolio. As of June 30, 2015, the Foundation's exposure to foreign currency risk is as follows:

<u>Country</u>	<u>Denominated Currency</u>	<u>Equity Fair Value</u>	<u>Debt Fair Value</u>
Australia	Australian Dollar	\$ 62,112	\$ 7,069
Brazil	Brazilian Real	20,460	262
Canada	Canadian Dollar	-	14,399
Chile	Chilean Peso	3,148	-
China	Chinese Yuan	64,079	-
Columbia	Columbian Peso	1,574	-
Czech Republic	Czech Koruna	450	524
Egypt	Egyptian Pound	675	-
Europe	Euro	264,692	129,853
Denmark	Danish Krone	15,289	1,833
Hong Kong	Hong Kong Dollar	34,400	262
Hungary	Hungarian Forint	675	-
India	Indian Rupee	24,283	-
Indonesia	Indonesian Rupiah	5,171	-
Israel	Sheqel	6,689	785
Japan	Yen	221,691	56,287
Malaysia	Malaysian Ringgit	9,668	1,571
Mexico	Mexican Peso	11,017	2,356

New Zealand	New Zealand Dollar	1,911	785
Peru	Peruvian Nuevo Sol	675	-
Philippines	Philippine Peso	3,822	-
Poland	Polish Zloty	4,047	1,571
Russia	Ruble	10,118	524
Singapore	Singapore Dollar	13,378	785
South Africa	S. African Rand	21,135	1,047
South Korea	South Korean Won	37,267	6,283
Sweden	Swedish Krona	25,800	3,665
Switzerland	Franc	80,267	3,927
Taiwan	New Taiwan Dollar	31,478	-
Thailand	Thai Baht	5,846	1,309
Turkey	Turkish Lira	3,597	785
United Arab Emirates	Dirham	2,024	-
United Kingdom	British Pound	183,468	22,515
		<hr/>	<hr/>
Total Foreign Equity Investments		1,170,906	
Total Foreign Debt Investments		258,397	\$ 258,397
			<hr/>
US Equity Mutual Funds		4,001,436	
US Debt Mutual Funds		1,967,875	
Total Foundation Investments		<hr/>	<hr/>
		\$ 7,398,614	

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—Foundation cash is primarily 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 amounts of \$252,889 and \$643,704 as of June 30, 2015 and 2014, respectively.

Certain gifts and gift annuity liabilities involve contributions made to the Foundation by Foundation board members. For the years ended June 30, 2015 and 2014, gifts from these related parties approximated \$109,923 and \$140,048 or 16% and 18% of total contributions, respectively. Liabilities to these related parties, reflected in the *Statements of Net Position* as gift annuities payable, totaled \$569,807 and \$589,415 or 91% and 100% of total gift annuities payable as of June 30, 2015 and 2014, respectively.

Distributions to the College—During the years ended June 30, 2015 and 2014, the Foundation distributed \$615,448 and \$510,115, 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 2015 and 2014, the Foundation received new contributions of

\$678,335 and \$769,549, respectively, of which the amount permanently restricted by donors was \$ 152,990 and \$316,233, respectively. The endowments of the Foundation experienced net unrealized market (depreciation) appreciation of (\$37,925) and \$338,635 during fiscal years 2015 and 2014, respectively. 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 31 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 four 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 Position*. 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 Position* as a miscellaneous expense.

Discount rates to determine the present value of the obligations to the annuitants range from 2.2% to 7.0% and 5.7% to 7.0% for the years ended June 30, 2015 and 2014, respectively. 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 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, 2015, and the related notes to the financial statements, which collectively comprise Lewis-Clark State College's basic financial statements, and have issued our report thereon dated September 28, 2015.

Internal Control over Financial Reporting

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

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

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

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

Purpose of this Report

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

Moss Adams LLP

Portland, Oregon
September 28, 2015

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Idaho State Board of Education
Lewis-Clark State College

Report on Compliance for the Major Federal Program

We have audited Lewis-Clark State College's (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 the College's major federal program for the year ended June 30, 2015. The College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the College's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on the Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133 (continued)**

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 a 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Moss Adams LLP

Portland, Oregon
September 28, 2015

LEWIS-CLARK STATE COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major federal program:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of Major Federal Program

<i>CFDA Numbers</i>	<i>Name of Major Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued</i>
Various	Student Financial Assistance Cluster	<i>Unmodified</i>

Dollar threshold used to distinguish between type A and type
B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

Section II - Financial Statement Findings

None reported

**LEWIS-CLARK STATE COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Section III - Federal Award Findings and Questioned Costs

None reported

**LEWIS-CLARK STATE COLLEGE
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

FINDING 2014-001 – Special Tests and Provisions: Enrollment Reporting – Significant Deficiency in Internal Controls and Instances of Noncompliance

Federal Program – CFDA 84.268 Federal Direct Loans, CFDA 84.038 Federal Perkins Loans

Federal Agency – Department of Education

Condition – LCSC did not have procedures in place to adequately report student status changes timely.

Context – During our testing of 22 students, 5 students were not timely reported to NSLDS as having a status change.

Recommendation – We recommend LCSC implement a process to ensure all student enrollment changes are reported timely.

Current Status – Cleared.

LEWIS-CLARK STATE COLLEGE
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

Federal Grant/Program Title	LCSC Account Number	Pass-Through Entity Identifying #	Federal CFDA Number	Total Expenditures
U.S. DEPARTMENT OF AGRICULTURE:				
Direct Programs:				
RBEGL-Lathe Upgrade - FY14	20-01-330206		10 769	\$ 16,500
NxLevel Online Rural - FY10	20-06-934203		10 769	2,823
				<u>19,323</u>
Pass Through Payments from the State of Idaho:				
USDA Daycare	36-30-978901	None Noted	10 558	6,485
Total U.S. Department of Agriculture:				<u>\$ 25,808</u>
U.S. DEPARTMENT OF THE INTERIOR:				
Nez Perce Historical Park Expo	20-06-701239		15 954	\$ 11,466
Total U.S. Department of the Interior				<u>\$ 11,466</u>
U.S. DEPARTMENT OF LABOR:				
Pass Through Payments from the State of Idaho:				
ABE - Adult Numeracy Institute	20-01-318264		17 207	\$ 10,535
GED-to-Work - FY 14	20-01-318265		17 207	\$ 1,611
				<u>12,146</u>
Pass Through Payments from Other:				
C3T College Success - FY12	20-01-309214	None Noted	17 282	50,108
Physical Therapy Program - FY12	20-01-309215	None Noted	17 282	96
ICE - Pharm Tech Year 1	20-01-320291	None Noted	17 282	33
				<u>50,237</u>
Total U.S. Department of Labor:				<u>\$ 62,383</u>
US DEPARTMENT OF TRANSPORTATION				
Traffic Count Project	20-04-035236		20 205	\$ 1,964
Total US Department of Transportation				<u>\$ 1,964</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				
NASA Orbit Stem Scholarships	20-21-857230		43 008	\$ 16,000
Total National Aeronautics and Space Administration				<u>\$ 16,000</u>
NATIONAL ENDOWMENT FOR THE ARTS:				
Pass Through Payments from the State of Idaho:				
ID Comm Arts - Entry Track - FY15	20-06-701237	3916ET-14	45 025	3,536
Total National Endowment for the Arts:				<u>\$ 3,536</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES:				
Pass Through Payments from the State of Idaho:				
IHC - Native American Awareness Week - FY15	20-08-858208	2013042	45 129	2,000
Total National Endowment for the Humanities:				<u>\$ 2,000</u>
NATIONAL SCIENCE FOUNDATION:				
Direct Programs:				
NSF - WFT - Collaborative - FY12	20-01-320285		47 076	\$ 25,905
Pass Through Payments from the State of Idaho:				
Idaho NSF ESPCoR - FY14	20-04-035243	None Noted	47 080	7,685
Total National Science Foundation:				<u>\$ 33,590</u>
SMALL BUSINESS ADMINISTRATION:				
Pass Through Payments from the State of Idaho:				
ISBDC/SBA - FY14	20-06-934201	077106062B	59 037	\$ 33,458
ISBDC/SBA - FY15	20-06-934201	6668-D	59 037	23,693
Total Small Business Administration:				<u>\$ 57,151</u>

LEWIS-CLARK STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2015

U.S. DEPARTMENT OF EDUCATION:

Direct Programs:

Student Financial Assistance Cluster:

Supplemental Education Opportunity Grant	21-21-857405	84 007	\$ 85,665
Federal Workstudy Program	21-21-857403	84 033	80,747
Perkins Loan Program	40-40-860802	84 038	12,605
Pell Grant	21-21-857404	84 063	6,459,183
Direct Loan Program	21-21-857410	84 268	14,765,136
Federal Teach Grant	21-21-857414	84 379	16,814
			<u>21,420,150</u>

TRIO Cluster:

TRIO Academic Services Yr 5 - FY15	20-08-861201	84 042A	254,555
TRIO Academic Services Yr 4 - FY14	20-08-851208	84 042A	74,173
TRiO Academic Services Scholarships	20-08-851210	84 042A	11,700
Clearwater Valley ETS - Year 4	20-08-862205	84 044A	185,358
Clearwater Valley ETS - Year 3 - FY14	20-08-862205	84 044A	48,625
			<u>574,411</u>

Pass Through Payments from the State of Idaho:

DOC Spec Ed - FY 14	20-01-318261	None Noted	84 002A	3,216
DOC Spec Ed - FY 15	20-01-318266	PCA 05188	84 002A	49,390
ABE Federal Admin - FY15	20-01-318267	F-ABE-D02-15B-610	84 002A	1,224
ABE Federal Direct - FY15	20-01-318269	F-ABE-D01-15A-610	84 002A	175,366
ABE ITRP - FY15	20-01-318270	FWIA-A02-15A-610	84 002A	23,804
ABE Federal Direct - FY14	20-01-318257	F-ABE-D01-14A-610	84 002A	7,042
ABE ITRP - FY14	20-01-318259	F-ABE-L10-14A-610	84 002A	872
ABE Federal Admin - FY14	20-01-318260	F-ABE-D02-14B-610	84 002A	540
ABE Incentive Award - FY14	20-01-318263	F-ABE-L06-14B-610	84 002A	(709)
ABE - OVAE Training FY15	20-01-318273	F-ABE-L01-15A-610	84 002A	1,575
				<u>262,320</u>

Counseling for PTE Students - FY15	20-01-301205	SFF-A08-15A-610	84 048A	9,167
Tech Prep - FY15	20-01-303206	RFF-C16-15A-610	84 048A	62,232
PT Education Center - FY14	20-01-309223	PFF-B09-14A-610	84 048A	14,892
PT Education Center - FY15	20-01-309227	PFF-B09-15A-610	84 048A	94,427
Nontraditional by Gender	20-01-309229	F-NTT-MCND-GU-15A-610	84 048A	5,812
Tech Prep - FY14	20-01-303202	RFF-C16-14A-610	84 048A	7,353
Career Pioneer Network - FY14	20-01-309226	None Noted	84 048A	2,000
Counseling for PTE Students - FY14	20-01-303203	SFF-A08-14A-610C	84 048A	283
				<u>196,166</u>

SBOE Near to Peer - FY14	20-01-285202	None Noted	84 378A	6,949
SBOE Dual Credit Scholarships - FY15	20-01-296215	None Noted	84 378A	11,290
College Access Challenge Grant	20-01-851211	None Noted	84 378A	6,325
				<u>24,564</u>

Pass Through Payments from Other:

TESLA Program - Year 1 - FY14	20-01-102284	12MSP17	84 366	56,752
TESLA Program - Year 2 - FY15	20-01-102285	12MSP17	84 366	135,721
iSTEM	20-04-102289	5821-F	84 366	17,491
				<u>209,964</u>

Total U.S. Department of Education:				<u>\$ 22,687,575</u>
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LEWIS-CLARK STATE COLLEGE**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Pass Through Payments from the State of Idaho:

IV-E Scholars Program - FY15	20-01-039223	KC252100 Amendment 1	93 558	\$ 69,659
IV-E Scholars Program - FY14	20-01-039223	KC252100	93 558	<u>3,732</u>
				<u>73,391</u>

INBRE 3 - Year 1 - FY 15	20-04-035231	IAK100-SB-003	93 859	153,777
INBRE 3 - Year 2 - FY 16	20-04-035231	IAK100-SB-004	93 859	<u>10,090</u>
				<u>163,867</u>

Total U.S. Department of Health & Human Services:				<u>\$ 237,258</u>
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CORPORATION FOR NATIONAL SERVICE:

Pass Through Payments from the State of Idaho:

AmeriCorps - Federal - FY14	20-06-936205	12AFHID0010003	94 006	<u>50,150</u>
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Total Corporation for National Service:				<u>\$ 50,150</u>
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TOTAL FEDERAL EXPENDITURES:				<u><u>\$ 23,188,881</u></u>
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See accompanying notes to the Schedule of Expenditures of Federal Awards

LEWIS-CLARK STATE COLLEGE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2015

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, Educational Institutions and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

3. UNIVERSITY ADMINISTERED LOAN PROGRAMS

The College administers the following loan programs:

Loan Program	CFDA Number	Outstanding Loan Balances
Federal Perkins	84.038	\$ 542,956
Federal Nursing Loan	93.364	\$ 171,586

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, 2015, are identified below:

Loan Program	CFDA Number	Loan Disbursements
Federal Perkins	84.038	\$ 61,192
Federal Nursing Loan	93.364	\$ 41,339

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.