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

Lewis-Clark
STATE
COLLEGE

June 30, 2013 and 2012

LEWIS-CLARK STATE COLLEGE

TABLE OF CONTENTS

MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

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, 2013 and 2012, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College'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.

Opinion

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, 2013 and 2012, and the respective changes in financial position and 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 in Note 9, *Retirement Plan,* 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 27, 2013, 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 College's internal control over financial reporting and compliance.

Moss Adams LLP

Eugene, Oregon
September 27, 2013

LEWIS-CLARK STATE COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Overview of the Financial Statements and Financial Analysis

The financial statements for fiscal years ended June 30, 2013 and June 30, 2012 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") 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). The College has no deferred outflows of resources or 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

	2013	2012	2011
ASSETS:			
Current assets	$ 33,664,206	$ 29,781,077	$ 25,484,576
Capital assets, net	46,696,436	47,458,813	47,689,182
Other assets	3,086,641	3,263,157	3,935,915
Total assets	83,447,283	80,503,047	77,109,673
LIABILITIES:			
Current liabilities	6,131,520	6,619,383	7,309,353
Noncurrent liabilities	6,211,939	6,894,745	8,217,159
Total liabilities	12,343,459	13,514,128	15,526,512
NET POSITION:			
Net investment in capital assets	44,002,266	43,966,416	43,394,474
Restricted – nonexpendable	-	-	-
Restricted – expendable	1,001,909	1,130,410	1,250,382
Unrestricted	26,099,649	21,892,093	16,938,305
Total net position	71,103,824	66,988,919	61,583,161
Total liabilities and net position	$ 83,447,283	$ 80,503,047	$ 77,109,673

Total assets of the College increased $2,944,236 in fiscal year 2013, an increase of 3.7% over 2012. This increase is primarily due to the increase in Cash and cash equivalents and Cash with treasurer of $3,732,128. Capital assets declined by $762,377, as depreciation expense exceeded investments in new plant and equipment.

Total liabilities at June 30, 2013, as compared to June 30, 2012, decreased by $1,170,669 or 8.7%. This decline is primarily attributable to a reduction in Notes and bonds payable of $785,806, and a decline in Unearned revenue of $536,564, due to spending down of two previously received Albertson Foundation grants (Student Success and Foundation Scholarships).

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.

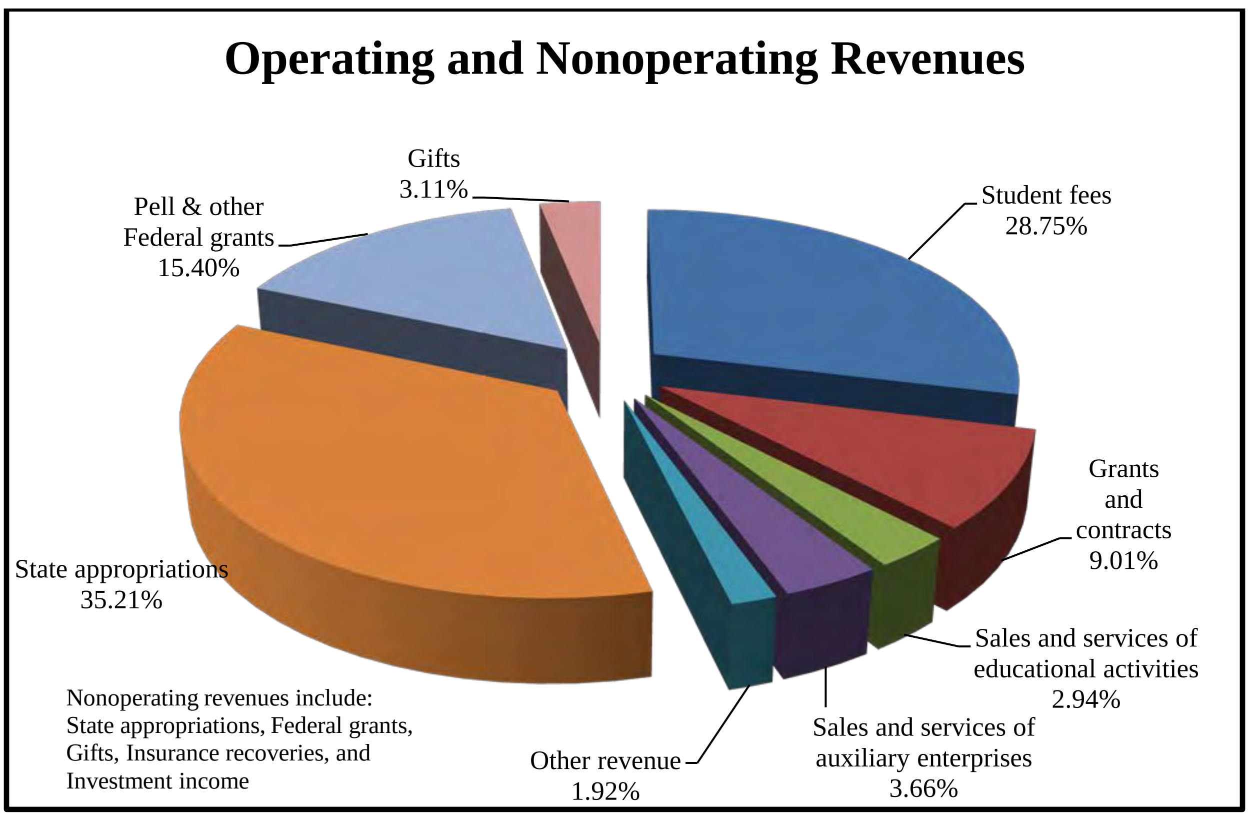
Generally speaking, operating revenues are earned in return for providing goods and services to the various customers and constituents of the College. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry 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

	2013	2012	2011
Operating revenues	$ 23,591,722	$ 23,581,960	$ 22,300,888
Operating expenses	48,102,713	45,784,132	45,333,988
Operating loss	(24,510,991)	(22,202,172)	(23,033,100)
Nonoperating revenues and expenses, net	26,912,522	25,721,542	26,745,357
Income before other revenues and expenses	2,401,531	3,519,370	3,712,257
Other revenues, net	1,713,374	1,886,388	1,815,811
Increase in net position	4,114,905	5,405,758	5,528,068
Net position--Beginning of year	66,988,919	61,583,161	56,055,093
Net position--End of year	$ 71,103,824	$ 66,988,919	$ 61,583,161

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, 2013.



Total operating revenues for fiscal year 2013 increased $9,762 or .04%. This increase reflects the slight decline of $317,552 in Net tuition and fees, resulting from a modest drop in enrollment which offset the 4% tuition increase in the current year. Grant and contract revenues were up $194,877 or 4.4% in fiscal year 2013. Sales of educational activities dipped slightly ($67,214) while sales and services related to auxiliary enterprises showed an increase of $87,886.

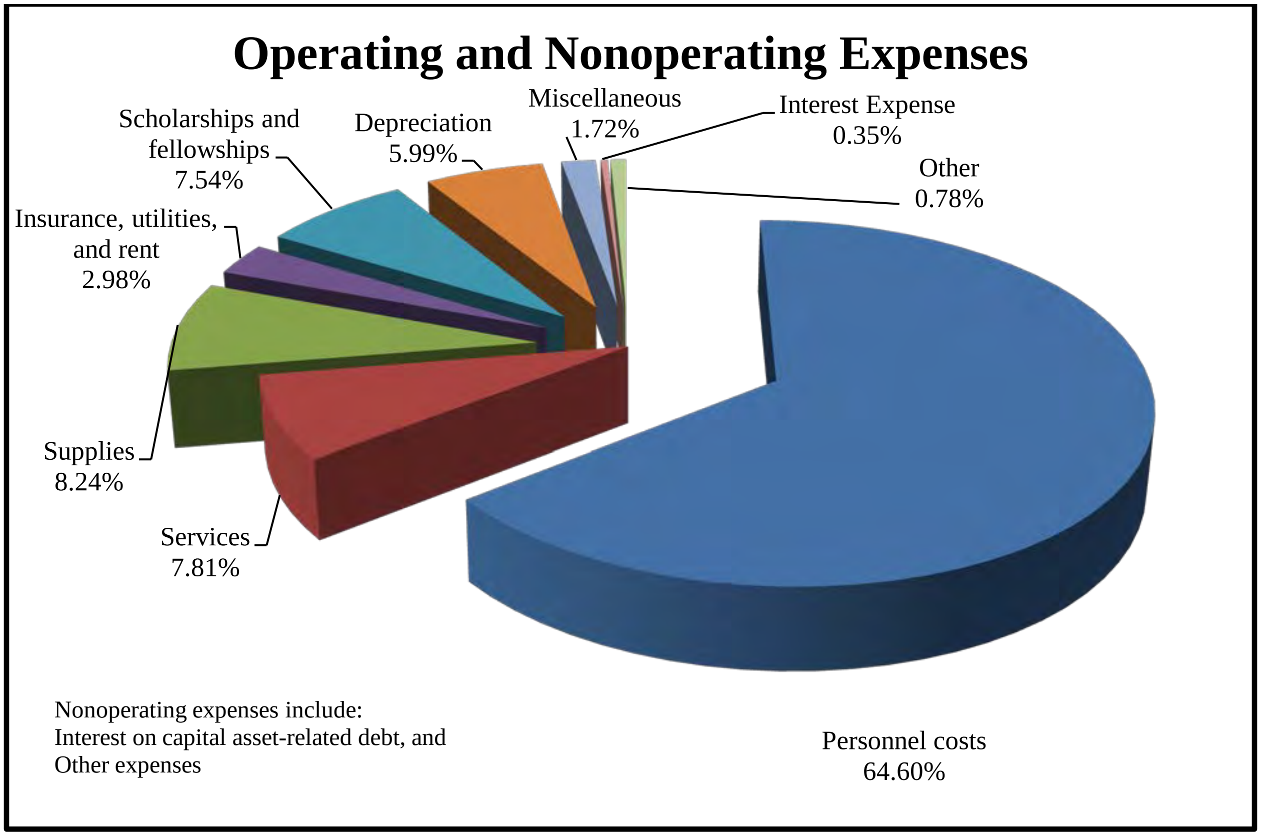
Nonoperating revenues and expenses, net, increased $1,190,980 or 4.6% in fiscal year 2013. This increase reflects the rise in State appropriations of 9.0% ($1,486,636) for fiscal 2013. Pell and other federal grant revenue declined by $366,003, as tightening of federal budgets and regulations begin to take effect in higher education.

Expenses

Following is a comparative summary of the College's expenses for the years ended June 30, 2013, 2012 and 2011.

	2013	2012	2011
OPERATING EXPENSES:			
Personnel costs	$ 31,429,873	$ 29,400,105	$ 29,209,679
Services	3,800,838	3,687,518	3,454,970
Supplies	4,006,527	3,702,921	3,420,719
Insurance, utilities, and rent	1,449,248	1,444,219	1,349,889
Scholarships and fellowships	3,666,967	4,023,437	4,158,424
Depreciation	2,913,163	2,426,169	2,309,187
Miscellaneous	836,097	1,099,763	1,431,120
Total operating expenses	48,102,713	45,784,132	45,333,988
NONOPERATING EXPENSES:			
Interest on capital asset related debt	170,994	291,284	385,381
Other	378,210	267,558	32,560
Total nonoperating expenses	549,204	558,842	417,941
TOTAL EXPENSES	$ 48,651,917	$ 46,342,974	$ 45,751,929

The following is a graphic depiction of total expenses by natural classification for the year ended June 30, 2013.



Total operating expenses increased $2,318,581 in fiscal year 2013, or 5.1%. This increase is primarily due to a $2,029,768 (6.90%) increase in personnel costs. In addition to a 2% general salary increase approved by the state legislature effective in July, 2012, health insurance costs increased by over $700,000 for the year as a two month health insurance premium hiatus enjoyed in prior years expired in fiscal year 2013. Interest expense declined by $120,290 or 41.3% as the College continued a pay down of long term debt and also due to reductions in interest rates on outstanding notes.

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

	2013	2012	2011
CASH PROVIDED BY (USED IN):			
Operating activities	(21,962,275)	$ (20,081,137)	$ (19,800,848)
Noncapital financing activities	27,472,949	26,334,894	26,881,626
Capital and related financing activities	(1,819,620)	(1,623,968)	(2,705,910)
Investing activities	41,074	37,078	78,170
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,732,128	4,666,867	4,453,038
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	28,673,880	24,007,013	19,553,975
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 32,406,008	$ 28,673,880	$ 24,007,013

Overall, cash increased by $3,732,128 for the year ended June 30, 2013.

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 2013, these two revenue (and cash) sources totaled $25.9 million, far outpacing the reported use of cash by operations, and the related net operating loss as shown on the Statement of Revenues, Expenses and Changes in Net 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 is 2.36%. Additional information concerning capital assets and debt administration is detailed in Notes 1, 5, 6, and 7 as part of the notes to the financial statements.

Economic Outlook

The country as a whole appears to be showing signs of recovery from the recession, and this is also the picture that is suggested by financial indicators in the State of Idaho. Despite the projected upturn in state finances, Idaho policy-makers are likely to continue to follow a cautious approach with respect to any increases in funding for higher education. The state unemployment rate continued to decline in fiscal 2013, reaching 6.4% in June as compared to 7.5% in July, 2012. State revenues rose again in fiscal 2013 (6.3%), and are projected to increase by another 2.1% in fiscal year 2014 as of the August, 2013 Idaho Division of Financial Management Revenue Report.

Lewis-Clark State College will see a 5.2% ($668,800) increase in general education funding for fiscal year 2014. The general education allocation includes funding for a portion of the increase in employee health insurance premiums and enrollment workload adjustment. A tuition increase of 4% for fiscal year 2014 was approved by the State Board of Education. This increase will primarily provide new scholarship funding and academic program enhancements.

Lewis-Clark State College has projected zero-percent enrollment growth for fiscal year 2014, reflecting combined effects of improvements in the economy (there tends to be a counter-cyclical effect for college enrollment when hiring conditions improve or worsen), the impact of recent restrictions on federal financial aid, and flat projections for high school graduation rates in the next few years. For fiscal year 2014, overall tuition and fee revenue is expected to remain at or near 2013 levels.

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

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF NET POSITION
JUNE 30, 2013 and 2012

	LCSC		Component Unit	
ASSETS	**2013**	**2012**	**2013**	**2012**
CURRENT ASSETS:				
Cash and cash equivalents	$ 17,457,519	$ 17,053,666	$ 77,372	$ 110,776
Cash with treasurer	14,948,489	11,620,214	-	-
Accounts receivable and unbilled charges	847,737	780,006	-	-
Due from Lewis-Clark State College	-	-	568,052	577,127
Assets held for sale	-	-	57,000	
Due from state agencies	189,452	179,254	-	-
Pledges receivable	11,375	24,000	7,610	10,310
Student loan receivables	201,000	114,000		-
Prepaid expenses	8,634	9,937		-
Other assets	-	-	636	636
Total current assets	33,664,206	29,781,077	710,670	698,849
NONCURRENT ASSETS:				
Student loan receivables, less allowance for doubtful loans of $53,000 and $65,000 for 2013 and 2012	462,293	622,809	-	-
Investments	-	-	5,936,504	5,275,404
Pledges receivable	-	10,000	-	-
Net other post employment benefit excess funding	11,000	17,000	-	-
Investment in capital assets	2,613,348	2,613,348	-	-
Capital assets, net	46,696,436	47,458,813	-	-
Total noncurrent assets	49,783,077	50,721,970	5,936,504	5,275,404
TOTAL ASSETS	**$ 83,447,283**	**$ 80,503,047**	**$ 6,647,174**	**$ 5,974,253**

See notes to financial statements. (Continued)

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF NET POSITION
JUNE 30, 2013 and 2012

LIABILITIES	LCSC 2013	LCSC 2012	Component Unit 2013	Component Unit 2012
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	$ 287,681	$ 239,701	$ -	$ -
Accrued salaries and benefits payable	2,397,924	2,320,930	-	-
Compensated absences payable	685,298	826,704	-	-
Due to component unit	568,052	577,127	-	-
Due to State of Idaho	53,118	79,021	-	-
Unearned revenue	1,075,187	1,611,751	-	-
Amounts held in trust for others	195,260	191,149	-	-
Gift annuities payable	-	-	28,046	96,746
Notes and bonds payable	869,000	773,000	-	-
Total current liabilities	6,131,520	6,619,383	28,046	96,746
NONCURRENT LIABILITIES:				
Gift annuities payable	-	-	594,082	624,497
Net other post employment benefit obligations	1,761,000	1,562,000	-	-
Notes and bonds payable	4,450,939	5,332,745	-	-
Total noncurrent liabilities	6,211,939	6,894,745	594,082	624,497
TOTAL LIABILITIES	12,343,459	13,514,128	622,128	721,243
NET POSITION				
Net investment in capital assets	44,002,266	43,966,416	-	-
Restricted for:				
Nonexpendable	-	-	3,651,282	3,281,676
Expendable	1,001,909	1,130,410	1,824,784	1,456,152
Unrestricted	26,099,649	21,892,093	548,980	515,182
TOTAL NET POSITION	71,103,824	66,988,919	6,025,046	5,253,010
TOTAL LIABILITIES AND NET POSITION	**$ 83,447,283**	**$ 80,503,047**	**$ 6,647,174**	**$ 5,974,253**

See notes to financial statements.

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2013 and 2012

	LCSC		Component Unit	
	2013	2012	2013	2012
OPERATING REVENUES:				
Student tuition and fees	$ 20,148,146	$ 20,070,522	$ -	$ -
Student fees pledged for debt	1,061,783	1,201,959	-	-
Less Scholarship Discounts and Allowances	(6,531,000)	(6,276,000)	-	-
Net tuition and fees	14,678,929	14,996,481	-	-
Federal grants and contracts	755,189	746,179	-	-
State and local grants and contracts	3,177,058	2,949,559	-	-
Private grants and contracts	668,188	709,820	-	-
Sales and services of educational activities (including revenues of $100,778 and $110,482 pledged for debt in 2013 and 2012, respectively)	1,502,166	1,569,380	-	-
Sales and services of auxiliary enterprises (including revenues of $441,249 and $428,389 pledged for debt in 2013 and 2012, respectively)	1,869,925	1,782,039	-	-
Gifts	-	-	759,712	591,320
Other	940,267	828,502	6,167	-
Total operating revenues	23,591,722	23,581,960	765,879	591,320
OPERATING EXPENSES:				
Personnel costs	31,429,873	29,400,105	-	-
Services	3,800,838	3,687,518	-	-
Supplies	4,006,527	3,702,921	-	-
Insurance, utilities, and rent	1,449,248	1,444,219	-	-
Scholarships and fellowships	3,666,967	4,023,437	-	-
Depreciation	2,913,163	2,426,169	-	-
Miscellaneous	836,097	1,099,763	82,517	93,040
Total operating expenses	48,102,713	45,784,132	82,517	93,040
OPERATING (LOSS) GAIN	(24,510,991)	(22,202,172)	683,362	498,280
NONOPERATING REVENUES (EXPENSES):				
State appropriations	17,973,753	16,487,117	-	-
Pell and other federal grants	7,858,264	8,224,267	-	-
Gifts (including $586,185 and $432,113 from the Foundation for 2013 and 2012, respectively)	1,588,635	1,531,921	-	-
Net investment income	41,074	37,078	575,711	(7,010)
Interest on capital asset related debt	(170,994)	(291,284)	-	
Distributions to the College	-	-	(586,185)	(432,113)
Other	(378,210)	(267,557)	99,148	21,551
Net nonoperating revenues (expenses)	26,912,522	25,721,542	88,674	(417,572)
INCOME BEFORE OTHER REVENUES	2,401,531	3,519,370	772,036	80,708
OTHER REVENUES:				
Capital appropriations	1,704,874	55,502	-	-
Capital grants and gifts	8,500	1,830,886	-	-
Total other revenues	1,713,374	1,886,388	-	-
INCREASE IN NET POSITION	4,114,905	5,405,758	772,036	80,708
NET POSITION---BEGINNING OF YEAR	66,988,919	61,583,161	5,253,010	5,172,302
NET POSITION---END OF YEAR	$ 71,103,824	$ 66,988,919	$ 6,025,046	$ 5,253,010

See notes to financial statements.

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 and 2012

	LCSC 2013	LCSC 2012	Component Unit 2013	Component Unit 2012
CASH FLOWS FROM OPERATING ACTIVITIES:				
Student fees	$ 13,665,575	$ 13,932,980	$ -	$ -
Student fees pledged for debt	1,061,783	1,201,959	-	-
Grants and contracts	3,929,340	3,919,672	-	-
Sales and services of educational activities	1,502,166	1,569,380	-	-
Sales and services of auxiliary enterprises	1,869,925	1,782,039	-	-
Donations received		-	194,239	157,985
Payments to employees	(31,289,285)	(29,364,443)	-	-
Payments to suppliers	(3,982,396)	(3,751,345)	-	-
Other payments	(6,372,471)	(6,549,364)	(100,499)	(111,876)
Payments for scholarships and fellowships	(3,338,261)	(3,728,363)	-	-
Loans issued to students	(150,000)	(149,916)	-	-
Collection of loans from students	201,083	103,237	-	-
Other receipts	940,266	953,027	-	-
Net cash provided (used) by operating activities	(21,962,275)	(20,081,137)	93,740	46,109
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State appropriations	17,963,554	16,630,867	-	-
Federal grants	7,936,338	8,222,986	-	-
Gifts	1,606,547	1,293,285	-	-
Agency account receipts	1,196,953	1,157,921	-	-
Agency account payments	(1,204,539)	(995,730)	-	-
Student loan receipts	17,682,375	18,554,123	-	-
Student loan payments	(17,682,375)	(18,554,123)	-	-
Higher Education Stabilization Fund	(25,904)	25,565	-	-
Distributions to the College	-	-	(97,481)	(85,392)
Net cash provided (used) by noncapital financing activities	27,472,949	26,334,894	(97,481)	(85,392)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital grants and gifts	8,500	177,506	-	-
Purchase of capital assets	(871,320)	(632,960)	-	-
Proceeds from debt refinancing	-	3,000,000		
Payoff of debt due to refinancing	-	(3,730,000)		
Principal paid on capital debt	(785,806)	(718,871)	-	-
Interest paid on capital debt	(170,994)	(355,484)	-	-
Proceeds from sale of investments	-	635,841	-	-
Net cash used in capital and related financing activities	(1,819,620)	(1,623,968)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	41,074	37,078	39	31
Purchase of investments	-	-	(89,702)	(11,390)
Proceeds for sale of investments	-	-	60,000	46,171
Net cash provided (used) by investing activities	41,074	37,078	(29,663)	34,812
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,732,128	4,666,867	(33,404)	(4,471)
CASH AND CASH EQUIVALENTS---BEGINNING OF THE YEAR	28,673,880	24,007,013	110,776	115,247
CASH AND CASH EQUIVALENTS---END OF THE YEAR	$ 32,406,008	$ 28,673,880	$ 77,372	$ 110,776

See notes to financial statements.

(Continued)

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 and 2012

RECONCILIATION OF NET OPERATING (LOSS) GAIN TO NET CASH AND CASH EQUIVALENTS PROVIDED (USED) BY OPERATING ACTIVITIES:	LCSC 2013	LCSC 2012	Component Unit 2013	Component Unit 2012
Operating (Loss) Gain	$ (24,510,991)	$ (22,202,172)	$ 683,362	$ 498,280
Adjustments to reconcile operating (loss) gain to net cash used in operating activities:				
Noncash donations	-	-	(578,585)	(469,066)
Other noncash receipts	-	-	(6,167)	-
Other noncash payments	-	-	(17,982)	(18,836)
Depreciation expense	2,913,163	2,426,169	-	-
Effect on cash from changes in operating assets and liabilities:			-	
Receivables, net	(62,090)	137,654	-	25,010
Due from Lewis-Clark State College	-	-	13,112	(10,865)
Prepaid expenses and deferred costs	1,303	66,279	-	-
Net other post employment benefit excess funding	6,000	-	-	-
Accounts payable and accrued liabilities	47,949	53,086	-	-
Accrued salaries and benefits payable	76,994	(179,966)	-	-
Compensated absences payable	(141,406)	12,628	-	-
Net other post employment benefit obligations	199,000	203,000	-	-
Gift annuities payable	-	-	-	21,586
Amounts held in trust for others	(4,964)	162,514	-	-
Unearned revenue	(560,749)	(766,748)	-	-
Loans to students	73,516	6,419	-	-
Net cash provided (used) by operating activities	$ (21,962,275)	$ (20,081,137)	$ 93,740	$ 46,109
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:				
Capital assets acquired through Dept. of Public Works' appropriations	$ 1,704,874	$ 55,502		
Capital assets aquired through in-kind contribution	$ 8,500	$ 1,719,880		

See 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, 2013. This includes discrete presentation of financial statements for its component unit, the Lewis-Clark State College 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 14, as per the requirements of GASB Statement No. 40, *Deposit and Investment Risk Disclosures.*

Investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets are classified as noncurrent assets in the S*tatements of Net 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 revenue bonds payable, notes payable, and net other post-employment obligations with contractual maturities greater than one year.

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

Scholarship Discounts and Allowances**—**Student fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net 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 makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements, and revenues and expenses during the year. Actual results could differ from those estimates.

New Accounting Standards - In March, 2012, the GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities". This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognized, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Management has not yet determined the impact this standard will have on the College's financial statements. The requirements of this Statement are effective for the fiscal year ended June 30, 2014.

In March, 2012, the GASB issued Statement No. 66, "Technical Corrections – 2012". This Statement resolves conflicting accounting and financial reporting guidance resulting from Statement No. 54 and Statement No. 62. The Statement amends Statement No. 10 and Statement No. 62, and clarifies the application of Statement No. 13. Management has not yet determined the impact this standard will have on the College's financial statements. The requirements of this Statement are effective for the fiscal year ended June 30, 2014.

In June, 2012, the GASB issued Statement No. 67, "Financial Reporting for Pension Plans". This Statement will require enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. The new information will provide information about measures of net pension liabilities and explanations of how and why those liabilities changed from year to year. Management has not yet determined the impact this standard will have on the College's financial statements. The requirements of this Statement are effective for the fiscal year ended June 30, 2014.

In June, 2012, the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions". This Statement will require, for employer and governmental nonemployer contributing entity financial reports, recognition of the entire net pension liability and a more comprehensive measure of pension expense. It will also require more robust disclosures of assumptions that will allow for better informed assessments of the reasonableness of pension measurements. Management has not yet determined the impact this standard will have on the College's financial statements. The requirements of this Statement are effective for the fiscal year ended June 30, 2015.

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

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, 2013 and 2012, Cash and cash equivalents consisted of the following:

	2013	2012
Cash on hand	$ 16,260	$ 14,088
FDIC insured financial institution deposits	4,387,517	4,999,570
Uninsured financial institution deposits	2,049,027	2,031,211
State of Idaho LGIP deposits	11,004,715	10,008,797
Total Cash and cash equivalents	$ 17,457,519	$ 17,053,666

As of June 30, 2013 and 2012, $2,049,027 and $2,031,211 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, 2013 and 2012, 63% and 60% 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 1 year. LGIP deposits may be withdrawn at any time. The Pool itself has a weighted average maturity of 102 days and 85 days as of June 30, 2013 and 2012 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:

	2013	2012
Student fees	$ 169,981	$ 159,629
Federal, state and nongovernmental grants and contracts	666,509	596,031
Other receivables	1,739	4,042
Investment income	2,494	5,184
Educational departments	1,459	7,787
Funds held in custody for others	5,555	7,333
	$ 847,737	$ 780,006

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, 2013 and 2012.

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 $390,000 and $438,000 as of June 30, 2013 and 2012, 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:

	2013		
	Current	Noncurrent	Total
Federal Perkins Loan Program	$ 137,000	$ 445,049	$ 582,049
Nursing Student Loan Program	64,000	70,244	134,244
	201,000	515,293	716,293
Less Allowance for doubtful loans	-	(53,000)	(53,000)
Net Student Loans Receivable	$ 201,000	$ 462,293	$ 663,293

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

5. CAPITAL ASSETS — NET

Following are the changes in capital assets, for the years ended June 30, 2013 and 2012:

	Balance at June 30, 2012	Additions	Retirements	Balance at June 30, 2013
Capital assets not being depreciated:				
Land	$ 3,054,232	$ 65,500	$ -	$ 3,119,732
Capitalized collections	15,000		-	15,000
Construction in progress	54,737	-	(54,737)	-
Total capital assets not being depreciated	$ 3,123,969	$ 65,500	$ (54,737)	$ 3,134,732
Other capital assets:				
Buildings and improvements	$ 58,846,499	$ 1,910,230	$ (499,729)	$ 60,257,000
Furniture, fixtures and equipment	8,027,363	436,978	(167,596)	8,296,745
Library materials	6,252,317	226,724	(149,844)	6,329,197
Total other capital assets	73,126,179	2,573,932	(817,169)	74,882,942
Less accumulated depreciation:				
Buildings and improvements	(20,004,051)	(1,452,296)	71,214	(21,385,133)
Furniture, fixtures and equipment	(3,777,255)	(1,187,818)	162,202	(4,802,871)
Library materials	(5,010,029)	(273,049)	149,844	(5,133,234)
Total accumulated depreciation	(28,791,335)	(2,913,163)	383,260	(31,321,238)
Other capital assets net of accumulated depreciation	$ 44,334,844	$ (339,231)	$ (433,909)	$ 43,561,704
Capital assets summary:				
Capital assets not being depreciated	$ 3,123,969	$ 65,500	$ (54,737)	$ 3,134,732
Other capital assets at cost	73,126,179	2,573,932	(817,169)	74,882,942
Total cost of capital assets	76,250,148	2,639,432	(871,906)	78,017,674
Less accumulated depreciation	(28,791,335)	(2,913,163)	383,260	(31,321,238)
Capital assets, net	$ 47,458,813	$ (273,731)	$ (488,646)	$ 46,696,436

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

The estimated cost to complete property authorized or under construction at June 30, 2013 is $3,184,526. These costs will be financed by state appropriations and available local resources.

Institutional funds included in the construction costs of the Student Activity Center are reported as Investment in capital assets since ownership of the facility will not pass to the College until debt incurred by the State of Idaho for the majority of the project cost is retired. See Note 11. The total amount in Investment in capital assets was $2,613,348 as of June 30, 2013 and 2012.

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, 2013 and 2012.

6. LONG-TERM LIABILITIES

Following are the changes in long-term debt for the years ended June 30, 2013 and 2012:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
Notes	$ 6,105,745	$ -	$ (785,806)	$ 5,319,939	$ 869,000

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
Bonds and notes:					
Revenue bonds	$ 3,730,000	$ -	$ (3,730,000)	$ -	$ -
Notes	3,824,616	3,000,000	(718,871)	6,105,745	773,000
	$ 7,554,616	$ 3,000,000	$ (4,448,871)	$ 6,105,745	$ 773,000

7. NOTES PAYABLE

Notes payable at June 30, 2013 and 2012 consisted of the following:

	Balance Outstanding 2013	2012
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 of $1,657,753 will be due in 2018.	$ 3,034,611	$ 3,246,453
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.	2,285,328	2,859,292
Total notes payable	$ 5,319,939	$ 6,105,745

In April, 2013, the College restructured the Facilities Refinancing Promissory Note, extending the due date and adjusting the interest rate and payment amounts. As of the date of restructuring, the annual cash flows required to service the debt increased by $33,390, and the annual interest paid on the note decreased by $37,412.

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

	Notes	
	Principal	**Interest**
2014	$ 869,000	$ 115,508
2015	890,000	94,235
2016	912,000	72,549
2017	774,000	50,559
2018	1,874,939	32,787
	$ 5,319,939	$ 365,638

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, 2013:

	Student Union Promissory Note	**Facilities Refinancing Note**	**Total**
Pledged revenues:			
Student Fees	$ 1,061,783	$ -	$ 1,061,783
Housing Fees	-	441,249	441,249
Other	100,778	-	100,778
Total pledged revenues	$ 1,162,561	$ 441,249	$ 1,603,810

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

8. RESTRICTED NET ASSETS

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

	2013	**2012**
Federal student loan programs	$ 833,843	$ 869,509
Institutional student loan programs	137,260	134,196
Capital projects	11,375	34,000
Grants and contracts	19,431	92,705
	$ 1,001,909	$ 1,130,410

9. RETIREMENT PLANS

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

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.00% of the average monthly salary for the highest consecutive 42 months, as provided in Section 59-1302 and 59-1342 of Idaho Code.

Employer contributions to PERSI are made as set forth in Section 59-1322 of Idaho Code, and described in Section 59.01.03 of the Idaho Administrative Procedure Act. Employee contributions are set at 60% of employer contributions per Section 59-1333 of Idaho Code. For the year ended June 30, 2013, the required contribution rate for general employees was 10.39% and 6.23% of covered payroll for the College and its employees, respectively. The College's contributions required and paid were $607,909, $598,976, and $606,049, for the three years ended June 30, 2013, 2012, and 2011, respectively.

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

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

Participants are immediately fully vested in the ORP. Retirement benefits are available either as a lump sum or any portion thereof upon attaining 55 years of age. The contribution requirement (and amount paid) for the years ended June 30, 2013 and 2012 was $2,308,825 and $2,175,978, respectively, which consisted of $1,322,775 and $1,246,668, respectively, from the College and $986,050 and $929,310, respectively, from employees. For both 2013 and 2012, these contributions represented approximately 9.35% and 6.97% of covered payroll for the College and its employees.

Although enrollees in the ORP no longer belong to PERSI, the College is required to contribute to PERSI. These annual supplemental payments are required through July 1, 2025. During the years ended June 30, 2013 and 2012, this supplemental funding payment made to PERSI was $210,794 and $198,664 or 1.49% of the covered payroll, respectively. These amounts are not included in the regular College PERSI contribution discussed previously.

Postemployment Benefits Other Than Pensions

Summary of Plans

The College participates in other postemployment benefit plans relating to health and disability administered by the State of Idaho as agent multiple-employer defined benefit plans. The Life Insurance benefit is a single-employer defined benefit plan. Idaho Code, Sections 67-5760 to 67-5767 and 72-1335, establishes the benefits and contribution obligations. Each of these benefits is provided by the College to retired or disabled employees. The most recent actuarial valuation is as of July 1, 2012. The College has not set aside any assets to pay future benefits; the College funds these benefits on a pay-as-you-go basis. Details of the plans can be found in the Comprehensive Annual Report of the State of Idaho, which may be obtained as follows:

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

Plan Descriptions and Funding Policy

Retiree Healthcare Plan

A retired employee of the College who is eligible to retire under the Public Employee Retirement System of Idaho (PERSI) may elect to purchase the retiree health insurance coverage for themselves and eligible dependents. Employees must enroll within 60 days of the date of their retirement. Additionally, the 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 $18.84 per active employee per month towards the retiree premium cost.

Long-Term Disability Plan

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

For up to 30 months following the date of disability, an employee is entitled to continue healthcare coverage under the State plan. The College pays 100 percent of the College's share of medical and dental premiums while the employee remains disabled. The employee is required to pay the normal active employee contribution for the plan and rate category in which the employee is enrolled. The College's contribution for the period was $8.00 and $0.00 per active employee per month in fiscal years 2013 and 2012.

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

Employees disabled on or after July 1, 2003, are insured by Principal Life Insurance Company and the obligation for the payment of benefits has been effectively transferred. The College pays 100 percent of the cost of the premiums. The Lewis-Clark State College's contribution rate for the period was 0.264% and 0.324% of payroll in fiscal years 2013 and 2012. 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 percent of annual salary, but not less than $20,000. In addition, a $2,000 life insurance benefit is provided for spouses, and a $1,000 life insurance benefit is provided for dependent children. These benefits do not increase with inflation. The College pays 100 percent of the premiums; the contribution is actuarially determined based on actual claims experience.

Retiree Life Insurance Plan

This plan provides basic life insurance for certified retired employees. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at least 80 to qualify for this benefit. Eligible retirees receive basic life insurance coverage equal to 100 percent of their annual salary at retirement. The College pays 100 percent of the cost of basic life insurance for eligible retirees. The College's contribution for the period as a percent of payroll was 1.177% for retirees under age 65, 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 in accordance with GASB Statement Nos. 43 and 45. The following table illustrates the annual OPEB cost, the amount of contributions made, the increase (decrease) in the net OPEB obligation (NOO), and the NOO (funding excess) for the current year.

	Retiree Healthcare Plan	Long-Term Disability Plan *(dollars in thousands)* Healthcare	Life Insurance	Income	Retiree Life Insurance Plan	Total
Annual Required Contribution	$63	$27	$39	$20	$291	$440
Interest on NOO	27	2	0	0	37	66
Adjustment to ARC	(54)	(3)	1	1	(71)	(126)
Total Annual OPEB Cost	36	26	40	21	257	380
Contributions Made	(50)	(33)	(41)	(15)	(36)	(175)
Increase (Decrease) in NOO	(14)	(7)	(1)	6	221	205
NOO – Beginning of Year	700	43	(12)	(4)	818	1,545
NOO (Funding Excess) – End of Year	$686	$36	($13)	$2	$1,039	$1,750

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 Healthcare	Life Insurance	Income	Retiree Life Insurance Plan
Annual OPEB Cost	2011	$79	$29	$18	$20	$207
	2012	$82	$32	$18	$21	$231
	2013	$36	$26	$40	$21	$257
Percentage of AOC Contributed	2011	44.60%	85.10%	148.70%	90.90%	-16.90%
	2012	94.31%	91.20%	111.86%	82.49%	-15.96%
	2013	138.90%	126.90%	102.50%	71.40%	-14.10%
NOO (Funding Excess) – End of Year	2011	$696	$40	($9)	($8)	$624
	2012	$700	$43	($12)	($4)	$818
	2013	$686	$36	($13)	$2	$1,039

Funded Status and Funding Progress

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

Funded Status and Funding Progress
(dollars in thousands)

		Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan
			Healthcare	**Life Insurance**	**Income**	
	Actuarial Valuation Date	7/1/2012	7/1/2012	7/1/2012	7/1/2012	7/1/2012
1	Actuarial Value of Assets	$0	$0	$0	$0	$0
2	Accrued Liability (AAL)	$406	$185	$175	$105	$3,460
3	Unfunded AAL (UAAL) (2) - (1)	$406	$185	$175	$105	$3,460
4	Funded Ratios (1) : (2)	0.0%	0.0%	0.0%	0.0%	0.0%
5	Annual Covered Payroll	$19,997	$19,997	$19,997	$19,997	$19,997
6	UAAL as a Percentage of Covered Payroll (3) : (5)	2.03%	.93%	.88%	0.53%	17.30%

Actuarial Methods and Assumptions

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

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

Significant Methods and Actuarial Assumptions

	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan
		Healthcare	Life Insurance	Income	
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percentage of Payroll	Level Percentage of Payroll	Level Dollar Amount	Level Dollar Amount	Level Percentage of Payroll
Amortization Period	10 years, Closed	30 years, Open	5 years, Closed	6 years, Closed	30 years, Open
Assumptions:					
Inflation Rate	3.0%	3.0%	3.0%	3.0%	3.0%
Investment Return	3.75%	3.75%	3.75%	3.75%	3.75%
OPEB Increases	N/A	N/A	N/A	N/A	N/A
Projected Salary Increases	3.5%	3.5%	3.5%	3.5%	3.5%
Healthcare Cost Initial Trend Rate	4.9%	4.9%	N/A	N/A	N/A
Healthcare Cost Ultimate Trend Rate	5.0%	5.0%	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%
	7/1/2010	$0	$554	$554	0.0%	$18,680	2.97%
	7/1/2008	$0	$516	$516	0.0%	$18,861	2.74%
Long-Term Disability:							
Healthcare	7/1/2012	$0	$185	$185	0.0%	$19,997	.93%
	7/1/2010	$0	$201	$201	0.0%	$18,680	1.08%
	7/1/2008	$0	$238	$238	0.0%	$18,861	1.26%
Life Insurance	7/1/2012	$0	$175	$175	0.0%	$19,997	.88%
	7/1/2010	$0	$223	$223	0.0%	$18,680	1.19%
	7/1/2008	$0	$199	$199	0.0%	$18,861	1.06%
Income	7/1/2012	$0	$105	$105	0.0%	$19,997	.53%
	7/1/2010	$0	$128	$128	0.0%	$18,680	0.69%
	7/1/2008	$0	$139	$139	0.0%	$18,861	0.74%
Retiree Life Insurance	7/1/2012	$0	$3,460	$3,460	0.0%	$19,997	17.30%
	7/1/2010	$0	$2,687	$2,687	0.0%	$18,680	14.38%
	7/1/2008	$0	$2,341	$2,341	0.0%	$18,861	12.41%

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

Schedule of Employer Contributions
(dollars in thousands):

OPEB Plan	Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions	Actual Contributions as Percentage of ARC
Retiree Life Insurance	6/30/2011	$216	$35	16.20%
	6/30/2012	$244	$37	15.16%
	6/30/2013	$291	$36	12.37%

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, 2013 and 2012 were $130,042 and $124,078.

10. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

2013 Natural Classification

Functional Classification	Personnel Costs	Services	Supplies	Insurance, Utilities, and Rent	Scholarships and Fellowships	Depreciation	Miscellaneous	Operating Expense Totals
Instruction	$ 16,830,930	$ 748,199	$ 1,020,551	$ 119,676	$ 62,528	$ -	$ 216,073	$18,997,957
Research	137,451	3,763	33,019	-	-	-	23,147	197,380
Public services	2,034,431	220,855	75,072	5,094	-	-	86,849	2,422,301
Libraries	655,720	185,442	38,103	-	-	-	361	879,626
Student services	2,994,687	460,164	189,434	11,321	102,237	-	83,907	3,841,750
Plant operations	1,398,094	147,380	593,889	956,302	-	2,913,163	998	6,009,826
Institutional support	3,367,810	533,435	465,339	154,223	-	-	176,456	4,697,263
Academic support	2,078,716	628,441	300,745	84	-	-	6,142	3,014,128
Scholarships and fellowships	141,134	180	-	-	3,034,840	-	46,826	3,222,980
Auxiliaries	1,790,900	872,979	1,290,375	202,548	467,362	-	195,338	4,819,502
Total expenses:	$ 31,429,873	$ 3,800,838	$ 4,006,527	$ 1,449,248	$ 3,666,967	$ 2,913,163	$ 836,097	$ 48,102,713

2012 Natural Classification

Functional Classification	Personnel Costs	Services	Supplies	Insurance, Utilities, and Rent	Scholarships and Fellowships	Depreciation	Miscellaneous	Operating Expense Totals
Instruction	$ 15,958,252	$ 841,950	$ 1,164,251	$ 110,715	$ 46,397	$ -	$ 257,097	$ 18,378,662
Research	128,897	2,869	12,916	-	-	-	14,060	158,742
Public services	2,030,102	203,743	85,278	3,572	-	-	134,408	2,457,103
Libraries	612,484	180,003	15,730	-	-	-	280	808,497
Student services	2,847,932	424,280	196,374	7,512	56,816	-	76,372	3,609,286
Plant operations	1,295,113	208,680	450,941	984,011	-	2,426,169	35,880	5,400,794
Institutional support	2,944,478	519,980	436,546	145,831	-	-	268,506	4,315,341
Academic support	1,750,163	469,585	253,945	-	1,000	-	6,372	2,481,065
Scholarships and fellowships	147,504	180	-	-	3,517,607	-	54,599	3,719,890
Auxiliaries	1,685,180	836,248	1,086,940	192,578	401,617	-	252,189	4,454,752
Total expenses:	$ 29,400,105	$ 3,687,518	$ 3,702,921	$ 1,444,219	$ 4,023,437	$ 2,426,169	$ 1,099,763	$ 45,784,132

11. RELATED PARTIES TRANSACTIONS

In fiscal year 2004 the College began constructing a new Student Activity Center (the "facility"). With an estimated cost of approximately $15,000,000, this project was completed in fiscal year 2006. The Idaho State Building Authority (the "ISBA"), with approval from the Idaho State Legislature, issued $10,018,000 of tax exempt bonds to finance the project and 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 that 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, 2013 and 2012 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.

12. 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.

13. RISK MANAGEMENT

The College participates in the State of Idaho Risk Management Program, which manages property and general liability risk. The program provides liability protection up to the Idaho Tort Claims Act maximum of $500,000 for each occurrence. Property damage claims are covered up to $250,000 per occurrence annually. The State of Idaho purchases commercial insurance for claims not self-insured by the above 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 $163,963,933. The College obtains worker's compensation coverage from the Idaho State Insurance Fund. The College's worker's compensation premiums are based on payroll amount, the College's loss experience, as well as the loss experience of the State of Idaho as a whole. This program also provides coverage for other risks of loss, including but not limited to employee bond and crime, out of state worker's compensation, business interruption, media liability and automobile physical damage insurance.

14. COMPONENT UNIT DISCLOSURE

As described in Note 1, the Lewis-Clark State College Foundation, Inc. (the "Foundation") has been determined to be a component unit of the College. The financial statements of the Foundation are presented in accordance with GASB principles. Significant accounting policies associated with the College, also described in Note 1, apply to the Foundation, when applicable. Other disclosures at June 30, 2013 are as follows:

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

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

Credit Risk of Debt Securities
The risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation is commonly expressed in terms of a credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's, and Fitch's. The ratings below use the Standard & Poor's scale and represent the debt securities held by the Foundation as of June 30, 2013:

Investment Type	Rating	Fair Value
Corporate Debt Instruments	AA	$ 58,363
Corporate Debt Instruments	A+	201,260
Corporate Debt Instruments	A	144,730
Corporate Debt Instruments	A-	33,335
Corporate Debt Instruments	BBB+	167,525
Corporate Debt Instruments	BBB	64,669
Corporate Debt Instruments	BBB-	66,900
Treasury Inflation Index	AAA	111,558
Federal Home Loan Bank	AAA	101,029
Federal Home Loan Mtg. Corporation	AAA	88,736
Federal National Mtg. Association	AAA	317,371
Total Rated Debt Securities		$ 1,355,476

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, 2013, the Foundation held debt securities with the following maturities:

Investment Type	Maturity Range	Fair Value
Corporate Debt Instruments	1 - 5 years	$ 548,113
Corporate Debt Instruments	6 - 10 years	300,227
Federal Agencies	< 1 year	101,029
Federal Agencies	1 - 5 years	406,107
Total Debt Securities		$ 1,355,476

Foreign Currency Risk

The Foundation investment policy permits the acquisition of equities denominated in foreign currencies. There is a risk that changes in exchange rates could adversely affect the fair value of these investments. To reduce this risk the investment policy limits the investment in international equities to no more than 15% of the total investment portfolio. As of June 30, 2013, the Foundation's exposure to foreign currency risk is as follows:

Security Type	Denominated Currency	Fair Value
Brazilian	Real	$ 31,122
Canadian	Canadian Dollar	29,447
Chinese	Yuan	41,754
Colombian	Colombian Peso	5,541
Danish	Krone	16,044
European	Euro	148,909
Hong Kong	Hong Kong Dollar	27,900
Indian	Rupee	6,057
Indonesian	Rupiah	2,577
Israeli	Sheqel	6,637
Japanese	Yen	69,332
Mexican	Mexican Peso	11,341
Russian	Russian Ruble	9,601
Swedish	Swedish Krona	36,470
Swiss	Franc	52,965
United Kingdom	British Pound	105,414
United States	United States Dollar	20,297
Total Foreign Equity Investments		621,408
Corporate Debt	U.S. Dollar	848,340
Federal Agencies	U.S. Dollar	507,136
Depository Certificates	U.S. Dollar	224,170
Equities and Mutual Funds	U.S. Dollar	3,735,450
Total Foundation Investments		$ 5,936,504

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

Related Party Transactions**—**Exclusive of cash held by third party investment managers, Foundation cash is deposited and withdrawn from a College bank account. The balance in this account attributable to the Foundation is reported as a receivable from the College in the amount of $568,052 and $577,127 as of June 30, 2013 and 2012, respectively.

Certain gifts and gift annuity liabilities involve contributions made to the Foundation by Foundation board members. For the years ended June 30, 2013 and 2012, gifts from these related parties approximated $182,625 and $136,610 or 24% and 23% of total contributions, respectively. Liabilities to these related parties, reflected in the *Statements of Net Position* as gift annuities payable, totaled $622,128 and $641,665 or 100% and 89% of total gift annuities payable as of June 30, 2013 and 2012, respectively.

Distributions to the College**—**During the years ended June 30, 2013 and 2012, the Foundation distributed $586,185 and $432,113, 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 2013 and 2012 the Foundation received new contributions of $759,712 and $591,320, respectively, of which the amount permanently restricted by donors was $369,606 and $97,294, respectively. The endowments of the Foundation experienced net unrealized market appreciation of $574,580 during fiscal year 2013 and net unrealized market depreciation of $8,196 during fiscal year 2012. Accumulated earnings are reported in restricted net assets, expendable. The Foundation established a spending rate of 4% of the five-year rolling average of the market value of each endowment account as of December 31st for each fiscal year. This amount may be reduced if an account has insufficient accumulated earnings to cover the payout.

Gift Annuities Payable**—**The College is the beneficiary of 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 5.7% to 10.0% for the years ended June 30, 2013 and 2012. 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, 2013, 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 27, 2013.

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

Eugene, Oregon
September 27, 2013

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Idaho State Board of Education
Lewis-Clark State College

Report on Compliance for Each 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 each of College's major federal programs for the year ended June 30, 2013. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 each of the College's major federal programs 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 each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each 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 each of its major federal programs for the year ended June 30, 2013.

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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

Eugene, Oregon
September 27, 2013

YEAR ENDED JUNE 30, 2013

Section I - Summary of Auditors' Results

Financial statements

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

Federal Awards

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
94.006	AmeriCorps
Various	Student Financial Assistance Cluster

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

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

Section III - Federal Award Findings and Questioned Costs

None.

LEWIS-CLARK STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Federal Grant/Program Title	LCSC Account Number	**Pass-Through Entity Identifying #**	**Federal CFDA Number**		**Total Expenditures**
U.S. DEPARTMENT OF AGRICULTURE:					
Direct Programs:					
RBEG-Truck Alignment - FY12	20-01-335202		10 769	$	7,495
RBEG - Computer Lab - FY13	20-01-338202		10 769		12,500
NxLevel Online Rural - FY10	20-06-935256		10 769		5,170
					25,165
Pass Through Payments from the State of Idaho:					
USDA Daycare	36-30-978901	None	10 558		5,849
Total U.S. Department of Agriculture:				$	31,014
U.S. DEPARTMENT OF LABOR:					
Pass Through Payments from the State of Idaho:					
Grow Green - FY11 (ARRA)	20-01-309210	LCSU-U2U-202	17 275	$	557
Pass Through Payments from Other:					
C3T College Success - FY12	20-01-309214	None	17 282		42,388
Physical Therapy Program - FY12	20-01-309215	None	17 282		1,190
					43,578
Total U.S. Department of Labor:				$	44,135
NATIONAL ENDOWMENT FOR THE ARTS:					
Pass Through Payments from the State of Idaho:					
ID Comm Arts - Entry Track - FY12	20-06-701228	None	45 025	$	322
ID Comm Arts - Entry Track - FY13	20-06-701234	3916ET-13	45 025		4,347
Total National Endowment for the Arts:				$	4,669
NATIONAL ENDOWMENT FOR THE HUMANITIES:					
Pass Through Payments from Other:					
Phinney's Nez Perce Texts	20-01-037219	2008064	45 129	$	498
IHC - Chinese Remembering - FY12	20-06-296207	2011061	45 129		649
IHC- Speakers Bureau - FY12	20-06-296208	2011047	45 129		100
IHC- Speakers Bureau - FY13	20-06-296211	2012056	45 129		400
IHC - H.L. Talkington - FY12	20-06-701232	2012009	45 129		2,070
IHC - Native American Awareness Week - FY13	20-08-858206	2012058	45 129		2,000
Total National Endowment for the Humanities:				$	5,717
NATIONAL SCIENCE FOUNDATION:					
Direct Programs:					
NSF - WFT - Collaborative - FY12	20-01-320285		47 076	$	59,467
Total National Science Foundation:				$	59,467
SMALL BUSINESS ADMINISTRATION:					
Pass Through Payments from the State of Idaho:					
Jobs Bill E-Commerce - FY11	20-06-935204	077G106011-B	59 037	$	8,921
ISBDC/SBA - FY12	20-06-935208	077G106058B	59 037		24,220
ISBDC/SBA - FY13	20-06-935213	077G106060B	59 037		25,264
Total Small Business Administration:				$	58,405

LEWIS-CLARK STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF EDUCATION:				
Direct Programs:				
Student Financial Assistance Cluster:				
Supplemental Education Opportunity Grant	21-21-857405		84 007	$ 82,229
Federal Workstudy Program	21-21-857402		84 033	84,627
Perkins Loan Program	40-40-860802		84 038	10,317
Pell Grant	21-21-857408		84 063	7,762,900
Direct Loan Program	21-21-857409		84 268	17,050,463
Federal Teach Grant	21-21-857414		84 379	5,640
				24,996,176
TRIO Cluster:				
TRIO Academic Services - Year 2 - FY12	20-08-851206		84 042A	83,125
TRIO Academic Services - Year 3 - FY13	20-08-851207		84 042A	259,317
TRIO Academic Services Scholarships	20-08-851210		84 042A	12,834
Clearwater Valley ETS - Year 1 - FY12	20-08-862203		84 044A	38,050
Clearwater Valley ETS - Year 2 - FY13	20-08-862204		84 044A	193,722
				587,048
Pass Through Payments from the State of Idaho:				
ABE - Federal Direct Services - FY12	20-01-318236	F-ABE-D01-12B-610	84 002A	1,715
ABE - Teacher Training - FY12	20-01-318238	F-ABE-L01-12A-610	84 002A	(29)
ABE - Incentive Funds - FY12	20-01-318241	F-ABE-L06-12B-610	84 002A	(251)
ABE - Bridge Project - FY12	20-01-318245	F-ABE-L10-12A-610	84 002A	(170)
DOC - Special Education - FY13	20-01-318248	None	84 002A	57,262
ABE - Federal Direct Services - FY13	20-01-318250	F-ABE-D01-13A-610	84 002A	161,573
ABE - Leadership - OVAE & Content Training- FY13	20-01-318252	F-ABE-L01-13B-610	84 002A	9,337
ABE - Federal Administration -FY13	20-01-318253	F-ABE-D02-13B-610	84 002A	581
ABE - Leadership - Technology Integration - FY13	20-01-318254	F-ABE-L03-13C-610	84 002A	8,688
ABE - Leadership - Applied Learning - FY13	20-01-318255	F-ABE-L01-13A-610	84 002A	4,728
ABE - Leadership - Bridge Project - FY13	20-01-318256	F-ABE-L10-13D-610	84 002A	19,241
				262,675
DOC - Title I - FY13	20-01-318247	None	84 013	14,670
Tech Prep - Adv Learning Partnership - FY12	20-01-301202	RFF-C16-12A-610	84 048A	322
Tech Prep - Adv Learning Partnership - FY13	20-01-301205	RFF-C16-13A-610	84 048A	83,969
Counseling for Prof-Tech Students - FY13	20-01-301206	SFF-A08-13A-610C	84 048A	8,765
Prof-Tech Education Center - FY12	20-01-309212	PFF-B09-12A-610	84 048A	6,865
Career Pioneer Symposium - FY12	20-01-309217	None	84 048A	686
Career Pioneer Project - FY13	20-01-309219	None	84 048A	6,172
Prof-Tech Education Center - FY13	20-01-309220	PFF-B09-13A-610	84 048A	172,633
				279,412
DOC - Incarcerated Individuals - FY12	20-01-318243	None	84 331	809
SBOE Dual Credit Scholarships - FY12	20-01-269201	None	84 378A	1,849
SBOE Near to Peer - FY13	20-01-285201	None	84 378A	74,011
SBOE Dual Credit Scholarships - FY13	20-01-296210	None	84 378A	19,240
CND - Career Pioneer - Expand Horizons - FY13	20-01-309222	None	84 378A	1,016
ETS College Access Challenge - FY12	20-08-862208	None	84 378A	385
				96,501
Pass Through Payments from Other:				
TESLA Program - Year 2 - FY12	20-01-102264	09MSP13	84 366	226
TESLA Program - Year 3 - FY13	20-01-102265	09MSP13	84 366	42,599
				42,825
Total U.S. Department of Education:				$ 26,280,116

LEWIS-CLARK STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:					
Direct Programs:					
Nurse Scholar - HRSA - FY11	20-01-187220		93 888	$	6,377
Pass Through Payments from the State of Idaho:					
INBRE Renewal - Year 4 - FY12	20-04-035229	CWK400-SB-003	93 389		86,728
INBRE Renewal - Year 5 - FY13	20-04-035230	CWK500-SB-003	93 389		14,489
					101,217
Child Welfare Scholars Scholarships	20-01-039208	KC243300	93 558		(18,886)
IV-E Scholars Program - FY13	20-01-039221	KC243300 Amendment 2	93 558		6,392
					(12,494)
Child Welfare Scholars Scholarships	20-01-039208	KC243300	93 658		52,380
IV-E Scholars Program - FY12	20-01-039220	KC243300 Amendment 1	93 658		102
IV-E Scholars Program - FY13	20-01-039221	KC243300 Amendment 2	93 658		59,982
					112,464
Child Welfare Scholars Scholarships	20-01-039208	KC243300	93 667		(8,716)
IV-E Scholars Program - FY13	20-01-039221	KC243300 Amendment 2	93 667		2,476
					(6,240)
Child Welfare Scholars Scholarships	20-01-039208	KC243300	93 778		(168)
IV-E Scholars Program - FY13	20-01-039221	KC243300 Amendment 2	93 778		49
					(119)
H&W Minor in Prevention - FY13	20-01-102260	BC015100	93 959		5,000
Total U.S. Department of Health & Human Services:				$	206,205
CORPORATION FOR NATIONAL SERVICE:					
Pass Through Payments from the State of Idaho:					
AmeriCorps - Year 2 - FY12	20-06-935205	10ACHID0010001	94 006	$	166,428
AmeriCorps - Year 3 - FY13	20-06-935212	10ACHID0010001	94 006		1,098,277
Total Corporation for National Service:				$	1,264,705
TOTAL FEDERAL EXPENDITURES:				$	27,954,433

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, 2013

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 in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, Cost Principles for Educational Institutions. Wherein certain types of expenditures are not allowable or are limited as to reimbursement, negative amounts shown in the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior periods. Pass through 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	$ 582,049
Federal Nursing Loan	93.364	$ 134,244

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, 2013 are identified below:

Loan Program	CFDA Number	Loan Disbursements
Federal Perkins	84.038	$ 100,000
Federal Nursing Loan	93.364	$ 50,000

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.