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

Lewis-Clark
STATE
COLLEGE

June 30, 2014 and 2013

LEWIS-CLARK STATE COLLEGE

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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, 2014 and 2013, 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.

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, 2014 and 2013, 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 on pages 31 and 32 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.

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 29, 2014, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Moss Adams LLP

Eugene, Oregon
September 29, 2014

LEWIS-CLARK STATE COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Overview of the Financial Statements and Financial Analysis

The financial statements for fiscal years ended June 30, 2014 and June 30, 2013 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

	2014	2013	2012
ASSETS:			
Current assets	$ 36,554,453	$ 33,664,206	$ 29,781,077
Capital assets, net	47,520,246	46,696,436	47,458,813
Other assets	3,262,432	3,086,641	3,263,157
Total assets	87,337,131	83,447,283	80,503,047
LIABILITIES:			
Current liabilities	6,325,969	6,131,520	6,619,383
Noncurrent liabilities	5,034,780	6,211,939	6,894,745
Total liabilities	11,360,749	12,343,459	13,514,128
NET POSITION:			
Net investment in capital assets	46,192,648	44,002,266	43,966,416
Restricted – nonexpendable	-	-	-
Restricted – expendable	951,772	1,001,909	1,130,410
Unrestricted	28,831,962	26,099,649	21,892,093
Total net position	75,976,382	71,103,824	66,988,919
Total liabilities and net position	$ 87,337,131	$ 83,447,283	$ 80,503,047

Total assets of the College increased $3,889,848 in fiscal year 2014, an increase of 4.7% over 2013. The primary components of the increase are Cash and cash equivalents and Cash with treasurer, up $3,115,817, and Capital assets, up $823,810.

Total liabilities at June 30, 2014, as compared to June 30, 2013, decreased by $982,710 or 7.9%. This decline is due to a reduction in Notes payable of 1,366,572, offset in part by increases salary and benefit-related liabilities.

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.

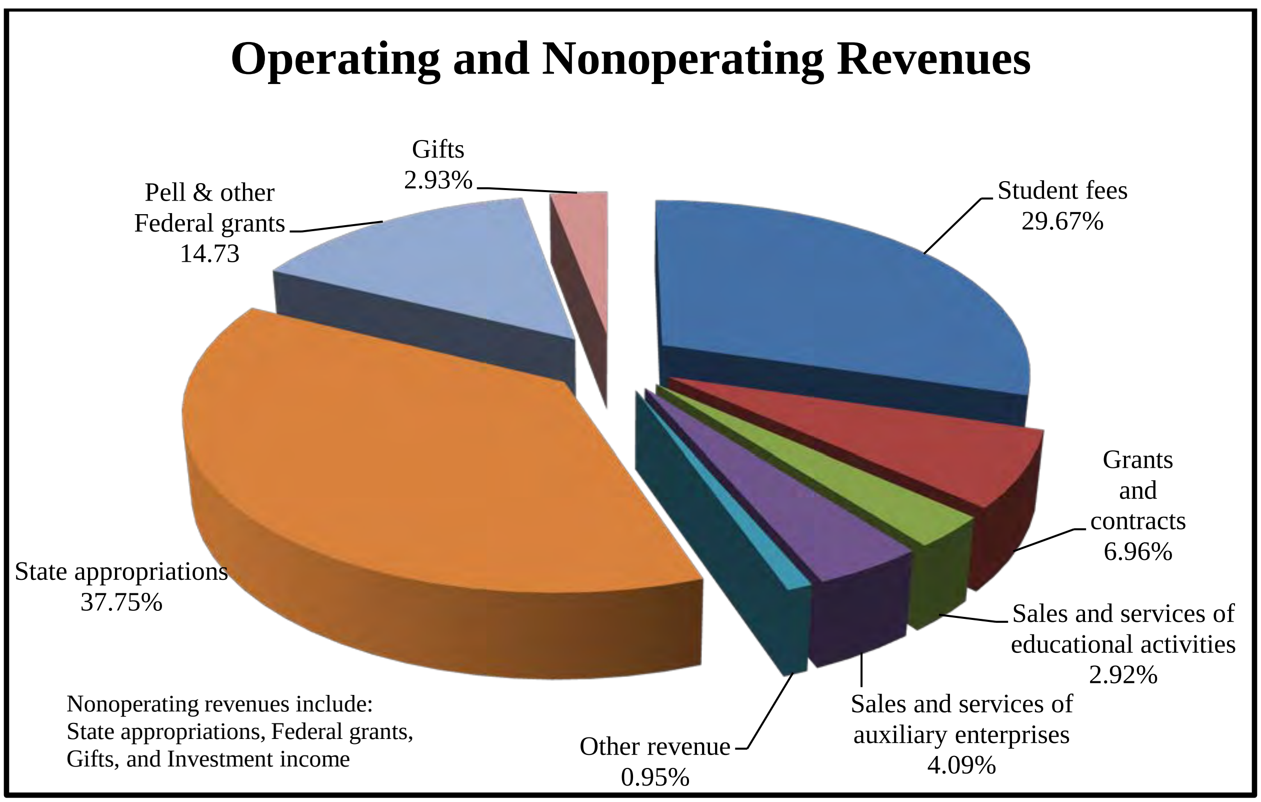
Generally speaking, operating revenues are earned in return for providing goods and services to the various customers and constituents of the College. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry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

	2014	2013	2012
Operating revenues	$ 22,098,736	$ 23,591,722	$ 23,581,960
Operating expenses	47,593,411	48,102,713	45,784,132
Operating loss	(25,494,675)	(24,510,991)	(22,202,172)
Nonoperating revenues and expenses, net	27,471,640	26,912,522	25,721,542
Income before other revenues and expenses	1,976,965	2,401,531	3,519,370
Other revenues, net	2,895,593	1,713,374	1,886,388
Increase in net position	4,872,558	4,114,905	5,405,758
Net position--Beginning of year	71,103,824	66,988,919	61,583,161
Net position--End of year	$ 75,976,382	$ 71,103,824	$ 66,988,919

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, 2014.



Total operating revenues for fiscal year 2014 decreased $1,492,986 or 6.3%. This decrease is the result of significant reductions in grant and contract funding, down $1,142,750, and a $523,186 decline in other income, much of it grant-related Americorps site matching funds.

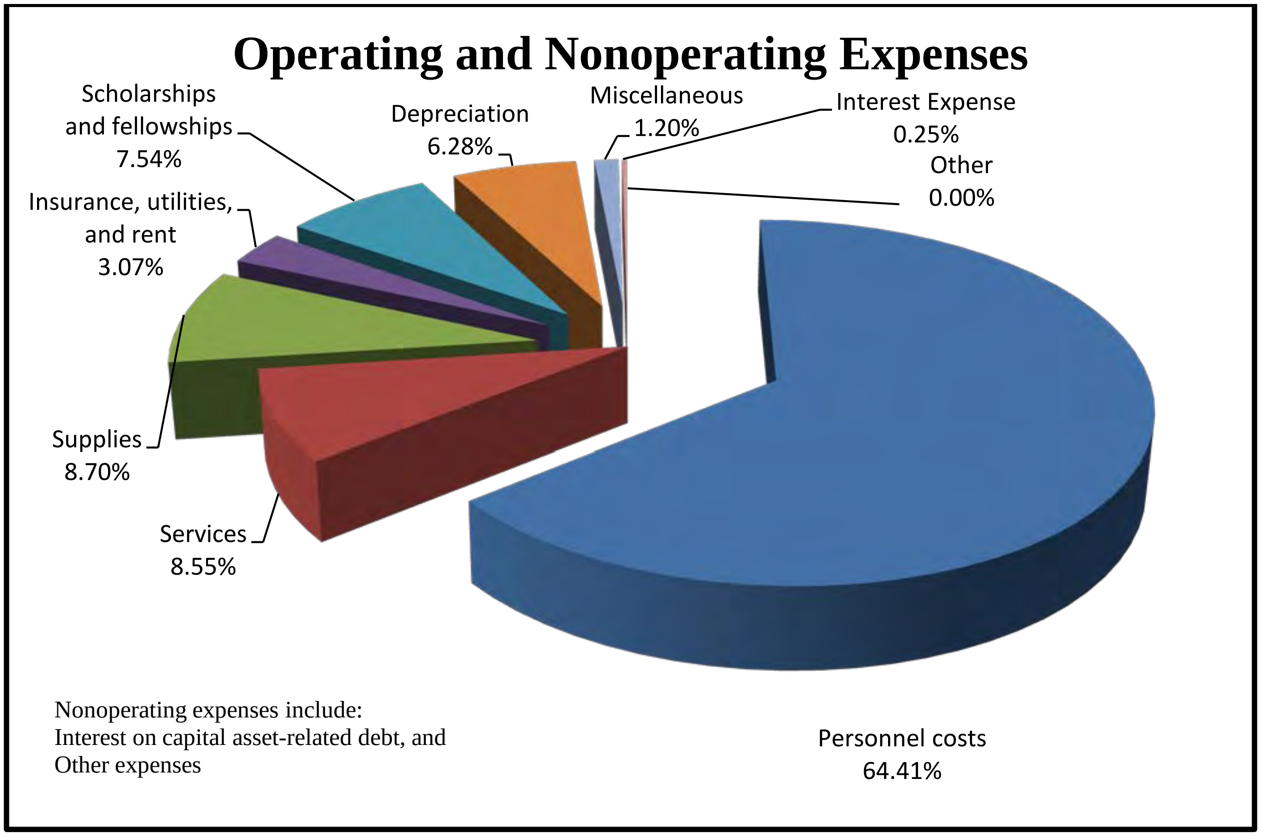
Nonoperating revenues and expenses, net, increased $559,118 or 2.0% in fiscal year 2014. This increase reflects the net effect of a 4.4% rise in State appropriations of ($781,437), a decline in Pell and other federal grant revenues of 6.8% ($537,144), and a decline in other expenses of $378,210.

Expenses

Following is a comparative summary of the College's expenses for the years ended June 30, 2014, 2013 and 2012.

	2014	2013	2012
OPERATING EXPENSES:			
Personnel costs	$ 30,733,201	$ 31,429,873	$ 29,400,105
Services	4,079,148	3,800,838	3,687,518
Supplies	4,153,276	4,006,527	3,702,921
Insurance, utilities, and rent	1,463,311	1,449,248	1,444,219
Scholarships and fellowships	3,596,791	3,666,967	4,023,437
Depreciation	2,994,612	2,913,163	2,426,169
Miscellaneous	573,072	836,097	1,099,763
Total operating expenses	47,593,411	48,102,713	45,784,132
NONOPERATING EXPENSES:			
Interest on capital asset related debt	117,752	170,994	291,284
Other	528	378,210	267,558
Total nonoperating expenses	118,280	549,204	558,842
TOTAL EXPENSES	$ 47,711,691	$ 48,651,917	$ 46,342,974

The following is a graphic depiction of total expenses by natural classification for the year ended June 30, 2014.



Total operating expenses decreased $509,302 in fiscal year 2014, or 1.1%. This decline reflects a $696,672 (2.20%) reduction in personnel costs. This reduction is primarily due to a large decrease in Americorps funding in FY 2014, for which wages are the predominant use of funds.

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

	2014	2013	2012
CASH PROVIDED BY (USED IN):			
Operating activities	(22,067,182)	(21,962,275)	$ (20,081,137)
Noncapital financing activities	27,607,918	27,472,949	26,334,894
Capital and related financing activities	(2,481,384)	(1,819,620)	(1,623,968)
Investing activities	56,465	41,074	37,078
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,115,817	3,732,128	4,666,867
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	32,406,008	28,673,880	24,007,013
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 35,521,825	$ 32,406,008	$ 28,673,880

Overall, cash increased by $3,115,817 for the year ended June 30, 2014.

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 2014, these two revenue (and cash) sources totaled $26.1 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 as of June 30, 2014 is 2.35%. 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 national economic picture is cloudy, with published forecasts and analyses encouraging caution with regard to economic growth. Positive signs do include an improving national unemployment rate (from 8.2% in June 2012 to 6.1% in June, 2014) and a dip in the expected federal deficit for 2014. For the State of Idaho, fiscal 2014 ended in June with total revenues of 2.815 billion, its third straight year of revenue growth. The Idaho Division of Financial Management forecast for FY 2015 has been set at 2.970 billion, a 5.5% increase from 2014's actual. The state unemployment rate stood at 4.7% in June, 2014, down from 6.4% in June, 2013.

Lewis-Clark State College's combined base general education and professional-technical funding for fiscal year 2015 will increase by $824,000, a 4.4% increase. Additionally, a tuition increase of 2% for fiscal year 2015 was approved by the State Board of Education. Enrollment is not expected to fluctuate significantly for fiscal year 2015, thus overall tuition and fee revenue should remain stable for the fiscal year.

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, 2014 and 2013

	LCSC		Component Unit	
ASSETS	**2014**	**2013**	**2014**	**2013**
CURRENT ASSETS:				
Cash and cash equivalents	$ 17,713,214	$ 17,457,519	$ 225,441	$ 77,372
Cash with treasurer	17,808,611	14,948,489	-	-
Accounts receivable and unbilled charges	756,355	847,737	-	-
Due from Lewis-Clark State College		-	643,704	568,052
Assets held for sale		-	57,000	57,000
Due from state agencies	188,981	189,452	-	-
Pledges receivable	-	11,375	63,500	7,610
Student loan receivables	77,000	201,000		
Prepaid expenses	10,292	8,634		
Other assets	-	-	636	636
Total current assets	36,554,453	33,664,206	990,281	710,670
NONCURRENT ASSETS:				
Student loan receivables, less allowance for doubtful loans of $63,000 and $53,000 for 2014 and 2013	645,084	462,293	-	-
Investments		-	7,023,394	5,936,504
Pledges receivable	-	-	-	-
Net other post employment benefit excess funding	4,000	11,000	-	-
Investment in capital assets	2,613,348	2,613,348	-	-
Capital assets, net	47,520,246	46,696,436	-	-
Total noncurrent assets	50,782,678	49,783,077	7,023,394	5,936,504
TOTAL ASSETS	**$ 87,337,131**	**$ 83,447,283**	**$ 8,013,675**	**$ 6,647,174**

See notes to financial statements.

(Continued)

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF NET POSITION
JUNE 30, 2014 and 2013

LIABILITIES	LCSC 2014	LCSC 2013	Component Unit 2014	Component Unit 2013
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	$ 374,018	$ 287,681	$ -	$ -
Accrued salaries and benefits payable	2,547,523	2,397,924	-	-
Compensated absences payable	720,799	685,298	-	-
Due to component unit	643,704	568,052	-	-
Due to State of Idaho	46,973	53,118	-	-
Unearned revenue	897,905	1,075,187	-	-
Amounts held in trust for others	200,460	195,260	-	-
Gift annuities payable	-	-	19,608	28,046
Notes payable	894,587	869,000	-	-
Total current liabilities	6,325,969	6,131,520	19,608	28,046
NONCURRENT LIABILITIES:				
Gift annuities payable	-	-	569,807	594,082
Net other post employment benefit obligations	1,976,000	1,761,000	-	-
Notes payable	3,058,780	4,450,939	-	-
Total noncurrent liabilities	5,034,780	6,211,939	569,807	594,082
TOTAL LIABILITIES	11,360,749	12,343,459	589,415	622,128
NET POSITION				
Net investment in capital assets	46,192,648	44,002,266	-	-
Restricted for:				
Nonexpendable	-	-	3,967,515	3,651,282
Expendable	951,772	1,001,909	2,764,956	1,824,784
Unrestricted	28,831,962	26,099,649	691,789	548,980
TOTAL NET POSITION	75,976,382	71,103,824	7,424,260	6,025,046
TOTAL LIABILITIES AND NET POSITION	**$ 87,337,131**	**$ 83,447,283**	**$ 8,013,675**	**$ 6,647,174**

See notes to financial statements.

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2014 and 2013

	LCSC		Component Unit	
	2014	2013	2014	2013
OPERATING REVENUES:				
Student tuition and fees	$ 19,800,212	$ 20,148,146	$ -	$ -
Student fees pledged for debt	1,108,020	1,061,783	-	-
Less Scholarship Discounts and Allowances	(6,167,000)	(6,531,000)	-	-
Net tuition and fees	14,741,232	14,678,929	-	-
Federal grants and contracts	694,720	755,189	-	-
State and local grants and contracts	2,397,801	3,177,058	-	-
Private grants and contracts	365,164	668,188	-	-
Sales and services of educational activities (including revenues of $81,301 and $100,778 pledged for debt in 2014 and 2013, respectively)	1,449,164	1,502,166	-	-
Sales and services of auxiliary enterprises (including revenues of $468,592 and $441,249 pledged for debt in 2014 and 2013, respectively)	2,033,574	1,869,925	-	-
Gifts	-	-	769,549	759,712
Other	417,081	940,267	-	6,167
Total operating revenues	22,098,736	23,591,722	769,549	765,879
OPERATING EXPENSES:				
Personnel costs	30,733,201	31,429,873	-	-
Services	4,079,148	3,975,083	-	-
Supplies	4,153,276	4,006,527	-	-
Insurance, utilities, and rent	1,463,311	1,449,248	-	-
Scholarships and fellowships	3,596,791	3,666,967	-	-
Depreciation	2,994,612	2,913,163	-	-
Miscellaneous	573,072	661,852	81,445	82,517
Total operating expenses	47,593,411	48,102,713	81,445	82,517
OPERATING (LOSS) GAIN	(25,494,675)	(24,510,991)	688,104	683,362
NONOPERATING REVENUES (EXPENSES):				
State appropriations	18,755,190	17,973,753	-	-
Pell and other federal grants	7,321,120	7,858,264	-	-
Gifts (including $510,115 and $586,185 from the Foundation for 2014 and 2013, respectively)	1,457,145	1,588,635	-	-
Net investment income	56,465	41,074	1,186,732	575,711
Interest on capital asset related debt	(117,752)	(170,994)	-	-
Distributions to the College	-	-	(510,115)	(586,185)
Other	(528)	(378,210)	34,493	99,148
Net nonoperating revenues (expenses)	27,471,640	26,912,522	711,110	88,674
INCOME BEFORE OTHER REVENUES	1,976,965	2,401,531	1,399,214	772,036
OTHER REVENUES:				
Capital appropriations	2,821,889	1,704,874	-	-
Capital grants and gifts	73,704	8,500	-	-
Total other revenues	2,895,593	1,713,374	-	-
INCREASE IN NET POSITION	4,872,558	4,114,905	1,399,214	772,036
NET POSITION---BEGINNING OF YEAR	71,103,824	66,988,919	6,025,046	5,253,010
NET POSITION---END OF YEAR	$ 75,976,382	$ 71,103,824	$ 7,424,260	$ 6,025,046

See notes to financial statements.

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 and 2013

	LCSC		Component Unit	
	2014	2013	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:				
Student fees	$ 13,648,238	$ 13,665,575	$ -	$ -
Student fees pledged for debt	1,108,020	1,061,783		-
Grants and contracts	3,408,236	3,929,340		-
Sales and services of educational activities	1,449,164	1,502,166		-
Sales and services of auxiliary enterprises	2,033,574	1,869,925		-
Donations received	-	-	238,284	194,239
Payments to employees	(30,326,101)	(31,289,285)		-
Payments to suppliers	(3,977,980)	(3,982,396)		-
Other payments	(6,162,512)	(6,372,471)	(75,304)	(100,499)
Payments for scholarships and fellowships	(3,596,792)	(3,338,261)		-
Loans issued to students	(169,408)	(150,000)		-
Collection of loans from students	101,298	201,083	-	-
Other receipts	417,081	940,266	-	-
Net cash provided (used) by operating activities	(22,067,182)	(21,962,275)	162,980	93,740
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State appropriations	18,755,662	17,963,554	-	-
Federal grants	7,322,004	7,936,338	-	-
Gifts	1,459,074	1,606,547	-	-
Agency account receipts	1,321,021	1,196,953	-	-
Agency account payments	(1,243,698)	(1,204,539)	-	-
Student loan receipts	16,840,909	17,682,375	-	-
Student loan payments	(16,840,909)	(17,682,375)	-	-
Higher Education Stabilization Fund	(6,145)	(25,904)	-	-
Distributions to the College	-	-	(206,676)	(97,481)
Net cash provided (used) by noncapital financing activities	27,607,918	27,472,949	(206,676)	(97,481)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital grants and gifts	73,704	8,500	-	-
Purchase of capital assets	(1,070,763)	(871,320)	-	-
Principal paid on capital debt	(1,366,572)	(785,806)	-	-
Interest paid on capital debt	(117,753)	(170,994)	-	-
Proceeds from sale of investments	-	-	-	-
Net cash used in capital and related financing activities	(2,481,384)	(1,819,620)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	56,465	41,074	24	39
Purchase of investments	-	-	(6,664,239)	(89,702)
Proceeds from sale of investments	-	-	6,855,980	60,000
Net cash provided (used) by investing activities	56,465	41,074	191,765	(29,663)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,115,817	3,732,128	148,069	(33,404)
CASH AND CASH EQUIVALENTS---BEGINNING OF THE YEAR	32,406,008	28,673,880	77,372	110,776
CASH AND CASH EQUIVALENTS---END OF THE YEAR	$ 35,521,825	$ 32,406,008	$ 225,441	$ 77,372

See notes to financial statements.

(Continued)

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 and 2013

RECONCILIATION OF NET OPERATING (LOSS) GAIN TO NET CASH AND CASH EQUIVALENTS PROVIDED (USED) BY OPERATING ACTIVITIES:	LCSC 2014	LCSC 2013	Component Unit 2014	Component Unit 2013
Operating (Loss) Gain	$ (25,494,675)	$ (24,510,991)	$ 688,104	$ 683,362
Adjustments to reconcile operating (loss) gain to net cash used in operating activities:				
Noncash donations	-	-	(531,265)	(578,585)
Other noncash receipts	-	-	-	(6,167)
Other noncash payments	-	-	6,141	(17,982)
Depreciation expense	2,994,612	2,913,163	-	-
Effect on cash from changes in operating assets and liabilities:	-	-	-	-
Receivables, net	94,394	(62,090)	-	-
Due from Lewis-Clark State College	-	-	-	13,112
Prepaid expenses and deferred costs	(1,659)	1,303	-	-
Net other post employment benefit excess funding	7,000	6,000	-	-
Accounts payable and accrued liabilities	86,338	47,949	-	-
Accrued salaries and benefits payable	149,599	76,994	-	-
Compensated absences payable	35,501	(141,406)	-	-
Net other post employment benefit obligations	215,000	199,000	-	-
Gift annuities payable	-	-	-	-
Amounts held in trust for others	80,851	(4,964)	-	-
Unearned revenue	(175,353)	(560,749)	-	-
Loans to students	(58,790)	73,516	-	-
Net cash provided (used) by operating activities	$ (22,067,182)	$ (21,962,275)	$ 162,980	$ 93,740
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:				
Capital assets acquired through Dept. of Public Works' appropriations	$ 2,821,889	$ 1,704,874		
Capital assets aquired through in-kind contribution	$ -	$ 8,500		

See notes to financial statements.

LEWIS-CLARK STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Statement Presentation**—** The College has presented its financial statements in accordance with all Governmental Accounting Standards Board ("GASB") Statements that are effective as of June 30, 2014. 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 non-exchange transactions, such as gifts and capital contributions, Federal financial aid grants, and other revenue resources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, such as state appropriations and investment income.

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

Use of Accounting Estimates**—**The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to 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 June, 2012, the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions". This Statement will require, for employer and governmental non-employer 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, 2014 and 2013, Cash and cash equivalents consisted of the following:

	2014	**2013**
Cash on hand	$ 27,630	$ 16,260
FDIC insured financial institution deposits	3,568,944	4,387,517
Uninsured financial institution deposits	9,848,784	2,049,027
State of Idaho LGIP deposits	4,267,856	11,004,715
Total Cash and cash equivalents	$17,713,214	$17,457,519

As of June 30, 2014 and 2013, $9,848,784 and $2,049,027 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, 2014 and 2013, 76% and 63% 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 109 days and 102 days as of June 30, 2014 and 2013 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:

	2014	2013
Student fees	$ 218,057	$ 169,981
Federal, state and nongovernmental grants and contracts	514,780	666,509
Other receivables	2,044	1,739
Investment income	8,553	2,494
Educational departments	6,837	1,459
Funds held in custody for others	6,084	5,555
	$ 756,355	$ 847,737

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, 2014 and 2013.

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 $415,000 and $390,000 as of June 30, 2014 and 2013, 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:

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

	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

5. CAPITAL ASSETS — NET

Following are the changes in capital assets, for the years ended June 30, 2014 and 2013:

	Balance at June 30, 2013	Additions	Retirements	Balance at June 30, 2014
Capital assets not being depreciated:				
Land	$ 3,119,732	$ -	$ -	$ 3,119,732
Capitalized collections	15,000		-	15,000
Construction in progress	-	71,315		71,315
Total capital assets not being depreciated	$ 3,134,732	$ 71,315	$ -	$ 3,206,047
Other capital assets:				
Buildings and improvements	$ 60,257,000	$ 2,994,179	$ -	$ 63,251,179
Furniture, fixtures and equipment	8,296,745	536,054	(101,181)	8,731,618
Library materials	6,329,197	217,400	(224.858)	6,321,739
Total other capital assets	74,882,942	3,747,633	(326,039)	78,304,536

Less accumulated depreciation:				
Buildings and improvements	(21,385,133)	(1,544,288)	-	(22,929,421)
Furniture, fixtures and equipment	(4,802,871)	(1,176,721)	100,654	(5,878,938)
Library materials	(5,133,234)	(273,603)	224,859	(5,181,978)
Total accumulated depreciation	(31,321,238)	(2,994,612)	325,513	(33,990,337)
Other capital assets net of accumulated depreciation	$ 43,561,704	$ 753,021	$ (526)	$ 44,314,199
Capital assets summary:				
Capital assets not being depreciated	$ 3,134,732	$ 71,315	$ -	$ 3,206,047
Other capital assets at cost	74,882,942	3,747,633	(326,039)	78,304,536
Total cost of capital assets	78,017,674	3,818,948	(326,039)	81,510,583
Less accumulated depreciation	(31,321,238)	(2,994,612)	325,513	(33,990,337)
Capital assets, net	$ 46,696,436	$ 824,336	$ (526)	$ 47,520,246

	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

The estimated cost to complete property authorized or under construction at June 30, 2014 is $3,659,723. 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, 2014 and 2013.

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, 2014 and 2013.

6. LONG-TERM LIABILITIES

Following are the changes in long-term debt for the years ended June 30, 2014 and 2013:

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

	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

7. NOTES PAYABLE

Notes payable at June 30, 2014 and 2013 consisted of the following:

	Balance Outstanding	
	2014	**2013**
Facilities Refinancing Promissory Note (original issuance of $4,685,000), issued to provide for the refunding of certain outstanding obligations, due in monthly installments of $28,782 based upon a 10 year amortization, including interest at 2.282%, through April, 2018, collateralized by a pledge of certain student housing fees. Renewable at the option of the lender. Unless renewed, a balloon payment will be due in 2018.	$ 2,506,505	$ 3,034,611
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.	1,446,862	2,285,328
Total notes payable	$ 3,953,367	$ 5,319,939

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

	Notes	
	Principal	**Interest**
2015	$ 894,587	$ 83,416
2016	916,505	61,287
2017	529,715	41,712
2018	1,612,560	28,645
	$ 3,953,367	$ 215,060

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, 2014:

	Student Union Promissory Note	**Facilities Refinancing Note**	**Total**
Pledged revenues:			
Student Fees	$ 1,108,020	$ -	$ 1,108,020
Housing Fees	-	468,592	468,592
Other	81,301	-	81,301
Total pledged revenues	$ 1,189,321	$ 468,592	$ 1,657,913

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:

	2014	2013
Federal student loan programs	$ 792,516	$ 833,843
Institutional student loan programs	139,941	137,260
Capital projects	-	11,375
Grants and contracts	19,315	19,431
	$ 951,772	$ 1,001,909

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 years ended June 30, 2014 and 2013, the required contribution rate for general employees was 11.32% and 6.79%, and 10.39% and 6.23%, of covered payroll for the College and its employees, respectively. The College’s contributions required and paid were $618,773, $607,909, and $598,976, for the three years ended June 30, 2014, 2013, and 2012, 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, 2014 and 2013 was $2,295,464 and $2,308,825, respectively, which consisted of $1,315,127 and $1,322,775, respectively, from the College and $980,337 and $986,050, respectively, from employees. For both 2014 and 2013, these contributions represented approximately 9.27% 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, 2014 and 2013, this supplemental funding payment made to PERSI was $209,528 and $210,794 or 1.49% of the covered payroll, respectively. These amounts are not included in the regular College PERSI contribution discussed previously.

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

401(k) - PERSI Choice Plan (PCP}:
This is only available to active PERSI members. The Choice Plan contains employee gain sharing distributions, any voluntary employee contributions made, and the earnings on those funds.

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

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

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

Supplemental Employee Funded Plan	Participants at June 30, 2014	Approximate Annual Contributions
401(k) PERSI Choice	39	129,541
457(b) Deferred Compensation	7	29,780
457(b) State of Idaho Roth	1	318
403(b)	59	359,659

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 $14.04 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 continuous weeks of total disability or exhaustion of accrued sick leave must be met.

For up to 30 months following the date of disability, an employee may continue healthcare coverage under the State plan. The College pays 100 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 was charged $8.48 per active employee per month in fiscal year 2014.

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, employment rehabilitation earnings, and certain retirement benefits. The State is self-insured for employees who became disabled prior to July 1, 2003; the State pays 100 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 income benefits has been effectively transferred. The College pays 100 percent of the cost of the premiums. The College's contribution rate for the period was 0.264 percent of payroll in fiscal year 2014. 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 State is self-insured for employees who became disabled prior to July 1, 2012; the State pays 100 percent of the premiums; the contribution is actuarially determined based on actual claims experience.

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

Retiree Life Insurance Plan

This plan provides basic life insurance for certified retired employees. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at least 80 to qualify for this benefit. Eligible retirees receive basic life insurance coverage equal to 100 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. The following table illustrates the annual OPEB cost, the amount of contributions made, the increase (decrease) in the net OPEB obligation (NOO), and the NOO (funding excess) for the current year.

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

	Retiree Healthcare Plan	Long-Term Disability Plan: Healthcare	Long-Term Disability Plan: Life Insurance	Long-Term Disability Plan: Income	Retiree Life Insurance Plan
Annual Required Contribution	$56	$29	$39	$21	$317
Interest on NOO	28	1	(1)	0	46
Adjustment to ARC	(52)	(3)	1	0	(87)
Total Annual OPEB Cost	32	27	39	21	276
Contributions Made	(48)	(38)	(30)	(14)	(43)
Increase (Decrease) in NOO	(16)	(11)	9	7	233
NOO – Beginning of Year	686	36	(13)	2	1,039
NOO (Funding Excess) – End of Year	$670	$25	($4)	$9	$1,272

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	Long-Term Disability Plan: Life Insurance	Long-Term Disability Plan: Income	Retiree Life Insurance Plan
Annual OPEB Cost	2012	$82	$32	$18	$21	$231
	2013	$36	$26	$40	$21	$257
	2014	$32	$27	$39	$21	$276
Percentage of AOC Contributed	2012	94.31%	91.20%	111.86%	82.49%	-15.96%
	2013	138.90%	126.92%	102.50%	71.43%	-14.10%
	2014	150.00%	140.74%	76.92%	66.67%	-15.58%
NOO (Funding Excess) – End of Year	2012	$700	$43	($12)	($4)	$818
	2013	$686	$36	($13)	$2	$1,039
	2014	$670	$25	($4)	$9	$1,272

Funded Status and Funding Progress

The following table illustrates the funded status and the funding progress for Lewis-Clark State College as of June 30, 2014:

Funded Status and Funding Progress
(dollars in thousands)

		Retiree Healthcare Plan	Long-Term Disability Plan: Healthcare	Long-Term Disability Plan: Life Insurance	Long-Term Disability Plan: Income	Retiree Life Insurance Plan
	Actuarial Valuation Date	7/1/2013	7/1/2013	7/1/2013	7/1/2013	7/1/2013
1	Actuarial Value of Assets	$0	$0	$0	$0	$0
2	Accrued Liability (AAL)	$402	$183	$143	$93	$3,857
3	Unfunded AAL (UAAL) (2) - (1)	$402	$183	$143	$93	$3,857
4	Funded Ratios (1) : (2)	0.0%	0.0%	0.0%	0.0%	0.0%
5	Annual Covered Payroll	$19,540	$19,540	$19,540	$19,540	$19,540
6	UAAL as a Percentage of Covered Payroll (3) : (5)	2.06%	.94%	.73%	0.48%	19.74%

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: Healthcare	Long-Term Disability Plan: Life Insurance	Long-Term Disability Plan: Income	Retiree Life Insurance Plan
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	13 years, Closed	30 years, Open	4 years, Closed	5 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	8.4%	8.4%	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	7/1/2011	$0	$601	$601	0.0%	$19,100	3.15%
	7/1/2012	$0	$406	$406	0.0%	$19,997	2.03%
	7/1/2013	$0	$402	$402	0.0%	$19,540	2.06%
Long-Term Disability:							
Healthcare	7/1/2011	$0	$215	$215	0.0%	$19,100	1.13%
	7/1/2012	$0	$185	$185	0.0%	$19,997	.93%
	7/1/2013	$0	$183	$183	0.0%	$19,540	.94%
Life Insurance	7/1/2011	$0	$224	$224	0.0%	$19,100	1.17%
	7/1/2012	$0	$175	$175	0.0%	$19,997	.88%
	7/1/2013	$0	$143	$143	0.0%	$19,540	.73%
Income	7/1/2011	$0	$120	$120	0.0%	$19,100	.63%
	7/1/2012	$0	$105	$105	0.0%	$19,997	.53%
	7/1/2013	$0	$93	$93	0.0%	$19,540	.48%
Retiree Life Insurance	7/1/2011	$0	$3,092	$3,092	0.0%	$19,100	16.19%
	7/1/2012	$0	$3,460	$3,460	0.0%	$19,997	17.30%
	7/1/2013	$0	$3,857	$3,857	0.0%	$19,540	19.74%

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	6/30/2012	$244	$37	15.16%
	6/30/2013	$291	$36	12.37%
	6/30/2014	$317	$43	13.56%

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, 2014 and 2013 were $126,930 and $130,042.

10. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

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

	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	708,680	465,339	154,223	-	-	2,211	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	$ 3,975,083	$ 4,006,527	$ 1,449,248	$ 3,666,967	$ 2,913,163	$ 661,852	$ 48,102,713

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, 2014 and 2013 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 $167,898,206. 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, 2014 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 Moody's scale and represent the debt securities held by the Foundation as of June 30, 2014:

Investment Type	Rating	Fair Value
US Government		$ 677,757
Mortgage Backed Securities		216,568
Corporate Debt Instruments	Aaa	33,164
Corporate Debt Instruments	Aa	58,322
Corporate Debt Instruments	A	270,658
Corporate Debt Instruments	Baa	258,541
Corporate Debt Instruments	Ba	182,579
Corporate Debt Instruments	B	163,264
Corporate Debt Instruments	Caa	16,912
Other – Not Rated		109,190
Total Debt Securities		$ 1,986,954

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, 2014, the Foundation held debt securities with the following maturities:

Investment Type	Maturity Range	Fair Value
Various	Not Stated	$ 99,680
Various	0-1 Years	59,808
Various	1-5 Years	1,000,947
Various	5-10 Years	596,982
Various	10-15 Years	19,911
Various	15-20 Years	22,132
Various	20-25 Years	36,758
Various	25+ Years	150,736
Total Debt Securities		$ 1,986,954

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, 2014, the Foundation's exposure to foreign currency risk is as follows:

Country	Denominated Currency	Fair Value
Australia	Australian Dollar	$ 73,468
Europe	Euro	287,994
Denmark	Danish Krone	13,714
Hong Kong	Hong Kong Dollar	32,326
Israel	Sheqel	5,877
Japan	Yen	201,791
New Zealand	New Zealand Dollar	1,959
Singapore	Singapore Dollar	13,714
South Korea	South Korean Won	41,142
Sweden	Swedish Krona	27,428
Switzerland	Franc	82,284
United Kingdom	British Pound	197,873
Total Foreign Equity Investments		$ 979,570
Equity Mutual Funds	U.S. Dollar	4,002,600
Debt Mutual Funds	U.S. Dollar	1,986,954
Cash & Cash Equivalents	U.S. Dollar	54,270
Total Foundation Investments		$ 7,023,394

***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 $643,704 and $568,052 as of June 30, 2014 and 2013, respectively.

Certain gifts and gift annuity liabilities involve contributions made to the Foundation by Foundation board members. For the years ended June 30, 2014 and 2013, gifts from these related parties approximated $140,048 and $182,625 or 18% and 24% of total contributions, respectively. Liabilities to these related parties, reflected in the *Statements of Net Position* as gift annuities payable, totaled $589,415 and $622,128 or 100% of total gift annuities payable as of June 30, 2014 and 2013, respectively.

***Distributions to the College*—**During the years ended June 30, 2014 and 2013, the Foundation distributed $510,115 and $586,185, 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 2014 and 2013 the Foundation received new contributions of $769,549 and $759,712, respectively, of which the amount permanently restricted by donors was $316,233 and $369,606, respectively. The endowments of the Foundation experienced net unrealized market appreciation of $338,635 and $574,580 during fiscal years 2014 and 2013. 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 7.0% and 5.7% to 10.0% for the years ended June 30, 2014 and 2013, respectively. Annuity obligations represent the present value of the aggregate liability to annuitants based upon their estimated life expectancies, via tables provided by the Internal Revenue Service.

MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

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, 2014, 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 29, 2014.

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.

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 29, 2014

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

Idaho State Board of Education
Lewis-Clark State College

Report on Compliance for 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 the College's major federal programs for the year ended June 30, 2014. 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, 2014.

The College's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-001, that we consider to be a significant deficiency.

The College's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 29, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☒ Yes ☐ No

Identification of Major Programs

CFDA Numbers	*Name of Federal Program or Cluster*	*Type of Auditor's Report Issued*
Various	Student Financial Assistance Cluster	*Unmodified*
Various	TRIO Cluster	*Unmodified*

Dollar threshold used to distinguish between type A and type B programs: $ 300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

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

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

Federal Agency: Department of Education

Criteria: For changes in student status, Lewis-Clark State College (LCSC) must make updates for changes in student status, report the date the enrollment status was effective and submit the changes electronically through the National Student Loan Database System (NSLDS) website. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer.

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

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

Effect: NSLDS does not have the correct information for these students, which could result in future issues for a student in need of federal aid or for an institution in need of awarding aid to a student.

Cause: LCSC did not have controls in place to ensure reporting was completed timely for students determined to be unofficial withdrawals.

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

Views of responsible officials and planned corrective actions: To ensure all student enrollment changes are reported correctly and in a timely manner, LCSC will enhance their current reporting procedure. The Financial Aid Office will provide the Registrar's Office with the last date of attendance for students determined to be unofficial withdrawals for Title IV purposes. The Registrar's Office will employ a manual process to record the correct enrollment status date and ensure that correct student status date is not overridden with any future batch processing.

LEWIS-CLARK STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

Federal Grant/Program Title	LCSC Account Number	Pass-Through Entity Identifying #	Federal CFDA Number	Total Expenditures
U.S. DEPARTMENT OF AGRICULTURE:				
Direct Programs:				
RBEG-Lathe Upgrade - FY14	20-01-335205		10 769	$ 10,379
NxLevel Online Rural - FY10	20-06-935256		10 769	3,784
				14,163
Pass Through Payments from the State of Idaho:				
USDA Daycare	36-30-978901	None	10 558	5,741
Total U.S. Department of Agriculture:				$ 19,904
U.S. DEPARTMENT OF LABOR:				
Pass Through Payments from the State of Idaho:				
GED-to-Work - FY 14	20-01-318265		17 207	$ 6,373
Pass Through Payments from Other:				
C3T College Success - FY12	20-01-309214	None	17 282	56,249
Physical Therapy Program - FY12	20-01-309215	None	17 282	597
				56,846
Total U.S. Department of Labor:				$ 63,219
NATIONAL ENDOWMENT FOR THE ARTS:				
Pass Through Payments from the State of Idaho:				
ID Comm Arts - Entry Track - FY14	20-06-701237	3916ET-14	45 025	3,399
Total National Endowment for the Arts:				$ 3,399
NATIONAL ENDOWMENT FOR THE HUMANITIES:				
Pass Through Payments from the State of Idaho:				
IHC - Native American Awareness Week - FY14	20-08-858208	2013042	45 129	2,000
Pass Through Payments from Other:				
Beuk Aie Temple Film - FY 13	20-01-701235	2013027	45 129	3,000
Idaho Humanities Council - FY 14	20-06-701238	None	45 129	1,500
				4,500
Total National Endowment for the Humanities:				$ 6,500
INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
Pass Through Payments from the State of Idaho:				
LSTA Charleston - FY14	20-07-826207	CE1400-18	45 310	$ 900
Total Institute of Museum and Library Services				$ 900
NATIONAL SCIENCE FOUNDATION:				
Direct Programs:				
NSF - WFT - Collaborative - FY12	20-01-320285		47 076	$ 89,627
Pass Through Payments from the State of Idaho:				
Idaho NSF ESPCoR - FY14	20-04-035243	None	47 076	5,000
Total National Science Foundation:				$ 94,627
SMALL BUSINESS ADMINISTRATION:				
Pass Through Payments from the State of Idaho:				
ISBDC/SBA - FY13	20-06-935213	077G106060B	59 037	21,409
ISBDC/SBA - FY14	20-06-934201	077106062B	59 037	15,189
Total Small Business Administration:				$ 36,598

LEWIS-CLARK STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

U.S. DEPARTMENT OF EDUCATION:				
Direct Programs:				
Student Financial Assistance Cluster:				
Supplemental Education Opportunity Grant	21-21-857405		84 007	$ 88,595
Federal Workstudy Program	21-21-857403		84 033	74,592
Perkins Loan Program	40-40-860802		84 038	14,878
Pell Grant	21-21-857404		84 063	7,211,879
Direct Loan Program	21-21-857410		84 268	16,231,163
Federal Teach Grant	21-21-857414		84 379	21,702
				23,642,809
TRIO Cluster:				
TRiO Academic Services - Year 3 - FY13	20-08-851207		84 042A	54,637
TRIO Academic Services Yr 4 - FY14	20-08-851208		84 042A	236,559
TRiO Academic Services Scholarships	20-08-851210		84 042A	9,408
Clearwater Valley ETS - Year 2 - FY13	20-08-862204		84 044A	36,278
Clearwater Valley ETS - Year 3 - FY14	20-08-862205		84 044A	181,501
				518,384
Pass Through Payments from the State of Idaho:				
ABE-Federal Direct Services - FY13	20-01-318250	F-ABE-D01-13A-610	84 002A	1,752
ABE Leadership-OVAE & Content Train. - FY13	20-01-318252	F-ABE-L01-13B-610	84 002A	569
ABE-Federal Admin - FY13	20-01-318253	F-ABE-D02-13B-610	84 002A	377
ABE Leadership-Applied Learning - FY13	20-01-318255	F-ABE-L01-13A-610	84 002A	(1,321)
ABE Leadership - Bridge Project - FY13	20-01-318256	F-ABE-L10-13D-610	84 002A	(244)
ABE Federal Direct Services - FY14	20-01-318257	F-ABE-D01-14A-610	84 002A	146,970
ABE ITRP - FY14	20-01-318259	F-ABE-L10-14A-610	84 002A	28,395
ABE Federal Admin - FY14	20-01-318260	F-ABE-D02-14B-610	84 002A	460
DOC Spec Ed - FY14	20-01-318261	None Noted	84 002A	43,359
ABE Incentive Award - FY14	20-01-318263	F-ABE-L06-14B-610	84 002A	5,709
ABE OVAE Training - FY14	20-01-318264	F-ABE-L01-14C-610	84 002A	374
				226,399
Tech Prep - Adv Learning Partnership - FY13	20-01-301205	RFF-C16-13A-610	84 048A	4,337
Tech Prep - Adv Learning Partnership - FY14	20-01-303202	RFF-C16-14A-610	84 048A	67,930
Counseling for Prof-Tech Students - FY14	20-01-303203	SFF-A08-14A-610C	84 048A	8,523
Career Pioneer Project - FY13	20-01-309219	None	84 048A	1,358
Prof-Tech Education Center - FY13	20-01-309220	PFF-B09-13A-610	84 048A	(294)
Prof-Tech Education Center - FY14	20-01-309223	PFF-B09-14A-610	84 048A	126,759
Career Pioneer Network - FY 14	20-01-309226	None	84 048A	4,342
				212,954
SBOE Near to Peer - FY13	20-01-285201	None	84 378A	8,438
SBOE Near to Peer - FY14	20-01-285202	None	84 378A	86,413
SBOE Dual Credit Scholarships - FY14	20-01-296215	None	84 378A	21,060
				115,911
Pass Through Payments from Other:				
TESLA Program - Year 3 - FY13	20-01-102265	09MSP13	84 366	4,466
TESLA Program - Year 1 - FY14	20-01-102284	12MSP17	84 366	168,930
				173,396
Total U.S. Department of Education:				$ 24,889,853

LEWIS-CLARK STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:					
Pass Through Payments from the State of Idaho:					
IV-E Scholars Program - FY13	20-01-039221	KC243300 Amendment 2	93 558		272
IV-E Scholars Program - FY14	20-01-039223	KC252100	93 558		65,984
					66,256
Child Welfare Scholars Scholarships - FY14	20-01-039208	KC243300	93 658		6,153
INBRE Renewal - Year 5 - FY13	20-04-035230	CWK500-SB-003	93 859		86,164
INBRE 3 - Year 1 - FY 14	20-04-035231		93 859		15,141
					101,305
Total U.S. Department of Health & Human Services:				$	173,714
CORPORATION FOR NATIONAL SERVICE:					
Pass Through Payments from the State of Idaho:					
AmeriCorps - Federal - FY13	20-06-935212	10ACHID0010001	94 006	$	138,028
AmeriCorps - Federal - FY14	20-06-936205	12AFHID0010003	94 006		194,202
Total Corporation for National Service:				$	332,230
TOTAL FEDERAL EXPENDITURES:				$	25,620,944

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, 2014

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	$ 620,349
Federal Nursing Loan	93.364	$ 164,055

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, 2014 are identified below:

Loan Program	CFDA Number	Loan Disbursements
Federal Perkins	84.038	$ 113,158
Federal Nursing Loan	93.364	$ 56,250

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.