Report of Independent Auditors in accordance with the Uniform Guidance and Financial Statements for

LEWIS-CLARK STATE COLLEGE

June 30, 2016 and 2015

LEWIS-CLARK STATE COLLEGE

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REPORT OF INDEPENDENT AUDITORS

Idaho State Board of Education
Lewis-Clark State College

Report on the Financial Statements

We have audited the accompanying financial statements of Lewis-Clark State College and its discretely presented component unit, the Lewis-Clark State College Foundation, Inc. (collectively the College) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

REPORT OF INDEPENDENT AUDITORS
(continued)

Auditor's Responsibility (continued)

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

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

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, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the managements discussion and analysis on pages 4 through 11, the schedules of the College's proportionate share of net pension liability – PERSI base plan, employer contributions – PERSI base plan, on page 45, and the schedule of funding progress – Other Postemployment Benefits, schedule of College contributions on page 46 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 managements 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.

REPORT OF INDEPENDENT AUDITORS
(continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lewis-Clark State Colleges basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and are 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 October 7, 2016, on our consideration of the Colleges 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 Colleges internal control over financial reporting and compliance.

Moss Adams LLP

Portland, Oregon
October 7, 2016

LEWIS-CLARK STATE COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Overview of the Financial Statements and Financial Analysis

The financial statements for fiscal years ended June 30, 2016 and June 30, 2015 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 (College) 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, Inc.'s (the "Foundation's") *Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position,* and *Statements of Cash Flows* as part of the financial statements for the College.

Statement of Net Position

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

From the data presented, readers of the *Statement of Net Position* are able to determine the assets available to continue the operations of the College. They are also able to ascertain how much the College owes vendors, grantors, and lending institutions. The *Statement of Net Position* provides a picture of the net position and the availability of resources for expenditure by the College. Changes in net position over time is an indicator of whether the College's financial condition is improving or declining.

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

	2016	2015	2014
ASSETS:			
Current assets	$ 34,423,949	$ 34,579,114	$ 34,228,063
Capital assets, net	47,333,144	46,954,928	47,520,246
Other assets and deferred outflows of resources	7,157,056	6,224,021	5,588,822
Total assets and deferred outflows of resources	$ 88,914,149	$ 87,758,063	$ 87,337,131
LIABILITIES:			
Current liabilities	$ 5,708,761	$ 5,747,181	$ 6,325,969
Noncurrent liabilities and deferred inflows of resources	8,188,768	7,868,377	5,034,780
Total liabilities and deferred inflows of resources	13,897,529	13,615,558	11,360,749
NET POSITION:			
Net investment in capital assets	48,190,086	46,527,570	46,192,648
Restricted – nonexpendable	-	-	-
Restricted – expendable	938,321	905,456	951,772
Unrestricted	25,888,213	26,709,479	28,831,962
Total net position	75,016,620	74,142,505	75,976,382
Total liabilities and deferred inflows of resources and net position	$ 88,914,149	$ 87,758,063	$ 87,337,131

Total assets and deferred outflows of resources of the College increased $1,156,086 in fiscal year 2016, an increase of 1.3% over 2015. The primary components of the change relate to cash deposits and deferred outflows of resources.

Total cash deposits decreased $374,276 in fiscal year 2016. The components of the cash deposits changed from fiscal year 2015 because deposits of $8,586,754 were moved from financial institution deposits to $7,023,880 cash deposits in the Idaho Local Government Investment Pool and $1,191,990 deposits with the State Treasurer.

Deferred outflows of resources increased $889,638 in fiscal year 2016 compared to fiscal year 2015 and are related to the College's defined benefit pension plan. The College recorded a deferred outflow of $915,355 in fiscal year 2016 for the net difference between projected and actual investment earnings on the Public Employee Retirement System of Idaho (PERSI).

Total liabilities and deferred inflows of resources at June 30, 2016, increased by $281,971 as compared to June 30, 2015. The increase is due to changes in accrued salaries, notes payable and net PERSI pension liability.

Accrued salaries increased 550,296 due to the timing of payrolls at the end of the 2015 and 2016 fiscal years. Notes payable decreased $1,284,299 due to regular monthly payments of outstanding debt and extra payments made during fiscal year 2016, including paying off the Student Union Building Promissory Note.

The net PERSI pension liability increased $1,018,603, from $1,468,587 at June 30, 2015 to $2,487,190 at June 30, 2016. These liabilities represent the College's allocation of the net pension liability related to the PERSI Base Plan.

Total assets of the College increased $420,932 in fiscal year 2015, an increase of 0.5% over 2014. The primary components of the change are deposits with the State Treasurer, up $1,768,575, and a decline in cash and cash equivalents, down $1,788,555.

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

Statement of Revenues, Expenses and Changes in Net Position

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

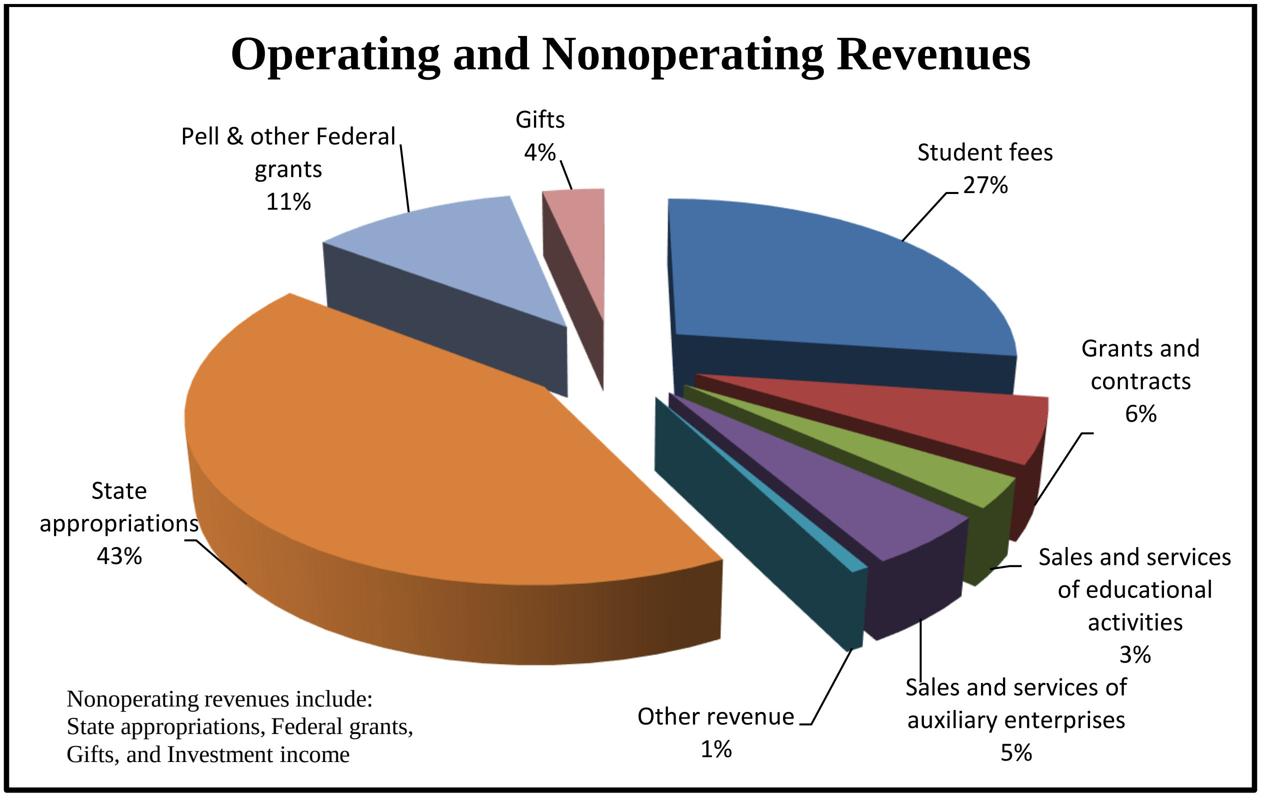
Generally speaking, operating revenues are earned in return for providing goods and services to the various customers and constituents of the College. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry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

	2016	2015	2014
Operating revenues	$ 21,440,971	$ 21,334,165	$ 22,098,736
Operating expenses	51,353,619	48,861,907	47,593,411
Operating loss	(29,912,648)	(27,527,742)	(25,494,675)
Nonoperating revenues and expenses, net	29,384,992	28,250,904	27,471,640
Income (loss) before other revenues and expenses	(527,656)	723,162	1,976,965
Other revenues, net	1,401,771	647,627	2,895,593
Increase in net position	874,115	1,370,789	4,872,558
Net position--Beginning of year	74,142,505	75,976,382	71,103,824
Cumulative effect of implementing GASB 68	-	(3,204,666)	-
Net position--End of year	$ 75,016,620	$ 74,142,505	$ 75,976,382

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, 2016.



Total operating revenues for fiscal year 2016 increased $106,806, or .5%, from fiscal year 2015. This increase is primarily the result of an increase in sales and services of auxiliary enterprises offset by a decrease in student tuition and fees.

Sales and services of auxiliary enterprises increased $530,675 during fiscal year 2016 due to revenue received from managing College Place and to an increase in meal plan revenue. College Place is a residence facility near the College but not owned by the College. The College entered into an agreement to operate and manage the facility during fiscal year 2016. The revenue received from student occupancy was $386,320. Meal plans increased $96,859 related to a trend of more students purchasing meal plans, and new meal plans sold to students housed in College Place.

Student tuition and fees decreased $765,087, or 5%, from fiscal year 2015 to fiscal year 2016. The College's full-time academic headcount decreased a corresponding 5%, from 3,858 to 3,659 during the same time period.

Nonoperating revenues and expenses, net, increased $1,134,088, or 4.0%, in fiscal year 2016 in comparison to fiscal year 2015. This increase reflects a 9.6% increase in state appropriations of $1,916,570, and a 12.3% decrease in Pell and other federal grant revenues of $810,178.

Total operating revenues for fiscal year 2015 decreased $764,571, or 3.5%, from fiscal year 2014. This decrease is primarily the result of reductions in grant and contract funding, down $408,506, and a $221,352 decline in other income.

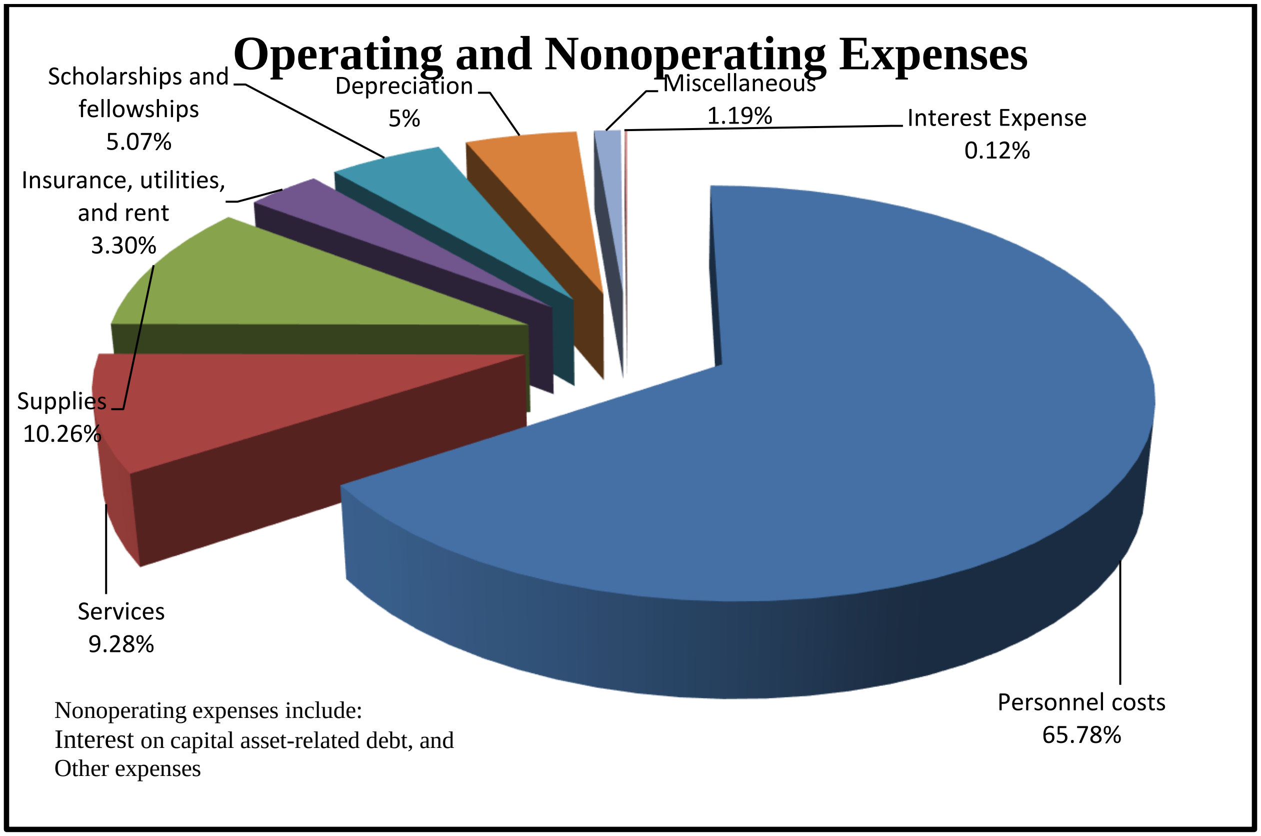
Nonoperating revenues and expenses, net, increased $779,264, or 2.8%, in fiscal year 2015 in comparison to fiscal year 2014. This increase reflects the net effect of a 6.3% rise in State appropriations of 1,186,961, a decline in Pell and other federal grant revenues of 10.26%, or $751,235, and an increase in gifts of 19.3%, equal to $281,319.

Expenses

Following is a comparative summary of the College's expenses for the years ended June 30, 2016, 2015, and 2014.

	2016	2015	2014
OPERATING EXPENSES:			
Personnel costs	$ 33,823,448	$ 31,369,245	$ 30,733,201
Services	4,774,004	4,392,728	4,079,148
Supplies	5,274,626	4,871,419	4,153,276
Insurance, utilities, and rent	1,703,871	1,455,470	1,463,311
Scholarships and fellowships	2,604,700	3,210,271	3,596,791
Depreciation	2,561,182	2,916,715	2,994,612
Miscellaneous	611,788	646,059	573,072
Total operating expenses	51,353,619	48,861,907	47,593,411
NONOPERATING EXPENSES:			
Interest on capital asset related debt	59,507	84,085	117,752
Other	3,250	9,513	528
Total nonoperating expenses	62,757	93,598	118,280
TOTAL EXPENSES	$ 51,416,376	$ 48,955,505	$ 47,711,691

The following is a graphic depiction of total expenses by natural classification for the year ended June 30, 2016.



Total operating expenses increased $2,491,712 in fiscal year 2016, or 5.1%, from fiscal year 2015. This increase is due to an increase in personnel costs of $2,454,203, reflecting higher health insurance costs and a 3% merit-based salary increase during fiscal year 2016.

Total operating expenses increased $1,268,496 in fiscal year 2015, or 2.6%, from fiscal year 2014. This increase reflects a $718,143, or 17.29%, increase in supplies, much of which was attributable to spending on technology infrastructure, hardware, and software. Increases in personnel costs of $636,044 reflect higher health insurance costs and a 1% general salary increase during fiscal year 2015.

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

	2016	2015	2014
CASH PROVIDED BY (USED IN):			
Operating activities	$ (26,942,445)	$ (24,577,269)	$ (22,067,182)
Noncapital financing activities	29,382,489	27,729,438	27,607,918
Capital and related financing activities	(2,876,889)	(2,719,109)	(2,481,384)
Investing activities	62,569	50,332	29,102
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(374,276)	483,392	3,088,454
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	33,678,827	33,195,435	30,106,981
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 33,304,551	$ 33,678,827	$ 33,195,435

Cash decreased $374,276 for the year ended June 30, 2016, and increased $483,392 and $3,088,454 for the years ended June 30, 2015 and 2014, respectively.

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 2016, these two revenue, and cash, sources totaled $27.6 million, which didn't quite cover the net operating loss as shown on the Statement of Revenues, Expenses and Changes in Net Position, resulting in a decrease in cash.

Capital Asset and Debt Administration

The College had $83,753,013 and $83,290,976 of capital assets at June 30, 2016 and 2015, with accumulated depreciation of $36,419,869 and $36,336,048, respectively. Capital asset additions during fiscal year 2016 include completing the renovation of Silverthorne Theatre, enlarging the Tennis Facility office space, along with several heating, air conditioning and elevator upgrades.

The College had notes payable of $1,768,828 and $3,053,127 at June 30, 2016 and 2015, The College did not enter into any new long-term notes during fiscal year 2016. The College made additional payments during fiscal year 2016, including $150,000 on the Clearwater Hall student housing note and made a $422,171 payment which paid off the Student Union Building note early. The College's effective interest rate on its remaining debt as of June 30, 2016, is 2.28%.

Additional information concerning capital assets and debt administration is detailed in Notes 1, 5, and 6 as part of the notes to the financial statements.

Economic Outlook

The College, as a state institution, is directly impacted by trends in the Idaho economy, which continues to show positive signs. As of August 2016, the State Division of Financial Management forecasts that revenues for fiscal year (FY) 2017 would be $3.34 billion for the state of Idaho, representing a 5.0% increase over FY 2016 revenues. This positive trend has been accompanied by a decrease in the unemployment rate as the state economy has improved. The College is projecting an approximate 5% increase in headcount enrollment for Fall 2016, which should positively impact FY 2017 student revenue collections.

The College's General Education appropriation for FY 2017 increased by 10% over the FY 2016 level. Key components of the increase include $812,300 to cover the one-time cost of a 27th payroll, additional funding to address the 9.3% increase in employer health insurance premiums for FY 2017, $685,000 to provide a 3% merit-based Change in Employee Compensation (CEC) increase. The College coupled this funding with institutional funding to provide an average 3.7% salary increase to employees institution-wide. New funding was provided by the legislature to hire a full-time Title IX compliance coordinator, and to add new faculty and staff positions in conjunction with the State Board of Education’s Complete College Idaho initiative. In addition, the College received a $127,700 appropriated grant from the Millennium Fund for FY 2017, for the Fresh Mouth Campaign. The College’s Normal School endowment distribution was increased to over $2.1 million for FY 2017, an increase of $327,000 from FY 2016. Career and Technical Education funding level from the State will increase by 6.57% to $4.5 million for FY 2017. Tuition revenues for FY 2017 are projected to exceed $15.5 million.

The College is also indirectly impacted by national and global economic trends. Among the potential negative trends impacting virtually all higher education are rapidly increasing health care costs, changes in federal regulations, such as Fair Labor Standards Act, weak global economic growth reducing international trade, and volatility of equity and bond markets (with the Lewis-Clark State College Foundation's endowments being most directly affected by stock market trends). On the positive side, there are indications of continued employment growth and modest inflation. There has been a 10% national increase in the number of international students during FY 2016 which may affect the College's future enrollment numbers if the trend continues.

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

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF NET POSITION
JUNE 30, 2016 and 2015

ASSETS	LCSC 2016	LCSC 2015	Component Unit 2016	Component Unit 2015
CURRENT ASSETS:				
Cash and cash equivalents	$ 4,635,652	$ 13,225,798	$ 636,831	$ 580,351
Cash with treasurer	20,769,176	19,577,186	-	-
State of Idaho LGIP deposits	7,899,723	875,843		
Accounts receivable and unbilled charges	774,822	507,482	-	-
Due from Lewis-Clark State College	-	-	167,672	252,889
Assets held for sale	-	-	-	57,000
Due from state agencies	212,913	246,286	-	-
Pledges receivable	-	-	1,500	3,000
Student loan receivables	122,000	134,000	-	-
Prepaid expenses	9,663	12,519	-	-
Total current assets	34,423,949	34,579,114	806,003	893,240
NONCURRENT ASSETS:				
Student loan receivables, less allowance for doubtful loans of $61,000 and $61,000 for 2016 and 2015, respectively	518,758	519,852	-	-
Investments	2,414,551	2,370,060	7,538,162	7,398,614
Investment in capital assets	2,613,348	2,613,348	-	-
Capital assets, net	47,333,144	46,954,928	-	-
Total noncurrent assets	52,879,801	52,458,188	7,538,162	7,398,614
TOTAL ASSETS	87,303,750	87,037,302	8,344,165	8,291,854
DEFERRED OUTFLOWS OF RESOURCES				
Net difference between projected and actual investment earnings on pension plan	915,355	-	-	-
Changes of assumptions	90,580	122,247	-	-
Subsequent contributions	604,464	598,514		
Total deferred outflows of resources	1,610,399	720,761	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 88,914,149**	**$ 87,758,063**	**$ 8,344,165**	**$ 8,291,854**

See notes to financial statements.

(Continued)

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF NET POSITION
JUNE 30, 2016 and 2015

LIABILITIES	LCSC 2016	LCSC 2015	Component Unit 2016	Component Unit 2015
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	$ 513,485	$ 354,569	$ -	$ -
Accrued salaries and benefits payable	3,093,931	2,543,635	-	-
Compensated absences payable	761,079	716,843	-	-
Due to component unit	167,672	252,889	-	-
Due to State of Idaho	101,438	-	-	-
Unearned revenue	503,173	740,243	-	-
Amounts held in trust for others	263,211	215,980	-	-
Gift annuities payable	-	-	21,871	31,478
Notes payable	304,772	923,022	-	-
Total current liabilities	5,708,761	5,747,181	21,871	31,478
NONCURRENT LIABILITIES:				
Gift annuities payable	-	-	571,998	593,869
Net other post employment benefit obligations	2,486,000	2,248,000	-	-
Net PERSI pension liability	2,487,190	1,468,587	-	-
Notes payable	1,464,056	2,130,105	-	-
Total noncurrent liabilities	6,437,246	5,846,692	571,998	593,869
TOTAL LIABILITIES	12,146,007	11,593,873	593,869	625,347
DEFERRED INFLOWS OF RESOURCES				
Net difference between projected and actual investment earnings on pension plan investments	1,306,112	1,839,383	-	-
Differences between expected and actual experience	298,161	182,302	-	-
Change in proportionate share	147,249	-	-	-
Total deferred inflows of resources	1,751,522	2,021,685	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	13,897,529	13,615,558	593,869	625,347
NET POSITION				
Net investment in capital assets	48,190,086	46,527,570	-	-
Restricted for:				
Nonexpendable	-	-	4,504,825	4,114,335
Expendable	938,321	905,456	2,599,193	2,848,288
Unrestricted	25,888,213	26,709,479	646,278	703,884
TOTAL NET POSITION	75,016,620	74,142,505	7,750,296	7,666,507
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 88,914,149**	**$ 87,758,063**	**$ 8,344,165**	**$ 8,291,854**

See notes to financial statements.

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2016 and 2015

	LCSC 2016	LCSC 2015	Component Unit 2016	Component Unit 2015
OPERATING REVENUES:				
Student tuition and fees	$ 19,039,539	$ 19,792,127	$ -	$ -
Student fees pledged for debt	1,030,831	1,085,330	-	-
Less scholarship discounts and allowances	(6,222,000)	(6,264,000)	-	-
Net tuition and fees	13,848,370	14,613,457	-	-
Federal grants and contracts	567,072	658,689	-	-
State and local grants and contracts	2,593,586	2,136,062	-	-
Private grants and contracts	64,370	254,428	-	-
Sales and services of educational activities (including revenues of $86,567 and $87,932 pledged for debt in 2016 and 2015, respectively)	1,513,685	1,428,706	-	-
Sales and services of auxiliary enterprises (including revenues of $489,056 and $467,696 pledged for debt in 2016 and 2015, respectively)	2,577,769	2,047,094	-	-
Gifts	-	-	967,320	678,335
Other	276,119	195,729	-	-
Total operating revenues	21,440,971	21,334,165	967,320	678,335
OPERATING EXPENSES:				
Personnel costs	33,823,448	31,369,245	-	-
Services	4,774,004	4,392,728	-	-
Supplies	5,274,626	4,871,419	-	-
Insurance, utilities, and rent	1,703,871	1,455,470	-	-
Scholarships and fellowships	2,604,700	3,210,271	-	-
Depreciation	2,561,182	2,916,715	-	-
Miscellaneous	611,788	646,059	87,359	85,278
Total operating expenses	51,353,619	48,861,907	87,359	85,278
OPERATING (LOSS) INCOME	(29,912,648)	(27,527,742)	879,961	593,057
NONOPERATING REVENUES (EXPENSES):				
State appropriations	21,858,721	19,942,151	-	-
Pell and other federal grants	5,759,707	6,569,885	-	-
Gifts (including $871,880 and $615,448 from the Foundation for 2016 and 2015, respectively)	1,722,261	1,738,464	-	-
Net investment income	107,060	94,002	58,494	245,030
Interest on capital asset related debt	(59,507)	(84,085)	-	-
Distributions to the College	-	-	(871,880)	(615,448)
Other	(3,250)	(9,513)	17,213	19,608
Net nonoperating revenues (expenses)	29,384,992	28,250,904	(796,173)	(350,810)
INCOME (LOSS) BEFORE OTHER REVENUES	(527,656)	723,162	83,788	242,247
OTHER REVENUES:				
Capital appropriations	1,034,427	626,127	-	-
Capital grants and gifts	392,138	21,500	-	-
Other	(24,794)	-	-	-
Total other revenues	1,401,771	647,627	-	-
INCREASE IN NET POSITION	874,115	1,370,789	83,788	242,247
NET POSITION---BEGINNING OF YEAR (as previously reported)	74,142,505	75,976,382	7,666,507	7,424,260
Cumulative effect of implementing GASB 68 (see Notes 1 & 8)	-	(3,204,666)	-	-
NET POSITION---END OF YEAR	$ 75,016,620	$ 74,142,505	$ 7,750,295	$ 7,666,507

See notes to financial statements.

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 and 2015

	LCSC 2016	LCSC 2015	Component Unit 2016	Component Unit 2015
CASH FLOWS FROM OPERATING ACTIVITIES:				
Student fees	$ 12,924,029	$ 13,598,269	$ -	$ -
Student fees pledged for debt	1,030,831	1,085,330	-	-
Grants and contracts	2,921,190	3,051,729	-	-
Sales and services of educational activities	1,513,685	1,428,706	-	-
Sales and services of auxiliary enterprises	2,577,769	2,047,094	-	-
Donations received	-	-	45,369	175,920
Payments to employees	(33,132,115)	(31,536,244)	-	-
Payments to suppliers	(5,176,212)	(4,810,713)	-	-
Other payments	(7,286,137)	(6,496,759)	(82,904)	(81,004)
Payments for scholarships and fellowships	(2,604,699)	(3,210,271)	-	-
Loans issued to students	(243,450)	(102,531)	-	-
Collection of loans from students	256,545	172,392	-	-
Other receipts	276,119	195,729	-	55,541
Net cash provided (used) by operating activities	(26,942,445)	(24,577,269)	(37,535)	150,457
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State appropriations	21,980,189	19,924,891	-	-
Federal grants	5,763,024	6,535,243	-	-
Gifts	1,510,217	1,742,195	-	-
Agency account receipts	1,823,179	1,365,860	-	-
Agency account payments	(1,795,558)	(1,751,733)	-	-
Student loan receipts	12,383,866	15,335,818	-	-
Student loan payments	(12,383,866)	(15,335,818)	-	-
Higher Education Stabilization Fund	101,438	(87,018)	-	-
Distributions from the College	-	-	424,950	500,000
Distributions to the College	-	-	(249,561)	(164,596)
Net cash provided (used) by noncapital financing activities	29,382,489	27,729,438	175,389	335,404
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital grants and gifts	167,055	21,500	-	-
Purchase of capital assets	(1,760,138)	(1,756,284)	-	-
Capital appropriations	60,000	-	-	-
Principal paid on capital debt	(1,284,299)	(900,240)	-	-
Interest paid on capital debt	(59,507)	(84,085)	-	-
Net cash used in capital and related financing activities	(2,876,889)	(2,719,109)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	62,569	50,332	140,298	108,049
Purchase of investments	-	-	(221,672)	(2,575,713)
Proceeds from sale of investments	-	-	-	2,336,713
Net cash provided (used) by investing activities	62,569	50,332	(81,374)	(130,951)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(374,276)	483,392	56,480	354,910
CASH AND CASH EQUIVALENTS---BEGINNING OF THE YEAR	33,678,827	33,195,435	580,351	225,441
CASH AND CASH EQUIVALENTS---END OF THE YEAR	$ 33,304,551	$ 33,678,827	$ 636,831	$ 580,351

See notes to financial statements.

(Continued)

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 and 2015

RECONCILIATION OF NET OPERATING (LOSS) INCOME TO NET CASH AND CASH EQUIVALENTS PROVIDED (USED) BY OPERATING ACTIVITIES:	LCSC 2016	LCSC 2015	Component Unit 2016	Component Unit 2015
Operating (Loss) Income	$ (29,912,648)	$ (27,527,742)	$ 879,962	$ 593,057
Adjustments to reconcile operating (loss) income to net cash used in operating activities:				
Noncash donations	-	-	(934,456)	(502,415)
Other noncash receipts	-	-	(42,735)	-
Other noncash payments	-	-	4,455	4,274
Depreciation expense	2,561,182	2,916,715	-	-
Effect on cash from changes in operating assets and liabilities:				
Receivables, net	(267,340)	246,883	-	-
Due from Lewis-Clark State College	-	-	85,217	-
Pledges receivable	-	-	1,500	-
Prepaid expenses and deferred costs	2,856	(2,227)	-	-
Loans to students	13,094	68,232	-	-
Pension assets and liabilities	(141,198)	-	-	-
Net other post employment benefit excess funding	-	4,000	-	-
Accounts payable and accrued liabilities	158,916	(19,449)	-	-
Accrued salaries and benefits payable	550,296	(3,888)	-	-
Compensated absences payable	44,236	(3,956)	-	-
Net other post employment benefit obligations	238,000	272,000	-	-
Gift annuities payable	-	-	(31,478)	55,541
Amounts held in trust for others	47,231	(375,295)	-	-
Unearned revenue	(237,070)	(152,542)	-	-
Net cash provided (used) by operating activities	$ (26,942,445)	$ (24,577,269)	$ (37,535)	$ 150,457
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:				
Capital assets acquired through Dept. of Public Works' appropriations	$ 974,427	$ 626,127	$ -	$ -
Capital assets donated from the LCSC Foundation, Inc.	$ 201,583	$ -		

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, 2016. This includes discrete presentation of financial statements for its component unit, the Lewis-Clark State College Foundation (the "Foundation"). The Foundation acts solely as a fund-raising organization to supplement the resources that are available to the College in support of its programs, and the resources and income of the Foundation are donor restricted to the activities of the College. Because these restricted resources held by the Foundation can only be used by or for the benefit of the College, the Foundation is considered a component unit of the College. See Note 13 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*.

Additional disclosure is required of fair value measurement through GASB Statement No. 72, *Fair Value Measurement and Application,* which is effective for financial statement periods beginning after June 15, 2015. The Statement requires use of a three-level hierarchy based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The College has adopted this new Statement for the year ending June 30, 2016.

More comprehensive disclosure of common risks associated with the deposits and investments are detailed in Notes 2 and 13, as per the requirements of GASB Statement No. 40, *Deposit and Investment Risk Disclosures.*

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

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

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

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

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

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

Deferred Inflows of Resources—Deferred inflows of resources are an acquisition of net assets that are applicable to future reporting periods. Similar to liabilities, they have a negative effect on net position.
Net Position—The College's net position is classified as follows:

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

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

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

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

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

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

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

Operating Revenues and Expenses—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, interest revenue on institutional loans; and expenses such as personnel, services, supplies, scholarships and depreciation.

Nonoperating Revenues and Expenses—include revenues and expenses 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; and expenses such as interest on capital asset related debt and other.

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

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

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

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

The College adopted this new pronouncement in the year ending June 30, 2015. It is not practical for PERSI to determine the amounts of all deferred inflows of resources and deferred outflows of resources related to pensions as of the beginning of the plan year. The cumulative effect of applying this Statement, including the recognizable component of deferred outflows of resources shown below, is reported as a restatement of beginning net position as of June 30, 2014.

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

Reclassifications—Certain reclassifications have been made to the 2015 statements in order to conform to the 2016 presentation.

2. CASH AND CASH EQUIVALENTS, CASH WITH TREASURER, LGIP DEPOSITS, AND INVESTMENTS

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

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, 2016 and 2015, total deposits consisted of the following:

	2016	2015
Cash on hand	$ 57,164	$ 60,556
FDIC insured financial institution deposits	2,447,703	2,987,232
Uninsured financial institution deposits	2,130,785	10,178,010
Total cash and cash equivalents	4,635,652	13,225,798
Cash equity with the State Treasurer	20,769,176	19,577,186
State of Idaho LGIP deposits	7,899,723	875,843
Total Deposits	$ 33,304,551	$ 33,678,827
Investments	$ 2,414,551	$ 2,370,060

As of June 30, 2016 and 2015, $2,130,785 and $10,178,010 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, 2016 and 2015, 59% and 69% of total LGIP investments were in the form of government agency notes.

Investments at June 30, 2016 and 2015 represent a five year certificate of deposit that matures October 22, 2018.

Fair Value Measurement
The College categorizes it fair value measurements within the fair value hierarchy established by GASB Statement 72. The cash with the State Treasurer is valued at amortized cost. The College's LGIP deposits are valued using Level 2 inputs, since it is available only for Idaho local government agencies and is not actively traded on an open market.

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
The College holds one certificate of deposit with a maturity greater than 1 year. As of June 30, 2016, $2,414,551, has a maturity of 28 months. LGIP deposits may be withdrawn at any time. The Pool itself has a weighted average maturity of 83 days and 118 days as of June 30, 2016 and 2015 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:

	2016	2015
Student fees	$ 131,551	$ 198,443
Federal, state and nongovernmental grants and contracts	584,246	297,239
Other receivables	43,879	1,387
Investment income	10,252	9,327
Educational departments	310	368
Funds held in custody for others	4,584	718
	$ 774,822	$ 507,482

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, 2016 and 2015.

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 $349,000 and $363,000 as of June 30, 2016 and 2015, respectively. These amounts are not reflected as a liability in the financial statements and are recorded as restricted net assets.

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:

	2016		
	Current	Noncurrent	Total
Federal Perkins Loan Program	$ 80,000	$ 440,471	$ 520,471
Nursing Student Loan Program	42,000	137,957	179,957
Miscellaneous Loans	-	1,330	1,330
	122,000	579,758	701,758
Less Allowance for doubtful loans	-	(61,000)	(61,000)
Net Student Loans Receivable	$ 122,000	$ 518,758	$ 640,758

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

5. CAPITAL ASSETS — NET

Following are the changes in capital assets, for the years ended June 30, 2016 and 2015:

	Balance at June 30, 2015	Additions	Retirements	Balance at June 30, 2016
Capital assets not being depreciated:				
Land	$ 3,119,732	$ 95,001	$ -	$ 3,214,733
Capitalized collections	15,000	-	-	15,000
Construction in progress	1,224,155	172,262	(1,224,155)	172,262
Total capital assets not being depreciated	$ 4,358,887	$ 267,263	$ (1,224,155)	$ 3,401,995
Other capital assets:				
Buildings and improvements	$ 63,792,740	$ 2,902,807	$ -	$ 66,695,547
Furniture, fixtures and equipment	9,008,889	780,722	(1,990,655)	7,798,956
Library materials	6,130,460	216,011	(489,956)	5,856,515
Total other capital assets	78,932,089	3,899,540	(2,480,611)	80,351,018
Less accumulated depreciation:				
Buildings and improvements	(24,508,153)	(1,653,191)	-	(26,161,344)
Furniture, fixtures and equipment	(6,820,921)	(641,406)	1,987,405	(5,474,922)
Library materials	(5,006,974)	(266,585)	489,956	(4,783,603)
Total accumulated depreciation	(36,336,048)	(2,561,182)	2,477,361	(36,419,869)
Other capital assets net of accumulated depreciation	$ 42,596,041	$ 1,338,358	$ (3,250)	$ 43,931,149

Capital assets summary:				
Capital assets not being depreciated	$ 4,358,887	$ 267,263	$ (1,224,155)	$ 3,401,995
Other capital assets at cost	78,932,089	3,899,540	(2,480,611)	80,351,018
Total cost of capital assets	83,290,976	4,166,803	(3,704,766)	83,753,013
Less accumulated depreciation	(36,336,048)	(2,561,182)	2,477,361	(36,419,869)
Capital assets, net	$ 46,954,928	$ 1,605,621	$ (1,227,405)	$ 47,333,144

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

	Balance at June 30, 2014	Additions	Retirements	Balance at June 30, 2015
Capital assets summary:				
Capital assets not being depreciated	$ 3,206,047	$ 1,152,840	$ -	$ 4,358,887
Other capital assets at cost	78,304,536	1,208,071	(580,518)	78,932,089
Total cost of capital assets	81,510,583	2,360,911	(580,518)	83,290,976
Less accumulated depreciation	(33,990,337)	(2,916,715)	571,004	(36,336,048)
Capital assets, net	$ 47,520,246	$ (555,804)	$ (9,514)	$ 46,954,928

The estimated cost to complete property authorized or under construction at June 30, 2016 and 2015 is $6,302,038 and $2,440,248. These costs will be financed by state appropriations and available local resources.

Institutional funds included in the construction costs of the Student Activity Center are reported as Investment in capital assets since ownership of the facility will not pass to the College until debt incurred by the State of Idaho for the majority of the project cost is retired. See Note 10. The total amount in Investment in capital assets was $2,613,348 as of June 30, 2016 and 2015.

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, 2016 and 2015.

6. NOTES PAYABLE

Following are the changes in notes payable for the years ended June 30, 2016 and 2015:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
Notes	$ 3,053,127	$ -	$ (1,284,299)	$ 1,768,828	$ 304,772

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

Notes payable at June 30, 2016 and 2015 consisted of the following:

	Balance Outstanding	
	2016	2015
Facilities Refinancing Promissory Note, 2013 (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.	$ 1,768,828	$ 2,215,995
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 November 2016, collateralized by student fees relating to the student union facilities. Paid off early on March 2016.	-	837,132
Total notes payable	$ 1,768,828	$ 3,053,127

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

	Notes	
	Principal	Interest
2017	$ 304,772	$ 40,839
2018	1,464,056	28,831
	$ 1,768,828	$ 69,670

Pledged Revenues—As stated in the notes payable description, the College has pledged certain revenues as collateral for debt instruments. The pledged revenue amounts are as follows for the year ended June 30, 2016:

	Student Union Promissory Note	Facilities Refinancing Note	Total
Pledged revenues:			
Student Fees	$ 1,030,831	$ -	$ 1,030,831
Housing Fees	-	489,056	489,056
Other	86,567	-	86,567
Total pledged revenues	$ 1,117,398	$ 489,056	$ 1,606,454

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

7. RESTRICTED NET ASSETS

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

	2016	2015
Federal student loan programs	$ 780,375	$ 753,509
Institutional student loan programs	133,651	151,947
Grants and contracts	24,295	
	$ 938,321	$ 905,456

8. RETIREMENT PLANS

Public Employee Retirement System of Idaho

Plan Description

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

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

Employee membership data related to the PERSI Base Plan, as of June 30, 2015 and 2014 were as follows:

	2015	2014
Retirees and beneficiaries currently receiving benefits	42,657	40,776
Terminated employees entitled to but not yet receiving benefits	11,859	11,504
Active plan members	67,008	66,223
Total system members	121,524	118,503

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% of the average monthly salary for the highest consecutive 42 months.

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

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate. As of June 30, 2015 it was 6.79%. The employer contribution rate, as a percent of covered payroll, is set by the Retirement Board and was 11.32%. The College's contributions were $604,464 and $598,514 for the years ended June 30, 2016 and 2015, respectively.

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

At June 30, 2016 and June 30, 2015, the College reported a liability of $2,487,190 and $1,468,587, respectively for its proportionate share of the net pension liability. The net pension liability for each year was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The College's proportion of the net pension liability for each year was based on the College's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2015 and 2014, the College's proportion was .001888760 and .001994939 percent.

For the years ended June 30, 2016 and 2015, respectively, the College recognized pension expense of $463,621 and $163,359. At June 30, 2016 and 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 915,355	$ 1,306,112
Differences between expected and actual experience	-	298,161
Changes in assumptions or other inputs	90,580	-
Changes in the College's proportion and differences between the contributions and the proportionate contributions	-	147,249
College contributions subsequent to the measurement date	604,464	-
Total	$ 1,610,399	$ 1,751,522

	June 30, 2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 1,839,383
Differences between expected and actual experience	-	182,302
Changes in assumptions or other inputs	122,247	-
College contributions subsequent to the measurement date	598,514	-
Total	$ 720,761	$ 2,021,685

$604,464 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2014 the beginning of the measurement period ended June 30, 2015 is 5.6 years.

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

Year ended June 30	
2017	$ (255,133)
2018	(255,133)
2019	(255,133)
2020	185,182
2021	(18,120)
	$ (598,337)

Actuarial Assumptions

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

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.5 – 10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1%

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

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

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

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

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

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

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return *
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI ACWI ex USA	15.00%	7.55%

*Arithmetic return

Actuarial Assumptions	
Assumed Inflation - Mean	3.25%
Assumed Inflation - Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.42%
Portfolio Long-Term Expected Geometric Rate of Return	7.50%
Assumed Investment Expenses	0.40%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	**7.10%**

Discount Rate

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

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
College's proportionate share of the net pension liability (asset)	$ 6,057,890	$ 2,487,190	($ 481,374)

Pension plan fiduciary net position

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

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

Payables to the pension plan

At June 30, 2016 the College had no payables related to legally-required employer or employee contributions due to the defined benefit pension plan for fiscal year 2016 and 2015 that had not been remitted to PERSI as of that date.

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, 2016 and 2015 was $2,712,529 and $2,479,657, respectively, which consisted of $1,546,397 and $1,429,065, respectively, from the College and $1,166,132 and $1,050,592 , respectively, from employees. For both 2016 and 2015, these contributions represented approximately 9.3% and 9.27% 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, 2016 and 2015, this supplemental funding payment made to PERSI was $247,433 and $227,730 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, 2016	Approximate Annual Contributions
401(k) PERSI Choice	37	$ 151,236
457(b) Deferred Compensation	8	$ 77,901
403(b)	60	$ 317,233

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 67-5768 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, 2015. The College has not set aside any assets to pay future benefits; the College funds these benefits on a pay-as-you-go basis. Details of the plans can be found in the Comprehensive Annual Report of the State of Idaho, which may be obtained from the following location: http://www.sco.idaho.gov/web/scoweb

Plan Descriptions and Funding Policy
Retiree Healthcare Plan
A retired employee of the College who receives monthly retirement benefits from 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 that the active employee policy ends. 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 $13.39 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 $9.60 per active employee per month in fiscal year 2016.

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.

Principal Life Insurance Company insures employees disabled on or after July 1, 2003, 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 2016. 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, the plan provides a $2,000 life insurance benefit for spouses and a $1,000 life insurance benefit 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 cost; the contribution is actuarially determined based on actual claims experience.

Principal Life Insurance Company insures employees disabled on or after July 1, 2012, 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			Retiree Life Insurance Plan
		Healthcare	Life Insurance	Income	
Annual Required Contribution	$88	$30	$26	$15	$344
Interest on NOO	26	1	-	-	58
Adjustment to ARC	(47)	(1)	-	-	(107)
Total Annual OPEB Cost	67	30	26	15	295
Contributions Made	(82)	(35)	(17)	(11)	(50)
Increase (Decrease) in NOO	(15)	(5)	9	4	245
NOO – Beginning of Year	688	14	-	12	1,534
NOO (Funding Excess) – End of Year	$673	$ 9	$ 9	$16	$1,779

Annual OPEB Cost Comparison

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

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

		Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan
			Healthcare	Life Insurance	Income	
Annual OPEB Cost	2014	$32	$27	$39	$21	$276
	2015	$68	$27	$24	$14	$315
	2016	$67	$30	$26	$15	$295
Percentage of AOC Contributed	2014	150.00%	140.74%	76.92%	66.67%	-15.58%
	2015	75.00%	140.74%	83.33%	78.57%	-16.83%
	2016	122.39%	116.67%	65.38%	73.33%	-16.95%
NOO (Funding Excess) – End of Year	2014	$671	$25	($4)	$9	$1,272
	2015	$688	$14	$0	$12	$1,534
	2016	$673	$9	$9	$16	$1,779

Funded Status and Funding Progress

The following table illustrates the funded status and the funding progress for the College as of June 30, 2016:

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	7/1/2015	7/1/2015	7/1/2015	7/1/2015	7/1/2015
1	Actuarial Value of Assets	$0	$0	$0	$0	$0
2	Accrued Liability (AAL)	$594	$195	$95	$69	$4,517
3	Unfunded AAL (UAAL) (2) - (1)	$594	$195	$95	$69	$4,517
4	Funded Ratios (1) : (2)	0.0%	0.0%	0.0%	0.0%	0.0%
5	Annual Covered Payroll	$22,077	$22,077	$22,077	$22,077	$22,077
6	UAAL as a Percentage of Covered Payroll (3) : (5)	2.69%	.88%	.43%	0.31%	20.46%

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. 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	10 years, Open	30 years, Open	5 years, Open	6 years, Open	30 years, Open
Assumptions:					
Inflation Rate	2.75%	2.75%	2.75%	2.75%	2.75%
Investment Return	3.60%	3.60%	3.60%	3.60%	3.60%
OPEB Increases	N/A	N/A	N/A	N/A	N/A
Projected Salary Increases	3.25%	3.25%	3.25%	3.25%	3.25%
Healthcare Cost Initial Trend Rate	6.70%	6.70%	N/A	N/A	N/A
Healthcare Cost Ultimate Trend Rate	4.70%	4.70%	N/A	N/A	N/A

Sick Leave Insurance Reserve Fund

Idaho Code section 67-5333 establishes the policy for sick leave benefits. The State does not pay amounts for accumulated sick leave when employees separate from service. Employees who qualify for retirement under PERSI or ORP are eligible to use 50% of the cash value of their unused sick leave, up to a maximum of 600 hours, 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 Sick Leave Insurance Reserve Fund. The total contributions for the years ended June 30, 2016 and 2015 were $143,375 and $134,666, respectively.

9. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

	2016 Natural Classification							
Functional Classification	Personnel Costs	Services	Supplies	Insurance, Utilities, and Rent	Scholarships and Fellowships	Depreciation	Miscellaneous	Operating Expense Totals
Instruction	$ 18,724,522	$ 1,103,136	$ 1,277,026	$ 63,927	$ 16,435	$ -	$ 176,510	$ 21,361,556
Research	266,328	39,511	43,773	525	-	-	2,609	352,746
Public services	524,603	110,147	66,127	6,388	-	-	7,076	714,341
Libraries	830,620	256,469	45,194	-	-	-	139	1,132,422
Student services	3,410,615	446,282	358,804	11,031	69,877	-	24,384	4,320,993
Plant operations	1,513,931	207,105	738,364	914,698	-	2,561,182	2,031	5,937,311
Institutional support	3,813,225	842,040	354,999	139,073	96,035	-	73,793	5,319,165
Academic support	2,357,907	667,019	713,915	275	589	-	337	3,740,042
Scholarships and fellowships	113,724	600	-	-	1,951,430	-	34,140	2,099,894
Auxiliaries	2,267,973	1,101,695	1,676,424	567,954	470,334	-	290,769	6,375,149
Total expenses:	$ 33,823,448	$ 4,774,004	$ 5,274,626	$ 1,703,871	$ 2,604,700	$ 2,561,182	$ 611,788	$ 51,353,619

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

10. RELATED PARTIES TRANSACTIONS

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

The College, through the State Board of Education, entered into a lease agreement with the ISBA whereby the land upon which the building is being constructed is leased to the ISBA. It is intended 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, 2016 and 2015 the College's total contribution is presented in the *Statements of Net Position* as Investment in capital assets in the amount of $2,613,348. See Note 5.

11. CONTINGENCIES AND LEGAL MATTERS

Revenue from federal service grants includes amounts for the recovery of overhead and other costs allocated to these projects. The College may be required to make refunds of amounts received for overhead and other costs reimbursed as a result of audits by agencies of the Federal Government. College officials believe that the effect of these refunds, if any, will not have a significant effect on the financial position of the College.

12. RISK MANAGEMENT

The College participates in the State of Idaho Risk Management Program, which manages property and general liability risk. The program provides liability protection up to the Idaho Tort Claims Act maximum of $500,000 for each occurrence. Property damage claims are covered up to $250,000 per occurrence annually. The State of Idaho purchases commercial insurance for claims not self-insured by the above coverage. Insurance premium payments are made to the State risk management program based on rates determined by a State agency's loss trend experience and asset value covered. Presently the College's total insured property value is $182,740,945. The College obtains worker's compensation coverage from the Idaho State Insurance Fund. The College's worker's compensation premiums are based on payroll amount, the College's loss experience, as well as the loss experience of the State of Idaho as a whole. This program also provides coverage for other risks of loss, including but not limited to employee bond and crime, out of state worker's compensation, business interruption, media liability and automobile physical damage insurance. No significant reductions in coverage, or losses in excess of payments, have occurred in the last three years.

13. COMPONENT UNIT DISCLOSURE

As described in Note 1, the Lewis-Clark State College Foundation, Inc. (the "Foundation") has been determined to be a component unit of the College. The financial statements of the Foundation are presented in accordance with GASB principles. Significant accounting policies associated with the College, also described in Note 1, apply to the Foundation, when applicable. Other disclosures at June 30, 2016 and 2015 are as follows:

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

Investments—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.

Fair Value Measurement
The Foundation investments are recorded at fair market value. The foundation categorizes the fair value measurements within the fair value hierarchy established by GASB Statement 72. The Foundation's investments represent exchange traded funds and mutual funds and are valued using Level 1 inputs, which are quoted prices in active markets.

Credit Risk
Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. The credit risk ratings listed below for investments in debt securities are issued by standards set by Standard and Poor's.

As of June 30, 2016 and 2015, the Foundation had the following credit risk related to its debt security exchange traded and mutual funds:

Credit Rating	2016	2015
AAA	$ 1,008,494	$ 951,119
AA	178,063	149,721
A	385,841	382,849
BBB	410,339	348,113
BB	141,770	181,979
B	104,116	136,778
Below B	24,952	21,427
Not rated	14,744	54,286
Total	$ 2,268,319	$ 2,226,272

Interest Rate Risk
Investments 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, 2016 and 2015, the Foundation's debt security exchange traded and mutual funds had the following maturities:

Investment Maturities in Years	2016	2015
0-3	$ 785,973	$ 766,225
3-5	802,304	782,146
5-10	385,387	512,066
10-20	83,702	79,162
20-30	191,219	80,651
>30	19,734	6,022
Total	$ 2,268,319	$ 2,226,272

Foreign Currency Risk
The Foundation investment policy permits the acquisition of investments denominated in foreign currencies. There is a risk that changes in exchange rates could adversely affect the fair value of these investments. To reduce this risk the investment policy limits the investment in international equities to no more than 17.5% of the total investment portfolio. As of June 30, 2016 and 2015, the Foundation's exposure to foreign currency risk is as follows based on equity and debt security funds:

Country	Denominated Currency	2016	2015
Australia	Australian Dollar	85,565	62,112
Brazil	Brazilian Real	19,081	20,460
Canada	Canadian Dollar	123,996	-
Chile	Chilean Peso	3,502	3,148
China	Chinese Yuan	62,079	64,079
Columbia	Columbian Peso	3,097	1,574
Czech Republic	Czech Koruna	1,146	450
Denmark	Danish Krone	18,340	15,289
Egypt	Egyptian Pound	-	675
Europe	Euro	398,143	264,692
Hong Kong	Hong Kong Dollar	21,617	34,400
Hungary	Hungarian Forint	343	675
India	Indian Rupee	27,843	24,283
Indonesia	Indonesian Rupiah	6,091	5,171
Israel	Shekel	4,268	6,689

Japan	Yen	273,623	221,691
Malaysia	Malaysian Ringgit	10,314	9,668
Mexico	Mexican Peso	18,729	11,017
New Zealand	New Zealand Dollar	3,975	1,911
Norway	Norwegian Krone	9,198	-
Peru	Peruvian Nuevo Sol	1,228	675
Philippines	Philippine Peso	5,883	3,822
Poland	Polish Zloty	5,236	4,047
Russia	Ruble	8,153	10,118
Singapore	Singapore Dollar	14,977	13,378
South Africa	S. African Rand	20,772	21,135
South Korea	South Korean Won	49,327	37,267
Sweden	Swedish Krona	30,973	25,800
Switzerland	Franc	97,928	80,267
Taiwan	New Taiwan Dollar	34,807	31,478
Thailand	Thai Baht	7,965	5,846
Turkey	Turkish Lira	6,526	3,597
United Arab Emirates	Dirham	-	2,024
United Kingdom	British Pound	213,380	183,468
Other	various	61,270	-
Total Foreign Investments		$1,649,375	$1,170,906

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

Related Party Transactions—Foundation cash is primarily deposited and withdrawn from a College bank account. The balance in this account attributable to the Foundation is reported as a receivable from the College in the amount of $167,672 and $252,889 as of June 30, 2016 and 2015, respectively.

Certain gifts and gift annuity liabilities involve contributions made to the Foundation by Foundation board members. For the years ended June 30, 2016 and 2015, gifts from these related parties approximated $126,623 and $109,923 or 13% and 16% of total contributions, respectively. Liabilities to related parties, reflected in the *Statements of Net Position* as gift annuities payable, totaled $541,455 and $569,807 or 91% of total gift annuities payable as of June 30, 2016 and 2015, respectively.

Distributions to the College—During the years ended June 30, 2016 and 2015, the Foundation distributed $871,880 and $615,448, 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 2016 and 2015 the Foundation received new contributions of $967,320 and $678,335, respectively, of which the amount permanently restricted by donors was $390,490 and $152,990 respectively. The endowments of the Foundation experienced net unrealized market (depreciation) appreciation of $46,904 and $(37,925) during fiscal years 2016 and 2015. 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 2.2% to 7.0% for the years ended June 30, 2016 and 2015. 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.

Required Supplementary Information

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

	2016	2015
College's portion of net the pension liability	0.00188876	0.0019994939
College's proportionate share of the net pension liability	$ 2,487,190	$ 1,468,587
College's covered-employee payroll	$ 5,339,791	$ 5,287,228
College's proportional share of the net pension liability as a percentage of its covered-employee payroll	46.58%	27.78%
Plan fiduciary net position as a percentage of the total pension liability	91.38%	94.95%

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

Data reported is measured as of June 30, 2015

Schedule of Employer Contributions
PERSI – Base Plan

	2016	2015
Statutorily required contribution	$ 617,817	$ 648,438
Contributions in relation to the statutorily required contribution	606,746	620,399
Contribution (deficiency) excess	(11,071)	(28,039)
College's covered-employee payroll	5,339,791	5,287.228
Contributions as a percentage of covered-employee payroll	11.36%	11.73%

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	7/1/2013	$0	$402	$402	0.0%	$19,540	2.06%
	7/1/2014	$0	$566	$566	0.0%	$20,693	2.74%
	7/1/2015	$0	$594	$594	0.0%	$22,077	2.69%
Long-Term Disability:							
Healthcare	7/1/2013	$0	$183	$183	0.0%	$19,540	.94%
	7/1/2014	$0	$194	$194	0.0%	$20,693	.94%
	7/1/2015	$0	$195	$195	0.0%	$22,077	.88%
Life Insurance	7/1/2013	$0	$143	$143	0.0%	$19,540	.73%
	7/1/2014	$0	$107	$107	0.0%	$20,693	.52%
	7/1/2015	$0	$95	$95	0.0%	$22,077	.43%
Income	7/1/2013	$0	$93	$93	0.0%	$19,540	.48%
	7/1/2014	$0	$75	$75	0.0%	$20,693	.36%
	7/1/2015	$0	$69	$69	0.0%	$22,077	.31%
Retiree Life Insurance	7/1/2013	$0	$3,857	$3,857	0.0%	$19,540	19.74%
	7/1/2014	$0	$4,734	$4,734	0.0%	$20,693	22.88%
	7/1/2015	$0	$4,517	$4,517	0.0%	$22,077	20.46%

Schedule of College Contributions
(dollars in thousands):

OPEB Plan	Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions	Actual Contributions as Percentage of ARC
Retiree Life Insurance	6/30/2014	$317	$43	13.56%
	6/30/2015	$365	$53	14.52%
	6/30/2016	$344	$50	14.53%

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, 2016, 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 October 7, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Moss Adams LLP

Portland, Oregon
October 7, 2016

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Idaho State Board of Education
Lewis-Clark State College

Report on Compliance for the Major Federal Program

We have audited Lewis-Clark State College's (College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the of the Colleges major federal programs for the year ended June 30, 2016. The Colleges 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Colleges 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Colleges compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Colleges compliance.

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (continued)

Opinion on the Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2016.

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 Colleges 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 the Uniform Guidance, 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 Colleges 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 a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (continued)

The Colleges response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Moss Adams LLP

Portland, Oregon
October 7, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major federal 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 2 CFR 200.516(a)? ☒ Yes ☐ No

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

CFDA Number(s)	*Name of Federal Program or Cluster*	*Type of Auditor's Report Issued on Compliance for Major Federal Programs*
Various	Student Financial Assistance Cluster	*Unmodified*

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

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

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-001 – Borrower Data Transmission and Reconciliation (Direct Loan), Significant Deficiency in Internal Control Over Compliance

CFDA Number(s)	*Program Name/Title*	*Federal Agency/ Pass-through Entity*	*Federal Award Number*	*Award Year*
84.268	Student Financial Assistance Cluster	United States Department of Education	P268K160100	2016

Criteria: Per the compliance requirements for student financial assistance, each month, the Common Origination and Disbursement (COD) provides institutions with a School Account Statement (SAS) data file that consists of a Cash Summary, Cash Detail, and Loan Detail records. The College is required to reconcile these files to their financial records on a monthly basis.

Condition: Monthly reconciliations were not performed on a consistent basis. Evidence of review and approval of reconciliations is not retained by the College and a documented policy and procedure does not currently exist.

Questioned costs: None noted.

Context: During our test-work over the borrower transmission and reconciliation (direct loan) compliance requirements, we noted the College did not retain documentation to support the required reconciliation over direct loan activity for the year. We were unable to assess whether the reconciliations were performed as there was no supporting documentation.

Effect: The lack of reconciliations could cause potential loan data issues to go undetected.

Cause: Program employees were unaware of all the compliance requirements. Also, there were no written policies or procedures for employee guidance.

Recommendation: We recommend the College implement controls to ensure reconciliations are performed monthly, tracked, and reviewed by the appropriate personnel. In addition, develop written policies or procedures.

Views of responsible officials and planned corrective actions: A combined reconciliation report will be prepared monthly with input from the Director of Financial Aid, Manager of Financial Accounts and the Cash Manager. The Controller will review and maintain the reconciliations. Policies and procedures will be developed to support the process.

LEWIS-CLARK STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

Federal Grant/Program Title	LCSC Account Number	Pass-Through Entity Identifying #	Federal CFDA Number		Total Expenditures
U.S. DEPARTMENT OF AGRICULTURE:					
Direct Programs:					
Rural Business Enterprise Grants	20-01-334200	12-035-528437383	10 769	$	11,000
Pass Through Payments from the State of Idaho:					
Child and Adult Care Food Program	36-30-978901	None	10 558		7,291
Total U.S. Department of Agriculture				$	18,291
DEPARTMENT OF THE INTERIOR:					
Direct Programs:					
National Park Service Conservation, Protection, Outreach, and Education	20-06-701239	P14AC01368	15 954	$	54,532
Total Department of the Interior				$	54,532
U.S. DEPARTMENT OF LABOR:					
Pass Through Payments from the State of Idaho:					
Employment Service/Wagner-Peyser Activities	20-01-318264	FWIB-A03-15A-610	17 207	$	9,622
Employment Service/Wagner-Peyser Activities	20-01-318270	FWIA-A02-15A-610	17 207		66
Employment Service/Wagner-Peyser Activities	20-01-318270	WB5610H1	17 207		5,568
Employment Service/Wagner-Peyser Activities	20-01-320292	WB5-771-E7	17 207		5,554
					20,810
Trade Adjustment Assistance Community College and Career Training Grants	20-01-320291	NIC-TAACCCTIV-03	17 282		178,300
Pass Through Payments from College of Southern Idaho:					
Trade Adjustment Assistance Community College and Career Training Grants	20-01-309214	None	17 282		20,321
					198,621
Total U.S. Department of Labor				$	219,431
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:					
Pass Through Payments from College of Southern Idaho:					
Education	20-21-857230	None	43 008	$	5,000
Total National Aeronautics and Space Administration				$	5,000
NATIONAL ENDOWMENT FOR THE ARTS:					
Pass Through Payments from the State of Idaho:					
Promotion of the Arts Partnerships Agreements	20-06-701237	3916ET-16	45 025	$	3,243
Total National Endowment for the Arts				$	3,243
NATIONAL ENDOWMENT FOR THE HUMANITIES:					
Pass Through Payments from Idaho Humanities Council:					
Promotion of the Humanities-Federal/State Partnership	20-01-039224	2015011	45 129	$	2,534
Promotion of the Humanities-Federal/State Partnership	20-06-701238	2015001	45 129		100
Promotion of the Humanities-Federal/State Partnership	20-08-858208	2015058	45 129		2,000
Total National Endowment for the Humanities				$	4,634

LEWIS-CLARK STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

SMALL BUSINESS ADMINISTRATION:					
Pass Through Payments from the State of Idaho:					
Small Business Development Centers	20-06-934201	6668-D	59 037	$	24,203
Small Business Development Centers	20-06-934201	6923-D	59 037		21,527
Total Small Business Administration				$	45,730
U.S. DEPARTMENT OF EDUCATION:					
Pass Through Payments from the State of Idaho:					
Adult Education - Basic Grants to States	20-01-318267	AD6610M1	84 002A	$	1,766
Adult Education - Basic Grants to States	20-01-318269	F-ABE-D01-15A-610	84 002A		(3,479)
Adult Education - Basic Grants to States	20-01-318269	AD6610L1	84 002A		183,552
Adult Education - Basic Grants to States	20-01-318273	AL6610B1	84 002A		1,627
					183,466
Special Education - Grants to States	20-01-318266	PCA 05188	84 027A		72
Special Education - Grants to States	20-01-318266	PCA 05188	84 027A		55,847
					55,919
Career & Technical Education-Basic Grants to States	20-01-303205	PS6610G1	84 048A		10,033
Career & Technical Education-Basic Grants to States	20-01-303206	RFF-C16-15A-610	84 048A		(567)
Career & Technical Education-Basic Grants to States	20-01-303206	PR6610K1	84 048A		58,024
Career & Technical Education-Basic Grants to States	20-01-309227	PFF-B09-15A-610	84 048A		(2,229)
Career & Technical Education-Basic Grants to States	20-01-309227	PP6610E1	84 048A		125,977
Career & Technical Education-Basic Grants to States	20-01-309227	PFF-B06-15A-610	84 048A		32,357
Career & Technical Education-Basic Grants to States	20-01-309229	PN6610H1	84 048A		10,368
					233,963
Mathematics and Science Partnerships	20-01-102285	12MSP17	84 366		66,909
Mathematics and Science Partnerships	20-01-102285	12MSP17	84 366		150,360
					217,269
College Access Challenge Grant Program	20-08-851211	None	84 378A		6,325
Total U.S. Department of Education				$	696,942
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:					
Pass Through Payments from the State of Idaho:					
Foster Care - Title IV-E	20-01-039223	KC252100 Amendment 1	93 658	$	367
Foster Care - Title IV-E	20-01-039223	KC252100 Amendment 1	93 658		80,274
Total U.S. Department of Health & Human Services				$	80,641
CORPORATION FOR NATIONAL SERVICE:					
Pass Through Payments from the State of Idaho:					
AmeriCorps	20-06-936205	12AFHID0010003	94 006	$	22
AmeriCorps	20-06-936206	None	94 006		2,500
Total Corporation for National Service				$	2,522

LEWIS-CLARK STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

STUDENT FINANCIAL ASSISTANCE CLUSTER:				
U.S. Department of Education				
Direct Programs:				
Federal Supplemental Educational Opportunity Grants	21-21-857405		84 007	$ 75,023
Federal Work Study Program	21-21-857403		84 033	83,445
Federal Perkins Loan Program	40-40-860802		84 038	629,151
Federal Pell Grant Program	21-21-857404		84 063	5,988,162
Federal Direct Student Loans	21-21-857410		84 268	12,383,866
Teacher Education Assistance for College and Higher Education Grants	21-21-857414		84 379	14,902
				19,174,549
U.S. Department of Health and Human Services				
Direct Programs:				
Nursing Student Loans	40-40-860804		93 364	221,586
Total Student Financial Assistance Cluster				$ 19,396,135
TRIO CLUSTER:				
U.S. Department of Education				
Direct Programs:				
TRIO - Student Support Services	20-08-861201		84 042A	$ 45,145
TRIO - Student Support Services	20-08-861202		84 042A	258,812
TRIO - Student Support Services	20-08-851210		84 042A	10,000
TRIO - Talent Search	20-08-862205		84 044A	30,068
TRIO - Talent Search	20-08-862205		84 044A	212,620
Total TRIO Cluster				$ 556,645
RESEARCH AND DEVELOPMENT CLUSTER:				
U.S. Department of Transportation				
Pass Through Payments from Lewis Clark Valley Metropolitan Planning Organization:				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20-04-035236	None	20 505	$ 8,465
National Science Foundation				
Pass Through Payments from the State of Idaho:				
Mathematical and Physical Science	20-04-269202	None	47 079	14,190
U.S. Department of Education				
Pass Through Payments from the State of Idaho:				
Mathematics and Science Partnerships	20-04-102289	5821-F	84 366	3,969
Mathematics and Science Partnerships	20-04-102289	None	84 366	3,242
				7,211
U.S. Department of Health and Human Services				
Pass Through Payments from the State of Idaho:				
Biomedical Research and Research Training	20-04-035231	IAK100-SB-004	93 859	149,525
Biomedical Research and Research Training	20-04-035231	IAK300-SB-08	93 859	18,328
Biomedical Research and Research Training	20-04-035233	IAK200-SB-016	93 859	51,630
Biomedical Research and Research Training	20-04-035233	IAK100-SB-009	93 859	3,932
				223,415
Total Reserch and Development Cluster				$ 253,281
TOTAL FEDERAL EXPENDITURES:				$ 21,337,027

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, 2016

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the College under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements*, *Cost Principles*, *and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the College.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. Pass-through entity identifying numbers are presented where available.

3. UNIVERSITY ADMINISTERED LOAN PROGRAMS

The federal student loan programs listed below are administered directly by the College, and balances and transactions to these programs are included in the College's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2016 consists of:

Loan Program	CFDA Number	Outstanding Loan Balances
Federal Perkins Loan Program	84.038	$ 520,471
Nursing Student Loan Program	93.364	$ 179,957

The beginning loan receivable balance, plus new loans, less the administrative cost allowance of the Department of Education Perkins Loan program for the year ended June 30, 2016, are identified below and reported in the Schedule. The loan repayments are also identified below:

Federal Perkins Loan Program	CFDA Number	
	84.038	
Beginning loan receivable balance		$ 542,956
New loans		92,087
Administrative cost allowance		(5,892)
As reported in the Schedule of Federal Awards		629,151
Less loan repayments		(114,572)
Net		$514,579

The beginning loan receivable balance, plus new loans of the Department of Health and Human Services Nursing Student Loan program for the year ended June 30, 2016, are identified below and reported iin the Schedule. The loan repayments are also identified below:

Nursing Student Loan Program	CFDA Number	
	93.364	
Beginning loan receivable balance		$ 171,586
New loans		50,000
As reported in the Schedule of Federal Awards		221,586
Less loan repayments		(41,629)
Ending loan receivable balance		$ 179,957