

Report of Independent Auditors and Financial Statements
with Federal Awards Supplementary Information for



LEWIS-CLARK STATE
— COLLEGE —

June 30, 2017 and 2016

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, College) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Lewis-Clark State College and its discretely presented component unit as of June 30, 2017 and 2016, and the respective changes in financial position and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 4 through 12, the schedules of the College's proportionate share of net pension liability – PERSI base plan, schedule of employer contributions – PERSI base plan, on page 45, and the schedule of funded status and 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 management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lewis-Clark State College's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2017, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Moss Adams LLP

Portland, Oregon
September 27, 2017

LEWIS-CLARK STATE COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

Overview of the Financial Statements and Financial Analysis

The financial statements for fiscal years ended June 30, 2017 and June 30, 2016 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 (Foundation) *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, deferred outflows of resources, liabilities, 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

	2017	2016	2015
ASSETS:			
Current assets	\$ 32,230,510	\$ 34,425,279	\$ 34,579,114
Capital assets, net	48,884,605	47,333,144	46,954,928
Other assets and deferred outflows of resources	7,347,752	6,240,371	6,224,021
Total assets and deferred outflows of resources	\$ 88,462,867	\$ 87,998,794	\$ 87,758,063
LIABILITIES:			
Current liabilities	\$ 4,187,049	\$ 5,708,761	\$ 5,747,181
Noncurrent liabilities and deferred inflows of resources	7,210,315	7,273,413	7,868,377
Total liabilities and deferred inflows of resources	11,397,364	12,982,174	13,615,558
NET POSITION:			
Net investment in capital assets	51,510,374	48,190,086	46,527,570
Restricted – nonexpendable	-	-	-
Restricted – expendable	980,320	938,321	905,456
Unrestricted	24,574,809	25,888,213	26,709,479
Total net position	77,065,503	75,016,620	74,142,505
Total liabilities and deferred inflows of resources and net position	\$ 88,462,867	\$ 87,998,794	\$ 87,758,063

Total assets and deferred outflows of resources increased \$464,073 from fiscal year 2016 to 2017, an increase of .5%. The total assets and deferred outflows of resources of the College increased \$240,731 in fiscal year 2016, an increase of .3% over 2015. The primary components of the changes relate to cash deposits, accounts receivables, capital assets and deferred outflows of resources.

Total cash deposits decreased approximately \$2 million in fiscal year 2017 primarily due to the \$1.5 million early payoff of the Clearwater Hall note payable during fiscal year 2017. Total cash deposits decreased \$374,276 in fiscal year 2016 from 2015. The components of the cash deposits changed during 2016 as deposits at financial institutions were moved to deposits in the Idaho Local Government Investment Pool.

Receivables increased \$111,699 in 2017 and \$267,340 in 2016. The increases in receivables are primarily related to grant receivables. The ICE Healthcare Partnership Pharmacy Technology grant receivable increased from 2016 to 2017, and a new receivable for the AmeriCorps grant received during 2017 existed at June 30, 2017. The increases at June 30, 2016 relate to the Secondary Math Support, TESLA and Adult Basic Education grants in comparison to 2015 receivables.

Capital assets increased \$1.5 million during 2017 primarily due to capital improvements to Harris Field, Spalding Hall remodel, multi-use field, upgrades in the residence halls and the student union building. Capital assets increased \$378,216 in 2016 related to the Silverthorne Theatre renovation and tennis facility enlargement.

Deferred outflows of resources increased approximately \$1 million in 2017 compared to fiscal years 2016 and 2015. The outflows are related to the College's defined benefit pension plan. The College recorded a deferred outflow of \$1 million in fiscal year 2017 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 decreased approximately \$1.6 million from fiscal year 2016 to 2017, a decrease of 12.2%. The total liabilities and deferred inflows in fiscal year 2016 decreased \$633,384, a decrease of almost 5%, from 2015. The changes are related to accrued salaries, notes payable and net PERSI pension liability.

Accrued salaries decreased approximately \$1.2 million in 2017, after increasing 550,296 in 2016. The changes are due to the timing of payrolls at the end of the 2017, 2016 and 2015 fiscal years.

Notes payable decreased approximately \$1.8 million in 2017 and \$1.3 million in 2016 due to the early payoff of the Clearwater Hall note during 2017 and early payoff of the Student Union Building Promissory Note in 2016.

The net PERSI pension liability increased approximately \$1.4 million in 2017 and \$1 million in 2016. These liabilities represent the College's allocation of the net pension liability related to the PERSI Base Plan.

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.

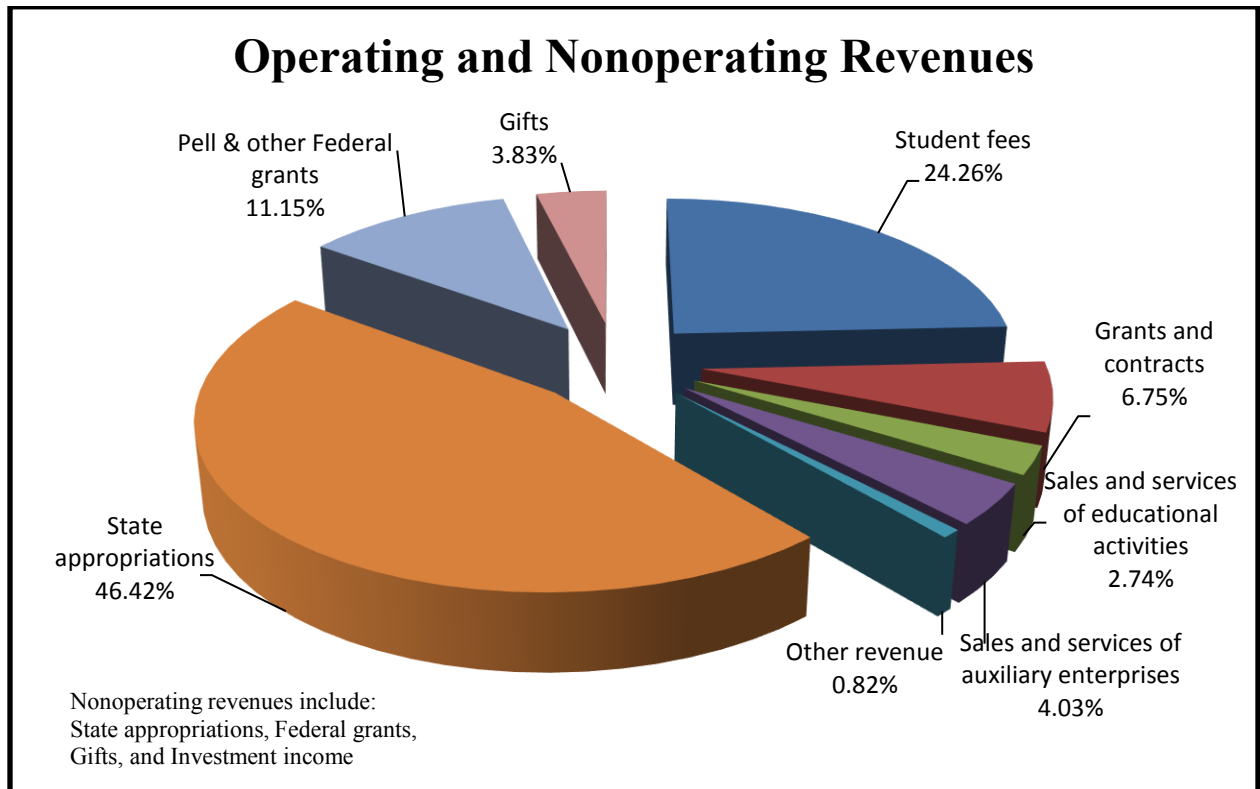
Generally speaking, operating revenues are earned in return for providing goods and services to the various customers and constituents of the College. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry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

	2017	2016	2015
Operating revenues	\$ 20,231,595	\$ 20,197,688	\$ 20,898,165
Operating expenses	51,673,136	50,110,336	48,425,907
Operating loss	(31,441,541)	(29,912,648)	(27,527,742)
Nonoperating revenues and expenses, net	32,486,114	29,384,992	28,250,904
Income (loss) before other revenues and expenses	1,044,573	(527,656)	723,162
Other revenues, net	1,004,310	1,401,771	647,627
Increase in net position	2,048,883	874,115	1,370,789
Net position--Beginning of year	75,016,620	74,142,505	75,976,382
Cumulative effect of implementing GASB 68	-	-	(3,204,666)
Net position--End of year	\$ 77,065,503	\$ 75,016,620	\$ 74,142,505

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, 2017.



Total operating revenues for fiscal year 2017 increased \$33,907, or .2%, from 2016. Total operating revenues for 2016 decreased \$700,477, or 3.4%, from fiscal year 2015. The changes are related to student tuition and fees, scholarship discounts and allowances, and grants and contracts.

Gross student tuition and fees decreased \$60,721, or .3% from fiscal year 2016 to 2017, due to lower full time

equivalent headcount offset by a slight increase in tuition rate fees. Dual credit students increased with a related increase in dual credit fees. Summer semester tuition fees also decreased due to less students and a discounted summer rate. These decreases were offset by increases in course fees and Work Force Training registration fees. Student tuition and fees decreased \$807,087, or 3.9%, 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.

The scholarship discounts and allowances increased \$125,000, or 1.8%, in 2017 compared to 2016, and increased \$384,000, or 5.7%, in 2016 compared to 2015. These increases are related to third party payments and nonmonetary waivers applied to student accounts.

Federal grants increased \$328,458 in 2017, or 58%, due to increases in federal grants related to the CAMP and TRIO grants during the year. State and local grants increased \$457,524 in 2016, from 2015, related to an increase in Idaho State Opportunity scholarships.

Nonoperating revenues and expenses increased \$3.1 million, or 10.5%, in fiscal year 2017 in comparison to 2016. Nonoperating revenues and expenses increased \$1.1 million, or 4.0%, in fiscal year 2016 in comparison to fiscal year 2015. The increases are primarily due to increases in state appropriations and revenues from gifts.

The 2017 state appropriations increased 12% in appropriations for general education, Career and Technical Education and millennium appropriations in the amount of \$2.6 million. The 2016 state appropriations increased 9.6% over 2015, or \$1.9 million.

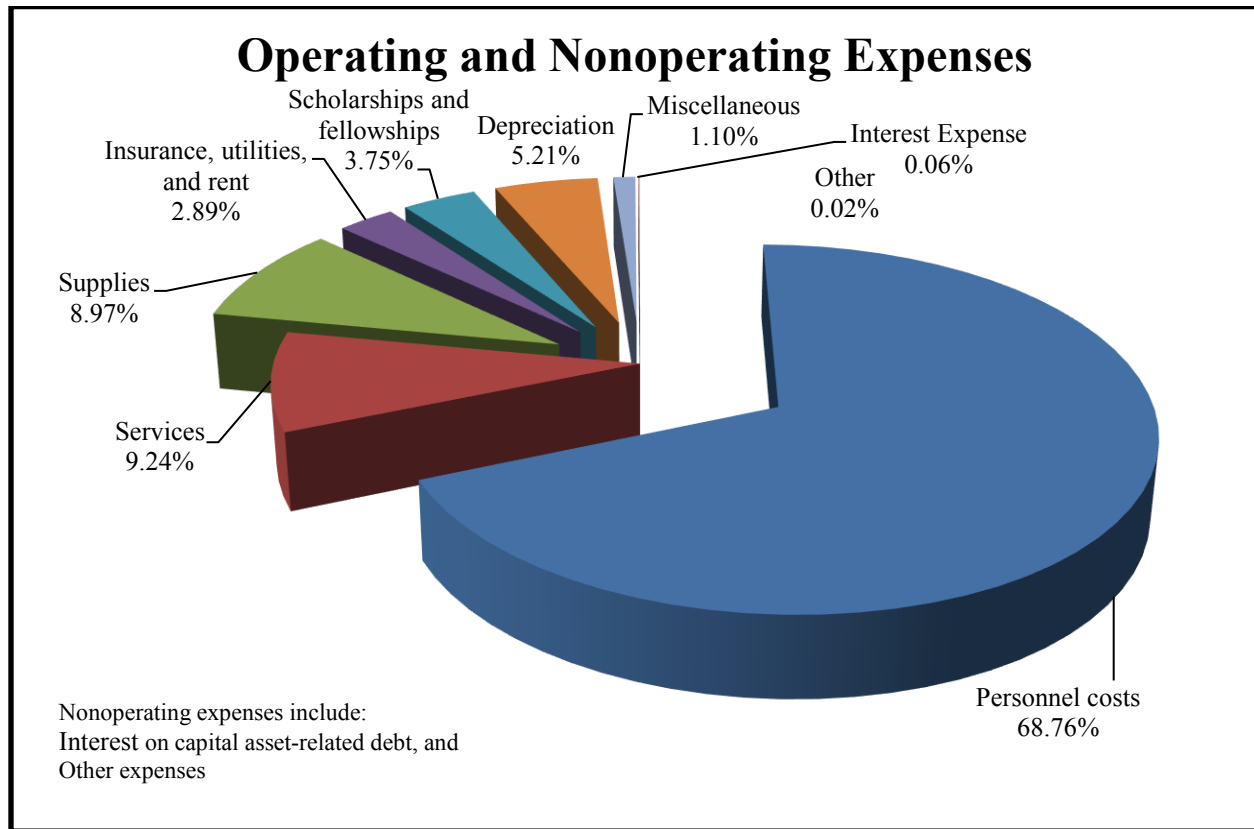
Gift revenue increased \$298,679 in 2017 over 2016 due to donations received for the Ed Cheff Stadium, Harris Field improvements and nursing scholarships.

Expenses

Following is a comparative summary of the College's expenses for the years ended June 30, 2017, 2016, and 2015.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
OPERATING EXPENSES:			
Personnel costs	\$ 35,555,236	\$ 33,823,448	\$ 31,369,245
Services	4,777,159	4,774,004	4,392,728
Supplies	4,640,128	5,274,626	4,871,419
Insurance, utilities, and rent	1,495,684	1,332,633	1,455,470
Scholarships and fellowships	1,941,223	1,742,700	2,774,271
Depreciation	2,695,324	2,561,182	2,916,715
Miscellaneous	568,382	601,743	646,059
Total operating expenses	<u>51,673,136</u>	<u>50,110,336</u>	<u>48,425,907</u>
NONOPERATING EXPENSES:			
Interest on capital asset related debt	28,959	59,507	84,085
Other	9,598	3,250	9,513
Total nonoperating expenses	<u>38,557</u>	<u>62,757</u>	<u>93,598</u>
TOTAL EXPENSES	<u>\$ 51,711,693</u>	<u>\$ 50,173,093</u>	<u>\$ 48,519,505</u>

The following is a graphic depiction of total expenses by natural classification for the year ended June 30, 2017.



Total operating expenses increased approximately \$1.6 million, or 3.1%, in fiscal year 2017. Total operating expenses increased \$1.7 million in fiscal year 2016, or 3.5%, from fiscal year 2015. The increases are primarily due to increases in personnel costs.

Personnel costs increased \$1.7 million in 2017, representing a 5.1% increase. Personnel costs increased \$2.5 million in 2016, an increase of 7.8% over 2015. These increases reflect higher health insurance costs and 3% merit-based salary increases during fiscal years 2017 and 2016.

The personnel costs were offset by decreases in supplies of \$634,498 in 2017, and decreases in scholarship expenses of approximately \$1.0 million in 2016.

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

	2017	2016	2015
CASH PROVIDED BY (USED IN):			
Operating activities	\$ (29,754,907)	\$ (26,942,445)	\$ (24,577,269)
Noncapital financing activities	32,641,294	29,382,489	27,729,438
Capital and related financing activities	(5,049,858)	(2,876,889)	(2,719,109)
Investing activities	<u>87,986</u>	<u>62,569</u>	<u>50,332</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (2,075,485)	 (374,276)	 483,392
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>33,304,551</u>	 <u>33,678,827</u>	 <u>33,195,435</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 31,229,066</u>	 <u>\$ 33,304,551</u>	 <u>\$ 33,678,827</u>

Cash decreased approximately \$2 million and \$374,276 for the years ended June 30, 2017 and 2016, respectively, and increased \$483,392 for the year ended June 30, 2015.

Governmental Accounting Standards Board (“GASB”) pronouncements require that the College recognize State of Idaho appropriated revenues and certain federal financial aid grants, primarily Pell grants, as noncapital financing activities, while all the expenditures associated with these funds are reflected as operating activities. This causes the financial statements to show a large operating loss and a corresponding large use of cash by operating activities.

The operating activities cash decreases in 2017 and 2016 are primarily related to increases in cash payments to employees and decreases in cash receipts of student fees. Cash payments to employees increased approximately \$3.2 million in 2017 and \$1.6 million in 2016 due to salary and health insurance cost increases. Cash receipts from student fees decreased during the two years, \$385,977 during 2017, and approximately \$1.2 million during 2016.

The noncapital financing activities cash increases in 2017 and 2016 are related to increases in cash receipts from state appropriations. State appropriations increased \$2.6 million and \$2 million during 2017 and 2016, which were 12% and 10% increases, respectively.

Capital and related financing activities resulted in a cash decrease of \$2.2 million during 2017 due to \$1.6 million more cash spent on capital asset purchases during the year compared to 2016. Cash decreases are also related to notes payable payments; \$1.8 million and \$1.3 million in 2017 and 2016, which include early payoffs of notes during each year.

Capital Asset and Debt Administration

The College had \$87,466,627 and \$83,753,013 and \$83,290,976 of capital assets at June 30, 2017, 2016 and 2015, with accumulated depreciation of \$38,582,022 and \$36,419,869 and \$36,336,048, respectively. Capital asset additions during fiscal year 2017 include an upgrade to Clearwater residence hall, Center for Arts and History heating and air conditioning, physical plant storage units, the multi-use playing field, and Harris Field bleachers. The College also started the remodeling of Spalding Hall. 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 paid off its final note payable during 2017 and has no amounts due at June 30, 2017. 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 any of the fiscal years 2017, 2016 or 2015. The College paid off the Clearwater Hall student housing note during fiscal year 2017 and paid off the Student Union Building note during fiscal year 2016.

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 2017, the State Division of Financial Management forecasts that revenues for fiscal year 2018 will be \$3.58 billion for the state of Idaho, representing a 3.8% increase over fiscal year 2017 revenues. This positive trend has been accompanied by a decrease in the unemployment rate as the state economy has improved. The College is projecting headcount enrollment for Fall 2017 to stay consistent with Fall 2016 and continue to have a positive impact on fiscal year 2018 student tuition revenues which are projected to be \$16 million.

The College's general education appropriation for fiscal year 2018 increased by 7.4% over the fiscal year 2017 level. Key components of the increase include additional funding to address the increase in employer health insurance premiums for fiscal year 2018, \$675,000 to provide a 3% merit-based Change in Employee Compensation increase. New funding was provided by the legislature to hire two Movement and Sport Sciences faculty positions and a veterans services coordinator. Funding was provided to expand the Work Scholars Program, the only one of its kind in Idaho that provides access to higher education to students through work-based opportunities. The College's Normal School endowment distribution of \$2.1 million will remain consistent for fiscal year 2018. The Career and Technical Education (CTE) funding level from the State will increase by 3.7% to \$4.7 million for 2018. The Idaho Legislature designated \$10 million toward a new CTE facility in the Lewiston Orchards. It will be adjacent to the new Lewiston High School and will serve as a regional CTE center for area high schools. The 100,000-square-foot facility will house Technical & Industrial Division programs. The College's CTE programs are partnering with local industry, and the College was part of a consortium that received a National Science Foundation grant; both will help address workforce needs.

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, 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 national decrease in the number of international students during 2017 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, 2017 and 2016

ASSETS	LCSC		Component Unit	
	2017	2016	2017	2016
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,684,327	\$ 4,635,652	\$ 594,829	\$ 636,831
Cash with treasurer	20,063,290	20,769,176	-	-
State of Idaho LGIP deposits	8,481,449	7,899,723	-	-
Accounts receivable and unbilled charges	886,521	774,822	-	-
Due from Lewis-Clark State College	-	-	116,521	167,672
Due from state agencies	-	212,913	-	-
Pledges receivable	-	-	1,500	1,500
Student loan receivables	104,395	123,330	-	-
Prepaid expenses	10,528	9,663	-	-
Total current assets	32,230,510	34,425,279	712,850	806,003
NONCURRENT ASSETS				
Student loan receivables, less allowance for doubtful loans of \$61,000 and \$61,000 for 2017 and 2016, respectively	461,389	517,428	-	-
Investments	2,459,876	2,414,551	8,543,782	7,538,162
Net other post employment benefit excess funding	19,000	-	-	-
Investment in capital assets	2,613,348	2,613,348	-	-
Capital assets, net	48,884,605	47,333,144	-	-
Total noncurrent assets	54,438,218	52,878,471	8,543,782	7,538,162
TOTAL ASSETS	86,668,728	87,303,750	9,256,632	8,344,165
DEFERRED OUTFLOWS OF RESOURCES				
Net difference between projected and actual investment earnings on pension plan	1,008,696	-	-	-
Changes of assumptions on pension plan	86,473	90,580	-	-
Changes in proportionate share on pension plan	39,280	-	-	-
Subsequent contributions on pension plan	659,690	604,464	-	-
Total deferred outflows of resources	1,794,139	695,044	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 88,462,867	\$ 87,998,794	\$ 9,256,632	\$ 8,344,165

See notes to financial statements.

(Continued)

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF NET POSITION JUNE 30, 2017 and 2016

LIABILITIES	LCSC		Component Unit	
	2017	2016	2017	2016
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 302,607	\$ 513,485	\$ -	\$ -
Accrued salaries and benefits payable	1,901,380	3,093,931	-	-
Compensated absences payable	845,909	761,079	-	-
Due to component unit	116,521	167,672	-	-
Due to State of Idaho	190,685	101,438	-	-
Unearned revenue	546,068	503,173	-	-
Amounts held in trust for others	283,879	263,211	-	-
Gift annuities payable	-	-	36,812	21,871
Notes payable	-	304,772	-	-
Total current liabilities	4,187,049	5,708,761	36,812	21,871
NONCURRENT LIABILITIES				
Gift annuities payable	-	-	577,666	571,998
Net other post employment benefit obligations	2,818,000	2,486,000	-	-
Net PERSI pension liability	3,890,045	2,487,190	-	-
Notes payable	-	1,464,056	-	-
Total noncurrent liabilities	6,708,045	6,437,246	577,666	571,998
TOTAL LIABILITIES	10,895,094	12,146,007	614,478	593,869
DEFERRED INFLOWS OF RESOURCES				
Net difference between projected and actual investment earnings on pension plan investments	-	390,757	-	-
Differences between expected and actual experience on pension plan	387,614	298,161	-	-
Change in proportionate share on pension plan	114,656	147,249	-	-
Total deferred inflows of resources	502,270	836,167	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	11,397,364	12,982,174	614,478	593,869
NET POSITION				
Net investment in capital assets	51,510,374	48,190,086	-	-
Restricted for:				
Nonexpendable	-	-	4,718,956	4,504,825
Expendable	980,320	938,321	3,232,564	2,599,193
Unrestricted	24,574,809	25,888,213	690,634	646,278
TOTAL NET POSITION	77,065,503	75,016,620	8,642,154	7,750,296
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 88,462,867	\$ 87,998,794	\$ 9,256,632	\$ 8,344,165

See notes to financial statements.

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEARS ENDED JUNE 30, 2017 and 2016

	LCSC		Component Unit	
	2017	2016	2017	2016
OPERATING REVENUES				
Student tuition and fees	\$ 20,009,649	\$ 20,070,370	\$ -	\$ -
Less scholarship discounts and allowances	(7,209,000)	(7,084,000)	-	-
Net tuition and fees	12,800,649	12,986,370	-	-
Federal grants and contracts	895,530	567,072	-	-
State and local grants and contracts	2,534,164	2,593,586	-	-
Private grants and contracts	133,075	64,370	-	-
Sales and services of educational activities	1,447,892	1,513,685	-	-
Sales and services of auxiliary enterprises	2,124,481	2,196,486	-	-
Gifts	-	-	1,230,527	967,320
Other	295,804	276,119	-	-
Total operating revenues	20,231,595	20,197,688	1,230,527	967,320
OPERATING EXPENSES				
Personnel costs	35,555,236	33,823,448	-	-
Services	4,777,159	4,774,004	-	-
Supplies	4,640,128	5,274,626	-	-
Insurance, utilities, and rent	1,495,684	1,332,633	-	-
Scholarships and fellowships	1,941,223	1,742,700	-	-
Depreciation	2,695,324	2,561,182	-	-
Miscellaneous	568,382	601,743	88,909	87,359
Total operating expenses	51,673,136	50,110,336	88,909	87,359
OPERATING (LOSS) INCOME	(31,441,541)	(29,912,648)	1,141,618	879,961
NONOPERATING REVENUES (EXPENSES)				
State appropriations	24,488,704	21,858,721	-	-
Pell and other federal grants	5,880,643	5,759,707	-	-
Gifts (including \$1,234,682 and \$871,880 from the Foundation for 2017 and 2016, respectively)	2,020,940	1,722,261	-	-
Net investment income	134,384	107,060	961,942	58,494
Interest on capital asset related debt	(28,959)	(59,507)	-	-
Distributions to the College	-	-	(1,234,682)	(871,880)
Other	(9,598)	(3,250)	22,980	17,214
Net nonoperating revenues (expenses)	32,486,114	29,384,992	(249,760)	(796,172)
INCOME (LOSS) BEFORE OTHER REVENUES	1,044,573	(527,656)	891,858	83,789
OTHER REVENUES				
Capital appropriations	642,233	1,034,427	-	-
Capital grants and gifts	362,077	392,138	-	-
Other	-	(24,794)	-	-
Total other revenues	1,004,310	1,401,771	-	-
INCREASE IN NET POSITION	2,048,883	874,115	891,858	83,789
NET POSITION---BEGINNING OF YEAR	75,016,620	74,142,505	7,750,296	7,666,507
NET POSITION---END OF YEAR	\$ 77,065,503	\$ 75,016,620	\$ 8,642,154	\$ 7,750,296

See notes to financial statements.

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2017 and 2016

	LCSC		Component Unit	
	2017	2016	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Student fees	\$ 12,706,883	\$ 13,092,860	\$ -	\$ -
Grants and contracts	3,615,000	2,921,190	-	-
Sales and services of educational activities	1,447,892	1,513,685	-	-
Sales and services of auxiliary enterprises	2,098,285	2,577,769	-	-
Donations received	-	-	1,003,188	852,454
Payments to employees	(36,380,094)	(33,132,115)	-	-
Payments to suppliers	(5,280,961)	(5,176,212)	-	-
Other payments	(6,346,690)	(7,286,137)	(45,318)	(87,359)
Payments for scholarships and fellowships	(1,941,223)	(1,742,699)	-	-
Loans issued to students	(144,169)	(243,450)	-	-
Collection of loans from students	174,366	256,545	-	-
Other receipts	295,804	276,119	-	-
Net cash provided (used) by operating activities	<u>(29,754,907)</u>	<u>(26,942,445)</u>	<u>957,870</u>	<u>765,095</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	24,600,177	21,980,189	-	-
Federal grants	5,880,643	5,763,024	-	-
Gifts	2,020,940	1,510,217	-	-
Agency account receipts	636,256	1,823,179	-	-
Agency account payments	(687,407)	(1,795,558)	-	-
Student loan receipts	12,314,583	12,383,866	-	-
Student loan payments	(12,314,583)	(12,383,866)	-	-
Higher Education Stabilization Fund	190,685	101,438	-	-
Distributions from the College	-	-	-	424,950
Distributions to the College	-	-	(956,192)	(1,095,247)
Net cash provided (used) by noncapital financing activities	<u>32,641,294</u>	<u>29,382,489</u>	<u>(956,192)</u>	<u>(670,297)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital grants and gifts	83,587	167,055	-	-
Purchase of capital assets	(3,343,243)	(1,760,138)	-	-
Capital appropriations	7,585	60,000	-	-
Principal paid on capital debt	(1,768,828)	(1,284,299)	-	-
Interest paid on capital debt	(28,959)	(59,507)	-	-
Net cash used in capital and related financing activities	<u>(5,049,858)</u>	<u>(2,876,889)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	87,986	62,569	146,171	140,619
Purchase of investments	-	-	(742,287)	(221,672)
Proceeds from sale of investments	-	-	552,436	42,735
Net cash provided (used) by investing activities	<u>87,986</u>	<u>62,569</u>	<u>(43,680)</u>	<u>(38,318)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,075,485)	(374,276)	(42,002)	56,480
CASH AND CASH EQUIVALENTS---BEGINNING OF THE YEAR	<u>33,304,551</u>	<u>33,678,827</u>	<u>636,831</u>	<u>580,351</u>
CASH AND CASH EQUIVALENTS---END OF THE YEAR	<u>\$ 31,229,066</u>	<u>\$ 33,304,551</u>	<u>\$ 594,829</u>	<u>\$ 636,831</u>

See notes to financial statements.

(Continued)

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2017 and 2016

RECONCILIATION OF NET OPERATING (LOSS) INCOME TO NET CASH AND CASH EQUIVALENTS PROVIDED (USED) BY OPERATING ACTIVITIES	LCSC		Component Unit	
	2017	2016	2017	2016
Operating (Loss) Income	\$ (31,441,541)	\$ (29,912,648)	\$ 1,141,618	\$ 879,961
Adjustments to reconcile operating (loss) income to net cash used in operating activities:				
Noncash donations	-	-	(278,490)	(201,583)
Other noncash receipts	-	-	-	-
Other noncash payments	-	-	-	-
Depreciation expense	2,695,324	2,561,182	-	-
Effect on cash from changes in operating assets and liabilities:				
Receivables, net	(110,626)	(267,340)	-	-
Due from Lewis-Clark State College	-	-	51,151	85,217
Pledges receivable	-	-	-	1,500
Prepaid expenses and deferred costs	(865)	2,856	-	-
Loans to students	74,974	13,094	-	-
Pension assets and liabilities	(30,137)	(141,198)	-	-
Net other post employment benefit excess funding	(19,000)	-	-	-
Accounts payable and accrued liabilities	(210,878)	158,916	-	-
Accrued salaries and benefits payable	(1,192,551)	550,296	-	-
Compensated absences payable	84,830	44,236	-	-
Net other post employment benefit obligations	332,000	238,000	-	-
Gift annuities payable	-	-	43,591	-
Amounts held in trust for others	20,668	47,231	-	-
Unearned revenue	42,895	(237,070)	-	-
Net cash provided (used) by operating activities	<u>\$ (29,754,907)</u>	<u>\$ (26,942,445)</u>	<u>\$ 957,870</u>	<u>\$ 765,095</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS				
Capital assets acquired through Dept. of Public Works' appropriations	\$ 634,648	\$ 974,427	\$ -	\$ -
Capital assets donated from the LCSC Foundation, Inc.	<u>\$ 278,490</u>	<u>\$ 201,583</u>		

See notes to financial statements.

LEWIS-CLARK STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lewis-Clark State College (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, 2017. This includes discrete presentation of financial statements for its component unit, the Lewis-Clark State College Foundation (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.

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.

GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*, December 2015 which permits qualifying external investment pools to measure its investments at amortized cost. The Idaho Local Government Investment Pool (LGIP) does not meet all the specific criteria of Statement 79 and the College has measured its investment in the LGIP as provided in GASB Statement 31.

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. The College's deferred outflows of resources relate to the College's pension plan.

Capital Assets, net—Capital 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. The College’s deferred inflows of resources relate to the College’s pension plan.

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.

Reclassifications—Certain reclassifications have been made to the 2016 statements in order to conform to the 2017 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, 2017 and 2016, total deposits consisted of the following:

	2017	2016
Cash on hand	\$ 45,729	\$ 57,164
FDIC insured financial institution deposits	1,645,372	2,447,703
Uninsured financial institution deposits	993,226	2,130,785
Total cash and cash equivalents	2,684,327	4,635,652
Idaho State Treasurer deposits	20,063,290	20,769,176
State of Idaho LGIP deposits	8,481,449	7,899,723
Total deposits	<u>\$ 31,229,066</u>	<u>\$ 33,304,551</u>
Investments	<u>\$ 2,459,876</u>	<u>\$ 2,414,551</u>

As of June 30, 2017 and 2016, \$993,226 and \$2,130,785 of the College's financial institution balances were uncollateralized and exposed to custodial credit risk. The Idaho State Treasurer and State of Idaho 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, 2017 and 2016, 59% and 62% of total State Treasurer investments were in the form of government agency and U.S. Treasury notes. As of June 30, 2017 and 2016, 67% and 88% of total LGIP investments were in the form of government agency and U.S. Treasury notes.

Investments at June 30, 2017 and 2016 represent a five year certificate of deposit that matures October 22, 2018.

Fair Value Measurement

The College categorizes its fair value measurements within the fair value hierarchy established by GASB Statement 72. The Idaho State Treasurer and State of Idaho LGIP deposits do not meet the criteria of Statement 72 and are exempt from the level categories. The deposits are valued at fair value outside the leveling measurement. The long term CD investment is valued at Level 1 since it is a negotiable CD with minimal early withdrawal penalties.

Credit risk

None of the investments have assigned credit ratings. The College follows objectives to provide safety of the principal, allow liquidity and achieve a maximum return through investments in local financial institutions and in investment pools managed by the State of Idaho.

Interest rate risk

The College does not have a formal policy that addresses interest rate risk; however, it does incorporate weighted average maturity methodology in selecting and reporting its investments. The College holds one certificate of deposit with a maturity greater than 1 year. As of June 30, 2017 and 2016, \$2,459,876 and \$2,414,551, has a maturity of 16 and 28 months, respectively. The College's State Treasurer and LGIP deposits may be withdrawn at any time. The State Treasurer has a weighted average maturity of 657 days and 347 days as of June 30, 2017 and 2016. The LGIP has a weighted average maturity of 123 days and 83 days as of June 30, 2017 and 2016 respectively.

Foreign currency risk

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

3. ACCOUNTS RECEIVABLE AND UNBILLED CHARGES

Accounts receivable and unbilled charges consisted of the following at June 30, 2017 and 2016:

	2017	2016
Student fees	\$ 196,227	\$ 131,551
Federal, state and nongovernmental grants and contracts	651,222	584,246
Other receivables	21,594	44,189
Investment income	11,325	10,252
Funds held in custody for others	6,153	4,584
	\$ 886,521	\$ 774,822

4. STUDENT LOAN RECEIVABLES

Student loans made through the Federal Perkins Loan Program (FPLP) and the Nursing Student Loan Program (NSLP) comprise the loans receivable at June 30, 2017 and 2016.

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 \$285,000 and \$349,000 as of June 30, 2017 and 2016, respectively. These amounts are not reflected as a liability in the financial statements and are recorded as restricted net position.

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, 2017 and 2016 consisted of the following:

	2017		
	Current	Noncurrent	Total
Federal Perkins Loan Program	\$ 72,000	\$ 353,266	\$ 425,266
Nursing Student Loan Program	31,000	169,123	200,123
Miscellaneous Loans	1,395	-	1,395
Total student loan receivables	104,395	522,389	626,784
Less allowance for doubtful accounts	-	(61,000)	(61,000)
Student loan receivables, net	<u>\$ 104,395</u>	<u>\$ 461,389</u>	<u>\$ 565,784</u>

	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
Total student loan receivables	123,330	578,428	701,758
Less allowance for doubtful accounts	-	(61,000)	(61,000)
Student loan receivables, net	<u>\$ 123,330</u>	<u>\$ 517,428</u>	<u>\$ 640,758</u>

5. CAPITAL ASSETS — NET

Following are the changes in capital assets, for the years ended June 30, 2017 and 2016:

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 3,214,733	\$ 20,000	\$ (75,001)	\$ 3,159,732
Capitalized collections	15,000	-	-	15,000
Construction in progress	172,262	1,610,582	(51,922)	1,730,922
Total capital assets not being depreciated	\$ 3,401,995	\$ 1,630,582	\$ (126,923)	\$ 4,905,654
Other capital assets:				
Buildings and improvements	\$ 66,695,547	\$ 1,280,702	\$ -	\$ 67,976,249
Furniture, fixtures and equipment	7,798,956	1,274,667	(435,132)	8,638,491
Library materials	5,856,515	197,353	(107,635)	5,946,233
Total other capital assets	80,351,018	2,752,722	(542,767)	82,560,973
Less accumulated depreciation:				
Buildings and improvements	(26,161,344)	(1,712,823)	-	(27,874,167)
Furniture, fixtures and equipment	(5,474,922)	(729,010)	425,535	(5,778,397)
Library materials	(4,783,603)	(253,491)	107,636	(4,929,458)
Total accumulated depreciation	(36,419,869)	(2,695,324)	533,171	(38,582,022)
Other capital assets net of accumulated depreciation	\$ 43,931,149	\$ 57,398	\$ (9,596)	\$ 43,978,951
Capital assets summary:				
Capital assets not being depreciated	\$ 3,401,995	\$ 1,630,582	\$ (126,923)	\$ 4,905,654
Other capital assets at cost	80,351,018	2,752,722	(542,767)	82,560,973
Total cost of capital assets	83,753,013	4,383,304	(669,690)	87,466,627
Less accumulated depreciation	(36,419,869)	(2,695,324)	533,171	(38,582,022)
Capital assets, net	\$ 47,333,144	\$ 1,687,980	\$ (136,519)	\$ 48,884,605

	Balance June 30, 2015	Additions	Retirements	Balance 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	 <u>\$ 4,358,887</u>	 <u>\$ 267,263</u>	 <u>\$ (1,224,155)</u>	 <u>\$ 3,401,995</u>
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	 <u>78,932,089</u>	 <u>3,899,540</u>	 <u>(2,480,611)</u>	 <u>80,351,018</u>
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	 <u>(36,336,048)</u>	 <u>(2,561,182)</u>	 <u>2,477,361</u>	 <u>(36,419,869)</u>
 Other capital assets net of accumulated depreciation	 <u>\$ 42,596,041</u>	 <u>\$ 1,338,358</u>	 <u>\$ (3,250)</u>	 <u>\$ 43,931,149</u>
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	 <u>(36,336,048)</u>	 <u>(2,561,182)</u>	 <u>2,477,361</u>	 <u>(36,419,869)</u>
 Capital assets, net	 <u>\$ 46,954,928</u>	 <u>\$ 1,605,621</u>	 <u>\$ (1,227,405)</u>	 <u>\$ 47,333,144</u>

The estimated cost to complete property authorized or under construction at June 30, 2017 and 2016 is \$6,720,690 and \$6,302,038. 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, 2017 and 2016.

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, 2017 and 2016.

6. NOTES PAYABLE

Following are the changes in notes payable for the years ended June 30, 2017 and 2016:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Amounts due within one year
Notes Payable	<u>\$ 1,768,828</u>	<u>\$ -</u>	<u>\$ (1,768,828)</u>	<u>\$ -</u>	<u>\$ -</u>

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amounts due within one year
Notes Payable	<u>\$ 3,053,127</u>	<u>\$ -</u>	<u>\$ (1,284,299)</u>	<u>\$ 1,768,828</u>	<u>\$ 304,772</u>

Notes payable at June 30, 2017 and 2016 consisted of the following:

	Balance June 30, 2017	Balance June 30, 2016
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. The note was paid off early in March 2017.	<u>\$ -</u>	<u>\$ 1,768,828</u>

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, 2017 and 2016 are as follows:

	2017	2016
Federal student loan programs	\$ 749,880	\$ 780,375
Institutional student loan programs	134,494	133,651
Grants and contracts	95,946	24,295
Total restricted net assets	\$ 980,320	\$ 938,321

8. RETIREMENT PLANS

Public Employee Retirement System of Idaho

Plan Description

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

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

Employee membership data related to the PERSI Base Plan, as of June 30, 2016 and 2015 were as follows:

	2016	2015
Retirees and beneficiaries currently receiving benefits	44,181	42,657
Terminated employees entitled to but not yet receiving benefits	12,251	11,859
Active plan members	68,517	67,008
Total system members	124,949	121,524

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, 2016 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 \$659,690 and \$604,464 for the years ended June 30, 2017 and 2016, respectively.

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

At June 30, 2017 and June 30, 2016, the College reported a liability of \$3,890,045 and \$2,487,190, respectively for its proportionate share of the net pension liability. The net pension liability for each year was measured as of June 30, 2016 and 2015, 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, 2016 and 2015, the College's proportion was .001918969 and .001888760 percent.

For the years ended June 30, 2017 and 2016, respectively, the College recognized pension expense of \$660,415 and \$463,621. At June 30, 2017 and 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 1,008,696	\$ -
Differences between expected and actual experience	-	387,614
Changes in assumptions or other inputs	86,473	-
Changes in proportion and differences between the contributions and the proportionate contributions	39,280	114,656
Contributions subsequent to the measurement date	<u>659,690</u>	<u>-</u>
Total	<u>\$ 1,794,139</u>	<u>\$ 502,270</u>
	2016	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 390,757
Differences between expected and actual experience	-	298,161
Changes in assumptions or other inputs	90,580	-
Changes in proportion and differences between the contributions and the proportionate contributions	-	147,249
Contributions subsequent to the measurement date	<u>604,464</u>	<u>-</u>
Total	<u>\$ 695,044</u>	<u>\$ 836,167</u>

\$659,690 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, 2018.

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, 2015 the beginning of the measurement period ended June 30, 2016 is 4.9 and 5.5 for the measurement period June 30, 2015.

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	
2018	\$ 3,953
2019	3,953
2020	451,311
2021	248,337
	<u>\$ 707,554</u>

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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 – 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 for the period July 1, 2007 through June 30, 2013 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, 2017 and 2016 are based on the results of actuarial valuation dates of July 1, 2016 and 2015, respectively.

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, 2016.

Capital Market Assumptions

Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%
			Expected Real Return	Expected Risk
<u>Total Fund</u>	<u>Expected Return</u>	<u>Expected Inflation</u>		
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

Actuarial Assumptions

Assumed Inflation - Mean	3.25%
Assumed Inflation – Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.08%
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	<u>7.10%</u>

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)	\$ 7,630,887	\$ 3,890,045	\$ 779,121

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, 2017 and June 30, 2016, the College had no payables to the defined benefit pension plan for legally required employer or employee contributions which had been withheld from employee wages but not been remitted to PERSI.

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, 2017 and 2016 was \$2,729,227 and \$2,712,529, respectively, which consisted of \$1,563,546 and \$1,546,397, respectively, from the College and \$1,165,681 and \$1,166,132, respectively, from employees. For both 2017 and 2016, these contributions represented approximately 9.3% 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, 2017 and 2016, this supplemental funding payment made to PERSI was \$249,184 and \$247,433 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, 2017	Approximate Annual Contributions
401(k) PERSI Choice	35	\$ 187,541
457(b) Deferred Compensation	9	\$ 52,483
403(b) Tax Deferred	55	\$ 312,394

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) Tax Deferred	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, 2016. 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 benefit is at least \$1,860 per retiree per year. The College contributed \$16.14 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 \$10.53 per active employee per month in fiscal year 2017.

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 disability benefits from Social Security, Workers' Compensation or PERSI. 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 2017. 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	\$131	\$9	\$18	\$14	\$401
Interest on NOO	23	-	-	-	60
Adjustment to ARC	(49)	(1)	(1)	(1)	(127)
Total Annual OPEB Cost	105	8	17	13	334
Contributions Made	(52)	(36)	(15)	(9)	(52)
Increase (Decrease) in NOO	53	(28)	2	4	282
NOO – Beginning of Year	673	9	9	16	1,779
NOO (Funding Excess) – End of Year	\$726	\$ (19)	\$ 11	\$20	\$2,061

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	2015	\$68	\$27	\$24	\$14	\$315
	2016	\$67	\$30	\$26	\$15	\$295
	2017	\$105	\$8	\$17	\$13	\$334
Percentage of AOC Contributed	2015	75.00%	140.74%	83.33%	78.57%	16.83%
	2016	122.39%	116.67%	65.38%	73.33%	16.95%
	2017	49.52%	450.00%	88.24%	69.23%	15.57%
NOO (Funding Excess) – End of Year	2015	\$688	\$14	\$-	\$12	\$1,534
	2016	\$673	\$9	\$9	\$16	\$1,779
	2017	\$726	\$(19)	\$11	\$20	\$2,061

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			Retiree Life Insurance Plan
		Healthcare	Life Insurance	Income	
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percentage of Payroll	Level Percentage of Payroll	Level Dollar Amount	Level Dollar Amount	Level Percentage of Payroll
Amortization Period	10 years, Open	30 years, Open	5 years, Open	5 years, Open	30 years, Open
Assumptions:					
Inflation Rate	2.50%	2.50%	2.50%	2.50%	2.50%
Investment Return	3.30%	3.30%	3.30%	3.30%	3.30%
OPEB Increases	N/A	N/A	N/A	N/A	N/A
Projected Salary Increases	3.00%	3.00%	3.00%	3.00%	3.00%
Healthcare Cost Initial Trend Rate	3.80%	3.80%	N/A	N/A	N/A
Healthcare Cost Ultimate Trend Rate	4.20%	4.20%	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, 2017 and 2016 were \$145,325 and \$143,375, respectively.

9. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

Functional Classification	2017 Natural Classification							Operating Expense Totals
	Personnel Costs	Services	Supplies	Insurance, Utilities, and Rent	Scholarships and Fellowships	Depreciation	Miscellaneous	
Instruction	\$ 19,629,075	\$ 963,127	\$ 1,339,064	\$ 109,053	\$ 13,700	\$ -	\$ 129,289	\$ 22,183,308
Research	302,029	39,530	61,434	-	-	-	9,471	412,464
Public services	603,603	128,706	51,989	3,047	-	-	8,216	795,561
Libraries	788,089	290,737	38,236	-	-	-	641	1,117,703
Student services	3,737,438	426,042	298,173	9,059	69,440	-	40,221	4,580,373
Plant operations	1,603,169	193,128	538,058	1,031,300	-	2,695,324	137	6,061,116
Institutional support	4,168,225	913,691	276,415	142,404	126,721	-	60,387	5,687,843
Academic support	2,364,813	730,230	435,772	-	280	-	1,984	3,533,079
Scholarships and fellowships	130,080	600	-	-	1,350,559	-	45,577	1,526,816
Auxiliaries	2,228,715	1,091,368	1,600,987	200,821	380,523	-	272,459	5,774,873
Total expenses	<u>\$ 35,555,236</u>	<u>\$ 4,777,159</u>	<u>\$ 4,640,128</u>	<u>\$ 1,495,684</u>	<u>\$ 1,941,223</u>	<u>\$ 2,695,324</u>	<u>\$ 568,382</u>	<u>\$ 51,673,136</u>

Functional Classification	2016 Natural Classification							Operating Expense Totals
	Personnel Costs	Services	Supplies	Insurance, Utilities, and Rent	Scholarships and Fellowships	Depreciation	Miscellaneous	
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	-	-	1,089,430	-	34,140	1,237,894
Auxiliaries	2,267,973	1,101,695	1,676,424	196,716	470,334	-	280,724	5,993,866
Total expenses	<u>\$ 33,823,448</u>	<u>\$ 4,774,004</u>	<u>\$ 5,274,626</u>	<u>\$ 1,332,633</u>	<u>\$ 1,742,700</u>	<u>\$ 2,561,182</u>	<u>\$ 601,743</u>	<u>\$ 50,110,336</u>

10. RELATED PARTIES TRANSACTIONS

In fiscal year 2004 the College began constructing a new Student Activity Center (facility). With an estimated cost of approximately \$15,000,000, this project was completed in fiscal year 2006. The Idaho State Building Authority (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 (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, 2017 and 2016 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. COMMITMENTS, CONTINGENCIES AND LEGAL MATTERS

The College is committed to incur capital expenditures of \$3.5 million as of June 30, 2017 for the Spalding Hall Upgrade. These commitments are expected to be settled during the year ended June 30, 2018.

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 \$183,368,572. 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. (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, 2017 and 2016 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, 2017 and 2016, the Foundation had the following credit risk related to its debt security exchange traded and mutual funds:

<u>Credit rating</u>	<u>2017</u>	<u>2016</u>
AAA	\$ 1,189,596	\$ 1,008,494
AA	190,426	178,063
A	375,066	385,841
BBB	465,625	410,339
BB	135,839	141,770
B	121,249	104,116
Below B	30,690	24,952
Not rated	7,042	14,744
Total	<u>\$ 2,515,533</u>	<u>\$ 2,268,319</u>

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, 2017 and 2016, the Foundation's debt security exchange traded and mutual funds had the following maturities:

<u>Investment Maturities in Years</u>	<u>2017</u>	<u>2016</u>
0-3	\$ 733,529	\$ 785,973
3-5	777,551	802,304
5-10	569,014	385,387
10-20	114,709	83,702
20-30	271,174	191,219
>30	49,556	19,734
Total	<u>\$ 2,515,533</u>	<u>\$ 2,268,319</u>

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, 2017 and 2016, the Foundation's exposure to foreign currency risk is as follows based on equity and debt security funds:

Currency	Country	2017	2016
AUD	Australia	\$ 90,625	\$ 85,565
BRL	Brazil	21,360	19,081
CAD	Canada	138,365	123,996
CHF	Switzerland	94,784	97,928
CLP	Chile	4,439	3,502
CNY	China	89,952	62,079
COP	Columbia	3,656	3,097
CZK	Czech Republic	1,178	1,146
DKK	Denmark	19,905	18,340
EUR	Europe	463,380	398,143
GBP	United Kingdom	214,159	213,380
HKD	Hong Kong	21,834	21,617
HUF	Hungary	2,719	343
IDR	Indonesia	7,207	6,091
ILS	Israel	7,417	4,268
INR	India	31,790	27,843
JPY	Japan	304,476	273,623
KRW	South Korea	59,131	49,327
MXN	Mexico	20,232	18,729
MYR	Malaysia	10,387	10,314
NOK	Norway	10,071	9,198
NZD	New Zealand	3,997	3,975
PEN	Peru	1,422	1,228
PHP	Philippines	5,880	5,883
PLN	Poland	7,092	5,236
RUB	Russia	10,342	8,153
SEK	Sweden	37,499	30,973
SGD	Singapore	18,058	14,977
THB	Thailand	10,892	7,965
TRY	Turkey	7,971	6,526
TWD	Taiwan	41,034	34,807
ZAR	South Africa	20,481	20,772
Various	Various	70,759	61,270
Total Foreign Investments		<u>\$ 1,852,494</u>	<u>\$ 1,649,375</u>

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 \$116,521 and \$167,672 as of June 30, 2017 and 2016, respectively.

Certain gifts and gift annuity liabilities involve contributions made to the Foundation by Foundation board members. For the years ended June 30, 2017 and 2016, gifts from these related parties approximated \$342,975 and \$126,623 or 28% and 13% of total contributions, respectively. Liabilities to related parties, reflected in the *Statements of Net Position* as gift annuities payable, totaled \$565,305 and \$541,455 or 92% and 91% of total gift annuities payable as of June 30, 2017 and 2016, respectively.

Distributions to the College—During the years ended June 30, 2017 and 2016, the Foundation distributed \$1,234,682 and \$871,880, 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 2017 and 2016 the Foundation received new contributions of \$1,230,527 and \$967,320, respectively, of which the amount permanently restricted by donors was \$214,131 and \$390,490 respectively. The endowments of the Foundation experienced net unrealized market appreciation of \$835,166 and \$46,904 during fiscal years 2017 and 2016. Accumulated earnings are reported in restricted net position, 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 six gift annuities. The College recognizes the annuity in the period in which the gift is received. The assets are recorded at fair value when received. An obligation to the annuitant is recorded at the present value of the estimated future payments to be distributed. Income earned on assets, recognized gains and losses, and distributions paid to annuitants are reflected in the *Statements of Net Position*. Adjustments to the annuity obligation to reflect the revaluation of the present value of the estimated future payments to the annuitant, based upon changes in the actuarial assumptions, are recognized in the *Statements of Revenues, Expenses, and Changes in Net Position* as a miscellaneous expense.

Discount rates to determine the present value of the obligations to the annuitants range from 5.7% to 8.0% for the years ended June 30, 2017 and 2016. 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**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
College's portion of net pension liability	0.001918969	0.00188876	.0019994939
College's proportionate share of net pension liability	\$ 3,890,045	\$ 2,487,190	\$ 1,468,857
College's covered-employee payroll	\$ 5,339,791	\$ 5,287,228	\$ 5,415,597
College's proportional share of net pension liability as a percentage of its covered-employee payroll	72.85%	47.04%	27.12%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	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, 2016

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 573,196	\$ 617,817	\$ 648,438
Contributions in relation to the statutorily required contribution	659,690	604,464	598,514
Contribution (deficiency) excess	86,494	(13,353)	(49,924)
College's covered-employee payroll	5,827,647	5,339,791	5,287,228
Contributions as a percentage of covered-employee payroll	11.32%	11.32%	11.32%

Required Supplementary Information

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

Funded Status and Funding Progress

The following tables illustrate the funded status and the funding progress for the College as of June 30, 2017:

Funded Status and Funding Progress
(dollars in thousands)

	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan
		Healthcare	Life Insurance	Income	
Actuarial Valuation Date	7/1/2016	7/1/2016	7/1/2016	7/1/2016	7/1/2016
1 Actuarial Value of Assets	\$0	\$0	\$0	\$0	\$0
2 Accrued Liability (AAL)	\$840	\$96	\$80	\$61	\$5,012
3 Unfunded AAL (UAAL) (2-1)	\$840	\$96	\$80	\$61	\$5,012
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)	3.80%	.43%	.36%	0.28%	22.70%

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Accrued Liability (AAL)	(3)	(4)	(5)	(6)
				Unfunded AAL (UAAL) (2) - (1)	Funded Ratios (1) : (2)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll (3) : (5)
Retiree Healthcare	7/1/2014	\$0	\$566	\$566	0.0%	\$19,540	2.90%
	7/1/2015	\$0	\$594	\$594	0.0%	\$20,693	2.87%
	7/1/2016	\$0	\$840	\$840	0.0%	\$22,077	3.80%
Long-Term Disability: Healthcare	7/1/2014	\$0	\$194	\$194	0.0%	\$19,540	.99%
	7/1/2015	\$0	\$195	\$195	0.0%	\$20,693	.94%
	7/1/2016	\$0	\$96	\$96	0.0%	\$22,077	.43%
Life Insurance	7/1/2014	\$0	\$107	\$107	0.0%	\$19,540	.55%
	7/1/2015	\$0	\$95	\$95	0.0%	\$20,693	.46%
	7/1/2016	\$0	\$80	\$80	0.0%	\$22,077	.36%
Income	7/1/2014	\$0	\$75	\$75	0.0%	\$19,540	.38%
	7/1/2015	\$0	\$69	\$69	0.0%	\$20,693	.33%
	7/1/2016	\$0	\$61	\$61	0.0%	\$22,077	.28%
Retiree Life Insurance	7/1/2014	\$0	\$4,734	\$4,734	0.0%	\$19,540	24.23%
	7/1/2015	\$0	\$4,517	\$4,517	0.0%	\$20,693	21.83%
	7/1/2016	\$0	\$5,012	\$5,012	0.0%	\$22,077	22.70%

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	6/30/2015	\$365	\$53	14.52%
	6/30/2016	\$344	\$50	14.53%
	6/30/2017	\$401	\$52	12.97%

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, College) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated September 27, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Moss Adams LLP

Portland, Oregon
September 27, 2017

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 College's major federal program for the year ended June 30, 2017. The College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 College's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with 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 College's internal control over compliance.

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

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

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

Moss Adams LLP

Portland, Oregon
September 27, 2017

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:

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

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

None reported

**LEWIS-CLARK STATE COLLEGE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

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

<i>CFDA Number(s)</i>	<i>Program Name/Title</i>	<i>Federal Agency/Pass-through Entity</i>	<i>Federal Award Number</i>	<i>Award Year</i>
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.

Current Status: Cleared.

Lewis-Clark State College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor Pass-Through Grantor Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures		
			From Pass- Through Awards	Direct Awards	Total
Student Financial Assistance Cluster					
U.S. Department of Education					
Federal Supplemental Educational Opportunity Grants	84.007		-	80,185	80,185
Federal Work Study Program	84.033		-	92,451	92,451
Federal Perkins Loan Program	84.038		-	541,837	541,837
Federal Pell Grant Program	84.063		-	5,784,765	5,784,765
Federal Direct Student Loans	84.268		-	12,314,583	12,314,583
Teacher Education Assistance for College and Higher Education Grants	84.379		-	20,855	20,855
Department of Education SFA Cluster Total			-	18,834,676	18,834,676
U.S. Department of Health & Human Services					
Nursing Student Loans	93.364		-	231,693	231,693
Department of Health & Human Services SFA Cluster Total			-	231,693	231,693
Total Student Financial Assistance Cluster			-	19,066,369	19,066,369
Research & Development Cluster					
U.S. Department of Transportation					
Lewis-Clark Valley Metropolitan Planning Organization					
Planning and Research	20.505	None	5,650	-	5,650
U.S. Department of Transportation R&D Cluster Total			5,650	-	5,650
National Aeronautics and Space Administration					
College of Southern Idaho					
Education	43.008	None	1,500	-	1,500
Aeronautics and Space Administration R&D Cluster Total			1,500	-	1,500
National Science Foundation					
Education and Human Resources	47.076		-	33,260	33,260
University of Idaho					
Mathematical and Physical Science	47.079	None	2	-	2
National Science Foundation R&D Cluster Total			2	33,260	33,262
U.S. Department of Health & Human Services					
University of Idaho					
Biomedical Research and Research Training	93.859	IAK400-SB-017	9,627	-	9,627
Biomedical Research and Research Training	93.859	IAK100-SB-004	(3,513)	-	(3,513)
Biomedical Research and Research Training	93.859	IAK300-SB-08	136,338	-	136,338
Biomedical Research and Research Training	93.859	IAK400-SB-006	30,982	-	30,982
Biomedical Research and Research Training	93.859	IAK300-SB-018	29,594	-	29,594
Biomedical Research and Research Training	93.859	IAK400-SB-004	3,622	-	3,622
Biomedical Research and Research Training	93.859	IAK300-SB-009	658	-	658
Biomedical Research and Research Training	93.859	IAK200-SB-016	47,730	-	47,730
U.S. Department of Health & Human Services R&D Cluster Total			255,038	-	255,038
Total Research & Development Cluster			262,190	33,260	295,450
TRIO Cluster					
U.S. Department of Education					
TRIO - Student Support Services	84.042A		-	10,000	10,000
TRIO - Student Support Services	84.042A		-	54,192	54,192
TRIO - Student Support Services	84.042A		-	261,177	261,177
TRIO - Talent Search	84.044A		-	19,721	19,721
TRIO - Talent Search	84.044A		-	251,909	251,909
Total TRIO Cluster			-	596,999	596,999

Lewis-Clark State College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor Pass-Through Grantor Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures		
			From Pass- Through Awards	Direct Awards	Total
Employment Service Cluster					
U.S. Department of Labor					
Idaho Division of Career & Technical Education					
Employment Service/Wagner-Peyser Funded Activities	17.207	WB5610H1	(14)	-	(14)
Employment Service/Wagner-Peyser Funded Activities	17.207	WB7610H1	1,898	-	1,898
Employment Service/Wagner-Peyser Funded Activities	17.207	WB7610H1	95	-	95
Total Employment Service Cluster			1,979	-	1,979
Highway Planning and Construction Cluster					
U.S. Department of Transportation					
Lewis-Clark Valley Metropolitan Planning Organization					
Highway Planning and Construction	20.205	None	11,052	-	11,052
Total Highway and Planning Construction Cluster			11,052	-	11,052
TANF Cluster					
U.S. Department of Health & Human Services					
Idaho State Department of Health & Welfare					
Temporary Assistance for Needy Families	93.558	KC252100 Amendment 2	43	-	43
Temporary Assistance for Needy Families	93.558	KC252100 Amendment 3	(5,842)	-	(5,842)
Total TANF Cluster			(5,799)	-	(5,799)
Medicaid Cluster					
U.S. Department of Health & Human Services					
Idaho State Department of Health & Welfare					
Medical Assistance Program	93.778	KC252100 Amendment 2	1	-	1
Medical Assistance Program	93.778	KC252100 Amendment 3	(285)	-	(285)
Total Medicaid Cluster			(284)	-	(284)
Other Programs					
U.S. Department of Agriculture					
Rural Business Development Grant					
Rural Business Development Grant	10.351		-	7,328	7,328
Rural Business Development Grant	10.351		-	16,500	16,500
State of Idaho Department of Education					
Child and Adult Care Food Program	10.558	None	8,366	-	8,366
U.S. Department of Agriculture Total			8,366	23,828	32,194
U.S. Department of the Interior					
National Park Service					
National Park Service Conservation, Protection, Outreach, and Education	15.954		-	1,376	1,376
U.S. Department of the Interior Total			-	1,376	1,376
U.S. Department of Labor					
North Idaho College					
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grant	17.282	NIC-TAACCTIV-03	104,697	-	104,697
Employment Training Administration					
Idaho Department of Labor					
Apprenticeship USA Grants	17.285	None	21,754	-	21,754
U.S. Department of Labor Total			126,451	-	126,451
National Endowment for the Arts					
Idaho Commission on the Arts					
Promotion of the Arts Partnership Agreements	45.025	3916ET-17	2,685	-	2,685
National Endowment for the Arts Total			2,685	-	2,685

Lewis-Clark State College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor Pass-Through Grantor Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures		
			From Pass- Through Awards	Direct Awards	Total
National Endowment for the Humanities					
Promotion of the Humanities - Division of Preservation and Access	45.149		-	2,827	2,827
Idaho Humanities Council					
Promotion of the Humanities - Federal/State Partnership	45.129	2015001	1,900	-	1,900
Promotion of the Humanities - Federal/State Partnership	45.129	2016026	3,750	-	3,750
Promotion of the Humanities - Federal/State Partnership	45.129	2016054	1,305	-	1,305
National Endowment for the Humanities Total			6,955	2,827	9,782
U.S. Small Business Administration					
Boise State University					
Small Business Development Centers	59.037	6923-D	23,394	-	23,394
Small Business Development Centers	59.037	7448-B	10,942	-	10,942
U.S. Small Business Administration Total			34,336	-	34,336
U.S. Department of Education					
College Assistance Migrant Program	84.149A		-	161,289	161,289
Idaho Division of Career & Technical Education					
Adult Education - Basic Grants to States	84.002A	AD7610M1	1,213	-	1,213
Adult Education - Basic Grants to States	84.002A	AD6610L1	38	-	38
Adult Education-Basic Grants to States	84.002A	AL7610B1	7,165	-	7,165
Adult Education - Basic Grants to States	84.002A	AD7610L1	171,901	-	171,901
Idaho Department of Corrections					
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	None	43,834	-	43,834
Special Education - Grants to States	84.027A	PCA 05188	222	-	222
Special Education - Grants to States	84.027A	PCA 05188	43,271	-	43,271
Idaho Division of Career & Technical Education					
Career and Technical Education-Basic Grants to States	84.048A	PR6610K1	(3)	-	(3)
Career and Technical Education-Basic Grants to States	84.048A	PR7610K1	79,834	-	79,834
Career and Technical Education - Basic Grants to States	84.048A	PP6610E1	(112)	-	(112)
Career and Technical Education - Basic Grants to States	84.048A	PP7610H1	141,403	-	141,403
Career and Technical Education-Basic Grants to States	84.048A	PN7610H1	12,030	-	12,030
Idaho State Department of Education					
Mathematics and Science Partnerships	84.366	12MSP17	27,379	-	27,379
Boise State University					
Mathematics and Science Partnerships	84.366	7274-D	3,621	-	3,621
Boise State University					
Supporting Effective Instruction State Grant	84.367B	7504-B	37,749	-	37,749
U.S. Department of Education Total			569,545	161,289	730,834
U.S. Department of Health & Human Services					
Idaho State Department of Health & Welfare					
Foster Care - Title IV-E	93.658	KC252100 Amendment 2	314	-	314
Social Services Block Grant	93.667	KC252100 Amendment 2	16	-	16
Foster Care - Title IV-E	93.658	KC252100 Amendment 3	54,951	-	54,951
Social Services Block Grant	93.667	KC252100 Amendment 3	(2,683)	-	(2,683)
Idaho Office of Drug Policy					
Substance Abuse Block Grant	93.959	None	17,388	-	17,388
U.S. Department of Health & Human Services Total			69,986	-	69,986
Corporation for National and Community Service					
Serve Idaho					
AmeriCorps	94.006	16AC184954	87,637	-	87,637
Corporation for National and Community Service Total			87,637	-	87,637
TOTAL FEDERAL EXPENDITURES			1,175,099	19,885,948	21,061,047

LEWIS-CLARK STATE COLLEGE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017. 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. COLLEGE 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, 2017 consists of:

Loan Program	CFDA Number	Outstanding Loan Balances
Federal Perkins Loan Program	84.038	\$ 425,266
Nursing Student Loan Program	93.364	\$ 200,123

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, 2017, 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		\$ 520,471
New loans		21,366
Administrative cost allowance		<u>(0)</u>
As reported in the Schedule of Federal Awards		541,837
Less loan repayments		<u>(116,571)</u>
Net		<u>\$ 425,266</u>

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, 2017, are identified below and reported in the Schedule. The loan repayments are also identified below:

Nursing Student Loan Program	CFDA Number	
	93.364	
Beginning loan receivable balance		\$ 179,956
New loans		<u>51,737</u>
As reported in the Schedule of Federal Awards		231,693
Less loan repayments		<u>(31,570)</u>
Ending loan receivable balance		<u>\$ 200,123</u>