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

LEWIS-CLARK STATE COLLEGE

June 30, 2018 and 2017

LEWIS-CLARK STATE COLLEGE

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MOSSADAMS

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, 2018 and 2017, 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 the College and its discretely presented component unit, as of June 30, 2018 and 2017, 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.

Emphasis of a Matter

In the year ended June 30, 2018, the College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which modified the presentation of the financial statements by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, GASB Statement 75 requires disclosure of information related to OPEB. As discussed in Note 1 to the financial statements, the adoption of GASB Statements 75 resulted in the restatement of beginning net position. Our opinions are not modified with respect to this matter.

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 13, the schedules of the College's proportionate share of net pension liability – PERSI base plan, schedule of employer contributions – PERSI base plan, on page 50 and 51, and the schedule of the College's total OPEB liability and related ratios on page 52, 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 are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018, on our consideration of 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 the College's 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 28, 2018

LEWIS-CLARK STATE COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

Overview of the Financial Statements and Financial Analysis

The financial statements for fiscal years ended June 30, 2018 and June 30, 2017 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

	2018	2017	2016
ASSETS:			
Current assets	$ 33,303,085	$ 32,230,510	$ 34,425,279
Capital assets, net	50,354,323	48,884,605	47,333,144
Other assets and deferred outflows of resources	4,352,733	7,347,752	6,240,371
Total assets and deferred outflows of resources	$ 88,010,141	$ 88,462,867	$ 87,998,794
LIABILITIES:			
Current liabilities	$ 4,797,938	$ 4,187,049	$ 5,708,761
Noncurrent liabilities and deferred inflows of resources	9,942,822	7,210,315	7,273,413
Total liabilities and deferred inflows of resources	14,740,760	11,397,364	12,982,174
NET POSITION:			
Net investment in capital assets	52,980,093	51,510,374	48,190,086
Restricted – expendable	756,594	980,320	938,321
Unrestricted	19,532,694	24,574,809	25,888,213
Total net position	73,269,381	77,065,503	75,016,620
Total liabilities and deferred inflows of resources and net position	$ 88,010,141	$ 88,462,867	$ 87,998,794

Total assets and deferred outflows of resources decreased $452,726 from fiscal year 2017 to 2018, a decrease of .5%. The total assets and deferred outflows of resources of the College increased $464,073 in fiscal year 2017, an increase of .5% over 2016. The primary components of the changes relate to cash deposits, accounts receivables, capital assets and deferred outflows of resources for both years. There was also a change in the receivable from state agencies between 2016 and 2017.

Total cash deposits decreased $1,524,981 in fiscal year 2018 compared to 2017. The components of the cash deposits changed during 2018. Deposits at financial institutions were moved to deposits in the Idaho Local Government Investment Pool (LGIP) increasing the balance at LGIP $1.3 million in 2018 over 2017. The Idaho State Treasurer deposits decreased $1.9 million during 2018 due to withdrawals to pay capital expenditures primarily related to the Spalding Hall Upgrade. Total cash deposits decreased approximately $2 million in fiscal year 2017 compared to 2016 due to the $1.5 million early payoff of the Clearwater Hall note payable during fiscal year 2017.

The long-term certificate of deposit increased $57,855 and became current during 2018. It is classified as a current investment as of June 30, 2018 and a noncurrent investment as of June 30, 2017. Receivables increased $83,085 in 2018 and $111,699 in 2017. The increases in receivables are primarily related to grant receivables. The National Science Foundation Career Technical Pathways Program grant was awarded to the College during 2018 and the College Assistance Migrant Program (CAMP) grant grew in services offered during its second year attributing to increases during 2018. The ICE Healthcare Partnership Pharmacy Technology grant receivable increased from 2016 to 2017, and the AmeriCorps grant was awarded during 2017 resulting in a receivable increase at June 30, 2017.

Capital assets increased $1.5 million during both 2018 and 2017. Capital improvements during 2018 primarily related to the continued upgrade to Spalding Hall and initial expenditures towards the Career Technical Education (CTE) building. The 2017 capital improvements included Harris Field improvements, Spalding Hall remodel, the multi-use field, upgrades in the residence halls and the student union building.

Deferred outflows decreased $466,167 in 2018 and increased approximately $1.1 million in 2017. Both changes primarily relate to the net difference between projected and actual investment earnings on the Public Employee Retirement System of Idaho (PERSI).

Receivables due from state agencies decreased $212,913 between 2017 and 2016 due to a change in the method the state used to pay the Career and Technical Education (CTE) appropriated funds. 95% of the fiscal year appropriations were paid early in the year. The final 5% for 2017 was paid prior to June 30, 2017 resulting in no receivable. The final 5% for 2016 was paid subsequent to June 30, 2016 resulting in a receivable.

Total liabilities and deferred inflows of resources increased $3.3 million from 2017 to 2018, an increase of 29.3%. The total liabilities and deferred inflows of resources decreased approximately $1.6 million from fiscal year 2016 to 2017, a decrease of 12.2%. The specific changes are related to accrued salaries, total other postemployment benefit (OPEB) obligations, PERSI pension liability, notes payable and deferred inflows of resources.

Accrued salaries increased $89,021 in 2018. 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 2018, 2017 and 2016 fiscal years.

The OPEB obligation increased approximately $3.6 million in 2018 and $332,000 in 2017. $3.4 million of the increase is the cumulative effect of the College implementing GASB 75 during 2018. GASB 75 was enacted and effective for periods beginning after June 15, 2017. It requires the College to record its proportionate share of the state of Idaho postemployment benefit plans.

The net PERSI pension liability decreased $940,828 in 2018 and increased approximately $1.4 million in 2017. These liabilities represent the College's allocation of the net pension liability related to the PERSI Base Plan.

Notes payable decreased approximately $1.8 million in 2017 due to the early payoff of the Clearwater Hall note during 2017.

Deferred inflows increased $78,518 and decreased $333,897, respectfully in 2018 and 2017 due to changes related to the PERSI pension 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.

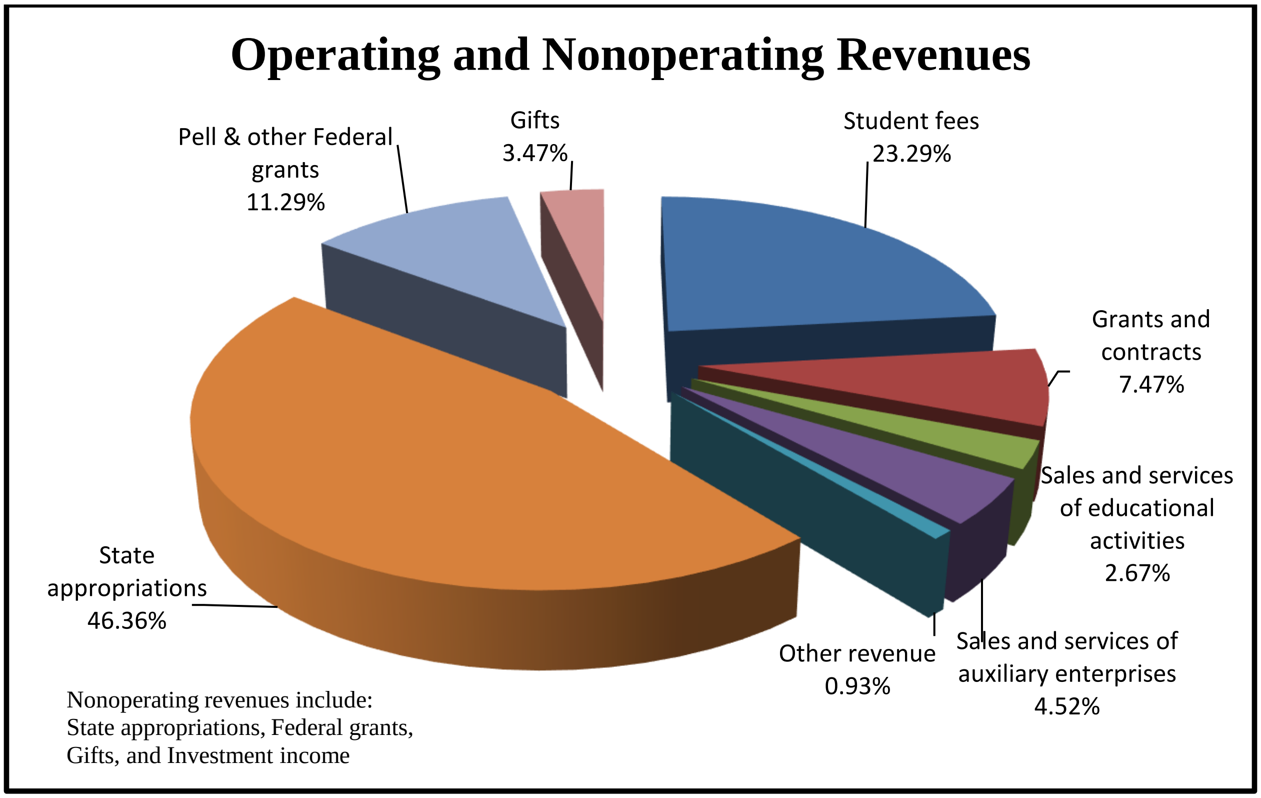
Generally speaking, operating revenues are earned in return for providing goods and services to the various customers and constituents of the College. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry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

	2018	**2017**	**2016**
Operating revenues	$ 20,257,794	$ 20,231,595	$ 20,197,688
Operating expenses	54,119,017	51,673,136	50,110,336
Operating loss	(33,861,223)	(31,441,541)	(29,912,648)
Nonoperating revenues and expenses, net	32,445,116	32,486,114	29,384,992
Income (loss) before other revenues and expenses	(1,416,107)	1,044,573	(527,656)
Other revenues, net	781,983	1,004,310	1,401,771
Increase (Decrease) in net position	(634,124)	2,048,883	874,115
Net position--Beginning of year (as previously reported)	77,065,503	75,016,620	74,142,505
Cumulative effect of implementing GASB 75	(3,161,998)	-	-
Net position Beginning of year (restated)	73,903,505	75,016,620	74,142,205
Net position--End of year	$ 73,269,381	$ 77,065,503	$ 75,016,620

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, 2018.



Total operating revenues for fiscal year 2018 increased $26,199, or .13%, from 2017. Total operating revenues for 2017 increased $33,907, or .17%, from fiscal year 2016. The changes are related to student tuition and fees, scholarship discounts and allowances, grants and contracts, and sales and services of auxiliary enterprises.

Gross student tuition and fees increased $88,647, or .44% from fiscal year 2017 to 2018, due to a 4.48% increase in full-time tuition rate fees offset by a 2.74% decrease in non-dual credit head count. Dual credit students increased 8.92%, with a related increase in dual credit fees. The non-resident head count decreased during 2018 resulting in a decrease in non-resident fees. Registration fees decreased related to the Work Force Training paramedic course which is offered every other year. Registration fees also decreased in the international intensive English program. Gross student tuition and fees decreased $60,721, or .30% 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.

The scholarship discounts and allowances increased $614,000 in 2018, or 8.52%, related to increases in Presidential, Work Scholars, State Opportunity, and CAMP grant scholarships during the year. The scholarship discounts and allowances increased $125,000, or 1.8%, in 2017 compared to 2016. These increases are related to third party payments and nonmonetary waivers applied to student accounts.

Federal grants increased $326,304 in 2018, due to increased activity in the CAMP grant. State grants increased $137,181 related to Idaho State Opportunity scholarships and increase in the AmeriCorps grant. Federal grants increased $328,458 in 2017, or 58%, due to increases in the CAMP and TRIO grants.

Sales and services of auxiliary enterprises increased $257,553 during 2018, primarily related to meal plan revenue and room rent caused by an increase in the housing occupancy during the year.

Nonoperating revenues and expenses decreased slightly by $40,998, or .13% in fiscal year 2018. Nonoperating revenues and expenses increased $3.1 million, or 10.55%, in fiscal year 2017 in comparison to 2016. The changes are primarily due to state appropriations, revenues from gifts, and investment income.

State appropriations decreased slightly for fiscal year 2018, primarily related to a $75,656 reduction in the CTE appropriation. The 2017 state appropriations increased 12% in appropriations for general education, CTE and millennium appropriations in the amount of $2.6 million.

Gift revenue decreased $189,436 during 2018 due primarily to not having the specific Athletic fund raisers as in 2017. The gift revenue increased $298,679 in 2017 over 2016 due to donations received for the Ed Cheff Stadium, Harris Field improvements and nursing scholarships.

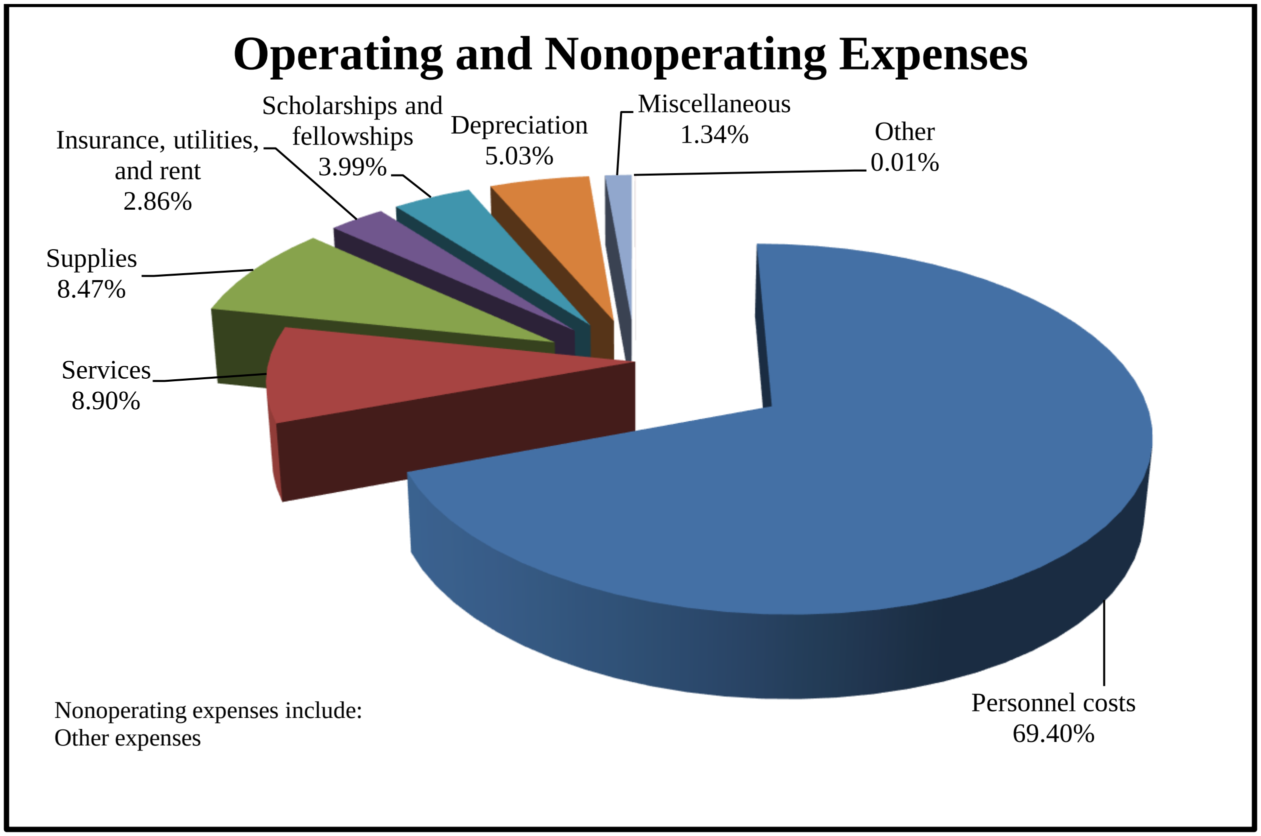
Investment income increased $100,516 during fiscal year 2018 due to increased deposits of excess cash and increased interest rates at the LGIP.

Expenses

Following is a comparative summary of the College's expenses for the years ended June 30, 2018, 2017, and 2016.

	2018	2017	2016
OPERATING EXPENSES:			
Personnel costs	$ 37,564,501	$ 35,555,236	$ 33,823,448
Services	4,818,578	4,777,159	4,774,004
Supplies	4,580,640	4,640,128	5,274,626
Insurance, utilities, and rent	1,547,079	1,495,684	1,332,633
Scholarships and fellowships	2,159,357	1,941,223	1,742,700
Depreciation	2,723,790	2,695,324	2,561,182
Miscellaneous	725,072	568,382	601,743
Total operating expenses	54,119,017	51,673,136	50,110,336
NONOPERATING EXPENSES:			
Interest on capital asset related debt	-	28,959	59,507
Other	6,894	9,598	3,250
Total nonoperating expenses	6,894	38,557	62,757
TOTAL EXPENSES	$ 54,125,911	$ 51,711,693	$ 50,173,093

The following is a graphic depiction of total expenses by natural classification for the year ended June 30, 2018.



Total operating expenses increased approximately $2.4 million, or 4.73%, in fiscal year 2018. Total operating expenses increased approximately $1.6 million, or 3.12%, in fiscal year 2017. The increases are primarily due to increases in personnel costs, with smaller changes in scholarships and supplies.

Personnel costs increased $2 million in 2018, or a 5.65% increase. Personnel costs increased $1.7 million in 2017, representing a 5.12% increase. These increases reflect higher health insurance costs and 3% merit-based salary increases during fiscal years 2018 and 2017.

Scholarship expenses increased $218,134 during 2018 due to increases in Presidential, Work Scholars, CAMP and Idaho State Opportunity scholarships. Scholarship expenses increased $198,523 during 2017 due primarily to increases in Presidential and Idaho State Opportunity scholarships.

Supplies decreased $634,498 in 2017 due to the College incurring less expenditures on repairs and computer equipment.

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

	2018	2017	2016
CASH PROVIDED BY (USED IN):			
Operating activities	$ (30,717,802)	$ (29,754,907)	$ (26,942,445)
Noncapital financing activities	32,423,130	32,641,294	29,382,489
Capital and related financing activities	(3,418,419)	(5,049,858)	(2,876,889)
Investing activities	188,110	87,986	62,569
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,524,981)	(2,075,485)	(374,276)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	31,229,066	33,304,551	33,678,827
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 29,704,085	$ 31,229,066	$ 33,304,551

Cash decreased $1.5 million for the year ended June 30, 2018, and decreased approximately $2 million for the year ended June 30, 2017.

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 2018 and 2017 are primarily related to increases in cash payments to employees and decreases in cash receipts of student fees. Cash payments to employees increased approximately $1 million in 2018, and $3.2 million in 2017 due to salary and health insurance cost increases. Cash receipts from student fees decreased $342,837 during 2018, and $385,977 during 2017.

The noncapital financing activities resulted in a cash decrease in 2018, and an increase in 2017. The changes are primarily related to cash receipts from state appropriations. The state appropriation receipts decreased slightly in 2018, by $165,670, or a decrease of .67%. State appropriations increased $2.6 million during 2017, or 12%.

Capital and related financing activities are primarily related to capital asset purchases and notes payable payments. There was a $1.6 million decrease of these types cash uses in 2018 compared to 2017. The reduction of cash uses is primarily due to no notes payable balances to pay during 2018 offset by an increase of $462,685 spent on capital asset purchases. Cash uses increased $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 related to notes payable payments of $1.8 million and $1.3 million in 2017 and 2016, which include early payoffs of notes during each year.

Cash flows from investing increased $100,124 during 2018. The increase is due to increased deposits of excess cash and increased interest rates at the LGIP.

Capital Asset and Debt Administration

The College had $91,216,647, and $87,466,627 and $83,753,013 of capital assets at June 30, 2018, 2017 and 2016, with accumulated depreciation of $40,862,324 and $38,582,022 and $36,419,869, respectively. Capital asset additions during fiscal year 2018 include the continuing remodel to upgrade Spalding Hall, Library air conditioning and fire suppression, additional expenditures for Harris Field improvements and the multi-use field. The College also purchased several personal residences to use for student housing and incurred initial expenditures related to the CTE building during 2018. 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 during 2017.

The College paid off its final note payable during 2017 and has no amounts due at June 30, 2018 and 2017. The College had notes payable of $1,768,828 at June 30, 2016. The College did not enter into any new long-term notes during any of the fiscal years 2018, 2017, or 2016. 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 2018, the State Division of Financial Management forecasts that revenues for fiscal year 2019 will be $3.72 billion for the state of Idaho, representing a slight increase over fiscal year 2018 revenues. This positive trend has been accompanied by a continuing decrease in the unemployment rate as the state economy improves. The College is projecting headcount enrollment for Fall 2018 to decrease slightly compared to Fall 2017. With an increase in the tuition rate fee the College is projecting student tuition revenues to be $16.2 million in fiscal year 2019.

The College's general education appropriation for fiscal year 2019 increased by 1.3% over the fiscal year 2018 level. Key components of the increase include $703,000 to provide a 3% merit-based Change in Employee Compensation increase. New funding was provided by the legislature to hire a social work faculty member and career counselors. The College’s Normal School endowment distribution will increase to $2.2 million, a 3.5% increase, for fiscal year 2019. The Career and Technical Education (CTE) funding level from the State will increase by 2.1% to $4.8 million for 2019. 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 75,000-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 2018 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. Since the College has no indebtedness, it allows for greater financial flexibility.

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF NET POSITION
JUNE 30, 2018 and 2017

ASSETS	LCSC 2018	LCSC 2017	Component Unit 2018	Component Unit 2017 (Restated)
CURRENT ASSETS				
Cash and cash equivalents	$ 1,817,308	$ 2,684,327	$ 613,340	$ 594,829
Cash with treasurer	18,121,318	20,063,290	-	-
State of Idaho LGIP deposits	9,765,459	8,481,449	-	-
Investments	2,517,731	-	-	-
Accounts receivable and unbilled charges	969,606	886,521	-	-
Due from Lewis-Clark State College	-	-	197,882	116,521
Pledges receivable	-	-	1,000,000	1,500
Student loans receivable	105,000	104,395	-	-
Prepaid expenses	6,663	10,528	-	-
Total current assets	33,303,085	32,230,510	1,811,222	712,850
NONCURRENT ASSETS				
Student loans receivable, less allowance for doubtful loans of $61,000 and $61,000 for 2018 and 2017, respectively	411,413	461,389	-	-
Investments	-	2,459,876	9,236,520	8,543,782
Total other postemployment benefit excess funding	-	19,000	-	-
Long-term pledges receivable	-	-	2,000,000	-
Investment in capital assets	2,613,348	2,613,348	-	-
Capital assets, net	50,354,323	48,884,605	-	-
Total noncurrent assets	53,379,084	54,438,218	11,236,520	8,543,782
TOTAL ASSETS	86,682,169	86,668,728	13,047,742	9,256,632
DEFERRED OUTFLOWS OF RESOURCES				
Subsequent contributions on total OPEB plans	185,745	-	-	-
Net difference between projected and actual investment earnings on pension plan	-	1,008,696	-	-
Changes of assumptions on pension plan	54,539	86,473	-	-
Changes in proportionate share on pension plan	29,208	39,280	-	-
Difference in expected and actual experience on pension plan	408,560	-	-	-
Subsequent contributions on pension plan	649,920	659,690	-	-
Total deferred outflows of resources	1,327,972	1,794,139	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 88,010,141**	**$ 88,462,867**	**$ 13,047,742**	**$ 9,256,632**

See notes to financial statements. (Continued)

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF NET POSITION
JUNE 30, 2018 and 2017

LIABILITIES	LCSC 2018	LCSC 2017	Component Unit 2018	Component Unit 2017 (Restated)
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$ 407,467	$ 302,607	$ -	$ -
Accrued salaries and benefits payable	1,990,401	1,901,380	-	-
Compensated absences payable	867,398	845,909	-	-
Due to component unit	197,882	116,521	-	-
Due to State of Idaho	315,344	190,685	-	-
Unearned revenue	726,439	546,068	-	-
Amounts held in trust for others	293,007	283,879	-	-
Gift annuities payable	-	-	69,768	36,812
Total current liabilities	4,797,938	4,187,049	69,768	36,812
NONCURRENT LIABILITIES				
Gift annuities payable	-	-	558,761	577,666
Total other postemployment benefit obligations	6,412,817	2,818,000	-	-
Net PERSI pension liability	2,949,217	3,890,045	-	-
Total noncurrent liabilities	9,362,034	6,708,045	558,761	577,666
TOTAL LIABILITIES	14,159,972	10,895,094	628,529	614,478
DEFERRED INFLOWS OF RESOURCES				
Net difference between projected and actual investment earnings on pension plan investments	176,700	-	-	-
Difference in expected and actual experience on pension plan	265,699	387,614	-	-
Change in proportionate share on pension plan	138,389	114,656	-	-
Beneficial interests in gift annuity agreements	-	-	527,349	443,384
Total deferred inflows of resources	580,788	502,270	527,349	443,384
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	14,740,760	11,397,364	1,155,878	1,057,862
NET POSITION				
Net investment in capital assets	52,980,093	51,510,374	-	-
Restricted for:				
Nonexpendable	-	-	4,964,244	4,718,956
Expendable	756,594	980,320	6,225,533	2,789,180
Unrestricted	19,532,694	24,574,809	702,087	690,634
TOTAL NET POSITION	73,269,381	77,065,503	11,891,864	8,198,770
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 88,010,141**	**$ 88,462,867**	**$ 13,047,742**	**$ 9,256,632**

See notes to financial statements.

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2018 and 2017

	LCSC		Component Unit	
	2018	2017	2018	2017 (Restated)
OPERATING REVENUES				
Student tuition and fees	$ 20,098,296	$ 20,009,649	$ -	$ -
Less scholarship discounts and allowances	(7,823,000)	(7,209,000)	-	-
Net tuition and fees	12,275,296	12,800,649	-	-
Federal grants and contracts	1,221,834	895,530	-	-
State and local grants and contracts	2,671,345	2,534,164	-	-
Private grants and contracts	41,565	133,075	-	-
Sales and services of educational activities	1,409,868	1,447,892	-	-
Sales and services of auxiliary enterprises	2,382,034	2,124,481	-	-
Gifts	-	-	3,951,746	1,174,116
Other	255,852	295,804	-	-
Total operating revenues	20,257,794	20,231,595	3,951,746	1,174,116
OPERATING EXPENSES				
Personnel costs	37,564,501	35,555,236	-	-
Services	4,818,578	4,777,159	-	-
Supplies	4,580,640	4,640,128	-	-
Insurance, utilities, and rent	1,547,079	1,495,684	-	-
Scholarships and fellowships	2,159,357	1,941,223	-	-
Depreciation	2,723,790	2,695,324	-	-
Miscellaneous	725,072	568,382	2,292	2,005
Total operating expenses	54,119,017	51,673,136	2,292	2,005
OPERATING (LOSS) INCOME	(33,861,223)	(31,441,541)	3,949,454	1,172,111
NONOPERATING REVENUES (EXPENSES)				
State appropriations	24,434,507	24,488,704	-	-
Pell and other federal grants	5,951,099	5,880,643	-	-
Gifts (including $885,187 and $1,234,682 from the Foundation for 2018 and 2017, respectively)	1,831,504	2,020,940	-	-
Net investment income	234,900	134,384	628,827	843,597
Interest on capital asset related debt	-	(28,959)	-	-
Distributions to the College	-	-	(885,187)	(1,234,682)
Other	(6,894)	(9,598)	-	-
Net nonoperating revenues (expenses)	32,445,116	32,486,114	(256,360)	(391,085)
INCOME (LOSS) BEFORE OTHER REVENUES	(1,416,107)	1,044,573	3,693,094	781,026
OTHER REVENUES				
Capital appropriations	325,200	642,233	-	-
Capital grants and gifts	456,783	362,077	-	-
Total other revenues	781,983	1,004,310	-	-
INCREASE (DECREASE) IN NET POSITION	(634,124)	2,048,883	3,693,094	781,026
NET POSITION---BEGINNING OF YEAR (as previously reported)	77,065,503	75,016,620	8,198,770	7,750,296
Cumulative effect of implementing GASB 75 and 81 (See Notes 1 and 13)	(3,161,998)	-	-	(332,552)
NET POSITION---BEGINNING OF YEAR (restated)	73,903,505	75,016,620	8,198,770	7,417,744
NET POSITION---END OF YEAR	$ 73,269,381	$ 77,065,503	$ 11,891,864	$ 8,198,770

See notes to financial statements.

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 and 2017

	LCSC 2018	LCSC 2017	Component Unit 2018	Component Unit 2017 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES				
Student fees	$ 12,364,046	$ 12,706,883	$ -	$ -
Grants and contracts	3,950,725	3,615,000	-	-
Sales and services of educational activities	1,409,948	1,447,892	-	-
Sales and services of auxiliary enterprises	2,385,555	2,098,285	-	-
Donations received	-	-	850,249	1,003,188
Payments to employees	(37,398,315)	(36,380,094)	-	-
Payments to suppliers	(5,530,353)	(5,280,961)	-	-
Other payments	(6,045,274)	(6,346,690)	(40,834)	(45,318)
Payments for scholarships and fellowships	(2,159,357)	(1,941,223)	-	-
Loans issued to students	(134,197)	(144,169)	-	-
Collection of loans from students	183,568	174,366	-	-
Other receipts	255,852	295,804	-	-
Net cash provided (used) by operating activities	(30,717,802)	(29,754,907)	809,415	957,870
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	24,434,507	24,600,177	-	-
Federal grants	5,951,099	5,880,643	-	-
Gifts	1,831,504	2,020,940	-	-
Agency account receipts	855,601	636,256	-	-
Agency account payments	(774,240)	(687,407)	-	-
Student loan receipts	11,447,999	12,314,583	-	-
Student loan payments	(11,447,999)	(12,314,583)	-	-
Higher Education Stabilization Fund	124,659	190,685	-	-
Distributions to the College	-	-	(815,913)	(956,192)
Net cash provided (used) by noncapital financing activities	32,423,130	32,641,294	(815,913)	(956,192)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital grants and gifts	387,509	83,587	-	-
Purchase of capital assets	(3,805,928)	(3,343,243)	-	-
Capital appropriations	-	7,585	-	-
Principal paid on capital debt	-	(1,768,828)	-	-
Interest paid on capital debt	-	(28,959)	-	-
Net cash used in capital and related financing activities	(3,418,419)	(5,049,858)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	188,110	87,986	149,153	146,171
Purchase of investments	-	-	(402,823)	(742,287)
Proceeds from sale of investments	-	-	278,679	552,436
Net cash provided (used) by investing activities	188,110	87,986	25,009	(43,680)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,524,981)	(2,075,485)	18,511	(42,002)
CASH AND CASH EQUIVALENTS---BEGINNING OF THE YEAR	31,229,066	33,304,551	594,829	636,831
CASH AND CASH EQUIVALENTS---END OF THE YEAR	$ 29,704,085	$ 31,229,066	$ 613,340	$ 594,829

See notes to financial statements.

(Continued)

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 and 2017

RECONCILIATION OF NET OPERATING (LOSS) INCOME TO NET CASH AND CASH EQUIVALENTS PROVIDED (USED) BY OPERATING ACTIVITIES	LCSC 2018	LCSC 2017	Component Unit 2018	Component Unit 2017 (Restated)
Operating (Loss) Income	$ (33,861,223)	$ (31,441,541)	$ 3,949,454	$ 1,172,111
Adjustments to reconcile operating (loss) income to net cash used in operating activities:				
Noncash donations	-	-	(69,274)	(278,490)
GASB effect on operating expense	(3,161,998)	-	-	-
Depreciation expense	2,723,790	2,695,324	-	-
Effect on cash from changes in operating assets and liabilities:				
Receivables, net	(94,150)	(110,626)	-	-
Due from Lewis-Clark State College	-	-	(81,360)	51,151
Pledges receivable	-	-	(2,998,500)	-
Prepaid expenses and deferred costs	3,865	(865)	-	-
Loans to students	49,371	74,974	-	-
Pension assets and liabilities	(210,398)	(30,137)	-	-
Other postemployment benefit assets and liabilities	3,428,072	313,000	-	-
Accounts payable and accrued liabilities	104,860	(210,878)	-	-
Accrued salaries and benefits payable	89,021	(1,192,551)	-	-
Compensated absences payable	21,489	84,830	-	-
Gift annuities payable	-	-	9,095	13,098
Amounts held in trust for others	9,128	20,668	-	-
Unearned revenue	180,371	42,895	-	-
Net cash provided (used) by operating activities	$ (30,717,802)	$ (29,754,907)	$ 809,415	$ 957,870
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS				
Capital assets acquired through Dept. of Public Works' appropriations	$ 325,200	$ 634,648	$ -	$ -
Capital assets donated from the LCSC Foundation, Inc.	$ 69,274	$ 278,490		

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, 2018. 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 requires the 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.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants,* 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 and other postemployment benefit plans.

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, total other postemployment 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 and the Foundation’s gift annuity agreements.

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.

Other Postemployment Benefits (OPEB)—For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflow of resources related to OPEB, OPEB expense, information about the state of Idaho postemployment benefit plans and additions to and deductions from the plans have been determined on the same basis as they are reported by the Idaho plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* is effective for financial statement periods beginning after June 15, 2017, with the effects of accounting changes to be applied retroactively by restating the financial statements. The Statement requires the College to record its proportionate share of the state of Idaho postemployment benefit plans.

The College adopted this new pronouncement in the year ending June 30, 2018. It is not practical for the state of Idaho to determine the amounts of all deferred inflows of resources and deferred outflows related to OPEB as of the beginning of the 2017 plan year. As a result, the prior year has not been restated for deferred inflows of resources, deferred outflows of resources, total OPEB liability and OPEB expense. Since the restatement of the prior year is not practical, the cumulative effect of applying this Statement is reported as a restatement of the beginning net position as of July 1, 2017.

	June 30, 2017	Cumulative Effect of Implementing GASB 75	(Restated) July 1, 2017
NONCURRENT ASSETS			
Net OPEB excess funding	$ 19,000	$ (19,000)	$ -
DEFERRED OUTFLOWS			
Deferred outflows of resources related to OPEB	$ -	$ 238,124	$ 238,124
NONCURRENT LIABILITIES			
Total OPEB benefit obligations	$ 2,818,000	$ 3,381,122	$ 6,199,122
NET POSITION			
Net investment in capital assets	$ 51,510,374	$ -	$ 51,510,374
Restricted, expendable	980,320	-	980,320
Unrestricted	24,574,809	(3,161,998)	21,412,811
TOTAL NET POSITION	$ 77,065,503	$ (3,161,998)	$ 73,903,505

Reclassifications—Certain reclassifications have been made to the 2017 statements in order to conform to the 2018 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, 2018 and 2017, total deposits consisted of the following:

	2018	2017
Cash on hand	$ 31,678	$ 45,729
FDIC insured financial institution deposits	518,085	1,645,372
Uninsured financial institution deposits	1,267,545	993,226
Total cash and cash equivalents	1,817,308	2,684,327
Idaho State Treasurer deposits	18,121,318	20,063,290
State of Idaho LGIP deposits	9,765,459	8,481,449
Total deposits	$ 29,704,085	$ 31,229,066
Current investments	$ 2,517,731	$ -
Noncurrent investments	$ -	$ 2,459,876

As of June 30, 2018 and 2017, $1,267,545 and $993,226 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, 2018 and 2017, 58% and 59% of total State Treasurer investments were in the form of government agency and U.S. Treasury notes. As of June 30, 2018 and 2017, 60% and 67% of total LGIP investments were in the form of government agency and U.S. Treasury notes.

An original five year certificate of deposit that matures October 22, 2018 is recorded as a current investment as of June 30, 2018, and a noncurrent investment as of June 30, 2017.

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 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 held one certificate of deposit with a maturity greater than 1 year, as of June 30, 2017. The College's State Treasurer and LGIP deposits may be withdrawn at any time. The State Treasurer has a weighted average maturity of 540 days and 657 days as of June 30, 2018 and 2017. The LGIP has a weighted average maturity of 94 days and 123 days as of June 30, 2018 and 2017 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, 2018 and 2017:

	2018	2017
Student fees	$ 128,572	$ 196,227
Federal, state and nongovernmental grants and contracts	774,192	651,222
Other receivables	64,135	21,594
Investment income	261	11,325
Funds held in custody for others	2,446	6,153
	$ 969,606	$ 886,521

4. STUDENT LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program (FPLP) and the Nursing Student Loan Program (NSLP) comprise the loans receivable at June 30, 2018 and 2017.

FPLP requires the College to match 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.

The FPLP expired September 30, 2017 and the College can no longer make new loans to students. During fiscal year 2018, the College was required to return federal capital contributions of $115,537 to the Department of Education. Institutional capital contributions of $18,233 were transferred out of the College's Perkins Revolving Fund.

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, 2018 and 2017 consisted of the following:

	2018		
	Current	Noncurrent	Total
Federal Perkins Loan Program	$ 63,000	$ 280,757	$ 343,757
Nursing Student Loan Program	42,000	191,656	233,656
Miscellaneous Loans	-	-	-
Total student loan receivables	105,000	472,413	577,413
Less allowance for doubtful accounts	-	(61,000)	(61,000)
Student loans receivable, net	$ 105,000	$ 411,413	$ 516,413

	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 loans receivable, net	$ 104,395	$ 461,389	$ 565,784

5. CAPITAL ASSETS — NET

Following are the changes in capital assets, for the years ended June 30, 2018 and 2017:

	Balance June 30, 2017	Additions	Transfers	Retirements	Balance June 30, 2018
Capital assets not being depreciated:					
Land	$ 3,159,732	$ 50,000	$ -	$ -	$ 3,209,732
Capitalized collections	15,000	-	-	-	15,000
Construction in progress	1,730,922	2,461,334	(143,192)	-	4,049,064
Total capital assets not being depreciated	$ 4,905,654	$ 2,511,334	$(143,192)	$ -	$ 7,273,796
Other capital assets:					
Buildings and improvements	$ 67,976,249	$ 835,894	$ 143,192	$ -	$ 68,955,335
Furniture, fixtures and equipment	8,638,491	668,977	-	(389,703)	8,917,765
Library materials	5,946,233	184,197	-	(60,679)	6,069,751
Total other capital assets	82,560,973	1,689,068	143,192	(450,382)	83,942,851
Less accumulated depreciation:					
Buildings and improvements	(27,874,167)	(1,737,300)	-	-	(29,611,467)
Furniture, fixtures and equipment	(5,778,397)	(748,644)	-	382,809	(6,144,232)
Library materials	(4,929,458)	(237,846)	-	60,679	(5,106,625)
Total accumulated depreciation	(38,582,022)	(2,723,790)	-	443,488	(40,862,324)
Other capital assets net of accumulated depreciation	$ 43,978,951	$(1,034,722)	$ 143,192	$ (6,894)	$ 43,080,527
Capital assets summary:					
Capital assets not being depreciated	$ 4,905,654	$ 2,511,334	$(143,192)	$ -	$ 7,273,796
Other capital assets at cost	82,560,973	1,689,068	143,192	(450,382)	83,942,851
Total cost of capital assets	87,466,627	4,200,402	-	(450,382)	91,216,647
Less accumulated depreciation	(38,582,022)	(2,723,790)	-	443,488	(40,862,324)
Capital assets, net	$ 48,884,605	$ 1,476,612	$ -	$ (6,894)	$ 50,354,323

	Balance June 30, 2016	Additions	Transfers	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	$ (51,922)	$ (75,001)	$ 4,905,654
Other capital assets:					
Buildings and improvements	$ 66,695,547	$ 1,228,780	$ 51,922	$ -	$ 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	2,700,800	51,922	(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)	(729,009)	-	425,534	(5,778,397)
Library materials	(4,783,603)	(253,490)	-	107,635	(4,929,458)
Total accumulated depreciation	(36,419,869)	(2,695,322)	-	533,169	(38,582,022)
Other capital assets net of accumulated depreciation	$ 43,931,149	$ 5,478	$ 51,922	$ (9,598)	$ 43,978,951
Capital assets summary:					
Capital assets not being depreciated	$ 3,401,995	$ 1,630,582	$ (51,922)	$ (75,001)	$ 4,905,654
Other capital assets at cost	80,351,018	2,700,800	51,922	(542,767)	82,560,973
Total cost of capital assets	83,753,013	4,331,382	-	(617,768)	87,466,627
Less accumulated depreciation	(36,419,869)	(2,695,322)	-	533,169	(38,582,022)
Capital assets, net	$ 47,333,144	$ 1,636,060	$ -	$ (84,599)	$ 48,884,605

The estimated cost to complete property authorized or under construction at June 30, 2018 and 2017 is $23,341,134 and $6,720,690, respectively. 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, 2018 and 2017.

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, 2018 and 2017.

6. NOTES PAYABLE

Facilities Refinancing Promissory Note, 2013 (original issuance of $4,685,000), was 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, and renewable at the option of the lender. The note was paid off early in fiscal year 2017 with payments totaling $1,768,828.

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, 2018 and 2017 are as follows:

	2018	2017
Federal student loan programs	$ 601,814	$ 749,880
Institutional student loan programs	135,349	134,494
Grants and contracts	19,431	95,946
Total restricted net assets	$ 756,594	$ 980,320

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, 2017 and 2016 measurement dates, were as follows:

	2017	2016
Retirees and beneficiaries currently receiving benefits	45,468	44,181
Terminated employees entitled to but not yet receiving benefits	12,669	12,251
Active plan members	70,073	68,517
Total system members	128,210	124,949

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, 2017 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 $649,920 and $659,690 for the years ended June 30, 2018 and 2017, respectively.

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

At June 30, 2018 and June 30, 2017, the College reported a liability of $2,949,217 and $3,890,045, respectively for its proportionate share of the net pension liability. The net pension liability for each year was measured as of June 30, 2017 and 2016, 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, 2017 and 2016, the College's proportion was .001876297 and .001918969 percent.

For the years ended June 30, 2018 and 2017, respectively, the College recognized pension expense of $439,522 and $660,415. At June 30, 2018 and 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 176,700
Differences between expected and actual experience	408,560	265,699
Changes in assumptions or other inputs	54,539	-
Changes in proportion and differences between the contributions and the proportionate contributions	29,208	138,389
Contributions subsequent to the measurement date	649,920	-
Total	$ 1,142,227	$ 580,788

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
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	659,690	-
Total	$ 1,794,139	$ 502,270

$649,920 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, 2019.

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 the beginning of the measurement period is 4.9 years for both measurement periods June 30, 2017 and June 30, 2016.

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	
2019	$ (197,293)
2020	240,116
2021	56,364
2022	(187,668)
	$ (88,481)

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, 2017 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, 2018 and 2017 are based on the results of actuarial valuation dates of July 1, 2017 and 2016, 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, 2017.

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%

Total Fund	Expected Return	Expected Inflation	Expected Real Return	Expected Risk
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	7.10%

Discount Rate

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

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

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

	1% Decrease 6.10%	Current Discount Rate 7.10%	1% Increase 8.10%
College’s proportionate share of the net pension liability (asset)	$ 6,854,586	$ 2,949,217	$ (296,249)

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, 2018 and June 30, 2017, 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 yet 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, 2018 and 2017 was $2,954,375 and $2,729,227, respectively, which consisted of $1,673,506 and $1,563,546, respectively, from the College and $1,280,869 and $1,165,681 , respectively, from employees. For both 2018 and 2017, 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, 2018 and 2017, this supplemental funding payment made to PERSI was $266,768 and $249,184 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, 2018	Approximate Annual Contributions
401(k) PERSI Choice	35	$ 170,124
457(b) Deferred Compensation	10	$ 72,195
403(b) Tax Deferred	56	$ 329,756

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

Postemployment Benefits Other Than Pensions

Summary of Plans

The Department of Administration administers postemployment benefits for healthcare, disability and life insurance for retired or disabled employees of State agencies, public health districts, community colleges, and other political subdivisions that participate in the plans. The Retiree Healthcare and Long-Term Disability plans are reported as multiple-employer defined benefit plans. The Retiree Life Insurance plan is a single-employer defined benefit plan. Idaho Code Sections 67-5760 to 67-5768 and 72-1335, establish the benefits and contribution obligations. The plans do not issue publicly available financial reports. The most recent actuarial valuation is as of July 1, 2016. No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4; these benefits are funded on a pay-as-you-go basis. The costs of administering the plans are financed by a surcharge to employers on all active employees of $0.09 per person per month for fiscal year 2018. This rate is reviewed annually.

The number of participating employers and the classes of employees covered by the above plans are as follows:

Classes of Employees and Number of Participating Employers

		Long-Term Disability Plan			
	Retiree Healthcare Plan	Healthcare	Life Insurance	Income	Retiree Life Insurance Plan
Active Employees	9,301	19,520	19,520	-	5,610
Retired/Disabled Employees	681	141	389	64	1,488
Terminated, Vested Employees	-	-	-	-	110
Number of Participating Employers	25	25	25	25	4

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 retired plan members' contribution percentage to the total premium cost increase from 73.7 in 2017 to 74.0 percent in 2018. The College was charged $16 per active employee per month towards the retiree premium cost, or 26.0 percent of the total cost of the retiree plan.

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 this 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. The employers' actual contribution was $2.6 million 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 College 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
The College 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 payments required and paid as OPEB benefits came due for fiscal year ended June 30, 2018 (*dollars in thousands*):

	Retiree Healthcare Plan	Long-Term Disability Plan Healthcare	Long-Term Disability Plan Life Insurance	Long-Term Disability Plan Income	Retiree Life Insurance Plan	Total
OPEB Paid	$ 74	$ 39	$ 15	$ 9	$ 101	$ 238

Summary of Significant Accounting Polices

The financial statements of the OPEB plans are reported using the accrual basis of accounting. Contributions are recorded when earned and expenses, including benefits and refunds paid, are recorded when a liability is incurred, regardless of the timing of cash flows.

Actuarial Assumptions

The last actuarial valuation was performed as of July 1, 2016, and rolled forward to June 30, 2017 for the Retiree Healthcare, Long-Term Disability and Retiree Life Insurance plans. There have been no significant changes between the valuation date and the fiscal year end.

The total OPEB liability as June 30, 2017 was based on the 2016 PERSI Experience study for demographic assumptions and the July 1, 2016 OPEB Valuation for the economic and OPEB specific assumptions.

The entry age normal cost method and the following actuarial assumptions applied to all periods included in the measurement:

		Long-Term Disability Plan			
	Retiree Healthcare Plan	Healthcare	Life Insurance	Income	Retiree Life Insurance Plan
Inflation	2.50%	2.50%	2.50%	2.50%	2.50%
Salary Increases	3.00% general wage growth plus increases due to promotions and longevity	3.00% general wage growth plus increases due to promotions and longevity	3.00% general wage growth plus increases due to promotions and longevity	3.00% general wage growth plus increases due to promotions and longevity	3.00% general wage growth plus increases due to promotions and longevity
Discount Rate	3.58%	3.58%	3.58%	3.58%	3.58%

Healthcare Cost Trend Rates	9.9% claims and 3.8% premiums from year ending June 30, 2017 to year ending June 30, 2018, grading to an ultimate rate of 4.2% for 2096 and later years	9.9% claims and 3.8% premiums from year ending June 30, 2017 to year ending June 30, 2018, grading to an ultimate rate of 4.2% for 2096 and later years	N/A	N/A	N/A
Retirees' Share of Benefit-Related Costs	73.7% of projected health insurance premiums for retirees	N/A	N/A	N/A	N/A

Mortality Rates

Mortality rates for the Retiree Healthcare, the Long-Term Disability Healthcare, and the Retiree Life Insurance plans were based on the RP-2000 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale AA with adjustments. Mortality rates for the Long-Term Disability Life Insurance plan was based on the 2005 Group Term Life Waiver Reserve table developed by the Society of Actuaries. Mortality rates for the Long-Term Disability Income plan was based on the 2012 Group Long-Term Disability Valuation Table.

Discount Rate

The actuary used a discount rate of 3.58 percent to measure the total OPEB liability. The discount rate was based on 20 year Bond Buyer Go Index.

Total OPEB Liability, OPEB Expense, and Deferrals

Total OPEB Liability

Total OPEB liability components as of measurement date of June 30, 2017 (*dollars in thousands*):

		Long-Term Disability Plan				
	Retiree Healthcare Plan	**Healthcare**	**Life Insurance**	**Income**	**Retiree Life Insurance Plan**	**Total**
Total OPEB Liability	$ 836	$ 55	$ 67	$ 49	$ 5,406	$ 6,413

Changes in total OPEB liability for the fiscal year ended June 30, 2018 (dollars in thousands):

	Increase (Decrease)					
		Long-Term Disability Plan				
	Retiree Healthcare Plan	**Healthcare**	**Life Insurance**	**Income**	**Retiree Life Insurance Plan**	**Total**
(Restated)						
Beginning Balances	$ 847	$ 87	$ 79	$ 56	$ 5,130	$ 6,199
Changes for the Year						
Service Cost	33	4	-	-	188	225
Interest on Total OPEB Liability	30	3	3	2	189	227
Expected Benefit Payments	(74)	(39)	(15)	(9)	(101)	(238)
Net Changes	(11)	(32)	(12)	(7)	276	214
Ending Balances	$ 836	$ 55	$ 67	$ 49	$ 5,406	$ 6,413

OPEB Expense and Deferrals

The College recognized the following OPEB expense and deferrals for the year ended June 30, 2018 (*dollars in thousands*):

	Increase (Decrease)					
		Long-Term Disability Plan				
	Retiree Healthcare Plan	**Healthcare**	**Life Insurance**	**Income**	**Retiree Life Insurance Plan**	**Total**
OPEB Expense	$ 63	$ 7	$ 3	$ 2	$ 377	$ 452

	Increase (Decrease)					
		Long-Term Disability Plan				
	Retiree Healthcare Plan	Healthcare	Life Insurance	Income	Retiree Life Insurance Plan	Total
Deferred Outflows						
Benefit Payments Subsequent to the Measurement Date	$ 26	$ 34	$ 59	$ 8	$ 59	$ 186
Total Deferred Outflows	$ 26	$ 34	$ 59	$ 8	$ 59	$ 186

Amounts reported as deferred outflows of resources will be recognized as OPEB expense as follows *(dollars in thousands*):

	Expense					
		Long-Term Disability Plan				
Fiscal Year	**Retiree Healthcare Plan**	**Healthcare**	**Life Insurance**	**Income**	**Retiree Life Insurance Plan**	**Total**
2019	$ 26	$ 34	$ 59	$ 8	$ 59	$ 186

Discount Rate Sensitivity

The following presents the total OPEB liability of the College calculated using the discount rate of 3.58 percent, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (2.58%) or 1 percent higher (4.58%) than the current rate (*dollars in thousands*):

		Long-Term Disability Plan				
	Retiree Healthcare Plan	**Healthcare**	**Life Insurance**	**Income**	**Retiree Life Insurance Plan**	**Total**
1% Decrease 2.58%	$ 887	$ 57	$ 70	$ 51	$ 6,628	$ 7,693
Discount Rate 3.58%	$ 836	$ 55	$ 67	$ 49	$ 5,406	$ 6,413
1% Increase 4.58%	$ 788	$ 53	$ 64	$ 47	$ 4,473	$ 5,425

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates
The following presents the total OPEB liability of the College calculated using the current healthcare cost trend rates as well as what the College's total OPEB liability would be if it were calculated using trend rates that are 1 percent lower or 1 percent higher than the current trends (*dollars in thousands*):

		Long-Term Disability Plan				
	Retiree Healthcare Plan	Healthcare	Life Insurance	Income	Retiree Life Insurance Plan	Total
1% Decrease	$ 760	$ 51	$ 67	$ 49	$ 5,406	$ 6,333
Current trend Rate	$ 836	$ 55	$ 67	$ 49	$ 5,406	$ 6,413
1% Increase	$ 924	$ 60	$ 67	$ 49	$ 5,406	$ 6,506

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, 2018 and 2017 were $153,557 and $145,325, respectively.

9. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

Functional Classification	Personnel Costs	Services	Supplies	Insurance, Utilities, and Rent	Scholarships and Fellowships	Depreciation	Miscellaneous	Operating Expense Totals
	2018 Natural Classification							
Instruction	$ 20,636,061	$ 1,099,617	$ 1,397,336	$ 102,474	$ 53,400	$ -	$ 146,149	$ 23,435,037
Research	327,666	26,089	64,926	1,105	-	-	15,407	435,193
Public services	691,431	201,023	50,850	6,493	-	-	14,773	964,570
Libraries	884,207	310,142	18,669	-	-	-	459	1,213,477
Student services	4,256,063	474,997	266,086	13,299	475,570	-	18,891	5,504,906
Plant operations	1,685,742	178,703	440,343	1,046,539	-	2,723,790	-	6,075,117
Institutional support	4,151,741	885,955	292,888	160,107	-	-	129,258	5,619,949
Academic support	2,558,330	752,509	419,251	-	35	-	2,336	3,732,461
Scholarships and fellowships	125,029	600	-	-	1,224,274	-	162,034	1,511,937
Auxiliaries	2,248,231	888,943	1,630,291	217,062	406,078	-	235,765	5,626,370
Total expenses	$ 37,564,501	$ 4,818,578	$ 4,580,640	$ 1,547,079	$ 2,159,357	$ 2,723,790	$ 725,072	$ 54,119,017

Functional Classification	Personnel Costs	Services	Supplies	Insurance, Utilities, and Rent	Scholarships and Fellowships	Depreciation	Miscellaneous	Operating Expense Totals
	2017 Natural Classification							
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	$ 35,555,236	$ 4,777,159	$ 4,640,128	$ 1,495,684	$ 1,941,223	$ 2,695,324	$ 568,382	$ 51,673,136

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, 2018 and 2017 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 $2.2 million as of June 30, 2018, and $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, 2019.

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.

The College is currently party to litigation in the ordinary course of business. Management believes the ultimate resolution of these legal proceedings will not have a material adverse effect on the operations or 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 $183,778,572. 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, 2018 and 2017 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, 2018 and 2017, the Foundation had the following credit risk related to its debt security exchange traded and mutual funds:

Credit rating	2018	2017
AAA	$ 1,347,683	$ 1,189,596
AA	168,807	190,426
A	435,461	375,066
BBB	482,305	465,625
BB	130,832	135,839
B	177,954	121,249
Below B	22,729	30,690
Not rated	6,098	7,042
Total	$ 2,771,869	$ 2,515,533

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, 2018 and 2017, the Foundation's debt security exchange traded and mutual funds had the following maturities:

Investment Maturities in Years	2018	2017
0-3	$ 843,757	$ 733,529
3-5	764,204	777,551
5-10	641,133	569,014
10-20	116,974	114,709
20-30	363,669	271,174
>30	42,132	49,556
Total	$ 2,771,869	$ 2,515,533

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, 2018 and 2017, the Foundation's exposure to foreign currency risk is as follows based on equity and debt security funds:

Currency	Country	2018	2017
AUD	Australia	$ 86,796	$ 90,625
BRL	Brazil	17,455	21,360
CAD	Canada	145,098	138,365
CHF	Switzerland	86,324	94,784
CLP	Chile	4,505	4,439
CNY	China	113,946	89,952
COP	Columbia	3,776	3,656
CZK	Czech Republic	1,122	1,178
DKK	Denmark	18,499	19,905
EUR	Europe	457,153	463,380
GBP	United Kingdom	245,542	214,159
HKD	Hong Kong	30,645	21,834
HUF	Hungary	2,165	2,719
IDR	Indonesia	6,625	7,207
ILS	Israel	6,846	7,417
INR	India	31,150	31,790
JPY	Japan	322,637	304,476
KRW	South Korea	59,923	59,131
MXN	Mexico	19,243	20,232
MYR	Malaysia	10,134	10,387
NOK	Norway	11,574	10,071
NZD	New Zealand	3,753	3,997
PEN	Peru	2,214	1,422
PHP	Philippines	5,024	5,880
PLN	Poland	5,960	7,092
RUB	Russia	8,514	10,342
SEK	Sweden	36,442	37,499
SGD	Singapore	18,956	18,058
THB	Thailand	11,230	10,892
TRY	Turkey	2,417	7,971
TWD	Taiwan	39,432	41,034
ZAR	South Africa	18,353	20,481
Various	Various	64,677	70,759
Total Foreign Investments		$ 1,898,130	$ 1,852,494

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 $197,882 and $116,521 as of June 30, 2018 and 2017, respectively.

Certain gifts and gift annuity liabilities involve contributions made to the Foundation by Foundation board members. For the years ended June 30, 2018 and 2017, gifts from these related parties approximated $68,510 and $342,975 or 2% and 28% of total contributions, respectively. Liabilities to related parties, reflected in the *Statements of Net Position* as gift annuities payable, totaled $536,093 and $565,305 or 85% and 92% of total gift annuities payable as of June 30, 2018 and 2017, respectively.

Distributions to the College—During the years ended June 30, 2018 and 2017, the Foundation distributed $885,187 and $1,234,682, 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 2018 and 2017 the Foundation received new contributions of $4,000,883 and $1,230,527, respectively, of which the amount permanently restricted by donors was $245,288 and $214,131 respectively. The endowments of the Foundation experienced net unrealized market appreciation of $619,072 and $835,166 during fiscal years 2018 and 2017. 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 seven gift annuities. The College records the annuity in the period in which the gift is received in accordance with GASB 81. 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. The difference between the fair value of the asset and the payable obligation is recorded as a deferred inflow of resources. Income earned on assets, recognized gains and losses are reflected as changes to the deferred inflow of resources. 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 also shown as changes to the deferred inflow of resources. Changes in the distributions paid to annuitants reduce the gift annuity payable. The deferred inflow of resources represent the beneficial interests to the College. The contribution revenue will be recognized at the end of the agreement. The deferred inflow of resources and gift annuity payables are reflected in the *Statements of Net Position.*

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, 2018 and 2017. 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.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* is effective for financial statement periods beginning after December 15, 2016, with the effects of accounting changes to be applied retroactively by restating the financial statements. The Statement requires the College to record its remainder interest in irrevocable agreements that benefit both the College and the donors. The donors' lead interest, or right to receive payments during the term of the agreement, is also recorded.

The College adopted this new pronouncement in the year ending June 30, 2018. The cumulative effect of applying this Statement, including the recognizable component of deferred inflows of resources shown below and changes related to net assets, is reported as a restatement of the beginning net position as of July 1, 2016.

	June 30, 2016	Cumulative Effect of Implementing GASB 81	(Restated) July 1, 2016
DEFERRED INFLOWS			
Deferred inflows of resources related to gift annuity agreements	$ -	$ 332,552	$ 332,552
NET POSITION			
Restricted, nonexpendable	$ 4,504,825	$ -	$ 4,504,825
Restricted, expendable	2,599,193	(332,552)	2,266,641
Unrestricted	646,278	-	646,278
TOTAL NET POSITION	$ 7,750,296	$ (332,552)	$ 7,417,744

Required Supplementary Information

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

	2018	2017	2016	2015
College's portion of net pension liability	.001876297	0.001918969	0.00188876	.0019994939
College's proportionate share of net pension liability	$ 2,949,217	$ 3,890,045	$ 2,487,190	$ 1,468,857
College's covered-employee payroll	$ 5,827,647	$ 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	50.61%	72.85%	47.04%	27.12%
Plan fiduciary net position as a percentage of the total pension liability	90.68%	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, 2017

Schedule of Employer Contributions
PERSI – Base Plan

	2018	2017	2016	2015
Statutorily required contribution	$ 632,687	$ 573,196	$ 617,817	$ 648,438
Contributions in relation to the statutorily required contribution	649,920	659,690	604,464	598,514
Contribution (deficiency) excess	17,233	86,494	(13,353)	(49,924)
College's covered-employee payroll	5,741,359	5,827,647	5,339,791	5,287,228
Contributions as a percentage of covered-employee payroll	11.32%	11.32%	11.32%	11.32%

Required Supplementary Information

Schedule of Changes in the College's Total OPEB Liability and Related Ratios *(dollars in thousands):*

Total OPEB Liability as of June 30, 2018

	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan
		Healthcare	Life Insurance	Income	
Service cost	$ 33	$ 4	$ -	$ -	$ 188
Interest on total OPEB liability	30	3	3	2	189
Expected benefit payments	(74)	(39)	(15)	(9)	(101)
Net change in OPEB liability	(11)	(32)	(12)	(7)	276
Total OPEB liability - beginning	847	87	79	56	5,130
Total OPEB liability - ending	$ 836	$ 55	$ 67	$ 49	$ 5,406

Changes of benefit terms: There were no changes in benefit terms since only the current year is disclosed.

Changes of assumptions: changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

June 30, 2018 3.58%

GASB Statement No. 75 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.

MOSSADAMS

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 it discretely presented component unit, the Lewis-Clark State College Foundation, Inc. (collectively, College) as of and for the year ended June 30, 2018, 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 28, 2018.

Internal Control Over Financial Reporting

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

Purpose of this Report

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

Moss Adams LLP

Portland, Oregon
September 28, 2018

MOSSADAMS

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, 2018. 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, 2018.

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 28, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

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

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

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

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

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

Lewis-Clark State College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

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 Assitance Cluster					
U.S. Department of Education					
Federal Supplemental Educational Opportunity Grants	84.007		-	75,326	75,326
Federal Work Study Program	84.033		-	83,974	83,974
Federal Perkins Loan Program	84.038		-	434,266	434,266
Federal Pell Grant Program	84.063		-	5,864,565	5,864,565
Federal Direct Student Loans	84.268		-	11,447,999	11,447,999
Teacher Education Assistance for College and Higher Education Grants	84.379		-	11,208	11,208
Department of Education SFA Cluster Total			**-**	**17,917,338**	**17,917,338**
U.S. Department of Health & Human Services					
Nursing Student Loans	93.364		-	275,948	275,948
Department of Health & Human Services SFA Cluster Total			**-**	**275,948**	**275,948**
Total Student Financial Assistance Cluster			**-**	**18,193,286**	**18,193,286**
Research & Development Cluster					
U.S. Department of Transportation					
Lewis-Clark Valley Metropolitan Planning Organization					
Planning and Research	20.505	None	13,392	-	13,392
U.S. Department of Transportation R&D Cluster Total			**13,392**	**-**	**13,392**
National Science Foundation					
Education and Human Resources	47.076	1665521	-	152,516	152,516
National Science Foundation R&D Cluster Total			**-**	**152,516**	**152,516**
U.S. Department of Health & Human Services					
University of Idaho					
Biomedical Research and Research Training	93.859	IAK400-SB-006	160,178	-	160,178
Biomedical Research and Research Training	93.859	IAK400-SB-004	72,251	-	72,251
Biomedical Research and Research Training	93.859	IAK400-SB-017	63,606	-	63,606
Biomedical Research and Research Training	93.859	IAK300-SB-009	3,013	-	3,013
U.S. Department of Health & Human Services R&D Cluster Total			**299,048**	**-**	**299,048**
Total Research & Development Cluster			**312,440**	**152,516**	**464,956**
TRIO Cluster					
U.S. Department of Education					
TRIO - Student Support Services	84.042A	P042A150650	-	12,287	12,287
TRIO - Student Support Services	84.042A	P042A150650-16	-	56,090	56,090
TRIO - Student Support Services	84.042A	P042A150650-17	-	271,145	271,145
TRIO - Talent Search	84.044A	P044A160335	-	32,251	32,251
TRIO - Talent Search	84.044A	P044A160335-17	-	210,280	210,280
Total TRIO Cluster			**-**	**582,053**	**582,053**

Lewis-Clark State College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor Pass-Through Grantor Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures: From Pass-Through Awards	Expenditures: Direct Awards	Expenditures: Total
Employment Service Cluster					
U.S. Department of Labor					
Idaho Division of Career & Technical Education					
Employment Service/Wagner-Peyser Funded Activities	17.207	AL7610B2	284	-	284
Total Employment Service Cluster			**284**	**-**	**284**
TANF Cluster					
U.S. Department of Health & Human Services					
Idaho State Department of Health & Welfare					
Temporary Assistance for Needy Families	93.558	KC268500	(10,154)	-	(10,154)
Total TANF Cluster			**(10,154)**	**-**	**(10,154)**
Medicaid Cluster					
U.S. Department of Health & Human Services					
Idaho State Department of Health & Welfare					
Medical Assistance Program	93.778	KC268500	(287)	-	(287)
Total Medicaid Cluster			**(287)**	**-**	**(287)**
Other Programs					
U.S. Department of Agriculture					
Rural Business Development Grant	10.351	None	-	11,925	11,925
State of Idaho Department of Education					
Child and Adult Care Food Program	10.558	None	6,759	-	6,759
U.S. Department of Argiculture Total			**6,759**	**11,925**	**18,684**
U.S. Department of Labor					
North Idaho College					
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grant	17.282	NIC-TAACCCTIV-03	216,579	-	216,579
Idaho Department of Labor					
Apprenticeship USA Grants	17.285	None	59,422	-	59,422
U.S. Department of Labor Total			**276,001**	**-**	**276,001**
National Endowment for the Arts					
Idaho Commission on the Arts					
Promotion of the Arts Partnership Agreements	45.025	3916ET-17	286	-	286
Promotion of the Arts Partnership Agreements	45.025	3916ET-18	2,587	-	2,587
National Endowment for the Arts Total			**2,873**	**-**	**2,873**

Lewis-Clark State College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor Pass-Through Grantor Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures: From Pass-Through Awards	Expenditures: Direct Awards	Expenditures: Total
National Endowment for the Humanities					
Idaho Humanities Council					
Promotion of the Humanities - Federal/State Partnership	45.129	2017021	70	-	70
Promotion of the Humanities - Federal/State Partnership	45.129	2016026	250	-	250
Promotion of the Humanities - Federal/State Partnership	45.129	2017064	2,000	-	2,000
National Endowment for the Humanities Total			**2,320**	**-**	**2,320**
U.S. Small Business Administration					
Boise State University					
Small Business Development Centers	59.037	6923-D	1,672	-	1,672
Small Business Development Centers	59.037	7448-B	57,826	-	57,826
Small Business Development Centers	59.037	7982-D	12,646	-	12,646
U.S. Small Business Administration Total			**72,144**	**-**	**72,144**
U.S. Department of Education					
College Assistance Migrant Program	84.149A	S149A160013	-	3,269	3,269
College Assistance Migrant Program	84.149A	S149A160013-17	-	400,551	400,551
Idaho Division of Career & Technical Education					
Adult Education - Basic Grants to States	84.002A	AD7610M1	692	-	692
Adult Education - Basic Grants to States	84.002A	AD8610M1	730	-	730
Adult Education-Basic Grants to States	84.002A	AD7610L1	14,478	-	14,478
Adult Education - Basic Grants to States	84.002A	AD8610L1	158,763	-	158,763
Adult Education - Basic Grants to States	84.002A	AL8610B1	22,237	-	22,237
Idaho Department of Corrections					
Title I State Agency Program for Neglected and Deliquent Children and Youth	84.013	None	44,591	-	44,591
Idaho Department of Corrections					
Special Education - Grants to States	84.027A	PCA 05188	(493)	-	(493)
Special Education - Grants to States	84.027A	None	43,294	-	43,294
Idaho Division of Career & Technical Education					
Career and Technical Education-Basic Grants to States	84.048A	PR7610K1	306	-	306
Career and Technical Education-Basic Grants to States	84.048A	PR8610K1	80,234	-	80,234
Career and Technical Education - Basic Grants to States	84.048A	PP7610H1	1,329	-	1,329
Career and Technical Education - Basic Grants to States	84.048A	PP8610E1	134,539	-	134,539
Career and Technical Education-Basic Grants to States	84.048A	PN8610H1	10,265	-	10,265
Boise State Univerisity					
Mathematics and Science Partnerships	84.366	7274-D	14,340	-	14,340
Boise State Univerisity					
Supporting Effective Instruction State Grant	84.367B	7504-B	100	-	100
U.S. Department of Education Total			**525,405**	**403,820**	**929,225**
U.S. Department of Health & Human Services					
Idaho State Department of Health & Welfare					
Foster Care - Title IV-E	93.658	KC268500	101,415	-	101,415
Social Services Block Grant	93.667	KC268500	(3,893)	-	(3,893)
U.S. Department of Health & Human Services Total			**97,522**	**-**	**97,522**
Corporation for National and Community Service					
Serve Idaho					
AmeriCorps	94.006	16AC184954	27,287	-	27,287
AmeriCorps	94.006	17AC189287	189,943	-	189,943
Corporation for National and Community Service Total			**217,230**	**-**	**217,230**
TOTAL FEDERAL EXPENDITURES			**1,502,537**	**19,343,600**	**20,846,137**

LEWIS-CLARK STATE COLLEGE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018. 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, 2018 consists of:

Loan Program	CFDA Number	Outstanding Loan Balances
Federal Perkins Loan Program	84.038	$ 343,757
Nursing Student Loan Program	93.364	$ 233,656

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, 2018, 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		$ 425,266
New loans		9,000
Administrative cost allowance		(0)
As reported in the Schedule of Federal Awards		434,266
Less loan repayments		(90,509)
Ending loan receivable balance		$ 343,757

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, 2018, 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		$ 200,122
New loans		75,826
As reported in the Schedule of Federal Awards		275,948
Less loan repayments		(42,292)
Ending loan receivable balance		$ 233,656