

Lewis-Clark
S T A T E
C O L L E G E

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
June 30, 2010 and 2009**

LEWIS-CLARK STATE COLLEGE

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INDEPENDENT AUDITOR'S REPORT

Idaho State Board of Education
Lewis-Clark State College
Lewiston, Idaho

We have audited the accompanying financial statements of the Lewis-Clark State College and its discretely presented component unit, the Lewis-Clark State College Foundation, Inc. (collectively the College) as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Lewis-Clark State College and its discretely presented component unit, the Lewis-Clark State College Foundation, Inc. as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 9 and certain information in Note 9, *Retirement Plans*, that is labeled "required supplementary information" is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However we did not audit the information and express no opinion on it.

Moss Adams LLP

Eugene, Oregon
October 1, 2010

LEWIS-CLARK STATE COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2010

Overview of the Financial Statements and Financial Analysis

The financial statements for fiscal years ended June 30, 2010 and June 30, 2009 are prepared in accordance with Governmental Accounting Standards Board ("GASB") principles. Three financial statements are presented: the *Statements of Net Assets*; the *Statements of Revenues, Expenses, and Changes in Net Assets*; and the *Statements of Cash Flows*.

Management's Discussion and Analysis is designed to provide an easily readable summary of Lewis-Clark State College's (the "College's") financial condition, results of operations and cash flows based upon facts, decisions, and conditions known at the date of the auditor's reports.

Statement of Net Assets

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

From the data presented, readers of the *Statement of Net Assets* are able to determine the assets available to continue the operations of the College. They are also able to ascertain how much the College owes vendors, grantors, and lending institutions. Finally, the *Statement of Net Assets* provides a picture of the net assets and their availability for expenditure by the College.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, indicates the net equity in capital assets owned by the College. The next category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is available only for investment purposes. Expendable restricted net assets are 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 assets. Unrestricted net assets are 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 ASSETS

	2010	2009	2008
ASSETS:			
Current assets	\$ 20,881,453	\$ 17,131,089	\$ 14,909,000
Capital assets, net	47,234,905	30,702,206	24,570,684
Other assets	<u>4,148,914</u>	<u>4,219,509</u>	<u>4,252,724</u>
Total assets	<u><u>72,265,272</u></u>	<u><u>52,052,804</u></u>	<u><u>43,732,408</u></u>
LIABILITIES:			
Current liabilities	6,509,307	5,501,267	5,493,122
Noncurrent liabilities	<u>9,700,872</u>	<u>9,898,451</u>	<u>5,877,793</u>
Total liabilities	<u><u>16,210,179</u></u>	<u><u>15,399,718</u></u>	<u><u>11,370,915</u></u>
NET ASSETS:			
Invested in capital assets, net of related debt	41,283,868	23,991,356	21,636,172
Restricted - nonexpendable			
Restricted - expendable	1,306,498	1,427,568	1,388,364
Unrestricted	<u>13,464,727</u>	<u>11,234,162</u>	<u>9,336,957</u>
Total net assets	<u><u>\$ 56,055,093</u></u>	<u><u>\$ 36,653,086</u></u>	<u><u>\$ 32,361,493</u></u>
Total liabilities and net assets	<u><u>\$ 72,265,272</u></u>	<u><u>\$ 52,052,804</u></u>	<u><u>\$ 43,732,408</u></u>

Total assets of the College increased \$20,212,468 in fiscal year 2010. This represented an increase of 38.8% over 2009. Contributing to this figure were increases in both Current assets and Capital assets, net. Current assets increased by \$3,750,364 or 21.9%. A combined increase in Cash and cash equivalents and Cash with treasurer of \$4,044,743 offset by a decrease in receivables Due from state agencies of \$521,633 accounted for the vast majority of this change. The increases in cash were primarily attributed to increased gross Student fee revenue of \$2,073,325 (exclusive of scholarship discounts and allowances), a \$1,000,000 Albertson's Foundation scholarship grant reflected as Unearned revenue, and the collection of a \$371,337 receivable from the State of Idaho related to the construction of the Nursing/ Health Sciences Building. Collection of this same receivable comprised a substantial portion of the reduction in receivables Due from state agencies that offset the growth in cash. Capital assets, net, increased \$16,532,699 or 53.9% in 2010. This significant increase related almost exclusively to the addition of the new Nursing/Health Sciences Building (Sacajawea Hall).

Total liabilities at June 30, 2010, compared to June 30, 2009, increased by \$810,461 or 5.3%. This net amount was comprised of both increases and decreases. Increases included additional Unearned revenue of \$1,000,000 from the aforementioned scholarship grant, an increase in Net other post employment benefit obligation of \$199,000, and a \$179,632 increase in Accrued salaries and benefits payable due to year end timing differences. A net decrease of \$744,281 in Notes and bonds payable resulted primarily from principal payments on existing debt as well as the debt payoff on two residential properties sold in fiscal year 2010.

Statement of Revenues, Expenses and Changes in Net Assets

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

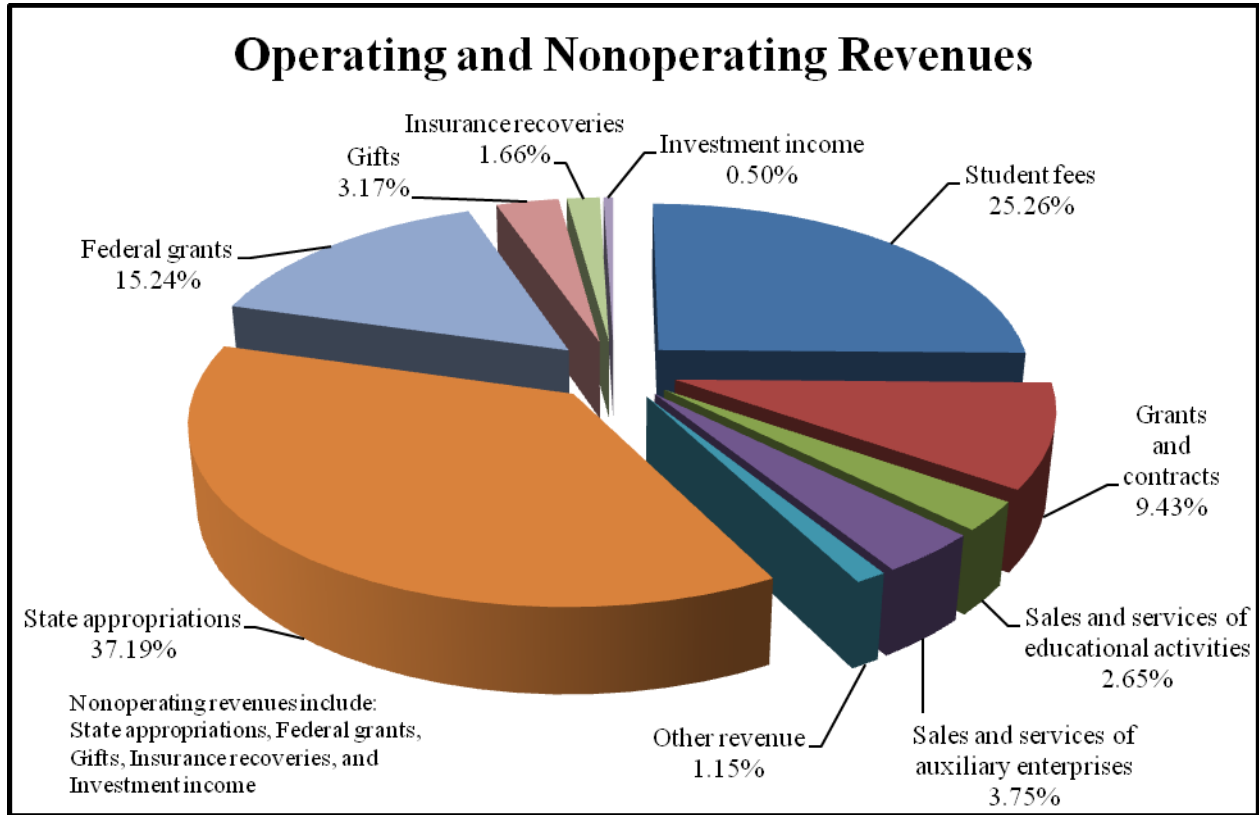
Generally speaking, operating revenues are earned in return for providing goods and services to the various customers and constituents of the College. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry 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 because they are provided by the Idaho Legislature to the College without the Legislature directly receiving commensurate value in return for those revenues.

SUMMARY STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	2010	2009	2008
Operating revenues	\$ 20,014,581	\$ 20,097,281	\$ 19,504,187
Operating expenses	43,914,857	44,163,543	43,289,131
Operating loss	<u>(23,900,276)</u>	<u>(24,066,262)</u>	<u>(23,784,944)</u>
Nonoperating revenues and expenses, net	26,907,751	26,361,920	24,591,896
Income before other revenues and expenses	<u>3,007,475</u>	<u>2,295,658</u>	<u>806,952</u>
Other revenues (expenses), net	16,394,532	1,995,935	521,948
Increase in net assets	<u>19,402,007</u>	<u>4,291,593</u>	<u>1,328,900</u>
Net assets--Beginning of year	<u>36,653,086</u>	<u>32,361,493</u>	<u>31,032,593</u>
Net assets--End of year	<u>\$ 56,055,093</u>	<u>\$ 36,653,086</u>	<u>\$ 32,361,493</u>

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, 2010.



Total operating revenues for fiscal year 2010 decreased \$82,700 or .4%. While this net change was insignificant, an increase in Student fees of \$1,352,340 was offset by a decrease in Federal grants and contracts of \$990,496. This decrease resulted from the expiration of several large grants in fiscal year 2009 and reflects normal fluctuations in federal grant funding over time.

Nonoperating revenues and expenses, net, increased \$545,831 or 2.1% in fiscal year 2010. An insurance recovery related to the Center for the Arts Building fire was the primary reason for this fluctuation. However, some significant netting occurred as a reduction in State appropriations of \$3,002,197 was offset by an increase of \$3,001,991 in Federal grant revenue. Grant revenue receipts included dramatic increases in Federal Pell Grant revenue as well as the receipt of \$887,300 of state education stabilization funding provided through the American Recovery and Reinvestment Act.

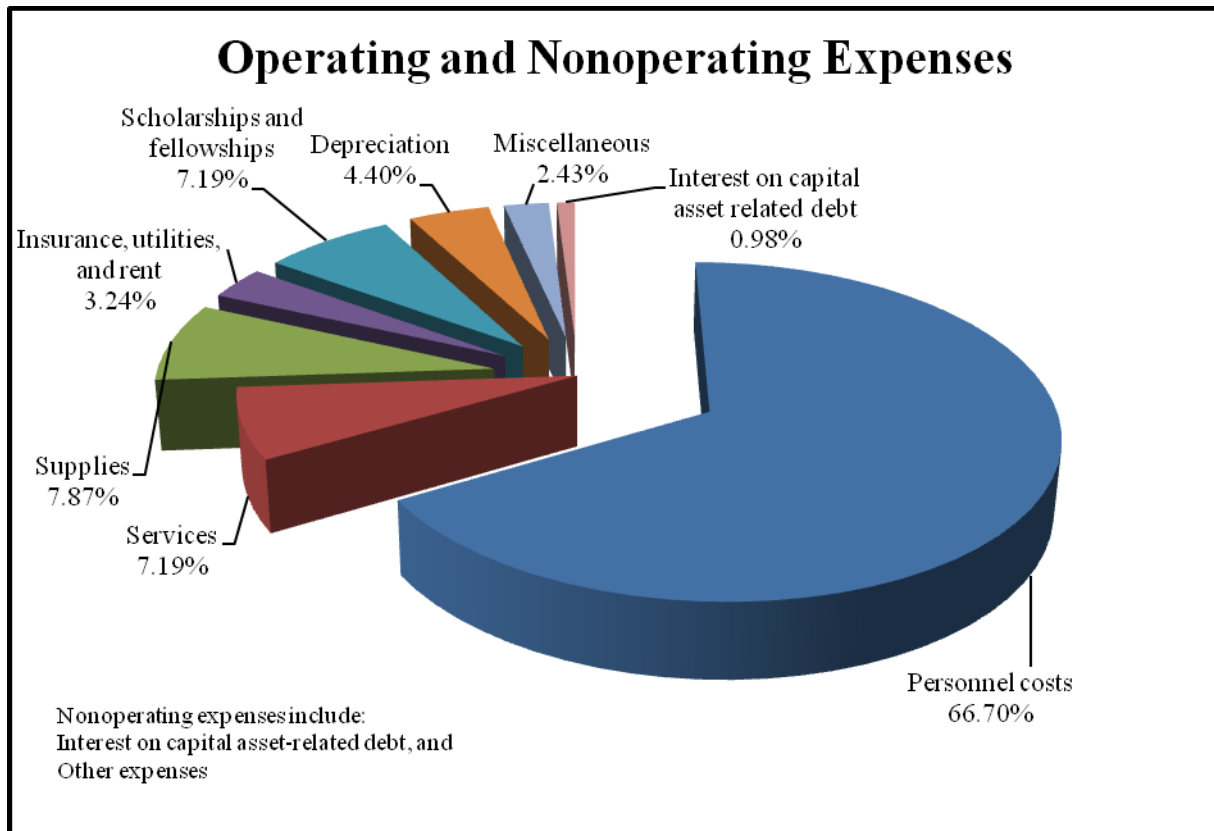
Other revenues (expenses), net, increased \$14,398,597 or 721.4% due to the completion of the State of Idaho funded Nursing/Health Sciences Building.

Expenses

Following is a comparative summary of the College's expenses for the years ended June 30, 2010, 2009, and 2008.

Expenses	2010	2009	2008
OPERATING EXPENSES:			
Personnel costs	\$ 29,598,644	\$ 30,033,041	\$ 29,375,924
Services	3,191,340	3,669,598	3,461,937
Supplies	3,492,368	3,966,547	3,684,032
Insurance, utilities, and rent	1,436,762	1,698,760	1,623,360
Scholarships and fellowships	3,193,074	1,851,864	2,165,072
Depreciation	1,953,409	1,714,432	1,625,876
Miscellaneous	<u>1,049,260</u>	<u>1,229,301</u>	<u>1,352,930</u>
Total operating expenses	<u>43,914,857</u>	<u>44,163,543</u>	<u>43,289,131</u>
NONOPERATING EXPENSES:			
Interest on capital asset related debt	436,230	335,163	329,545
Other	<u>29,952</u>	<u>32,207</u>	<u>8,927</u>
Total nonoperating expenses	<u>466,182</u>	<u>367,370</u>	<u>338,472</u>
TOTAL EXPENSES	<u><u>\$ 44,381,039</u></u>	<u><u>\$ 44,530,913</u></u>	<u><u>\$ 43,627,603</u></u>

The following is a graphic depiction of total expenses by natural classification for the year ended June 30, 2010.



Total operating expenses decreased \$248,686 in fiscal year 2010 compared with the previous year. This decrease of .6% was indicative of spending restraints initiated during this period of economic recession.

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 Assets*.

SUMMARY STATEMENTS OF CASH FLOWS

	2010	2009	2008
CASH PROVIDED BY (USED IN):			
Operating activities	\$ (20,133,340)	\$ (21,765,885)	\$ (21,128,267)
Noncapital financing activities	26,427,153	26,360,830	24,541,855
Capital and related financing activities	(2,490,972)	(2,655,598)	(1,343,626)
Investing activities	<u>241,902</u>	<u>327,983</u>	<u>453,086</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 4,044,743	 2,267,330	 2,523,048
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>15,509,232</u>	 <u>13,241,902</u>	 <u>10,718,854</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 19,553,975</u>	 <u>\$ 15,509,232</u>	 <u>\$ 13,241,902</u>

Overall, cash increased by \$4,044,743 for the year ended June 30, 2010. While Net cash provided by non capital financing activities in fiscal year 2010 totaled \$26,427,153, Net cash used by operating activities and Net cash used in capital and related financing activities totaled \$22,624,312. The remainder of the increase in cash at June 30, 2010 of \$241,902 consisted of investment income from earnings on local cash reserves.

It is noteworthy that cash used by operating activities indicated a net outflow of \$20,133,340 for fiscal year 2010. However, cash provided by noncapital financing activities for fiscal year 2010 showed a net inflow of \$26,427,153. This situation reflects the Government Accounting Standards Board (“GASB”) pronouncement that requires the College to recognize the State of Idaho appropriated revenues and certain federal financial aid grants as noncapital financing activities while all the expenditures associated with these funds are reflected as operating activities. Unless GASB modifies its requirement in this regard, readers should expect this presentation every year.

Capital Asset and Debt Administration

As of June 30, 2010, the College had one outstanding bond issue, one secured student fee revenue note, and one secured facility refinancing note. The secured facility refinancing note was issued in 2010 to refinance a similar note issued in 2009. There have been no significant changes in credit ratings or debt limitations that could affect future financing for the College. Additional information concerning capital assets and debt administration is detailed in Notes 1, 5, 6, and 7 as part of the notes to the financial statements.

Component Unit

In 2002, GASB issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB 14*. This Statement clarified the definition of a component unit for financial reporting purposes. As a result, the College is discretely reporting the Lewis-Clark State College Foundation’s (the “Foundation’s”) *Statements of Net Assets, Statements of Revenues, Expenses and Changes in Net Assets, and Statements of Cash Flows* as part of the financial statements for the College.

The *Statements of Net Assets* reflected total net assets of the Foundation at June 30, 2010 and June 30, 2009 of \$4,347,919 and \$3,772,100, respectively. This increase of \$575,819 or 15.3% was almost exclusively

comprised of fund raising revenues plus unrealized market appreciation on investments less distributions to the College.

Restricted nonexpendable and expendable net assets together represented \$3,795,385 or 87.3% of total net assets. These restricted assets primarily provide scholarships to students directly or through the distribution of endowment earnings. Net assets invested in capital assets, net of related debt accounted for \$118,267 or 2.7% of total net assets. This amount represents a single building held by the Foundation. The Foundation intends to gift this capital asset to the College in fiscal year 2011. The remaining \$434,267 or 10.0% of total net assets were unrestricted assets. Of this amount, \$382,012 represented an unrestricted endowment created from the liquidation of property received as an unrestricted gift. The remaining unrestricted balance of \$52,255 consisted of cash.

Economic Outlook

In fiscal year 2010, the State of Idaho continued to experience the economic downturn that began in 2008. General Fund Revenues declined from \$2.91 billion in fiscal year 2008 to \$2.47 billion in fiscal year 2009. In fiscal year 2010 an additional decline of \$.21 billion was recorded, bringing the total for the year to \$2.26 billion. This represents a total decline of 22.3% over the two year period. Since approximately 37% of the College's Operating and Non Operating Revenues are provided by direct State Appropriation, the economic health of the institution is clearly linked to the State of Idaho economy.

Economic forecasts indicate that the Idaho economy is currently in a state of transition. While Idaho economists are projecting average employment growth of 2.6% over the next three years, most prognostications call for relatively slow economic recovery in the near future. The College intends to maintain austere spending policies and to protect institutional reserves.

Despite significant State funding holdbacks over the past two years, the College has experienced enrollment growth with increased student fee revenues, aided by a growing demand for distance learning offerings. Infrastructure enhancements including the new Nursing/Health Sciences Building should also facilitate enrollment growth in the nursing education division.

Proactive measures initiated in response to declining state General Fund Appropriations have effectively reduced annual personnel and operating expenditures. Executive management believes the institution is fiscally viable and will remain so in the foreseeable future. In addition, management is not aware of any known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year; beyond unknown economic variables that could universally impact all similar organizations.

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF NET ASSETS

June 30, 2010 and 2009

ASSETS	LCSC		Component Unit	
	2010	2009	2010	2009
CURRENT ASSETS:				
Cash and cash equivalents	\$ 14,852,669	\$ 11,937,794	\$ 131,084	\$ 90,122
Cash with treasurer	4,701,306	3,571,438	-	-
Accounts receivable and unbilled charges	900,951	713,937	-	-
Due from Lewis-Clark State College	-	-	453,151	403,839
Due from state agencies	186,006	707,639	-	-
Pledges receivable	69,000	50,000	5,850	-
Student loan receivables	118,260	139,305	-	-
Assets held for sale	-	-	92,000	-
Prepaid expenses	53,261	10,976	1,870	6,440
Total current assets	20,881,453	17,131,089	683,955	500,401
NONCURRENT ASSETS:				
Student loan receivables, less allowance for doubtful loans of \$88,000 and \$79,000 for 2010 and 2009, respectively	673,848	687,575	-	-
Investments held in trust	704,292	698,232	-	-
Investments	-	-	4,254,457	3,743,506
Deferred bond financing costs	71,426	80,354	-	-
Pledges receivable	75,000	125,000	-	-
Net other post employment benefit excess funding	11,000	15,000	-	-
Investment in capital assets	2,613,348	2,613,348	-	-
Capital assets, net	47,234,905	30,702,206	118,267	257,271
Total noncurrent assets	51,383,819	34,921,715	4,372,724	4,000,777
TOTAL ASSETS	\$ 72,265,272	\$ 52,052,804	\$ 5,056,679	\$ 4,501,178

See notes to financial statements.

(Continued)

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF NET ASSETS

June 30, 2010 and 2009

LIABILITIES	LCSC		Component Unit	
	2010	2009	2010	2009
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	\$ 336,661	\$ 278,140	\$ 33,319	\$ 28,958
Accrued salaries and benefits payable	2,321,052	2,141,420	-	-
Compensated absences payable	819,238	821,591	-	-
Due to component unit	453,151	403,839	-	-
Unearned revenue	1,625,558	544,288	-	-
Amounts held in trust for others	161,994	166,656	-	-
Accrued interest payable	73,862	79,840	-	-
Notes and bonds payable	717,791	1,065,493	-	-
Total current liabilities	6,509,307	5,501,267	33,319	28,958
NONCURRENT LIABILITIES:				
Gift annuities payable	-	-	675,441	700,120
Net other post employment benefit obligations	1,140,000	941,000	-	-
Notes and bonds payable	8,560,872	8,957,451	-	-
Total noncurrent liabilities	9,700,872	9,898,451	675,441	700,120
TOTAL LIABILITIES	16,210,179	15,399,718	708,760	729,078
NET ASSETS				
Invested in capital assets, net of related debt	41,283,868	23,991,356	118,267	257,271
Restricted for:				
Nonexpendable	-	-	2,885,174	2,464,839
Expendable	1,306,498	1,427,568	910,211	594,467
Unrestricted	13,464,727	11,234,162	434,267	455,523
TOTAL NET ASSETS	56,055,093	36,653,086	4,347,919	3,772,100
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 72,265,272</u>	<u>\$ 52,052,804</u>	<u>\$ 5,056,679</u>	<u>\$ 4,501,178</u>

See notes to financial statements.

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2010 and 2009

	LCSC		Component Unit	
	2010	2009	2010	2009
OPERATING REVENUES:				
Student fees (net of scholarship discounts and allowances of \$4,981,228 and \$4,260,243 for 2010 and 2009, respectively)	\$ 11,017,818	\$ 9,665,478	\$ -	\$ -
Student fees pledged for debt	951,162	966,828	-	-
Federal grants and contracts	1,325,077	2,315,573	-	-
State and local grants and contracts	3,091,450	3,202,765	-	-
Private grants and contracts	52,790	79,456	-	-
Sales and services of educational activities (including revenues of \$136,616 and \$140,668 pledged for bonds in 2010 and 2009, respectively)	1,254,158	1,317,022	-	-
Sales and services of auxiliary enterprises (including revenues of \$1,627,478 and \$1,878,355 pledged for debt in 2010 and 2009, respectively)	1,774,924	1,941,220	-	-
Gifts	-	-	850,698	490,129
Other	547,202	608,939	1,233	5,168
Total operating revenues	20,014,581	20,097,281	851,931	495,297
OPERATING EXPENSES:				
Personnel costs	29,598,644	30,033,041	-	-
Services	3,191,340	3,669,598	-	-
Supplies	3,492,368	3,966,547	-	-
Insurance, utilities, and rent	1,436,762	1,698,760	-	-
Scholarships and fellowships	3,193,074	1,851,864	-	-
Depreciation	1,953,409	1,714,432	14,298	16,157
Miscellaneous	1,049,260	1,229,301	99,055	107,483
Total operating expenses	43,914,857	44,163,543	113,353	123,640
OPERATING (LOSS) GAIN	(23,900,276)	(24,066,262)	738,578	371,657
NONOPERATING REVENUES (EXPENSES):				
State appropriations	17,623,823	20,626,020	-	-
Federal grants	7,223,848	4,221,857	-	-
Gifts (including \$507,533 and \$398,550 from the Foundation for 2010 and 2009, respectively)	1,502,773	1,539,498	-	-
Insurance recoveries	788,740	-	-	-
Net investment income (loss)	234,749	341,915	317,072	(627,045)
Interest on capital asset related debt	(436,230)	(335,163)	-	-
Distributions to the College	-	-	(507,533)	(398,550)
Other	(29,952)	(32,207)	27,702	50,373
Net nonoperating revenues (expenses)	26,907,751	26,361,920	(162,759)	(975,222)
INCOME BEFORE OTHER REVENUES (EXPENSES)	3,007,475	2,295,658	575,819	(603,565)
OTHER REVENUES:				
Capital appropriations	16,127,342	1,697,235	-	-
Capital grants and gifts	267,190	298,700	-	-
Total other revenues	16,394,532	1,995,935	-	-
INCREASE (DECREASE) IN NET ASSETS	19,402,007	4,291,593	575,819	(603,565)
NET ASSETS---BEGINNING OF YEAR	36,653,086	32,361,493	3,772,100	4,375,665
NET ASSETS---END OF YEAR	\$ 56,055,093	\$ 36,653,086	\$ 4,347,919	\$ 3,772,100

See notes to financial statements.

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2010 and 2009

	LCSC		Component Unit	
	2010	2009	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:				
Student fees	\$ 11,139,221	\$ 9,577,850	\$ -	\$ -
Student fees pledged for debt	951,162	966,828	-	-
Grants and contracts	5,463,522	6,001,105	-	-
Sales and services of educational activities	1,250,361	1,322,774	-	-
Sales and services of auxiliary enterprises	1,774,924	1,941,221	-	-
Donations received	-	-	429,934	170,934
Payments to employees	(29,218,365)	(29,686,451)	-	-
Payments to suppliers	(3,257,008)	(4,025,540)	-	-
Other payments	(5,528,043)	(6,689,307)	(104,805)	(104,738)
Payments for scholarships and fellowships	(3,193,074)	(1,851,864)	-	-
Loans issued to students	(123,734)	(127,500)	-	-
Collection of loans from students	146,127	179,092	-	-
Other receipts	461,567	625,907	-	500
Net cash provided (used) by operating activities	<u>(20,133,340)</u>	<u>(21,765,885)</u>	<u>325,129</u>	<u>66,696</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State appropriations	17,623,823	20,626,020	-	-
Federal grants	7,230,973	4,178,069	-	-
Gifts	1,508,764	1,534,831	-	-
Agency account receipts	1,297,147	1,178,514	-	-
Agency account payments	(1,233,554)	(1,156,604)	-	-
Student loan receipts	15,003,016	9,888,045	-	-
Student loan payments	(15,003,016)	(9,888,045)	-	-
Distributions to the College	-	-	(83,262)	(73,886)
Net cash provided (used) by noncapital financing activities	<u>26,427,153</u>	<u>26,360,830</u>	<u>(83,262)</u>	<u>(73,886)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of capital assets	212,004	76,065	-	125,913
Capital appropriations	-	407,327	-	-
Capital grants and gifts	150,485	220,700	-	-
Insurance recoveries	602,249	-	-	-
Purchase of capital assets	(2,269,220)	(2,319,072)	-	-
Principal paid on capital debt	(754,759)	(699,352)	-	-
Interest paid on capital debt	(431,731)	(341,266)	-	-
Net cash provided (used) in capital and related financing activities	<u>(2,490,972)</u>	<u>(2,655,598)</u>	<u>-</u>	<u>125,913</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	241,902	327,983	107	773
Purchase of investments	-	-	(201,012)	(130,000)
Net cash provided (used) by investing activities	<u>241,902</u>	<u>327,983</u>	<u>(200,905)</u>	<u>(129,227)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,044,743	2,267,330	40,962	(10,504)
CASH AND CASH EQUIVALENTS---BEGINNING OF THE YEAR	<u>15,509,232</u>	<u>13,241,902</u>	<u>90,122</u>	<u>100,626</u>
CASH AND CASH EQUIVALENTS---END OF THE YEAR	<u>\$ 19,553,975</u>	<u>\$ 15,509,232</u>	<u>\$ 131,084</u>	<u>\$ 90,122</u>

See notes to financial statements.

(Continued)

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2010 and 2009

RECONCILIATION OF NET OPERATING (LOSS) GAIN TO NET CASH AND CASH EQUIVALENTS PROVIDED (USED) BY OPERATING ACTIVITIES:	LCSC		Component Unit	
	2010	2009	2010	2009
Operating (Loss) Gain	\$ (23,900,276)	\$ (24,066,262)	\$ 738,578	\$ 371,657
Adjustments to reconcile operating (loss) gain to net cash used in operating activities:				
Noncash donations	-	-	(430,364)	(315,589)
Other noncash receipts	-	-	(1,233)	(4,668)
Other noncash payments	-	-	(5,750)	2,745
Depreciation expense	1,953,409	1,714,432	14,298	16,157
Effect on cash from changes in operating assets and liabilities:				
Receivables, net	(14,615)	486,985	-	-
Due from (to) state agencies	346,766	(213,093)	-	-
Due from Lewis-Clark State College	-	-	9,600	(3,606)
Prepaid expenses	(42,285)	(2,271)	-	-
Net other post employment benefit excess funding	4,000	(15,000)	-	-
Accounts payable and accrued liabilities	58,538	57,852	-	-
Accrued salaries and benefits payable	179,632	246,897	-	-
Compensated absences payable	(2,353)	(37,305)	-	-
Net other post employment benefit obligations	199,000	152,000	-	-
Amounts held in trust for others	(15,875)	6,370	-	-
Unearned revenue	1,065,948	(152,682)	-	-
Loans to students	34,771	56,192	-	-
Net cash provided (used) by operating activities	<u>\$ (20,133,340)</u>	<u>\$ (21,765,885)</u>	<u>\$ 325,129</u>	<u>\$ 66,696</u>

SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:

Capital assets acquired through Department of Public Works' appropriations \$ 16,127,342 \$ 1,289,908

See notes to financial statements.

LEWIS-CLARK STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Statement Presentation—The College has adopted Governmental Accounting Standards Board (“GASB”) Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB 14*. This Statement provides additional guidance for determining whether certain organizations, such as not-for-profit foundations, for which the primary institution is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the primary institution. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The 30-member board of the Foundation is self-perpetuating and consists of alumni and friends of the college. The majority of 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. Therefore, the financial activity of the Foundation is discretely presented in the College’s financial statements. See Note 15 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.

The College has the option to apply all Financial Accounting Standards Board (“FASB”) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected to not apply FASB pronouncements issued after the applicable date.

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 state treasurer funds invested through the Idaho State Treasury Local Government Investment Pool is considered a cash equivalent.

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 investment income (loss) in the *Statements of Revenues, Expenses, and Changes in Net Assets*. More comprehensive disclosure of common risks associated with the deposits and investments are detailed in Notes 2 and 15, as per the requirements of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

Investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets are classified as noncurrent assets in the *Statements of Net Assets*.

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

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

Compensated Absences—Employee vacation pay that is earned but unused is accrued at year end and discretely presented in the *Statements of Net Assets*.

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

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

Net Assets—The College's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt—This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted—Nonexpendable—Nonexpendable restricted net assets consist 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 assets include resources the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

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

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

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

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

Operating Revenues—Operating revenues include activities that have the characteristics of exchange transactions, such as student fees, sales and services of educational activities and auxiliary enterprises; as well as most gifts, Federal, state and local grants and contracts that support operations, and interest on institutional loans.

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

Scholarship Discounts and Allowances—Student fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net assets. 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.

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

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

2. DEPOSITS AND INVESTMENTS

Deposits – Cash and cash equivalents are deposited with various financial institutions. Cash deposited with the State Treasurer’s Office is subject to the legal provisions found throughout *Idaho Code*, Title 67. Enterprise funds held by the College are deposited with financial institutions qualified as state depositories. Deposits are insured, collateralized with securities held in the College’s name, or uncollateralized.

Custodial credit risk

Cash with treasurer is under the control of the State Treasurer and is carried at cost. Cash and cash equivalents are deposited at federally chartered institutions and are carried at cost. Custodial credit risk is the risk that in the event of a bank 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, 2010, \$12,668,914 of the College’s bank balance of \$14,852,669 was uncollateralized and exposed to custodial credit risk. The remainder was insured. As of June 30, 2009, \$10,768,494 of the College’s bank balance of \$11,937,794 was uncollateralized and exposed to custodial credit risk. The remainder was insured.

Investments held in Trust – Investments held by the College as of June 30 were limited to investments held in trust relative to an outstanding debt issue and consisted of the following:

<u>Investment</u>	<u>Maturities</u>	2010	2009
U.S. Treasury mutual fund	< 1 year	\$ 615,053	\$ 576,360
Federal National Mortgage Association pool	2/1/2017	<u>89,239</u>	<u>121,872</u>
Total Investments Held in Trust		<u>\$ 704,292</u>	<u>\$ 698,232</u>

Credit risk

The general investment policy of the College, as adopted by the State Board of Education states that investments in securities are to be made with the objective of ensuring safety of principal. Funds may be invested in FDIC passbook savings accounts, certificates of deposit, U.S. securities, Federal funds repurchase agreements, reverse repurchase agreements, Federal agency securities, large money market funds, bankers acceptances, corporate bonds of AA grade or better, mortgage-backed securities of AA grade or better, and commercial paper of prime or equivalent grade. Authority to make investments in any other form requires prior Board approval.

Interest rate risk

The College 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.

3. ACCOUNTS RECEIVABLE AND UNBILLED CHARGES

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

	2010	2009
Student fees	\$ 106,488	\$ 91,010
Federal, state and nongovernmental grants and contracts	585,116	585,786
Insurance recoveries	186,492	-
Investment income	9,760	22,974
Educational departments	7,795	3,334
Funds held in custody for others	5,300	10,833
	<u>\$ 900,951</u>	<u>\$ 713,937</u>

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, 2010 and 2009.

FPLP requires the College to match 33% of the federal contributions. A portion or all of the loan principal and interest may be cancelled upon the occurrence of certain events. The amount of such cancellations is partially absorbed by the Federal Government. In the event the College should withdraw from FPLP or the government was to cancel the program, the amount the College would be liable for is approximately \$488,000 and \$502,100 as of June 30, 2010 and 2009, respectively. These amounts are not reflected as a liability in the financial statements.

As the College determines that loans are uncollectible and not eligible for reimbursement by the Federal government, the loans are written off and assigned to the U.S. Department of Education. The allowance for uncollectible loans only applies to College funded loans and the College portion of Federal student loans, as the College is not obligated to fund the Federal portion of uncollected student loans. The College has provided an allowance for uncollectible loans, which is believed to be sufficient to absorb the College’s portion of the loans that will ultimately be written off.

The NSLP program requires the College to match one-ninth of the awarded funds.

Student loans receivable at June 30 consisted of the following:

	2010		
	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Federal Perkins Loan Program	\$ 80,400	\$ 649,209	\$ 729,609
Nursing Student Loan Program	37,860	112,639	150,499
	118,260	761,848	880,108
Less Allowance for doubtful loans	-	(88,000)	(88,000)
Net Student Loans Receivable	<u>\$ 118,260</u>	<u>\$ 673,848</u>	<u>\$ 792,108</u>
	2009		
	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Federal Perkins Loan Program	\$ 104,627	\$ 644,827	\$ 749,454
Nursing Student Loan Program	34,678	121,748	156,426
	139,305	766,575	905,880
Less Allowance for doubtful loans	-	(79,000)	(79,000)
Net Student Loans Receivable	<u>\$ 139,305</u>	<u>\$ 687,575</u>	<u>\$ 826,880</u>

5. CAPITAL ASSETS—NET

Following are the changes in capital assets, for the years ended June 30, 2010 and 2009:

	2010				Balance at June 30, 2010
	Balance at June 30, 2009	Additions	Transfers	Retirements	
Capital assets not being depreciated:					
Land	\$ 2,926,701	\$ 50,000	\$ -	\$ (45,500)	\$ 2,931,201
Capitalized collections	15,000	-	-	-	15,000
Construction in progress	85,400	760,868	(85,400)	-	760,868
	<u>3,027,101</u>	<u>810,868</u>	<u>(85,400)</u>	<u>(45,500)</u>	<u>3,707,069</u>
Total capital assets not being depreciated	<u>\$ 3,027,101</u>	<u>\$ 810,868</u>	<u>\$ (85,400)</u>	<u>\$ (45,500)</u>	<u>\$ 3,707,069</u>
Other capital assets:					
Buildings and improvements	\$ 39,572,071	\$17,241,752	\$ 85,400	\$(431,975)	\$ 56,467,248
Furniture, fixtures and equipment	5,277,504	665,283	-	(77,783)	5,865,004
Library materials	5,658,872	250,459	-	(29,435)	5,879,896
	<u>50,508,447</u>	<u>18,157,494</u>	<u>85,400</u>	<u>(539,193)</u>	<u>68,212,148</u>
Total other capital assets	50,508,447	18,157,494	85,400	(539,193)	68,212,148
Less accumulated depreciation:					
Buildings and improvements	(15,706,955)	(1,282,943)	-	72,969	(16,916,929)
Furniture, fixtures and equipment	(2,786,926)	(482,013)	-	63,923	(3,205,016)
Library materials	(4,339,461)	(252,341)	-	29,435	(4,562,367)
	<u>(22,833,342)</u>	<u>(2,017,297)</u>	<u>-</u>	<u>166,327</u>	<u>(24,684,312)</u>
Total accumulated depreciation	<u>(22,833,342)</u>	<u>(2,017,297)</u>	<u>-</u>	<u>166,327</u>	<u>(24,684,312)</u>
Other capital assets net of accumulated depreciation	<u>\$ 27,675,105</u>	<u>\$16,140,197</u>	<u>\$ 85,400</u>	<u>\$(372,866)</u>	<u>\$ 43,527,836</u>
Capital assets summary:					
Capital assets not being depreciated	\$ 3,027,101	\$ 810,868	\$(85,400)	\$ (45,500)	\$ 3,707,069
Other capital assets at cost	50,508,447	18,157,494	85,400	(539,193)	68,212,148
	<u>53,535,548</u>	<u>18,968,362</u>	<u>-</u>	<u>(584,693)</u>	<u>71,919,217</u>
Total cost of capital assets	53,535,548	18,968,362	-	(584,693)	71,919,217
Less accumulated depreciation	<u>(22,833,342)</u>	<u>(2,017,297)</u>	<u>-</u>	<u>166,327</u>	<u>(24,684,312)</u>
Capital assets, net	<u>\$ 30,702,206</u>	<u>\$16,951,065</u>	<u>\$ -</u>	<u>\$(418,366)</u>	<u>\$ 47,234,905</u>

2009

	Balance at June 30, 2008	Additions	Transfers	Retirements	Balance at June 30, 2009
Capital assets not being depreciated:					
Land	\$ 2,443,558	\$ 498,643	\$ -	\$ (15,500)	\$ 2,926,701
Capitalized collections	15,000	-	-	-	15,000
Construction in progress	47,406	56,315	(18,321)	-	85,400
	<u>2,505,964</u>	<u>554,958</u>	<u>\$(18,321)</u>	<u>\$ (15,500)</u>	<u>\$ 3,027,101</u>
Total capital assets not being depreciated	<u>\$ 2,505,964</u>	<u>\$ 554,958</u>	<u>\$(18,321)</u>	<u>\$ (15,500)</u>	<u>\$ 3,027,101</u>
Other capital assets:					
Buildings and improvements	\$ 33,938,875	\$ 5,694,375	\$ 18,321	\$ (79,500)	\$ 39,572,071
Furniture, fixtures and equipment	5,043,279	1,343,805	-	(1,109,580)	5,277,504
Library materials	5,327,665	352,160	-	(20,953)	5,658,872
	<u>44,309,819</u>	<u>7,390,340</u>	<u>18,321</u>	<u>(1,210,033)</u>	<u>50,508,447</u>
Total other capital assets	44,309,819	7,390,340	18,321	(1,210,033)	50,508,447
Less accumulated depreciation:					
Buildings and improvements	(14,690,593)	(1,022,722)	-	6,360	(15,706,955)
Furniture, fixtures and equipment	(3,469,426)	(416,376)	-	1,098,876	(2,786,926)
Library materials	(4,085,080)	(275,334)	-	20,953	(4,339,461)
	<u>(22,245,099)</u>	<u>(1,714,432)</u>	<u>-</u>	<u>1,126,189</u>	<u>(22,833,342)</u>
Total accumulated depreciation	<u>(22,245,099)</u>	<u>(1,714,432)</u>	<u>-</u>	<u>1,126,189</u>	<u>(22,833,342)</u>
Other capital assets net of accumulated depreciation	<u>\$ 22,064,720</u>	<u>\$ 5,675,908</u>	<u>\$ 18,321</u>	<u>\$ (83,844)</u>	<u>\$ 27,675,105</u>
Capital assets summary:					
Capital assets not being depreciated	\$ 2,505,964	\$ 554,958	\$(18,321)	\$ (15,500)	\$ 3,027,101
Other capital assets at cost	44,309,819	7,390,340	18,321	(1,210,033)	50,508,447
	<u>46,815,783</u>	<u>7,945,298</u>	<u>-</u>	<u>(1,225,533)</u>	<u>53,535,548</u>
Total cost of capital assets	46,815,783	7,945,298	-	(1,225,533)	53,535,548
Less accumulated depreciation	<u>(22,245,099)</u>	<u>(1,714,432)</u>	<u>-</u>	<u>1,126,189</u>	<u>(22,833,342)</u>
Capital assets, net	<u>\$ 24,570,684</u>	<u>\$ 6,230,866</u>	<u>\$ -</u>	<u>\$ (99,344)</u>	<u>\$ 30,702,206</u>

The estimated cost to complete property authorized or under construction at June 30, 2010 is approximately \$2,954,952. These costs will be financed by state appropriations and available local resources.

Institutional funds included in the construction costs of the Student Activity Center were 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 costs is retired. See Note 11. The total amount in Investment in capital assets was \$2,613,348 as of June 30, 2010 and 2009.

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, 2010 and 2009.

6. LONG-TERM LIABILITIES

Following are the changes in long-term debt for the years ended June 30, 2010 and 2009:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due Within One Year
Bonds and notes:					
Revenue bonds	\$ 4,435,000	\$ -	\$ (345,000)	\$ 4,090,000	\$ 360,000
Notes	<u>5,587,944</u>	<u>4,685,000</u>	<u>(5,084,281)</u>	<u>5,188,663</u>	<u>357,791</u>
	<u>\$ 10,022,944</u>	<u>4,685,000</u>	<u>\$ (5,429,281)</u>	<u>\$ 9,278,663</u>	<u>\$ 717,791</u>

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Amounts Due Within One Year
Bonds and notes:					
Revenue bonds	\$ 4,765,000	\$ -	\$ (330,000)	\$ 4,435,000	\$ 345,000
Notes	<u>1,469,110</u>	<u>4,488,186</u>	<u>(369,352)</u>	<u>5,587,944</u>	<u>720,493</u>
	<u>\$ 6,234,110</u>	<u>4,488,186</u>	<u>\$ (699,352)</u>	<u>\$ 10,022,944</u>	<u>\$ 1,065,493</u>

7. NOTES AND BONDS PAYABLE

Notes and bonds payable at June 30, 2010 and 2009 consisted of the following:

	<u>Balance Outstanding</u>	
	<u>2010</u>	<u>2009</u>
Student Fee Refunding Revenue Bonds, Series 1998 (original issuance of \$6,335,000), issued to provide for the refunding of certain outstanding obligations and to fund improvements of the Student Union Building and related facilities, due in annual amounts increasing periodically from \$305,000 to a maximum of \$1,145,000, plus interest from 4.55% to 5.20% through April 2018, collateralized by a pledge of certain auxiliary enterprise revenues.	\$ 4,090,000	\$ 4,435,000
Facilities Refinancing Promissory Note, 2010 (original issuance of \$4,685,000), issued to provide for the refunding of certain outstanding obligations, due in monthly installments of \$33,622, based upon a 15 year amortization, including interest at 3.51%, through June 2014, collateralized by a pledge of certain student housing fees. Renewable at the option of the lender.	4,685,000	-
Secured Student Fee Revenue Note, Series 2003 (original issuance of \$1,126,307), issued to finance construction of the Student Activity Center, due in annual installments of \$138,656, including interest at 3.97%, through July 2013, collateralized by dedicated student fees.	503,663	617,793
Secured note payable (original issuance of \$4,488,186), issued to purchase Clearwater (CLW) Hall, due in monthly installments, maturing on March 1, 2011, including interest at 4%, collateralized by a pledge of certain student housing fees. Renewable at the option of the lender. Refinanced with the Facilities Refinancing Promissory Note, 2010	-	4,471,195
Unsecured note payable (original issuance of \$150,000), issued to purchase residential property, due in monthly installments, maturing on December 31, 2010, including interest at 4%. Renewable at the option of the lender. Final principal payment made in 2010.	-	72,238
Unsecured note payable (original issuance of \$77,000), issued to purchase residential property, due in monthly installments, maturing on December 31, 2010, including interest at 4%. Renewable at the option of the lender. Refinanced with the Facilities Refinancing Promissory Note, 2010.	-	58,738
Unsecured note payable (original issuance of \$458,331), issued to purchase residential property, due in monthly installments, maturing on December 31, 2010, including interest at 4%. Renewable at the option of the lender. Refinanced with the Facilities Refinancing Promissory Note, 2010.	-	331,980
Unsecured note payable (original issuance of \$186,000), issued to purchase residential property, due in annual installments, including interest at 5.95%, final payment made on March 1, 2010.	-	36,000
Total bonds and notes payable	<u>\$ 9,278,663</u>	<u>\$10,022,944</u>

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

	Notes		Bonds	
	Principal	Interest	Principal	Interest
2011	\$ 357,791	\$ 184,330	\$ 360,000	\$ 209,000
2012	374,805	167,315	380,000	191,540
2013	388,671	153,449	400,000	172,730
2014	4,067,396	139,068	420,000	152,530
2015	-	-	440,000	131,110
2016-2018	-	-	2,090,000	252,750
	<u>\$ 5,188,663</u>	<u>\$ 644,162</u>	<u>\$ 4,090,000</u>	<u>\$ 1,109,660</u>

Pledged Revenues—As stated in the notes and bonds payable description, the College has pledged certain revenues as collateral for debt instruments. The pledged revenue amounts and coverage requirements are as follows for the year ended June 30, 2010:

	Series 1998 Bonds	Facilities Refinancing Note 2010	Secured Student Fee Note Series 2003	Total
Pledged revenues:				
Student Fees	\$ 808,505	\$ -	\$ 142,657	\$ 951,162
Housing Fees	1,111,134	444,837	-	1,555,971
Auxiliary Revenues	71,507	-	-	71,507
Other	136,616	-	-	136,616
Total pledged revenues	2,127,762	444,837	142,657	2,715,256
Pledged fund balances	1,102,726	-	-	1,102,726
Total pledges	3,230,488	444,837	142,657	3,817,982
Less operation & maintenance expenses	(1,693,163)	(154,380)	-	(1,847,543)
Total pledges, net	<u>\$ 1,537,325</u>	<u>\$ 290,457</u>	<u>\$ 142,657</u>	<u>\$ 1,970,439</u>
Debt service	<u>\$ 570,560</u>	<u>\$ -</u>	<u>\$ 138,656</u>	<u>\$ 709,216</u>
Debt service coverage	<u>269%</u>	n/a	n/a	
Coverage requirement	<u>125%</u>	n/a	n/a	

8. RESTRICTED NET ASSETS

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

	2010	2009
Federal student loan programs	\$ 959,713	\$ 998,628
Institutional student loan programs	126,501	126,849
Capital projects	144,000	175,000
Grants and contracts	76,284	127,091
	<u>\$ 1,306,498</u>	<u>\$ 1,427,568</u>

9. RETIREMENT PLANS

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

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.00% or 2.30% (depending upon employee classification) of the average monthly salary for the highest consecutive 42 months.

For the year ended June 30, 2010, the required contribution rate for general employees was 10.39% and 6.23% of covered payroll for the College and its employees, respectively. The College’s contributions required and paid were \$634,000, \$678,988, and \$711,018 for the three years ended June 30, 2010, 2009, and 2008, respectively.

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

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

Participants are immediately fully vested in the ORP. Retirement benefits are available either as a lump sum or any portion thereof upon attaining 55 years of age. The contribution requirement (and amount paid) for the years ended June 30, 2010 and 2009 was \$2,093,952 and \$2,108,209, respectively, which consisted of \$1,193,113 and \$1,207,849, respectively, from the College and \$900,839 and \$900,360, respectively, from employees. For both 2010 and 2009, these contributions represented approximately 9.35% and 6.97% of covered payroll for the College and its employees.

Although enrollees in the ORP no longer belong to PERSI, the College is required to contribute to PERSI. These annual supplemental payments are required through July 1, 2025. During the years ended June 30, 2010 and 2009, this supplemental funding payment made to PERSI was \$190,136 and \$192,476 or 1.49% of the covered payroll, respectively. These amounts are not included in the regular College PERSI contribution discussed previously.

Postretirement Benefits Other Than Pensions—

Summary of Plans

The College participates in other post employment benefit (“OPEB”) plans relating to health, disability, and life insurance administered by the State of Idaho as agent multiple-employer defined benefit plans. *Idaho Code*, Sections 67-5760 to 67-5767 and 72-1335, establishes the benefits and contribution obligations. Each of these benefits is provided by the College to retired or disabled employees. GASB Statement No. 45 has been implemented prospectively, and the net OPEB obligation at transition was zero. The most recent actuarial valuation is as of July 1, 2008. Detail of the plans can be found in the Comprehensive Annual Report of the State of Idaho, which may be obtained as follows:

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

Plan Descriptions

Retiree Healthcare Plan

This plan allows retirees to purchase healthcare insurance coverage for themselves and eligible dependents. A retired employee of the College who is eligible to retire under the PERSI may elect to have the retiree health insurance coverage for themselves and eligible dependents. To be eligible, College employees must enroll within sixty days of the date of their retirement. Additionally, the unreduced PERSI monthly benefit at the time of retirement must meet or exceed the monthly cost of single retiree health insurance coverage, or employees must have ten or more years (20,800 or more hours) of credited state service. 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 College contributed \$16.44 per active non-retired employee per month towards the retiree premium cost.

Effective July 1, 2009, changes to this benefit regarding eligibility stipulate that an officer or employee must be an active employee on or before June 30, 2009, and retire directly from State service; the maximum benefit is \$1,860 per retiree per year. Additionally, any retiree who is currently eligible will remain so until they are

eligible for Medicare. Beginning January 1, 2010, coverage will not be available to Medicare eligible retirees or their Medicare-eligible dependents.

Long-Term Disability Plan

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

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

Employees disabled after July 1, 2003, are insured by Principal Life Insurance Company and the obligation for the payment of benefits has been effectively transferred. The College pays 100 percent of the cost of the premiums. The College's contribution was 0.324% and 0.328% of payroll for the years ended June 30, 2010 and 2009. This portion of the long-term disability income benefit is not included in the actuarial estimate.

For up to 30 months following the date of disability, an employee is entitled to continue healthcare coverage under the State plan. The College pays 100 percent of the College's share of medical and dental premiums while the employee remains disabled. The employee is required to pay the normal active employee contribution for the plan and rate category in which the employee is enrolled. The College's contribution was \$7.61 and \$6.96 per active employee per month for the years ended June 30, 2010 and 2009.

This plan also provides basic life insurance and dependent life coverage to disabled employees, generally up to a maximum age of 70. The life insurance benefit amount is generally 100 percent of annual salary, but not less than \$20,000. In addition, a \$2,000 life insurance benefit is provided for spouses, and a \$1,000 life insurance benefit is provided for dependent children. These benefits do not increase with inflation. The College pays 100 percent of the premiums; the contribution is actuarially determined based on actual claims experience.

Life Insurance Plan

This plan provides basic life insurance for certified retired employees. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at least 80 to qualify for this benefit. Eligible retirees receive basic life insurance coverage equal to 100 percent of their annual salary at retirement. The College pays 100 percent of the cost of basic life insurance. The College's contribution for the years ended June 30, 2010 and 2009, as a percent of payroll, was 2.037% for retirees under age 65, 1.568% for retirees between the ages of 65 and 69, and 1.081% for retirees over age 70.

Annual OPEB Cost and Net OPEB Obligation (Funding Excess)

The annual OPEB cost (AOC) is actuarially determined based on the annual required contribution (“ARC”) of the employer in accordance with GASB Statements Nos. 43 and 45. The following table illustrates the annual OPEB cost, the amount of contributions made, and the increase (decrease) in the net OPEB obligation, and the net OPEB obligation as of June 30, 2010, (*dollars in thousands*):

	<u>Retiree Healthcare</u>	<u>Long-term Disability Income</u>	<u>Long-term Disability Life Insurance</u>	<u>Long-term Disability Healthcare</u>	<u>Life Insurance</u>
Annual OPEB cost:					
Annual Required Contribution	\$ 79	\$ 23	\$ 18	\$ 42	\$ 210
Interest	29	(1)	0	1	13
Adjustment to ARC	<u>(38)</u>	<u>1</u>	<u>0</u>	<u>(1)</u>	<u>(18)</u>
Annual OPEB cost (expense)	70	23	18	42	205
Contributions made	<u>(41)</u>	<u>(18)</u>	<u>(19)</u>	<u>(24)</u>	<u>(53)</u>
Increase (Decrease) in Net OPEB Obligation	29	5	(1)	18	152
Net OPEB Obligation - Beginning of Year	<u>623</u>	<u>(15)</u>	<u>0</u>	<u>18</u>	<u>300</u>
Net OPEB Obligation (Funding Excess) - End of Year	<u>\$ 652</u>	<u>\$ (10)</u>	<u>\$ (1)</u>	<u>\$ 36</u>	<u>\$ 452</u>
Percentage of Annual OPEB Cost Contributed	58.57%	78.26%	105.56%	57.14%	25.85%

Annual OPEB Cost and Net OPEB Obligation Comparison (Funding Excess)

The following table compares the annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation (funding excess) for the years ended June 30, 2010, 2009 and 2008, (*dollars in thousands*):

		<u>Retiree Healthcare</u>	<u>Long- term Disability Income</u>	<u>Long- term Disability Life Insurance</u>	<u>Long-term Disability Healthcare</u>	<u>Life Insurance</u>
Annual OPEB Cost	2010	\$ 70	\$ 23	\$ 18	\$ 42	\$ 205
	2009	\$ 68	\$ 21	\$ 17	\$ 37	\$ 200
	2008	\$ 824	\$ 6	\$ 17	\$ 38	\$ 185
Percentage of AOC Contributed	2010	58.57%	78.26%	105.56%	57.14%	25.85%
	2009	110.29%	95.24%	147.06%	97.30%	25.00%
	2008	23.54%	366.67%	58.82%	55.26%	18.38%
Net OPEB Obligation (Funding Excess) - End of Year	2010	\$ 652	\$ (10)	\$ (1)	\$ 36	\$ 452
	2009	\$ 623	\$ (15)	\$ 0	\$ 18	\$ 300
	2008	\$ 630	\$ (16)	\$ 7	\$ 17	\$ 151

Funded Status and Funding Progress

The following table illustrates the funded status and the funding progress as of June 30, 2010, (*dollars in thousands*):

	<u>Retiree Healthcare</u>	<u>Long-term Disability Income</u>	<u>Long-term Disability Life Insurance</u>	<u>Long-term Disability Healthcare</u>	<u>Life Insurance</u>
Actuarial Valuation Date	7/1/2008	7/1/2008	7/1/2008	7/1/2008	7/1/2008
(1) Actuarial Value of Assets	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
(2) Actuarial Accrued Liability (AAL)	516	139	199	238	2,341
(3) Unfunded AAL (UAAL) (2) - (1)	<u>\$ 516</u>	<u>\$ 139</u>	<u>\$ 199</u>	<u>\$ 238</u>	<u>\$ 2,341</u>
(4) Funded Ratios (1) / (2)	0.0%	0.0%	0.0%	0.0%	0.0%
(5) Annual Covered Payroll	\$ 18,861	\$ 18,861	\$ 18,861	\$ 18,861	\$ 18,861
(6) UAAL as a Percentage of Covered Payroll (3) / (5)	2.74%	0.74%	1.06%	1.26%	12.41%

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Required supplementary information is included in this footnote. Calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members. Any variations in future experience from that expected from these assumptions will result in

corresponding changes in the estimated costs of the benefits. The projection of benefits for financial reporting purposes does not incorporate the potential effects of legal funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The following table presents the significant methods and actuarial assumptions for all plans followed by a comparative schedule of funding progress:

	Retiree Healthcare	Long-term Disability Income	Long-term Disability Life Insurance	Long-term Disability Healthcare	Life Insurance
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percentage of Payroll	Level Dollar Amount	Level Percentage of Payroll	Level Percentage of Payroll	Level Percentage of Payroll
Amortization Period	11 years, Closed	8 years, Closed	30 years, Open	30 years, Open	30 years, Open
Assumptions:					
Inflation Rate	3.00%	3.00%	3.00%	3.00%	3.00%
Investment Return	4.50%	5.25%	5.25%	4.50%	4.50%
OPEB Increases	N/A	N/A	N/A	N/A	3.75%
Projected Salary Increases	3.75%	3.75%	3.75%	3.75%	3.75%
Healthcare Cost Initial Trend Rate	13.60%	N/A	N/A	13.60%	N/A
Healthcare Cost Ultimate Trend Rate	5.00%	N/A	N/A	5.00%	N/A

Required Supplementary Information - Comparative Schedule of Funding Progress (dollars in thousands):

		(1)	(2)	(3)	(4)	(5)	(6)
	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (2) - (1)	Funded Ratios (1) : (2)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll (3) : (5)
Retiree Healthcare Plan	7/1/2006	\$ 0	\$ 8,740	\$ 8,740	0.00%	\$ 18,015	48.52%
	7/1/2008	\$ 0	\$ 516	\$ 516	0.00%	\$ 18,861	2.74%
Long-Term Disability Plan:							
Income	7/1/2006	\$ 0	\$ 158	\$ 158	0.00%	\$ 18,015	0.88%
	7/1/2008	\$ 0	\$ 139	\$ 139	0.00%	\$ 18,861	0.74%
Life Insurance	7/1/2006	\$ 0	\$ 263	\$ 263	0.00%	\$ 18,015	1.46%
	7/1/2008	\$ 0	\$ 199	\$ 199	0.00%	\$ 18,861	1.06%
Healthcare	7/1/2006	\$ 0	\$ 248	\$ 248	0.00%	\$ 18,015	1.38%
	7/1/2008	\$ 0	\$ 238	\$ 238	0.00%	\$ 18,861	1.26%
Retiree Life Insurance Plan	7/1/2006	\$ 0	\$ 2,062	\$ 2,062	0.00%	\$ 18,015	11.45%
	7/1/2008	\$ 0	\$ 2,341	\$ 2,341	0.00%	\$ 18,861	12.41%

Required Supplementary Information – Schedule of Employer Contributions (dollars in thousands):

	Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions	Actual Percentage of (ARC)
Life Insurance	6/30/2008	\$ 176	\$ 34	19.32%
	6/30/2009	\$ 202	\$ 50	24.75%
	6/30/2010	\$ 210	\$ 53	25.24%

Sick Leave Insurance Reserve Fund

Employees who qualify for retirement under PERSI or ORP are eligible to use 50% of the cash value of their unused sick leave to continue their medical insurance coverage through the College. The College partially funds these obligations by depositing 0.65% of employee gross payroll with PERSI who administers the trust fund. The total contributions for the years ended June 30, 2010 and 2009 were \$122,556 and \$126,482.

10. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

Functional Classification	2010 Natural Classification							Operating Expense Totals
	Personnel Costs	Services	Supplies	Insurance, Utilities, and Rent	Scholarships and Fellowships	Depreciation	Miscellaneous	
Instruction	\$ 16,978,956	\$ 582,236	\$ 1,339,425	\$ 178,397	\$ 92,973	\$ -	\$ 323,103	\$ 19,495,090
Research	63,524	15,231	40,839	-	-	-	23,788	143,382
Public services	1,234,690	130,054	44,947	2,896	-	-	87,401	1,499,988
Libraries	609,592	142,609	23,428	-	-	-	172	775,801
Student services	2,717,107	260,707	132,055	5,215	62,266	-	79,211	3,256,561
Plant operations	1,340,524	86,092	360,856	765,369	-	1,953,409	88,340	4,594,590
Institutional support	2,899,005	859,898	348,864	79,936	-	-	162,128	4,349,831
Academic support	1,820,377	362,149	182,024	184	500	-	14,929	2,380,163
Scholarships and fellowships	180,393	180	-	-	2,640,517	-	40,953	2,862,043
Auxiliaries	1,754,476	752,184	1,019,930	404,765	396,818	-	229,235	4,557,408
Total expenses:	<u>\$ 29,598,644</u>	<u>\$ 3,191,340</u>	<u>\$ 3,492,368</u>	<u>\$ 1,436,762</u>	<u>\$ 3,193,074</u>	<u>\$ 1,953,409</u>	<u>\$ 1,049,260</u>	<u>\$ 43,914,857</u>

Functional Classification	2009 Natural Classification							Operating Expense Totals
	Personnel Costs	Services	Supplies	Insurance, Utilities, and Rent	Scholarships and Fellowships	Depreciation	Miscellaneous	
Instruction	\$ 16,988,588	\$ 1,070,448	\$ 1,038,696	\$ 192,393	\$ 202,843	\$ -	\$ 359,336	\$ 19,852,304
Research	180,923	18,014	282,161	-	-	-	39,219	520,317
Public services	1,356,631	404,841	76,245	2,150	-	-	186,961	2,026,828
Libraries	598,355	59,420	41,355	-	-	-	142	699,272
Student services	2,762,557	252,392	146,068	2,858	34,965	-	92,070	3,290,910
Plant operations	1,383,344	91,893	346,353	667,542	-	1,714,432	17,324	4,220,888
Institutional support	2,912,427	933,514	494,009	87,130	-	-	128,402	4,555,482
Academic support	1,910,480	146,740	573,392	50	500	-	141,110	2,772,272
Scholarships and fellowships	158,377	217	-	-	1,230,672	-	49,742	1,439,008
Auxiliaries	1,781,359	692,119	968,268	746,637	382,884	-	214,995	4,786,262
Total expenses:	<u>\$ 30,033,041</u>	<u>\$ 3,669,598</u>	<u>\$ 3,966,547</u>	<u>\$ 1,698,760</u>	<u>\$ 1,851,864</u>	<u>\$ 1,714,432</u>	<u>\$ 1,229,301</u>	<u>\$ 44,163,543</u>

11. RELATED PARTIES TRANSACTIONS

In fiscal year 2004 the College began constructing a new Student Activity Center (the “facility”). With an estimated cost of approximately \$15,000,000, this project was completed in fiscal year 2006. The Idaho State Building Authority (the “ISBA”), with approval from the Idaho State Legislature, issued \$10,018,000 of tax exempt bonds to finance the project and will have initial ownership of the facility. The College initially contributed \$2,533,463 to the project with the balance to be provided by the State of Idaho. A portion of the College’s contribution was financed through the issuance of a Secured Student Fee Revenue Note, Series 2003, issued in the amount of \$1,126,307. See Note 7.

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 to the bondholders have been paid. The Idaho Legislature is obligated, via the annual appropriation process, to provide funds to the State Department of Administration (the “SDOA”) to make the bond payments.

The facility will be in use for many years prior to the transfer of ownership to the College. Therefore, the SDOA, on behalf of the College, has signed an agreement to lease the facility from the ISBA during the period the bond holders are being paid. This agreement obligates the SDOA to pay rent to the ISBA in the amount of the annual bond obligations, plus expenses, as funded by the Idaho Legislature.

The College and the SDOA have entered into an operating agreement whereby the College is obligated to cover all operating costs including maintenance, insurance, and furnishings. At the termination of these agreements, drafted to coincide with the final bond payments, ownership of the facility should pass to the College. As of June 30, 2010 and 2009 the College’s total contribution is discretely presented in the *Statements of Net Assets* as Investment in capital assets in the amount of \$2,613,348. See Note 5.

12. CONTINGENCIES AND LEGAL MATTERS

Revenue from federal research and 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 a defendant in litigation arising from the normal course of operations. Based on present knowledge, the College’s administration believes any ultimate liability in these matters will not materially affect the financial position of the College.

13. RISK MANAGEMENT

The College participates in the State of Idaho Risk Management Program, which manages property and general liability risk. The program provides liability protection up to the Idaho Tort Claims Act maximum of \$500,000 for each occurrence. Property damage claims are covered up to \$250,000 per occurrence annually. The State of Idaho purchases commercial insurance for claims not self-insured by the above coverages. 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 \$115,715,751. The College obtains worker's compensation coverage from the Idaho State Insurance Fund. The College's worker's compensation premiums are based on payroll amount, the College's loss experience, as well as the loss experience of the State of Idaho as a whole. This program also provides coverage for other risks of loss, including but not limited to employee bond and crime, out of state worker's compensation, business interruption, media liability and automobile physical damage insurance.

14. INSURANCE RECOVERY

During fiscal year 2009, the Center for the Arts Building sustained significant fire damage. Although this building is owned by the Foundation, fire insurance coverage is maintained by the College. Partial restoration costs in the amount of \$731,320 were incurred by the College and capitalized in Construction in Progress as of June 30, 2010. Insurance recovery revenue in the amount of \$788,740 is discretely presented in the Statements of Revenues, Expenses and Changes in Net Assets for the year ended June 30, 2010. The restoration will be completed in fiscal year 2011 and the Foundation has formally agreed to transfer ownership of the building to the College at that time.

15. COMPONENT UNIT DISCLOSURE

As described in Note 1, the Lewis-Clark State College Foundation, Inc. (the "Foundation") has been determined to be a component unit of the College. The financial statements of the Foundation are presented in accordance with GASB principles. Significant accounting policies associated with the College, also described in Note 1, apply to the Foundation, when applicable. Other disclosures at June 30, 2010 are as follows:

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

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

Credit Risk of Debt Securities

The risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation is commonly expressed in terms of a credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's, and Fitch's. The ratings below use the Standard & Poor's scale and represent the debt securities held by the Foundation as of June 30, 2010:

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Value</u>
Corporate Debt Instruments	AAA	\$ 118,510
Corporate Debt Instruments	AA-	58,741
Corporate Debt Instruments	A+	54,957
Corporate Debt Instruments	A	126,761
Corporate Debt Instruments	BBB	122,754
Treasury Inflation Index	AAA	77,086
Federal Home Loan Bank	AAA	107,125
Federal Home Loan Mtg. Corporation	AAA	100,125
Federal National Mtg. Association	AAA	368,789
Total Rated Debt Securities		<u>\$ 1,134,848</u>

Interest Rate Risk

Investments in debt securities that are fixed for longer periods are likely to experience greater variability in fair value due to future changes in interest rates. The Foundation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of June 30, 2010, the Foundation held debt securities with the following maturities:

<u>Investment Type</u>	<u>Maturity Range</u>	<u>Fair Value</u>
Corporate Debt Instruments	1 - 5 years	\$ 256,853
Corporate Debt Instruments	6 - 10 years	224,870
Federal Agencies	< 1 year	177,961
Federal Agencies	1 - 5 years	304,853
Federal Agencies	6 - 10 years	170,311
Total Debt Securities		<u>\$ 1,134,848</u>

Foreign Currency Risk

The Foundation investment policy permits the acquisition of equities denominated in foreign currencies. There is a risk that changes in exchange rates could adversely affect the fair value of these investments. To reduce this risk the investment policy limits the investment in international equities to no more than 15% of the total investment portfolio. As of June 30, 2010, the Foundation's exposure to foreign currency risk is as follows:

<u>Security Type</u>	<u>Denominated Currency</u>	<u>Fair Value</u>
European	Euro	\$ 103,686
British	British Pound	94,301
Mexican	Mexican Peso	25,344
Swiss	Franc	42,006
Danish	Krone	29,660
Japanese	Yen	39,698
Israeli	Sheqel	19,322
Hong Kong	Hong Kong Dollar	23,839
Canadian	Canadian Dollar	26,248
Russian	Russian Ruble	6,675
Chinese	Yuan	39,497
Brazilian	Real	13,450
Indian	Indian Rupee	6,574
Swedish	Swedish Krona	13,049
Turkish	Turkish Lira	13,550
Australian	Australian Dollar	<u>4,968</u>
Total Foreign Equity Investments		501,867
Corporate Debt	U.S. Dollar	481,723
Federal Agencies	U.S. Dollar	653,125
Depository Certificates	U.S. Dollar	114,725
Equities and Mutual Funds	U.S. Dollar	<u>2,503,017</u>
Total Foundation Investments		<u>\$ 4,254,457</u>

Capital Assets, Net—Following are the changes in property holdings of the Foundation for the years ended June 30, 2010 and 2009:

	2010			Balance at June 30, 2010
	Balance at June 30, 2009	Additions	Reductions	
Property holdings not being depreciated:				
Land	\$ 13,252	\$ -	\$ -	\$ 13,252
Total property holdings not being depreciated	<u>\$ 13,252</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,252</u>
Other property holdings:				
Buildings	\$ 476,082	\$ -	\$ (188,594)	\$ 287,488
Total other property holdings	476,082	-	(188,594)	287,488
Less accumulated depreciation:				
Buildings	(232,063)	(14,298)	63,888	(182,473)
Total accumulated depreciation	<u>(232,063)</u>	<u>(14,298)</u>	<u>63,888</u>	<u>(182,473)</u>
Other property holdings accumulated depreciation	<u>\$ 244,019</u>	<u>\$ (14,298)</u>	<u>\$ (124,706)</u>	<u>\$ 105,015</u>
Property holdings summary:				
Property holdings not being depreciated	\$ 13,252	\$ -	\$ -	\$ 13,252
Other property holdings at cost	476,082	-	(188,594)	287,488
Total cost of property buildings	489,334	-	(188,594)	300,740
Less accumulated depreciation	<u>(232,063)</u>	<u>(14,298)</u>	<u>63,888</u>	<u>(182,473)</u>
Property holdings, net	<u>\$ 257,271</u>	<u>\$ (14,298)</u>	<u>\$ (124,706)</u>	<u>\$ 118,267</u>

2009

	Balance at June 30, 2008	Additions	Reductions	Balance at June 30, 2009
Property holdings not being depreciated:				
Land	\$ 39,566	\$ -	\$ (26,314)	\$ 13,252
Total property holdings not being depreciated	<u>\$ 39,566</u>	<u>\$ -</u>	<u>\$ (26,314)</u>	<u>\$ 13,252</u>
Other property holdings:				
Buildings	\$ 579,767	\$ -	\$ (103,685)	\$ 476,082
Total other property holdings	579,767	-	(103,685)	476,082
Less accumulated depreciation:				
Buildings	(249,026)	(16,157)	33,120	(232,063)
Total accumulated depreciation	<u>(249,026)</u>	<u>(16,157)</u>	<u>33,120</u>	<u>(232,063)</u>
Other property holdings accumulated depreciation	<u>\$ 330,741</u>	<u>\$ (16,157)</u>	<u>\$ (70,565)</u>	<u>\$ 244,019</u>
Property holdings summary:				
Property holdings not being depreciated	\$ 39,566	\$ -	\$ (26,314)	\$ 13,252
Other property holdings at cost	579,767	-	(103,685)	476,082
Total cost of property buildings	619,333	-	(129,999)	489,334
Less accumulated depreciation	<u>(249,026)</u>	<u>(16,157)</u>	<u>33,120</u>	<u>(232,063)</u>
Property holdings, net	<u>\$ 370,307</u>	<u>\$ (16,157)</u>	<u>\$ (96,879)</u>	<u>\$ 257,271</u>

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

Related Party Transactions—Exclusive of cash held by third party investment managers, Foundation cash is deposited and withdrawn from a College bank account. The balance in this account attributable to the Foundation is reported as a receivable from the College in the amount of \$453,151 and \$403,839 as of June 30, 2010 and 2009, respectively.

Certain gifts and gift annuity liabilities involve contributions made to the Foundation by Foundation board members. For the years ended June 30, 2010 and 2009, gifts from these related parties approximated \$115,000 or 14% and \$108,451 or 22% of total contributions, respectively. Liabilities to these related parties, reflected in the *Statements of Net Assets* as gift annuities payable, totaled \$637,584 or 90% and \$657,660 or 90% of total gift annuities payable as of June 30, 2010 and 2009, respectively.

Distributions to the College—During the years ended June 30, 2010 and 2009, the Foundation distributed \$507,533 and \$398,550, 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 2010 and 2009 the Foundation received new contributions of \$850,698 and \$490,129, respectively. At June 30, 2010 and 2009, the amount permanently restricted by donors was \$420,334 and \$184,243, respectively. These endowments experienced net unrealized market appreciation (depreciation) of \$309,939 and \$(636,826) during the fiscal years 2010 and 2009, respectively. Accumulated earnings are reported in restricted net assets, expendable. The Foundation established a spending rate of 4% of the five-year rolling average of the market value of each endowment account as of December 31st for each fiscal year. This amount may be reduced if an account has insufficient accumulated earnings to cover the payout.

Gift Annuities Payable—The College is the beneficiary of six gift annuities. The College recognizes the annuity in the period in which the gift is received. The assets are recorded at fair value when received. An obligation to the annuitant is recorded at the present value of the estimated future payments to be distributed. Income earned on assets, recognized gains and losses, and distributions paid to annuitants are reflected in the *Statements of Net Assets*. Adjustments to the annuity obligation to reflect the revaluation of the present value of the estimated future payments to the annuitant, based upon changes in the actuarial assumptions, are recognized in the *Statements of Revenues, Expenses, and Changes in Net Assets* as a miscellaneous expense.

Discount rates to determine the present value of the obligations to the annuitants range from 5.7% to 10.0% for the years ended June 30, 2010 and 2009. 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.