Financial Statements
June 30, 2016 and 2015

North Idaho College

Introductory Section
June 30, 2016 and 2015

North Idaho College

Founded in 1933, North Idaho College (NIC or the College) is a comprehensive community college located on the beautiful shores of Lake Coeur d'Alene. NIC offers degrees and certificates in a wide spectrum of academic transfer, professional-technical, and general education programs. Approximately 5,500 students are enrolled in credit classes and more than 4,600 participate annually in non-credit courses offered by the Workforce Training Center in Post Falls.

The College serves a five-county region through regional centers in Bonners Ferry, Kellogg, and Sandpoint, as well as through an extensive array of internet and interactive video conferencing courses. NIC also plays a key role in the region's economic development by preparing competent, trained employees for area businesses, industries, and governmental agencies.

NIC's campus is located in Coeur d'Alene, Idaho, a lakeside city with a growing population of 49,000 residents. Metropolitan amenities are close by with Spokane, Washington, a city of approximately 213,000 just 30 minutes away.

NIC offers Associate of Arts and Associate of Science degrees in various college transfer programs, and Associate of Applied Science degrees and technical certificates in its professional-technical programs. Students obtaining an Associate of Arts or Associate of Science degree can transfer with junior standing to all other Idaho public colleges and universities.

As one of three community colleges in the state (the other two being College of Southern Idaho and College of Western Idaho), North Idaho College works closely with its sister colleges and universities. NIC partners with the University of Idaho, Lewis-Clark State College, and Idaho State University to enhance the higher education opportunities available in northern Idaho.

Financial Section
June 30, 2016 and 2015

North Idaho College

Independent Auditor's Report

The Board of Trustees
North Idaho College
Coeur d'Alene, Idaho

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of North Idaho College (the College), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the 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 did not audit the financial statements of the Component Unit – North Idaho College Foundation, Inc. (the Foundation). Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation is based solely on the report of the other auditors. 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 from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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 College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

877 W. Main St., Ste. 800 | Boise, ID 83702-5858 | T 208.344.7150 | F 208.344.7435 | EOE

Opinions
In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the discretely presented component unit of the College, as of June 30, 2016 and 2015, and the respective changes in their financial position and their cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Schedule of Employer's Share of Net Pension Liability, Schedule of Employer Contributions, and Schedule of Funding Progress for Postemployment Benefit Plans, as noted in the table of contents, 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.

Other Information
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The introductory section, budget to actual– general fund and debt service schedules are 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 presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The budget to actual – general fund, debt service schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 budget to actual – general fund, schedule of funds provided and required for debt service and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2016, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
October 26, 2016

This discussion and analysis of North Idaho College's (the College) financial statements provide an overview of the College's financial performance during the years ended June 30, 2016 and 2015. Since the Management's Discussion and Analysis is designed to focus on current activities, resulting changes and current known facts, please read it in conjunction with the College's financial statements and the footnotes. The financial statements, footnotes and this discussion are the responsibility of management.

Using the Annual Report

The entity-wide financial statements in this report are modeled after the corporate presentation whereby all College activities are consolidated into one total and are prepared in accordance with Governmental Accounting Standards Board (GASB) principles. The intent of this approach is to summarize and simplify the data for the user's analysis of the cost of various college services to students and the public. The three statements presented here (the statement of net position, the statement of revenues, expense and changes in net position and the statement of cash flows) are meant to serve as an overall picture of the financial soundness of the College, provide information about the College's activities, and present both a short-term and long-term view of the College's finances. Notes to the financial statements are integral for a complete analysis of the entity-wide statements.

Financial Highlights

In fiscal year 2016, operating revenues decreased approximately $459,000, while operating expenses increased by approximately $348,000. In comparison, in fiscal year 2015, revenues increased by $2.3 million and operating expenses decreased approximately $2.9 million. The increase in revenues during fiscal year 2015 was largely related to the two Department of Labor Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants programs the College was administering – one for the college's Aerospace programs and one for the Idaho Center for Excellence in Heath Care. The first of these grants, the aerospace training program ended in fiscal year 2016 leading to a reduction in operating revenues.

The decrease in operating expenses in fiscal year 2015 was driven by a reduction in the amount of financial aid expense due to changes in regulations by the federal government. The trend continued in fiscal year 2016 with another decrease in financial aid expense. This reduction was offset, however, by an increase in personnel costs due to compensation and benefits changes.

The annual change in net position of the college decreased by 22% from the fiscal year 2015 figure of $7.8 million to $6.1 million in fiscal year 2016. In 2016, this was due to the increased total operating expenses combined with a reduction in non-operating grant and other income.

During both of these fiscal years, there was downward trend to enrollment. These financial results reflect the College's ability to adjust spending and react quickly to the changing higher education landscape while responding to the needs of students and the community.

Statements of Net Position

The statements of net position present the assets, deferred outflow of resources, liabilities, deferred inflow of resources, and net position of the College as of the fiscal year end. It is a 'snapshot' of the financial position of the College as of the fiscal year end. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and the expenses and liabilities are recognized when others provide the service.

The statement is presented in five sections: total assets (current and noncurrent), deferred outflow of resources, total liabilities (current and noncurrent), deferred inflow of resources, and net position (assets and deferred outflow of resources-liabilities and deferred inflow of resources). Current assets and current liabilities can be liquidated, mature or become payable within the normal 12-month accounting cycles while noncurrent assets and liabilities convert to cash, mature or become payable after 12 months. As of June 30, 2016 and 2015, the College's current assets consisted primarily of cash and receivables while noncurrent assets consisted of capital assets including property, plant and equipment maintained by the College.

The majority of the College's liabilities are considered short-term, with the exception of long-term bond obligations, net pension liability, and the OPEB obligation.

Net Position is reported in three categories:

- Net investment in capital assets – the College's equity in capital assets.
- Restricted – must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restriction on the use of the assets.
- Unrestricted – net assets available to the College of any lawful purpose of the institution.

Net position, which is the difference between total assets, total deferred outflow of resources less total liabilities, and total deferred inflow of resources is one indicator of the financial condition of the College. To accurately assess the overall financial condition of the College, additional nonfinancial factors, such as changes in enrollment levels, the College's property tax base and the condition of school buildings and other facilities, should also be considered.

Statements of Net Position
June 30, 2016, 2015, and 2014

	2016	2015	2014
Current and other assets	$ 35,499,565	$ 32,580,613	$ 28,892,510
Capital assets	58,427,512	45,884,830	44,838,812
Total assets	93,927,077	78,465,443	73,731,322
Deferred Outflow of Resources	3,044,247	1,361,216	-
Current liabilities	8,290,930	6,280,546	7,902,701
Long-term liabilities outstanding	18,522,867	8,956,474	6,816,177
Total liabilities	26,813,797	15,237,020	14,718,878
Deferred Inflow of Resources	3,249,438	3,778,490	-
Net position			
Net investment in capital assets	46,122,989	40,994,033	39,234,947
Restricted	3,706,257	4,121,061	4,678,374
Unrestricted	17,078,843	15,696,055	15,099,123
Total net position	$ 66,908,089	$ 60,811,149	$ 59,012,444

The College's total assets increased during fiscal year 2016 by $15.5 million compared to 2015. This change is driven primarily by an increase in non-current assets, specifically construction in progress for the new Career Technical Education facility and the Student Wellness and Recreation Center, both of which were in progress but not complete by June 30, 2016.

In 2015, the College's total assets increased by $4.7 million. This change is driven primarily by an increase in current and other assets, mainly cash, which was a result of both the operations of the college as well as an intentional building of cash reserves to fund the Career Technical Education building.

Statements of Revenues, Expenses, and Changes in Net Position

Changes in total net position as presented on the statements of net position are based on the activity presented in the statements of revenues, expenses, and changes in net position. The purpose is to present the revenues earned and the expenses incurred during the year. Activities are reported as either operating or non-operating. The College will always reflect a net operating loss in this format since State appropriations and property taxes, the revenue streams the College depends upon most significantly, are classified as non-operating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over the expected useful life.

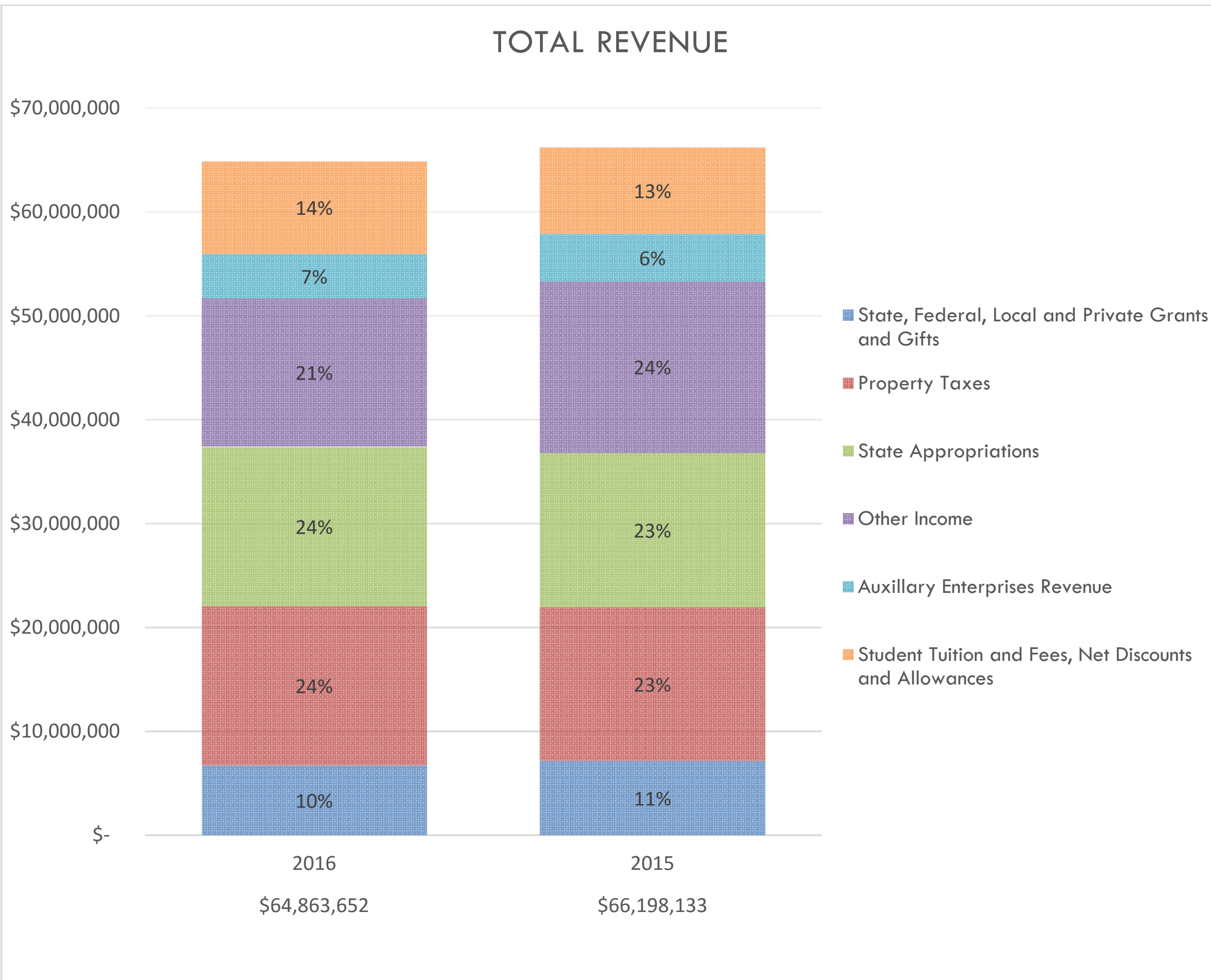
Generally, operating revenues are generated by providing services to various customers, students and constituencies of the College, including but not limited to student tuition and fees, auxiliary enterprises, and federal and state grants. Operating expenses are those expenses paid to acquire or produce the services provided in turn for operating revenues and to carry out the mission of the College. Non-operating revenues are revenues for which services are not provided. Examples include state appropriations, property taxes and other non-operating revenues such as federal and private grants.

Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2016, 2015, and 2014

	2016	2015	2014
Operating Revenues			
Student tuition and fees, net	$ 8,906,746	$ 8,293,524	$ 8,415,413
Auxiliary enterprises revenue	4,265,624	4,599,486	4,903,497
State and local grants and contracts	664,130	685,833	707,894
Federal grants and contracts	4,774,762	5,189,305	3,483,047
Other operating revenues	2,512,713	2,815,312	1,739,152
Total operating revenues	21,123,975	21,583,460	19,249,003
Operating Expenses	59,490,857	59,142,724	61,997,909
Operating Loss	(38,366,882)	(37,559,264)	(42,748,906)
Non-Operating Revenues (Expenses)			
State appropriations	15,346,021	14,848,955	14,313,716
Property taxes	15,341,711	14,798,833	14,567,791
Non-operating state and federal grants	11,117,239	12,797,054	14,191,641
Non-operating other income	569,899	862,896	2,311,992
Private gifts, grants, and contracts	1,279,205	1,269,913	1,306,533
Investment income	85,602	37,022	19,911
Interest expense	-	(163,232)	(179,474)
Close out of perkins loan funds	-	-	(911,987)
Loss on disposal of fixed assets	(27,789)	(20,163)	(65,999)
Total non-operating revenues	43,711,888	44,431,278	45,554,124
Net Income Before Capital Contributions	5,345,006	6,872,014	2,805,218
Capital Contributions	751,934	916,150	-
Change in Net Position	6,096,940	7,788,164	2,805,218
Net Position, Beginning of Year	60,811,149	53,022,985	56,207,226
Net Position, End of Year	$ 66,908,089	$ 60,811,149	$ 59,012,444

The Statements of Revenue, Expenses and Changes in Net Position reflects an overall increase in net position of $6.1 million during fiscal year 2016 compared to 2015. Operating revenues for the period decreased by approximately $459,000, while operating expenses increased by $348,000, year over year. The decrease in operating revenue was driven primarily by decreases in auxiliary enterprises revenue and federal grants and contracts. The increase in operating expenses was primarily the result of changes in personnel costs. Non-Operating revenues (expenses) for the same period declined slightly to $44 million.

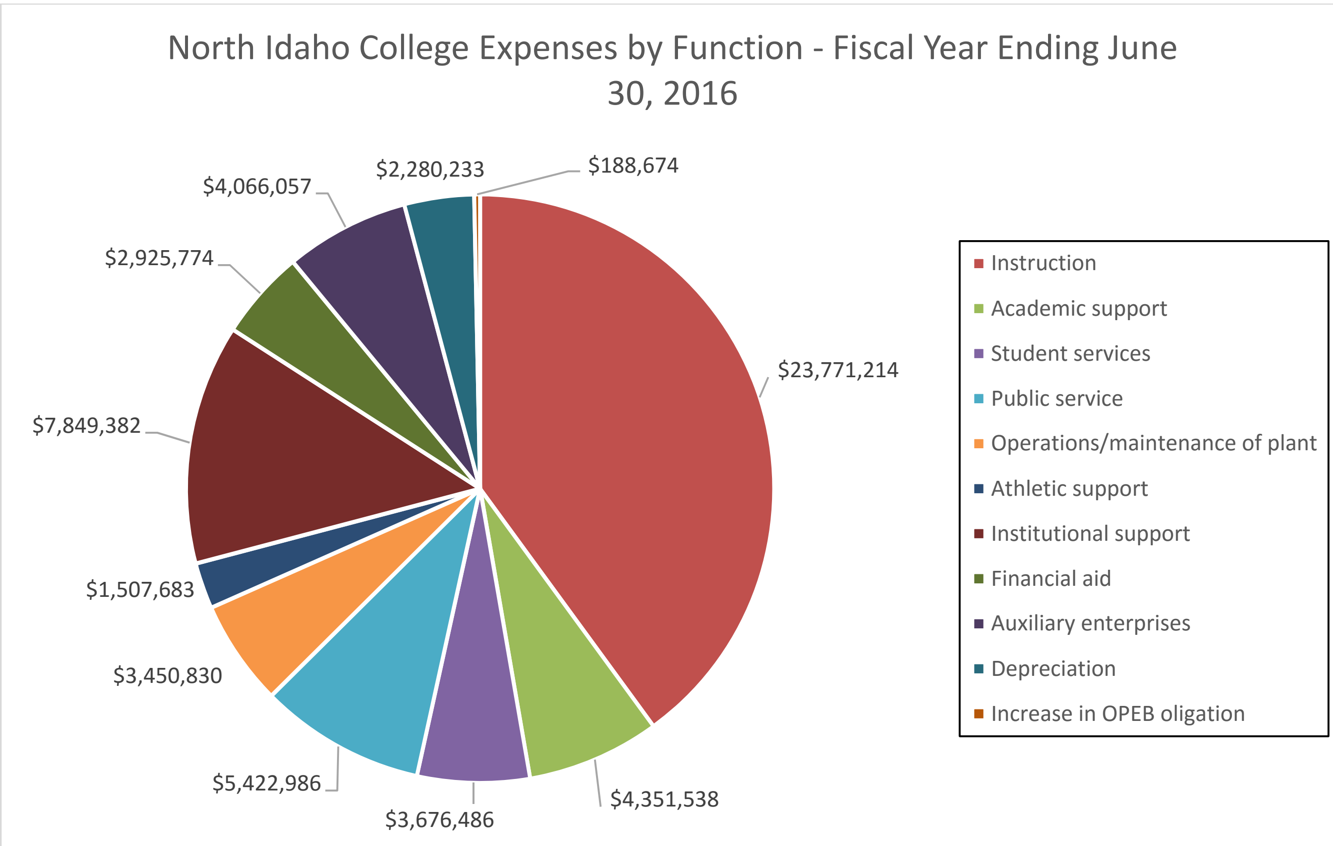
The statement reflects an overall increase in net position of $7.8 million during fiscal year 2015 compared to 2014. Operating revenues for the period increased by approximately $2.3 million, while operating expenses decreased by $2.9 million, year over year. The increase in operating revenue was driven by increases in other operating revenues of $1.1 million. The decrease in operating expenses was primarily the result of changes in personnel costs and reduction in financial aid expense due to changes in the federal financial aid regulations. Non-Operating revenues (expenses) for the same period declined as well to $44.4 million.



This chart shows the allocation of both operating and non-operating revenue between the major categories from the statements of revenues, expenses and changes in net position. The allocation between categories remains relatively stable from year to year.

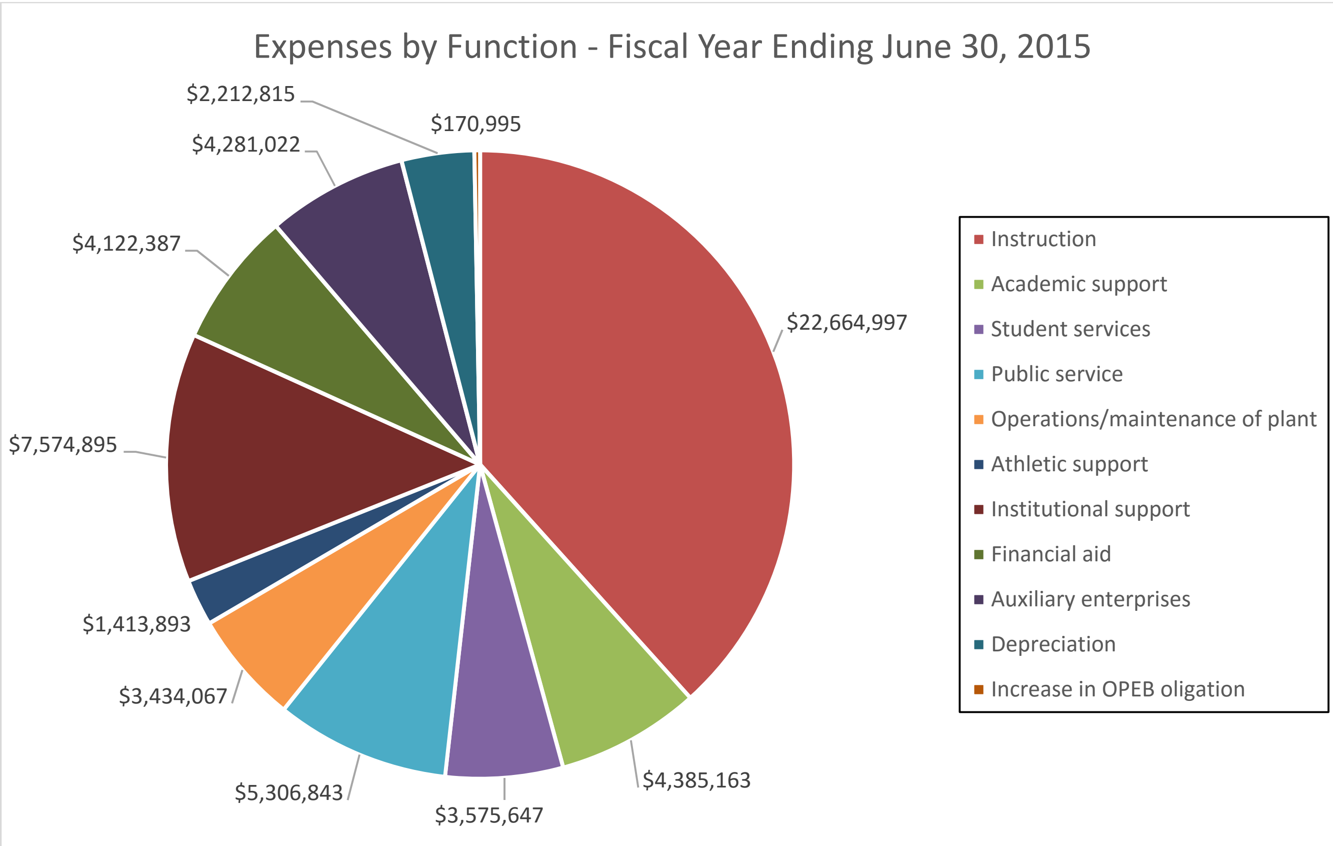
GASB 35 requires tuition and fee revenues from students to be reported net of scholarship discounts and allowances. Scholarship discounts and allowances are the difference between the College's stated charges for tuition and fees and the amount paid by students or third parties on behalf of the students. Total tuition and fees for 2016, 2015, and 2014 were $16.5 million, $16.8 million, and $16.9 million, and allowances against those tuition and fees were $7.6 million, $8.5 million, and $8.5 million, respectively. The scholarship allowance in 2016, 2015, and 2014 was 46%, 51%, and 50% of gross tuition and fees. This indicates that approximately half of the College's students received federal or some other form of financial assistance.

A summary of the College's expenses by function for the year ended June 30, 2016 is as follows:



Instruction and academic support account for 47% of the total operating expense of the College.

A summary of the College's expenses by function for the year ended June 30, 2015 is as follows:



Instruction and academic support account for 46% of the total operating expense of the College.

Statements of Cash Flows

The final statements presented is the statements of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the College during the year.

An important factor to consider when assessing financial viability is the College's ability to meet financial obligations as they mature. The statements of cash flows presents the information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing and investing activities.

Statements of Cash flows
For the years ended June 30, 2016, 2015, and 2014

	2016	2015	2014
Operating Activities			
Tuition and fees	$ 8,777,961	$ 8,031,669	$ 8,643,815
Payments to suppliers	(14,617,878)	(13,318,258)	(14,422,797)
Payments to employees	(39,231,651)	(39,159,845)	(37,994,639)
Payments for financial aid	(2,925,774)	(4,122,387)	(5,807,195)
Auxiliary enterprise charges	4,265,624	4,599,486	4,903,497
Federal, state, and local grants and contracts	5,438,892	4,283,646	4,190,941
Other revenue	2,518,358	2,885,924	1,739,152
Net Cash used for Operating Activities	(35,774,468)	(36,799,765)	(38,747,226)
Noncapital Financing Activities			
Local property taxes	15,210,260	14,722,589	14,457,117
State appropriations	15,346,021	14,848,955	14,374,434
Grants and contracts	12,966,343	14,013,713	17,810,166
Net Cash from Noncapital Financing Activities	43,522,624	43,585,257	46,641,717
Capital and Related Financing Activities			
Purchase of capital assets	(12,423,587)	(2,292,108)	(857,254)
Restricted deposits held by bond trustee	(67,961)	(166)	-
Proceeds from new debt	7,880,000	-	-
Principal paid on capital debt and leases	(728,024)	(753,762)	(773,056)
Interest paid on capital debt and leases	(135,500)	(157,805)	(168,081)
Net Cash used for Capital and Related Financing Activities	(5,475,072)	(3,203,841)	(1,798,391)
Investing Activities			
Interest on investments or cash deposits	85,602	37,022	19,911
Net Cash from Investing Activities	85,602	37,022	19,911
Net Change in Cash	2,358,686	3,618,673	6,116,011
Cash, Beginning of Year	23,185,968	19,567,295	13,451,284
Cash, End of Year	$ 25,544,654	$ 23,185,968	$ 19,567,295

Cash increased $2.4 million during fiscal year 2016 compared to an increase of $3.6 million in fiscal year 2015 and $6.1 million in 2014. This change is being driven by an increase in cash used for capital and related financing activities.

Net Capital Assets

At the end of 2016, the College had $58.4 million invested in a broad range of capital assets, including land, buildings, computer and office equipment, exterior lighting and telecommunications infrastructure, net of accumulated depreciation. The College constructed or acquired $14.8 million in capital assets during 2016. More detailed information about the College's capital assets is presented in Note 3 to the basic financial statements

	2016	2015	Increase
Capital Assets			
Land and construction in progress	$ 29,865,160	$ 16,568,871	$ 13,296,289
Ground improvements	4,310,303	4,047,969	262,334
Buildings	49,045,242	48,323,327	721,915
Furniture and equipment	12,970,494	12,583,328	387,166
Infrastructure	7,527,194	7,527,194	-
Total capital assets	103,718,393	89,050,689	14,667,704
Less accumulated depreciation	45,290,881	43,165,859	2,125,022
Net Capital Assets	$ 58,427,512	$ 45,884,830	$ 12,542,682

At the end of 2015, the College had $46 million invested in a broad range of capital assets, including land, buildings, computer and office equipment, exterior lighting and telecommunications infrastructure, net of accumulated depreciation. The College constructed or acquired $3.3 million in capital assets during 2015.

Debt Administration

As of June 30, 2016, the College had an outstanding liability of $87,079 for leased property under capital leases for administrative equipment and a vehicle. At the end of fiscal year 2015, this figure was $130,103. The administrative equipment consists mainly of copiers. More detailed information on the College's lease obligations is presented in Note 5 to the basic financial statements.

At year-end 2016, the College had $400,000 in debt outstanding from the expansion of the Student Union Building in 1997 and $3,635,000 in debt outstanding from the construction of the new dormitory in 2001. Those figures were $780,000 and $3,940,000 respectively at the end of fiscal year 2015. In 2016, an additional $7,880,000 in bond debt was issued for the construction of a Student Wellness and Recreation Center. More detailed information about the College's long-term liabilities is presented in Note 6 to the basic financial statements.

Economic Outlook

The College is continuing to focus on enrollment management and anticipates positive impacts of an improving national and local economy. While the enrollment trend of the College has declined over the past several years, Fall 2016 has demonstrated that the size of these declines, while continuing, are smaller and point to the stabilization of enrollment.

In September 2016, the College completed the construction of the new Career and Technical Education Facility on the Rathdrum Prairie. The College occupied this facility for the Fall 2016 term. The building was funded primarily using capital reserve funds and was paid for as it was constructed.

Also in the Fall of 2016, construction of a Student Wellness and Recreation center began. This $7.9 million project was funded through bonds secured by the Dormitory Housing Commission of North Idaho College. The bonds are payable over the next 30 year and payments will be made from fees collected from the students.

College management believes the College is well positioned to maintain its strong financial condition and to continue to provide excellent service to its students and other constituents. The College's financial position, as evidenced by its strong cash balance and bond rating, provides a high degree of flexibility and stability to address future challenges. Management will continue to maintain a close watch over resources and expenses to ensure that the College's finances are sustainable and that the College can plan for and react to future internal or external issues.

Request for Information

These financial statements and discussions are designed to provide a general overview of the College's finances for all those with an interest in the College's finances. Questions concerning any information provided in this report should be addressed to Chris A. Martin, Vice President for Finance and Business Affairs, North Idaho College, 1000 W. Garden Avenue, Coeur d'Alene, ID 83814.

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	$ 24,486,737	$ 22,570,835
Tuition and fees receivable, net of allowance for uncollectible amounts of $584,213 in 2016 and $562,079 in 2015	311,314	164,312
Property tax receivable	5,643,398	5,511,947
Other accounts receivable	2,372,541	2,378,186
Prepaid supplies and expenses	379,145	80,877
Inventory	460,493	539,264
Total current assets	33,653,628	31,245,421
Non-Current Assets		
Restricted cash and cash equivalents	1,057,917	615,133
Restricted deposits held by bond trustee	788,020	720,059
Non-depreciable capital assets	29,865,160	16,568,871
Depreciable capital assets less accumulated depreciation	28,562,352	29,315,959
Total non-current assets	60,273,449	47,220,022
Total assets	93,927,077	78,465,443
Deferred Outflow of Resources		
Deferred net pension	3,044,247	1,361,216

	2016	2015
Liabilities		
Current Liabilities		
Accounts payable	2,204,142	744,584
Accrued salaries and benefits	3,684,446	3,648,713
Other accrued liabilities	815,254	336,272
Unearned tuition and fees revenue	515,357	497,140
Deposits held in custody for others	131,610	129,948
Interest payable	36,013	46,866
Long-term liabilities-current portion	904,108	877,023
Total current liabilities	8,290,930	6,280,546
Non-Current Liabilities		
Lease obligations	45,930	86,477
Revenue bonds	11,507,444	4,075,694
Compensated absences	866,765	840,913
Net pension liability	4,705,425	2,744,761
Net obligation for other post-employment benefits	1,397,303	1,208,629
Total non-current liabilities	18,522,867	8,956,474
Total liabilities	26,813,797	15,237,020
Deferred Inflow of Resources		
Deferred net pension	3,249,438	3,778,490
Net Position		
Net investment in capital assets	46,122,989	40,994,033
Restricted for		
Capital Projects	2,309,884	2,144,553
Debt Service	1,289,650	678,315
State, Federal, and Local Programs	106,723	1,298,193
Unrestricted	17,078,843	15,696,055
Total net position	$ 66,908,089	$ 60,811,149

	2016	2015
Revenues		
Operating revenues		
Student tuition and fees, net of scholarship allowances of $7,631,447 in 2016 and $8,520,074 in 2015	$ 8,906,746	$ 8,293,524
Auxiliary enterprises revenue	4,265,624	4,599,486
State and local grants and contracts	664,130	685,833
Federal grants and contracts	4,774,762	5,189,305
Other operating revenues	2,512,713	2,815,312
Total operating revenues	21,123,975	21,583,460
Expenses		
Operating expenses		
Instruction	23,771,214	22,664,997
Academic support	4,351,538	4,385,163
Student services	3,676,486	3,575,647
Public service	5,422,986	5,306,843
Operations and maintenance of plant	3,450,830	3,434,067
Athletic support	1,507,683	1,413,893
Institutional support	7,849,382	7,574,895
Financial aid	2,925,774	4,122,387
Auxiliary enterprises	4,066,057	4,281,022
Depreciation	2,280,233	2,212,815
Increase in OPEB obligation	188,674	170,995
Total operating expenses	59,490,857	59,142,724
Operating Loss	(38,366,882)	(37,559,264)
Non-Operating Revenues (Expenses)		
State appropriations	15,346,021	14,848,955
Property taxes	15,341,711	14,798,833
Non-operating state grants and contracts	1,000,467	1,022,124
Non-operating federal grants and contracts	10,116,772	11,774,930
Other non-operating income	569,899	862,896
Private gifts, grants, and contracts	1,279,205	1,269,913
Interest income	85,602	37,022
Interest expense	-	(163,232)
Loss on disposal of capital assets	(27,789)	(20,163)
Total non-operating revenues	43,711,888	44,431,278
Net Income Before Capital Contributions	5,345,006	6,872,014
Capital Contributions	751,934	916,150
Increase in Net Position	6,096,940	7,788,164
Net Position, Beginning of Year	60,811,149	53,022,985
Net Position, End of Year	$ 66,908,089	$ 60,811,149

See Notes to Financial Statements

	2016	2015
Operating Activities		
Tuition and fees	$ 8,777,961	$ 8,031,669
Payments to suppliers	(14,617,878)	(13,318,258)
Payments to employees	(39,231,651)	(39,159,845)
Payments for financial aid	(2,925,774)	(4,122,387)
Auxiliary enterprise charges	4,265,624	4,599,486
Federal, state, and local grants and contracts	5,438,892	4,283,646
Other revenue	2,518,358	2,885,924
Net Cash used for Operating Activities	(35,774,468)	(36,799,765)
Noncapital Financing Activities		
Local property taxes	15,210,260	14,722,589
State appropriations	15,346,021	14,848,955
Grants and contracts	12,966,343	14,013,713
Net Cash from Noncapital Financing Activities	43,522,624	43,585,257
Capital and Related Financing Activities		
Purchase of capital assets	(12,423,587)	(2,292,108)
Restricted deposits held by bond trustee	(67,961)	(166)
Proceeds from new debt	7,880,000	-
Principal paid on capital debt and leases	(728,024)	(753,762)
Interest paid on capital debt and leases	(135,500)	(157,805)
Net Cash used for Capital and Related Financing Activities	(5,475,072)	(3,203,841)
Investing Activities		
Interest on investments or cash deposits	85,602	37,022
Net Cash from Investing Activities	85,602	37,022
Net Change in Cash	2,358,686	3,618,673
Cash, Beginning of Year	23,185,968	19,567,295
Cash, End of Year	$ 25,544,654	$ 23,185,968

	2016	2015
Reconciliation of Operating Loss to Net		
Cash used for Operating Activities		
Operating loss	$ (38,366,882)	$ (37,559,264)
Adjustments to reconcile net loss to net cash		
used for operating activities		
Depreciation and amortization	2,541,983	2,315,909
GASB 68 - Actuarial pension revenue	(251,419)	(827,424)
Change in OPEB obligation	188,674	170,995
Changes in assets and liabilities		
Receivables (net)	(141,357)	(20,613)
Prepaid supplies and expenses	(298,268)	(80,877)
Inventory	78,771	46,070
Accounts payable	(90,978)	(701,096)
Accrued salaries and benefits	35,733	(170,630)
Other accrued liabilities	478,982	110,823
Unearned tuition and fees revenue	18,217	6,973
Deposits held in custody for others	1,662	(164,084)
Compensated absences	30,414	73,453
Net Cash used for Operating Activities	$ (35,774,468)	$ (36,799,765)
Supplemental Disclosure of Noncash Activity		
Amortization of premium of refunding	$ 261,750	$ (7,790)
Fixed assets acquired from capital contributions	$ 733,714	$ 916,150
Fixed assets acquired from accounts payable	$ 1,568,756	$ 70,738
Reconciliation of Cash, Restricted Cash and Cash Equivalents		
Cash and cash equivalents	$ 24,486,737	$ 22,570,835
Restricted cash and cash equivalents	1,057,917	615,133
Total cash, restricted cash and cash equivalents	$ 25,544,654	$ 23,185,968

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	$ 3,963,899	$ 2,038,826
Contributions receivable, net	335,803	-
Cash surrender value of life insurance	55,900	54,200
Other assets	359,646	442,387
Total current assets	4,715,248	2,535,413
Property and Equipment	130,000	130,000
Property Held for Sale	-	27,500
Investments	20,003,198	20,038,070
	$ 24,848,446	$ 22,730,983
Liabilities and Net Assets		
Current Liabilities		
Accounts and other payables	$ 139,533	$ 43,245
Deferred revenue	550,000	504,000
Total current liabilities	689,533	547,245
Net Assets		
Unrestricted	4,067,588	4,140,356
Temporarily restricted	8,800,202	6,865,550
Permanently restricted	11,291,123	11,177,832
Total net assets	24,158,913	22,183,738
	$ 24,848,446	$ 22,730,983

	2016	2015
Unrestricted Net Assets		
Unrestricted revenues, gains and support		
Raffle ticket sales	$ 500,000	$ 500,000
Contributions	86,296	134,462
Investment income	69,227	58,221
Net gain (loss) on investments	(74,453)	47,949
Loss on disposal of assets	(4,715)	-
Other	40,838	65,394
Net assets released from restrictions		
Satisfaction of program restriction	1,014,936	969,785
Transfers	-	(1,800)
Total unrestricted revenues, gains and support	1,632,129	1,774,011
Expenses		
Program services	1,089,319	1,026,011
Supporting services		
General and administrative	136,443	97,805
Fund-raising	479,135	443,688
Total expenses	1,704,897	1,567,504
Change in Unrestricted Net Assets	(72,768)	206,507
Temporarily Restricted Net Assets		
Contributions	2,974,321	374,368
Investment income	326,229	277,020
Net gain (loss) on investments	(350,831)	227,917
Net assets released from restrictions		
Satisfaction of program restrictions	(1,014,936)	(969,785)
Transfers	(131)	(65,226)
Change in Temporarily Restricted Net Assets	1,934,652	(155,706)
Permanently Restricted Net Assets		
Endowment fund contributions	118,163	195,284
Transfers to (from) permanent endowment at donor's request	(4,872)	67,026
Increase in Permanently Restricted Net Assets	113,291	262,310
Change in Net Assets	1,975,175	313,111
Net Assets, Beginning of Year	22,183,738	21,870,627
Net Assets, End of Year	$ 24,158,913	$ 22,183,738

Note 1 - Principal Business Activity and Significant Accounting Policies

Description of Entity

North Idaho College (NIC or the College) meets the diverse educational needs of students, employers, and the northern Idaho communities it serves through a commitment to student success, educational excellence, community engagement and life-long learning. As a comprehensive community college, North Idaho College strives to provide accessible, affordable, and quality learning opportunities. North Idaho College endeavors to be an innovative, flexible leader recognized as a center of educational, cultural, economic, and civic activities by the communities it serves.

The College was first known as Coeur d'Alene Junior College, a private school that was started in 1933 and operated for six years. In January 1939, the state legislature passed the Junior College Act, which permitted qualified areas to establish junior college districts by a vote of eligible electors. Coeur d'Alene Junior College became North Idaho Junior College in June of 1939. On July 31, 1971, the College changed its name to North Idaho College. NIC's service area is the Idaho panhandle, which includes Kootenai, Benewah, Bonner, Shoshone and Boundary counties.

NIC offers Associate of Arts and Associate of Science degrees in various college transfer programs, and Associate of Applied Science degrees and technical certificates in its professional-technical programs. Many credit courses are offered evenings and during the summer on the NIC campus and at outreach sites. NIC's enrollment in credit courses is approximately 5,500 students. NIC also includes a contemporary Workforce Training/Community Education Center, which is located in the Riverbend Commerce Park in nearby Post Falls. Noncredit classes and workforce training programs serve another 4,600 students each year.

The College is fully accredited in all instructional areas by the Northwest Association of Schools and Colleges and the Idaho State Division of Professional Technical Education. The Nursing Program is accredited by the National League for Nursing Accrediting Commission.

The College operates a full-year Head Start Program under a federal grant. The Head Start Program provides comprehensive early child development for disadvantaged preschool children and their families.

The College operates an office on Aging and Adult Services. This agency has been charged with the responsibility of coordinating a comprehensive program for all senior citizens in the five county area of North Idaho. Funding is primarily received through federal grants under Title III of the Older Americans Act of 1965.

Reporting Entity

The College's financial statements for fiscal year ended June 30, 2016, are prepared in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB) in accordance with generally accepted accounting principles in the United State of America (GAAP).

As defined by GAAP established under GASB, the financial reporting entity consists of the primary government, as well as its component unit, the North Idaho College Foundation, Inc. (the Foundation).

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fundraising 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 graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income the Foundation holds and invests is restricted to the activities of the College by the donors. 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. The Foundation's financial statements for fiscal year ended June 30, 2016, are discreetly presented because of the nature and significance of its relationship with the College.

The Foundation is a private not-for-profit organization that reports its financial statements in accordance with the pronouncements of Financial Accounting Standard Board (FASB). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Accordingly, those financial statements have been reported on separate pages following the financial statements of the College. No modifications have been made to the Foundation's financial information included in the College's report; however significant note disclosures to the Foundation's financial statements have been incorporated into the College's notes to the financial statements.

Financial statements for the Foundation can be obtained by calling the Foundation at 208-769-5978.

Basis of Accounting

For financial statement 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.

Non-exchange transactions, in which the College receives value without directly giving equal value in return include: property taxes, federal, state and local grants, state appropriations, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance. Revenues from grants, state appropriations, and other contributions are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the College must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the College on a reimbursement basis.

When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

The College considers all highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents. Cash balances that are restricted and not expected to be expended within the subsequent year are classified as noncurrent assets. The College has some funds on deposit with the Idaho State Local Government Investment Pool (LGIP) and considers all such funds with the LGIP as cash and cash equivalents.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. 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 balances are recorded net of estimated uncollectible amounts.

The College estimates an allowance for uncollectible amounts based upon an evaluation of the current status of receivables, historical experience, and other factors as necessary.

Property Tax Receivable

Property taxes levied for 2008 through 2015 are recorded as receivables. The College's property tax is levied each November on the assessed value listed as of the prior September for all property located in Kootenai County. Assessed values are established by the County Assessor. Property tax payments are due in one-half installments in December and June.

Inventory

Bookstore inventories are valued at retail less gross profit percentages sufficient to reduce inventories to the lower of first-in, first-out (FIFO) cost or market. All other inventories are valued at the lower of FIFO cost or market.

Prepaid Expenses

Prepaid items include payments made in the current fiscal year for expenditures attributable to future periods.

Restricted Cash and Cash Equivalents

In accordance with debt covenant restrictions and agency fund requirements, the College is obligated to separately hold cash amounts sufficient to satisfy the debt covenants and agency fund requirements. These amounts are shown as noncurrent assets.

Capital Assets

Capital assets are stated at cost when purchased or constructed, or if donated, at the estimated fair market value at the date of the gift. For equipment, 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 and improvements to buildings 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, generally 40 years for buildings, 20 years for improvements other than buildings, infrastructure 10 years, and 5-20 years for furniture and equipment.

Unearned Revenue

Unearned revenue include amounts received for tuition and fees as well as auxiliary enterprise fees, prior to the end of the fiscal year but related to the subsequent accounting period.

Compensated Absences

Employees of the College are entitled to paid vacation days depending on job classification, length of service and other factors. At June 30, 2016 and 2015, the accrued expenses for compensated absences were $1,019,724 and $989,310, respectively. The accumulation of vacation and personal days are forfeited as of the end of the fiscal year after 30 days are accrued. Sick days accumulate under a separate plan adopted by the College. The College retained the right to revoke this benefit annually. At June 30, 2016 and 2015, no provision for the accrual has been made.

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. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included in this section.

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

Unrestricted Net Position – Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments, and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. Included in the unrestricted net position is $3,080,505, which is designated by the Board of Trustees for future capital expenditures of the College.

Classification of Revenues

The College has classified its revenues as either operating or non-operating according to the following criteria:

Operating Revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as: student tuition and fees, net of scholarship discounts and allowances; sales and services of auxiliary enterprises, and contracts and federal appropriations.

Non-operating Revenues – Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 34 and 35, such as state appropriations, property taxes and most federal, state and local grants, and investment income.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement 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 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 non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Income Taxes

As a public institution of higher education, the income of the College is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the College is subject to federal income tax on any unrelated business taxable income. Defined by the Internal Revenue Code, unrelated business income is income from a trade or business, regularly carried on, that is not substantially related to the performance by the organization of its exempt purpose or function. The College does not have unrelated business income tax to report during the fiscal years ended June 30, 2016 and 2015.

Deferred Outflows and Inflows of Resources

In addition to assets, the statements of net position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The College has one item that qualifies for reporting in this category, deferred net pension.

In addition to liabilities, the statements of net position will include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The College has one item that qualifies for reporting in this category reported on the statement of net position, deferred net pension.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. 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 Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on net position. The reclassifications primarily were within the operating expense category.

Note 2 - Cash and Cash Equivalents and Investments

General

State statutes authorize the College's investments and deposits. The College is authorized to invest in demand deposits, savings accounts, U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, bonds, debentures or notes of any corporation organized, controlled and operating within the U.S. which have at their purchase an "A" rating or higher, government pool and money market funds consisting of any of these securities listed. No violations of these categories have occurred during the year.

At June 30, 2016 and 2015, the College's cash, cash equivalents and investments consisted of the following:

	2016	
	Bank Balance	Carrying Amount
Cash and cash equivalents		
Bank deposit	$ 5,952,368	$ 5,938,417
Local Government Investment Pool	18,298,320	18,298,320
Money market	252,362	250,000
Restricted cash		
Bank deposit	1,058,242	1,057,917
Bond account - money market	788,020	788,020

	2015	
	Bank Balance	Carrying Amount
Cash and cash equivalents		
Bank deposit	$ 3,433,808	$ 3,406,388
Local Government Investment Pool	18,914,447	18,914,447
Money market	252,362	250,000
Restricted cash		
Bank deposit	704,960	615,133
Bond account - money market	719,500	720,059

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a financial institution, the College's deposits and investments may not be returned to it. At June 30, 2016, $6,839,574 of the College's deposits were uninsured and uncollateralized. The College does not have a deposit policy for custodial credit risk.

The Joint Powers Investment Pool was established as a cooperative endeavor to enable public entities of the State of Idaho to aggregate funds for investment or deposit purposes. This pooling is intended to improve administrative efficiency and increase investment yield. The Local Government Investment Pool (LGIP) is managed by the State of Idaho Treasurer's office. The funds of the pool are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank.

Note 3 - Capital Assets

Capital assets at June 30, 2016 consist of the following:

	Balance June 30, 2015	Additions	Transfers	Retirements	Balance June 30, 2016
Capital assets, not being depreciated					
Land	$ 15,465,014	$ -	$ -	$ -	$ 15,465,014
Construction in progress	1,103,857	13,296,289	-	-	14,400,146
Total capital assets not being depreciated	16,568,871	13,296,289	-	-	29,865,160
Capital assets, being depreciated					
Grounds improvements	4,047,969	262,334	-	-	4,310,303
Buildings	48,323,327	721,915	-	-	49,045,242
Furniture and equipment	12,583,328	570,166	-	(183,000)	12,970,494
Infrastructure	7,527,194	-	-	-	7,527,194
Total capital assets being depreciated	72,481,818	1,554,415	-	(183,000)	73,853,233
Less accumulated depreciation:					
Grounds improvements	1,796,380	160,889	-	-	1,957,269
Buildings	26,941,139	1,222,543	-	-	28,163,682
Furniture and equipment	9,462,712	631,930	-	(155,211)	9,939,431
Infrastructure	4,965,628	264,871	-	-	5,230,499
Total accumulated depreciation	43,165,859	2,280,233	-	(155,211)	45,290,881
Capital assets being depreciated, net	29,315,959	(725,818)	-	(27,789)	28,562,352
Total capital assets, net	$ 45,884,830	$ 12,570,471	$ -	$ (27,789)	$ 58,427,512

Capital assets at June 30, 2015 consist of the following:

	Balance June 30, 2014	Additions	Transfers	Retirements	Balance June 30, 2015
Capital assets, not being depreciated					
Land	$ 15,465,014	$ -	$ -	$ -	$ 15,465,014
Construction in progress	84,617	1,103,857	(84,617)	-	1,103,857
Total capital assets not being depreciated	15,549,631	1,103,857	(84,617)	-	16,568,871
Capital assets, being depreciated					
Grounds improvements	3,995,375	52,594	-	-	4,047,969
Buildings	46,994,716	1,243,994	84,617	-	48,323,327
Furniture and equipment	11,895,320	861,765	-	(173,757)	12,583,328
Infrastructure	7,510,408	16,786	-	-	7,527,194
Total capital assets being depreciated	70,395,819	2,175,139	84,617	(173,757)	72,481,818
Less accumulated depreciation:					
Grounds improvements	1,648,832	147,548	-	-	1,796,380
Buildings	25,766,801	1,174,338	-	-	26,941,139
Furniture and equipment	9,004,816	611,490	-	(153,594)	9,462,712
Infrastructure	4,686,189	279,439	-	-	4,965,628
Total accumulated depreciation	41,106,638	2,212,815	-	(153,594)	43,165,859
Capital assets being depreciated, net	29,289,181	(37,676)	84,617	(20,163)	29,315,959
Total capital assets, net	$ 44,838,812	$ 1,066,181	$ -	$ (20,163)	$ 45,884,830

Note 4 - Property Taxes

Idaho counties are responsible for collecting property taxes, assessing penalties and if necessary, sale of property. In addition, the counties maintain all the records and are responsible for remitting property tax amounts to the various taxing entities within their boundaries.

All real property is assigned a parcel number in accordance with State law, with each parcel being subject to physical reappraisal every five years. A factoring system is used to adjust the appraised value during the years between physical appraisals.

The assessed valuation of the property and its improvements is being assessed at one percent of taxable value as defined by statue. The amount of tax levied is developed by multiplying the assessed value by the tax rate applicable to the area in which the property is located.

Taxes on real property are a lien on the property and attach on January 1 of the year for which the taxes are levied.

Taxes on property are due on the 20th of December; however, they may be paid in two installments with the second installment due June 20th. Penalties and interest are assessed if a taxpayer fails to pay an installment within ten days of the installment due date. After a three year waiting period, a tax deed is issued conveying the property to the County with a lien for back taxes and accumulated penalties, interest and costs before sale.

Taxes on personal property are collected currently. Personal property declarations are mailed out annually and the tax is computed using percentages of taxable values established by the Department of Taxation. Kootenai County collects property taxes for the College.

Note 5 - Lease Obligations

Operating Lease Obligations

The College is committed under various operating leases, primarily for buildings and maintenance agreements. The lease terms range from one to seven years. The expense for operating leases was $595,833 and $479,512 for fiscal years 2016 and 2015, respectively. As of June 30, 2016, future minimum operating lease commitments are as follows:

Year Ended June 30,	
2017	$ 597,477
2018	180,058
2019	1,322
Total	$ 778,857

Capital Lease Obligations

In 2013, the College entered into copier lease agreements. The leases extend through August 2018. The College will pay $3,430 monthly for the remainder of the term. At June 30, 2016, the assets under capital lease equaled $201,421 with accumulated depreciation of $117,496. At June 30, 2015, the assets under capital lease equaled $238,343, with accumulated depreciation of $123,869. Amortization of assets under capital lease is included in depreciation expense.

As of June 30, 2016, future minimum capital lease commitments are as follows:

Year Ended June 30,	
2017	$ 41,149
2018	41,146
2019	5,307
Total minimum obligation	87,602
Less amount representing interest	(523)
Totals	$ 87,079

Note 6 - Long-Term Debt

Revenue Bonds, Series 2008

The debt resulting from the expansion of the Student Union Building in 1997 was historically reported under the name "Certificates of Participation, Series 1997." The College refinanced the 1997 Certificates of Participation in 2008. The new debt agreement calls for graduated annual payments on October 1 of each year, until October 1, 2016 when the entire bond will be paid off. The new interest rate ranges from 4.50 percent to 4.75 percent. The 2008 bonds mature in the amounts as follows:

Series 2008

Years Ending June 30,	Principal	Interest	Total	Interest Rate
2017	$ 400,000	$ 9,500	$ 409,500	4.75%

The bonds are secured by a pledge of revenue from operation of the student union building and dormitory and collection of student fees over the term of the bond. The trustee is U.S. Bank, Boise, Idaho.

Revenue Bonds, Series 2012

The College refinanced the 2001 Certificates of Participation in 2012. The new debt agreement calls for graduated annual payments on May 1 of each year, until May 1, 2022, when the entire bond will be paid off. The new interest rate ranges from 1.50 percent to 4.00 percent. The economic gain from refinancing was $2,128,104 and the cash flow gain was $1,252,957.

The 2012 bonds mature in the amounts as follows:

Series 2012

Years Ending June 30,	Principal	Interest	Total	Interest Rate
2017	$ 310,000	$ 98,800	$ 408,800	1.5% - 3.00%
2018	725,000	93,400	818,400	3.00%
2019	750,000	71,650	821,650	2.25% - 3.00%
2020	765,000	54,325	819,325	2.50%
2021	785,000	35,200	820,200	3.00% - 4.00%
2022	300,000	9,300	309,300	3.00% - 4.00%
	$ 3,635,000	$ 362,675	$ 3,997,675	

The bonds are secured by a pledge of revenue from operation of the Student Union Building and Dormitory and collection of student fees over the term of the bond. The trustee is U.S. Bank, Boise, Idaho.

The College is required to generate fee income equal to at least 1.25 times the annual debt service requirement. In fiscal year 2015, the College was in compliance with this requirement.

For the 2008 and 2012 Revenue Bonds, there was $1,138,489 in pledged revenue generated from the operations of the Student Union Building and the Dormitory to cover the debt service of the 2008 and the 2012 Revenue Bonds. The total debt service for the 2008 and 2012 Revenue bonds during the year ended June 30, 2016, was $823,639.

Revenue Bonds, Series 2016

The College acquired new debt in 2016 for construction of the Student Wellness and Recreation Center. The new debt agreement calls for graduated annual payments beginning November 1, 2017 until November 1, 2046, when the entire bond will be paid off. The interest rate ranges from 2.00 percent to 4.50 percent.

The 2016 bonds mature in the amounts as follows:

Series 2016

Years Ending June 30,	Principal	Interest	Total	Interest Rate
2017	$ -	$ 310,174	$ 310,174	
2018	-	279,856	279,856	
2019	-	279,856	279,856	
2020	-	279,856	279,856	
2021	-	279,856	279,856	
2022-2034	3,475,000	3,300,922	6,775,922	2.00% - 3.00%
2035-2036	680,000	323,132	1,003,132	3.125%
2037-2040	1,490,000	504,900	1,994,900	3.375%
2041-2045	2,235,000	260,438	2,495,438	4.500%
	$ 7,880,000	$ 5,818,990	$ 13,698,990	

The bonds are secured by a pledge of revenue from operation of the student union building, dormitory, student wellness and recreation center and collection of student fees over the term of the bond. The trustee is U.S. Bank, Boise, Idaho.

Reserve Account for Revenue Bonds

The Revenue Bonds for the 2008 series, 2012 series, and 2016 series calls for a reserve account to be maintained with a balance of $779,399. At June 30, 2016, $788,020 was on deposit.

Changes in Long-Term Debt

Long-term liability activity for the year ended June 30, 2016, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Lease obligations	$ 130,103	$ -	$ 43,024	$ 87,079	$ 41,149
2008 Revenue bonds	780,000	-	380,000	400,000	400,000
2012 Revenue bonds	3,940,000	-	305,000	3,635,000	310,000
2016 Revenue bonds	-	7,880,000	-	7,880,000	-
Compensated absenses	989,310	30,414	-	1,019,724	152,959
Total long-term liabilities:	$ 5,839,413	$ 7,910,414	$ 728,024	$ 13,021,803	$ 904,108

Long-term liability activity for the year ended June 30, 2015, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Lease obligations	$ 190,757	$ -	$ 60,654	$ 130,103	$ 43,626
2008 Revenue bonds	1,150,000	-	370,000	780,000	380,000
2012 Revenue bonds	4,230,000	-	290,000	3,940,000	305,000
Head Start note payable	33,108	-	33,108	-	-
Compensated absenses	915,857	73,453	-	989,310	148,397
Total long-term liabilities:	$ 6,519,722	$ 73,453	$ 753,762	$ 5,839,413	$ 877,023

Note 7 - Pension Plan

Plan Description

The College contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI) 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.

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits to 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 with limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate. As of June 30, 2015, it was 6.79%. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32%.

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

At June 30, 2016 and 2015, the Organization reported a liability of $4,705,425 and $2,744,761, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, 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 was based on the College's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2015, the College's portion was .003573277 which was a decrease from its proportionate share of .003728502 at June 30, 2014.

For the years ended June 30, 2016 and 2015, the College recognized pension expense of $937,669 and $305,315, respectively. At June 30, 2016 and 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 564,079	$ -	$ -
Differences between expected and actual investment earnings	1,731,727	2,470,987	-	3,437,770
Changes in actuarial assumptions	171,364	-	228,477	-
Net pension liability change in proportion	-	214,372	-	340,720
College's contributions subsequent to the measurement date	1,141,156	-	1,132,739	-
Total	$ 3,044,247	$ 3,249,438	$ 1,361,216	$ 3,778,490

The $1,141,156 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending June 30, 2016.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2014, the beginning of the measurement period ended June 30, 2015, is 5.5 years and 5.6 years for the measurement period ended June 30, 2014.

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

Year ended June 30:	
2017	$ (530,369)
2018	(530,369)
2019	(530,369)
2020	302,647
2021	(57,887)

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 individuals between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

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

Inflation	3.25%
Salary increases	4.25 – 10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1%

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 – 10.25%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1%

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

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

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

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

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

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

Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Wilshire 5000 / Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI EAFE	15.00%	7.55%
Assumed Inflation - Mean			3.25%
Assumed Inflation - Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.42%
Portfolio Long-Term Expected Rate of Return			7.50%
Assumed Investment Expenses			0.40%
Long-Term Expected Rate of Return, Net of Investment Expenses			**7.10%**

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. 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 the 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 Employer's proportionate share of the net pension liability to changes in the discount rate

The following represents the College's proportionate share of the net pension liability as of June 30, 2016, 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%)
Employer's net pension liability (asset)	$ 11,460,705	$ 4,705,425	$ (910,695)

The following represents the College’s proportionate share of the net pension liability as of June 30, 2015, 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%)
Employer's net pension liability (asset)	$ 9,531,753	$ 2,744,761	$ (2,897,208)

Pension plan fiduciary net position

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

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

Payables to the pension plan

At June 30, 2016 and 2015, the College reported no payables to the defined benefit pension plan for legally required employer contributions and for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

Note 8 - Contingencies

The College is a party to a number of legal actions arising in the ordinary course of its business. In management's opinion, the College has adequate legal defenses and/or insurance coverage respecting each of these actions and does not believe that they will materially affect the College's operations or financial position.

Note 9 - Post-Employment Healthcare Plan

Plan Description

North Idaho College operates a single–employer retiree benefit plan that provides post-employment medical, dental, and life plans upon retirement from active service. To be eligible for the College’s retiree group medical, dental, and life plans, a retiree must satisfy the PERSI retirement eligibility requirements of 55 years of age (or disability) and 5 years of service. If the active employee is in optional retirement plan (ORP), the retiree must be age 55. Once a retiree becomes eligible for Medicare, the spouse can continue medical and dental coverage until the spouse is eligible for Medicare. Disabled members and their dependents do not receive medical, dental, or life benefits. Surviving spouses are not eligible for medical, dental, or life benefits. After December 31, 2010, new retirees became ineligible to enroll themselves or their dependents in retiree life insurance.

Funding Policy

The College has not established a fund to supplement the costs for the net OPEB obligation. Contributions are made on a pay-as-you-go basis. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016, the College contributed an estimated $93,283 to the plan for current premiums or approximately 46 percent of estimated total retiree costs. Plan members receiving benefits contributed an estimated $110,562 or approximately 54 percent of the total estimated retiree costs. Retirees are required to pay 100 percent of the premiums based on the combined active and retiree pool for both the retiree and the dependent coverage. If a retiree has at least 25 years of service, North Idaho College will contribute 71 percent of the retiree medical and dental plan premiums. Monthly rates in effect for retirees under age 65 during fiscal year 2016 were as follows:

Pre-65 rates	Regence Blue Shield (Select Plan)	Regence Blue Shield (Basic Plan)	Delta Dental	Willamette Dental	Life*
Retiree Only	$494.80	$435.50	$51.93	$47.50	$24.00 & $12.00
Retiree +1	$1,171.70	$1,031.20	$103.55	$94.85	$2.40
Retiree 2+	$1,428.90	$1,257.60	$151.72	$138.95	$2.40

*Life is pre and post 65 and $2.40 is the dependent contribution. Two levels of benefits for retirees are offered $20,000 and $10,000 at $24.00 and $12.00 per month, respectively. Note that only retirees retiring before December 31, 2010 are eligible for the retiree life benefit.

Annual OPEB Cost and Net OPEB Obligation

The College's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the College's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the College's net OPEB obligation:

Annual required contribution	$ 283,286
Interest on net OPEB obligation	38,676
Adjustment to annual required contribution	(40,005)
Annual OPEB cost	281,957
Estimated contributions made	(93,283)
Increase in net OPEB obligation	188,674
Net OPEB obligation – beginning of year	1,208,629
Net OPEB obligation – end of year	$ 1,397,303

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Estimated Contribution	Net OPEB Obligation
6/30/2014	$ 304,172	57%	$ 1,037,634
6/30/2015	$ 267,625	36%	$ 1,208,629
6/30/2016	$ 281,957	33%	$ 1,397,303

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was $2.346 million, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $2.346 million. The covered payroll (annual payroll of active employees covered by the plan) was $23.905 million, and the ratio of the UAAL to the covered payroll was 10 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the Projected Unit Credit (PUC) actuarial cost method was used. The actuarial assumptions included a 3.2 percent investment rate of return (net of investment expenses), calculated based on the expected long-term rate of return on the College's general funds at the valuation date, and a 2.75 percent implied inflation rate (CPI). Annual medical cost trend rates are 7.3 percent initially for fiscal year 2015, 6.4 percent for fiscal year 2016, and an ultimate rate of 4.7 percent by 2096. Annual dental cost trend rates are -5.0 percent for fiscal year 2015, 5.0 percent for fiscal year 2016, with an ultimate rate of 4.7 percent by 2096. The valuation assumes that 55 percent of eligible retirees will actually participate in the retiree medical plan and in the retiree dental plan. The valuation also assumes 25 percent of the retirees enrolled in the plan will have dependents who participate in the medical plan and the dental plan. The general wage increase assumption is 3.25% per annum which is used for projecting the total future payroll. The amortization of the UAAL is determined as a level percentage of projected payrolls over a rolling thirty-year time period. General wage increases and individual salary increase due to promotion and longevity do not affect the amount of the Program's OPEB benefits.

Note 10 - Significant Commitments

At June 30, 2016, the College has a future commitment for development related to the Rathdrum Career and Technical Education Facility land located near the corner of Lancaster Road and Radcliff Road. As agreed in the City of Rathdrum annexation agreement, NIC will be responsible for completing water line extensions, sanitary sewer service, and an additional 1,418 feet extension of Radcliff Road to the south property line should NIC decide to further develop this site. The annexation agreement states that any future site improvement construction costs will not accrue until NIC develops this section of its property. At this time the construction cost is estimated to be approximately $340,000.

Note 11 - Related Party Transactions

Significant transactions occurring between the Foundation and the College include: the Foundation made scholarship and other support payments to the College in the amounts of $1,014,936 and $969,785 for the years ended June 30, 2016 and 2015, respectively. The College also provided funding for the Foundation’s staff salary and benefits in the amounts of $183,261 and $140,628 for the years ended June 30, 2016 and 2015, respectively. Amounts receivable from the Foundation as of June 30, 2016 and 2015, were $122,914 and $36,316, respectively. Outstanding checks from the Foundation were $67,091 and $18,520 as of June 30, 2016 and 2015, respectively.

Note 12 - Component Unit – North Idaho College Foundation, Inc.

Nature of Activities and Summary of Significant Accounting Policies

Foundation Operations

The North Idaho College Foundation, Inc. (the Foundation) is a discretely presented within the financial statements as a component unit. The Foundation was incorporated on October 12, 1977, as an Idaho non-profit corporation with a perpetual existence for the purpose of providing scholarships and other sources of aid to the college community. The exclusive beneficiaries of the Foundation are North Idaho College (NIC or the College) and its students. The Foundation operates from offices provided by North Idaho College. The Foundation receives revenues and support primarily through contributions and fund-raising activities. Under the Idaho State Board of Education’s administrative rules, the foundation must be independent of, and cannot be controlled by the College. A memorandum of understanding between the Foundation and the College defines the relationship between the two entities in accordance with the State Board of Education’s rules.

The Foundation’s financial statements are prepared in accordance with the Standards set by the Financial Accounting Standards Board (FASB). FASB standards require three classes of net assets: unrestricted, temporarily restricted, and permanently restricted instead of reporting by fund as is done under GASB standards. Other differences include criteria for recognizing in-kind donations and the presentation of information.

Investments

The Foundation primarily invests with the Commonfund for Nonprofit Organizations (Commonfund), which holds a diversified portfolio of marketable common stocks and other marketable equity type investments including but not limited to convertible bonds, convertible preferred stocks, and warrants. The Commonfund investments may also hold cash, short-term obligations, and U.S. government, corporate, and other bonds. The Foundation also uses four investment managers to manage portfolios of equity securities. Investments are carried at market or appraised value as provided by fund management, and realized and unrealized gains and losses are reflected in the statement of activities. The market values of the investments is as follows at June 30, 2016 and 2015:

	2016	2015
Commonfund investments	$ 15,572,432	$ 15,538,533
Domestic securities	3,583,158	3,951,576
Foreign securities	820,626	520,979
Corporate bonds	26,982	26,982
	$ 20,003,198	$ 20,038,070

The following investment earnings, investment fees, and unrealized gains, and losses have been allocated among all net assets based on average balances for the years ended June 30, 2016 and 2015, unless otherwise stipulated:

	2016	2015
Net unrealized and realized gains (losses) on investments held at market	$ (425,284)	$ 275,866
Investment income	477,327	419,000
Investment fees	(81,871)	(83,759)
Total return (loss) on investments	$ (29,828)	$ 611,107

Net Assets

The following identifies the breakdown of unrestricted net assets at June 30, 2016 and 2015:

	2016	2015
Designated by the Board for endowment purposes	$ 2,641,487	$ 2,652,725
Undesignated revenue from raffle fund-raiser	116,510	168,116
Undesignated	1,309,591	1,319,515
	$ 4,067,588	$ 4,140,356

Temporarily restricted net assets are available primarily as scholarship assistance, and program support, as well as for other purposes as stipulated by their donors. Permanently restricted net assets consist of contributions that are to provide a permanent endowment.

The Foundation's endowment consists of approximately 334 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of North Idaho College Foundation, Inc. has interpreted the Uniform Prudent Management for Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, North Idaho College Foundation, Inc. classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net asset is classified as temporarily restricted net assets until those amounts are appropriated for expenditures by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following facts in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purpose of the Foundation and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Foundation
(7) The investment policies of the Foundation

Endowment net asset composition by type of fund as of June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 4,700,808	$ 11,291,123	$ 15,991,931
Board-designated endowment funds	2,641,487	-	-	2,641,487
	$ 2,641,487	$ 4,700,808	$ 11,291,123	$ 18,633,418

Changes in Endowment net assets for the fiscal year ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 2,652,725	$ 5,370,829	$ 11,177,832	$ 19,201,386
Investment return				
Investment income	50,540	310,246	-	360,786
Net depreciation (realized and unrealized)	(54,355)	(333,679)	-	(388,034)
Total investment returns	(3,815)	(23,433)	-	(27,248)
Contributions	-	-	118,163	118,163
Appropriation of endowment assets for expenditures	(7,423)	(646,588)	-	(654,011)
Other changes				
Transfers at donor request from nonendowed temporarily restricted funds at donor request	-	-	(4,872)	(4,872)
Endowment net assets, end of year	$ 2,641,487	$ 4,700,808	$ 11,291,123	$ 18,633,418

Endowment net asset composition by type of fund as of June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 5,370,829	$ 11,177,832	$ 16,548,661
Board-designated endowment funds	2,652,725	-	-	2,652,725
	$ 2,652,725	$ 5,370,829	$ 11,177,832	$ 19,201,386

Changes in Endowment net assets for the fiscal year ended June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 2,582,255	$ 5,435,026	$ 10,915,522	$ 18,932,803
Investment return				
Investment income	42,470	263,888	-	306,358
Net appreciation (realized and unrealized)	34,977	217,323	-	252,300
Total investment returns	77,447	481,211	-	558,658
Contributions	-	-	195,284	195,284
Appropriation of endowment assets for expenditures	(6,977)	(545,408)	-	(552,385)
Other changes:				
Transfers at donor request from nonendowed temporarily restricted funds at donor request	-	-	67,026	67,026
Endowment net assets, end of year	$ 2,652,725	$ 5,370,829	$ 11,177,832	$ 19,201,386

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund or perpetual duration. There we no deficiencies reported in unrestricted net assets as of June 30, 2016 and 2015.

Return Objectives and Risk Parameters

The object of the investment and spending policies for endowment assets adopted by the Foundation is to preserve and, over time, increase the inflation adjusted value of the investable assets of the Foundation. Second, the objective is to maximize, over the long run, the total rate of return on investable assets, assuming a level of risk consistent with prudent investment practices for such funds. Endowment assets, for purposes of this disclosure, include those assets of donor-restricted funds the Foundation must hold in perpetuity or for a donor-specified period as well as Board-designated (quasi-endowment) funds. All endowment and quasi-endowment funds shall be subject to the same high level of prudent investment policy.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 5 percent of its endowment fund's average dollars available for the prior three years through the fiscal year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 6 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.

Fair Value and Financial Instrument

The Foundation has determined the fair value of certain assets and liabilities in accordance with the provisions of the Fair Value Measurements and Disclosures Topic of FASB ASC, which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America.

FASB ASC 820-10-20 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. It requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. Observable inputs are developed based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect the Foundation's own assumptions about market inputs based on its own data.

A fair value hierarchy has also been established by the Fair Value Measurements and Disclosures Topics of FASB ASC, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted market prices in active markets for identical assets or liabilities the Foundation has the ability to access at the measurement date. Level 2 inputs consist of valuations other than quoted prices included in Level 1 that are observable by the Foundation for the related asset or liability. Level 3 inputs consist of unobservable valuations related to the asset or liability.

Investments in corporate bonds and equity securities are valued based on quoted market prices, and are therefore, typically classified within Level 1.

Investments with the Common fund are valued using net asset value (NAV) per share or its equivalent as reported by the investment manager that are audited under AICPA guidelines and that have activity and the ability to redeem at NAV on or near the reporting date are evaluated outside of the fair value hierarchy in accordance with ASU 2015-07.

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. In addition, while the Foundation believes that its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.
The Foundation has not changed their valuation methods during the current year or prior year.

The following table summarizes the valuation of the Foundation's investments by the above FASB ASC 820 fair value hierarchy levels as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Domestic securities	$ 3,583,158	$ -	-	$ 3,583,158
Foreign securities	820,626	-	-	820,626
Corporate bonds	26,982	-	-	26,982
Total assets in the fair value heirarchy	$ 4,430,766	$ -	$ -	4,430,766
Investments measured at NAV practical expedient				15,572,432
Investments at fair value				$ 20,003,198

The following table summarizes the valuation of the Foundation's investments by the above FASB ASC 820 fair value hierarchy levels as of June 30, 2015:

	Level 1	Level 2	Level 3	Total
Domestic securities	$ 3,951,576	$ -	-	$ 3,951,576
Foreign securities	520,979	-	-	520,979
Corporate bonds	26,982	-	-	26,982
Total assets in the fair value heirarchy	$ 4,499,537	$ -	$ -	4,499,537
Investments measured at NAV practical expedient				15,538,533
Investments at fair value				$ 20,038,070

The Foundation recognizes transfers into and out of levels at the end of the reporting period. There were no transfers between levels in the year ended June 30, 2016 and 2015.

The following table presents information regarding funds with fair value that is determined using the NAV (or its equivalent) provided by the fund as of June 30, 2016.

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Available)	Redemption Notice Period
Common Fund for Nonprofit Organizations				
Real Estate Securities Fund	$ 969,535	$ -	Monthly	5 Business Days
Multi-Strategy Equity Fund	10,590,078	-	Monthly	5 Business Days
Multi-Strategy Bond Fund	4,012,819	-	Monthly	5 Business Days
	$ 15,572,432			

The following table presents information regarding funds with fair value that is determined using the NAV (or its equivalent) provided by the fund as of June 30, 2015.

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Available)	Redemption Notice Period
Common Fund for Nonprofit Organizations				
Real Estate Securities Fund	$ 809,573	$ -	Monthly	5 Business Days
Multi-Strategy Equity Fund	10,886,064	-	Monthly	5 Business Days
Multi-Strategy Bond Fund	3,842,896	-	Monthly	5 Business Days
	$ 15,538,533			

Required Supplementary Information
June 30, 2016

North Idaho College

Schedule of Employer's Share of Net Pension Liability
PERSI - Base Plan
Last 10 - Fiscal Years *

	2016	2015
Employer's proportionate share of the net pension liability	0.3573277%	0.3728502%
Employer's proportion share of the net pension liability	$ 4,705,425	$ 2,744,761
Employer's covered-employee payroll	$ 29,524,039	$ 29,568,433
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	15.94%	9.28%
Plan fiduciary net position as a percentage of the total pension liability	91.38%	94.95%

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

Data reported is measured as of June 30, 2015 (measurement date).

Schedule of Employer Contributions
PERSI - Base Plan
Last 10 - Fiscal Years *

	2016	2015
Statutorily required contribution	$ 1,141,156	$ 1,132,739
Contributions in relation to the statutorily required contribution	$ (1,141,156)	$ (1,132,739)
Contribution (deficiency) excess	$ -	$ -
Employer's covered - employee payroll	$ 29,568,433	$ 29,329,544
Contributions as a percentage of the covered-employee payroll	3.86%	3.86%

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

Data reported is measured as of June 30, 2016.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) /c)
July 1, 2010	$ -	$ 2,469,580	$ 2,469,580	0%	$ 20,950,860	12%
July 1, 2012	$ -	$ 2,578,933	$ 2,578,933	0%	$ 23,541,210	11%
July 1, 2014	$ -	$ 2,345,760	$ 2,345,760	0%	$ 23,904,746	10%

Supplementary Information
June 30, 2016

North Idaho College

(This page intentionally left blank.)

	Original Budget*	Actual	Variance with Final Budget
Revenues			
State allocations	$ 15,357,633	$ 15,346,021	$ (11,612)
Property taxes	14,926,860	15,341,711	414,851
Tuition and fees	13,061,524	13,080,833	19,309
Other revenues	931,873	1,406,412	474,539
Total revenues	44,277,890	45,174,977	897,087
Expenditures			
Direct Instruction	17,811,543	16,892,718	(918,825)
Academic Support	3,939,334	3,517,285	(422,049)
Student Services	3,307,525	3,182,601	(124,924)
Institutional Support	7,686,562	7,373,131	(313,431)
Plant Operations and Maintenance	3,216,070	2,960,239	(255,831)
Public Service	49,000	49,000	-
Student Aid	1,094,014	802,679	(291,335)
Transfers	7,173,842	6,787,996	(385,846)
Total expenditures	44,277,890	41,565,649	(2,712,241)
Revenues Over (Under) Expenditures	$ -	$ 3,609,328	$ 3,609,328

** Budget was not amended during the year.*

DORMITORY HOUSING COMMISSION OF NORTH IDAHO COLLEGE
HISTORIC AND PROJECTED DEBT SERVICE COVERAGE FROM PLEDGED REVENUES

	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Budget	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast	FY 2022 Forecast
Building Revenues										
Revenues from Sales and Rentals (1)	$ 5,457,527	$ 4,804,800	$ 4,343,981	$ 4,096,824	$ 4,036,473	$ 4,076,838	$ 4,117,606	$ 4,158,782	$ 4,200,370	$ 4,242,374
Interest Income	997	724	607	871	720	720	720	720	720	720
Total Building Revenues	**$ 5,458,524**	**$ 4,805,524**	**$ 4,344,588**	**$ 4,097,695**	**$ 4,037,193**	**$ 4,077,558**	**$ 4,118,326**	**$ 4,159,502**	**$ 4,201,090**	**$ 4,243,094**
Operations and Maintenance Expense										
Cost of Merchandise Sold (2)	$ 2,893,568	$ 2,513,832	$ 2,202,816	$ 2,085,332	$ 1,948,607	$ 1,958,350	$ 1,968,141	$ 1,977,982	$ 1,987,872	$ 1,997,811
Salaries and Benefits (3)	1,233,645	1,150,315	1,141,814	1,075,008	1,062,013	1,062,013	1,062,013	1,062,013	1,062,013	1,062,013
Repairs, Maintenance and Supplies	83,005	104,388	91,126	70,347	81,500	81,500	81,500	81,500	81,500	81,500
Utilities and Garbage (4)	234,914	243,803	127,409	134,893	138,121	138,121	138,121	138,121	138,121	138,121
Other Operating Expenses (5)	272,329	255,898	275,374	430,742	538,337	762,638	776,334	778,563	790,780	793,355
Total Building Expenses	**$ 4,717,461**	**$ 4,268,236**	**$ 3,838,539**	**$ 3,796,322**	**$ 3,768,578**	**$ 4,002,622**	**$ 4,026,109**	**$ 4,038,179**	**$ 4,060,286**	**$ 4,072,800**
Net Revenue of Buildings	**$ 741,063**	**$ 537,288**	**$ 506,049**	**$ 301,373**	**$ 268,615**	**$ 74,936**	**$ 92,217**	**$ 121,323**	**$ 140,804**	**$ 170,294**
Student Union Fee + Other Income	836,012	736,547	671,614	598,873	687,464	662,464	673,713	685,188	696,891	696,891
Student Wellness & Recreation Center Fee + Other Income	-	-	-	238,243	526,176	762,676	803,250	834,088	846,946	846,946
Student Union Fee Revenue (6)	**$ 836,012**	**$ 736,547**	**$ 671,614**	**$ 837,116**	**$ 1,213,640**	**$ 1,425,140**	**$ 1,476,963**	**$ 1,519,276**	**$ 1,543,837**	**$ 1,543,837**
Total Pledged Revenues	**$ 1,577,075**	**$ 1,273,835**	**$ 1,177,663**	**$ 1,138,489**	**$ 1,482,255**	**$ 1,500,076**	**$ 1,569,180**	**$ 1,640,599**	**$ 1,684,641**	**$ 1,714,131**
Debt Service on Parity Obligations										
Series 2012 Bonds	$ 412,174	$ 407,546	$ 403,747	$ 409,650	$ 410,800	$ 818,400	$ 821,650	$ 819,325	$ 820,200	$ 309,300
Series 2008 Bonds	407,483	414,110	416,155	413,989	409,500	-	-	-	-	-
Proposed Series 2016 Bonds (7)	-	-	-	-	310,174	279,856	279,856	279,856	279,856	279,856
Total Debt-Service	**$ 819,657**	**$ 821,656**	**$ 819,902**	**$ 823,639**	**$ 1,130,474**	**$ 1,098,256**	**$ 1,101,506**	**$ 1,099,181**	**$ 1,100,056**	**$ 589,156**
Debt Service Coverage	**1.92**	**1.55**	**1.44**	**1.38**	**1.31**	**1.37**	**1.42**	**1.49**	**1.53**	**2.91**
Available for CapEx or Increase in Fund Balance	**$ 757,418**	**$ 452,179**	**$ 357,761**	**$ 314,850**	**$ 351,781**	**$ 401,820**	**$ 467,674**	**$ 541,418**	**$ 584,585**	**$ 1,124,975**

(1) Revenues from Sales and Rentals include Building Revenues. Building Revenues are budgeted to decline 1.5% in FY 2016 due to declining enrollment and then increase by 1.00% annually beginning in FY 2017 as a result of stabilizing enrollment and modest increases in rental fees. Building Revenues are projected to increase in FY 2018 with the opening of the Student Recreation Center.
(2) Cost of Merchandise Sold is budgeted to decrease 6.6% in FY 2017 due to decreased demand resulting from declining enrollment and then increase by 0.50% annually beginning in FY 2018
(3) Salaries and Benefits are projected to remain flat. Additional staffing costs for the Student Recreation Center are contained in the "fees and other operating expenses" category.
(4) Utilities and Garbage expenses are expected to remain flat.
(5) Other Operating Expenses include the additional cost of operating the Student Recreation Center.
(6) Student Union Fee and Other Income recognize FY 2016 fee increase of $37 per semester and FY 2017 additional fee increase of $50 per semester.
(7) Projected debt service on Series 2016 Bonds

Source: The Commission.

DHC Auxiliary Enterprise Funds - Revenues, Expenses and Changes in Fund Balance [1]

	Schedule of Funds Provided for Required Debt Service	Auxiliary Enterprise Funds Summary from Audited Financial Statements				
Fiscal Year	2016 Based on Audit	2015 Audited [2]	2014 Audited	2013 Audited	2012 Audited	2011 Audited
Funds Pledged for Debt service						
Income from DHC Building operations						
Revenues for sales & rentals	$ 3,687,174	$ 3,940,234 [3]	$ 4,804,800	$ 5,457,527	$ 5,587,502	$ 5,190,182
Dormitory Revenues	409,650	403,747 [4]				
Subtotal	4,096,824	4,343,981				
Cost of sales and operating expenses	(3,796,322)	(3,838,539)	(4,268,236)	(4,717,461)	(4,808,477)	(4,464,363)
Net Revenues of DHC Buildings	300,502	505,442	536,564	740,066	779,025	725,819
Income from Other Sources						
Student Union Fee	598,873	671,614 [5]	736,547	836,012	869,699	864,049
Student Wellness & Recreation Center Fee	238,243	-				
Interest Income	871	607	724	997	847	834
Total Funds Pledged for Debt Service	1,138,489	1,177,663	1,273,835	1,577,075	1,649,571	1,590,702
Transfer to pay Parity Debt Service [6]	(823,639)	(753,762)	(821,656)	(819,657)	(830,466)	(830,671)
Excess Revenue	314,850	423,901	452,179	757,418	819,105	760,031
Capital Expenditures	(615,107)	(322,205)	(50,287)	(440,690)	(362,751)	(255,181)
Net Change in DHC Fund Balances	(300,257)	101,696	401,892	316,728	456,354	504,850
DHC Fund Balances Beginning of Year [7]	4,906,287	4,650,781 [8]	4,248,889	3,932,161	3,475,807	2,970,957
DHC Fund Balances End of Year [7]	**$ 4,606,031**	**$ 4,906,287** [9]	**$ 4,650,781**	**$ 4,248,889**	**$ 3,932,161**	**$ 3,475,807**

Footnotes

(1) The College's Audited Financial Statements for FY 2015 changed the presentation of the Commissions Auxiliary Enterprise Fund statements compared to FY 2014 and prior years.

(2) The College's Audited Financial Statements for FY 2015 include a Schedule of Funds Provided and Required for Debt Service (page 50 of FY 2015 audit). The Commission has included additional detail in this table to enable comparison to prior years.

(3) Revenue for Sales & Rentals match amount shown in the FY 2015 Schedule of Funds Provided and Required for Debt Service and include revenues of the Student Union Building

(4) Dormitory revenues shown for FY 2015 are the amount transferred for debt service on the Series 2012 Bonds.

(5) Actual Student Union Fee revenue for FY 2015. The FY 2015 Schedule of Funds Provided and Required for Debt Service shows $817,805 and included transfers from the Student Services Fund and the Dormitory revenue from the Auxiliary Enterprise Fund.

(6) Amount shown is the combined transfers from the Auxiliary Enterprise Fund and the Student Services Fund to pay Parity Debt Service on outstanding Bonds and may not match actual Parity Debt Service with any difference being funded by balances available in the Debt Service Fund.

(7) DHC Fund Balances include balances in the Auxiliary Enterprise Fund and the Student Services Fund. Balances in the Debt Service Fund are not included.

(8) The FY 2015 Schedule of Funds Provided and Required for Debt Service beginning balance shows the Auxiliary Enterprise Fund beginning balance of $2,557,336, but does not include the beginning balance in the Debt Service Fund.

(9) DHC FY 2015 ending fund balance does not include $569,400 balance in the Debt Service Fund as of the fiscal year ending 6/30/2015.

Source: Audited Financial Reports and the Commission

North Idaho College - Historical Student Stats (Fiscal Years)	**2016**	**2015**	**2014**	**2013**	**2012**
HEADCOUNT					
Fall Headcount	5,546	5,779	6,049	6,574	6,751
Fall FTE Students	3,510	3,779	4,093	4,618	4,554
Academic	3,857	4,225	4,470	5,073	5,160
Technical	831	810	884	823	945
Other (Dual Enrollment -- High School Students)	858	744	695	678	646
Average Class Size	n/a	n/a	n/a	17	18
Average Age	n/a	n/a	n/a	27	27
STUDENT DEMOGRAPHICS					
Residency					
Idaho:	4,920	5,100	5,350	5,877	6,046
Kootenai County	3,578	3,750	3,966	4,448	4,480
Benewah County	141	157	169	157	147
Bonner County	548	566	616	637	654
Boundary County	185	175	182	185	238
Shoshone County	212	204	201	211	234
All Other Idaho Counties	256	248	216	239	293
Montana	62	65	81	94	100
Washington	312	350	363	358	370
All Other States	252	264	255	245	235
Age Group					
19 Years or Younger	2,171	2,090	2,016	2,080	2,165
20-24 Years	1,384	1,425	1,489	1,697	1,618
25-39 Years	1,324	1,533	1,701	1,903	1,961
40-49 Years	357	384	473	547	550
50-59 Years	171	211	242	223	269
60 Years and Older	139	136	128	124	188
Gender					
Male	2,107	2,312	2,420	2,641	2,632
Female	3,439	3,467	3,629	3,933	4,119
Financial Aid					
Students Receiving Aid	3,925	4,414	5,067	5,490	5,192
Total Money Disbursed ($ millions)	22.3	25.6	37.4	39.3	37.6
Degrees Conferred					
Associate of Arts Degrees	676	689	66	78	79
Associate of Science Degrees			560	468	388
Associate of Applied Science Degrees			117	86	78
Certificates of Completion	289	309	340	407	337
GED Graduates	188	608	456	493	527
NIC Foundation and Development					
Scholarship Endowments, beginning of year	$ 16,711,867	$ 16,515,870	$ 12,195,023	$ 10,724,427	$ 10,553,231
General Scholarship and Designated Funds, beginning of year	1,494,721	1,586,230	4,495,188	4,143,409	4,231,898
Unrestricted Funds, beginning of year	3,977,150	3,768,527	2,286,547	1,840,634	1,562,865
Land, Buildings, Other Assets, beginning of year	547,245	540,395	517,567	469,143	1,289,777
Total Assets, beginning of year (audited)	$ 22,730,983	$ 22,411,022	$ 19,494,325	$ 17,177,613	$ 17,637,771
Scholarships Disbursed:					
Number of Scholarships	1,104	969	822	791	640
Amount of Scholarships	$ 944,857	$ 896,658	$ 870,851	$ 704,237	$ 547,073
Alumni Association:					
Number of Members	3,307	3,056	2,987	2,800	2,745
Number of Scholarships Funded	n/a	n/a	n/a	6	7
Amount of Scholarships Funded	n/a	n/a	n/a	$ 4,000	$ 4,500
External Grants Received by NIC, excluding professional- technical workforce training, ABE, GED, PELL or financial aid, grants or appropriations	$ 6,781,143	$ 3,796,594	$ 4,041,081	$ 1,761,654	$ 8,145,484

		Amount
OPERATING REVENUES		
Student tuition and fees, net of scholarship allowances	$	8,906,746
Auxiliary enterprises revenue		4,265,624
State and local grants and contracts		664,130
Federal grants and contracts		4,774,762
Other operating revenues		2,512,713
Total operating revenues		21,123,975
NON-OPERATING REVENUES		
State appropriations		15,346,021
Property taxes		15,341,711
Non operating state and federal grants		11,117,239
Non operating other income		569,899
Private gifts, grants and contracts		1,279,205
Investment income		85,602
Interest expense		0
Loss on disposal of fixed assets		(27,789)
Total non-operating revenues		43,711,888
Net income before capital contributions		5,345,006
Capital Contributions		751,934
Change in net position		6,096,940
Net position, beginning of year		60,811,149
TOTAL RESOURCES	$	66,908,089

North Idaho College
Tuition and Fees 2015-2016

12-18 Credits Per Semester	Per Credit	12 Credit FTE
Kootenai County Residents	$ 144	$ 1,607
Other Idaho Residents	203	2,215
Washington Residents	230	2,639
Western Undergraduate Exchange	269	3,107
Out-of-State/Out-of-Country	342	3,983

Fiscal year 2016 Full-Time Student Fee (12 Credit Hours per Semester)

Associated Student Body	$ 28
Athletics	36
Commencement	4
Health Services	34
Instructional Technology	122
Learning Assistance	40
Student Accident Insurance (first credit only)	11
Student Activities and Recreation	38
Student union Fee (1)	130
Total Resident Fee	$ 443
Resident Tuition	1,164
Total Resident Fee and Tuition	$ 1,607
Total Non-District	$ 2,215
Total Washington Residents	2,639
Total Western Undergraduate Exchange	3,107
Total Non-Resident Fee and Tuition	3,983

(1) The Student Union Fee will increase to $180 per semester beginning n Fiscal Year 2017.
The Student Union Fee is included in the Pledged Revenues.

Source: North Idaho College, Tuition and Fees for 2015-2016.

Tax Year	Taxable Assessed Value (TAV)	Tax Levy (per $100 TAV)	Total Assessed Property Taxes
2015	$ 13,071,245,737	0.1122900	$ 14,677,701
2014	12,359,983,215	0.1123854	13,890,803
2013	11,472,122,065	0.1201451	13,783,194
2012	11,200,581,030	0.1220307	13,668,144
2011	12,057,168,912	0.1108407	13,364,250
2010	12,927,862,542	0.0998173	12,904,248

Single Audit Section
June 30, 2016

North Idaho College

EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report 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*

To the Board of Trustees
North Idaho College
Coeur d'Alene, Idaho

We have audited, 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, the financial statements of the North Idaho College (the College) as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2016. Our report includes a reference to other auditors who audited the financial statements of the North Idaho College Foundation, Inc., as described in our report on the College's financial statements. The audits of the financial statements of North Idaho College Foundation, Inc. were not performed in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with North Idaho College Foundation, Inc.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College'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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
October 26, 2016

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Trustees
North Idaho College
Coeur d'Alene, Idaho

Report on Compliance for Each Major Federal Program
We have audited North Idaho College's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2016. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with 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 the compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

877 W. Main St., Ste. 800 | Boise, ID 83702-5858 | T 208.344.7150 | F 208.344.7435 | EOE

Report on Internal Control over Compliance
Management of the College is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002 that we consider to be significant deficiencies.

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

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

Eide Bailly LLP

Boise, Idaho
October 26, 2016

Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed-Through to Subrecipients
Department of Health and Human Services:				
Direct Programs				
Head Start	93.600		$ 2,387,062	$ -
Temporary Assistance for Needy Families	93.558		106,999	-
Subtotal Department of Health and Human Services Direct Programs			2,494,061	-
Pass-Through Programs				
State of Idaho Commission on Aging:				
Aging Cluster:				
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	826000936 13	292,047	-
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	826000936 13	404,232	-
Nutrition Services Incentive Program	93.053	826000936 13	75,051	-
Total Aging Cluster			771,330	-
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	826000936 13	12,747	-
Special Programs for the Aging_ Title III Part F_ Disease Prevension_ Health Promotion Services	93.043	826000936 13	13,369	-
National Family Caregiver Support, Title III, Part E	93.052	826000936 13	100,487	-
Medicare Enrollment Assistance Program	93.071	826000936 13	16,508	-
State Medicaid Fraud Control Units	93.775	826000936 13	29,416	-
Idaho Department of Health & Welfare:				
Preventive Health and Health Services Block Grant	93.991	HC883000	20,836	-
University of Idaho:				
Idaho INBRE-3 Network with NIC	93.859	IAK200-SB-003	88,709	-
Idaho INBRE-3 Network with NIC	93.859	IAK300-SB-002	28,675	-
Idaho INBRE-3 Network - TWDD	93.859	IAK200-SB-015	51,505	-
Idaho INBRE-3 Network - TWDD	93.859	IAK300-SB-001	1,274	-
Idaho INBRE-3 Pilot Project - Foster	93.859	IAK200-SB-017	11,471	-
Subtotal Department of Health and Human Services Pass-Through Programs			1,146,327	-
Total Department of Health and Human Services			3,640,388	-
Department of Education:				
Direct Programs:				
Student Financial Aid Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007		188,618	-
Federal Work-Study Program	84.033		176,503	-
Federal Pell Grant Program	84.063		7,999,644	-
Federal Direct Student Loans	84.268		7,707,223	-
Total Student Financial Aid Cluster			16,071,988	-
TRIO - Student Support Services	84.042		253,163	-
Subtotal Department of Education Direct Programs			16,325,151	-

Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed-Through to Subrecipients
Pass-Through Programs:				
State of Idaho Professional-Technical Education				
Adult Education - Basic Grants to States	84.002	AD6614L1	218,616	-
Adult Education - Basic Grants to States	84.002	AL6614B1	8,954	-
Total Adult Education - Basic Grants to States			227,570	-
Career and Technical Education - Basic Grants to States	84.048A	PR6614K1	84,248	-
Career and Technical Education - Basic Grants to States	84.048A	PP6614E1	217,035	-
Career and Technical Education - Basic Grants to States	84.048A	PP6614H1	45,000	-
Career and Technical Education - Basic Grants to States	84.048A	PN6614H1	3,285	-
Total Career and Technical Education - Basic Grants to States			349,568	-
Gaining Early Awareness and Readiness for Undergraduate Programs	83.334	826000936 01	92,289	-
Boise State University:				
Mathematics and Science Partnerships	84.366	5821-A	6,967	-
Subtotal Department of Education Pass-Through Programs			676,394	-
Total Department of Education			17,001,545	-
Department of Labor Employment Training Administration:				
Direct Programs:				
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants - Aerospace	17.282	TC-23774-12-60-A-16	349,751	-
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants - ICE Healthcare	17.282	TC-26479-14-60-A-16	1,138,170	362,767
Pass-Though Programs:				
College of Southern Idaho:				
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	TC-22536-11-60-A-16	31,665	-
Subtotal Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants - Aerospace			1,519,586	362,767
Pass-Though Programs:				
State of Idaho Department of Labor:				
Employment Service/Wagner-Peyser Funded Activities	17.207	WB5614G2	1,858	-
WIA Adult Program	17.258	826000936 19	59,349	-
Department of Labor Mine Safety and Helath Administration direct:				
Mine Health and Safety Grants	17.600	MS270431555R16	92,839	-
Total Department of Labor Employment Training Administration			1,673,632	362,767
Department of Agriculture Food and Nutrition Service:				
Pass-Through Programs				
State of Idaho Superintendent of Public Instruction:				
Child and Adult Care Food Program	10.558	826000936 06	149,890	-
Total Department of Agriculture Food and Nutrition Service			149,890	-
National Aeronautics and Space Administration				
Pass-Through Programs				
College of Southern Idaho:				
Education	43.008	FPK053-SB-001	18,248	-
Total National Science Foundation			18,248	-

Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed-Through to Subrecipients
Small Business Administration				
Pass-Through Programs				
Boise State University:				
Small Business Development Centers	59.037	6668-E	105,964	-
Total Small Business Administration			105,964	-
National Science Foundation:				
Pass-Through Programs				
Northern Virginia Community College				
Trans-NSF Recovery Act Research Support	47.082	1323283	14,634	-
Total National Science Foundation			14,634	-
Corporation for National and Community Service:				
Direct Programs:				
Retired and Senior Volunteer Program	94.002		63,980	-
Total Corporation for National and Community Service			63,980	-
Total expenditures of federal awards			$ 22,668,281	$ 362,767

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The College received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on an accrual basis of accounting. The College's summary of significant accounting policies is presented in Note 1 in the basic financial statements. Pass-through entity identifying numbers are presented where available.

The College has not elected to use the 10% de minimis cost rate.

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance:	Yes

Identification of major programs:

Name of Federal Program	CFDA Number
Student Financial Aid Cluster	84.007, 87.033, 84.063, 84.268
Trade Adjustment Assistance Community College and Career Training	17.282

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Findings – Financial Statement Audit

There we no findings relating to the financial statement audit.

Section III -Findings and Questioned Costs – Major Federal Award Programs Audit

2016-001
Direct Programs – Department of Education
CFDA# 84.063, 84.007, 84.268, 84.033
Student Financial Aid Cluster
Special Tests and Provisions: NSLDS Withdrawal Date
Significant Deficiency in Internal Controls

Criteria:
34 CFR section 668.22(e) states that if a student withdraws from classes and has received student financial aid, the amount of unearned Title IV assistance must be calculated and returned to the Department of Education.

Condition:
During our testing of students that were disbursed direct loans in 2015-16, there were several instances in which the students' withdrawal date per the Return of Title IV Aid (R2T4) calculation worksheets did not match the date reported to NSLDS. The dates were overwritten with the last day of the semester when the final batch was submitted for the semester by the Registrar's Office.

Cause:
The College calculates the R2T4 soon after the date of the student's withdrawal date. The withdrawal dates were being overwritten by the final report submitted at the end of the semester with the last day of the semester.

Effect:
The withdrawal date for 39 of the 60 students sampled were incorrectly reported to NSLDS.

Questioned Costs:
None

Context/Sampling:
A non-statistical sample of 60 students out of 3,027 students were selected for R2T4 testing.

Repeat Finding from Prior Year(s):
Yes, prior year finding 2015-001

Recommendation:
We recommend that the College implement a control process in which the NSLDS system is updated between the Registrar's office and the Student Financial Aid's office. The College should also periodically monitor this process to ensure that it is working effectively.

Management's Response and Corrective Action Plan:
Management agrees with these findings. The Student Financial Aid Office and Registrar's Office will coordinate to ensure that the final submission for each semester is recording the proper withdrawal date for each student to be reported to NSLDS.

2016-002
Direct Programs – Department of Education
CFDA# 84.063, 84.007, 84.268, 84.033
Student Financial Aid Cluster
Special Tests and Provisions: Exit Counseling
Significant Deficiency in Internal Controls

Criteria:
34 CFR Section 674.42(b) states that an institution must ensure that exit counseling is conducted with each borrower within 30 days of the institution learning that the borrower has withdrawn or dropped below half-time studies.

Condition:
During our testing of students, there were individuals who graduated or withdrew and required a R2T4 calculation that were provided with information regarding exit counseling. However, for students who stopped attending after the semester, but did not fit into the above categories were not sent exit counseling information.

Cause:
The College does not have a timely reconciliation process in place to reconcile the statuses of students and their changes throughout the semester.

Effect:
There were 2 students out of the 60 students tested that did not receive exit counseling information after not returning for classes the following semester.

Questioned Costs:
None

Context/Sampling:
A non-statistical sample of 60 students out of 3,027 students were selected for exit counseling testing.

Repeat Finding from Prior Year(s):
No

Recommendation:
The College should implement a process of review that captures all students who will not be returning for the upcoming semester, who have received loans, and provide the required exit counseling information to the students.

Views of Responsible Officials:
Management agrees with the response and will be sending out exit counseling information to every student, via the school’s email system, at the end of each semester.

2015-001
Direct Programs – Department of Education
CFDA# 84.063, 84.007, 84.268, 84.033
Student Financial Aid Cluster
Special Tests and Provisions: Student Status Change
Material Weakness in Internal Controls

Initial Fiscal Year Finding Occurred:
2014-2015

Finding Summary:
The College calculates the R2T4 soon after the date of the student's withdrawal date. However, the date is not updated within the NSLDS system until the end of the semester.

Status:
The errors persisted in the current year, however the source was coming from the Registrar's Office overwriting the dates entered throughout the semester by the Student Financial Aid Office.

2015-002
Direct Programs – Department of Education
CFDA# 84.063, 84.007, 84.268, 84.033
Student Financial Aid Cluster
Special Tests and Provisions: Student Status
Significant Deficiency in Internal Controls

Initial Fiscal Year Finding Occurred:
2014-2015

Finding Summary:
The student statuses were not being updated or correctly reported to NSLDS for the student's most recent enrollment status.

Status:
The issue has been resolved and no errors were identified in enrollment statuses reported to NSLDS.

2015-003
Department of Education Pass-Through Programs
State of Idaho Professional Education: Career and Technical Education
CFDA# 84.048
Allowable Costs
Significant Deficiency in Internal Controls

Initial Fiscal Year Finding Occurred*:*
2014-2015

Condition*:*
Scholarships were awarded to students, however the scholarships were not an allowable cost because they did not address the barriers preventing a student from participating in the career and technical education programs.

Status:
The issues has been resolved and no scholarships were improperly awarded in the current year.