



Financial Statements  
June 30, 2017 and 2016  
**North Idaho College**

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Introductory Section  
June 30, 2017 and 2016  
**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, 2017 and 2016  
**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 year ended June 30, 2017 and 2016, 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 an opinion 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.

## **Opinions**

In our opinion, based on our audits and the reports 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, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Employer's Share of Net Pension Liability, Schedule of Employer Contributions, and Schedule of Funding Progress for Post-Employment 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 inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audits 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 opinions 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 November 15, 2017 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho  
November 15, 2017



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, 2017 and 2016. 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, expenses 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 2017, operating revenues increased approximately \$492,000, while operating expenses increased by approximately \$3.5 million. In comparison, in fiscal year 2016, revenues decreased by \$1.5 million and operating expenses decreased approximately \$690,000. The increase in revenues during fiscal year 2017 was largely related to the Department of Labor Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants programs the College was administering - for the Idaho Center for Excellence in Health Care.

The decrease in operating expenses in fiscal year 2016 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 2017 with another decrease in financial aid expense. This reduction was offset, however, by an increase operations and maintenance of plant related to the completion of the Parker Career and Technical Education building.

The annual change in net position of the college decreased by 29% from the fiscal year 2016 figure of \$6.1 million to \$4.3 million in fiscal year 2017. In 2017, this was due to the increased total operating expenses combined with an increase in state appropriations.

During both of these fiscal years, there was downward trend to enrollment. These financial results reflect the College's ability to adjust and react 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, 2017 and 2016, 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 non-financial 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, 2017, 2016, and 2015**

|                                   | 2017          | 2016          | 2015          |
|-----------------------------------|---------------|---------------|---------------|
| Current and other assets          | \$ 27,136,910 | \$ 35,499,565 | \$ 32,580,613 |
| Capital assets                    | 67,933,749    | 58,427,512    | 45,884,830    |
| Total assets                      | 95,070,659    | 93,927,077    | 78,465,443    |
| Deferred Outflow of Resources     | 3,133,342     | 1,312,520     | 1,361,216     |
| Current liabilities               | 5,674,472     | 8,290,930     | 6,280,546     |
| Long-term liabilities outstanding | 20,266,825    | 18,522,867    | 8,956,474     |
| Total liabilities                 | 25,941,297    | 26,813,797    | 15,237,020    |
| Deferred Inflow of Resources      | 1,026,600     | 1,517,711     | 3,778,490     |
| Net position                      |               |               |               |
| Net investment in capital assets  | 56,390,169    | 46,122,989    | 40,994,033    |
| Restricted                        | 4,399,732     | 3,706,257     | 4,121,061     |
| Unrestricted                      | 10,446,203    | 17,078,843    | 15,696,055    |
| Total net position                | \$ 71,236,104 | \$ 66,908,089 | \$ 60,811,149 |

The College's total assets increased during fiscal year 2017 and 2016 by \$1.1 million and \$15.5 million, respectively. 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, which were under construction in both years.

**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.

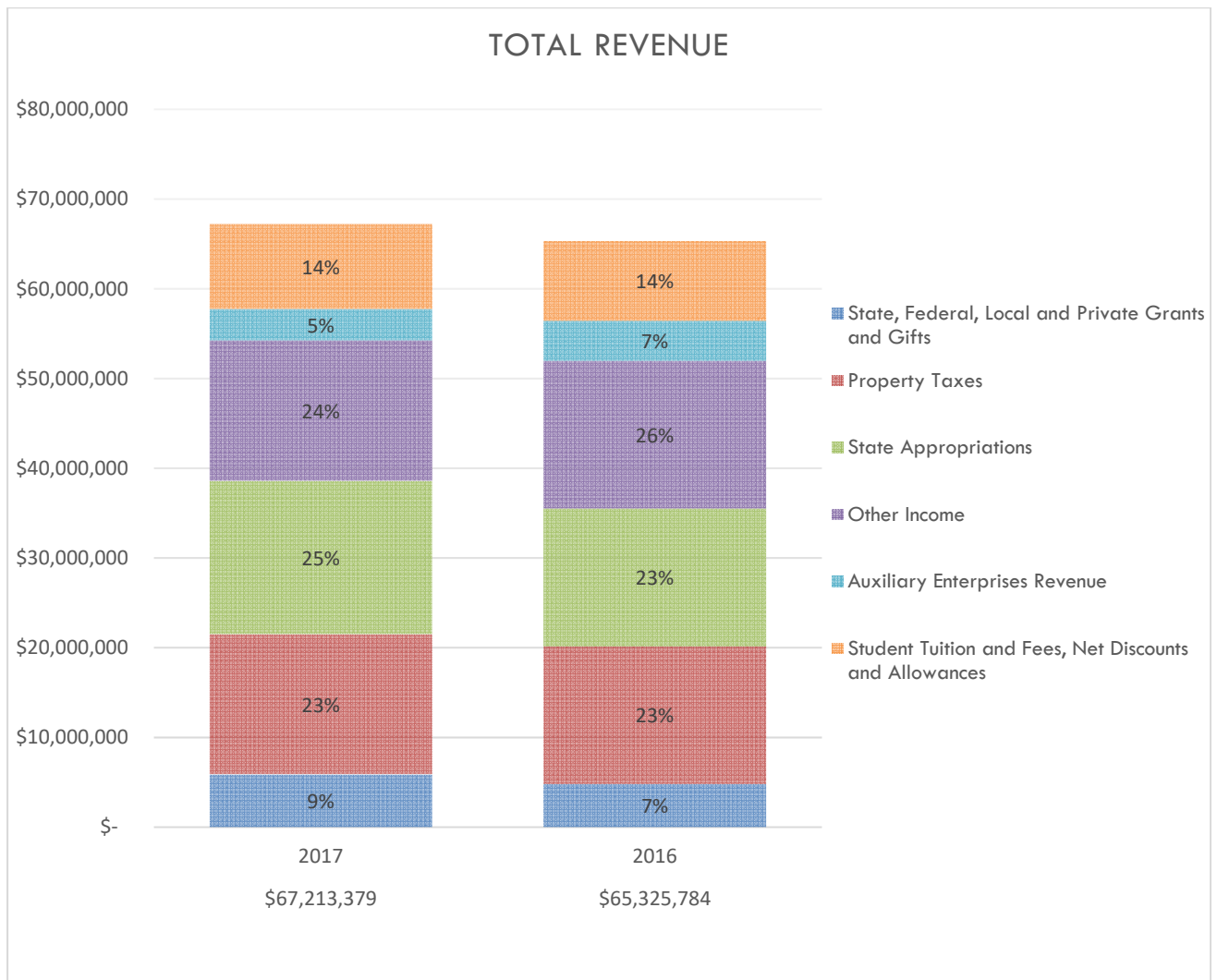
Generally, operating revenues are generated by providing services to various customers, students and constituencies of the College, including but not limited to student tuition and fees, auxiliary enterprises, and federal and state grants. Operating expenses are those expenses paid to acquire or produce 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, 2017, 2016, and 2015**

|   | 2017                 | 2016                 | 2015                 |
|---|----------------------|----------------------|----------------------|
| Operating Revenues                      |                      |                      |                      |
| Student tuition and fees, net           | \$ 9,454,809         | \$ 8,906,746         | \$ 8,293,524         |
| Auxiliary enterprises revenue           | 3,510,780            | 4,461,497            | 5,800,427            |
| State and local grants and contracts    | 415,050              | 593,437              | 445,688              |
| Federal grants and contracts            | 3,797,646            | 2,785,466            | 3,229,619            |
| Other operating revenues                | 2,686,257            | 2,625,326            | 3,090,799            |
| Total operating revenues                | <u>19,864,542</u>    | <u>19,372,472</u>    | <u>20,860,057</u>    |
| Operating Expenses                      | <u>63,415,832</u>    | <u>59,952,989</u>    | <u>60,642,968</u>    |
| Operating Loss                          | <u>(43,551,290)</u>  | <u>(40,580,517)</u>  | <u>(39,782,911)</u>  |
| Non-Operating Revenues (Expenses)       |                      |                      |                      |
| State appropriations                    | 17,086,041           | 15,346,021           | 14,848,955           |
| Property taxes                          | 15,604,242           | 15,341,711           | 14,798,833           |
| Non-operating state and federal grants  | 12,459,663           | 13,168,940           | 14,992,718           |
| Non-operating other income              | 325,121              | 577,765              | 787,138              |
| Private gifts, grants, and contracts    | 1,698,699            | 1,433,273            | 1,373,654            |
| Investment income                       | 175,071              | 85,602               | 37,022               |
| Interest expense                        | (231,541)            | -                    | (163,232)            |
| Loss on disposal of fixed assets        | (20,790)             | (27,789)             | (20,163)             |
| Total non-operating revenues            | <u>47,096,506</u>    | <u>45,925,523</u>    | <u>46,654,925</u>    |
| Net Income Before Capital Contributions | <u>3,545,216</u>     | <u>5,345,006</u>     | <u>6,872,014</u>     |
| Capital Contributions                   | <u>782,799</u>       | <u>751,934</u>       | <u>916,150</u>       |
| Change in Net Position                  | 4,328,015            | 6,096,940            | 7,788,164            |
| Net Position, Beginning of Year         | <u>66,908,089</u>    | <u>60,811,149</u>    | <u>53,022,985</u>    |
| Net Position, End of Year               | <u>\$ 71,236,104</u> | <u>\$ 66,908,089</u> | <u>\$ 60,811,149</u> |

The Statements of Revenue, Expenses and Changes in Net Position reflects an overall increase in net position of \$4.3 million during fiscal year 2017 compared to 2016. Operating revenues for the period increased by approximately \$492,000, while operating expenses increased by \$3.5 million, year over year. The increase in operating revenue was driven primarily by decreases in auxiliary enterprises revenue, offset by an increase in federal grants and contracts. The increase in operating expenses was primarily the result of changes in operations and maintenance of plant. Non-Operating revenues (expenses) for the same period increased by \$1.2 million due to increased state appropriations.

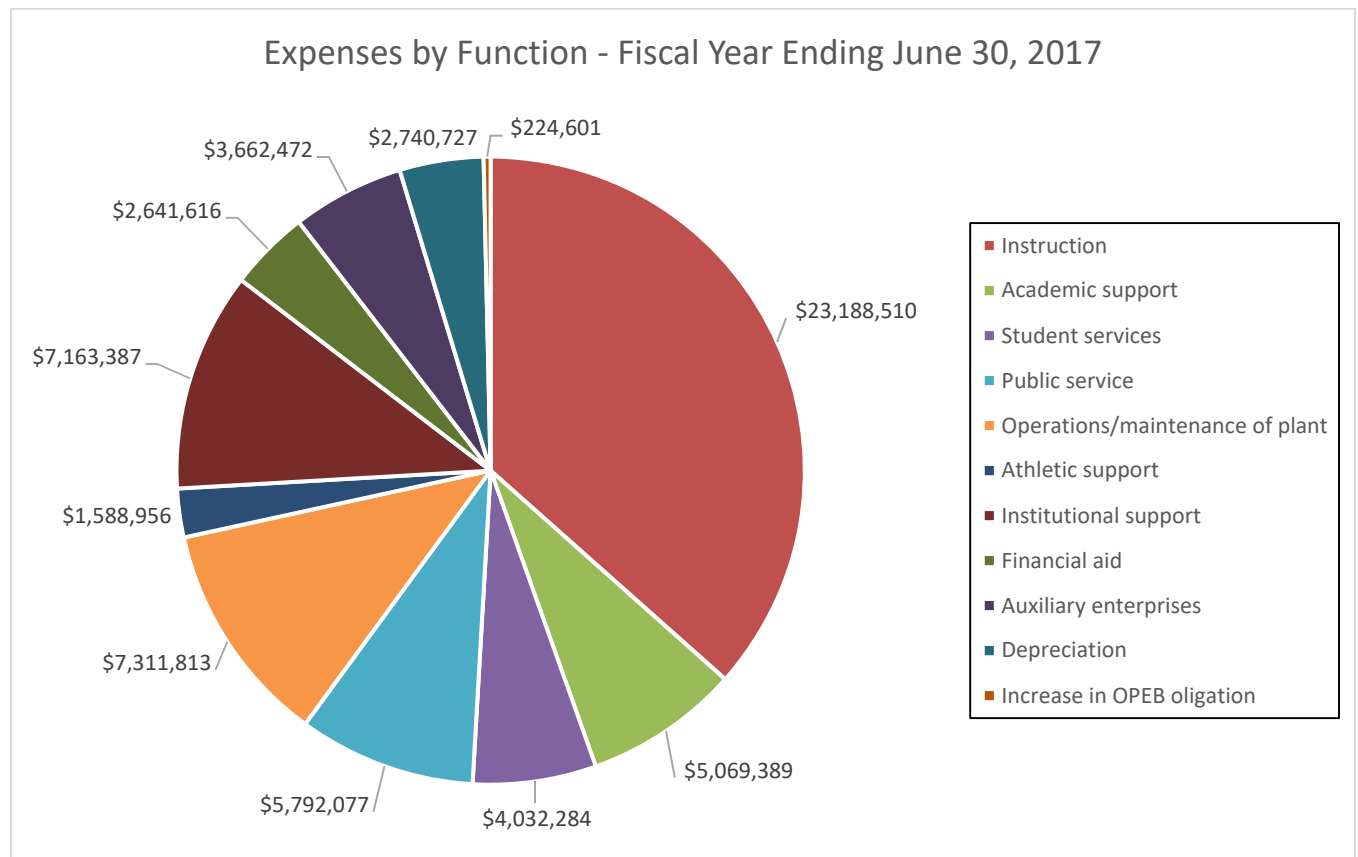
The statement reflects an overall increase in net position of \$6.1 million during fiscal year 2016 compared to 2015. Operating revenues for the period decreased by approximately \$1.5 million, while operating expenses decreased by \$690,000 million, year over year. The decrease in operating revenue was driven by decreases in auxiliary enterprises revenue. 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 \$45.9 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.

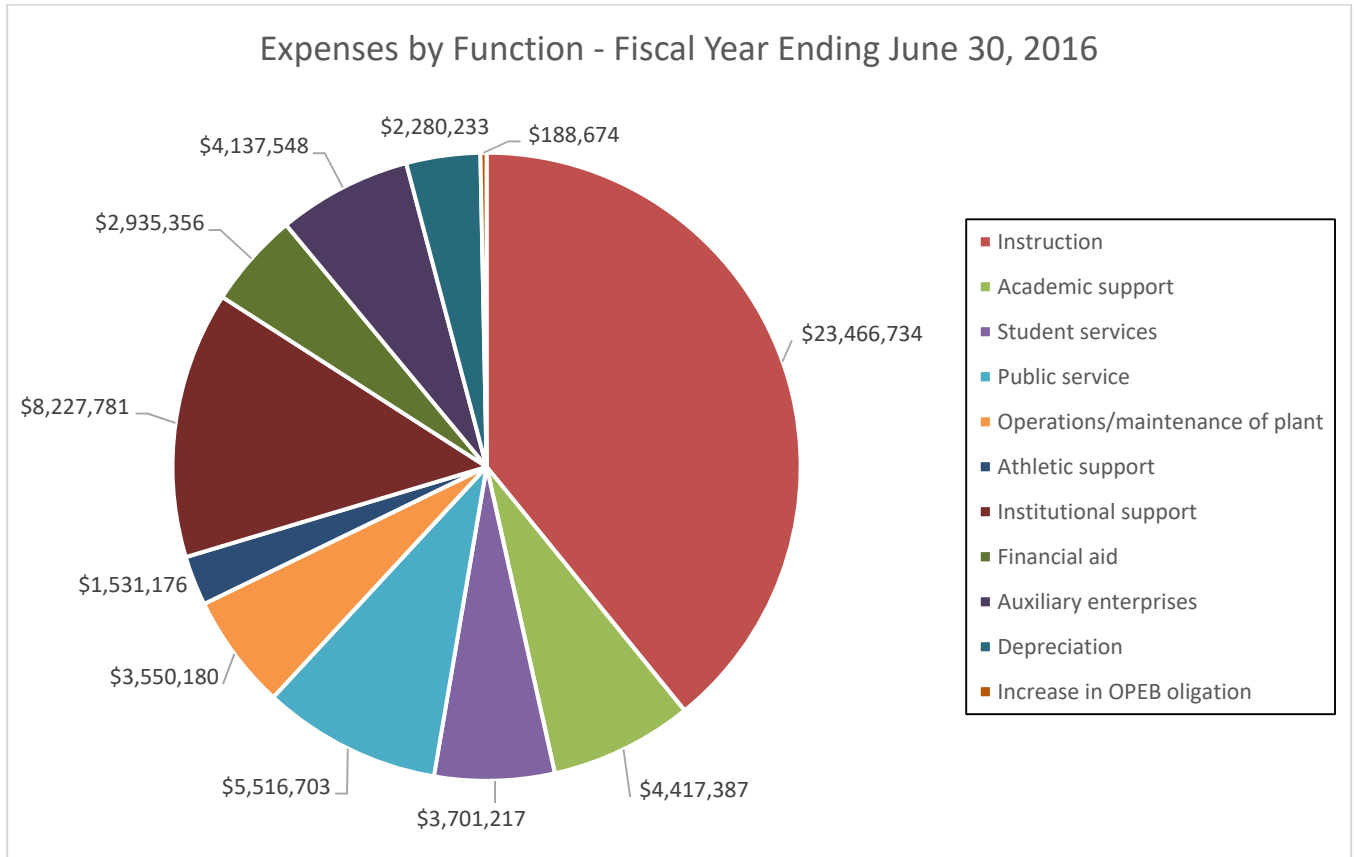
GASB 35 requires tuition and fee revenues from students to be reported net of scholarship discounts and allowances. Scholarship discounts and allowances are the difference between the College's stated charges for tuition and fees and the amount paid by students or third parties on behalf of the students. Total tuition and fees for 2017, 2016, and 2015 were \$16.1 million, \$16.5 million, and \$16.8 million, and allowances against those tuition and fees were \$6.7 million, \$7.6 million, and \$8.5 million, respectively. The scholarship allowance in 2017, 2016, and 2015 was 42%, 46%, and 51% 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, 2017 is as follows:



Instruction and academic support account for 45% of the total operating expense of the College.

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.

**Net Capital Assets**

|                                   | <u>2017</u>          | <u>2016</u>          | <u>Change</u>        |
|-----------------------------------|----------------------|----------------------|----------------------|
| Capital Assets                    |                      |                      |                      |
| Land and construction in progress | \$ 23,175,797        | \$ 29,865,160        | \$ (6,689,363)       |
| Ground improvements               | 5,260,941            | 4,310,303            | 950,638              |
| Buildings                         | 66,161,662           | 49,045,242           | 17,116,420           |
| Furniture and equipment           | 13,601,589           | 12,970,494           | 631,095              |
| Infrastructure                    | <u>7,527,194</u>     | <u>7,527,194</u>     | <u>-</u>             |
| Total capital assets              | 115,727,183          | 103,718,393          | 12,008,790           |
| Less accumulated depreciation     | <u>47,793,434</u>    | <u>45,290,881</u>    | <u>2,502,553</u>     |
| Net Capital Assets                | <u>\$ 67,933,749</u> | <u>\$ 58,427,512</u> | <u>\$ 9,506,237</u>  |
|                                   |                      |                      |                      |
|                                   | <u>2016</u>          | <u>2015</u>          | <u>Increase</u>      |
| 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                    | <u>7,527,194</u>     | <u>7,527,194</u>     | <u>-</u>             |
| Total capital assets              | 103,718,393          | 89,050,689           | 14,667,704           |
| Less accumulated depreciation     | <u>45,290,881</u>    | <u>43,165,859</u>    | <u>2,125,022</u>     |
| Net Capital Assets                | <u>\$ 58,427,512</u> | <u>\$ 45,884,830</u> | <u>\$ 12,542,682</u> |

At the end of 2017, the College had \$67.9 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 \$12.3 million in capital assets during 2017. More detailed information about the College's capital assets is presented in Note 3 to the basic financial statements.

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.

**Debt Administration**

As of June 30, 2017, the College had an outstanding liability of \$46,302 for leased property under capital leases for administrative equipment. At the end of fiscal year 2016, this figure was \$87,079. 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 2017, the College had \$3,325,000 in debt outstanding from the construction of the dormitory in 2001, and \$7,880,000 in debt outstanding from the construction of a Student Wellness and Recreation Center. Those figures were \$3,365,000 and \$7,880,000, respectively at the end of fiscal year 2016, along with \$400,000 from the expansion of the Student Union Building in 1997.



## **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 2017 has demonstrated that the size of these declines, while continuing, are smaller and point to the stabilization of enrollment.

The improving economy of North Idaho continues to impact enrollment credit enrollment as students weigh education with a healthy job market. The College continues to expand dual credit opportunities and invest in providing in-demand educational programs, including the recent program expansions in Computer Science and Cyber Security.

The College completed the construction and opened a Student Wellness and Recreation Center during the summer of 2017. 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.

During 2017, the College actively participated in the Governor's Task Force on Higher Education and will continue to deliver innovative responses to workforce needs and educational program needs. The College is committed to working to meet the 60% goal for the North Idaho region. Of important note is the pending implementation of an Outcomes Based Funding Model that will reallocate state higher education appropriations in part on the number of degrees and certificates awarded by institutions. The College is working with the State Board of Education and will continue to provide educational excellence to students while working to increase outcomes.

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.

North Idaho College  
Statements of Net Position  
June 30, 2017 and 2016

|  | 2017          | 2016          |
|--|---------------|---------------|
| Assets   |               |               |
| Current Assets   |               |               |
| Cash and cash equivalents  | \$ 17,316,062 | \$ 24,486,737 |
| Tuition and fees receivable, net of allowance for uncollectible amounts of \$499,244 in 2017 and \$584,213 in 2016 | 251,917       | 311,314       |
| Property tax receivable  | 5,622,597     | 5,643,398     |
| Other accounts receivable  | 2,610,816     | 2,372,541     |
| Prepaid supplies and expenses  | 11,561        | 379,145       |
| Inventory  | 21,837        | 460,493       |
| Total current assets   | 25,834,790    | 33,653,628    |
| Non-Current Assets   |               |               |
| Restricted cash and cash equivalents   | 577,835       | 1,057,917     |
| Restricted deposits held by bond trustee   | 724,285       | 788,020       |
| Non-depreciable capital assets   | 23,175,797    | 29,865,160    |
| Depreciable capital assets less accumulated depreciation   | 44,757,952    | 28,562,352    |
| Total non-current assets   | 69,235,869    | 60,273,449    |
| Total assets   | 95,070,659    | 93,927,077    |
| Deferred Outflow of Resources  |               |               |
| Deferred net pension   | 3,133,342     | 1,312,520     |

North Idaho College  
Statements of Net Position  
June 30, 2017 and 2016

|   | 2017          | 2016          |
|---|---------------|---------------|
| Liabilities                                       |               |               |
| Current Liabilities                               |               |               |
| Accounts payable                                  | 1,351,390     | 2,204,142     |
| Accrued salaries and benefits                     | 2,435,910     | 3,684,446     |
| Other accrued liabilities                         | 442,780       | 815,254       |
| Unearned tuition and fees revenue                 | 343,629       | 515,357       |
| Deposits held in custody for others               | 124,277       | 131,610       |
| Interest payable                                  | 55,443        | 36,013        |
| Long-term liabilities-current portion             | 921,043       | 904,108       |
| Total current liabilities                         | 5,674,472     | 8,290,930     |
| Non-Current Liabilities                           |               |               |
| Lease obligations, less current portion           | 5,305         | 45,930        |
| Revenue bonds, less current portion               | 10,772,278    | 11,507,444    |
| Compensated absences, less current portion        | 878,596       | 866,765       |
| Net pension liability                             | 6,988,742     | 4,705,425     |
| Net obligation for other post-employment benefits | 1,621,904     | 1,397,303     |
| Total non-current liabilities                     | 20,266,825    | 18,522,867    |
| Total liabilities                                 | 25,941,297    | 26,813,797    |
| Deferred Inflow of Resources                      |               |               |
| Deferred net pension                              | 1,026,600     | 1,517,711     |
| Net Position                                      |               |               |
| Net investment in capital assets                  | 56,390,169    | 46,122,989    |
| Restricted for                                    |               |               |
| Capital Projects                                  | 2,435,650     | 2,309,884     |
| Debt Service                                      | 1,964,082     | 1,289,650     |
| State, Federal, and Local Programs                | -             | 106,723       |
| Unrestricted                                      | 10,446,203    | 17,078,843    |
| Total net position                                | \$ 71,236,104 | \$ 66,908,089 |

North Idaho College  
Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended June 30, 2017 and 2016

|   | 2017          | 2016          |
|---|---------------|---------------|
| Revenues  |               |               |
| Operating revenues  |               |               |
| Student tuition and fees, net of scholarship allowances<br>of \$6,674,945 in 2017 and \$7,631,447 in 2016 | \$ 9,454,809  | \$ 8,906,746  |
| Auxiliary enterprises revenue   | 3,510,780     | 4,461,497     |
| State and local grants and contracts  | 415,050       | 593,437       |
| Federal grants and contracts  | 3,797,646     | 2,785,466     |
| Other operating revenues  | 2,686,257     | 2,625,326     |
| Total operating revenues  | 19,864,542    | 19,372,472    |
| Expenses  |               |               |
| Operating expenses  |               |               |
| Instruction   | 23,188,510    | 23,466,734    |
| Academic support  | 5,069,389     | 4,417,387     |
| Student services  | 4,032,284     | 3,701,217     |
| Public service  | 5,792,077     | 5,516,703     |
| Operations and maintenance of plant   | 7,311,813     | 3,550,180     |
| Athletic support  | 1,588,956     | 1,531,176     |
| Institutional support   | 7,163,387     | 8,227,781     |
| Financial aid   | 2,641,616     | 2,935,356     |
| Auxiliary enterprises   | 3,662,472     | 4,137,548     |
| Depreciation  | 2,740,727     | 2,280,233     |
| Increase in OPEB obligation   | 224,601       | 188,674       |
| Total operating expenses  | 63,415,832    | 59,952,989    |
| Operating Loss  | (43,551,290)  | (40,580,517)  |
| Non-Operating Revenues (Expenses)   |               |               |
| State appropriations  | 17,086,041    | 15,346,021    |
| Property taxes  | 15,604,242    | 15,341,711    |
| Non-operating state grants and contracts  | 1,274,574     | 1,076,887     |
| Non-operating federal grants and contracts  | 11,185,089    | 12,092,053    |
| Other non-operating income  | 325,121       | 577,765       |
| Private gifts, grants, and contracts  | 1,698,699     | 1,433,273     |
| Interest income   | 175,071       | 85,602        |
| Interest expense  | (231,541)     | -             |
| Loss on disposal of capital assets  | (20,790)      | (27,789)      |
| Total non-operating revenues  | 47,096,506    | 45,925,523    |
| Net Income Before Capital Contributions   | 3,545,216     | 5,345,006     |
| Capital Contributions   | 782,799       | 751,934       |
| Increase in Net Position  | 4,328,015     | 6,096,940     |
| Net Position, Beginning of Year   | 66,908,089    | 60,811,149    |
| Net Position, End of Year   | \$ 71,236,104 | \$ 66,908,089 |

See Notes to Financial Statements

North Idaho College  
Statements of Cash Flows  
Years Ended June 30, 2017 and 2016

|  | <u>2017</u>          | <u>2016</u>          |
|--|----------------------|----------------------|
| Operating Activities                                       |                      |                      |
| Tuition and fees   | \$ 9,342,478         | \$ 8,777,961         |
| Payments to suppliers                                      | (18,534,964)         | (15,070,428)         |
| Payments to employees                                      | (41,494,033)         | (39,231,651)         |
| Payments for financial aid                                 | (2,641,616)          | (2,935,356)          |
| Auxiliary enterprise charges                               | 3,510,780            | 4,461,497            |
| Federal, state, and local grants and contracts             | 4,212,696            | 3,378,903            |
| Other revenue  | <u>2,447,982</u>     | <u>2,630,971</u>     |
| Net Cash used for Operating Activities                     | <u>(43,156,677)</u>  | <u>(37,988,103)</u>  |
| Noncapital Financing Activities                            |                      |                      |
| Local property taxes                                       | 15,625,043           | 15,210,260           |
| State appropriations                                       | 17,086,041           | 15,346,021           |
| Grants and contracts                                       | <u>14,483,483</u>    | <u>15,179,978</u>    |
| Net Cash from Noncapital Financing Activities              | <u>47,194,567</u>    | <u>45,736,259</u>    |
| Capital and Related Financing Activities                   |                      |                      |
| Purchase of capital assets                                 | (10,758,202)         | (12,423,587)         |
| Restricted deposits held by bond trustee                   | 63,735               | (67,961)             |
| Proceeds from new debt                                     | -                    | 7,880,000            |
| Principal paid on capital debt and leases                  | (750,777)            | (728,024)            |
| Interest paid on capital debt and leases                   | <u>(418,474)</u>     | <u>(135,500)</u>     |
| Net Cash used for Capital and Related Financing Activities | <u>(11,863,718)</u>  | <u>(5,475,072)</u>   |
| Investing Activities                                       |                      |                      |
| Interest on investments or cash deposits                   | <u>175,071</u>       | <u>85,602</u>        |
| Net Cash from Investing Activities                         | <u>175,071</u>       | <u>85,602</u>        |
| Net Change in Cash and Cash Equivalents                    | (7,650,757)          | 2,358,686            |
| Cash and Cash Equivalents, Beginning of Year               | <u>25,544,654</u>    | <u>23,185,968</u>    |
| Cash and Cash Equivalents, End of Year                     | <u>\$ 17,893,897</u> | <u>\$ 25,544,654</u> |

North Idaho College  
Statements of Cash Flows  
Years Ended June 30, 2017 and 2016

|   | 2017            | 2016            |
|---|-----------------|-----------------|
| Reconciliation of Operating Loss to Net   |                 |                 |
| Cash used for Operating Activities  |                 |                 |
| Operating loss  | \$ (43,551,290) | \$ (40,580,517) |
| Adjustments to reconcile operating loss to net cash used for operating activities |                 |                 |
| Depreciation and amortization   | 2,730,561       | 2,541,983       |
| GASB 68 - Actuarial pension revenue   | (28,616)        | (251,419)       |
| Change in OPEB obligation   | 224,601         | 188,674         |
| Changes in assets and liabilities   |                 |                 |
| Receivables (net)   | (178,878)       | (141,357)       |
| Prepaid supplies and expenses   | 367,584         | (298,268)       |
| Inventory   | 438,656         | 78,771          |
| Accounts payable  | (1,373,142)     | (90,978)        |
| Accrued salaries and benefits   | (1,248,536)     | 35,733          |
| Other accrued liabilities   | (372,474)       | 478,982         |
| Unearned tuition and fees revenue   | (171,728)       | 18,217          |
| Deposits held in custody for others   | (7,333)         | 1,662           |
| Compensated absences  | 13,918          | 30,414          |
| Net Cash used for Operating Activities  | \$ (43,156,677) | \$ (37,988,103) |
| Supplemental Disclosure of Noncash Activity                                       |                 |                 |
| Amortization of premium of refunding  | \$ 10,166       | \$ (261,750)    |
| Fixed assets acquired from capital contributions                                  | \$ 782,799      | \$ 733,714      |
| Fixed assets acquired from accounts payable                                       | \$ 520,390      | \$ 1,568,756    |
| Reconciliation of Cash, Restricted Cash and Cash Equivalents                      |                 |                 |
| Cash and cash equivalents   | \$ 17,316,062   | \$ 24,486,737   |
| Restricted cash and cash equivalents  | 577,835         | 1,057,917       |
| Total cash, restricted cash and cash equivalents                                  | \$ 17,893,897   | \$ 25,544,654   |

North Idaho College Foundation, Inc.  
 Statements of Financial Position – Component Unit  
 June 30, 2017 and 2016

|  | 2017          | 2016          |
|--|---------------|---------------|
| Assets                                 |               |               |
| Current Assets                         |               |               |
| Cash and cash equivalents              | \$ 3,834,560  | \$ 3,963,899  |
| Contributions receivable, net          | 591,801       | 335,803       |
| Cash surrender value of life insurance | 57,700        | 55,900        |
| Other assets                           | 371,829       | 359,646       |
| Total current assets                   | 4,855,890     | 4,715,248     |
| Property and Equipment                 | 130,000       | 130,000       |
| Investments                            | 22,967,084    | 20,003,198    |
|  | \$ 27,952,974 | \$ 24,848,446 |
| Liabilities and Net Assets             |               |               |
| Current Liabilities                    |               |               |
| Accounts and other payables            | \$ 82,378     | \$ 139,533    |
| Deferred revenue                       | 550,000       | 550,000       |
| Total current liabilities              | 632,378       | 689,533       |
| Net Assets                             |               |               |
| Unrestricted                           | 4,689,395     | 4,067,588     |
| Temporarily restricted                 | 10,833,655    | 8,800,202     |
| Permanently restricted                 | 11,797,546    | 11,291,123    |
| Total net assets                       | 27,320,596    | 24,158,913    |
|  | \$ 27,952,974 | \$ 24,848,446 |

North Idaho College Foundation, Inc.  
 Statements of Activities – Component Unit  
 Years Ended June 30, 2017 and 2016

|  | 2017          | 2016          |
|--|---------------|---------------|
| Unrestricted Net Assets                                    |               |               |
| Unrestricted revenues, gains and support                   |               |               |
| Raffle ticket sales  | \$ 550,000    | \$ 500,000    |
| Contributions  | 117,411       | 86,296        |
| Investment income  | 67,397        | 69,227        |
| Net gain (loss) on investments                             | 504,297       | (74,453)      |
| Loss on disposal of assets                                 | -             | (4,715)       |
| Other  | 58,352        | 40,838        |
| Net assets released from restrictions                      |               |               |
| Satisfaction of program restriction                        | 920,232       | 1,014,936     |
| Total unrestricted revenues, gains and support             | 2,217,689     | 1,632,129     |
| Expenses   |               |               |
| Program services   | 983,180       | 1,089,319     |
| Supporting services  |               |               |
| General and administrative                                 | 143,131       | 136,443       |
| Fundraising  | 469,571       | 479,135       |
| Total expenses   | 1,595,882     | 1,704,897     |
| Increase (Decrease) in Unrestricted Net Assets             | 621,807       | (72,768)      |
| Temporarily Restricted Net Assets                          |               |               |
| Contributions  | 626,784       | 2,974,321     |
| Investment income  | 274,910       | 326,229       |
| Net gain (loss) on investments                             | 2,056,991     | (350,831)     |
| Net assets released from restrictions                      |               |               |
| Satisfaction of program restrictions                       | (920,232)     | (1,014,936)   |
| Transfers  | (5,000)       | (131)         |
| Increase in Temporarily Restricted Net Assets              | 2,033,453     | 1,934,652     |
| Permanently Restricted Net Assets                          |               |               |
| Endowment fund contributions                               | 496,420       | 118,163       |
| Transfers to (from) permanent endowment at donor's request | 10,003        | (4,872)       |
| Increase in Permanently Restricted Net Assets              | 506,423       | 113,291       |
| Increase in Net Assets                                     | 3,161,683     | 1,975,175     |
| Net Assets, Beginning of Year                              | 24,158,913    | 22,183,738    |
| Net Assets, End of Year                                    | \$ 27,320,596 | \$ 24,158,913 |



## **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 years ended June 30, 2017 and 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 years ended June 30, 2017 and 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 2010 through 2016 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 (the 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 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, 2017 and 2016, the accrued expenses for compensated absences were \$1,033,642 and \$1,019,724, 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, 2017 and 2016, 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 \$3,697,198 and \$3,080,505 as of June 30, 2017 and 2016, respectively, 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, 2017 and 2016.

### **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 and operating revenues categories.

### 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, 2017 and 2016, the College's cash, cash equivalents and investments consisted of the following:

|                                  | 2017         |                 |
|----------------------------------|--------------|-----------------|
|                                  | Bank Balance | Carrying Amount |
| Cash and cash equivalents        |              |                 |
| Bank deposit                     | \$ 2,745,922 | \$ 2,545,637    |
| Local Government Investment Pool | 14,520,425   | 14,520,425      |
| Money market                     | 253,621      | 250,000         |
| Restricted cash                  |              |                 |
| Bank deposit                     | 565,704      | 577,835         |
| Bond account - money market      | 724,285      | 724,285         |
|                                  |              |                 |
|                                  | 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         |

#### 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, 2017, \$3,176,231 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.

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely impact the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the College manages its exposure to interest rate risk is by keeping funds needed for operations in short-term liquid investments. All investments types discussed above have a maturity date of less than one year.

### Note 3 - Capital Assets

Capital assets at June 30, 2017 consist of the following:

|   | Balance<br>6/30/2016 | Additions           | Transfers           | Retirements        | Balance<br>6/30/2017 |
|---|----------------------|---------------------|---------------------|--------------------|----------------------|
| Capital assets, not being depreciated         |                      |                     |                     |                    |                      |
| Land  | \$ 15,465,014        | \$ -                | \$ -                | \$ -               | \$ 15,465,014        |
| Construction in progress                      | 14,400,146           | 7,047,547           | (13,736,910)        | -                  | 7,710,783            |
| Total capital assets not<br>being depreciated | <u>29,865,160</u>    | <u>7,047,547</u>    | <u>(13,736,910)</u> | <u>-</u>           | <u>23,175,797</u>    |
| Capital assets, being depreciated             |                      |                     |                     |                    |                      |
| Grounds improvements                          | 4,310,303            | 950,638             | -                   | -                  | 5,260,941            |
| Buildings                                     | 49,045,242           | 3,379,510           | 13,736,910          | -                  | 66,161,662           |
| Furniture and equipment                       | 12,970,494           | 890,059             | -                   | (258,964)          | 13,601,589           |
| Infrastructure                                | 7,527,194            | -                   | -                   | -                  | 7,527,194            |
| Total capital assets<br>being depreciated     | <u>73,853,233</u>    | <u>5,220,207</u>    | <u>13,736,910</u>   | <u>(258,964)</u>   | <u>92,551,386</u>    |
| Less accumulated depreciation:                |                      |                     |                     |                    |                      |
| Grounds improvements                          | 1,957,269            | 202,637             | -                   | -                  | 2,159,906            |
| Buildings                                     | 28,163,682           | 1,570,865           | -                   | -                  | 29,734,547           |
| Furniture and equipment                       | 9,939,431            | 719,261             | -                   | (238,174)          | 10,420,518           |
| Infrastructure                                | 5,230,499            | 247,964             | -                   | -                  | 5,478,463            |
| Total accumulated depreciation                | <u>45,290,881</u>    | <u>2,740,727</u>    | <u>-</u>            | <u>(238,174)</u>   | <u>47,793,434</u>    |
| Capital assets being depreciated, net         | <u>28,562,352</u>    | <u>2,479,480</u>    | <u>13,736,910</u>   | <u>(20,790)</u>    | <u>44,757,952</u>    |
| Total capital assets, net                     | <u>\$ 58,427,512</u> | <u>\$ 9,527,027</u> | <u>\$ -</u>         | <u>\$ (20,790)</u> | <u>\$ 67,933,749</u> |

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

|   | Balance<br>6/30/2015 | Additions            | Transfers   | Retirements        | Balance<br>6/30/2016 |
|---|----------------------|----------------------|-------------|--------------------|----------------------|
| 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<br>being depreciated | <u>16,568,871</u>    | <u>13,296,289</u>    | <u>-</u>    | <u>-</u>           | <u>29,865,160</u>    |
| 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<br>being depreciated     | <u>72,481,818</u>    | <u>1,554,415</u>     | <u>-</u>    | <u>(183,000)</u>   | <u>73,853,233</u>    |
| 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                | <u>43,165,859</u>    | <u>2,280,233</u>     | <u>-</u>    | <u>(155,211)</u>   | <u>45,290,881</u>    |
| Capital assets being depreciated, net         | <u>29,315,959</u>    | <u>(725,818)</u>     | <u>-</u>    | <u>(27,789)</u>    | <u>28,562,352</u>    |
| Total capital assets, net                     | <u>\$ 45,884,830</u> | <u>\$ 12,570,471</u> | <u>\$ -</u> | <u>\$ (27,789)</u> | <u>\$ 58,427,512</u> |

#### 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 statute. 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 20<sup>th</sup> of December; however, they may be paid in two installments with the second installment due June 20<sup>th</sup>. 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 \$597,066 and \$595,833 for fiscal years 2017 and 2016, respectively. As of June 30, 2017, future minimum operating lease commitments are as follows:

| <u>Year Ended June 30,</u> |                            |
|----------------------------|----------------------------|
| 2018                       | \$ 371,341                 |
| 2019                       | 196,050                    |
| 2020                       | 196,839                    |
| 2021                       | 124,203                    |
| 2022                       | <u>124,203</u>             |
| Total                      | <u><u>\$ 1,012,636</u></u> |

**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, 2017, the assets under capital lease equaled \$201,421 with accumulated depreciation of \$157,780. At June 30, 2016, the assets under capital lease equaled \$201,421, with accumulated depreciation of \$117,496. Amortization of assets under capital lease is included in depreciation expense.

As of June 30, 2017, future minimum capital lease commitments are as follows:

| <u>Year Ended June 30,</u>        |                         |
|-----------------------------------|-------------------------|
| 2018                              | \$ 41,146               |
| 2019                              | <u>5,308</u>            |
| Total minimum obligation          | 46,454                  |
| Less amount representing interest | <u>(152)</u>            |
| Totals                            | <u><u>\$ 46,302</u></u> |

**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, which was paid off in fiscal year 2017.

**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 2.25% to 4.00%. 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**

| <u>Years Ending<br/>June 30,</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        | <u>Interest Rate</u> |
|----------------------------------|---------------------|-------------------|---------------------|----------------------|
| 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                             | <u>300,000</u>      | <u>9,300</u>      | <u>309,300</u>      | 3.10%                |
|                                  | <u>\$ 3,325,000</u> | <u>\$ 263,875</u> | <u>\$ 3,588,875</u> |                      |

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 2017, the College was in compliance with this requirement.

There was \$1,432,333 and \$1,138,489 in pledged revenue generated from the operations of the Student Union Building and the Dormitory to cover the debt service costs for the years ended June 30, 2017 and 2016. The total debt service during the years ended June 30, 2017 and 2016, was \$1,069,139 and \$823,639, respectively.

**Revenue Bonds, Series 2016**

The College acquired new debt in fiscal year 2016 for construction of the Student Wellness and Recreation Center. The new debt agreement calls for 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% to 4.50%.

The 2016 bonds mature in the amounts as follows:

**Series 2016**

| Years Ending<br>June 30, | Principal           | Interest            | Total                | Interest Rate |
|--------------------------|---------------------|---------------------|----------------------|---------------|
| 2018                     | \$ -                | \$ 279,856          | \$ 279,856           |               |
| 2019                     | -                   | 279,856             | 279,856              |               |
| 2020                     | -                   | 279,856             | 279,856              |               |
| 2021                     | -                   | 279,856             | 279,856              |               |
| 2022                     | -                   | 279,856             | 279,856              | 2.00%         |
| 2023-2027                | 1,155,000           | 1,337,081           | 2,492,081            | 2.00% - 4.00% |
| 2028-2032                | 1,375,000           | 1,124,522           | 2,499,522            | 3.00% - 4.00% |
| 2033-2037                | 1,625,000           | 882,595             | 2,507,595            | 3% - 3.125%   |
| 2038-2042                | 1,900,000           | 596,250             | 2,496,250            | 3.375%        |
| 2043-2046                | 1,825,000           | 169,089             | 1,994,089            | 4.500%        |
|                          | <u>\$ 7,880,000</u> | <u>\$ 5,508,817</u> | <u>\$ 13,388,817</u> |               |

Unamortized premium on the Series 2016 Revenue Bonds was \$292,278 and \$302,444 as of June 30, 2017 and 2016. The premium is amortized \$10,166 per year through 2046.

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 2012 series and 2016 series calls for a reserve account to be maintained with a balance of \$731,797. At June 30, 2017, \$724,285 was on deposit.

### Changes in Long-Term Debt

Long-term liability activity for the year ended June 30, 2017, is as follows:

For the fiscal year ending June 30, 2017:

|                              | Beginning<br>Balance | Additions        | Deletions         | Ending<br>Balance    | Due Within<br>One Year |
|------------------------------|----------------------|------------------|-------------------|----------------------|------------------------|
| Lease obligations            | \$ 87,079            | \$ -             | \$ 40,777         | \$ 46,302            | \$ 40,997              |
| 2008 Revenue bonds           | 400,000              | -                | 400,000           | -                    | -                      |
| 2012 Revenue bonds           | 3,635,000            | -                | 310,000           | 3,325,000            | 725,000                |
| 2016 Revenue bonds           | 7,880,000            | -                | -                 | 7,880,000            | -                      |
| Compensated absences         | 1,019,724            | 13,918           | -                 | 1,033,642            | 155,046                |
| Total long-term liabilities: | <u>\$ 13,021,803</u> | <u>\$ 13,918</u> | <u>\$ 750,777</u> | <u>\$ 12,284,944</u> | <u>\$ 921,043</u>      |

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

For the fiscal year ending June 30, 2016:

|                              | Beginning<br>Balance | Additions           | Deletions         | Ending<br>Balance    | Due Within<br>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 absences         | 989,310              | 30,414              | -                 | 1,019,724            | 152,959                |
| Total long-term liabilities: | <u>\$ 5,839,413</u>  | <u>\$ 7,910,414</u> | <u>\$ 728,024</u> | <u>\$ 13,021,803</u> | <u>\$ 904,108</u>      |

### 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 or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://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 of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

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

### *Member and Employer Contributions*

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2016 and 2015 it was 6.79% for general employees. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% general employees. The College's contributions were \$1,165,656 and \$1,141,156 for the years ended June 30, 2017 and 2016.

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

At June 30, 2017 and 2016, the College reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2017 and 2016, the College's proportion was .3447564% and .3573277%, respectively.

For the years ended June 30, 2017 and 2016, the College recognized pension expense of \$1,226,944 and \$937,669, respectively. At June 30, 2017 and 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | 2017                                 |                                     | 2016                                 |                                     |
|---|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
| Differences between expected and actual experience  | \$ -                                 | \$ 696,376                          | \$ -                                 | \$ 564,079                          |
| Differences between expected and actual investment earnings   | 1,812,331                            | -                                   | -                                    | 739,260                             |
| Changes in actuarial assumptions  | 155,355                              | -                                   | 171,364                              | -                                   |
| Net pension liability change in proportion College's contributions subsequent to the measurement date | -                                    | 330,224                             | -                                    | 214,372                             |
|   | <u>1,165,656</u>                     | <u>-</u>                            | <u>1,141,156</u>                     | <u>-</u>                            |
| Total   | <u>\$ 3,133,342</u>                  | <u>\$ 1,026,600</u>                 | <u>\$ 1,312,520</u>                  | <u>\$ 1,517,711</u>                 |

The \$1,165,656 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, 2018.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2015, the beginning of the measurement period ended June 30, 2016, is 4.9 and 5.5 years for the measurement period ended June 30, 2015.

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

Year ended June 30:

|      |             |
|------|-------------|
| 2018 | \$ (82,457) |
| 2019 | (82,457)    |
| 2020 | 721,252     |
| 2021 | 384,748     |

*Actuarial Assumptions*

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

The total pension liability in the June 30, 2016 and 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%                                |

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

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

An experience study was performed for the period July 1, 2009 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2016 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2016 is based on the results of an actuarial valuation date July 1, 2016.

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

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

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2016.

**Capital Market Assumptions**

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

\* Expected arithmetic return net of fees and expenses

**Actuarial Assumptions:**

|   |       |
|---|-------|
| Assumed Inflation - Mean  | 3.25% |
| Assumed Inflation - Standard Deviation  | 2.00% |
| Portfolio Arithmetic Mean Return  | 8.42% |
| <br>  |       |
| Portfolio Long-Term Expected<br>Geometric Rate of Return                              | 7.50% |
| Assumed Investment Expenses   | 0.40% |
| <br>  |       |
| <b>Long-Term Expected<br/>Geometric Rate of Return<br/>Net of Investment Expenses</b> | 7.10% |

*Discount Rate*

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



*Sensitivity of the 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, 2017, calculated using the discount rate of 7.10%, 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%) or 1-percentage-point higher (8.10%) than the current rate:

|  | 1% Decrease<br>(6.10%) | Current<br>Discount Rate<br>(7.10%) | 1% Increase<br>(8.10%) |
|--|------------------------|-------------------------------------|------------------------|
| Employer's net pension liability (asset) | \$ 13,709,431          | \$ 6,988,742                        | \$ 1,399,746           |

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%, 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%) or 1-percentage-point higher (8.10%) than the current rate:

|  | 1% Decrease<br>(6.10%) | Current<br>Discount Rate<br>(7.10%) | 1% Increase<br>(8.10%) |
|--|------------------------|-------------------------------------|------------------------|
| Employer's net pension liability (asset) | \$ 11,460,705          | \$ 4,705,425                        | \$ (910,695)           |

*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](http://www.persi.idaho.gov).

*Payables to the pension plan*

At June 30, 2017 and 2016, 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 2017, the College contributed \$87,259 to the plan for current premiums or approximately 45% of estimated total retiree costs. Plan members receiving benefits contributed \$105,323 in 2017, or approximately 55% of the total estimated retiree costs. Retirees are required to pay 100% 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% of the retiree medical and dental plan premiums. Monthly rates in effect for retirees under age 65 during fiscal year 2016 were as follows:

| <b>Pre-65 rates</b> | <b>Regence Blue Shield (Select Plan)</b> | <b>Regence Blue Shield (Basic Plan)</b> | <b>Delta Dental</b> | <b>Willamette Dental</b> | <b>Life*</b>      |
|---------------------|--|---|---------------------|--------------------------|-------------------|
| Retiree Only        | \$555.00                                 | \$488.00                                | \$51.93             | \$48.95                  | \$28.12 & \$14.06 |
| Retiree +1          | \$1,313.00                               | \$1,156.00                              | \$103.55            | \$97.80                  | \$2.81 & \$1.41   |
| Retiree 2+          | \$1,602.00                               | \$1,410.00                              | \$151.72            | \$143.25                 | \$2.81 & \$1.41   |

\*Life is pre and post 65 and \$2.81 is the dependent contribution. Two levels of benefits for retirees are offered \$20,000 and \$10,000 at \$28.12 and \$14.06 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               | \$ 314,681                 |
| Interest on net OPEB obligation            | 45,412                     |
| Adjustment to annual required contribution | <u>(48,233)</u>            |
| Annual OPEB cost                           | 311,860                    |
| Estimated contributions made               | <u>(87,259)</u>            |
| Increase in net OPEB obligation            | 224,601                    |
| Net OPEB obligation – beginning of year    | <u>1,397,303</u>           |
| Net OPEB obligation – end of year          | <u><u>\$ 1,621,904</u></u> |

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

| Fiscal<br>Year Ended | Annual<br>OPEB Cost | Percentage of Annual OPEB Cost<br>Estimated Contribution | Net OPEB<br>Obligation |
|----------------------|---------------------|--|------------------------|
| June 30, 2015        | \$ 267,625          | 36%  | \$ 1,208,629           |
| June 30, 2016        | \$ 281,957          | 33%  | \$ 1,397,303           |
| June 30, 2017        | \$ 311,860          | 28%  | \$ 1,621,904           |

### Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability for benefits was \$2.782 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.782 million. The covered payroll (annual payroll of active employees covered by the plan) was \$24.534 million, and the ratio of the UAAL to the covered payroll was 11%.

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, 2016 actuarial valuation, the Projected Unit Credit (PUC) actuarial cost method was used. The actuarial assumptions included a 3.25% 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 2.50% implied inflation rate (CPI). Annual medical cost trend rates are 6.4% for fiscal year 2016, 5.4% for fiscal year 2017, and an ultimate rate of 4.3% by 2102. Annual dental cost trend rates are 5.0% for fiscal year 2016, -8.8% for fiscal year 2017, with an ultimate rate of 4.3% by 2102. The valuation assumes that 55% of eligible retirees will actually participate in the retiree medical plan and in the retiree dental plan. The valuation also assumes 25% 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 3.00% 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 - 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 \$920,232 and \$1,014,936 for the years ended June 30, 2017 and 2016, respectively. The College also provided funding for the Foundation's staff salary and benefits in the amounts of \$187,199 and \$183,261 for the years ended June 30, 2017 and 2016, respectively. Amounts receivable from the Foundation as of June 30, 2017 and 2016, were \$80,159 and \$122,914, respectively. Outstanding checks from the Foundation were \$41,268 and \$67,091 as of June 30, 2017 and 2016, respectively.

#### **Note 11 - 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 statements of activities. The market value of the investments is as follows at June 30:

|                        | 2017          | 2016          |
|------------------------|---------------|---------------|
| Commonfund investments | \$ 17,707,640 | \$ 15,572,432 |
| Domestic securities    | 4,233,843     | 3,583,158     |
| Foreign securities     | 1,000,504     | 820,626       |
| Corporate bonds        | 25,097        | 26,982        |
|                        | \$ 22,967,084 | \$ 20,003,198 |

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 unless otherwise stipulated:

|   | 2017         | 2016         |
|---|--------------|--------------|
| Net unrealized and realized gain (loss) on investments held at market | \$ 2,561,288 | \$ (425,284) |
| Investment income   | 433,379      | 477,327      |
| Investment fees   | (91,072)     | (81,871)     |
| Total return (loss) on investments                                    | \$ 2,903,595 | \$ (29,828)  |

**Net Assets**

The following identifies the breakdown of unrestricted net assets at June 30:

|  | 2017         | 2016         |
|--|--------------|--------------|
| Designated by the Board for endowment purposes | \$ 3,001,988 | \$ 2,641,487 |
| Undesignated revenue from raffle fund-raiser   | 185,024      | 116,510      |
| Undesignated                                   | 1,502,383    | 1,309,591    |
|  | \$ 4,689,395 | \$ 4,067,588 |

Temporarily restricted net assets are available primarily as scholarship assistance, and program support, as well as for other purposes as stipulated by their donors as follows:

|   | 2017          | 2016         |
|---|---------------|--------------|
| Unappropriated endowment earnings           | \$ 6,247,145  | \$ 4,700,808 |
| Nonendowment, temporarily restricted assets | 4,586,510     | 4,099,394    |
|   | \$ 10,833,655 | \$ 8,800,202 |

Permanently restricted net assets consist of contributions that are to provide a permanent endowment.

### **Endowment Accounts**

The Foundation's endowment consists of approximately 350 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 assets 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, 2017:

|                                  | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Total                |
|----------------------------------|---------------------|---------------------------|---------------------------|----------------------|
| Donor-restricted endowment funds | \$ -                | \$ 6,247,145              | \$ 11,797,546             | \$ 18,044,691        |
| Board-designated endowment funds | 3,001,988           | -                         | -                         | 3,001,988            |
|                                  | <u>\$ 3,001,988</u> | <u>\$ 6,247,145</u>       | <u>\$ 11,797,546</u>      | <u>\$ 21,046,679</u> |

Changes in Endowment net assets for the fiscal year ended June 30, 2017:

|  | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Total                |
|--|---------------------|---------------------------|---------------------------|----------------------|
| Endowment net assets, beginning of year  | \$ 2,641,487        | \$ 4,700,808              | \$ 11,291,123             | \$ 18,633,418        |
| Investment return  |                     |                           |                           |                      |
| Investment income  | 43,434              | 261,094                   | -                         | 304,528              |
| Net depreciation (realized and unrealized)   | 324,997             | 1,953,617                 | -                         | 2,278,614            |
| Total investment returns   | 368,431             | 2,214,711                 | -                         | 2,583,142            |
| Contributions  | -                   | -                         | 496,420                   | 496,420              |
| Appropriation of endowment assets<br>for expenditures  | (7,930)             | (668,374)                 | -                         | (676,304)            |
| Other changes  |                     |                           |                           |                      |
| Transfers at donor request from<br>nonendowed temporarily<br>restricted funds at donor request | -                   | -                         | 10,003                    | 10,003               |
| Endowment net assets, end of year  | <u>\$ 3,001,988</u> | <u>\$ 6,247,145</u>       | <u>\$ 11,797,546</u>      | <u>\$ 21,046,679</u> |

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

|                                  | Unrestricted        | Temporarily<br>Restricted | Permanently<br>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            |
|                                  | <u>\$ 2,641,487</u> | <u>\$ 4,700,808</u>       | <u>\$ 11,291,123</u>      | <u>\$ 18,633,418</u> |

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

|  | Unrestricted        | Temporarily<br>Restricted | Permanently<br>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 appreciation (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<br>for expenditures  | (7,423)             | (646,588)                 | -                         | (654,011)            |
| Other changes:   |                     |                           |                           |                      |
| Transfers at donor request from<br>nonendowed temporarily<br>restricted funds at donor request | -                   | -                         | (4,872)                   | (4,872)              |
| Endowment net assets, end of year  | <u>\$ 2,641,487</u> | <u>\$ 4,700,808</u>       | <u>\$ 11,291,123</u>      | <u>\$ 18,633,418</u> |

#### *Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies reported in unrestricted net assets as of June 30, 2017 and 2016.

#### *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% 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% 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at 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 independent 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 Topic 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, 2017:

|   | <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>         |
|---|---------------------|----------------|----------------|----------------------|
| Domestic securities                             | \$ 4,233,843        | \$ -           | \$ -           | \$ 4,233,843         |
| Foreign securities                              | 1,000,504           | -              | -              | 1,000,504            |
| Corporate bonds                                 | <u>25,097</u>       | <u>-</u>       | <u>-</u>       | <u>25,097</u>        |
| Total assets in the fair value heirarchy        | <u>\$ 5,259,444</u> | <u>\$ -</u>    | <u>\$ -</u>    | 5,259,444            |
| Investments measured at NAV practical expedient |                     |                |                | <u>17,707,640</u>    |
| Investments at fair value                       |                     |                |                | <u>\$ 22,967,084</u> |

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:

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

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, 2017 and 2016.

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, 2017.

|   | <u>Fair Value</u>    | <u>Unfunded<br/>Commitments</u> | <u>Redemption<br/>Frequency<br/>(if Currently<br/>Available)</u> | <u>Redemption<br/>Notice Period</u> |
|---|----------------------|---------------------------------|--|-------------------------------------|
| Common Fund for Nonprofit Organizations |                      |                                 |  |                                     |
| Multi-Strategy Equity Fund              | \$ 13,630,381        | -                               | Monthly  | 5 Business Days                     |
| Multi-Strategy Bond Fund                | <u>4,077,259</u>     | -                               | Monthly  | 5 Business Days                     |
|   | <u>\$ 17,707,640</u> |                                 |  |                                     |

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.

|   | <u>Fair Value</u>    | <u>Unfunded<br/>Commitments</u> | <u>Frequency<br/>(if Currently<br/>Available)</u> | <u>Redemption<br/>Notice Period</u> |
|---|----------------------|---------------------------------|---|-------------------------------------|
| 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                | <u>4,012,819</u>     | -                               | Monthly   | 5 Business Days                     |
|   | <u>\$ 15,572,432</u> |                                 |   |                                     |



Required Supplementary Information  
June 30, 2017

**North Idaho College**

North Idaho College

Schedule of Employer's Share of Net Pension Liability and Schedule of Employer Contributions  
Year Ended June 30, 2017

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

|   | 2017          | 2016          | 2015          |
|---|---------------|---------------|---------------|
| Employer's proportionate share of the net pension liability                                       | 0.3447564%    | 0.3573277%    | 0.3728502%    |
| Employer's proportion share of the net pension liability  | \$ 6,988,742  | \$ 4,705,425  | \$ 2,744,761  |
| Employer's covered payroll  | \$ 10,080,885 | \$ 10,006,519 | \$ 10,455,717 |
| Employer's proportional share of the net pension liability as a percentage of its covered payroll | 69.33%        | 47.02%        | 26.25%        |
| Plan fiduciary net position as a percentage of the total pension liability                        | 84.26%        | 94.95%        | 94.95%        |

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

Data reported is measured as of June 30, 2016 (measurement date).

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

|  | 2017           | 2016           | 2015           |
|--|----------------|----------------|----------------|
| Statutorily required contribution                                  | \$ 1,165,656   | \$ 1,141,156   | \$ 1,132,739   |
| Contributions in relation to the statutorily required contribution | \$ (1,165,656) | \$ (1,141,156) | \$ (1,132,739) |
| Contribution (deficiency) excess                                   | \$ -           | \$ -           | \$ -           |
| Employer's covered payroll   | \$ 10,297,312  | \$ 10,080,885  | \$ 10,006,519  |
| Contributions as a percentage of the covered payroll               | 11.32%         | 11.32%         | 11.32%         |

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

Data reported is measured as of June 30, 2017.

North Idaho College  
 Schedule of Funding Progress for Post-Employment Benefit Plans  
 Year Ended June 30, 2017

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| Actuarial<br>Valuation<br>Date | Actuarial<br>Value<br>of Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL)<br>(b) | Unfunded<br>AAL (UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((b - a) / c) |
|--------------------------------|--|--|---------------------------------|--------------------------|---------------------------|---|
| July 1, 2012                   | \$ -                                   | \$ 2,578,933                                   | \$ 2,578,933                    | 0%                       | \$ 23,641,210             | 11%   |
| July 1, 2014                   | \$ -                                   | \$ 2,345,760                                   | \$ 2,345,760                    | 0%                       | \$ 23,904,746             | 10%   |
| July 1, 2016                   | \$ -                                   | \$ 2,782,300                                   | \$ 2,782,300                    | 0%                       | \$ 24,534,363             | 11%   |



Supplementary Information  
June 30, 2017

**North Idaho College**

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North Idaho College  
Statement of Revenues and Expenditures Budget to Actual – General Fund  
Year Ended June 30, 2017

|   | Original<br>Budget* | Actual              | Variance with<br>Final Budget |
|---|---------------------|---------------------|-------------------------------|
| <b>Revenues</b>                           |                     |                     |                               |
| State allocations                         | \$ 17,091,033       | \$ 17,086,041       | \$ (4,992)                    |
| Property taxes                            | 14,719,866          | 14,719,866          | -                             |
| Tuition and fees                          | 12,311,524          | 12,337,684          | 26,160                        |
| Other revenues                            | 1,321,658           | 2,288,990           | 967,332                       |
| <b>Total revenues</b>                     | <b>45,444,081</b>   | <b>46,432,581</b>   | <b>988,500</b>                |
| <b>Expenditures</b>                       |                     |                     |                               |
| Direct Instruction                        | 18,293,351          | 17,130,835          | (1,162,516)                   |
| Academic Support                          | 4,098,193           | 4,384,567           | 286,374                       |
| Student Services                          | 3,305,846           | 3,470,331           | 164,485                       |
| Institutional Support                     | 7,729,713           | 7,237,828           | (491,885)                     |
| Plant Operations and Maintenance          | 4,388,167           | 4,188,025           | (200,142)                     |
| Public Service                            | 49,000              | 49,075              | 75                            |
| Student Aid                               | 985,533             | 701,608             | (283,925)                     |
| Transfers                                 | 6,594,278           | 6,111,062           | (483,216)                     |
| <b>Total expenditures</b>                 | <b>45,444,081</b>   | <b>43,273,331</b>   | <b>(2,170,750)</b>            |
| <b>Revenues Over (Under) Expenditures</b> | <b>\$ -</b>         | <b>\$ 3,159,250</b> | <b>\$ 3,159,250</b>           |

\* Budget was not amended during the year.

North Idaho College  
Schedules of Debt Service – Debt Service Revenues  
Year Ended June 30, 2017

| DORMITORY HOUSING COMMISSION OF NORTH IDAHO COLLEGE<br>HISTORIC AND PROJECTED DEBT SERVICE COVERAGE FROM PLEDGED REVENUES |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | FY 2013<br>Actual   | FY 2014<br>Actual   | FY 2015<br>Actual   | FY 2016<br>Actual   | FY 2017<br>Actual   | FY 2018<br>Forecast | FY 2019<br>Forecast | FY 2020<br>Forecast | FY 2021<br>Forecast | FY 2022<br>Forecast |
| <b>Building Revenues</b>  |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Revenues from Sales and Rentals <sup>(1)</sup>  | \$ 5,457,527        | \$ 4,804,800        | \$ 4,343,981        | \$ 4,096,824        | \$ 3,308,810        | \$ 2,214,844        | \$ 2,236,993        | \$ 2,259,363        | \$ 2,281,956        | \$ 2,304,776        |
| Interest Income   | 997                 | 724                 | 607                 | 871                 | 1,418               | 1,200               | 1,212               | 1,224               | 1,236               | 1,249               |
| <b>Total Building Revenues</b>  | <b>\$ 5,458,524</b> | <b>\$ 4,805,524</b> | <b>\$ 4,344,588</b> | <b>\$ 4,097,695</b> | <b>\$ 3,310,228</b> | <b>\$ 2,216,044</b> | <b>\$ 2,238,205</b> | <b>\$ 2,260,587</b> | <b>\$ 2,283,193</b> | <b>\$ 2,306,025</b> |
| <b>Operations and Maintenance Expense</b>   |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Cost of Merchandise Sold <sup>(2)</sup>   | \$ 2,893,568        | \$ 2,513,832        | \$ 2,202,816        | \$ 2,085,332        | \$ 1,318,971        | \$ 418,319          | \$ 422,502          | \$ 426,727          | \$ 430,994          | \$ 435,304          |
| Salaries and Benefits <sup>(3)</sup>  | 1,233,645           | 1,150,315           | 1,141,814           | 1,075,008           | 977,072             | 1,187,747           | 1,193,686           | 1,199,654           | 1,205,653           | 1,211,681           |
| Repairs, Maintenance and Supplies   | 83,005              | 104,388             | 91,126              | 70,347              | 78,532              | 44,500              | 44,945              | 45,394              | 45,848              | 46,307              |
| Utilities and Garbage <sup>(4)</sup>  | 234,914             | 243,803             | 127,409             | 134,893             | 123,736             | 118,254             | 119,437             | 120,631             | 121,837             | 123,056             |
| Other Operating Expenses <sup>(5)</sup>   | 272,329             | 255,898             | 275,374             | 430,742             | 152,766             | 172,582             | 174,307             | 176,051             | 177,811             | 179,589             |
| <b>Total Building Expenses</b>  | <b>\$ 4,717,461</b> | <b>\$ 4,268,236</b> | <b>\$ 3,838,539</b> | <b>\$ 3,796,322</b> | <b>\$ 2,651,076</b> | <b>\$ 1,941,402</b> | <b>\$ 1,954,877</b> | <b>\$ 1,968,457</b> | <b>\$ 1,982,144</b> | <b>\$ 1,995,937</b> |
| <b>Net Revenue of Buildings</b>   | <b>\$ 741,063</b>   | <b>\$ 537,288</b>   | <b>\$ 506,049</b>   | <b>\$ 301,373</b>   | <b>\$ 659,152</b>   | <b>\$ 274,643</b>   | <b>\$ 283,328</b>   | <b>\$ 292,129</b>   | <b>\$ 301,049</b>   | <b>\$ 310,088</b>   |
| Student Union Fee + Other Income  | 836,012             | 736,547             | 671,614             | 598,873             | 531,946             | \$ 571,671          | \$ 571,671          | \$ 577,388          | \$ 583,162          | \$ 588,993          |
| Student Wellness & Recreation Center Fee + Other Income   | -                   | -                   | -                   | 238,243             | 497,627             | 534,789             | 534,789             | 540,137             | 545,538             | 550,994             |
| <b>Student Union Fee Revenue <sup>(6)</sup></b>   | <b>\$ 836,012</b>   | <b>\$ 736,547</b>   | <b>\$ 671,614</b>   | <b>\$ 837,116</b>   | <b>\$ 1,029,573</b> | <b>\$ 1,106,460</b> | <b>\$ 1,106,460</b> | <b>\$ 1,117,525</b> | <b>\$ 1,128,700</b> | <b>\$ 1,139,987</b> |
| <b>Total Pledged Revenues</b>   | <b>\$ 1,577,075</b> | <b>\$ 1,273,835</b> | <b>\$ 1,177,663</b> | <b>\$ 1,138,489</b> | <b>\$ 1,688,725</b> | <b>\$ 1,381,103</b> | <b>\$ 1,389,788</b> | <b>\$ 1,409,654</b> | <b>\$ 1,429,749</b> | <b>\$ 1,450,075</b> |
| <b>Debt Service on Parity Obligations</b>   |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Series 2008 Bonds   | 407,483             | 414,110             | 416,155             | 413,989             | 353,850             | -                   | -                   | -                   | -                   | -                   |
| Series 2012 Bonds   | \$ 412,174          | \$ 407,546          | \$ 403,747          | \$ 409,650          | \$ 413,738          | 818,400             | \$ 821,650          | \$ 819,325          | \$ 820,200          | \$ 309,300          |
| Series 2016 Bonds <sup>(7)</sup>  | -                   | -                   | -                   | -                   | 301,551             | 279,856             | 279,856             | 279,856             | 279,856             | 279,856             |
| <b>Total Debt-Service</b>   | <b>\$ 819,657</b>   | <b>\$ 821,656</b>   | <b>\$ 819,902</b>   | <b>\$ 823,639</b>   | <b>\$ 1,069,139</b> | <b>\$ 1,098,256</b> | <b>\$ 1,101,506</b> | <b>\$ 1,099,181</b> | <b>\$ 1,100,056</b> | <b>\$ 589,156</b>   |
| <b>Debt Service Coverage</b>  | <b>1.92</b>         | <b>1.55</b>         | <b>1.44</b>         | <b>1.38</b>         | <b>1.58</b>         | <b>1.26</b>         | <b>1.26</b>         | <b>1.28</b>         | <b>1.30</b>         | <b>2.46</b>         |
| <b>Available for CapEx or Increase in Fund Balance</b>  | <b>\$ 757,418</b>   | <b>\$ 452,179</b>   | <b>\$ 357,761</b>   | <b>\$ 314,850</b>   | <b>\$ 619,586</b>   | <b>\$ 282,846</b>   | <b>\$ 288,282</b>   | <b>\$ 310,473</b>   | <b>\$ 329,693</b>   | <b>\$ 860,919</b>   |

Footnotes

- (1) Revenues from Sales and Rentals include Building Revenues. FY 2018 Building Revenues reflect full-year contractual commission agreement with Follett Higher Education Group, Inc. and full-year Student Wellness & Recreation Center operation. Building Revenues are expected to increase 1.00% annually beginning in FY 2019 due to stabilizing enrollment and modest increases in rental fees.
- (2) Cost of Merchandise Sold is budgeted to decrease in FY 2018 due to full-year contractual agreement with Follett Higher Education Group, Inc. Cost of Merchandise Sold is then expected to increase by 1.00% annually beginning in FY 2019.
- (3) Salaries and Benefits reflect full-year contractual agreement with Follett Higher Education Group, Inc. and full-year Student Wellness & Recreation Center operation in FY 2018. Salaries and Benefits are then expected to increase 0.50% annually beginning in FY 2019.
- (4) Utilities and Garbage expenses are expected to increase 1.00% annually beginning in FY 2019.
- (5) Other Operating Expenses reflect full-year contractual agreement with Follett Higher Education Group, Inc. and additional cost of full-year Student Wellness & Recreation Center operation in FY 2018. Other Operating Expenses are then expected to increase 1.00% annually beginning in FY 2019.
- (6) Student Union Fee and Other Income recognize FY 2018 fee of \$180 per semester per full-time equivalency student beginning in FY 2017.
- (7) Series 2016 Bonds (Student Wellness & Recreation Center) reflect interest only through FY 2022 and principal and interest in ensuing years.

Source: The Commission.

North Idaho College  
Schedules of Debt Service – Auxiliary Enterprise Funds  
Year Ended June 30, 2017

**DHC Auxiliary Enterprise Funds - Revenues, Expenses and Changes in Fund Balance**

| Fiscal Year   | Schedule of<br>Funds Provided<br>for Required Debt<br>Service | Auxiliary Enterprise Funds Summary from Audited Financial Statements |                     |                     |                     |                     |                     |
|---|---|--|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | 2017<br>Based on Audit <sup>(1)</sup>                         | 2016<br>Audited  | 2015<br>Audited     | 2014<br>Audited     | 2013<br>Audited     | 2012<br>Audited     | 2011<br>Audited     |
| <b>Funds Pledged for Debt service</b>               |   |  |                     |                     |                     |                     |                     |
| Income from DHC Building operations                 |   |  |                     |                     |                     |                     |                     |
| Revenues for sales & rentals                        | \$ 2,545,082 <sup>(2)</sup>                                   | \$ 3,687,174   | \$ 3,940,234        | \$ 4,804,800        | \$ 5,457,527        | \$ 5,587,502        | \$ 5,190,182        |
| Dormitory Revenues                                  | 413,738 <sup>(3)</sup>  | 409,650  | 403,747             |                     |                     |                     |                     |
| Subtotal  | 2,958,820   | 4,096,824  | 4,343,981           |                     |                     |                     |                     |
| Cost of sales and operating expenses                | (2,651,076)   | (3,796,322)  | (3,838,539)         | (4,268,236)         | (4,717,461)         | (4,808,477)         | (4,464,363)         |
| Net Revenues of DHC Buildings                       | 307,744   | 300,502  | 505,442             | 536,564             | 740,066             | 779,025             | 725,819             |
| Income from Other Sources                           |   |  |                     |                     |                     |                     |                     |
| Student Union Fee                                   | 580,305 <sup>(4)</sup>  | 598,873  | 671,614             | 736,547             | 836,012             | 869,699             | 864,049             |
| Student Wellness & Recreation Center Fee            | 542,866   | 238,243  | -                   |                     |                     |                     |                     |
| Interest Income                                     | 1,418   | 871  | 607                 | 724                 | 997                 | 847                 | 834                 |
| Total Funds Pledged for Debt Service                | 1,432,333   | 1,138,489  | 1,177,663           | 1,273,835           | 1,577,075           | 1,649,571           | 1,590,702           |
| Transfer to pay Parity Debt Service <sup>(5)</sup>  | (1,069,139)   | (823,639)  | (819,902)           | (821,656)           | (819,657)           | (830,466)           | (830,671)           |
| Excess Revenue                                      | 363,194   | 314,850  | 357,761             | 452,179             | 757,418             | 819,105             | 760,031             |
| Capital Expenditures                                | (19,990)  | (615,107)  | (316,703)           | (50,287)            | (440,690)           | (362,751)           | (255,181)           |
| Net Change in DHC Fund Balances                     | 343,204   | (300,257)  | 41,058              | 401,892             | 316,728             | 456,354             | 504,850             |
| DHC Fund Balances Beginning of Year <sup>(6)</sup>  | 4,391,582   | 4,691,839  | 4,650,781           | 4,248,889           | 3,932,161           | 3,475,807           | 2,970,957           |
| <b>DHC Fund Balances End of Year <sup>(6)</sup></b> | <b>\$ 4,734,786</b>   | <b>\$ 4,391,582</b>  | <b>\$ 4,691,839</b> | <b>\$ 4,650,781</b> | <b>\$ 4,248,889</b> | <b>\$ 3,932,161</b> | <b>\$ 3,475,807</b> |

**Footnotes**

- (1) The College's Audited Financial Statements for FY 2017 include a Schedule of Funds Provided and Required for Debt Service. The Commission has included additional detail in this table to enable comparison to prior years.
- (2) Revenue for Sales & Rentals match amount shown in the FY 2017 Schedule of Funds Provided and Required for Debt Service and include revenues of the Student Union Building.
- (3) Dormitory revenues shown for FY 2017 are the amount transferred for debt service on the Series 2012 Bonds.
- (4) Actual Student Union Fee revenue for FY 2017. The FY 2017 Schedule of Funds Provided and Required for Debt Service shows \$1,069,339 and included transfers from the Student Services Fund and the Dormitory revenue from the Auxiliary Enterprise Fund.
- (5) 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.
- (6) DHC Fund Balances include balances in the Auxiliary Enterprise Fund and the Student Services Fund. Balances in the Debt Service Fund are not included.

Source: Audited Financial Reports and the Commission

North Idaho College  
Schedules of Debt Service – Historical Students  
Year Ended June 30, 2017

| North Idaho College - Historical Student Stats<br>(Fiscal Years)  |               |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
|   | 2017          | 2016          | 2015          | 2014          | 2013          | 2012          |
| <b>HEADCOUNT</b>  |               |               |               |               |               |               |
| Fall Headcount  | 5,346         | 5,546         | 5,779         | 6,049         | 6,574         | 6,751         |
| Fall FTE Students   | 3,345         | 3,510         | 3,779         | 4,093         | 4,618         | 4,554         |
| Academic  | 3,623         | 3,857         | 4,225         | 4,470         | 5,073         | 5,160         |
| Technical   | 789           | 831           | 810           | 884           | 823           | 945           |
| Other (Dual Enrollment -- High School Students)   | 934           | 858           | 744           | 695           | 678           | 646           |
| Average Class Size  | n/a           | n/a           | n/a           | n/a           | 17            | 18            |
| Average Age   | n/a           | n/a           | n/a           | n/a           | 27            | 27            |
| <b>STUDENT DEMOGRAPHICS</b>   |               |               |               |               |               |               |
| <b>Residency</b>  |               |               |               |               |               |               |
| Idaho:  | 4,754         | 4,920         | 5,100         | 5,350         | 5,877         | 6,046         |
| Kootenai County   | 3,453         | 3,578         | 3,750         | 3,966         | 4,448         | 4,480         |
| Benewah County  | 126           | 141           | 157           | 169           | 157           | 147           |
| Bonner County   | 521           | 548           | 566           | 616           | 637           | 654           |
| Boundary County   | 170           | 185           | 175           | 182           | 185           | 238           |
| Shoshone County   | 199           | 212           | 204           | 201           | 211           | 234           |
| All Other Idaho Counties  | 285           | 256           | 248           | 216           | 239           | 293           |
| Montana   | 49            | 62            | 65            | 81            | 94            | 100           |
| Washington  | 285           | 312           | 350           | 363           | 358           | 370           |
| All Other States  | 189           | 252           | 264           | 255           | 245           | 235           |
| <b>Age Group</b>  |               |               |               |               |               |               |
| 19 Years or Younger   | 2,215         | 2,171         | 2,090         | 2,016         | 2,080         | 2,165         |
| 20-24 Years   | 1,286         | 1,384         | 1,425         | 1,489         | 1,697         | 1,618         |
| 25-39 Years   | 1,288         | 1,324         | 1,533         | 1,701         | 1,903         | 1,961         |
| 40-49 Years   | 289           | 357           | 384           | 473           | 547           | 550           |
| 50-59 Years   | 131           | 171           | 211           | 242           | 223           | 269           |
| 60 Years and Older  | 137           | 139           | 136           | 128           | 124           | 188           |
| <b>Gender</b>   |               |               |               |               |               |               |
| Male  | 2,138         | 2,107         | 2,312         | 2,420         | 2,641         | 2,632         |
| Female  | 3,208         | 3,439         | 3,467         | 3,629         | 3,933         | 4,119         |
| <b>Financial Aid</b>  |               |               |               |               |               |               |
| Students Receiving Aid  | 3,468         | 3,925         | 4,414         | 5,067         | 5,490         | 5,192         |
| Total Money Disbursed (\$ millions)   | 18.4          | 22.3          | 25.6          | 37.4          | 39.3          | 37.6          |
| <b>Degrees Conferred</b>  |               |               |               |               |               |               |
| Associate of Arts Degrees   | 746           | 676           | 689           | 66            | 78            | 79            |
| Associate of Science Degrees  |               |               |               | 560           | 468           | 388           |
| Associate of Applied Science Degrees  |               |               |               | 117           | 86            | 78            |
| Certificates of Completion  | 335           | 289           | 309           | 340           | 407           | 337           |
| GED Graduates   | 145           | 188           | 608           | 456           | 493           | 527           |
| <b>NIC Foundation and Development</b>   |               |               |               |               |               |               |
| Scholarship Endowments, beginning of year   | \$ 16,152,484 | \$ 16,711,867 | \$ 16,515,870 | \$ 12,195,023 | \$ 10,724,427 | \$ 10,553,231 |
| General Scholarship and Designated Funds, beginning of year   | 4,099,394     | 1,494,721     | 1,586,230     | 4,495,188     | 4,143,409     | 4,231,898     |
| Unrestricted Funds, beginning of year   | 3,912,038     | 3,977,150     | 3,768,527     | 2,286,547     | 1,840,634     | 1,562,865     |
| Land, Buildings, Other Assets, beginning of year  | 684,530       | 547,245       | 540,395       | 517,567       | 469,143       | 1,289,777     |
| Total Assets, beginning of year (audited)   | \$ 24,848,446 | \$ 22,730,983 | \$ 22,411,022 | \$ 19,494,325 | \$ 17,177,613 | \$ 17,637,771 |
| <b>Scholarships Disbursed:</b>  |               |               |               |               |               |               |
| Number of Scholarships  | 871           | 1,104         | 969           | 822           | 791           | 640           |
| Amount of Scholarships  | \$ 903,024    | \$ 944,857    | \$ 896,658    | \$ 870,851    | \$ 704,237    | \$ 547,073    |
| <b>Alumni Association:</b>  |               |               |               |               |               |               |
| Number of Members   | 3,341         | 3,307         | 3,056         | 2,987         | 2,800         | 2,745         |
| Number of Scholarships Funded   | n/a           | n/a           | n/a           | n/a           | 6             | 7             |
| Amount of Scholarships Funded   | n/a           | n/a           | n/a           | n/a           | \$ 4,000      | \$ 4,500      |
| <b>External Grants Received by NIC, excluding professional- technical workforce training, ABE, GED, PELL or financial aid, grants or appropriations</b> |               |               |               |               |               |               |
|   | \$ 515,886    | \$ 6,781,143  | \$ 3,796,594  | \$ 4,041,081  | \$ 1,761,654  | \$ 8,145,484  |

North Idaho College  
Schedules of Debt Service – Revenue Sources  
Year Ended June 30, 2017

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|   | <b>Amount</b> |
|---|---------------|
| <b>OPERATING REVENUES</b>                               |               |
| Student tuition and fees, net of scholarship allowances | \$ 9,454,809  |
| Auxiliary enterprises revenue                           | 3,510,780     |
| State and local grants and contracts                    | 415,050       |
| Federal grants and contracts                            | 3,797,646     |
| Other operating revenues                                | 2,686,257     |
| Total operating revenues                                | 19,864,542    |
| <b>NON-OPERATING REVENUES</b>                           |               |
| State appropriations                                    | 17,086,041    |
| Property taxes  | 15,604,242    |
| Non operating state and federal grants                  | 12,459,663    |
| Non operating other income                              | 325,121       |
| Private gifts, grants and contracts                     | 1,698,699     |
| Investment income                                       | 175,071       |
| Interest expense  | (231,541)     |
| Loss on disposal of fixed assets                        | (20,790)      |
| Total non-operating revenues                            | 47,096,506    |
| Net income before capital contributions                 | 3,545,216     |
| Capital Contributions                                   | 782,799       |
| Change in net position                                  | 4,328,015     |
| Net position, beginning of year                         | 66,908,089    |
| <b>TOTAL RESOURCES</b>                                  | \$ 71,236,104 |

**North Idaho College  
Tuition and Fees 2016-2017**

| 12-18 Credits Per Semester     | Per Credit |     | 12 Credit FTE |       |
|--------------------------------|------------|-----|---------------|-------|
| Kootenai County Residents      | \$         | 140 | \$            | 1,680 |
| Other Idaho Residents          |            | 206 |               | 2,472 |
| Washington Residents           |            | 233 |               | 2,796 |
| Western Undergraduate Exchange |            | 272 |               | 3,264 |
| Out-of-State/Out-of-Country    |            | 345 |               | 4,140 |

**Fiscal year 2017 Full-Time Student Fee (12 Credit Hours per Semester)**

|   |           |              |
|---|-----------|--------------|
| Associated Student Body                   | \$        | 28           |
| Athletics                                 |           | 36           |
| Commencement                              |           | 4            |
| Health Services                           |           | 34           |
| Instructional Technology                  |           | 120          |
| Learning Assistance                       |           | 40           |
| Student Activities and Recreation         |           | 38           |
| Student union Fee <sup>(1)</sup>          |           | 180          |
| <b>Total Resident Fee</b>                 | <b>\$</b> | <b>480</b>   |
| Resident Tuition                          |           | 1,200        |
| <b>Total Resident Fee and Tuition</b>     | <b>\$</b> | <b>1,680</b> |
| <br>                                      |           |              |
| <b>Total Non-District</b>                 | <b>\$</b> | <b>2,472</b> |
| Total Washington Residents                |           | 2,796        |
| Total Western Undergraduate Exchange      |           | 3,264        |
| <b>Total Non-Resident Fee and Tuition</b> |           | <b>4,140</b> |

(1) The Student Union Fee will increase to \$180 per semester beginning in Fiscal Year 2017.

The Student Union Fee is included in the Pledged Revenues.

Source: North Idaho College, Tuition and Fees for 2016-2017.

North Idaho College  
Schedules of Debt Service – Tax Levies  
Year Ended June 30, 2017

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| Tax Year | Taxable Assessed<br>Value (TAV) |                | Tax Levy (per \$100 TAV) | Total Assessed<br>Property Taxes |            |
|----------|---------------------------------|----------------|--------------------------|----------------------------------|------------|
| 2016     | \$                              | 14,014,269,046 | 0.00103959               | \$                               | 14,569,136 |
| 2015     |                                 | 13,094,316,945 | 0.00109893               |                                  | 14,389,777 |
| 2014     |                                 | 12,359,983,215 | 0.00112385               |                                  | 13,890,817 |
| 2013     |                                 | 11,472,122,065 | 0.00120145               |                                  | 13,783,193 |
| 2012     |                                 | 11,200,581,030 | 0.00122031               |                                  | 13,668,147 |
| 2011     |                                 | 12,057,168,912 | 0.00110841               |                                  | 13,364,250 |
| 2010     |                                 | 12,927,862,542 | 0.00099817               |                                  | 12,904,243 |



Single Audit Section  
June 30, 2017

# North Idaho College





**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 North Idaho College (the College) as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2017. 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 entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho  
November 15, 2017



## **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, 2017. 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, 2017.

## **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 2017-001 and 2017-002 that we consider to be a 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.



Boise, Idaho  
November 15, 2017

North Idaho College  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

| Program Title   | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Federal<br>Expenditures | Amounts<br>Passed-Through<br>to Subrecipients |
|---|---------------------------|--|-------------------------|---|
| <b>Department of Health and Human Services:</b>   |                           |  |                         |   |
| <u>Direct Programs</u>  |                           |  |                         |   |
| Head Start  | 93.600                    |  | \$ 2,647,502            | \$ -  |
| Temporary Assistance for Needy Families   | 93.558                    |  | 106,999                 | -   |
| Subtotal Department of Health and Human Services Direct Programs  |                           |  | 2,754,501               | -   |
| <u>Pass-Through Programs</u>  |                           |  |                         |   |
| 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                                 | 241,387                 | -   |
| Special Programs for the Aging_ Title III, Part C_ Nutrition Services   | 93.045                    | 826000936 13                                 | 488,868                 | -   |
| Nutrition Services Incentive Program  | 93.053                    | 826000936 13                                 | 82,062                  | -   |
| Total Aging Cluster   |                           |  | 812,317                 | -   |
| Special Programs for the Aging_ Title VII, Chapter 2_ Long Term Care Ombudsman Services for Older Individuals | 93.042                    | 826000936 13                                 | 27,323                  | -   |
| Special Programs for the Aging_ Title III Part F_ Disease Prevention_ Health Promotion Services               | 93.043                    | 826000936 13                                 | 27,722                  | -   |
| National Family Caregiver Support, Title III, Part E  | 93.052                    | 826000936 13                                 | 94,487                  | -   |
| Medicare Enrollment Assistance Program  | 93.071                    | 826000936 13                                 | 6,092                   | -   |
| State Medicaid Fraud Control Units  | 93.775                    | 826000936 13                                 | 19,458                  | -   |
| Idaho Department of Health & Welfare:   |                           |  |                         |   |
| Preventive Health and Health Services Block Grant   | 93.991                    | HC883000                                     | 7,376                   | -   |
| University of Idaho:  |                           |  |                         |   |
| Idaho INBRE-3 Network with NIC  | 93.859                    | IAK300-SB-002                                | 129,665                 | -   |
| Idaho INBRE-3 Network with NIC  | 93.859                    | IAK400-SB-002                                | 62,152                  | -   |
| Idaho INBRE-3 Network - TWDD  | 93.859                    | IAK300-SB-001                                | 62,276                  | -   |
| Idaho INBRE-3 Network - TWDD  | 93.859                    | IAK400-SB-001                                | 20,196                  | -   |
| Idaho INBRE-3 Pilot Project - Foster  | 93.859                    | IAK300-SB-003                                | 19,021                  | -   |
| Total Idaho INBRE   |                           |  | 293,310                 | -   |
| Subtotal Department of Health and Human Services Pass-Through Programs  |                           |  | 1,288,085               | -   |
| <b>Total Department of Health and Human Services</b>  |                           |  | <b>4,042,586</b>        | <b>-</b>                                      |
| <b>Department of Education:</b>   |                           |  |                         |   |
| <u>Direct Programs:</u>   |                           |  |                         |   |
| Student Financial Aid Cluster:  |                           |  |                         |   |
| Federal Supplemental Educational Opportunity Grants   | 84.007                    |  | 155,459                 | -   |
| Federal Work-Study Program  | 84.033                    |  | 160,218                 | -   |
| Federal Pell Grant Program  | 84.063                    |  | 6,905,487               | -   |
| Federal Direct Student Loans  | 84.268                    |  | 6,741,860               | -   |
| Total Student Financial Aid Cluster   |                           |  | 13,963,024              | -   |
| TRIO - Student Support Services   | 84.042                    |  | 249,607                 | -   |
| Subtotal Department of Education Direct Programs  |                           |  | 14,212,631              | -   |

North Idaho College  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

| Program Title   | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Federal<br>Expenditures | Amounts<br>Passed-Through<br>to Subrecipients |
|---|---------------------------|--|-------------------------|---|
| <u>Pass-Through Programs:</u>   |                           |  |                         |   |
| State of Idaho Professional-Technical Education   |                           |  |                         |   |
| Adult Education - Basic Grants to States  | 84.002                    | AD7614L1                                     | 205,241                 | -   |
| Adult Education - Basic Grants to States  | 85.002                    | AD7614M1                                     | 9,869                   | -   |
| Adult Education - Basic Grants to States  | 84.002                    | AL7614B1                                     | 11,595                  | -   |
| Total Adult Education - Basic Grants to States  |                           |  | 226,705                 | -   |
| Career and Technical Education - Basic Grants to States   | 84.048A                   | PP7614E1                                     | 198,524                 | -   |
| Career and Technical Education - Basic Grants to States   | 84.048A                   | PR7614K1                                     | 83,127                  | -   |
| Career and Technical Education - Basic Grants to States   | 84.048A                   | PP7614H1                                     | 67,775                  | -   |
| Career and Technical Education - Basic Grants to States   | 84.048A                   | PN7614H2                                     | 444                     | -   |
| Total Career and Technical Education - Basic Grants to States                                       |                           |  | 349,870                 | -   |
| Gaining Early Awareness and Readiness for Undergraduate Programs                                    | 83.334                    | 826000936 01                                 | 47,612                  | -   |
| Boise State University:   |                           |  |                         |   |
| Mathematics and Science Partnerships  | 84.366                    | 7913-C                                       | 9,995                   | -   |
| Subtotal Department of Education Pass-Through Programs  |                           |  | 634,182                 | -   |
| <b>Total Department of Education</b>  |                           |  | 14,846,813              | -   |
| <b>Department of Labor Employment Training Administration:</b>                                      |                           |  |                         |   |
| <u>Direct Programs:</u>   |                           |  |                         |   |
| Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants - Aerospace      | 17.282                    | TC-23774-12-60-A-1                           | 61,416                  | -   |
| Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants - ICE Healthcare | 17.282                    | TC-26479-14-60-A-1                           | 2,358,375               | 868,650                                       |
| Subtotal Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants         |                           |  | 2,419,791               | 868,650                                       |
| <u>Pass-Through Programs:</u>   |                           |  |                         |   |
| State of Idaho Department of Labor:   |                           |  |                         |   |
| WIA Adult Program   | 17.258                    | 826000936 19                                 | 86,511                  | -   |
| Apprenticeship USA State Expansion Grant  | 17.268                    | AP-30095-16-60-A-1                           | 13,108                  | -   |
| Department of Labor Mine Safety and Health Administration direct:                                   |                           |  |                         |   |
| Mine Health and Safety Grants   | 17.600                    | MS270431555R16                               | 106,876                 | -   |
| <b>Total Department of Labor Employment Training Administration</b>                                 |                           |  | 2,626,286               | 868,650                                       |
| <b>Department of Agriculture Food and Nutrition Service:</b>  |                           |  |                         |   |
| <u>Pass-Through Programs</u>  |                           |  |                         |   |
| State of Idaho Superintendent of Public Instruction:  |                           |  |                         |   |
| Child and Adult Care Food Program   | 10.558                    | 826000936 06                                 | 170,941                 | -   |
| <b>Total Department of Agriculture Food and Nutrition Service</b>                                   |                           |  | 170,941                 | -   |
| <b>National Aeronautics and Space Administration</b>  |                           |  |                         |   |
| <u>Pass-Through Programs</u>  |                           |  |                         |   |
| College of Southern Idaho:  |                           |  |                         |   |
| Education   | 43.008                    | FPK053-SB-001                                | 1,500                   | -   |
| <b>Total National Aeronautics and Space Administration</b>  |                           |  | 1,500                   | -   |

North Idaho College  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

| Program Title   | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Federal<br>Expenditures | Amounts<br>Passed-Through<br>to Subrecipients |
|---|---------------------------|--|-------------------------|---|
| <b>Small Business Administration</b>                        |                           |  |                         |   |
| <u>Pass-Through Programs</u>                                |                           |  |                         |   |
| Boise State University:                                     |                           |  |                         |   |
| Small Business Development Centers                          | 59.037                    | 6668-E                                       | 76,078                  | -   |
| <b>Total Small Business Administration</b>                  |                           |  | <u>76,078</u>           | <u>-</u>                                      |
| <b>National Science Foundation:</b>                         |                           |  |                         |   |
| <u>Pass-Through Programs</u>                                |                           |  |                         |   |
| Northern Virginia Community College                         |                           |  |                         |   |
| Trans-NSF Recovery Act Research Support                     | 47.082                    | 1323283                                      | 10,138                  | -   |
| <b>Total National Science Foundation</b>                    |                           |  | <u>10,138</u>           | <u>-</u>                                      |
| <b>Corporation for National and Community Service:</b>      |                           |  |                         |   |
| <u>Direct Programs:</u>                                     |                           |  |                         |   |
| Retired and Senior Volunteer Program                        | 94.002                    |  | 76,905                  | -   |
| <b>Total Corporation for National and Community Service</b> |                           |  | <u>76,905</u>           | <u>-</u>                                      |
| Total expenditures of federal awards                        |                           |  | <u>\$ 21,851,247</u>    | <u>\$ 868,650</u>                             |

**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:

| <u>Name of Federal Program</u>   | <u>CFDA Number</u>             |
|--|--------------------------------|
| Student Financial Aid Cluster  | 84.007, 87.033, 84.063, 84.268 |
| Aging Cluster  | 93.044, 93.045, 93.053         |
| Dollar threshold used to distinguish between type A and type B programs: | \$750,000                      |
| Auditee qualified as low-risk auditee?                                   | No                             |

## Section II – Findings – Financial Statement Audit

There were no findings relating to the financial statement audit.

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

### 2017-001

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 2016-17, there was one instance 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 1 of the 60 students sampled were incorrectly reported to NSLDS.

#### Questioned Costs:

None

#### Context/Sampling:

A non-statistical sample of 60 students out of 2,645 students were selected for R2T4 testing.

#### Repeat Finding from Prior Year(s):

Yes, prior year finding 2016-001

#### 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

**2017-002**

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

Criteria:

In order to properly distribute funds consistent with *34 CFR*, student information must be updated in a timely manner.

Condition:

During our testing of students, there was one instance where a student changed majors in August 2016. The change of majors was not reflected by the Registrar in the system until March of 2017. As a result, the student did not receive as much aid as they were eligible for under the new major.

Cause:

The College Registrar's Office did not have a process to ensure all changes made to student information was timely.

Effect:

There was 1 out of 60 students tested where a change in majors was not updated timely within the system.

Questioned Costs:

None

Context/Sampling:

A non-statistical sample of 60 students out of 2,645 students were selected for testing.

Repeat Finding from Prior Year(s):

No

Recommendation:

The College Registrar's Office should implement a process of review that captures all students who change their majors to ensure the information is updated timely.

Management's Response:

Management agrees with these findings.