Lewis-Clark
STATE
COLLEGE

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
June 30, 2007and 2006
INCLUDING SINGLE AUDIT REPORTS
FOR THE YEAR ENDED June 30, 2007

LEWIS-CLARK STATE COLLEGE

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Lewis-Clark State College and its discretely presented component unit, the Lewis-Clark State College Foundation, Inc. (collectively the College) as of and for the years ended June 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2007 and 2006, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2007, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the College's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the College. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements takes as a whole.

Moss Adams LLP

Eugene, Oregon
October 12, 2007

LEWIS-CLARK STATE COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007

Overview of the Financial Statements and Financial Analysis

Lewis-Clark State College (the "College") is pleased to present its financial statements for fiscal year 2007. Comparative data for fiscal years 2006 and 2005 are also presented. Three financial statements are included for both the College and its component unit, the Lewis-Clark State College Foundation, Inc. (the "Foundation"). Included are the *Statements of Net Assets;* the *Statements of Revenues, Expenses and Changes in Net Assets*; and the *Statements of Cash Flows*.

This discussion and analysis of the College's financial statements provide an overview of its financial activities for the year.

Statement of Net Assets

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

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

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, indicates the net equity in property, plant and equipment owned by the College. The next category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is available only for investment purposes. Expendable restricted net assets are available for expenditure by the College, but must be spent for purposes specified by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available to the College to utilize in any legal fashion in accordance with the State Board of Education specified role and mission.

SUMMARY STATEMENTS OF NET ASSETS

	2007	2006	2005
ASSETS:			
Current assets	$ 12,423,820	$ 11,871,121	$ 10,242,555
Property, plant and equipment, net	25,271,767	23,738,370	26,598,107
Other assets	4,066,078	3,963,240	1,635,505
Total assets	41,761,665	39,572,731	38,476,167
LIABILITIES:			
Current liabilities	5,150,507	5,144,519	5,457,593
Noncurrent liabilities	5,578,565	6,060,213	6,539,982
Total liabilities	10,729,072	11,204,732	11,997,575
NET ASSETS:			
Invested in capital assets, net of related debt	21,805,295	19,599,852	19,615,225
Restricted - nonexpendable			
Restricted - expendable	1,403,610	1,384,340	1,380,113
Unrestricted	7,823,688	7,383,807	5,483,254
Total net assets	$ 31,032,593	$ 28,367,999	$ 26,478,592

Total assets of the College increased $2,188,934 in fiscal year 2007. This represents an increase of 5.5% over 2006. The largest segment of this change occurred in Property, plant and equipment, net, due to the completion of several significant infrastructure projects in fiscal year 2007. Also, Current assets increased during this same period largely due to an increase in Cash and cash equivalents. That increase was precipitated by several factors including an increase in working capital investment earnings, an increase in funds held on behalf of the Foundation, and an overall positive cash flow as reflected in the *Statements of Cash Flows.*

Total liabilities decreased during the year by $475,660 to $10,729,072. The decrease is predominantly due to principal payments on long term debt.

Total net assets increased by $2,664,594 to $31,032,593 at June 30, 2007. This is a reflection of moderate increases in all broad asset categories in addition to the aforementioned reduction in Total liabilities.

Statement of Revenues, Expenses and Changes in Net Assets

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

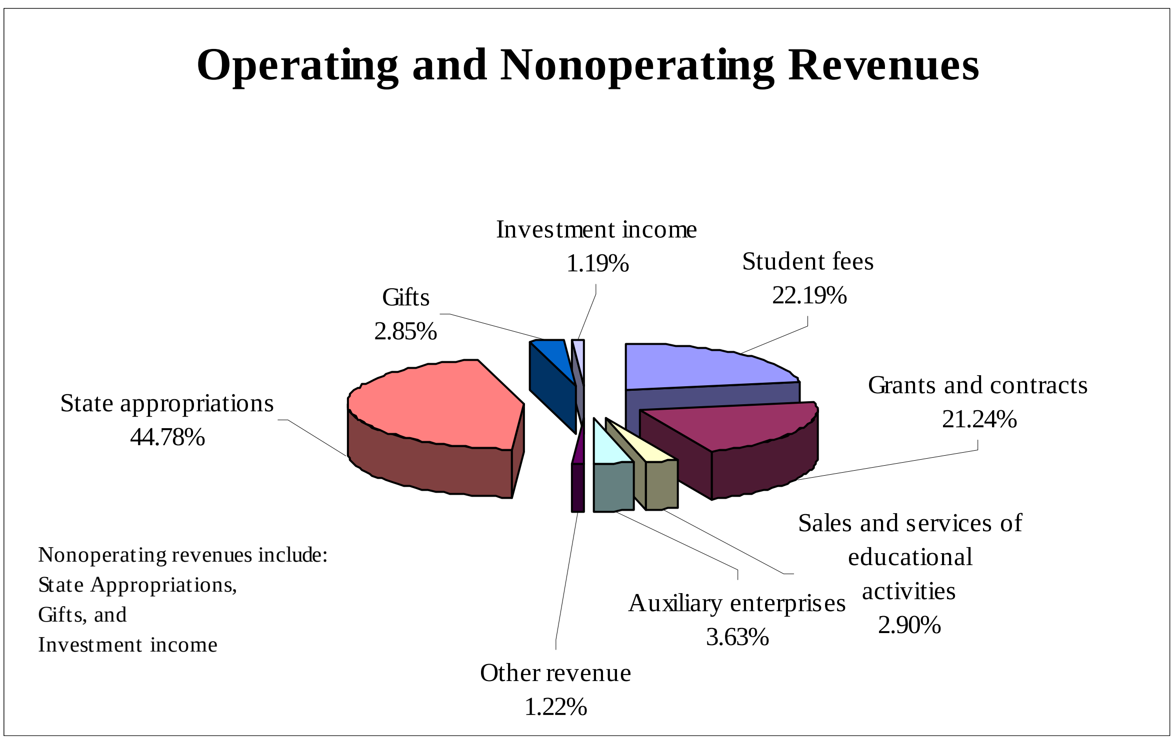
Generally speaking, operating revenues are earned in return for providing goods and services to the various customers and constituents of the College. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the role and mission of the College. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are deemed nonoperating because they are provided by the Idaho Legislature to the College without the Legislature directly receiving commensurate value in return for those revenues.

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

	2007	2006	2005
Operating revenues	$ 22,106,606	$ 23,272,013	$ 22,534,315
Operating expenses	40,264,622	40,072,928	39,597,914
Operating loss	(18,158,016)	(16,800,915)	(17,063,599)
Nonoperating revenues and expenses, net	19,095,584	18,709,507	17,524,961
Income before other revenues and expenses	937,568	1,908,592	461,362
Other revenues (expenses), net	1,727,026	(19,185)	977,782
Increase in net assets	2,664,594	1,889,407	1,439,144
Net assets--Beginning of year	28,367,999	26,478,592	25,039,448
Net assets--End of year	$ 31,032,593	$ 28,367,999	$ 26,478,592

Revenues

The College generates revenues from a variety of sources. The following is a graphic depiction of the revenues by source (both operating and nonoperating), which are used to fund the College's activities for the year ended June 30, 2007.



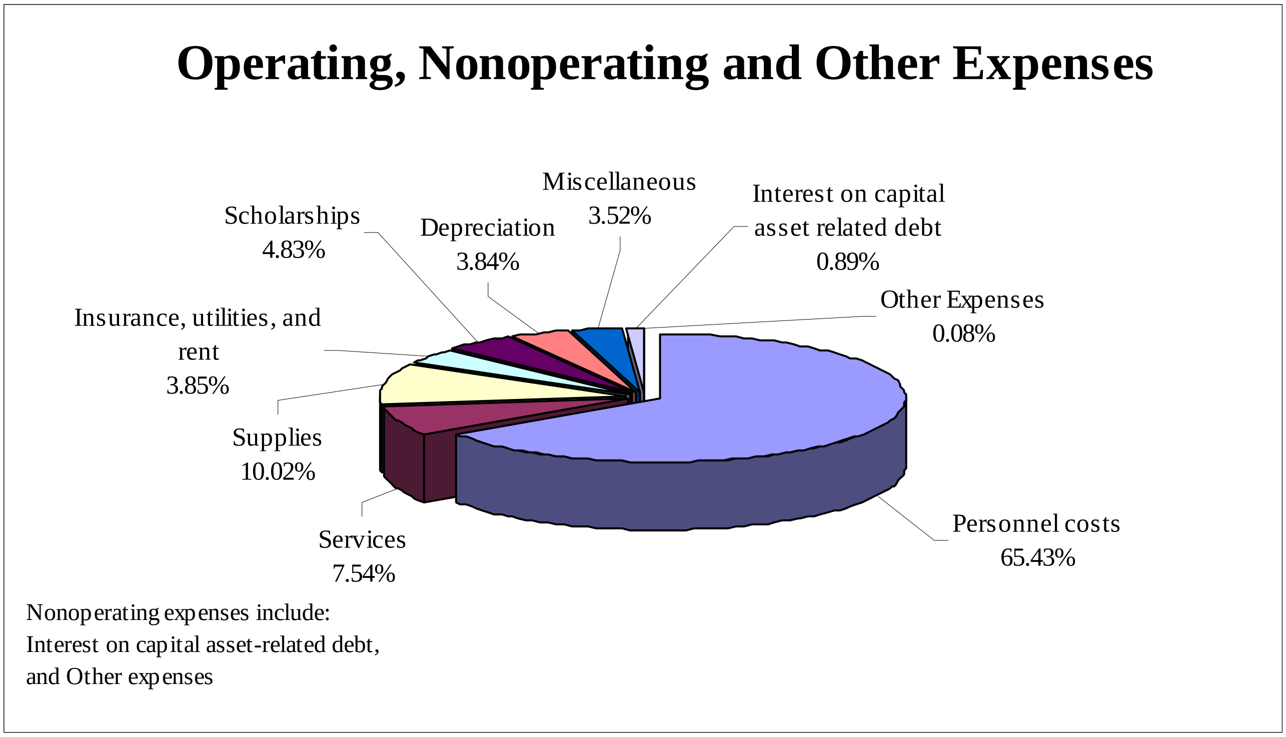
Total operating revenues for fiscal year 2007 decreased $1,165,407 or 5.0%. While changes in nearly all revenue categories were relatively minor, Sales and services of auxiliary enterprises decreased $884,429 or 36.0% in fiscal year 2007. This significant reduction occurred because the College bookstore operations were outsourced to a third party near the end of fiscal year 2006. In 2006 gross revenues of the bookstore, as well as the associated cost of goods sold, were reflected in the College's financial statements. In 2007, the only activity recorded by the College was the commission paid to the College by the contractor.

Expenses

Following is a comparative summary of the College's expenses for the years ended June 30, 2007, 2006, and 2005.

Expenses	**2007**	**2006**	**2005**
OPERATING EXPENSES:			
Personnel costs	$ 26,605,772	$ 25,938,929	$ 25,186,063
Services	3,064,836	3,034,485	2,962,663
Supplies	4,074,995	5,046,142	5,211,190
Insurance, utilities, and rent	1,564,971	1,187,464	971,830
Scholarships & fellowships	1,962,882	2,168,203	2,611,062
Depreciation	1,560,896	1,532,658	1,570,586
Miscellaneous	1,430,270	1,165,047	1,084,520
Total operating expenses	40,264,622	40,072,928	39,597,914
NONOPERATING EXPENSES:			
Interest on capital asset related debt	363,292	372,622	364,460
Other	8,927	8,927	8,927
Total nonoperating expenses	372,219	381,549	373,387
OTHER EXPENSES	23,681	29,329	99,602
Total other expenses	23,681	29,329	99,602
TOTAL EXPENSES	$ 40,660,522	$ 40,483,806	$ 40,070,903

The following is a graphic depiction of total expenses by natural classification for the year ended June 30, 2007.



Total expenses in fiscal year 2007 increased $176,716 compared with the previous year. This represents a .44% increase from fiscal year 2006 to fiscal year 2007. This fluctuation is very insignificant in total. However, as depicted below some netting of increases and decreases did occur:

- Total Personnel costs increased by $666,843. This increase was largely attributed to salary increases received by full time staff in fiscal year 2007.
- Total Supplies expenditures decreased $971,147. This 19.2% decrease was attributed, almost exclusively, to the aforementioned outsourcing of the student bookstore operations near the end of fiscal year 2006. As a result of this contractual agreement the bookstore operating expenses and cost of goods sold were not reflected in the College's financial statements for the year ended June 30, 2007.
- Insurance, utilities and rent expenditures increased $377,507 or 31.8%. In early 2007 the College entered into a management agreement with independent developers who constructed and own two off-campus student housing facilities. The College collects room and board payments from students and pays a rental amount to the developers for each room occupied. The increase in this expenditure category is almost entirely attributable to this new rental obligation.
- Miscellaneous expenses increased $265,223 or 22.8%. This increase was largely attributed to several significant computer maintenance contract purchases.
- Other categorical fluctuations were relatively minor and would be expected in the normal course of business.

Statement of Cash Flows

The final statement presented by the College is the *Statement of Cash Flows*. The *Statement of Cash Flows* presents detailed information about the cash activity of the College during the year.

The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used to perform the operating activities of the College. The second section reflects cash flows related to noncapital financing activities. This section depicts the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section displays cash flows from capital and related financing activities. This section reflects the cash used for the acquisition and construction of capital and related items. The fourth section presents the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash provided or used in operating activities to the operating income or loss reflected on the *Statement of Revenues, Expenses, and Changes in Net Assets.*

SUMMARY STATEMENTS OF CASH FLOWS

	2007	2006	2005
CASH PROVIDED BY (USED IN):			
Operating activities	$ (16,178,126)	$ (15,700,068)	$ (15,114,798)
Noncapital financing activities	19,075,785	18,822,507	17,574,278
Capital and related financing activities	(2,313,436)	(1,885,674)	(1,878,572)
Investing activities	450,561	350,236	177,102
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,034,784	1,587,001	758,010
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,684,070	8,097,069	7,339,059
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 10,718,854	$ 9,684,070	$ 8,097,069

It is noteworthy that cash used by operating activities indicates an outflow of $16,178,126 for fiscal year 2007. However, cash provided by noncapital financing activities for fiscal year 2007 shows an inflow of $19,075,785. This situation reflects the Government Accounting Standards Board ("GASB") pronouncement that requires the College to recognize the State of Idaho appropriated revenues as noncapital financing activities while all the expenditures associated with these funds are reflected as operating activities. Unless GASB modifies its requirement in this regard, readers should expect this presentation every year.

Capital Asset and Debt Administration

The College has one outstanding bond issue, one secured student fee revenue note, and several smaller unsecured notes as of June 30, 2007. No new bonds were issued in 2007. There has been no significant change in credit ratings or debt limitations that may affect future financing for the College. Additional information concerning property, plant and equipment and debt administration is detailed in Notes 1, 5, 6, and 7 as part of the notes to the financial statements.

Component Unit

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

At June 30, 2007, the *Statement of Net Assets* revealed that the total net assets of the Foundation were $4,443,562. Restricted nonexpendable and expendable net assets together represented $3,626,016 or 81.6% of total net assets. These restricted assets primarily provide scholarships to students directly or through the distribution of endowment earnings. Net assets invested in capital assets, net of related debt accounted for $389,632 or 8.8% of total net assets. These assets consist primarily of three buildings being held by the Foundation by virtue of donation. The remaining $427,914 or 9.6% of total net assets are unrestricted assets. Of this amount, $370,767 represents an unrestricted endowment created from the liquidation of property received as an unrestricted gift. The remaining unrestricted balance of $57,147 consists of cash. Liabilities of the Foundation totaled $457,750 at June 30, 2007, a decrease of $14,001 from June 30, 2006. This decrease of 3.0% is due, almost entirely, to two offsetting items. The Foundation reimbursed the College for the final $24,142 of campaign costs temporarily funded by the College. Offsetting this decrease was an increase in the Gift Annuities payable of $9,338 due to revised mortality calculations associated with three existing split interest contracts with donors.

The *Statement of Revenues, Expenses, and Changes in Net Assets* reflected an increase in net assets of $616,306 for the year ended June 30, 2007. $530,060 or 86.0% of this increase consisted of realized and unrealized investment earnings associated with restricted funds and endowments. The remainder of the increase consisted of net gift revenues less certain expenses and distributions to the College made during the course of the year.

Economic Outlook

The State of Idaho concluded the fiscal year with a $247 million surplus in the general fund. State of Idaho economists forecast moderate growth in the Idaho economy through fiscal year 2010. These factors indicate that the outlook for an increase in appropriated funding for higher education continues to be cautious but optimistic. The College received an appropriated general fund increase of $1,139,500 for fiscal year 2008 and anticipates a small to moderate increase in appropriated funding for the College in fiscal year 2009.

In support of the Governor's recommendation, the Idaho State Legislature appropriated $16.0 million to fund a new Nursing/Health Sciences Building. Scheduled for completion in the fall of 2009, this facility will provide a significant infrastructure enhancement in support of the College's role and mission.

College debt was reduced during the year as the final payment was made on the Student Fee Revenue Refunding Bonds, Series 1993. In addition, Total Net Assets increased approximately $2.6 million dollars during the fiscal year ended June 30, 2007, indicative of the overall fiscal stability of the institution.

Currently, management is not aware of any known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year; beyond unknown economic variables that could universally impact all similar organizations. Recent accreditation reviews have confirmed the effectiveness of the College in meeting strategic objectives.

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF NET ASSETS
June 30, 2007 and 2006

	LCSC		Component Unit	
ASSETS	**2007**	**2006**	**2007**	**2006**
CURRENT ASSETS:				
Cash and cash equivalents	$ 8,544,158	$ 7,694,288	$ 89,334	$ 159,841
Cash with treasurer	2,174,696	1,989,782		
Accounts receivable and unbilled charges	1,017,652	1,425,817		
Due from Lewis-Clark State College			417,642	275,939
Due from state agencies	495,834	361,427		
Pledges receivable				3,000
Investments held in trust		143,500		
Student loan receivables	165,570	193,525		
Due from component unit		24,142		
Prepaid expenses	25,910	38,640	8,947	9,757
Total current assets	12,423,820	11,871,121	515,923	448,537
NONCURRENT ASSETS:				
Student loan receivables, less allowance for doubtful loans of $85,000 for 2007 and 2006.	703,391	706,485		
Investments held in trust	651,129	616,154		
Investments			3,995,757	3,436,513
Deferred bond financing costs	98,210	107,138		
Pledges receivable				5,000
Investment in capital assets	2,613,348	2,533,463		
Property, plant and equipment, net	25,271,767	23,738,370	389,632	408,957
Total noncurrent assets	29,337,845	27,701,610	4,385,389	3,850,470
TOTAL ASSETS	**$ 41,761,665**	**$ 39,572,731**	**$ 4,901,312**	**$ 4,299,007**

See notes to financial statements. (Continued)

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF NET ASSETS
June 30, 2007 and 2006

LIABILITIES	LCSC 2007	LCSC 2006	Component Unit 2007	Component Unit 2006
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	$ 283,018	$ 244,014	$ 20,565	$ 19,762
Accrued salaries and benefits payable	1,648,387	1,635,271		
Compensated absences payable	878,335	894,089		
Due to component unit	417,642	275,939		
Due to Lewis-Clark State College				24,142
Unearned revenue	542,799	488,415		
Amounts held in trust for others	129,732	128,231		
Accrued interest payable	98,067	105,501		
Obligations under capital leases		49,223		
Notes and bonds payable	1,152,527	1,323,836		
Total current liabilities	5,150,507	5,144,519	20,565	43,904
NONCURRENT LIABILITIES:				
Gift annuities payable			437,185	427,847
Obligations under capital leases		11,067		
Notes and bonds payable	5,578,565	6,049,146		
Total noncurrent liabilities	5,578,565	6,060,213	437,185	427,847
TOTAL LIABILITIES	10,729,072	11,204,732	457,750	471,751
NET ASSETS				
Invested in capital assets, net of related debt	21,805,295	19,599,852	389,632	408,957
Restricted for:				
Nonexpendable			2,027,618	1,946,194
Expendable	1,403,610	1,384,340	1,598,398	1,081,338
Unrestricted	7,823,688	7,383,807	427,914	390,767
TOTAL NET ASSETS	31,032,593	28,367,999	4,443,562	3,827,256
TOTAL LIABILITIES AND NET ASSETS	**$ 41,761,665**	**$ 39,572,731**	**$ 4,901,312**	**$ 4,299,007**

See notes to financial statements.

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2007 and 2006

	LCSC		Component Unit	
	2007	2006	2007	2006
OPERATING REVENUES:				
Student fees (net of scholarship discounts and allowances of $3,281,348 and $3,169,006, for 2007 and 2006, respectively)	$ 8,778,315	$ 8,599,385	$	$
Student fees pledged for debt	835,124	827,284		
Federal grants and contracts	5,793,096	5,852,858		
State and local grants and contracts	2,872,163	2,886,801		
Private grants and contracts	466,329	664,565		
Sales and services of educational activities	1,258,301	1,380,236		
Sales and services of auxiliary enterprises	1,573,500	2,457,929		
Gifts			382,304	339,279
Other	529,778	602,955	7,674	17,899
Total operating revenues	22,106,606	23,272,013	389,978	357,178
OPERATING EXPENSES:				
Personnel costs	26,605,772	25,938,929		
Services	3,064,836	3,034,485		
Supplies	4,074,995	5,046,142		
Insurance, utilities, and rent	1,564,971	1,187,464		
Scholarships and fellowships	1,962,882	2,168,203		
Depreciation	1,560,896	1,532,658	19,325	19,325
Miscellaneous	1,430,270	1,165,047	64,822	69,002
Total operating expenses	40,264,622	40,072,928	84,147	88,327
OPERATING (LOSS) GAIN	(18,158,016)	(16,800,915)	305,831	268,851
NONOPERATING REVENUES (EXPENSES):				
State appropriations	17,713,871	17,484,370		
Gifts (including $271,106 and $347,498 from the Foundation for 2007 and 2006, respectively)	1,236,294	1,241,975		
Net investment income	517,638	364,711	530,060	292,461
Interest on capital asset related debt	(363,292)	(372,622)		
Distributions to the College			(271,106)	(347,498)
Other	(8,927)	(8,927)		
Net nonoperating revenues (expenses)	19,095,584	18,709,507	258,954	(55,037)
INCOME BEFORE OTHER REVENUES (EXPENSES)	937,568	1,908,592	564,785	213,814
OTHER REVENUES (EXPENSES):				
Capital appropriations	1,688,755			
Capital grants and gifts	61,952	10,144		
Additions to permanent endowments			81,424	85,293
Other	(23,681)	(29,329)	(29,903)	
Total other revenues (expenses)	1,727,026	(19,185)	51,521	85,293
INCREASE IN NET ASSETS	2,664,594	1,889,407	616,306	299,107
NET ASSETS---BEGINNING OF YEAR	28,367,999	26,478,592	3,827,256	3,528,149
NET ASSETS---END OF YEAR	$ 31,032,593	$ 28,367,999	$ 4,443,562	$ 3,827,256

See notes to financial statements.

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2007 and 2006

	LCSC		Component Unit	
	2007	2006	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:				
Student fees	$ 8,837,069	$ 8,976,624	$	$
Student fees pledged for debt	835,124	827,284		
Grants and contracts	9,233,097	9,081,171		
Sales and services of educational activities	1,266,728	1,386,028		
Sales and services of auxiliary enterprises	1,573,501	2,631,218		
Donations received			14,930	27,145
Payments to employees	(26,608,408)	(26,602,717)		
Payments to suppliers	(4,246,578)	(4,881,413)		
Other payments	(5,996,156)	(5,242,599)	(68,110)	(36,990)
Payments for scholarships and fellowships	(1,962,882)	(2,168,203)		
Loans issued to students	(169,082)	(219,322)		
Collection of loans from students	192,094	232,333		
Other receipts	867,367	279,528	500	3,290
Net cash used by operating activities	(16,178,126)	(15,700,068)	(52,680)	(6,555)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State appropriations	17,713,871	17,484,370		
Gifts	1,241,996	1,241,975		
Additions to endowments			81,424	85,293
Agency account receipts	959,636	1,021,395		
Agency account payments	(839,718)	(925,233)		
Student loan receipts	8,396,511	8,782,993		
Student loan payments	(8,396,511)	(8,782,993)		
Distributions to the College			(55,829)	(37,361)
Net cash provided by noncapital financing activities	19,075,785	18,822,507	25,595	47,932
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of property	70,404	85,519		
Capital appropriations	325,854			
Capital grants and gifts	61,952	10,144		
Purchase of property, plant and equipment	(1,842,240)	(1,120,742)		
Principal paid on capital debt and leases	(558,680)	(484,894)		
Interest paid on capital debt and leases	(370,726)	(375,701)		
Net cash used in capital and related financing activities	(2,313,436)	(1,885,674)		
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	450,561	350,236	5,554	5,843
Purchase of investments			(48,976)	(9,783)
Net cash provided (used) by investing activities	450,561	350,236	(43,422)	(3,940)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,034,784	1,587,001	(70,507)	37,437
CASH AND CASH EQUIVALENTS---BEGINNING OF THE YEAR	9,684,070	8,097,069	159,841	122,404
CASH AND CASH EQUIVALENTS---END OF THE YEAR	$ 10,718,854	$ 9,684,070	$ 89,334	$ 159,841

See notes to financial statements.

(Continued)

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2007 and 2006

RECONCILIATION OF NET OPERATING GAIN (LOSS) TO NET CASH AND CASH EQUIVALENTS PROVIDED (USED) BY OPERATING ACTIVITIES:	LCSC 2007	LCSC 2006	Component Unit 2007	Component Unit 2006
Operating (Loss) Gain	$ (18,158,016)	$ (16,800,915)	$ 305,831	$ 268,851
Adjustments to reconcile operating (loss) gain to net cash used in operating activities:				
Noncash donations			(367,373)	(318,122)
Other noncash receipts			(7,174)	(14,609)
Other noncash payments			16,473	32,011
Depreciation expense	1,560,896	1,532,658	19,325	19,325
Changes in assets and liabilities:				
Receivables, net	431,354	(83,703)		
Due from state agencies	(134,407)	(175,259)		
Inventories		289,279		
Due from component unit	24,142	43,656		
Prepaid expenses	12,730	(23,788)		
Accounts payable and accrued liabilities	(5,433)	121,509		
Accrued salaries and benefits payable	13,116	(715,864)		
Compensated absences	(15,754)	52,076		
Gift annuities payable			(19,762)	5,989
Amounts held in trust for others	14,015	4,626		
Unearned revenue	48,182	12,704		
Loans to students	31,049	42,953		
Net cash used by operating activities	$ (16,178,126)	$ (15,700,068)	$ (52,680)	$ (6,555)

SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:	LCSC 2007	LCSC 2006
Property, plant and equipment acquired through Department of Public Works' appropriations	$ 1,362,901	$

See notes to financial statements.

LEWIS-CLARK STATE COLLEGE

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Statement Presentation—The College has adopted Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB 14*. This Statement provides additional guidance for determining whether certain organizations, such as not-for-profit foundations, for which the primary institution is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the primary institution. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The 30-member board of the Foundation is self-perpetuating and consists of alumni and friends of the college. The majority of resources and income of the Foundation are donor restricted to the activities of the College. Because these restricted resources held by the Foundation can only be used by or for the benefit of the College, the Foundation is considered a component unit of the College. Therefore, the financial activity of the Foundation is discretely presented in the College's financial statements. See Note 12 for the relevant information related to the Foundation.

Basis of Accounting—For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

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

Cash and Cash Equivalents—The College considers all liquid investments with a remaining maturity of three months or less at date of acquisition to be cash equivalents. Cash equity with state treasurer funds invested through the Idaho State Treasury Local Government Investment Pool is considered a cash equivalent.

Student Loans Receivable—Loans receivable from students bear interest at the rate of 5% and are generally repayable in installments to the College over a 10-year period commencing 9 months after the date of separation from the College.

Accounts Receivable—Accounts receivable consist of fee charges to students and auxiliary enterprise services provided to students, faculty and staff; the majority of each residing in the State of Idaho. Accounts receivable also includes amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Investments—The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gains and losses on the carrying value of investments are reported as a component of investment income in the *Statements of Revenues, Expenses, and Changes in Net Assets*. The total unrealized gain or loss was not significant for the years ended June 30, 2007 and 2006. More comprehensive disclosure of common risks associated with the deposits and investments are detailed in Notes 2 and 12, as per the requirements of GASB Statement No. 40, *Deposit and Investment Risk Disclosures.*

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

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

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

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

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

Noncurrent Liabilities—Noncurrent liabilities include principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year.

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

> *Invested in Capital Assets, Net of Related Debt*—This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.
>
> *Restricted—Nonexpendable*—Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument,

that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

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

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

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

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

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

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

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

Scholarship Discounts and Allowances—Student fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or other third parties making payments on the students’ behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College’s financial statements. To the extent that revenues from such programs are used to satisfy student fees and related charges, the College has recorded a scholarship discount and allowance.

New Accounting Standards—In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement generally requires that the College account for and report the cost and obligations related to postemployment healthcare and other nonpension benefits (OPEB) and include disclosures regarding its OPEB plans. OPEB costs are likely to be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of Statement No. 45 may be applied prospectively and do not require the College to fund its OPEB plans. The College may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded liability is required to be amortized over future periods. The requirements of this Statement for the College are effective for the fiscal year ending June 30, 2008. The College has not completed the process of evaluating the impact that will result from adopting this Statement and is therefore unable to disclose the impact that adopting the Statement will have on its financial statements.

2. DEPOSITS AND INVESTMENTS

Deposits – Cash and cash equivalents are deposited with various financial institutions. Cash deposited with the State Treasurer's Office is subject to the legal provisions found throughout *Idaho Code,* Title 67. Enterprise funds held by the College are deposited with financial institutions qualified as state depositories. All deposits are insured or collateralized with securities held in the College's name. The amount on deposit fluctuates and at times exceeds the insured limit by the U.S. Federal Deposit Insurance Corporation, which potentially subjects the College to credit risk.

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

Investment	Maturities	2007	2006
U.S. Treasury mutual fund	Less than one year	$ 454,216	$ 505,121
Federal National Mortgage Association pool	2/1/2017	196,913	254,533
Total Investments Held in Trust		$ 651,129	$ 759,654

Credit risk

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

Interest rate risk

The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

3. ACCOUNTS RECEIVABLE AND UNBILLED CHARGES

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

	2007	2006
Student fees	$ 120,181	$ 174,259
Federal, state and nongovernmental grants and contracts	824,524	876,981
Corporate affiliate contractual obligation		317,741
Investment income	32,102	
Auxiliary enterprises	17,870	35,740
Educational departments	9,027	15,560
Funds held in custody for others	13,948	5,536
	$ 1,017,652	$ 1,425,817

4. STUDENT LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program ("FPLP") and the Nursing Student Loan Program ("NSLP") comprise the loans receivable at June 30, 2007 and 2006.

FPLP requires the College to match 33% of the federal contributions. A portion or all of the loan principal and interest may be cancelled upon the occurrence of certain events. The amount of such cancellations is partially absorbed by the Federal Government. In the event the College should withdraw from FPLP or the government was to cancel the program, the amount the College would be liable for as of June 30, 2007 and 2006 is approximately $544,200 and $563,500, respectively. These amounts are not reflected as a liability in the financial statements.

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

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

Student loans receivable at June 30 consisted of the following:

	2007		
	Current	**Noncurrent**	**Total**
Federal Perkins Loan Program	$ 128,314	$ 683,890	$ 812,204
Nursing Student Loan Program	37,256	104,501	141,757
	165,570	788,391	953,961
Less Allowance for doubtful loans		(85,000)	(85,000)
Net Student Loans Receivable	**$ 165,570**	**$ 703,391**	**$ 868,961**

	2006		
	Current	**Noncurrent**	**Total**
Federal Perkins Loan Program	$ 151,659	$ 689,339	$ 840,998
Nursing Student Loan Program	41,866	102,146	144,012
	193,525	791,485	985,010
Less Allowance for doubtful loans		(85,000)	(85,000)
Net Student Loans Receivable	**$ 193,525**	**$ 706,485**	**$ 900,010**

5. PROPERTY, PLANT AND EQUIPMENT—NET

Following are the changes in property, plant and equipment, net, for the years ended June 30, 2007 and 2006:

	2007			
	Balance at June 30, 2006	Additions	Reductions	Balance at June 30, 2007
Property, plant and equipment not being depreciated:				
Land	$ 2,249,011	$ 175,422	$ (55,000)	$ 2,369,433
Capitalized collections	15,000			15,000
Total property, plant and equipment not being depreciated	$ 2,264,011	$ 175,422	$ (55,000)	$ 2,384,433
Other property, plant and equipment:				
Buildings	$ 32,004,525	$ 2,023,635	$	$ 34,028,160
Furniture, fixtures and equipment	4,941,995	643,155	(416,657)	5,168,493
Library materials	4,728,413	328,296	(25,109)	5,031,600
Total other property, plant and equipment	41,674,933	2,995,086	(441,766)	44,228,253
Less accumulated depreciation:				
Buildings	(12,754,109)	(974,601)		(13,728,710)
Furniture, fixtures and equipment	(3,806,923)	(334,672)	395,442	(3,746,153)
Library materials	(3,639,542)	(251,623)	25,109	(3,866,056)
Total accumulated depreciation	(20,200,574)	(1,560,896)	420,551	(21,340,919)
Other property, plant and equipment net of accumulated depreciation	$ 21,474,359	$ 1,434,190	$ (21,215)	$ 22,887,334
Property, plant and equipment summary:				
Property, plant and equipment not being depreciated	$ 2,264,011	$ 175,422	$ (55,000)	$ 2,384,433
Other property, plant and equipment at cost	41,674,933	2,995,086	(441,766)	44,228,253
Total cost of property, plant and equipment	43,938,944	3,170,508	(496,766)	46,612,686
Less accumulated depreciation	(20,200,574)	(1,560,896)	420,551	(21,340,919)
Property, plant and equipment, net	$ 23,738,370	$ 1,609,612	$ (76,215)	$ 25,271,767

	2006			
	Balance at June 30, 2005	Additions	Reductions	Balance at June 30, 2006
Property, plant and equipment not being depreciated:				
Land	$ 2,267,953	$ 40,000	$ (58,942)	$ 2,249,011
Capitalized collections	15,000			15,000
Construction in progress	2,533,463		(2,533,463)	
Total property, plant and equipment not being depreciated	$ 4,816,416	$ 40,000	$ (2,592,405)	$ 2,264,011
Other property, plant and equipment:				
Buildings	$ 31,418,659	$ 621,423	$ (35,557)	$ 32,004,525
Furniture, fixtures and equipment	4,710,437	371,199	(139,641)	4,941,995
Library materials	4,474,263	274,119	(19,969)	4,728,413
Total other property, plant and equipment	40,603,359	1,266,741	(195,167)	41,674,933
Less accumulated depreciation:				
Buildings	(11,800,733)	(966,710)	13,334	(12,754,109)
Furniture, fixtures and equipment	(3,600,407)	(326,966)	120,450	(3,806,923)
Library materials	(3,420,528)	(238,983)	19,969	(3,639,542)
Total accumulated depreciation	(18,821,668)	(1,532,659)	153,753	(20,200,574)
Other property, plant and equipment net of accumulated depreciation	$ 21,781,691	$ (265,918)	$ (41,414)	$ 21,474,359
Property, plant and equipment summary:				
Property, plant and equipment not being depreciated	$ 4,816,416	$ 40,000	$ (2,592,405)	$ 2,264,011
Other property, plant and equipment at cost	40,603,359	1,266,741	(195,167)	41,674,933
Total cost of property, plant and equipment	45,419,775	1,306,741	(2,787,572)	43,938,944
Less accumulated depreciation	(18,821,668)	(1,532,659)	153,753	(20,200,574)
Property, plant and equipment, net	$ 26,598,107	$ (225,918)	$ (2,633,819)	$ 23,738,370

The estimated cost to complete property authorized or under construction at June 30, 2007 is approximately $788,183. These costs will be financed by state appropriations, available resources and/or long-term borrowing. Institutional funds included in the construction costs of the Student Activity Center were reflected in construction in progress within Property, plant and equipment as of June 30, 2005. When the facility was completed in 2006, these costs were reclassified as an Investment in capital assets since ownership of the facility will not pass to the College until debt incurred by the State of Idaho for the majority of the project costs is retired. See Note 10. In fiscal year 2007, the College invested an additional $79,885 in this facility, bringing the total amount in Investment in capital assets to $2,613,348 as of June 30, 2007.

Certain land on which four campus buildings are located was donated to the College by the City of Lewiston. Under terms of the gift, ownership of the land reverts back to the City if it ceases to be used for educational purposes. This land is reflected in Property, Plant and Equipment in the amount of $19,200 as of June 30, 2007 and 2006.

6. LONG-TERM LIABILITIES

Following are the changes in long-term debt for the years ended June 30, 2007 and 2006:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Amounts Due Within One Year
Leases, bonds and notes:					
Lease obligations	$ 60,290	$	$ (60,290)	$	$
Revenue bonds	5,545,000		(465,000)	5,080,000	315,000
Notes	1,827,982		(176,890)	1,651,092	837,527
	$ 7,433,272	$	$ (702,180)	$ 6,731,092	$ 1,152,527

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Amounts Due Within One Year
Leases, bonds and notes:					
Lease obligations	$ 134,261	$	$ (73,971)	$ 60,290	$ 49,223
Revenue bonds	5,830,000		(285,000)	5,545,000	465,000
Notes	1,771,284	186,000	(129,302)	1,827,982	858,836
	$ 7,735,545	$ 186,000	$ (488,273)	$ 7,433,272	$ 1,373,059

7. NOTES AND BONDS PAYABLE

Notes and bonds payable at June 30, 2007 and 2006 consisted of the following:

	Balance Outstanding	
	2007	**2006**
Student Fee Refunding Revenue Bonds, Series 1998 (original issuance of $6,335,000), issued to provide for the refunding of certain outstanding obligations and to fund improvements of the Student Union Building and related facilities, due in annual amounts increasing periodically from $305,000 to a maximum of $1,145,000, plus interest from 4.55% to 5.20% through April 2018, collateralized by a pledge of certain auxiliary enterprise gross revenues ($3,198,358 in 2007 and $3,976,305 in 2006) less operating and maintenance expenses of those enterprises ($1,741,019 in 2007 and $2,576,119 in 2006).	$ 5,080,000	$ 5,385,000
Student Fee Refunding Revenue Bonds, Series 1993 (original issuance of $1,640,000), issued to provide for the refunding, redemption, and defeasance of certain outstanding obligations, due in an annual amount of $160,000, plus interest of 5.50% in December 2006, collateralized by a pledge of certain auxiliary enterprise gross revenues ($2,921,709 in 2006) less operating and maintenance expenses of those enterprises ($1,636,463 in 2006). The Bonds were paid in full as of December 31, 2006.		160,000
Secured Student Fee Revenue Note, Series 2003 (original issuance of $1,126,307), issued to finance construction of the Student Activity Center, due in annual installments of $138,656, including interest at 3.97%, through July 2013, collateralized by dedicated student fees.	833,145	934,694
Unsecured note payable (original issuance of $130,000), issued to purchase residential property, due in monthly installments, maturing on December 31, 2007, including interest at 7.01%. Renewable at the option of the lender.	82,616	88,977
Unsecured note payable (original issuance of $150,000), issued to purchase land, due in monthly installments, maturing on December 31, 2007, including interest at 7.01%. Renewable at the option of the lender.	93,363	102,754
Unsecured note payable (original issuance of $77,000), issued to purchase residential property, due in monthly installments, maturing on December 31, 2007, including interest at 7.01%. Renewable at the option of the lender.	65,345	67,957
Unsecured note payable (original issuance of $458,331), issued to purchase residential property, due in monthly installments, maturing on December 31, 2007, including interest at 7.01%. Renewable at the option of the lender.	440,623	447,600
Unsecured note payable (original issuance of $186,000), issued to purchase residential property, due in annual installments, maturing on March 2011, including interest at 5.95%.	136,000	186,000
Total bonds and notes payable	$ 6,731,092	$ 7,372,982

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

	Notes		Bonds	
	Principal	**Interest**	**Principal**	**Interest**
2008	$ 837,527	$ 64,897	$ 315,000	255,560
2009	159,772	34,002	330,000	241,070
2010	150,130	26,668	345,000	225,560
2011	118,661	19,995	360,000	209,000
2012	123,372	15,285	380,000	191,540
2013-2017	261,630	15,681	2,205,000	649,580
2018-2022			1,145,000	59,540
	$ 1,651,092	$ 176,528	$ 5,080,000	$ 1,831,850

8. RETIREMENT PLANS

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

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

For the year ended June 30, 2007, the required contribution rate for general employees was 10.39% and 6.23% of covered payroll for the College and its employees, respectively. The College's contributions required and paid were $697,001, $690,462, $672,761, $613,364, and $614,806, for the five years ended June 30, 2007, 2006, 2005, 2004, and 2003, respectively.

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

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

Participants are immediately fully vested in the ORP. Retirement benefits are available either as a lump sum or any portion thereof upon attaining 55 years of age. The contribution requirement (and amount paid) for the years ended June 30, 2007 and 2006 was $1,521,353and $1,500,468, respectively, which consisted of $803,920 and $792,884, respectively, from the College and $717,433 and $707,584, respectively, from employees. For both 2007 and 2006, these contributions represented approximately 7.72% and 6.97% of covered payroll for the College and its employees.

Although enrollees in the ORP no longer belong to PERSI, the College is required to contribute to PERSI 3.03% of the annual covered payroll. These annual supplemental payments are required through July 1, 2015. During the years ended June 30, 2007 and 2006, this supplemental funding payment made to PERSI was $318,567 and $307,601. These amounts are not included in the regular College PERSI contribution discussed previously.

***Postretirement Benefits Other Than Pensions*—**The College offers a life insurance plan for retired employees. During the year ended June 30, 2007 and 2006 the College made expenditures totaling $41,506 and $39,381, respectively, to purchase life insurance for 68 and 60, respectively, retired employees receiving these benefits. This program is accounted for by the College on a pay-as-you-go basis. See Note 1 for discussion of a new accounting standard related to these types of benefits.

***Sick Leave Insurance Reserve Fund*—** Employees who qualify for retirement under PERSI or ORP are eligible to use 50% of the cash value of their unused sick leave to continue their medical insurance coverage through the College. The College partially funds these obligations by depositing 0.65% of employee gross payroll with PERSI who administers the trust fund. The total contributions for the years ended June 30, 2007 and 2006 were $113,523 and $109,161. See Note 1 for discussion of a new accounting standard related to these types of benefits.

9. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

	2007 Natural Classification							
Functional Classification	Personnel Costs	Services	Supplies	Insurance, Utilities, and Rent	Scholarships and Fellowships	Depreciation	Miscellaneous	Operating Expense Totals
Instruction	$ 14,161,889	$ 742,982	$ 1,639,219	$ 187,154	$ 112,370	$	$ 411,785	$ 17,255,399
Research	220,406	7,424	205,180				42,332	475,342
Public services	1,553,032	301,118	240,123	10,863	23,300		278,437	2,406,873
Libraries	533,665	57,818	41,333				996	633,812
Student services	2,302,744	245,832	164,272	5,623	107,569		101,806	2,927,846
Plant operations	1,338,876	30,268	368,439	526,592		1,560,896	68,172	3,893,243
Institutional support	2,749,189	805,562	334,920	103,480	2,217		143,175	4,138,543
Academic support	1,907,489	272,689	277,098	2,295	547		135,558	2,595,676
Scholarships and fellowships	135,151	185			1,421,657		45,853	1,602,846
Auxiliaries	1,703,331	600,958	804,411	728,964	295,222		202,156	4,335,042
Total expenses:	$ 26,605,772	$ 3,064,836	$ 4,074,995	$ 1,564,971	$ 1,962,882	$ 1,560,896	$ 1,430,270	$ 40,264,622

	2006 Natural Classification							
Functional Classification	Personnel Costs	Services	Supplies	Insurance, Utilities, and Rent	Scholarships and Fellowships	Depreciation	Miscellaneous	Operating Expense Totals
Instruction	$ 14,030,269	$ 902,073	$ 1,400,923	$ 114,709	$ 138,488	$	$ 323,713	$ 16,910,175
Research	230,513	24,849	152,775				31,939	440,076
Public services	1,465,323	303,596	293,250	42,595			250,683	2,355,447
Libraries	533,846	50,466	25,192				-26	609,478
Student services	1,996,108	226,877	158,456	6,146	118,180		99,195	2,604,962
Plant operations	1,328,881	73,586	577,169	563,622		1,532,658	8,847	4,084,763
Institutional support	2,488,989	610,516	349,390	133,875	3,248		128,158	3,714,176
Academic support	1,871,530	262,938	154,281	3,523			21,726	2,313,998
Scholarships and fellowships	152,646	739			1,655,462		74,525	1,883,372
Auxiliaries	1,840,824	578,845	1,934,706	322,994	252,825		226,287	5,156,481
Total expenses:	$ 25,938,929	$ 3,034,485	$ 5,046,142	$ 1,187,464	$ 2,168,203	$ 1,532,658	$ 1,165,047	$ 40,072,928

10. RELATED PARTIES TRANSACTIONS

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

The College, through the State Board of Education, entered into a lease agreement with the ISBA whereby the land upon which the building is being constructed is leased to the ISBA. It is intended that this lease will continue until all amounts owed to the bondholders have been paid. The Idaho Legislature is obligated, via the annual appropriation process, to provide funds to the State Department of Administration (the "SDOA") to make the bond payments.

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

The College and the SDOA have entered into an operating agreement whereby the College is obligated to cover all operating costs including maintenance, insurance, and furnishings. At the termination of these agreements, drafted to coincide with the final bond payments, ownership of the facility should pass to the College. As of June 30, 2007 and 2006 the College's total contribution is discretely presented in the *Statements of Net Assets* as Investment in capital assets in the amount of $2,613,348 and $2,533,463, respectively. See Note 5.

11. CONTINGENCIES AND LEGAL MATTERS

Revenue from federal research and service grants includes amounts for the recovery of overhead and other costs allocated to these projects. The College may be required to make refunds of amounts received for overhead and other costs reimbursed as a result of audits by agencies of the Federal Government. College officials are of the opinion that the effect of these refunds, if any, will not have a significant effect on the financial position of the College.

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

12. COMPONENT UNIT DISCLOSURE

As described in Note 1, the Lewis-Clark State College Foundation, Inc. (the "Foundation") has been determined to be a component unit of the College. Significant accounting policies associated with the College, also described in Note 1, apply to the Foundation, when applicable. Other disclosures at June 30, 2007 are as follows:

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

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

Credit Risk of Debt Securities

The risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation is commonly expressed in terms of a credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's, and Fitch's. The ratings below use the Standard & Poor's scale and represent the debt securities held by the Foundation as of June 30, 2007:

Investment Type	Rating	Fair Value
Corporate Debt Instruments	B	$ 2,970
Corporate Debt Instruments	BBB	25,866
Government Bonds	AAA	162,553
Federal Home Loan Bank	AAA	133,988
Federal Home Loan Mtg. Corporation	AAA	407,038
Federal National Mtg. Association	AAA	134,362
Total Rated Debt Securities		$ 866,777

Interest Rate Risk

Investments in debt securities that are fixed for longer periods are likely to experience greater variability in fair value due to future changes in interest rates. The Foundation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of June 30, 2007, the Foundation held debt securities with the following maturities:

Investment Type	Maturity Range	Fair Value
Corporate Debt Instruments	1 - 2 years	$ 28,836
Federal Agencies	1 - 9 years	837,941
Total Debt Securities		$ 866,777

Foreign Currency Risk

The Foundation investment policy permits the acquisition of equities denominated in foreign currencies. There is a risk that changes in exchange rates could adversely affect the fair value of these investments. To reduce this risk the investment policy limits the investment in international equities to no more than 15% of the total investment portfolio. As of June 30, 2007, the Foundation's exposure to foreign currency risk is as follows:

Equity Investments	Denominated Currency	Fair Value
European Securities	Euro	$ 101,330
British Securities	British Pound	85,483
Mexican Securities	Mexican Peso	20,016
Swiss Securities	Franc	49,621
Danish Securities	Krone	12,093
Japanese Securities	Yen	42,116
Israeli Securities	Sheqel	16,680
Hong Kong Securities	Hong Kong Dollar	3,753
Canadian Securities	Canadian Dollar	22,935
Russian Securities	Russian Ruble	8,757
Chinese Securities	Yuan	19,182
Brazilian Securities	Real	12,510
South Korean Securities	Won	11,259
Indian Securities	Rupee	6,255
Panamanian Securities	Balboa	5,004
Total Foreign Equity Investments		416,994
US Denominated Securities & Mutual Funds	U.S. Dollar	3,578,763
Total Foundation Investments		$ 3,995,757

Property, Plant and Equipment, Net—Following are the changes in property holdings of the Foundation for the years ended June 30, 2007 and 2006:

	2007			
	Balance at June 30, 2006	**Additions**	**Reductions**	**Balance at June 30, 2007**
Property holdings not being depreciated:				
Land	$ 39,566	$	$	$ 39,566
Total property holdings not being depreciated	$ 39,566	$	$	$ 39,566
Other property holdings:				
Buildings	$ 579,768	$	$	$ 579,768
Total other property holdings	579,768			579,768
Less accumulated depreciation:				
Buildings	(210,376)	(19,325)		(229,701)
Total accumulated depreciation	(210,376)	(19,325)		(229,701)
Other property holdings net of accumulated depreciation	$ 369,392	$ (19,325)	$	$ 350,067
Property holdings summary:				
Property holdings not being depreciated	$ 39,566	$	$	$ 39,566
Other property holdings at cost	579,768			579,768
Total cost of property buildings	619,334			619,334
Less accumulated depreciation	(210,376)	(19,325)		(229,701)
Property holdings, net	$ 408,957	$ (19,325)	$	$ 389,632

	2006			
	Balance at June 30, 2005	**Additions**	**Reductions**	**Balance at June 30, 2006**
Property holdings not being depreciated:				
Land	$ 39,566	$	$	$ 39,566
Total property holdings not being depreciated	$ 39,566	$	$	$ 39,566
Other property holdings:				
Buildings	$ 579,768	$	$	$ 579,768
Total other property holdings	579,768			579,768
Less accumulated depreciation:				
Buildings	(191,051)	(19,325)		(210,376)
Total accumulated depreciation	(191,051)	(19,325)		(210,376)
Other property holdings net of accumulated depreciation	$ 388,717	$ (19,325)	$	$ 369,392
Property holdings summary:				
Property holdings not being depreciated	$ 39,566	$	$	$ 39,566
Other property holdings at cost	579,768			579,768
Total cost of property buildings	619,335			619,334
Less accumulated depreciation	(191,051)	(19,325)		(210,376)
Property holdings, net	$ 428,283	$ (19,325)	$	$ 408,957

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

***Related Party Transactions*—**Exclusive of cash held by third party investment managers, Foundation cash is deposited and withdrawn from a College bank account. The balance in this account attributable to the Foundation is reported as a receivable from the College in the amount of $417,642 and $275,939 as of June 30, 2007 and 2006 respectively.

Certain gifts and gift annuity liabilities involve contributions made to the Foundation by Foundation board members. For the years ended June 30, 2007 and 2006, gifts from these related parties approximated $101,000 or 22% and $37,000 or 9% of total contributions, respectively. Liabilities to these related parties, reflected in the *Statements of Net Assets* as gift annuities payable, totaled $411,544 or 90% and $392,279 or 88% of total gift annuities payable as of June 30, 2007 and 2006, respectively.

***Distributions to the College*—**During the years ended June 30, 2007 and 2006, the Foundation distributed $271,106 and $347,498, respectively to the College for both restricted and unrestricted purposes.

***Line of Credit*—**The Foundation has access to a secured line of credit through Edward D. Jones & Co. limited by the amount of investment assets held in the Edward D. Jones & Co. account. The amount available at June 30, 2007 was $235,054. The Foundation has never made use of this credit facility and therefore had no outstanding balance as of June 30, 2007.

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

Discount rates to determine the present value of the obligations to the annuitants range from 5.7% to 8.5% for the years ended June 30, 2007 and 2006. Annuity obligations represent the present value of the aggregate liability to annuitants based upon their estimated life expectancies, via tables provided by the Internal Revenue Service.

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*

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

We have audited the financial statements of Lewis-Clark State College and its discretely presented component unit, the Lewis-Clark State College Foundation, Inc. (collectively the College) as of and for the year ended June 30, 2007, and have issued our report thereon dated October 12, 2007. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency 2007-01 described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of 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*.

We noted certain matters that we reports to management of the College in a separate letter dated October 12, 2007.

The College's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the College's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Idaho State Board of Education, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Eugene, Oregon
October 12, 2007

LEWIS-CLARK STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

Federal Grant/Program Title	Pass-Through Entity Identifying #	Federal CFDA Number	Expenditures
DEPARTMENT OF AGRICULTURE			
USDA Arc Welding - FY07		10 769	$ 12,082
Pass Through Payments from the State of Idaho:			
USDA Daycare		10 558	5,105
			17,187
DEPT OF HOUSING AND URBAN DEVELOPMENT			
HUD Manufacturing - FY03		14 246	12,324
IVI-HUD 2 - FY04		14 246	57,894
Pass Through Payments from Other:			
Speakers Bureau - FY06	HUD05-510	14 246	8,440
L & C Symposium - FY06	HUD05-511	14 246	22,289
Hospitality 2006 - FY06	HUD05-509	14 246	7,823
Old Fife & Drum Corps - FY06	HUD05DF-551	14 246	1,500
L & C Symposium - FY07	HUD06-660	14 246	25,500
Museum Initiative - FY05	HUD04-008	14 246	14
Corps of Discovery - FY06	HUD05-512	14 246	14,764
Museum Initiative - FY06	HUD05-008	14 246	8,898
Bicentennial Funds - FY06	HUD03DF-051	14 246	1,000
Museum Initiative - FY07	HUD06-608	14 246	2,594
			163,040
DEPARTMENT OF LABOR			
Pass Through Payments from Other:			
RITA 2005 - FY06	AF-14717-05-60	17 261	4,800
			4,800
NATIONAL ENDOWMENT FOR THE ARTS			
Pass Through Payments from the State of Idaho:			
Accessing the Arts - FY06	00935AT-06	45 025	1,099
			1,099
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Pass Through Payments from the State of Idaho:			
IHC Awareness Week - FY07	2006053	45 129	1,650
			1,650

LEWIS-CLARK STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

Federal Grant/Program Title	Pass-Through Entity Identifying #	Federal CFDA Number	Expenditures
NATIONAL SCIENCE FOUNDATION			
Pass Through Payments from the State of Idaho:			
Digital Geology of Idaho - FY04	GEO-0331174	47 050	626
			626
SMALL BUSINESS ADMINISTRATION			
SBA E-Commerce - FY06		59 000	15,602
IVI-SBA-FY04		59 000	46,407
IVI Fulfillment II - FY05		59 000	139,103
SBA E-Commerce - FY07		59 000	70,267
Pass Through Payments from the State of Idaho:			
ISBDC/SBA - FY06	077G106015B	59 037	12,396
ISBDC/SBA - FY07	077G106045B	59 037	14,893
			298,668
DEPARTMENT OF EDUCATION			
Supplemental Education Opportunity Grant (1)		84 007	74,223
FFELP Loan Program (1)		84 032	8,362,562
Federal Workstudy Program (1)		84 033	89,669
Perkins Loan Program (1)		84 038	16,088
Pell Grant (1)		84 063	3,432,887
Academic Competitiveness Grant (1)		84 376	55,956
SMART Grant (1)		84 376	126,767
Student Support Services - Scholarships (4)		84 042A	600
Student Support Svcs - Yr5 - FY06 (4)		84 042A	45,331
TRIO Student Support - FY07 (4)		84 042A	206,409
TRIO SSS Scholarships (4)		84 042A	13,500
Clearwater ETS Year 1 - FY07 (4)		84 044A	144,081
Lewis Clark ETS Year 1 - FY07 (4)		84 044A	156,558
TRIO Training - FY07		84 103A	210,138
AISLE - FY05		84 116Z	12,062
AISLE Yr2 - FY06		84 116Z	240,940
CAMP - Scholarships (3)		84 149A	98,489
CAMP - FY06 (3)		84 149A	27,488
CAMP - FY07 (3)		84 149A	180,996
IEPD - Yr1 - FY07		84 299B	181,503
Transition To Teach - Yr2 - FY04		84 350C	54
Transition To Teach - Yr3 - FY05		84 350C	56,353
Transition To Teach - Yr4 - FY06		84 350C	78,492
Transition To Teach - Yr5 - FY07		84 350C	55,744

LEWIS-CLARK STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

Federal Grant/Program Title	Pass-Through Entity Identifying #	Federal CFDA Number	Expenditures
DEPARTMENT OF EDUCATION (continued):			
Pass Through Payments from the State of Idaho:			
ABE - Federal - FY05		84 002A	157
ABE Staff Development - FY05		84 002A	809
ABE - Federal - FY06		84 002A	57,391
ABE Staff Development - FY06		84 002A	7,652
ABE - Federal - FY07		84 002A	155,747
ABE Staff Development - FY07		84 002A	7,528
DOC ABE - FY07		84 002A	89,234
DOC Special Education - FY07		84 002A	105,168
DOC Title I - FY07		84 013A	51,378
Health Prof Curriculum - FY06	F-CDP-CUOH-HP-06G-610	84 048A	246
CND Carl Perkins - FY06	PFF-B09-06D-610	84 048A	689
CND Nontraditional - FY06	LNT-C14-06A-610	84 048A	121
CWC Tech Prep - FY06	SFF-A16-06C-610C	84 048A	495
CWC Special Populations - FY06	SFF-A09-06B-610C	84 048A	121
Learning Resource Center - FY06	PFF-B01-06A-610	84 048A	384
Carl Perkins Prof-Devel - FY06	PFF-B04-06B-610	84 048A	4,309
Carl Perkins - FY07	PFF-B09-07D-610	84 048A	116,256
Carl Perkins Intake Advising - FY07	PFF-B08-07C-610	84 048A	19,074
Carl Perkins Prof Devel - FY07	PFF-B04-07B-610	84 048A	15,310
Learning Resource Center - FY07	PFF-B01-07A-610	84 048A	99,448
CND Nontraditional - FY07	F-NTT-MCND-GU-07E-610	84 048A	12,633
CWC Tech Prep - FY07	SFF-A16-07B-610C	84 048A	1,622
CWC Prof Tech - FY07	SFF-A08-07A-610C	84 048A	20,473
Diesel Technology - FY07	F-CDP-CDTC-EI-07-610	84 048A	2,087
LEAPP		84 069	5,535
SLEAP		84 069	2,753
ABE Even Start - FY06		84 213C	1,506
CATEMA/Articulation Project - FY07	F-TPC-TPG-TP-07F-610	84 243A	1,371
Tech Prep - FY06	TP-E20-06A-610	84 243A	3,885
Tech Prep - FY07	F-TPB-TPG-TP-07A-610	84 243A	62,356
TP - Lewiston Auto - FY07	F-TPC-TPG-TP-07A-610	84 243A	975
TP - Lewiston - CNC - FY07	F-TPC-TPG-TP-07B-610	84 243A	8,000
TP - Moscow Bus Ed - FY07	F-TPC-TPG-TP-07C-610	84 243A	832
TP - Potlatch Arts - FY07	F-TPC-TPG-TP-07D-610	84 243A	860
TP - Prairie Tech Ed - FY07	F-TPC-TPG-TP-07E-610	84 243A	2,622
SBOE TTT - FY06		84 350B	7,647
SBOE TTT Special ED - FY07		84 350B	7,200
Eligible Partnership Year 2 - FY06	05-167D	84 367B	7,127
SBOE Literacy - FY07	S367B050047A	84 367B	36,620
			14,784,511

LEWIS-CLARK STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

Federal Grant/Program Title	Pass-Through Entity Identifying #	Federal CFDA Number	Expenditures
DEPARTMENT OF HEALTH & HUMAN SERVICES			
Pass Through Payments from the State of Idaho:			
Idaho INBRE - FY05	CWK050-F	93 389	4,340
Idaho INBRE - Yr 3 - FY07	CWK070-F	93 389	211,323
Idaho INBRE - Yr 4 - FY07	5P20RR016454-07	93 389	5,930
ABE - JET - FY06	WC041600	93 558	7,656
ABE - JET - FY07	WC041600	93 558	1,341
NIC/LCSC Shared Social Work Position		93 658	24,743
Home Delivered Meals (Medicaid) - FY06		93 778	38,192
H&W Minor in Prevention - FY07	KC211300	93 959	3,712
Pass Through Payments from Other:			
AAA Congregate Meals - FY06		93 045	77,443
AAA Home Delivered Meals - FY06		93 045	75,761
NSIP Congregate - FY06		93 053	19,160
NSIP Home Delivered - FY06		93 053	29,216
Child Welfare - Scholarship		93 558	34,182
Child Welfare Partnership - FY06		93 558	13,328
Child Welfare Partnership WO1 - FY07		93 558	59,839
Child Welfare Partnership WO2 - FY07		93 558	64,259
			670,425
CORPORATION FOR NATIONAL SERVICE			
Pass Through Payments from the State of Idaho:			
ITAC AmeriCorps - Corporation - FY06 (	03ACHID0010001	94 006	109,392
ITAC AmeriCorps - Corporation - FY07 (	06ACHID0010001	94 006	667,248
Pass Through Payments from Other:			
Campus Compact - FY07	54553-H	94 005	291
			776,931
DEPARTMENT OF HOMELAND SECURITY			
Pass Through Payments from the State of Idaho:			
EST Training - FY06	NT-06-610	97 043	354
Emergency Svcs Training - FY07	F-FST-NFA-ET-07-610	97 043	2,055
			2,409
TOTAL EXPENDITURES			$ 16,721,346

(1) Student Financial Aid programs combined and tested as a major program
(2) ITAC AmeriCorps tested as a major program
(3) CAMP tested as a major program
(4) These grants are part of the TRIO Cluster

LEWIS-CLARK STATE COLLEGE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

1. BASIS OF PRESENTATION

This schedule is prepared on the accrual basis of accounting as required by OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.*

2. UNIVERSITY ADMINISTERED LOAN PROGRAMS

The College administers the following loan programs:

Loan Program	CFDA Number	Outstanding Loan Balances
Federal Perkins	84.038	$ 812,204
Federal Nursing Loan	93.364	$ 141,757

Total loan expenditures and disbursements of the Department of Education (Perkins) and the Department of Health and Human Services (Health Professions) student financial assistance programs for the year ended June 30, 2007 are identified below:

Loan Program	CFDA Number	Loan Disbursements
Federal Perkins	84.038	$ 150,170
Federal Nursing Loan	93.364	$ 35,000

The above expenditures for the Federal Perkins Loan Program include loans to students and administrative cost allowances. The expenditures reported in the Schedule of Expenditures of Federal Awards included the administrative cost allowance and the Federal capital contribution for the year reported.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Lewis-Clark State College (the College) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We did not audit the College's compliance with the requirements governing Student Loan Billing and Due Diligence in Collection compliance requirements specified by the Federal Perkins Loan Program and described in the *OMB Circular A-133 Compliance Supplement.* Compliance with these requirements was audited by other auditors whose report thereon has been furnished to us and our opinion expressed, herein, insofar as it relates to the College's compliance with those requirements, is based solely on the report of other auditors.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Idaho State Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Eugene, Oregon
October 12, 2007

LEWIS-CLARK STATE COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

Section I - Summary of Auditor's Results

Consolidated financial statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	_X_ yes	___ none reported
Significant Deficiency(ies) identified not considered to be material weaknesses?	___ yes	_X_ none reported
Noncompliance material to consolidated financial statements noted?	___ yes	_X_ no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	___ yes	_X_ none reported
Significant Deficiency(ies) identified Not considered to be material weaknesses?	___ yes	_X_ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	___ yes	_X_ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
Student Financial Assistance Cluster:	
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.007	Federal Supplemental Education Opportunity Grant
84.038	Federal Perkins Loans
84.032	Federal Family Education Loans
93.364	Federal Nursing Loans
84.375	Academic Competitiveness Grant
84.376	National Science and Mathematics Access to Retain Talent Grant
94.006	AMERICORPS
84.149Z	Migrant Education-College Assistance Migrant Program

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000	
Auditee qualified as low-risk auditee?	_X_ yes	___ no

Year Ended June 30, 2007

Section II - Financial Statement Findings

Finding 2007-1

Criteria: Segregation of duties is an important internal control.

Condition and Perspective Information: During the audit, we were told that two employees were in a personal relationship. Due to this relationship, the employees have levels of responsibility that do not adequately provide for segregation of duties and could result in the opportunity for collusion.

Questioned Costs: None

Effect: Inadequate segregations of duties could provide the opportunity for collusion.

Cause: When segregating each of the employee's duties, in light of their personal relationship, management overlooked several areas that could provide the opportunity, or the appearance of an opportunity, for collusion.

Recommendation: We recommend that the duties of these two employees be reviewed, in light of the relationship, and that changes be implemented, as needed, to ensure that duties are properly segregated

Views of the Responsible Officials: Management concurs with this recommendation and will review current job responsibilities to ensure that adequate segregation of duties exists. While the vast majority of the duties assigned to these individuals are not connected, in cases where overlap might occur, responsibilities will be realigned as necessary.

Section III - Federal Award Findings and Questioned Costs

None.