Lewis-Clark STATE COLLEGE

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
June 30, 2008 and 2007
INCLUDING SINGLE AUDIT REPORTS
FOR THE YEAR ENDED June 30, 2008

LEWIS-CLARK STATE COLLEGE

TABLE OF CONTENTS

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, 2008 and 2007, 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 audit 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements, assessing the accounting principles used, and the 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, 2008 and 2007, 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 17, 2008, 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, 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 audit.

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 audit was performed for the purpose of forming an opinion on the financial statements of the College taken as a whole. 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 Government, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Moss Adams LLP

Eugene, Oregon
October 17, 2008

LEWIS-CLARK STATE COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008

Overview of the Financial Statements and Financial Analysis

The financial statements for fiscal years ended June 30, 2008 and June 30, 2007 are prepared in accordance with Governmental Accounting Standards Board ("GASB") principles. Three financial statements are presented: the *Statements of Net Assets;* the *Statements of Revenues, Expenses, and Changes in Net Assets;* and the *Statements of Cash Flows.*

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

Statement of Net Assets

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

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

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

SUMMARY STATEMENTS OF NET ASSETS

	2008	2007	2006
ASSETS:			
Current assets	$ 14,909,000	$ 12,423,820	$ 11,871,121
Capital assets, net	24,570,684	25,271,767	23,738,370
Other assets	4,252,724	4,066,078	3,963,240
Total assets	43,732,408	41,761,665	39,572,731
LIABILITIES:			
Current liabilities	5,493,122	5,150,507	5,144,519
Noncurrent liabilities	5,877,793	5,578,565	6,060,213
Total liabilities	11,370,915	10,729,072	11,204,732
NET ASSETS:			
Invested in capital assets, net of related debt	21,636,172	21,805,295	19,599,852
Restricted - nonexpendable			
Restricted - expendable	1,388,364	1,403,610	1,384,340
Unrestricted	9,336,957	7,823,688	7,383,807
Total net assets	$ 32,361,493	$ 31,032,593	$ 28,367,999

Total assets of the College increased $1,970,743 in fiscal year 2008. This represents a net increase of 4.7% over 2007. While Capital assets, net actually decreased by $701,083 or 2.8%, as depreciation exceeded capital additions for the year, Current assets increased by $2,485,180 or 20.0%. This significant increase was due almost exclusively to an increase in Cash and cash equivalents resulting from continuing positive cash flows as reflected in the *Statements of Cash Flows.*

Total liabilities increased during the year by $641,843 or 6.0%. While capital debt actually declined during the year, this was offset almost exclusively by the recognition of the new Net other post employment benefit obligations liability presented in the *Statements of Net Assets*. This liability, in the amount of $789,000, resulted from the implementation of GASB Statement No. 45. See note 8 in the financial statements.

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

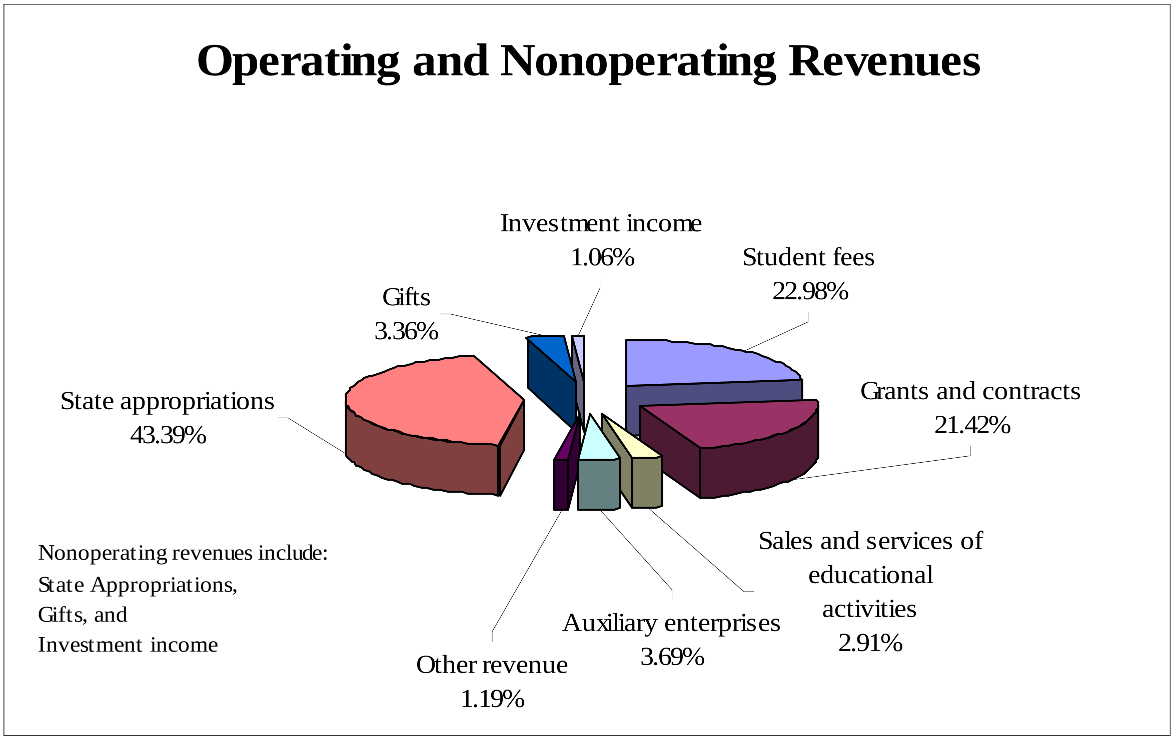
Legislature to the College without the Legislature directly receiving commensurate value in return for those revenues.

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

	2008	2007	2006
Operating revenues	$ 23,248,816	$ 22,106,606	$ 23,272,013
Operating expenses	43,289,131	40,264,622	40,072,928
Operating loss	(20,040,315)	(18,158,016)	(16,800,915)
Nonoperating revenues and expenses, net	20,847,267	19,095,584	18,709,507
Income before other revenues and expenses	806,952	937,568	1,908,592
Other revenues (expenses), net	521,948	1,727,026	(19,185)
Increase in net assets	1,328,900	2,664,594	1,889,407
Net assets--Beginning of year	31,032,593	28,367,999	26,478,592
Net assets--End of year	$ 32,361,493	$ 31,032,593	$ 28,367,999

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, 2008.



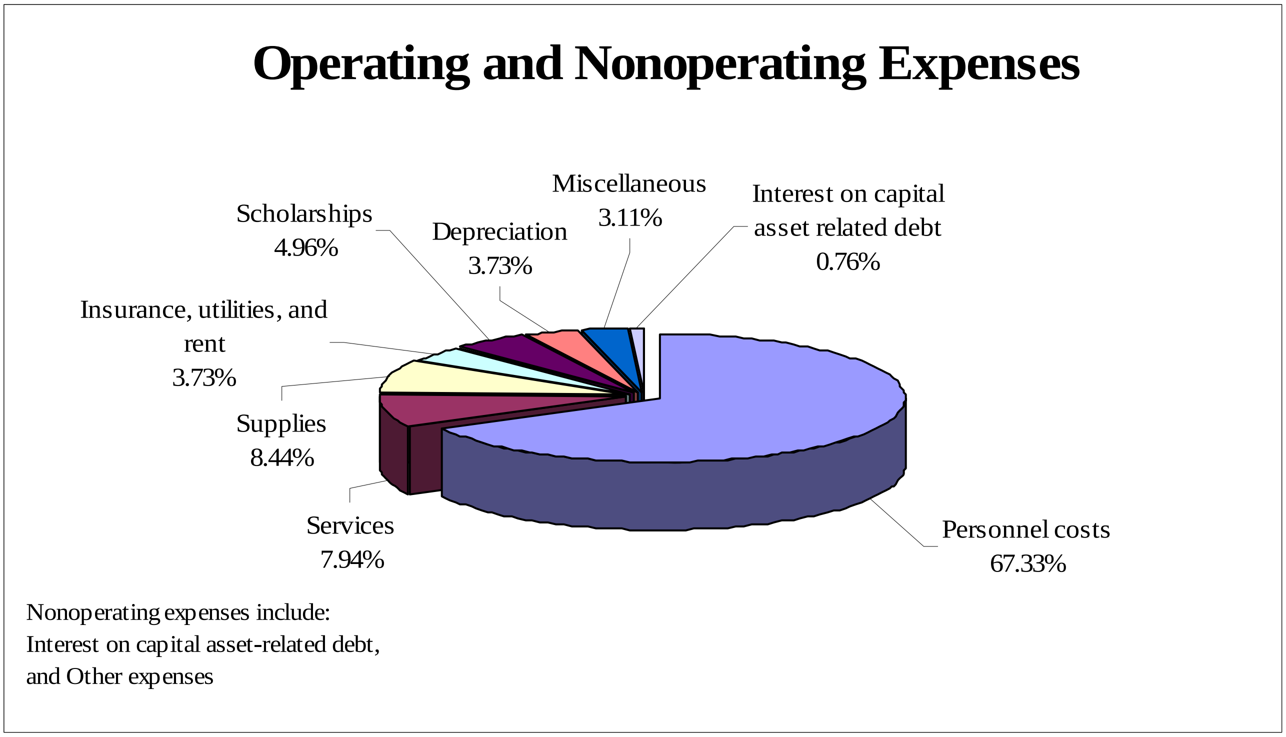
Total operating revenues for fiscal year 2008 increased $1,142,210 or 5.2%. This increase resulted largely from normal fluctuations in federal, state and local grant revenues as well as an increase in student fee revenue.

Expenses

Following is a comparative summary of the College's expenses for the years ended June 30, 2008, 2007, and 2006.

Expenses	**2008**	**2007**	**2006**
OPERATING EXPENSES:			
Personnel costs	$ 29,375,924	$ 26,605,772	$ 25,938,929
Services	3,461,937	3,064,836	3,034,485
Supplies	3,684,032	4,074,995	5,046,142
Insurance, utilities, and rent	1,623,360	1,564,971	1,187,464
Scholarships & fellowships	2,165,072	1,962,882	2,168,203
Depreciation	1,625,876	1,560,896	1,532,658
Miscellaneous	1,352,930	1,430,270	1,165,047
Total operating expenses	43,289,131	40,264,622	40,072,928
NONOPERATING EXPENSES:			
Interest on capital asset related debt	329,545	363,292	372,622
Other	8,927	8,927	8,927
Total nonoperating expenses	338,472	372,219	381,549
OTHER EXPENSES		23,681	29,329
Total other expenses		23,681	29,329
TOTAL EXPENSES	$ 43,627,603	$ 40,660,522	$ 40,483,806

The following is a graphic depiction of total expenses by natural classification for the year ended June 30, 2008.



Total expenses in fiscal year 2008 increased $2,967,081 compared with the previous year. This represents a 7.3% increase. Although some netting of increases and decreases occurred amongst operating expense categories, the primary increase related to Personnel costs. Comparing fiscal year 2007 to 2008, Personnel costs increased $2,770,152 or 10.4%. This increase represented 93.4% of the increase in total expenses and is indicative of the current funding scenario in Idaho higher education. Increased general fund appropriations for higher education operating expenses have been extremely limited in recent years. Increases have been largely limited to increased payroll costs and related benefits. Included in the $2,770,152 increase was approximately $926,000 associated with 5% raises plus benefits, $76,400 attributed to internally funded faculty promotions, new positions costing approximately $700,000 including benefits, an overall increase in the cost of health insurance of $265,000, and the recognition of $789,000 in Other post employment benefits expense that resulted from the implementation of GASB Statement No. 45. See note 8 in the financial statements. These specific increases accounted for $2,756,400 or over 99% of the Personnel cost increases that occurred during the year.

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

	2008	2007	2006
CASH PROVIDED BY (USED IN):			
Operating activities	$ (17,288,242)	$ (16,178,126)	$ (15,700,068)
Noncapital financing activities	20,701,830	19,075,785	18,822,507
Capital and related financing activities	(1,343,626)	(2,313,436)	(1,885,674)
Investing activities	453,086	450,561	350,236
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,523,048	1,034,784	1,587,001
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,718,854	9,684,070	8,097,069
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 13,241,902	$ 10,718,854	$ 9,684,070

Overall, cash increased by $2,523,048 for the year ended June 30, 2008. While both cash inflows and cash outflows increased in a number of areas, the net increase in cash was predominantly driven by an increase in state appropriations and student fee revenues. It is noteworthy that cash used by operating activities indicates an outflow of $17,288,242 for fiscal year 2008. However, cash provided by noncapital financing activities for fiscal year 2008 shows an inflow of $20,701,830. 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, 2008. No new bonds were issued in 2008. There has been no significant change in credit ratings or debt limitations that may affect future financing for the College. Additional information concerning capital assets and debt administration is detailed in Notes 1, 5, 6, and 7 as part of the notes to the financial statements.

Component Unit

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

At June 30, 2008, the *Statements of Net Assets* indicated that the total net assets of the Foundation were $4,375,665. Restricted nonexpendable and expendable net assets together represented $3,613,920 or 82.6% 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 $370,307 or 8.5% of total net assets. These assets consisted primarily of three buildings being held by the Foundation by virtue of donation. The remaining $391,438 or 8.9% of total net assets were unrestricted assets. Of this amount, $355,750 represented an unrestricted endowment created from the liquidation of property received as an unrestricted gift. The remaining unrestricted balance of $35,688 consisted of cash. Liabilities of the Foundation totaled $750,417 at June 30, 2008, an increase of $292,667 or 63.9% from June 30, 2007. This increase was associated exclusively with the addition of three new split interest contracts with donors.

The *Statements of Revenues, Expenses, and Changes in Net Assets* reflected a decrease in net assets of $67,897 for the year ended June 30, 2008. This fluctuation resulted primarily from the netting of new gifts and additions to endowments against distributions to the College and unrealized market depreciation associated with the investment of endowment funds.

Economic Outlook

The State of Idaho concluded the fiscal year with a $223.8 million surplus in the general fund. However, for fiscal year 2009, the forecast for general fund revenues was recently projected to be down $174.3 million or 5.9% from the previous forecast released in February 2008. The relationship between actual general fund revenues and projections consistently impact legislative decision making regarding appropriated funding for all agencies, including higher education. Appropriated fund increases for fiscal year 2010 are anticipated to be meager, although College enrollment tends to be counter cyclical relative to an economic downturn with the potential for increased student fee revenues.

The College continues to be a beneficiary of State government’s emphasis on alleviating the national and regional nursing shortage. Construction of a new $16.0 million Nursing/Health Sciences Building is proceeding on schedule and within budget. This facility will be available for occupancy in August of 2009 and will provide a significant infrastructure enhancement in support of the College’s role and mission.

The fiscal stability of the institution remains intact as capital debt declined during the year ended June 30, 2008 and total assets increased $1.97 million or 4.7%. 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, 2008 and 2007

	LCSC		Component Unit	
ASSETS	**2008**	**2007**	**2008**	**2007**
CURRENT ASSETS:				
Cash and cash equivalents	$ 10,408,711	$ 8,544,158	$ 100,626	$ 89,334
Cash with treasurer	2,833,191	2,174,696		
Accounts receivable and unbilled charges	1,202,827	1,017,652		
Due from Lewis-Clark State College			406,124	417,642
Due from state agencies	319,678	495,834		
Pledges receivable	30,000			
Student loan receivables	105,889	165,570		
Prepaid expenses	8,704	25,910	8,397	8,947
Total current assets	14,909,000	12,423,820	515,147	515,923
NONCURRENT ASSETS:				
Student loan receivables, less allowance for doubtful loans of $86,000 and $85,000 for 2008 and 2007, respectively	777,182	703,391		
Investments held in trust	682,911	651,129		
Investments			4,240,628	3,995,757
Deferred bond financing costs	89,283	98,210		
Pledges receivable	90,000			
Investment in capital assets	2,613,348	2,613,348		
Capital assets, net	24,570,684	25,271,767	370,307	389,632
Total noncurrent assets	28,823,408	29,337,845	4,610,935	4,385,389
TOTAL ASSETS	**$ 43,732,408**	**$ 41,761,665**	**$ 5,126,082**	**$ 4,901,312**

See notes to financial statements. (Continued)

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF NET ASSETS
June 30, 2008 and 2007

	LCSC		Component Unit	
LIABILITIES	**2008**	**2007**	**2008**	**2007**
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	$ 221,033	$ 283,018	$ 15,640	$ 20,565
Accrued salaries and benefits payable	1,894,523	1,648,387		
Compensated absences payable	858,896	878,335		
Due to component unit	406,124	417,642		
Unearned revenue	747,294	542,799		
Amounts held in trust for others	133,991	129,732		
Accrued interest payable	85,944	98,067		
Notes and bonds payable	1,145,317	1,152,527		
Total current liabilities	5,493,122	5,150,507	15,640	20,565
NONCURRENT LIABILITIES:				
Gift annuities payable			734,777	437,185
Net other post employment benefit obligations	789,000			
Notes and bonds payable	5,088,793	5,578,565		
Total noncurrent liabilities	5,877,793	5,578,565	734,777	437,185
TOTAL LIABILITIES	11,370,915	10,729,072	750,417	457,750
NET ASSETS				
Invested in capital assets, net of related debt	21,636,172	21,805,295	370,307	389,632
Restricted for:				
Nonexpendable			2,280,596	2,027,618
Expendable	1,388,364	1,403,610	1,333,324	1,598,398
Unrestricted	9,336,957	7,823,688	391,438	427,914
TOTAL NET ASSETS	32,361,493	31,032,593	4,375,665	4,443,562
TOTAL LIABILITIES AND NET ASSETS	**$ 43,732,408**	**$ 41,761,665**	**$ 5,126,082**	**$ 4,901,312**

See notes to financial statements.

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2008 and 2007

	LCSC		Component Unit	
	2008	2007	2008	2007
OPERATING REVENUES:				
Student fees (net of scholarship discounts and allowances of $3,600,716 and $3,281,348, for 2008 and 2007, respectively)	$ 9,491,418	$ 8,778,315	$	$
Student fees pledged for debt	839,293	835,124		
Federal grants and contracts	6,070,400	5,793,096		
State and local grants and contracts	3,246,889	2,872,163		
Private grants and contracts	97,753	466,329		
Sales and services of educational activities	1,309,732	1,258,301		
Sales and services of auxiliary enterprises	1,656,843	1,573,500		
Gifts			443,398	382,304
Other	536,488	529,778	7,124	7,674
Total operating revenues	23,248,816	22,106,606	450,522	389,978
OPERATING EXPENSES:				
Personnel costs	29,375,924	26,605,772		
Services	3,461,937	3,064,836		
Supplies	3,684,032	4,074,995		
Insurance, utilities, and rent	1,623,360	1,564,971		
Scholarships and fellowships	2,165,072	1,962,882		
Depreciation	1,625,876	1,560,896	19,325	19,325
Miscellaneous	1,352,930	1,430,270	101,729	64,822
Total operating expenses	43,289,131	40,264,622	121,054	84,147
OPERATING (LOSS) GAIN	(20,040,315)	(18,158,016)	329,468	305,831
NONOPERATING REVENUES (EXPENSES):				
State appropriations	19,198,684	17,713,871		
Gifts (including $332,786 and $271,106 from the Foundation for 2008 and 2007, respectively)	1,509,928	1,236,294		
Net investment income (loss)	477,127	517,638	(305,684)	530,060
Interest on capital asset related debt	(329,545)	(363,292)		
Distributions to the College			(332,786)	(271,106)
Other	(8,927)	(8,927)		
Net nonoperating revenues (expenses)	20,847,267	19,095,584	(638,470)	258,954
INCOME BEFORE OTHER REVENUES (EXPENSES)	806,952	937,568	(309,002)	564,785
OTHER REVENUES (EXPENSES):				
Capital appropriations	307,000	1,688,755		
Capital grants and gifts	214,948	61,952		
Additions to permanent endowments			252,979	81,424
Other		(23,681)	(11,874)	(29,903)
Total other revenues (expenses)	521,948	1,727,026	241,105	51,521
INCREASE (DECREASE) IN NET ASSETS	1,328,900	2,664,594	(67,897)	616,306
NET ASSETS---BEGINNING OF YEAR	31,032,593	28,367,999	4,443,562	3,827,256
NET ASSETS---END OF YEAR	$ 32,361,493	$ 31,032,593	$ 4,375,665	$ 4,443,562

See notes to financial statements.

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 and 2007

	LCSC 2008	LCSC 2007	Component Unit 2008	Component Unit 2007
CASH FLOWS FROM OPERATING ACTIVITIES:				
Student fees	$ 9,541,376	$ 8,837,069	$	$
Student fees pledged for debt	839,293	835,124		
Grants and contracts	9,297,484	9,233,097		
Sales and services of educational activities	1,308,066	1,266,728		
Sales and services of auxiliary enterprises	1,656,843	1,573,501		
Donations received			43,506	14,930
Payments to employees	(28,360,228)	(26,608,408)		
Payments to suppliers	(3,542,708)	(4,246,578)		
Other payments	(6,435,143)	(5,996,156)	(84,045)	(68,110)
Payments for scholarships and fellowships	(2,165,072)	(1,962,882)		
Loans issued to students	(177,297)	(169,082)		
Collection of loans from students	133,469	192,094		
Other receipts	615,675	867,367	500	500
Net cash used by operating activities	(17,288,242)	(16,178,126)	(40,039)	(52,680)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State appropriations	19,198,684	17,713,871		
Gifts	1,518,270	1,241,996		
Additions to endowments			238,049	81,424
Agency account receipts	1,057,620	959,636		
Agency account payments	(1,072,744)	(839,718)		
Student loan receipts	9,236,967	8,396,511		
Student loan payments	(9,236,967)	(8,396,511)		
Distributions to the College			(67,123)	(55,829)
Net cash provided by noncapital financing activities	20,701,830	19,075,785	170,926	25,595
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from sale of capital assets	17,870	70,404		
Capital appropriations	307,000	325,854		
Capital grants and gifts	47,948	61,952		
Purchase of capital assets	(877,794)	(1,842,240)		
Principal paid on capital debt	(496,982)	(558,680)		
Interest paid on capital debt	(341,668)	(370,726)		
Net cash used in capital and related financing activities	(1,343,626)	(2,313,436)		
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	453,086	450,561	7,522	5,554
Purchase of investments			(628,869)	(48,976)
Proceeds from sale of investments			501,752	
Net cash provided (used) by investing activities	453,086	450,561	(119,595)	(43,422)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,523,048	1,034,784	11,292	(70,507)
CASH AND CASH EQUIVALENTS---BEGINNING OF THE YEAR	10,718,854	9,684,070	89,334	159,841
CASH AND CASH EQUIVALENTS---END OF THE YEAR	$ 13,241,902	$ 10,718,854	$ 100,626	$ 89,334

See notes to financial statements.

(Continued)

LEWIS-CLARK STATE COLLEGE

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 and 2007

RECONCILIATION OF NET OPERATING (LOSS) GAIN TO NET CASH AND CASH EQUIVALENTS PROVIDED (USED) BY OPERATING ACTIVITIES:	LCSC 2008	LCSC 2007	Component Unit 2008	Component Unit 2007
Operating (Loss) Gain	$ (20,040,315)	$ (18,158,016)	$ 329,468	$ 305,831
Adjustments to reconcile operating (loss) gain to net cash used in operating activities:				
Noncash donations			(425,104)	(367,373)
Other noncash receipts			(6,625)	(7,174)
Other noncash payments			17,684	16,473
Depreciation expense	1,625,876	1,560,896	19,325	19,325
Effect on cash from changes in operating assets and liabilities:				
Receivables, net	(217,325)	431,354		
Due from (to) state agencies	176,156	(134,407)		
Inventories				
Due from component unit		24,142		
Prepaid expenses	17,206	12,730		
Accounts payable and accrued liabilities	(61,465)	(5,433)		
Accrued salaries and benefits payable	246,135	13,116		
Compensated absences	(19,439)	(15,754)		
Net other post employment benefit obligations	789,000			
Gift annuities payable			25,213	(19,762)
Amounts held in trust for others	13,385	14,015		
Unearned revenue	196,654	48,182		
Loans to students	(14,110)	31,049		
Net cash used by operating activities	$ (17,288,242)	$ (16,178,126)	$ (40,039)	$ (52,680)

SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:

Capital assets 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, 2008

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 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, 2008 and 2007. 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.

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

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

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

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

Noncurrent Liabilities—Noncurrent liabilities include principal amounts of revenue bonds payable, notes payable, and 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 revenues from 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.

Risks and Uncertainties—The College invests in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near team and such changes could materially affect the amounts reported in the statement of financial position.

In 2008, there has been significant volatility in the domestic and international investment markets, primarily as a result of liquidity issues in credit markets. Consequently, the fair value of the College's investments is exposed to higher than typical price volatility which could result in a substantial reduction in the fair value of certain investments from the amounts reported as of June 30, 2008.

***New Accounting Standards*—**In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The College adopted GASB Statement No. 45 for the year ended June 30, 2008 and its impact is disclosed in Note 8. This Statement 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 based on actuarially determined amounts that, if paid on an ongoing basis, would provide sufficient resources to pay benefits as they come due. The provisions of Statement No. 45 were applied prospectively and do not require the College to fund its OPEB plans. The College established 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 College adopted GASB Statement No. 45 for the year ended June 30, 2008 and its impact is disclosed in Note 8.

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for the College's fiscal year beginning July 1, 2009. This statement requires capitalization of identifiable intangible assets in the *Statements of Net Assets* and provides guidance for amortization of intangible assets unless they are considered to have an indefinite useful life. The College is currently evaluating the impact GASB Statement No. 51 will have on the 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. Deposits are insured, collateralized with securities held in the College's name, or uncollateralized.

Custodial credit risk
Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The College does not have a deposit policy for custodial credit risk. As of June 30, 2008, $9,283,627 of the College's bank balance of $10,408,711 was exposed to custodial credit risk. As of June 30, 2007, $96,873 of the College's bank balance of $8,544,158 was exposed to custodial 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	2008	2007
U.S. Treasury mutual fund	Less than one year	$ 520,903	$ 454,216
Federal National Mortgage Association pool	2/1/2017	162,008	196,913
Total Investments Held in Trust		$ 682,911	$ 651,129

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:

	2008	2007
Student fees	$ 100,168	$ 120,181
Federal, state and nongovernmental grants and contracts	1,058,686	824,524
Investment income	24,362	32,102
Auxiliary enterprises		17,870
Educational departments	9,047	9,027
Funds held in custody for others	10,564	13,948
	$ 1,202,827	$ 1,017,652

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, 2008 and 2007.

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, 2008 and 2007 is approximately $541,300 and $544,200, 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:

	2008		
	Current	**Noncurrent**	**Total**
Federal Perkins Loan Program	$ 81,247	$ 726,719	$ 807,966
Nursing Student Loan Program	24,642	136,463	161,105
	105,889	863,182	969,071
Less Allowance for doubtful loans		(86,000)	(86,000)
Net Student Loans Receivable	**$ 105,889**	**$ 777,182**	**$ 883,071**

	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**

5. CAPITAL ASSETS—NET

Following are the changes in capital assets, for the years ended June 30, 2008 and 2007:

	2008			
	Balance at June 30, 2007	Additions	Reductions	Balance at June 30, 2008
Capital assets not being depreciated:				
Land	$ 2,369,433	$ 74,125	$	$ 2,443,558
Capitalized collections	15,000			15,000
Construction in progress		47,406		47,406
Total capital assets not being depreciated	$ 2,384,433	$ 121,531	$	$ 2,505,964
Other capital assets:				
Buildings and improvements	$ 34,028,160	$ 14,837	$ (104,122)	$ 33,938,875
Furniture, fixtures and equipment	5,168,493	521,901	(647,115)	5,043,279
Library materials	5,031,600	340,649	(44,584)	5,327,665
Total other capital assets	44,228,253	877,387	(795,821)	44,309,819
Less accumulated depreciation:				
Buildings and improvements	(13,728,710)	(991,880)	29,997	(14,690,593)
Furniture, fixtures and equipment	(3,746,153)	(370,388)	647,115	(3,469,426)
Library materials	(3,866,056)	(263,608)	44,584	(4,085,080)
Total accumulated depreciation	(21,340,919)	(1,625,876)	721,696	(22,245,099)
Other capital assets net of accumulated depreciation	$ 22,887,334	$ (748,489)	$ (74,125)	$ 22,064,720
Capital assets summary:				
Capital assets not being depreciated	$ 2,384,433	$ 121,531	$	$ 2,505,964
Other capital assets at cost	44,228,253	877,387	(795,821)	44,309,819
Total cost of capital assets	46,612,686	998,918	(795,821)	46,815,783
Less accumulated depreciation	(21,340,919)	(1,625,876)	721,696	(22,245,099)
Capital assets, net	$ 25,271,767	$ (626,958)	$ (74,125)	$ 24,570,684

	2007			
	Balance at June 30, 2006	Additions	Reductions	Balance at June 30, 2007
Capital assets not being depreciated:				
Land	$ 2,249,011	$ 175,422	$ (55,000)	$ 2,369,433
Capitalized collections	15,000			15,000
Total capital assets not being depreciated	$ 2,264,011	$ 175,422	$ (55,000)	$ 2,384,433
Other capital assets:				
Buildings and improvements	$ 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 capital assets	41,674,933	2,995,086	(441,766)	44,228,253
Less accumulated depreciation:				
Buildings and improvements	(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 capital assets net of accumulated depreciation	$ 21,474,359	$ 1,434,190	$ (21,215)	$ 22,887,334
Capital assets summary:				
Capital assets not being depreciated	$ 2,264,011	$ 175,422	$ (55,000)	$ 2,384,433
Other capital assets at cost	41,674,933	2,995,086	(441,766)	44,228,253
Total cost of capital assets	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)
Capital assets, net	$ 23,738,370	$ 1,609,612	$ (76,215)	$ 25,271,767

The estimated cost to complete property authorized or under construction at June 30, 2008 is approximately $20,657,204. Of this amount $15,999,817 is related to the Nursing/Health Sciences Building currently under construction. These costs will be financed by state appropriations and available local resources.

Institutional funds included in the construction costs of the Student Activity Center were reported as Investment in capital assets since ownership of the facility will not pass to the College until debt incurred by the State of Idaho for the majority of the project costs is retired. See Note 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, 2008 and 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 Capital Assets in the amount of $19,200 as of June 30, 2008 and 2007.

6. LONG-TERM LIABILITIES

Following are the changes in long-term debt for the years ended June 30, 2008 and 2007:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Amounts Due Within One Year
Leases, bonds and notes:					
Revenue bonds	$ 5,080,000	$	$ (315,000)	$ 4,765,000	$ 330,000
Notes	1,651,092		(181,982)	1,469,110	815,317
	$ 6,731,092	$	$ (496,982)	$ 6,234,110	$ 1,145,317

	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

7. NOTES AND BONDS PAYABLE

Notes and bonds payable at June 30, 2008 and 2007 consisted of the following:

	Balance Outstanding	
	2008	2007
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 ($3,464,755 in 2008 and $3,198,358 in 2007) less operating and maintenance expenses of those enterprises ($1,772,680 in 2008 and $1,741,019 in 2007).	$ 4,765,000	$ 5,080,000
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.	727,565	833,145
Unsecured note payable (original issuance of $130,000), issued to purchase residential property, due in monthly installments, maturing on December 31, 2008, including interest at 6.16%. Renewable at the option of the lender.	76,031	82,616
Unsecured note payable (original issuance of $150,000), issued to purchase land, due in monthly installments, maturing on December 31, 2008, including interest at 6.16%. Renewable at the option of the lender.	83,546	93,363
Unsecured note payable (original issuance of $77,000), issued to purchase residential property, due in monthly installments, maturing on December 31, 2008, including interest at 6.16%. Renewable at the option of the lender.	62,612	65,345
Unsecured note payable (original issuance of $458,331), issued to purchase residential property, due in monthly installments, maturing on December 31, 2008, including interest at 6.16%. Renewable at the option of the lender.	433,356	440,623
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%.	86,000	136,000
Total bonds and notes payable	$ 6,234,110	$ 6,731,092

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

	Notes		Bonds	
	Principal	Interest	Principal	Interest
2009	$ 815,317	$ 53,770	$ 330,000	$ 241,070
2010	150,130	26,668	345,000	225,560
2011	118,660	19,996	360,000	209,000
2012	123,372	15,285	380,000	191,540
2013	128,269	10,387	400,000	172,730
2014-2018	133,362	5,294	2,950,000	649,580
	$ 1,469,110	$ 131,400	$ 4,765,000	$ 1,689,480

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, 2008, 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 $711,018, $697,001, $690,462, $672,761, and $613,364, for the five years ended June 30, 2008, 2007, 2006, 2005, and 2004, 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, 2008 and 2007 was $1,936,667 and $1,521,353, respectively, which consisted of $1,109,561 and $803,920, respectively, from the College and $827,106 and $717,433, respectively, from employees. For both 2008 and 2007, these contributions represented approximately 9.35% and 7.72% of covered payroll for the College and its employees.

Although enrollees in the ORP no longer belong to PERSI, the College is required to contribute to PERSI. These annual supplemental payments are required through July 1, 2015. During the years ended June 30, 2008 and 2007, this supplemental funding payment made to PERSI was $176,813 or 1.94% and $318,567 or 3.03% of the annual covered payroll, respectively. These amounts are not included in the regular College PERSI contribution discussed previously.

Postretirement Benefits Other Than Pensions—

Summary of Plans

The College participates in other post employment benefit ("OPEB") plans relating to health, disability, and life insurance administered by the State of Idaho as agent multiple-employer defined benefit plans. *Idaho Code*, Sections 67-5760 to 67-5767 and 72-1335, establishes the benefits and contribution obligations. Each of these benefits is provided by the College to retired or disabled employees. GASB Statement No. 45 has been implemented prospectively, and the net OPEB obligation at transition was zero. The most recent actuarial valuation is as of June 30, 2006. Detail of the plans can be found in the Comprehensive Annual Report of the State of Idaho, which may be obtained as follows:

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

Plan Descriptions

Retiree Healthcare Plan

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

Long-Term Disability Income

This plan provides long-term disability income benefits for active employees who become disabled, generally up to a maximum age of 70. Disabled employees are defined as being unable to perform each of the substantial and material duties of the job for which they were hired for the first 30 months of disability, or any job thereafter for which they are reasonably qualified by experience, education, or training. Additionally, to qualify for long-term disability, the waiting period of the later of 26 weeks of continuous total disability or exhaustion of accrued sick leave must be met. The gross benefit equals 60 percent of monthly salary or $3,750 (whichever is smaller). The benefit does not increase with inflation and may be offset by other disability benefits from Social Security, Workers' Compensation, or PERSI.

Life Insurance for Disabled Employees

This plan provides basic life and dependent life coverage for disabled employees, generally up to a maximum age of 70. The life insurance benefit amount is generally 100 percent of annual salary, but not less than $20,000. In addition, a $2,000 life insurance benefit is provided to spouses, and a $1,000 life insurance benefit is provided to dependent children. These benefits do not increase with inflation.

Life Insurance for Retirees

This plan provides basic life insurance for certified retired employees. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at least 80 to qualify for this benefit. Eligible retirees receive basic life insurance coverage equal to 100 percent of the annual salary at retirement.

Funding Policy

The College has not set aside any assets to pay future benefits; the College funds these benefits on a pay-as-you-go basis.

Retiree Healthcare Plan

Retirees eligible for medical health insurance pay the majority of the premium cost; however, the retiree plan costs are subsidized by the active employee plan. The College contributed $32.83 per active non-retired employee per month towards the retiree premium cost.

Long-Term Disability Income

Self-Insured portion:

Employees who became disabled prior to July 1, 2003, are self-insured by the State, which pays 100 percent of the cost of this benefit. The amount of the contributions is actuarially determined based on active claims and the number of insured individuals.

Insured Benefit portion:

Employees who became disabled after July 1, 2003, are insured by Principal Life Insurance Company and the obligation for the payment of benefits has been effectively transferred. The College pays 100 percent of the cost of the premiums. The College's contribution for the period was 0.37% of payroll in fiscal year 2008. This portion of the long-term disability income benefit is not included in the actuarial estimate.

Life Insurance for Disabled Employees

The College pays 100 percent of the premium cost of the benefit. The College's contribution for the period was 0.37% of payroll in fiscal year 2008.

Healthcare for Disabled Employees

The College pays the medical/dental premiums while the employee remains disabled. The employee's contribution is limited to the normal active employee contribution for the plan and rate category in which the employee is enrolled. The College's contribution for the period was $5.98 per active employee per month in fiscal year 2008.

Life Insurance for Retirees

The College pays 100 percent of the cost of basic life insurance. The College's contribution for the period as a percent of payroll was 2.037% for retirees under age 65, 1.568% for retirees between the ages of 65 and 69, and 1.081% for retirees over age 70 in fiscal year 2008.

Annual OPEB Cost

The annual OPEB cost is actuarially determined based on the annual required contribution ("ARC") of the employer in accordance with GASB Statement No. 45. The following table illustrates the annual OPEB expense, the amount of contributions made, and the increase in the net OPEB obligation, for the plans as of June 30, 2008, (*dollars in thousands):*

	Retiree Healthcare	**Long-term Disability Income**	**Long-term Disability Life Insurance**	**Long-term Disability Healthcare**	**Life Insurance**	**Total**
Annual required contribution:						
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	$ 312	$ 6	$ 9	$ 9	$ 74	$ 410
Normal Cost	473	0	7	27	102	609
Interest to Fiscal Year-End	39	0	1	2	9	51
Annual OPEB cost (expense)	824	6	17	38	185	1,070
Contributions made	(194)	(22)	(10)	(21)	(34)	(281)
Increase(Decrease) in Net OPEB Obligation	630	(16)	7	17	151	789
Net OPEB Obligation - Beginning of Year	0	0	0	0	0	0
Net OPEB Obligation (Funding Excess) - End of Year	$ 630	$ (16)	$ 7	$ 17	$ 151	$ 789
Percentage of Annual OPEB Cost Contributed	23.54%	366.67%	58.82%	55.26%	18.38%	26.26%

Funded Status and Funding Progress (*dollars in thousands*):

		Retiree Healthcare	**Long-term Disability Income**	**Long-term Disability Life Insurance**	**Long-term Disability Healthcare**	**Life Insurance**
	Actuarial Valuation Date	7/1/2006	7/1/2006	7/1/2006	7/1/2006	7/1/2006
(1)	Actuarial Accrued Liability (AAL)	$ 8,740	$ 158	$ 263	$ 248	$ 2,062
(2)	Actuarial Value of Plan Assets	0	0	0	0	0
(3)	Unfunded AAL (UAAL) (1) - (2)	$ 8,740	$ 158	$ 263	$ 248	$ 2,062
(4)	Funded Ratios (2) / (1)	0.00%	0.00%	0.00%	0.00%	0.00%
(5)	Annual Covered Payroll	$ 18,015	$ 18,015	$ 18,015	$ 18,015	$ 18,015
(6)	UAAL as a Percentage of Covered Payroll (3) / (5)	48.52%	0.88%	1.46%	1.38%	11.45%

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members. Any variations in future experience from that expected from these assumptions will result in corresponding changes in the estimated costs of the benefits. The projection of benefits for financial reporting purposes does not incorporate the potential effects of legal funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions for all plans:

	Retiree Healthcare	**Long-term Disability Income**	**Long-term Disability Life Insurance**	**Long-term Disability Healthcare**	**Life Insurance**
Actuarial Cost Method	Projected Unit Credit Level	Projected Unit Credit Level	Projected Unit Credit Level	Projected Unit Credit Level	Projected Unit Credit Level
Amortization Method	Percentage of Payroll	Percentage of Payroll	Percentage of Payroll	Percentage of Payroll	Percentage of Payroll
Amortization Period	30 years, Open	30 years, Open	30 years, Open	30 years, Open	30 years, Open
Assumptions:					
Inflation Rate	3.75%	3.75%	3.75%	3.75%	3.75%
Investment Return	5.00%	5.00%	5.00%	5.00%	5.00%
OPEB Increases	N/A	N/A	N/A	N/A	N/A
Projected Salary Increases	4.50%	4.50%	4.50%	4.50%	4.50%
Healthcare Cost Initial Trend Rate	10.00%	N/A	N/A	10.00%	N/A
Healthcare Cost Ultimate Trend Rate	5.00%	N/A	N/A	5.00%	N/A

***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, 2008 and 2007 were $121,734 and $113,523.

9. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

	2008 Natural Classification							
Functional Classification	Personnel Costs	Services	Supplies	Insurance, Utilities, and Rent	Scholarships and Fellowships	Depreciation	Miscellaneous	Operating Expense Totals
Instruction	$ 16,430,368	$ 745,541	$ 1,340,068	$ 184,120	$ 140,258	$	$ 410,262	$ 19,250,617
Research	220,227	14,594	110,849				47,978	393,648
Public services	1,426,108	457,596	89,062	7,777			203,895	2,184,438
Libraries	566,418	68,800	22,539				407	658,164
Student services	2,578,978	307,069	166,016	10,858	77,334		112,548	3,252,803
Plant operations	1,428,186	76,339	504,185	664,362	499	1,625,876	18,375	4,317,822
Institutional support	2,874,487	835,417	269,522	86,577			127,956	4,193,959
Academic support	1,976,401	230,552	243,708	2,384	1,820		150,688	2,605,553
Scholarships and fellowships	144,558	149			1,609,955		61,674	1,816,336
Auxiliaries	1,730,193	725,880	938,083	667,282	335,206		219,147	4,615,791
Total expenses:	$ 29,375,924	$ 3,461,937	$ 3,684,032	$ 1,623,360	$ 2,165,072	$ 1,625,876	$ 1,352,930	$ 43,289,131

	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

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, 2008 and 2007 the College's total contribution is discretely presented in the *Statements of Net Assets* as Investment in capital assets in the amount of $2,613,348. See Note 5.

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, 2008 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, 2008:

Investment Type	Rating	Fair Value
Corporate Debt Instruments	B	$ 2,948
Government Bonds	AAA	233,213
Federal Home Loan Bank	AAA	141,666
Federal Home Loan Mtg. Corporation	AAA	354,285
Federal National Mtg. Association	AAA	399,173
Total Rated Debt Securities		$ 1,131,285

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, 2008, the Foundation held debt securities with the following maturities:

Investment Type	Maturity Range	Fair Value
Corporate Debt Instruments	less than 1 year	$ 2,948
Federal Agencies	1 - 9 years	1,128,337
Total Debt Securities		$ 1,131,285

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, 2008, the Foundation's exposure to foreign currency risk is as follows:

Equity Investments	Denominated Currency	Fair Value
European Securities	Euro	$ 190,097
British Securities	British Pound	72,299
Mexican Securities	Mexican Peso	24,308
Swiss Securities	Franc	80,402
Danish Securities	Krone	20,568
Japanese Securities	Yen	64,197
Israeli Securities	Sheqel	26,178
Hong Kong Securities	Hong Kong Dollar	8,726
Canadian Securities	Canadian Dollar	39,889
Russian Securities	Russian Ruble	26,178
Chinese Securities	Yuan	23,061
Brazilian Securities	Real	15,581
South Korean Securities	Won	11,218
Swedish Securities	Swedish Krona	10,595
Turkish Securities	Turkish Lira	9,972
Total Foreign Equity Investments		623,269
US Denominated Securities & Mutual Funds	U.S. Dollar	3,617,359
Total Foundation Investments		$ 4,240,628

Capital Assets, Net—Following are the changes in property holdings of the Foundation for the years ended June 30, 2008 and 2007:

	2008			
	Balance at June 30, 2007	**Additions**	**Reductions**	**Balance at June 30, 2008**
Property holdings not being depreciated:				
Land	$ 39,566	$	$	$ 39,566
Total property holdings not being depreciated	$ 39,566	$	$	$ 39,566
Other property holdings:				
Buildings	$ 579,767	$	$	$ 579,767
Total other property holdings	579,767			579,767
Less accumulated depreciation:				
Buildings	(229,701)	(19,325)		(249,026)
Total accumulated depreciation	(229,701)	(19,325)		(249,026)
Other property holdings accumulated depreciation	$ 350,066	$ (19,325)	$	$ 330,741
Property holdings summary:				
Property holdings not being depreciated	$ 39,566	$	$	$ 39,566
Other property holdings at cost	579,767			579,767
Total cost of property buildings	619,333		$	619,333
Less accumulated depreciation	(229,701)	(19,325)		(249,026)
Property holdings, net	$ 389,632	$ (19,325)	$	$ 370,307

	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

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 $406,124 and $417,642 as of June 30, 2008 and 2007, respectively.

Certain gifts and gift annuity liabilities involve contributions made to the Foundation by Foundation board members. For the years ended June 30, 2008 and 2007, gifts from these related parties approximated $305,000 or 44% and $101,000 or 22% of total contributions, respectively. Liabilities to these related parties, reflected in the *Statements of Net Assets* as gift annuities payable, totaled $678,998 or 90% and $411,544 or 90% of total gift annuities payable as of June 30, 2008 and 2007, respectively.

Distributions to the College—During the years ended June 30, 2008 and 2007, the Foundation distributed $332,786 and $271,106, respectively to the College for both restricted and unrestricted purposes.

***Donor-Restricted Endowments*—**The Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the College. During the fiscal years 2008 and 2007 the Foundation received new contributions of $696,377 and 463,728, respectively. At June 30, 2008 and 2007, the amount permanently restricted by donors was $252,979 and $81,424, respectively. These endowments experienced a net loss of ($266,640) during the fiscal year 2008 and net appreciation of $510,270 during fiscal year 2007. Accumulated earnings are reported in restricted net assets, expendable. The Foundation established a spending rate of 4% of the five-year rolling average of the market value of each endowment account as of December 31st for each fiscal year. This amount may be reduced if an account has insufficient accumulated earnings to cover the payout.

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

Discount rates to determine the present value of the obligations to the annuitants range from 5.7% to 10.0% for the years ended June 30, 2008 and 2007. 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, 2008, and have issued our report thereon dated October 17, 2008. 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.

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 College's internal control.

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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters:

As a 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the College, the Idaho State Board of Education, 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 17, 2008

LEWIS-CLARK STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

Federal Grant/Program Title	Pass-Through Entity Identifying #	Federal CFDA Number	Total Expenditures
U.S. DEPARTMENT OF AGRICULTURE:			
Direct Programs:			
USDA CNC Lathe - FY08		10 769	$ 20,000
USDA Diesel Tech - FY08		10 769	20,725
			40,725
Nimiipuu Trail - FY08 - 07-JV-11015600-089		10 XXX	14,985
Pass Through Payments from the State of Idaho:			
USDA Daycare	None	10 558	6,118
Total U.S. Department of Agriculture:			$ 61,828
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Direct Programs:			
IVI-HUD 2 - FY04		14 246	$ 16,236
Pass Through Payments from Other:			
Speakers Bureau - FY06	HUD05-510	14 246	4,496
L & C Symposium - FY07	HUD06-660	14 246	9,500
Speakers Bureau - FY07	HUD06-661	14 246	4,848
Museum Initiative - FY07	HUD06-608	14 246	12,867
			31,711
Total U.S. Department of Housing and Urban Development:			$ 47,947
U.S. DEPARTMENT OF TRANSPORTATION:			
Direct Programs:			
Motor Safety Training Center - DTMC75-03-G-00004		20 XXX	$ 19,988
Total U.S. Department of Transportation:			$ 19,988
NATIONAL ENDOWMENT FOR THE HUMANITIES:			
Pass Through Payments from the State of Idaho:			
IHC Awareness Week - FY08	2007049	45 129	$ 1,768
Total National Endowment for the Humanities:			$ 1,768

LEWIS-CLARK STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

Federal Grant/Program Title	Pass-Through Entity Identifying #	Federal CFDA Number		Total Expenditures
SMALL BUSINESS ADMINISTRATION:				
Direct Programs:				
IVI Fulfillment II - FY05 (5)		59 000	$	348,431
SBA E-Commerce - FY07 (5)		59 000		3,775
NxLevel Online - FY08 (5)		59 000		532
				352,738
Pass Through Payments from the State of Idaho:				
ISBDC/SBA - FY07	077G106045B	59 037		25,780
ISBDC/SBA - FY08	077G106047B	59 037		18,877
				44,657
Total Small Business Administration:			$	397,395
U.S. DEPARTMENT OF EDUCATION:				
Direct Programs:				
Student Financial Assistance Cluster:				
Supplemental Education Opportunity Grant (1)		84 007	$	75,823
FFELP Loan Program (1)		84 032		9,153,533
Federal Workstudy Program (1)		84 033		95,468
Perkins Loan Program (1)		84 038		15,731
Pell Grant (1)		84 063		3,530,928
Academic Competitiveness Grant (1)		84 375		81,412
SMART Grant (1)		84 376		123,008
				13,075,903
TRIO Cluster:				
TRIO Student Support - FY07 (2)		84 042A		79,417
TRIO SSS Scholarships (2)		84 042A		18,600
TRIO Student Support - FY08 (2)		84 042A		241,582
Clearwater ETS Year 1 - FY07 (2)		84 044A		75,919
Lewis Clark ETS Year 1 - FY07 (2)		84 044A		63,442
Clearwater ETS Year 2 - FY08 (2)		84 044A		174,521
Lewis Clark ETS Year 2 - FY08 (2)		84 044A		162,614
				816,095
TRIO Training - FY07 (3)		84 103A		94,303
TRIO Training - FY08 (3)		84 103A		241,616
				335,919
AISLE Yr2 - FY06		84 116Z		66,341
CAMP - Scholarships		84 149A		28,156
IEPD - Year 1 - FY07 (4)		84 299B		19,563
IEPD - Year 2 - FY08 (4)		84 299B		333,620
				353,183

LEWIS-CLARK STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

Federal Grant/Program Title	Pass-Through Entity Identifying #	Federal CFDA Number	Total Expenditures
U.S.DEPARTMENT OF EDUCATION (continued):			
Direct Programs (continued):			
Transition To Teach - Yr5 - FY07		84 350C	$ 141,998
Transition To Teach - Scholarships		84 350C	7,102
			149,100
Pass Through Payments from the State of Idaho:			
ABE - Federal - FY08	None	84 002A	147,893
ABE Staff Development - FY08	None	84 002A	16,788
ABE - Federal - FY07	None	84 002A	8,357
ABE Staff Development - FY07	None	84 002A	2,900
DOC ABE - FY08	None	84 002A	75,875
			251,813
DOC Title I - FY08	None	84 013	48,388
DOC Special Education - FY08	None	84 027A	150,308
Advanced Learning Partnership - FY08	PFF-B16-08E-610	84 048A	12,646
CND Carl Perkins - FY08	PFF-B09-08D-610	84 048A	110,620
CND Nontraditional - FY08	F-NTT-MCND-GU-08E-610	84 048A	9,925
CWC Tech Prep - FY08	SFF-A16-08B-610C	84 048A	965
CWC Prof Tech - FY08	SFF-A08-08A-610C	84 048A	19,746
Learning Resource Center - FY08	PFF-B01-08A-610	84 048A	99,146
Intake Advising - FY08	PFF-B08-08C-610	84 048A	21,353
Professional Development - FY08	PFF-B04-08B-610	84 048A	2,766
Carl Perkins - FY07	PFF-B09-07D-610	84 048A	2,328
Carl Perkins Intake Advising - FY07	PFF-B08-07C-610	84 048A	463
Learning Resource Center - FY07	PFF-B01-07A-610	84 048A	837
CND Nontraditional - FY07	F-NTT-MCND-GU-07E-610	84 048A	1,045
			281,840
LEAPP	None	84 069	4,558
SLEAP	None	84 069	2,267
			6,825

LEWIS-CLARK STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

Federal Grant/Program Title	Pass-Through Entity Identifying #	Federal CFDA Number	Total Expenditures
U.S.DEPARTMENT OF EDUCATION (continued):			
Pass Through Payments from the State of Idaho (continued):			
CATEMA/Articulation Project - FY07	F-TPC-TPG-TP-07F-610	84 243A	4,651
Tech Prep - FY08	F-ALP-L008-TP-08A-610	84 243A	71,330
Tech Prep - FY07	F-TPB-TPG-TP-07A-610	84 243A	6,397
			82,378
SBOE TTT - FY06	None	84 350B	38,502
SBOE TTT Special ED - FY07	None	84 350B	2,791
			41,293
SBOE Literacy - FY07	S367B050047A	84 367B	38,931
Total U.S. Department of Education:			$ 15,726,473
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass Through Payments from the State of Idaho:			
Idaho INBRE - Yr 5 - FY08	CWK090 SB 006	93 389	$ 3,004
Idaho INBRE - Yr 4 - FY07	SB0000010	93 389	195,215
			198,219
ABE - JET - FY07	WC041600	93 558	21,734
Aging Connections - FY08	RC060500	93 779	4,980
H&W Minor in Prevention - FY08	BC001500	93 959	4,039
H&W Minor in Prevention - FY07	KC211300	93 959	288
			4,327
Pass Through Payments from Other:			
Child Welfare Partnership WO1 - FY07	KC212100 SR006506	93 558	4,935
Child Welfare Partnership WO2 - FY07	KC212200 SR006504	93 558	7,507
Title IV-E WO 2 - FY08	KC212200 SR006504 Amd 1	93 558	84,184
			96,626
Title IV WO 1 - FY08	KC212100 SR006506 Amd 1	93 658	72,454
Child Welfare Scholarships	KC212100 SR006506	93 658	60,154
			132,608
Total U.S. Department of Health & Human Services:			$ 458,494

LEWIS-CLARK STATE COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

Federal Grant/Program Title	Pass-Through Entity Identifying #	Federal CFDA Number		Total Expenditures
CORPORATION FOR NATIONAL SERVICE:				
Pass Through Payments from the State of Idaho:				
AmeriCorps-FY08	06ACHID001	94 006	$	626,462
AmeriCorps-FY07	06ACHID001	94 006		68,834
				695,296
Pass Through Payments from Other:				
Campus Compact - FY07	54553-H	94 005		184
Campus Compact - FY08	54553-H Amendment 1	94 005		24,623
				24,807
Total Corporation for National Service:			$	720,103
U.S. DEPARTMENT OF HOMELAND SECURITY:				
Pass Through Payments from the State of Idaho:				
NFA Training - FY08	F-FST-NFA-ET-08-610	97 043	$	3,024
Total U.S. Department of Homeland Security:			$	3,024
TOTAL FEDERAL EXPENDITURES:			$	17,437,020

(1) Student Financial Assistance programs combined and tested as a major program
(2) These grants are part of the TRIO Cluster combined and tested as a major program
(3) TRIO Training tested as a major program
(4) Indian Education Professional Development (IEPD) tested as a major program
(5) Small Business Administration tested as a major program

LEWIS-CLARK STATE COLLEGE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 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	$ 807,966
Federal Nursing Loan	93.364	$ 161,105

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, 2008 are identified below:

Loan Program	CFDA Number	Loan Disbursements
Federal Perkins	84.038	$ 144,278
Federal Nursing Loan	93.364	$ 48,750

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 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 and its discretely presented component unit, the Lewis-Clark State College Foundation, Inc. (collectively the College) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. 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 on 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, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2008-01 and 2008-02.

Internal Control over Compliance:
The management of the College is responsible for establishing and maintaining effective internal control over compliance with 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, 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.

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

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-01 to be a significant deficiency.

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. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

The College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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, management, others within the entity, the Idaho State Board of Education, 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 17, 2008

LEWIS-CLARK STATE COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2008

Section I - Summary of Auditor's Results

Financial statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ yes	X no
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 no
Significant deficiency(ies) identified that were not considered to be material weaknesses?	X yes	____ 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)?	X yes	____ 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 Loan Program
84.032	Federal Family Education Loan Program
84.375	Academic Competitiveness Grant
84.376	National Science and Mathematics Access to Retain Talent Grant
93.364	Nursing Student Loans
84.299	Indian Education Professional Development
84.103	TRIO Training
59.000	Small Business Administration
TRIO Cluster:	
84.042	Student Support Services
84.044	Talent Search

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

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

Finding 2008-01-Suspension & Debarment - Significant Deficiency

Federal Program: 59.000 Small Business Administration

Criteria: OMB Circular A-110, Section 13, outlines requirements for recipients of federal financial assistance regarding compliance with the debarment and suspension common rule implementing Executive Orders (E. O. 12549 and 12689). This common rule restricts subawards and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in federal assistance programs or activities. For covered transactions occurring after November 26, 2003, the recipient must verify that the subrecipient or vendor entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. Covered transactions include procurement contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other specified criteria.

Condition: The major program noted above had covered transactions exceeding $25,000 for which verification of suspension and debarment status did not occur.

Questioned Costs: None. During the audit, the Excluded Parties List System (EPLS) was checked for the specific entities. These entities were not listed as suspended or debarred.

Context: During our testing of the major program described above, we noted that the College did not have controls in place to verify that vendors with covered transactions are not suspended or debarred from Federal contracts.

Effect: The lack of controls in suspension and debarment verifications for all categories of covered transactions permits the possibility for suspended or debarred parties to inappropriately receive Federal funds.

Cause: Program management does not have policies and procedures in place to ensure vendors are verified for suspension and debarment.

Recommendation: The College should implement policies and procedures to ensure suspension and debarment verifications are performed for all categories of covered transactions. In addition to developing policies and procedures, we further recommend the controller's office establish a monitoring or oversight mechanism to ensure compliance.

Management's Response: Management concurs with this recommendation and is developing and implementing policies and procedures to ensure compliance with suspension and debarment requirements. These policies will include suspension and debarment verifications for all covered transactions. Monitoring and oversight responsibilities will also be specified to ensure compliance.

Finding 2008-02 – Special Tests and Provisions - Disbursements To or On Behalf of Students

Federal Program: Student Financial Aid Cluster

Criteria: Per 34 CFR 682.604(c)(5), "a school may not release the first installment of a Stafford loan for endorsement to a student who is enrolled in the first year of an undergraduate program of study and who has not previously received a Stafford, SLS, Direct Subsidized, or Direct Unsubsidized loan until 30 days after the first day of the student's program of study unless the school in which the student is enrolled has a cohort default rate, calculated under subpart M of 34 CFR part 668, of less than 10 percent for each of the three most recent fiscal years for which data are available."

Condition: All students selected for testing who are first-time borrowers in their first year of an undergraduate program received residual checks from their financial aid package 30 days after the first day of class. However, loan funds were disbursed to the students' accounts prior to the 30 day requirement.

Questioned Costs: None.

Context: This is a systemic problem due to misinterpretation of the rules and regulations.

Effect: Disbursing loan funds to first-time borrowers in their first year of an undergraduate program prior to 30 days after the start of class is a violation of the Department of Education's Student Financial Assistant Disbursement requirement.

Cause: The College interpreted the rules and regulations that disbursing the funds to the students' accounts prior to the 30 day requirement was allowable as long as residual checks were not released to students until 30 days after the first day of class.

Recommendation: We recommend that the College change its timeline in disbursing loan funds to first-time first-year Stafford borrowers' accounts to be in compliance with this requirement.

Management's Response: Management concurs with this recommendation. The misinterpretation of the regulation relative to the 30 day requirement was detected by College staff prior to the audit review. Subsequent to that discovery, the timeline for disbursing loan funds to student accounts for first-time first-year Stafford loan borrowers was changed to comply with regulatory provisions.

Year Ended June 30, 2007

Finding 2007-1

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.

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

Current Status of Finding: Management implemented necessary job responsibility modifications to ensure adequate segregation of duties in the limited instances where duties overlap.