AUDIT COMMITTEE
DECEMBER 10, 2015

TAB	DESCRIPTION	ACTION
1	**FY 2015 FINANCIAL STATEMENT AUDITS**	Motion to approve
2	**FY 2015 NET POSITION BALANCES**	Information item
3	**FY 2015 FINANCIAL RATIOS**	Information item
4	**EASTERN IDAHO TECHNICAL COLLEGE FOUNDATION OPERATING AGREEMENT**	Motion to approve
5	**AMENDMENT TO BOARD POLICY - V.H. AUDITS – FIRST READING**	Motion to approve

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SUBJECT

Acceptance of college/university FY2015 audit findings reported by the Idaho State Board of Education (Board)'s external auditor

APPLICABLE STATUTE, RULE OR POLICY

Idaho State Board of Education Bylaws, Section V.H.4.f.

BACKGROUND/DISCUSSION

The Board contracted with Moss Adams LLP, an independent certified public accounting firm, to conduct the annual financial audits of Boise State University, Idaho State University, University of Idaho, Lewis-Clark State College, and Eastern Idaho Technical College. FY 2015 is the eleventh year that Moss Adams has conducted audits of the financial statements for the colleges and universities.

The audits were conducted in accordance with Generally Accepted Government Auditing Standards and include an auditor's opinion on the basic financial statements.

IMPACT

There were no material deficiencies or significant findings identified by the external auditor for any of the five institutions listed above. Moss Adams' audit results presentation, which was provided to the Audit Committee, is attached for the Board's reference.

ATTACHMENTS

Moss Adams Audit Results Report	Page 3

STAFF COMMENTS AND RECOMMENDATIONS

On November 10, 2015, Moss Adams reviewed their audit findings with members of the Audit Committee and Board staff. This was followed by presentations by senior managers from the audited colleges and universities on their financial statements. Board members were subsequently provided the audit reports and financial statements. Staff recommends acceptance of the financial audit reports submitted by Moss Adams LLP.

BOARD ACTION

I move to accept from the Audit Committee the Fiscal Year 2015 financial audit reports for Boise State University, Idaho State University, University of Idaho, Lewis-Clark State College, and Eastern Idaho Technical College, as submitted by Moss Adams LLP.

Moved by__________ Seconded by__________ Carried Yes_____ No_____

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Idaho State Board of Education

Audit Committee

Presentation of Audit Results

November 10, 2015

Boise State University
Idaho State University
University of Idaho
Lewis-Clark State College
Eastern Idaho Technical College

Scott Simpson
Tammy Erickson
Pam Cleaver

MOSS ADAMS LLP

Idaho State Board of Education
Audit Committee Debrief

November 10, 2015

Moss Adams Leadership Team

Overall

Scott Simpson, Partner 541-686-1040 scott.simpson@mossadams.com

Institution Specific

Pam Cleaver, Partner 509-248-7750 pam.cleaver@mossadams.com
Tammy Erickson, Partner 509-747-2600 tammy.erickson@mossadams.com

Contract Deliverables

For each institution

- Auditor's Report on Financial Statements – GAAS
- Auditor's Report on Financial Statements – GAGAS
- Auditor's Report on Compliance in Accordance with OMB Circular A-133
- Required Communication – SAS 114
- SAS 115 Letters & Management Letters

Additional items for individual institutions

- NCAA Agreed-Upon Procedures for UI, BSU, ISU Presidents
- Auditor's Report on Financial Statements for Boise State Radio

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Idaho State Board of Education

Audit Committee Debrief – cont.

November 10, 2015

Required Communications

- Auditor's Responsibility Under Generally Accepted Auditing Standards
- Planned Scope and Timing of the Audit
- Significant Accounting Policies
- Significant Accounting Estimates
- Financial Statement Disclosures
- Significant Difficulties Encountered During the Audit
- Corrected and Uncorrected Misstatements
- Disagreements with Management
- Management Representations
- Management Consultation with Other Accountants
- Other Significant Findings or Issues
- Internal Control Matters
- Fraud

SAS 115 Letters (Internal Control Related Matters)

- Will be provided for each Institution (as applicable)

Management Letters

- Will be provided for each Institution (as applicable)

Idaho State Board of Education

Audit Committee Debrief – cont.

November 10, 2015

- **GASB Implementation with Significant Impact**

For fiscal year 2015, the Colleges and Universities implemented Governmental Accounting Standards Board (GASB) Standard Number 68: *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*.

The standard required participating employers of cost sharing pension plans to record their portion of the net pension liability – which in the past they did not. Since the Colleges and Universities participate in the Idaho Public Employee's Retirement System (PERSI), there was a significant liability recorded in the financial statements for the liability each institution assumed.

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Discussions to Expect From the Independent Auditors

Purpose of This Tool. Auditing standards[1] require that the auditor communicate, either orally or in writing, certain information to an audit committee of the board, or another designated party that performs oversight of the financial reporting and audit process. This section discusses the type of information independent auditors are required to communicate to an audit committee or other oversight body.

Independent Auditors in the Public Sector

Communications with the audit committees have now engendered more legal and regulatory scrutiny. Independent auditors, in the wake of well-documented business failures and new regulatory oversight, are required to increase their documentation and communication efforts as they relate to their interactions with the audit committee. Independent auditors of government organizations may include an elected or appointed auditor or Inspector General or an independent public accounting firm. In addition, at the federal level the Government Accountability Office (GAO – formerly the General Accounting Office) may be statutorily required to act as the independent auditor in certain circumstances. If an independent public accounting firm is used as the independent auditor, it is often required to be under contract with the elected or appointed auditor or Inspector General. The communication guidance discussed in this section relates to whichever of the above parties is acting as the independent auditor.

Auditor's Responsibility Under Generally Accepted Auditing Standards

It is important for audit committees to understand what an audit is and what it is not. Usually, audit committees are most concerned about the system of internal control and that the financial statements are free of material misstatement. The auditor should make sure the audit committee understands the level of responsibility that the auditor assumes for the system of internal control and the financial statements under generally accepted auditing standards (GAAS). It is also important that the auditor makes sure that the audit committee understands that an audit is designed to obtain reasonable rather than absolute assurance about the financial statements.

[1] The term "auditing standards" refers to generally accepted auditing standards (GAAS) issued by the AICPA. These standards are incorporated into government auditing standards (GAS or GAGAS) issued by the Comptroller General of the United States. These terms are also synonymous with the term "Yellow Book." In addition, OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements,* Section 5 requires open and timely communication between agency management, including the CFO, and the Inspector General (and the audit firm if the audit is contracted out) throughout the audit process. The guidance in this tool is based on Statements on Auditing Standards (SAS) No. 61, *Communication With Audit Committees*, as amended; No. 60, *Communication of Internal Control Related Matters Noted in an Audit* (AICPA, *Professional Standards,* vol. 1, AU sec. 325); and No. 54, *Illegal Acts by Clients* (AICPA, *Professional Standards,* vol. 1, AU sec. 317), and amendments thereto, which are in effect as of this writing and *Government Auditing Standards*, issued by the Comptroller General.

Significant Accounting Policies

The auditor should determine that the audit committee is informed about all significant accounting policies and how they are applied in the governmental organization. To make sure, the audit committee should expect that the auditors will communicate the following:

1. All significant accounting policies, including those that applied for the first time during the year

2. How those accounting policies are applied in the organization

3. Methods the organization used to account for significant unusual transactions

4. The effect of significant accounting policies in controversial or emerging areas for which there is lack of authoritative guidance or consensus

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management. These estimates are based on management's judgments (which are normally based on management's knowledge and experience about past and current events), and assumptions about future events.

The auditor should address the following issues with the audit committee:

1. The process used by management in formulating particularly sensitive accounting estimates

2. The basis for the auditor's conclusion about the reasonableness of those estimates

Audit Adjustments

The auditor should inform the audit committee about all audit adjustments arising from the audit that could, in the auditor's judgment, have a significant effect on the organization's financial reporting process. The audit team will keep track of those proposed adjustments for later discussion with management. Management will evaluate those proposed adjustments and decide whether the adjustment should be booked to the account balances as proposed. Bear in mind, however, that the auditor may find it necessary to qualify the audit report if management does not record the adjustments that the auditor deems necessary to record.

As part of its communications, the auditor should:

1. Inform the audit committee about adjustments arising from the audit that could either individually or in the aggregate have a significant effect on the organization's financial reporting process.

2. Address whether the adjustments were recorded.

3. Determine whether the adjustments may not have been detected except through the auditing procedures performed (meaning that the organization's own internal control system did not detect the need for the adjustment).

4. Explain about uncorrected misstatements aggregated by the auditor during the current engagement and pertaining to the most recent period presented in the financial statements, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Auditor's Judgments About the Quality of the Organization's Accounting Principles

Note: This communication is required for audits of public companies. It is not required for governmental organizations but could be considered a good practice.

Although objective criteria for evaluating the quality of an organization's accounting practices have not been established, the auditor's judgments about the quality, not just the acceptability of the organization's accounting principles as applied in its financial statements, including disclosures, should be discussed. The discussion should be open and frank, and tailored to the organization's specific circumstances. It should include the following topics:

1. Consistency of the organization's accounting principles and their application

2. Clarity of the financial statements and related disclosures

3. Completeness of the financial statements and related disclosures

4. Any items that have a significant impact on the representational faithfulness, verifiability, and neutrality of the accounting information included in the financial statements, examples of which follow:
    a. Selection of new accounting policies or changes to current ones
    b. Estimates, judgments, and uncertainties
    c. Unusual transactions
    d. Accounting policies relating to significant financial statement items, including the timing of transactions and the period in which they are recorded

5. A discussion of accounting practices that are not specifically addressed in the accounting literature, for example, those that may be unique to a specific industry.

Other Information Contained in Audited Financial Statements

Although the notes to the financial statements are an integral part of the financial statements and therefore are included in the scope of the auditing procedures, other information prepared by management that generally accompanies financial statements is not necessarily included in the scope of the auditing procedures, for example, "Management's Discussion and Analysis of the Financial Condition and Results of Operations."

The auditor should discuss the responsibility, if any, that he or she has for other information in documents containing audited financial statements, any procedures performed, and the results.

Disagreements With Management

Disagreements may arise between the auditor and management over the application of accounting principles to specific transactions and events, as well as the basis for management's judgments about accounting estimates, or even the scope of the audit or disclosures to be made in the financial statements or footnotes. Differences of opinion based on incomplete facts or preliminary information that are later resolved are not considered disagreements for this purpose.

When meeting with the audit committee, the auditors should discuss any disagreements with management, whether or not resolved, about matters that individually or in the aggregate could be significant to the organization's financial statements or the auditor's report.

Consultation With Other Accountants

Sometimes, management of the government organization may consult with other accountants about accounting and auditing matters. If the auditor is aware that such consultation has occurred, the auditor should discuss with the audit committee their views about the significant matters that were the subject of the consultation. The audit committee may wish to ask management whether they have consulted with other accountants about accounting and auditing matters.

Major Issues Discussed With Management Before Retention

The auditor should discuss with the audit committee any major issues that were discussed with management in connection with the initial or recurring retention of the auditor. This includes any discussions regarding the application of accounting principles or auditing standards. For some government organizations, an audit organization is mandated by federal or state law to perform the government organization's audit. While auditor retention is not an issue, the auditor should nonetheless discuss with the audit committee any major issues regarding the auditor's application of accounting principles or auditing standards.

Difficulties Encountered in Performing the Audit

The auditor should inform the audit committee about any serious difficulties encountered in working with management during the audit. Examples include, but are not limited to:

1. Unreasonable delays by management in allowing the commencement of the audit
2. Unreasonable delays or refusals by management in providing needed information to the auditor
3. Unreasonable timetable set by management for the conduct of the audit
4. Unavailability of client personnel
5. Failure of client personnel to complete client-prepared schedules on a timely basis

Illegal Acts

The auditor has the responsibility to assure himself or herself that the audit committee is adequately informed about illegal acts that come to the auditor's attention (this communication need not include matters that are clearly inconsequential). The communication should describe (1) the act, (2) the circumstances of its occurrence, and (3) the effect on the financial statements.

What is an illegal act for purposes of this communication? Statement on Auditing Standards (SAS) No. 54, *Illegal Acts by Clients* (AICPA, *Professional Standards*, vol. 1, AU sec. 317), defines it as violations of laws or government regulations attributable to the government organization, or acts by management or employees on behalf of the organization. Illegal acts do not include personal misconduct by the organization's personnel unrelated to the government's business activities.

In addition, *Government Auditing Standards*, Auditor Communication, Chapter 5, Section 5.12, issued by the Comptroller General, and OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, Section 7, paragraph c.(3)(a) requires auditors to report noncompliance with laws and regulations disclosed by the audit, except for those instances of noncompliance that are clearly inconsequential. In meeting this requirement, the auditor shall report all instances of fraud and illegal acts unless clearly inconsequential and significant violations of provisions of contracts or grant agreements and abuse. In some circumstances, auditors are required to report fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse directly to parties external to the audited organization.

Internal Control Matters

See also the tool, “Internal Control: A Tool for the Audit Committee,” elsewhere in this toolkit.

SAS No. 60, *Communication of Internal Control Related Matters Noted in an Audit* (AICPA, *Professional Standards*, vol. 1, AU sec. 325), requires the auditor to communicate matters relating to the organization’s internal control that are observed by the auditor in the conduct of a financial statement audit. These matters should be discussed with the audit committee because they represent significant deficiencies in the design or operation of the internal control system, which could adversely affect the organization’s ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Fraud

See also the tool, “Fraud and the Responsibilities of the Audit Committee,” elsewhere in this toolkit.

SAS No. 99, *Consideration of Fraud in a Financial Statement Audit* (AICPA, *Professional Standards*, vol. 1, AU sec. 316), requires that the independent auditor bring any evidence of fraud to the attention of the appropriate level of management (generally seen as one level higher than the level at which a suspected fraud may have occurred), even in the case of an inconsequential fraud, such as a minor defalcation by a low-level employee. The independent auditor should reach an understanding with the audit committee regarding when (nature and scope) an inconsequential fraud conducted by a low-level employee should be brought to the audit committee’s attention.

Fraud involving senior management, and any fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements must be reported to the audit committee by the independent auditor.

University of Idaho
Presentation of Audit Results

November 10, 2015

Scott Simpson, Partner 541-686-1040 scott.simpson@mossadams.com

Primary Contacts at Moss Adams for UI

Scott Simpson, Partner
Kevin Mullerleile, Senior Manager

6 auditors at UI from Moss Adams
1 exempt tax specialist
1 IT specialists

Fieldwork Dates

Interim Fieldwork	May 11 – 15
F/S Fieldwork	August 24 – 28

Audit Reporting and Timing

Audit Report Dated	September 28, 2015
Audit Report Issued	September 28, 2015
Auditors Report on Financial Statements	Unmodified
Auditors Report on Compliance	Unmodified
Internal Control Issues Identified & Reported	None Reported
Audit findings related to A-133	None Reported

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UNIVERSITY OF IDAHO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of Major Federal Programs

CFDA Numbers	*Name of Federal Program or Cluster*	*Type of Auditor's Report Issued*
Various	Student Financial Aid Cluster	Unmodified
10.500	Cooperative Extension Service	Unmodified

Dollar threshold used to distinguish between type A and type B programs: $ 3,000,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

FINDING 2014-001 – Special Tests and Provisions: Enrollment Reporting – Significant Deficiency in Internal Controls and Instances of Noncompliance

Federal Program: CFDA 84.268 Federal Direct Loans, CFDA 84.038 Federal Perkins Loans

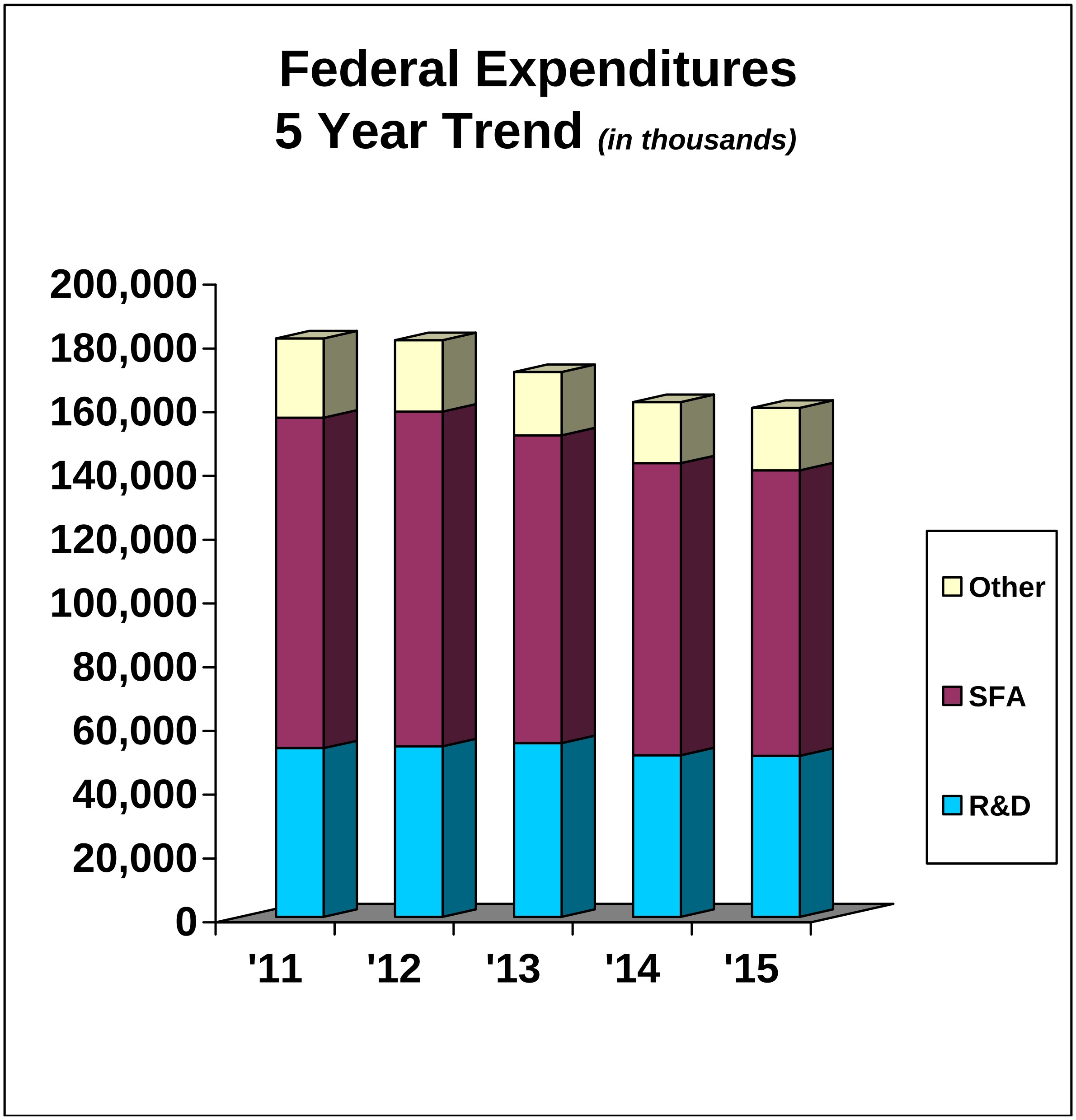
Condition: The University did not have procedures in place to adequately report student status changes timely.

Management's View of Status in Current Year: The University has updated its policies and procedures to ensure the last date of attendance is updated to NSLDS on a timely basis once they receive information from faculty documenting the student's last date of attendance.

University of Idaho

Presentation of Audit Results – cont.

November 10, 2015



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Communications with Those
Charged with Governance

University of Idaho

June 30, 2015

COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

To the Audit Committee
Idaho State Board of Education

We have audited the financial statements of University of Idaho (University), the discretely presented component unit; University of Idaho Foundation, and the aggregate remaining fund information of the University, as of and for the year ended June 30, 2015, and have issued our report thereon dated September 28, 2015. We did not audit the financial statements of the University of Idaho Foundation, a discretely presented component unit, or the University of Idaho Health Benefits Trust, a fiduciary fund included in the aggregate remaining fund information of the University. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit and the University of Idaho Health Benefits Trust, are based solely on the reports of other auditors. In addition, this required information does not include the other auditors' audit results or other matters that are reported on separately by other auditors. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA AND *GOVERNMENT AUDITING STANDARDS,* ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES OF AMERICA

As stated in a meeting with the Audit Committee on March 11, 2015, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles 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. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the 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 of America, and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements 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 University's internal control over financial reporting. Accordingly, we considered the University's internal control solely for the purpose of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

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As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests on its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the University's compliance with the types of compliance requirements described in *the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the University's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the University's compliance with those requirements.

We also considered the internal controls over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you in our meeting on March 11, 2015.

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Significant Accounting Policies

The auditor should determine that the Audit Committee is informed about the initial selection of and changes in significant accounting policies or their application. The auditor should also determine the Audit Committee is informed about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the University are described in Note 1 to the financial statements. There were no changes in the application of existing policies during 2015 except for the following: as described in Note 1 to the financial statements.

The University implemented a significant, new accounting standard required by the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*

The cumulative effect of implementing GASBS 68 was a $29.4 million reduction to the University's beginning net position. This reduction in net position resulted from the standard's requirement for the University to record its $35.0 million proportionate share of the PERSI defined benefit plan pension obligations, and the $5.6 million deferred outflows of resources from prior year contributions made after the PERSI plan measurement date. The University's implementation of this new accounting standard is disclosed in Note 19 to the University's notes to the financial statements.

MOSS ADAMS LLP

We noted no transactions entered into by the University during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Management Judgments and Accounting Estimates

The Audit Committee should be informed about the process used by management in formulating particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the estimates in determining they are reasonable in relation to the financial statements taken as a whole.

The most sensitive estimates affecting the financial statements are as follows:

- Fair value of investments
- The collectability of student loans receivable and accounts receivable
- The useful lives of capital assets
- The compensated absence accrual amount
- The classification of net position by type: net investment in capital assets, restricted for expendable, and unrestricted
- The actuarially determined liabilities related to pensions and other post-employment benefit obligations

Financial Statement Disclosures

We believe the disclosures in the financial statements are consistent, clear, and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were Note 12 related to retirement plans, Note 13 related to postemployment benefits (other than pensions) and retiree benefits trust, Note 17 related to the University of Idaho Foundation component unit, and Note 19 related to the restatement of net position discussed above on the implementation of GASS 68.

Significant Difficulties Encountered During the Audit

The Audit Committee should be informed of any significant difficulties encountered in dealing with management related to the performance of the audit.

MOSS-ADAMS LLP

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no known or likely misstatements identified during the audit, other than those considered trivial.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain written representations from management that are included in the management representation letter dated September 28, 2015.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the University's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the University's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

MOSS ADAMS LLP

OTHER MATTERS

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine the information complies with U.S. GAAP, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Our responsibility for other information in the management's discussion and analysis on pages 3 through 15 and the schedules of University's proportionate share of net pension liability – PERSI base plan, University contributions – PERSI base plan, and funding progress – Retiree Benefits Trust on page 66, which is labeled as "required supplementary information," includes applying certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

This information is intended solely for the use of Idaho State Board of Education Audit Committee and management of Idaho State University and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Eugene, Oregon
September 28, 2015

Lewis-Clark State College

Presentation of Audit Results

November 10, 2015

Scott Simpson, Partner	541-686-1040	scott.simpson@mossadams.com

Primary Contacts at Moss Adams for LCSC

Pam Cleaver, Partner
Sasha Correnti, Manager

5 auditors at LCSC from Moss Adams
1 IT specialists

Fieldwork Dates

Interim Fieldwork	May 4 - 8
F/S Fieldwork	August 24 - 28

Audit Reporting and Timing

Audit Report Dated	September 28, 2015
Audit Report Issued	September 28, 2015
Auditors Report on Financial Statements	Unmodified
Auditors Report on Compliance	Unmodified
Internal Control Issues Identified & Reported	None Reported
Audit findings related to A-133	None Reported

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Certified Public Accountants and Business Consultants

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major federal program:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of Major Federal Program

CFDA Numbers	*Name of Major Federal Program or Cluster*	*Type of Auditor's Report Issued*
Various	Student Financial Assistance Cluster	*Unmodified*

Dollar threshold used to distinguish between type A and type B programs: $ 300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

FINDING 2014-001 – Special Tests and Provisions: Enrollment Reporting – Significant Deficiency in Internal Controls and Instances of Noncompliance

Federal Program – CFDA 84.268 Federal Direct Loans, CFDA 84.038 Federal Perkins Loans

Federal Agency – Department of Education

***Condition* –** LCSC did not have procedures in place to adequately report student status changes timely.

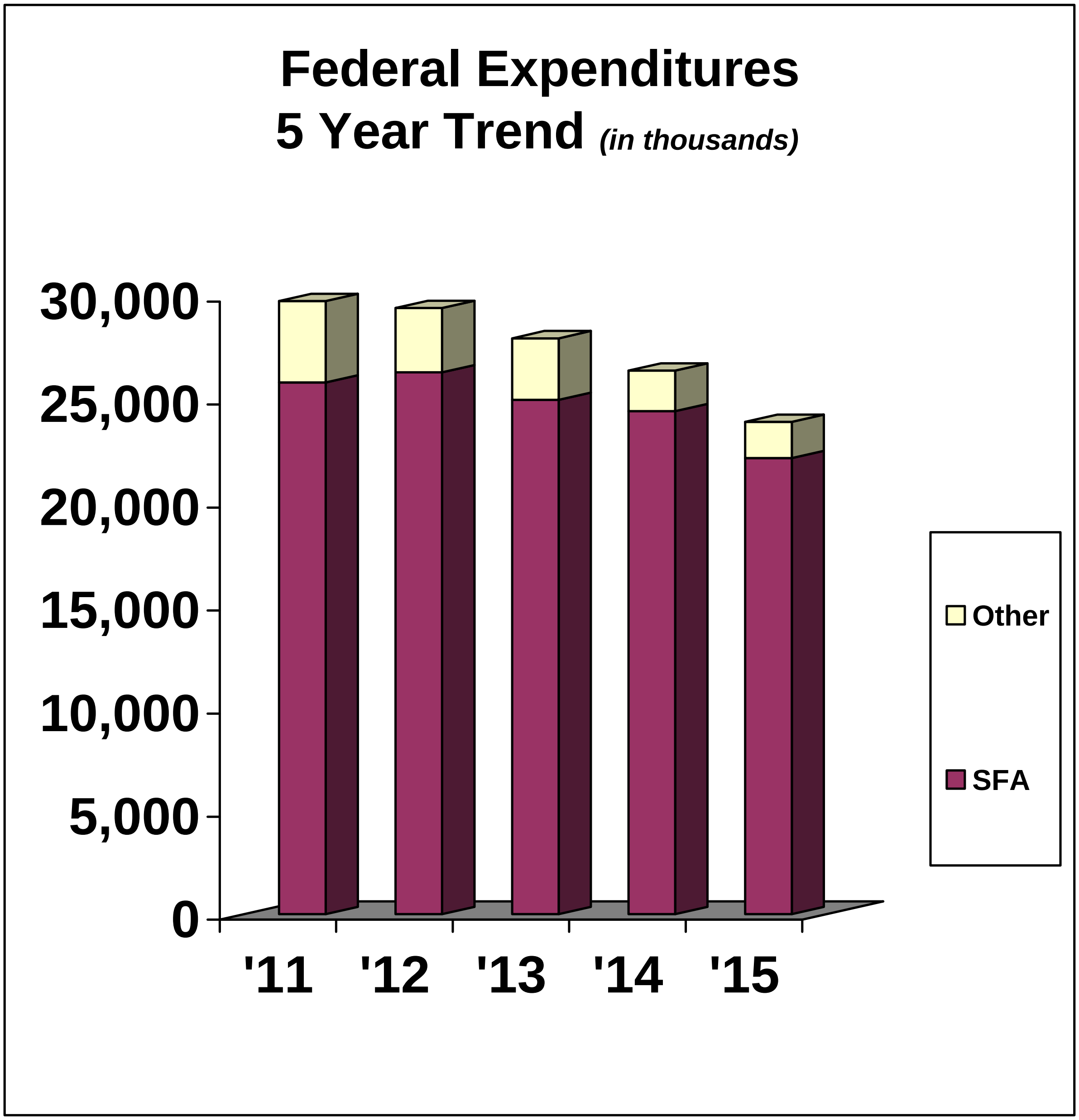
***Context* –** During our testing of 22 students, 5 students were not timely reported to NSLDS as having a status change.

***Recommendation* –** We recommend LCSC implement a process to ensure all student enrollment changes are reported timely.

***Current Status* –** Cleared.

Lewis-Clark State College
Presentation of Audit Results – cont.

November 10, 2015



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Idaho State Board of Education
Lewis-Clark State College

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") for the year ended June 30, 2015, and have issued our report thereon dated September 28, 2015. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA AND GOVERNMENT AUDITING STANDARDS, ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES OF AMERICA

As stated in a meeting with the Audit Committee on March 11, 2015, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles 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. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the 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 of America, and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements 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 considered the College's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control. We also considered internal control over compliance with requirements that could have a direct and material effect on the major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the US Office of Management and Budget (OMB) Circular A-133.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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.

Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the College's compliance with the types of compliance requirements described in the US Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement,* applicable to its major federal programs for the purpose of expressing an opinion on the College's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide legal determination on the College's compliance with those requirements.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you in our meeting on March 11, 2015.

SIGNIFICANT AUDIT FINDINGS AND ISSUES

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the College are described in Note 1 to the financial statements. No new accounting policies were adopted and there were no changes in the application of existing policies during 2015, other than the adoption of GASB 68, *Accounting and Financial Reporting for Pensions*. We noted no transactions entered into by the College during the year for which there is a lack of authoritative guidance or consensus. There were no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates
Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were management's estimate of the following:

- Fair value of investments,
- The collectability of student loans receivable and accounts receivable,
- The useful lives of capital assets,
- The compensated absence accrual amount, and
- The actuarially determined liability related to other post-employment benefit obligations.

Financial Statement Disclosures
We believe the disclosures in the financial statements are consistent, clear, and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Disclosure of retirement plans in Note 8 to the financial statements
- Disclosure of related party transactions in Note 10 to the financial statements
- Disclosure of component unit in Note 13 to the financial statements

Significant Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements as a whole.

We detected no uncorrected misstatements of the financial statements as part of our audit.

Disagreements with Management
For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain written representations from management that are included in the management representation letter dated September 28, 2015.

Management Consultation with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" in certain situations. If a consultation involves application of an accounting principle to the College's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the College's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

With respect to the Schedule of Expenditures of Federal Awards accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine the information complies with the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; the method of preparing it has not changed from the prior period; and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the Schedule of Expenditures of Federal Awards to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

With respect to Management's Discussion and Analysis and certain information in Note 8 - Retirement Plans, that is labeled "required supplementary information (RSI)", we applied certain limited procedures to the required supplementary information in accordance with the Governmental Accounting Standards Board (who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context), which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

This information is intended solely for the use of the Idaho State Board of Education and management of the College, and is not intended to be, and should not be, used by anyone other than these specified parties.

Moss Adams LLP

Portland, Oregon
September 28, 2015

Boise State University
Presentation of Audit Results

November 10, 2015

Scott Simpson, Partner 541-686-1040 scott.simpson@mossadams.com

Primary Contacts at Moss Adams for BSU

Scott Simpson, Partner
Micah Clinger, Senior Manager
Kyle Hauser, Manager

6 auditors at BSU from Moss Adams
1 IT specialists

Fieldwork Dates

Interim Fieldwork	May 11 – 15
F/S Fieldwork	August 24 – 28

Audit Reporting and Timing

Audit Report Dated	September 28, 2015
Audit Report Issued	September 28, 2015
Auditors Report on Financial Statements	Unmodified
Auditors Report on Compliance	Unmodified
Internal Control Issues Identified & Reported	None Reported
Audit findings related to A-133	None Reported

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BOISE STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of Major Programs

CFDA Numbers	*Name of Federal Program or Cluster*	*Type of Auditor's Report Issued*
Various	Student Financial Aid Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs: $ 862,991

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Section II - Financial Statement Findings

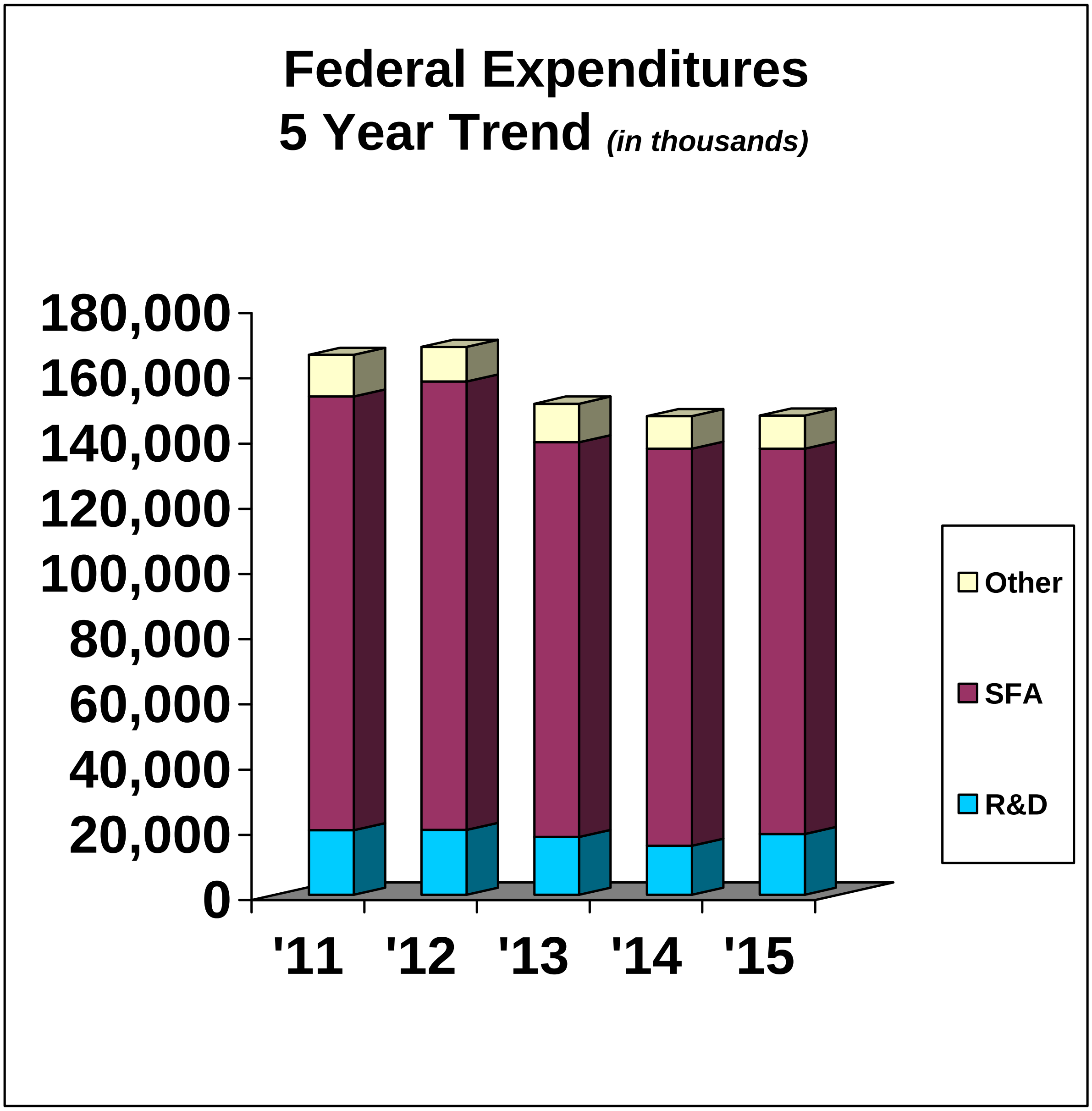
None reported

Section III - Federal Award Findings and Questioned Costs

None reported

Boise State University
Presentation of Audit Results – cont.

November 10, 2015



MOSS-ADAMS LLP

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Communications with Those
Charged with Governance

Boise State University

June 30, 2015

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COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

To the Audit Committee of the
Idaho State Board of Education

We have audited the financial statements of Boise State University (the University) and its discretely presented component unit, Boise State University Foundation, Inc. (Foundation) as of and for the year ended June 30, 2015 and 2014, and have issued our report thereon dated September 28, 2015. We did not audit the financial statements of Boise State University Foundation, Inc., a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for that component unit, is based solely on the report of other auditors. In addition, this required information does not include the other auditors' audit results or other matters that are reported on separately by other auditors. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA AND *GOVERNMENT AUDITING STANDARDS,* ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES OF AMERCA

As stated in a meeting with the Audit Committee on March 11, 2015, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles 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. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the 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 of America, and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. An audit of financial statements 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 University's internal control over financial reporting. Accordingly, we considered the University's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

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We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests on its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the University's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the University's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the University's compliance with those requirements.

We also considered the internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you in in our meeting on March 11, 2015.

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Significant Accounting Policies

The auditor should determine that the Audit Committee is informed about the initial selection of and changes in significant accounting policies or their application. The auditor should also determine the Audit Committee is informed about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the University are described in Note 1 to the financial statements. There were no changes in the application of existing policies during 2015 except for the following: as described in Note 1 to the financial statements.

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The University implemented two new accounting standards required by the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*
- GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*

Management performed an assessment of these pronouncements. The cumulative effect of implementing GASBS 68 and 71was a $15.5 million reduction to the University's beginning net position. This reduction in net position resulted from the standards requirements for the University to record as of the beginning of the year its $18.5 million proportionate share of the PERSI defined benefit plan pension obligations, and the $3 million deferred outflows for resources from prior year contributions made after the PERSI plan measurement date. The University's implementation of these new accounting standards is disclosed in Note 1 of the University's notes to the financial statements.

We noted no transactions entered into by the University during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Management Judgments and Accounting Estimates

The Audit Committee should be informed about the process used by management in formulating particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the estimates in determining they are reasonable in relation to the financial statements taken as a whole.

The most sensitive estimates affecting the financial statements were:

- Allowance for uncollectible accounts receivable at June 30, 2015
- Useful lives of capital assets
- Valuation of investments
- Actuarial determined liability related to pensions and other post-employment benefit obligations

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Financial Statement Disclosures

We believe the disclosures in the financial statements are consistent, clear and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were Note 1 related to the restatement of net position discussed above as part of the implementation of GASBS 68, Note 8 related to bonds and notes payable, Notes 10 related to retirement plans, Note 11 related to pension plans, Note 12 related to postemployment benefits (other than pensions), and Note 14 related to the Boise State University Foundation component unit.

Significant Difficulties Encountered in Performing the Audit

The Audit Committee should be informed of any significant difficulties encountered in dealing with management related to the performance of the audit.

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no known or likely misstatements identified during the audit, other than those considered trivial.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 28, 2015.

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Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the University's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the University's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine the information complies with U.S. GAAP, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Our responsibility for other information in the management's discussion and analysis on pages 3 through 13 and certain information in Note 11, Pension Plans and Note 12 Postretirement Benefits Other Than Pensions, which is labeled as "required supplementary information," includes applying certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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This information is intended solely for the use of the Audit Committee of the Idaho State Board of Education and management of Boise State University and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Eugene, Oregon
September 28, 2015

Idaho State University
Presentation of Audit Results

November 10, 2015

Scott Simpson, Partner	541-686-1040	scott.simpson@mossadams.com

Primary Contacts at Moss Adams for ISU

Tammy Erickson, Partner
Brandon Flory, Manager

5 auditors at ISU from Moss Adams
2 IT specialists

Fieldwork Dates

Interim Fieldwork	May 11 - 15
F/S Fieldwork	August 24 – 28

Audit Reporting and Timing

Audit Report Dated	September 28, 2015
Audit Report Issued	September 28, 2015
Auditors Report on Financial Statements	Unmodified
Auditors Report on Compliance	Unmodified
Internal Control Issues Identified & Reported	None Reported
Audit findings related to A-133	None Reported

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IDAHO STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of Major Programs

CFDA Numbers	*Name of Federal Program or Cluster*	*Type of Auditor's Report Issued*
Various	Student Financial Aid Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs: $ 638,743

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Section II - Financial Statement Findings

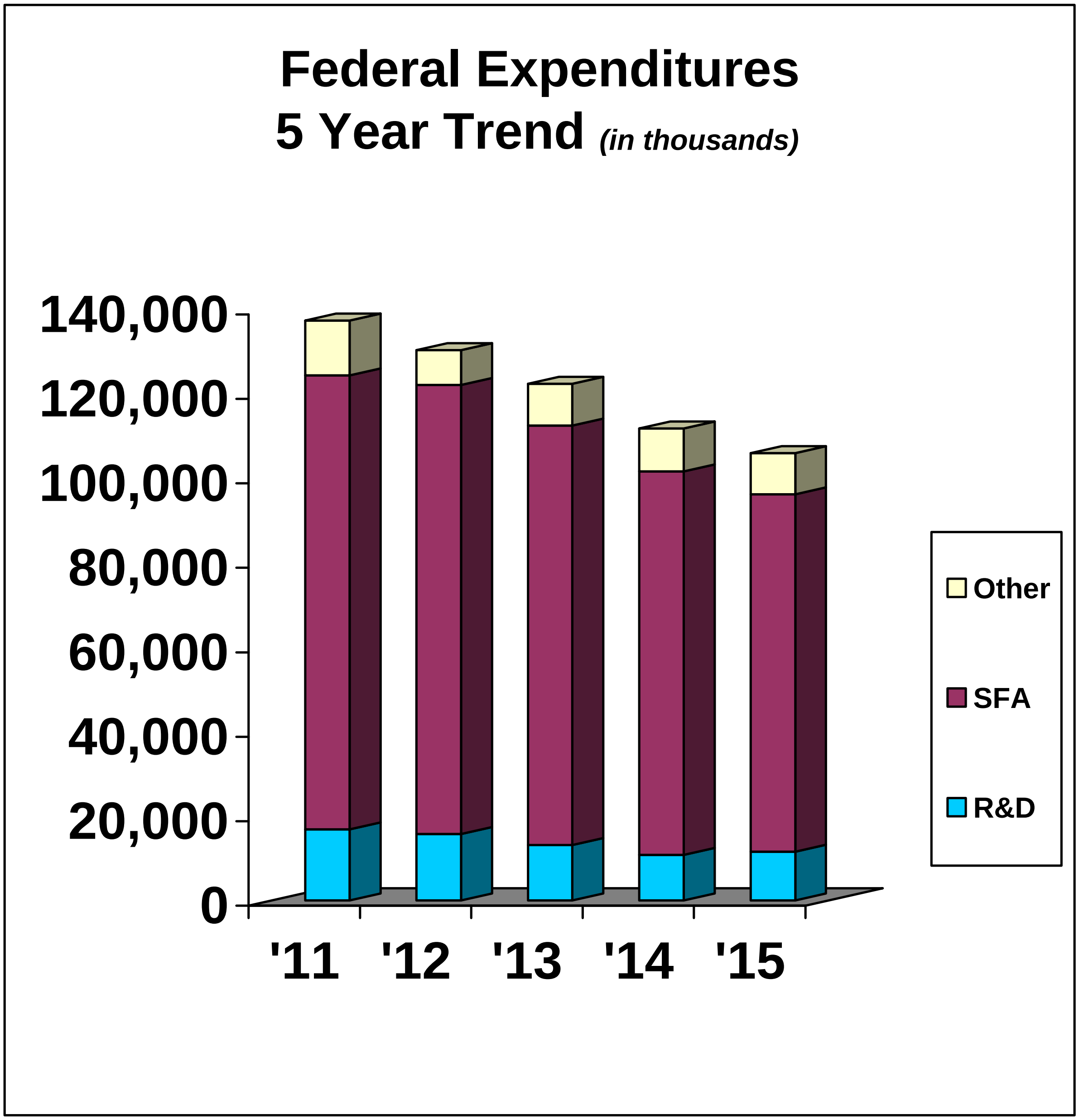
None reported

Section III - Federal Award Findings and Questioned Costs

None reported

Idaho State University
Presentation of Audit Results – cont.

November 10, 2015



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Communications with Those
Charged with Governance

Idaho State University

June 30, 2015

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COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

To the Audit Committee
Idaho State Board of Education

We have audited the accompanying financial statements of Idaho State University (University) and its discretely presented component unit; Idaho State University Foundation, Inc. as of and for the year ended June 30, 2015, and have issued our report thereon dated September 28, 2015. We did not audit the financial statements of Idaho State University Foundation, Inc., a discretely presented component unit, as described in Note 14. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for that component unit, is based solely on the report of other auditors. In addition, this required information does not include the other auditors' audit results or other matters that are reported on separately by other auditors. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and *Government Auditing Standards,* issued by the Comptroller General of the United States of America

As stated in a meeting with the Audit Committee on March 11, 2015, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles 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. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards* and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. An audit of financial statements 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 University's internal control over financial reporting. Accordingly, we considered the University's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and *Government Auditing Standards,* issued by the Comptroller General of the United States of America (continued)

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests on its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the University's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the University's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the University's compliance with those requirements.

We also considered the internal controls over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in the management's discussion and analysis on pages 4 through 17 and certain information in Note 11, *Pension Plan*, and Note 10, *Postemployment Benefits Other Than Pensions,* labeled as "required supplementary information", and the schedule of expenditures and federal awards, includes applying certain limited procedures to the required supplementary information and other supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting on March 11, 2015.

SIGNIFICANT AUDIT FINDINGS AND ISSUES

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the University are described in Note 1 to the financial statements. No new accounting policies were adopted and there were no changes in the application of existing policies during 2015. We noted no transactions entered into by the University during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the allowance for uncollectible accounts receivable, the useful lives of capital assets, the valuation of investments, and the actuarially determined liability related to other post employment benefit obligations and pension liability. We evaluated the key factors and assumptions used to develop management's estimates in determining they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

We believe the disclosures in the financial statements are consistent, clear, and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We believe the most sensitive disclosures affecting the financial statements were Note 8 related to noncurrent liabilities, Notes 11 and 12 related to retirement plans, and Note 14 related to the component unit.

Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no material misstatements detected as a result of our audit procedures which required correction by management, either individually or in the aggregate, to the financial statements taken as a whole.

The information below summarizes an uncorrected misstatement of the financial statements. Management has determined the effect is immaterial, both individually and in the aggregate, to the financial statements as a whole. The adjustment is an entry to fully depreciate an asset that was not previously being depreciated. In 2013, management elected to depreciate an asset over four years rather than all in the prior year. To correct this in the current year statements, net assets would decrease by $1,072,719, depreciation expense would decrease by $536,359, and accumulated depreciation would increase by $536,359.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 28, 2015.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" in certain situations. If a consultation involves application of an accounting principle to the University's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the University's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine the information complies with U.S. GAAP, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Idaho State Board of Education Audit Committee and management of Idaho State University and is not intended to be, and should not be used by anyone other than these specified parties.

Moss Adams LLP

Eugene, Oregon

:tma

Eastern Idaho Technical College

Presentation of Audit Results

November 10, 2015

Scott Simpson, Partner	**541-686-1040**	**scott.simpson@mossadams.com**

Primary Contacts at Moss Adams for EITC

Tammy Erickson, Partner
Brandon Flory, In Charge

4 auditors at EITC from Moss Adams

Fieldwork Dates

Interim Fieldwork	**May 25 - 29**
F/S Fieldwork	**August 17 - 21**

Audit Reporting and Timing

Audit Report Dated	**October 2, 2015**
Audit Report Issued	**October 2, 2015**
Auditors Report on Financial Statements	**Unmodified**
Auditors Report on Compliance	**Unmodified**
Internal Control Issues Identified & Reported	**None Reported**
Audit findings related to A-133	**None Reported**

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EASTERN IDAHO TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of Major Federal Programs

CFDA Numbers	*Name of Federal Program or Cluster*	*Type of Auditor's Report Issued*
Various	Student Financial Assistance Cluster	Unmodified
84.048A	Career and Technical Education – Basic Grants to States (Perkins IV)	Unmodified

- Dollar threshold used to distinguish between type A and type B programs: $ 300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Section II - Financial Statement Findings

None

EASTERN IDAHO TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

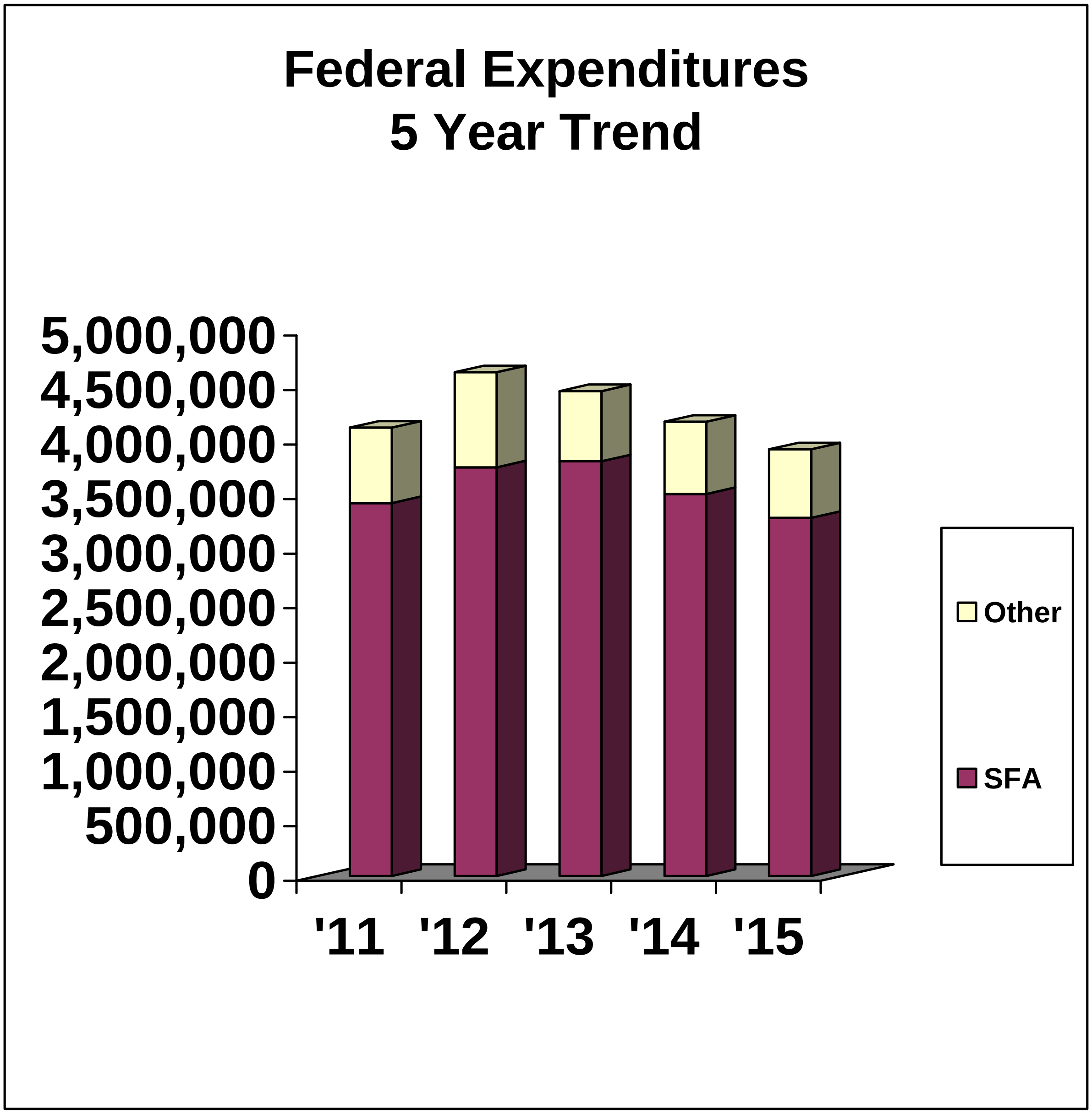
Section III - Federal Award Findings and Questioned Costs

None

Eastern Idaho Technical College

Presentation of Audit Results – cont.

November 10, 2015



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COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

To the Audit Committee
Idaho State Board of Education

We have audited the financial statements of Eastern Idaho Technical College (College) as of and for the year ended June 30, 2015, and have issued our report thereon dated October 2, 2015. Those financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on those financial statements based on our audit. We did not audit the financial statements of the College's discretely presented component unit, and our opinion, insofar as it relates to the amounts included for the component unit of the Eastern Idaho Technical College Foundation, Inc., is based solely on the report of other auditors. Professional standards require that we provide you with the following information related to our audit. This required information does not include the outcome of other auditors' audit results or other matters that are reported on separately by other auditors.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States of America

As stated in a meeting with the Audit Committee on March 11, 2015, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles 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. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the 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 of America, and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements 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 considered the College's internal control solely for the purpose of determining our audit procedures and not to provide assurance concerning such internal control.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States of America (continued)

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests on its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the College's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the College's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the College's compliance with those requirements.

We also considered the internal controls over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting on March 11, 2015, with the exception of the issuance of the statements which was delayed due to the timing of the receipt of the financial statement drafts.

To the Audit Committee
Idaho State Board of Education
October 2, 2015
Page 3

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the College are described in Note 1 to the financial statements. There were no changes in the application of existing policies during 2015. We noted no transactions entered into by the College during the year for which there is a lack of authoritative guidance or consensus. We did not identify any material transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were the actuarial determination of the liability related to other postemployment benefit obligations, pensions, the amount of the compensated absence accrual, the approximation of allowance for doubtful accounts, and the useful lives of capital assets.

Financial Statement Disclosures

We believe the disclosures in the financial statements are consistent, clear, and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements were Note 7- pension plans (and the related Note 8 for the restatement due to GASB 68), Note 9 - postemployment benefits other than pensions and Note 14 - related parties.

Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

To the Audit Committee
Idaho State Board of Education
October 2, 2015
Page 4

SIGNIFICANT AUDIT FINDINGS (continued)

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements identified during the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 2, 2015.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" in certain situations. If a consultation involves application of an accounting principle to the College's financial statements or a determination of the type of auditor's opinion that may be expressed in those statements, our professional standards require the consulting accountant to check with us to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Audit Committee
Idaho State Board of Education
October 2, 2015
Page 5

SIGNIFICANT AUDIT FINDINGS (continued)

Communications with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the College's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine the information complies with U.S. GAAP, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Idaho State Board of Education Audit Committee and management of Eastern Idaho Technical College and is not intended to be, and should not be used by anyone other than these specified parties.

Moss Adams LLP

Eugene, Oregon

:tma

Idaho State Board of Education
Presentation of Audit Results – cont.

November 10, 2015

We are proud to be the auditor for Idaho Colleges and Universities and would like to extend our thanks to the Board Members, the Office of the State Board, and the Institutions.

Questions & Comments?

MOSS ADAMS LLP

Certified Public Accountants and Business Consultants

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SUBJECT

FY 2015 College and Universities' Unrestricted Net Position

REFERENCE

December 2012-2014	Annual Audit report submitted to the Board

BACKGROUND/DISCUSSION

The net position balances are shown in the Attachments as of June 30, 2015. The net position is broken down as follows:

Invested in capital assets, net of related debt: This represents an institution's total investment in capital assets, net of accumulated depreciation and 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.

Restricted, expendable: This represents resources which an institution is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted, nonexpendable: This represents 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.

Unrestricted: This represents resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff. Not all source of revenues noted above are necessarily present in the unrestricted position.

Within the category of **Unrestricted Position**, the institutions reserve funds for the following:

Obligated: Contractual obligations represent a variety of agreements which support initiatives or operations that have moved beyond management planning into execution. Obligations include contracts for goods and services, including construction projects. Obligations contain debt service commitments for outstanding debt and staffing commitments for personnel. These amounts also consist of inventories and other balances for which contractual commitments exist.

Designated: Designated net position represents balances not yet legally contracted but have been dedicated to initiatives that have been deemed to be strategic or mission critical. Balances include capital or maintenance projects that are in active planning phases. Facility and administrative cost recovery returns from sponsored projects (grants and contracts) are reinvested in infrastructure or on efforts to obtain additional grant funding. Documented central commitments to initiatives that have been approved at an executive level are designated.

Note: Designated reserves are not yet legally contracted, so technically they are still subject to management decision or reprioritization. However, it's critical to understand that these net position balances are a snapshot in time as of June 30, 2015, so reserves shown as "designated" on this report could be "obligated" at any point in the current fiscal year.

Unrestricted Funds Available: Balance represents reserves available to bridge uneven cash flows as well as future potential funding shortfalls such as:

- Budget reductions or holdbacks
- Enrollment fluctuations
- Unfunded enrollment workload adjustment (EWA)
- Unfunded occupancy costs
- Critical infrastructure failures

IMPACT

The volatility of state funding as well as fluctuations in enrollment and tuition revenue necessitates that institutions maintain fund balances sufficient to stabilize their operating budgets. As such, the Board has set a minimum target reserve of 5% of operating expenditures as a benchmark in its Strategic Plan (Goal 3, Objective D). The institutions' unrestricted funds available as a percent of operating expenses are as follows:

	FY 2012	FY 2013	FY 2014	FY 2015
BSU:	3.5%	5.0%	6.1%	5.1%
ISU:	7.3%	12.6%	16.2%	15.6%
UI:	2.6%	2.7%	4.2%	5.1%
LCSC:	3.8%	5.1%	6.5%	6.3%

ATTACHMENTS

BSU Net Position Balances	Page 3
ISU Net Position Balances	Page 5
UI Net Position Balances	Page 7
LCSC Net Position Balances	Page 9

STAFF COMMENTS AND RECOMMENDATIONS

The institutions will present a brief analysis of their respective unrestricted net position.

BOARD ACTION

This item is for informational purposes only. Any action will be at the Board's discretion.

Idaho College and Universities - BOISE STATE UNIVERSITY
Net Asset Balances
As of June 30, 2015

		6/30/2015
1	**Net Assets:**	
2	Invested in capital assets, net of related debt	271,499,293
3	Restricted, expendable	14,640,607
4	Restricted, nonexpendable	-
5	Unrestricted	93,638,956
6	**Total Net Assets**	**379,778,856**
7		
8	**Unrestricted Net Assets:**	**93,638,956**
9	Obligated (Note A)	
10	Debt Reserves	18,790,000
11	Capital Projects	
12	Facilities	12,044,255
13	Equipment	40,000
14	Program Commitments	
15	Academic	8,802,075
16	Research	2,744,447
17	Other	5,829,906
18	Administrative Initiatives	3,165,013
19	Total Obligated	51,415,696
20	Designated (Note B)	
21	Capital Projects	
22	Facilities	17,250,000
23	FFE	20,000
24	Program Commitments	
25	Academic	3,873,888
26	Research	1,979,154
27	Other	380,945
28	Administrative Initiatives	786,508
29	Other	462,000
30		
31	Total Designated	24,752,495
32		
33	**Unrestricted Funds Available (Note C)**	**17,470,765**
34	FY15 Operating Expenses	341,022,792
35	Ratio of Unrestricted Funds Available to operating expenses	5.12%
36	5% of operating expenses (minimum reserve target)	17,051,140
37		
38	Two months of operating expenses	56,837,132
39	Ratio of Unrestricted Funds Available to two months of operating expenses	31%
40	Number of days expenses covered by Unrestricted Funds Available	19.00

Note A: **Obligated** - Contractual obligations represent a variety of agreements which support initiatives or operations that have moved beyond management planning into execution. Obligations include contracts for goods and services, including construction projects. Obligations contain debt service and staffing commitments for outstanding debt and personnel. These amounts also consist of inventories and other balances for which a contractual commitments exist.

Note B: **Designated** - Designated net assets represent balances that are not yet legally contracted, but have been dedicated to initiatives that have been deemed to be strategic or mission critical. Balances include capital or maintenance projects that are in active planning phases. Facility and administrative returns from sponsored projects (grants and contracts) are reinvested in infrastructure or on efforts to obtain additional grant funding. Documented central commitments to initiatives that have been approved at an executive level are designated.

Note C: **Unrestricted Funds Available** - Balance represents reserves available to bridge uneven cash flows as well as future potential reduced funding. Current examples of potential future reductions are:

Unfunded Enrollment Workload Adjustment (EWA)
Budget reductions or holdbacks
Enrollment fluctuations

Idaho College and Universities - Idaho State University
Net Asset Balances
As of June 30, 2015

Information Taken from Workpapers Relating to Audited Financial Statements

Net Assets:	**FY15**
Invested in capital assets, net of related debt	$126,573,391
Restricted, expendable	$4,961,978
Restricted, nonexpendable	
Unrestricted	$109,572,065
Total Net Assets	$241,107,434
Unrestricted Net Assets:	**109,572,065**
Obligated (Note A)	
Debt Reserves	9,154,155
Capital Projects	
Facilities	-
Equipment	8,249,963
Program Commitments	
Academic	11,521,417
Research	-
Other	
Administrative Initiatives	170,000
Other	1,989,719
	-
Total Obligated	31,085,254
Designated (Note B)	
Capital Projects	
Facilities	9,357,539
Equipment	
Program Commitments	
Academic	15,115,231
Research	4,654,983
Other	9,878,940
Administrative Initiatives	2,606,591
Other	1,170,053
	-
Total Designated	42,783,338
Unrestricted Available (Note C)	**35,703,473**
Operating expenses	228,567,678
Ratio of Unrestricted Funds Available to operating expenses	15.6%
5% of operating expenses (minimum available reserve target)	11,428,384
Two months operating expenses	38,094,613
Ratio of Unrestricted Funds Available to two months of operating expenses	94%
Ratio of Designated and Unrestricted Funds Available to operating expenses	34%
Ratio of Obligated, Designated and Unrestricted Funds Available to operating expenses	48%
Number of days expenses covered by Unrestricted Funds Available	57.01

Note A: Obligated - Contractual obligations represent a variety of agreements which support initiatives or operations that have moved beyond management plannning into execution. Obligations include contracts for goods and services, including construction projects. Obligations contain debt service commitments for outstanding debt and staffing commitments for personnel. These amounts also consist of inventories and other balances for which a contractual commitments exist.

Note B: Designated - Designated net assets represent balances that are not yet legally contracted, but have been dedicated to initiatives that have been deemed to be strategic or mission critical. Balances include capital or maintenance projects that are in active planning phases. Facility and adminstrative returns from sponsored projects (grants and contracts) are reinvested in infrastructure or on efforts to obtain additional grant funding. Documented central commitments to initiatives that have been approved at an executive level are designated.

Note C: Unrestricted Funds Available - Balance represents reserves available to bridge uneven cash flows as well as future potential reduced funding. Current examples of potential future reductions are: enrollment fluctuations, budget reductions or holdbacks.

University of Idaho
A LEGACY OF LEADING

Idaho College and Universities
Net Position Balances

As of June 30, 2015

Information Taken from Workpapers Relating to Audited Financial Statements

				University of Idaho
1	**Net Position:**			
2	Invested in capital assets, net of related debt			$ 248,984,259
3	Restricted, expendable			23,498,196
4	Unrestricted			68,166,145
5	Total Net Position			$ 340,648,600
6	**Unrestricted Net Position:**			**$ 68,166,145**
7	**Obligated (Note A)**			
	- Debt Service Obligations		$ 13,608,755	
	- Capital Project and Equipment Fund Obligations		8,087,781	
	Total Obligated Funds			**$ 21,696,536**
8	**Designated (Note B)**			
	Academic Funds:			
	- Dedicated Course Fees	$ 928,147		
	- Research Funds	1,773,857		
	- Faculty Start-up Funds	599,042		
	- Support Funds	4,047,561		
	Total Academic Funds		$ 7,348,607	
	Agricultural Extension Funds:			
	- Agricultural Extension Education Funds	$ 536,370		
	- Agricultural Extension Research Funds	923,578		
	- Agricultural Extension Support Funds	983,105		
	Total Agricultural Extension Funds		2,443,053	
	Student Funds:			
	- Student Services Funds	$ 827,796		
	- Student Scholarship Funds	124,072		
	Total Student Funds		951,869	
	Faculty Start-up & Research Support Funds (from F&A)		7,283,318	
	Anticipated University Capital Projects:			
	Wallace Renovation		5,000,000	
	Service Centers		1,647,247	
	Benefits & Self-Insured Health Plan		301,606	
	Auxiliary Services Funds		1,842,277	
	Facility/Departmental Repair and Replacement Funds		606,758	
	Total Designated Funds			**$ 27,424,735**
9	**Unrestricted Available (Note C)**			**$ 19,044,874**

Idaho College and Universities
Net Position Balances

As of June 30, 2015

Information Taken from Workpapers Relating to Audited Financial Statements

10	Operating expenses	$372,738,938
11	Ratio of Unrestricted Funds Available to operating expenses	5.1%
12	5% of operating expenses (minimum available reserve target)	$18,636,947
13	Two months operating expenses	$62,123,156
14	Ratio of Unrestricted Funds Available to two months of operating expenses	31%
15	Number of days expenses covered by Unrestricted Funds Available	19

NOTES

Note A: **Obligated** - Contractual obligations represent a variety of agreements which support initiatives or operations that have moved beyond management plannning into execution. Obligations include contracts for goods and services, including construction projects. Obligations contain debt service commitments for outstanding debt and staffing commitments for personnel. These amounts also consist of inventories and other balances for which a contractual commitments exist.

Note B: **Designated** - Designated net assets represent balances that are not yet legally contracted, but have been dedicated to initiatives that have been deemed to be strategic or mission critical. Balances include capital or maintenance projects that are in active planning phases. Facility and adminstrative returns from sponsored projects (grants and contracts) are reinvested in infrastructure or on efforts to obtain additional grant funding. Documented central commitments to initiatives that have been approved at an executive level are designated.

Note C: **Unrestricted Funds Available** - Balance represents reserves available to bridge uneven cash flows as well as future potential reduced funding. Current examples of potential future reductions are:

Budget reductions or holdbacks
Enrollment fluctuations
Unfunded Enrollment Workload Adjustment (EWA)

Lewis-Clark State College
Net Position Balances
As of June 30, 2015
Information Taken from Workpapers Relating to Audited Financial Statements

1	**Net Position:**	**LCSC**
2	Invested in capital assets, net of related debt	$46,527,570
3	Restricted, expendable	905,456
4	Restricted, nonexpendable	0
5	Unrestricted	26,709,479
6	**Total Net Position**	$74,142,505
7		
8	**Unrestricted Net Position:**	**$26,709,479**
9	Obligated (Note A)	
10	Debt Service	2,338,467
11	Other	779,338
12		
13	Total Obligated	$3,117,806
14		
15	Designated (Note B)	
16	Capital Projects	
17	Facilities	$7,926,471
18	Equipment	2,864,899
19	Program Commitments	
20	Academic	3,810,934
21	Other	4,914,723
22	Strategic Initiatives	500,000
23	Other	497,007
24	Total Designated	$20,514,034
25		
26	**Unrestricted Available (Note C)**	**$3,077,640**
27		
28	Operating expenses	$48,861,907
29	Ratio of Unrestricted Funds Available to operating expenses	6.3%
30	Ratio of Designated and Unrestricted Funds Available to operating expenses	48.3%
31	Ratio of Obligated, Designated and Unrestricted Funds Available to operating expenses	54.7%
32	5% of operating expenses (minimum available reserve target)	$2,443,095
33		
34	Two months operating expenses	$8,143,651
35	Ratio of Unrestricted Funds Available to two months of operating expenses	38%
36	Number of days expenses covered by Unrestricted Funds Available	23

Note A: **Obligated** - Contractual obligations represent a variety of agreements which support initiatives or operations that have moved beyond management planning into execution. Obligations include contracts for goods and services, including construction projects. Obligations contain debt service commitments for outstanding debt and staffing commitments for personnel. These amounts also consist of inventories and other balances for which a contractual commitment exists.

Note B: **Designated** - Designated net assets represent balances that are not yet legally contracted, but have been dedicated to initiatives that have been deemed to be strategic or mission critical. Balances include capital or maintenance projects that are in active planning phases. Facility and administrative returns from sponsored projects (grants and contracts) are reinvested in infrastructure or on efforts to obtain additional grant funding. Documented central commitments to initiatives that have been approved at an executive level are designated.

Note C: **Unrestricted Funds Available** - Balance represents reserves available to bridge uneven cash flows as well as future potential reduced funding. Current examples of potential future reductions are:

Enrollment fluctuations
Budget reductions or holdbacks

SUBJECT

FY 2015 College and Universities' Financial Ratios

REFERENCE

December 2012-2014	Annual report submitted to the Idaho State Board of Education (Board)

BACKGROUND/DISCUSSION

The ratios presented measure the financial health of the institution and include a "Composite Financial Index" comprised of four ratios. The ratios are designed as a management tool to measure financial activity and trends within an institution. They do not lend themselves to comparative analysis between institutions because of the varying missions and current initiatives taking place at a given institution.

Institution foundations are reported as component units in the college and universities' financial statements. The nationally developed ratio benchmarks model is built around this combined picture.[1] An institution foundation holds assets for the purpose of supporting the institution. Foundation assets are nearly all restricted for institution purposes and are an important part of an institution's financial strategy and financial health.

Ratio	Measure	Benchmark
Primary reserve	Sufficiency of resources and their flexibility; good measure for net assets	.40
Viability	Capacity to repay total debt through reserves	1.25
Return on net assets	Whether the institution is better off financially this year than last	6.00%
Net operating revenues	Whether institution is living within available resources	2.00%
Composite Financial Index	Combines four ratios using weighting	3.0

IMPACT

The ratios and analyses are provided in order for the Board to review the financial health and relative efficiency of each institution.

ATTACHMENTS

Boise State University	Page 3
Idaho State University	Page 4
University of Idaho	Page 5
Lewis-Clark State College	Page 6

[1] See *Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks* (7th ed.). New York, NY: Prager, Sealy & Co., LLC; KPMG, LLP; Attain, LLC. The model's well vetted analysis developed by industry experts has been around and evolving since 1980. It is widely used and accepted in the higher education finance community.

STAFF COMMENTS AND RECOMMENDATIONS

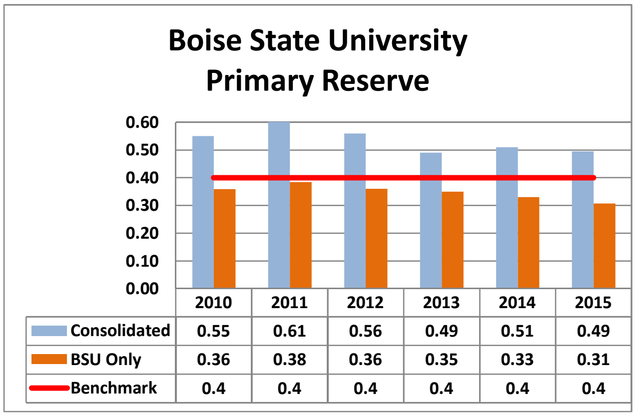
The institutions will present a brief analysis of their financial ratios and will be available for questions by the Board.

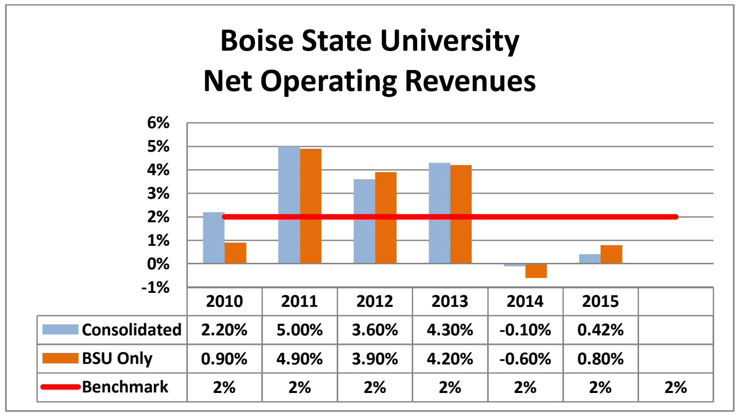
BOARD ACTION

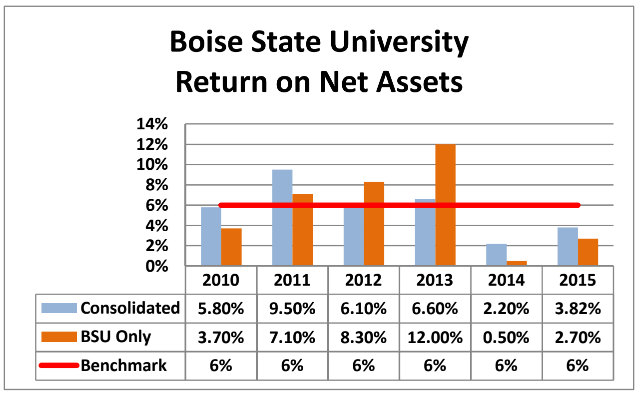
This item is for informational purposes only. Any action will be at the Board's discretion.

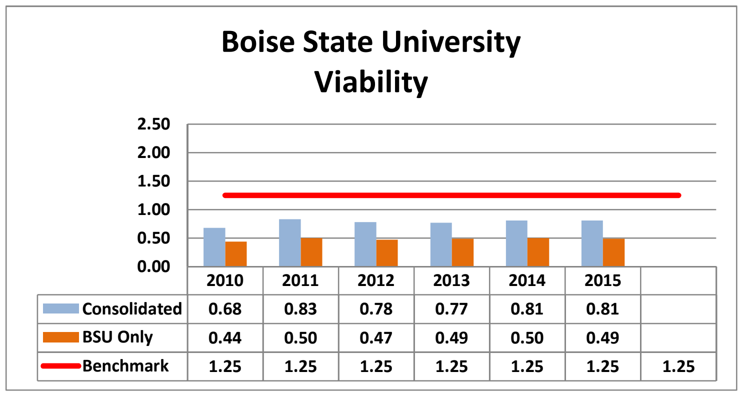
Boise State University

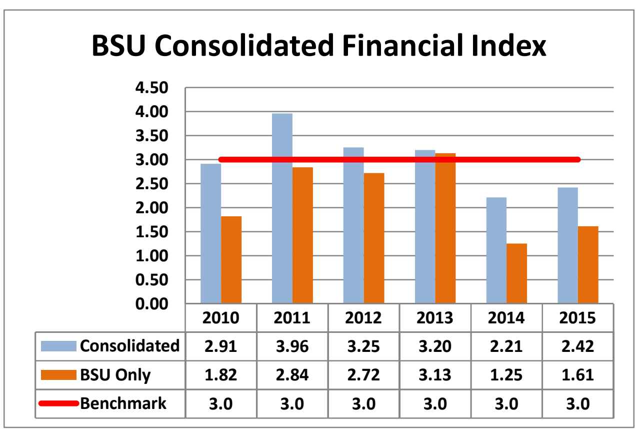
		2010	2011	2012	2013	2014	2015	Benchmark
Primary Reserve	Consolidated	0.55	0.61	0.56	0.49	0.51	0.49	0.40
	BSU Only	0.36	0.38	0.36	0.35	0.33	0.31	0.40
et Operating Revenues	Consolidated	2.20%	5.00%	3.60%	4.30%	-0.10%	0.42%	2.00%
	BSU Only	0.90%	4.90%	3.90%	4.20%	-0.60%	0.80%	2.00%
Return on Net Assets	Consolidated	5.80%	9.50%	6.10%	6.60%	2.20%	3.82%	6.00%
	BSU Only	3.70%	7.10%	8.30%	12.00%	0.50%	2.70%	6.00%
Viability	Consolidated	0.68	0.83	0.78	0.77	0.81	0.81	1.25
	BSU Only	0.44	0.50	0.47	0.49	0.50	0.49	1.25
CFI	Consolidated	2.91	3.96	3.25	3.20	2.21	2.42	3.00
	BSU Only	1.82	2.84	2.72	3.13	1.25	1.61	3.00

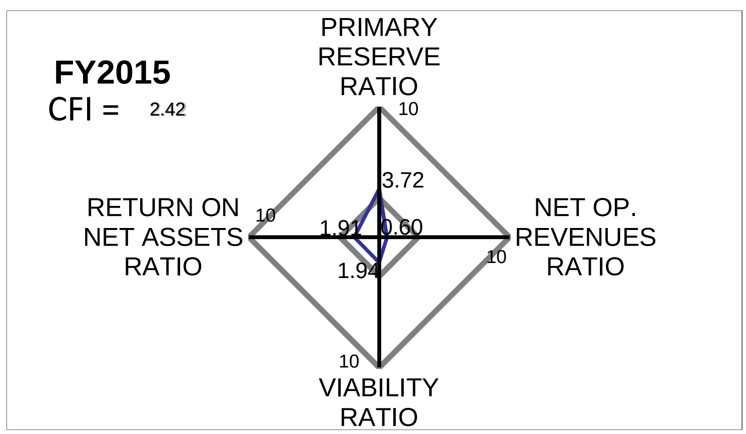






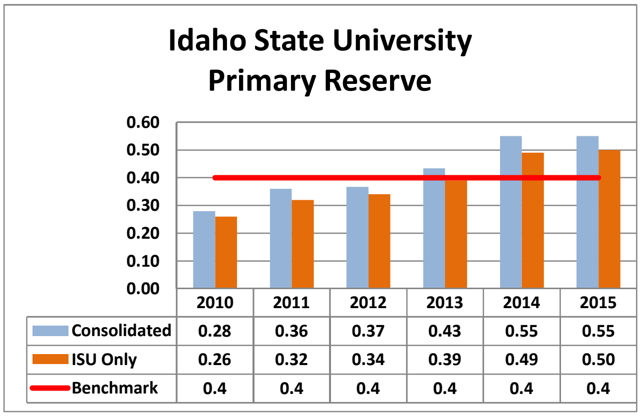


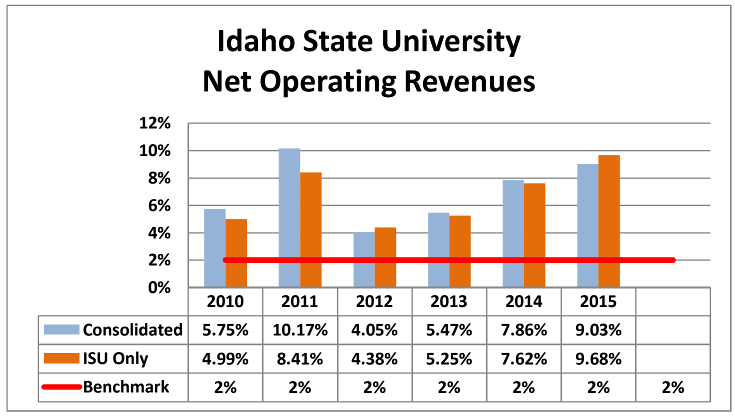


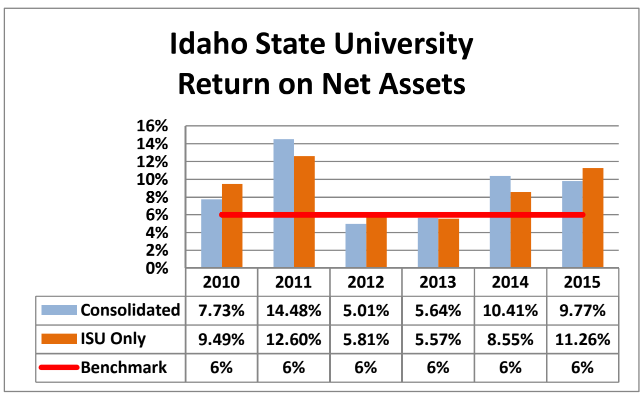


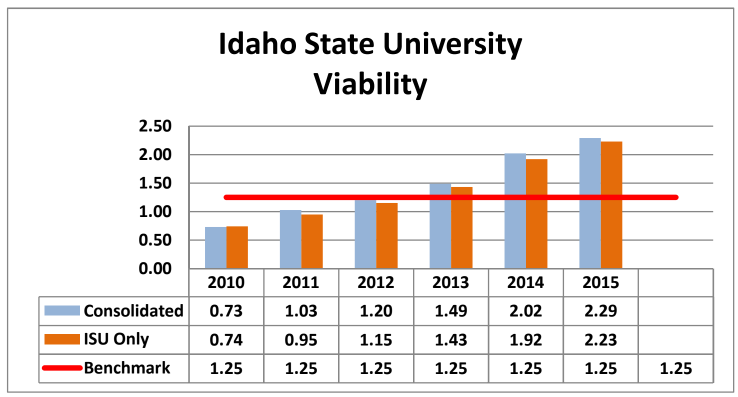
Idaho State University

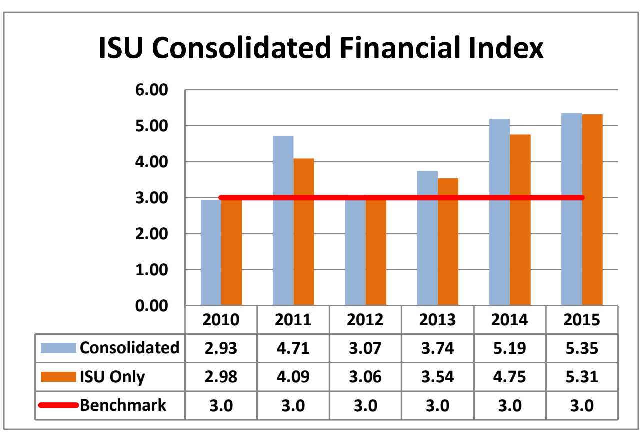
		2010	2011	2012	2013	2014	2015	Benchmark
Primary Reserve	Consolidated	0.28	0.36	0.37	0.43	0.55	0.55	0.40
	ISU Only	0.26	0.32	0.34	0.39	0.49	0.50	0.40
et Operating Revenues	Consolidated	5.75%	10.17%	4.05%	5.47%	7.86%	9.03%	2.00%
	ISU Only	4.99%	8.41%	4.38%	5.25%	7.62%	9.68%	2.00%
Return on Net Assets	Consolidated	7.73%	14.48%	5.01%	5.64%	10.41%	9.77%	6.00%
	ISU Only	9.49%	12.60%	5.81%	5.57%	8.55%	11.26%	6.00%
Viability	Consolidated	0.73	1.03	1.20	1.49	2.02	2.29	1.25
	ISU Only	0.74	0.95	1.15	1.43	1.92	2.23	1.25
CFI	Consolidated	2.93	4.71	3.07	3.74	5.19	5.35	3.00
	ISU Only	2.98	4.09	3.06	3.54	4.75	5.31	3.00

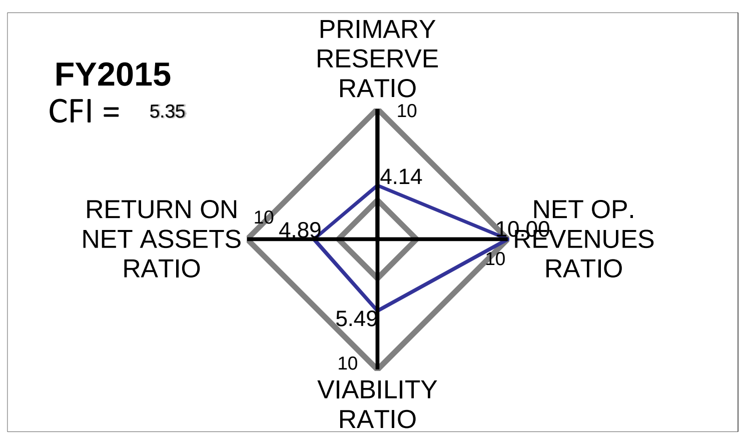






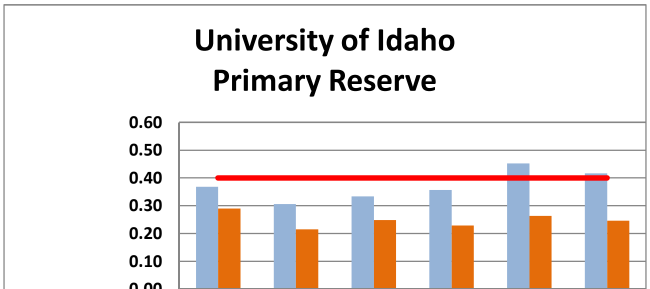




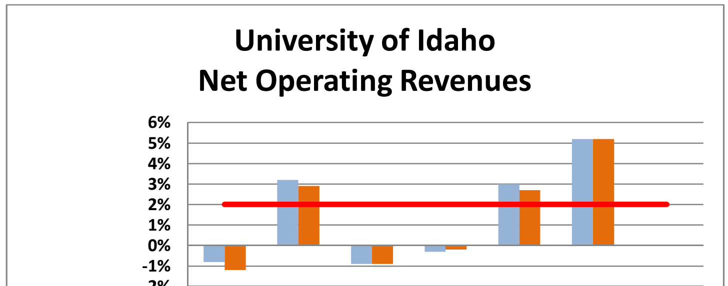


University of Idaho

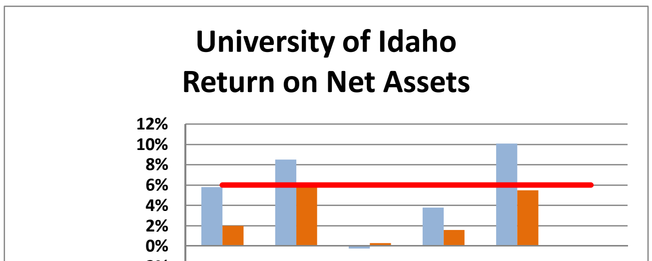
		2010	2011	2012	2013	2014	2015	Benchmark
Primary Reserve	Consolidated	0.37	0.31	0.33	0.36	0.45	0.42	0.40
	UI Only	0.29	0.22	0.25	0.23	0.26	0.25	0.40
et Operating Revenues	Consolidated	-0.80%	3.20%	-0.90%	-0.30%	3.00%	5.20%	2.00%
	UI Only	-1.20%	2.90%	-0.90%	-0.20%	2.70%	5.20%	2.00%
Return on Net Assets	Consolidated	5.80%	8.50%	-0.25%	3.80%	10.10%	-0.02%	6.00%
	UI Only	2.00%	5.80%	0.30%	1.60%	5.50%	-0.01%	6.00%
Viability	Consolidated	0.82	0.73	0.79	0.84	1.12	0.82	1.25
	UI Only	0.61	0.49	0.56	0.51	0.61	0.46	1.25
CFI	Consolidated	2.12	2.73	1.39	1.98	3.56	2.53	3.00
	UI Only	1.31	1.97	1.03	1.16	2.15	1.63	3.00



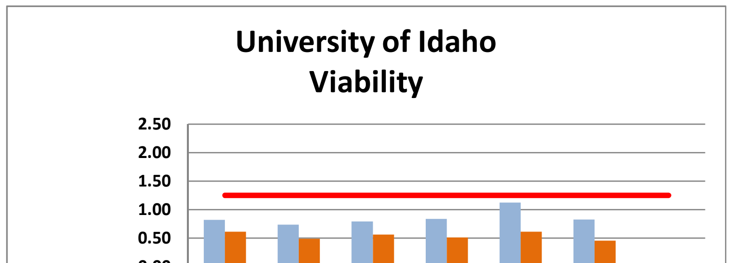
	2010	2011	2012	2013	2014	2015
Consolidated	0.37	0.31	0.33	0.36	0.45	0.42
UI Only	0.29	0.22	0.25	0.23	0.26	0.25
Benchmark	0.4	0.4	0.4	0.4	0.4	0.4



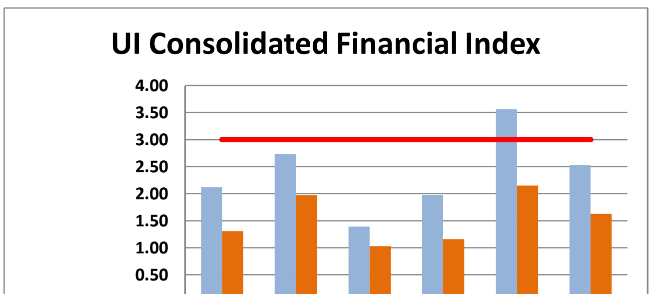
	2010	2011	2012	2013	2014	2015	
Consolidated	-0.80%	3.20%	-0.90%	-0.30%	3.00%	5.20%	
UI Only	-1.20%	2.90%	-0.90%	-0.20%	2.70%	5.20%	
Benchmark	2%	2%	2%	2%	2%	2%	2%



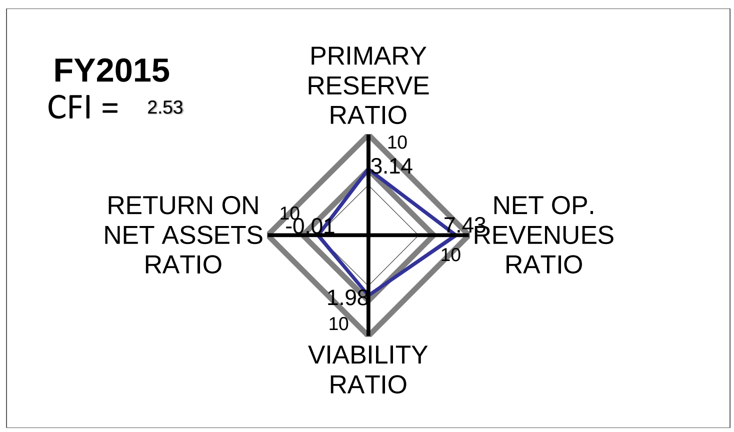
	2010	2011	2012	2013	2014	2015
Consolidated	5.80%	8.50%	-0.25%	3.80%	10.10%	-0.02%
UI Only	2.00%	5.80%	0.30%	1.60%	5.50%	-0.01%
Benchmark	6%	6%	6%	6%	6%	6%



	2010	2011	2012	2013	2014	2015	
Consolidated	0.82	0.73	0.79	0.84	1.12	0.82	
UI Only	0.61	0.49	0.56	0.51	0.61	0.46	
Benchmark	1.25	1.25	1.25	1.25	1.25	1.25	1.25

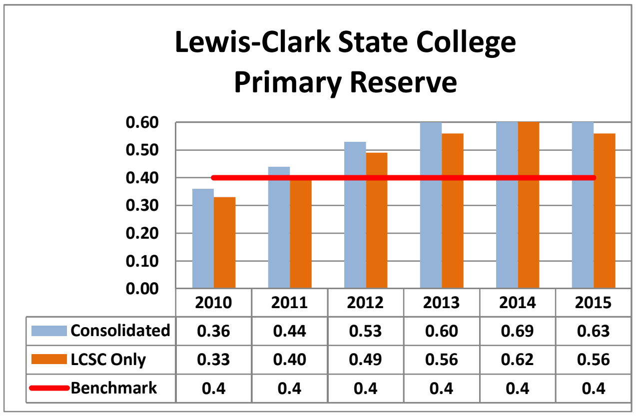


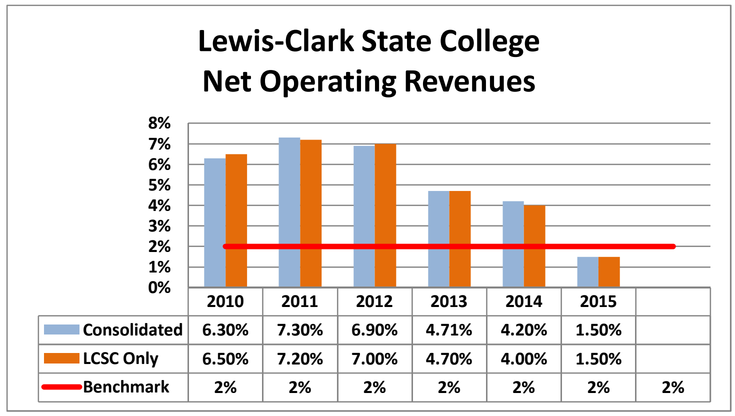
	2010	2011	2012	2013	2014	2015
Consolidated	2.12	2.73	1.39	1.98	3.56	2.53
UI Only	1.31	1.97	1.03	1.16	2.15	1.63
Benchmark	3.0	3.0	3.0	3.0	3.0	3.0

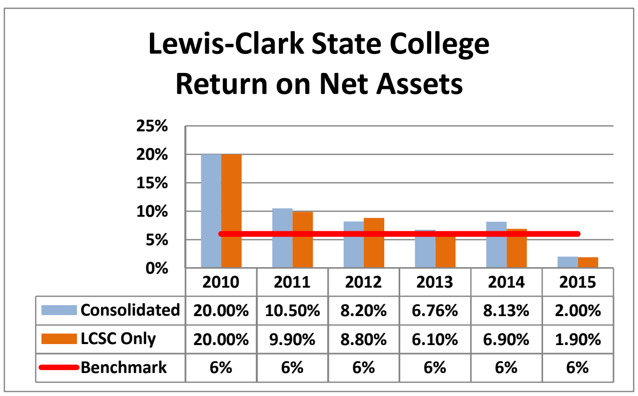


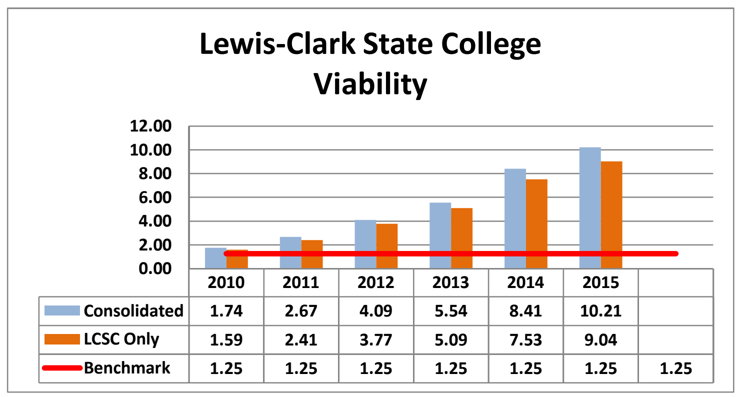
Lewis-Clark State College

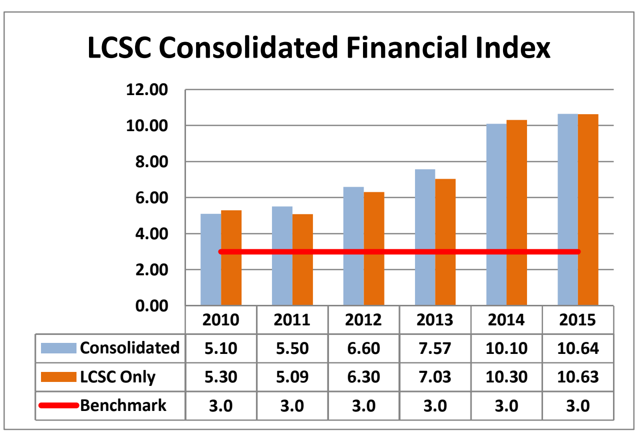
		2010	2011	2012	2013	2014	2015	Benchmark
Primary Reserve	Consolidated	0.36	0.44	0.53	0.60	0.69	0.63	0.40
	LCSC Only	0.33	0.40	0.49	0.56	0.62	0.56	0.40
et Operating Revenues	Consolidated	6.30%	7.30%	6.90%	4.71%	4.20%	1.50%	2.00%
	LCSC Only	6.50%	7.20%	7.00%	4.70%	4.00%	1.50%	2.00%
Return on Net Assets	Consolidated	20.00%	10.50%	8.20%	6.76%	8.13%	2.00%	6.00%
	LCSC Only	20.00%	9.90%	8.80%	6.10%	6.90%	1.90%	6.00%
Viability	Consolidated	1.74	2.67	4.09	5.54	8.41	10.21	1.25
	LCSC Only	1.59	2.41	3.77	5.09	7.53	9.04	1.25
CFI	Consolidated	5.10	5.50	6.60	7.57	10.10	10.64	3.00
	LCSC Only	5.30	5.09	6.30	7.03	10.30	10.63	3.00

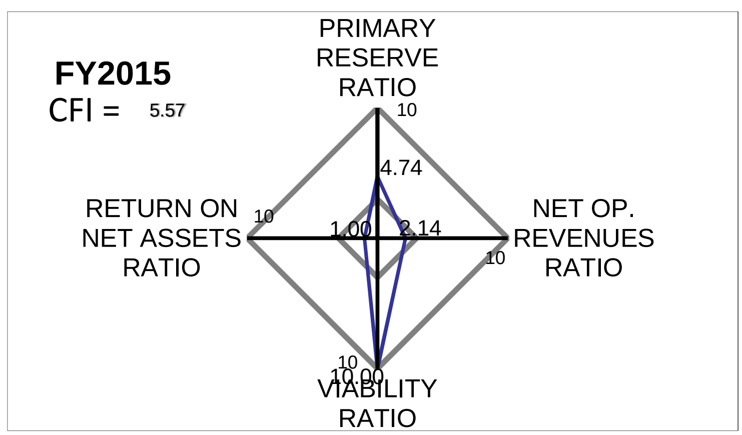












EASTERN IDAHO TECHNICAL COLLEGE

SUBJECT

Eastern Idaho Technical College operating agreement with Eastern Idaho Technical College Foundation

REFERENCE

April 2012	Idaho State Board of Education (Board) approval of Eastern Idaho Technical College (EITC) operating agreement with EITC Foundation

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.E.

BACKGROUND/DISCUSSION

Board policy V.E. requires a foundation of an institution be brought before the Board to be formally recognized as a nonprofit corporation or affiliated foundation to benefit a public college or university in Idaho. The operating agreement must be approved by the Board prior to execution and must be re-submitted to the Board every three (3) years, or as otherwise requested by the Board, for review and re-approval. The operating agreement addresses the topics outlined in Policy V.E.

The Executive Director of the Eastern Idaho Technical College Foundation (EITCF), in conjunction with the Directors of the EITCF, review policies and agreements in order to ensure they are up to date. Attached are documents for consideration of approval by the Audit Committee and Board of Education.

Revisions to the Investment Policy include the addition of items 1.l-n, (Attachment 4, page 27) addressing foreign securities, emerging market securities, and publicly traded REITs. The diversification guidelines have been updated as shown in the table below.

	2012 Agreement	**2015 Agreement**
Asset Class	Preferred	Preferred
Equities	45-55%	45-70%
Fixed Income	35-45%	25-50%
Cash & Equivalents	0-10%	0-20%

Attachment 5, Amendments to Code of Ethics, includes additions for violations of ethics policy and violation of conflict of interest policy. Attachment 8, Article Nine amendment, proposes procedures to remove a member. Finally, Attachment 9, Article Seventeen amendment, enumerates the qualifications of the Director and other board members.

IMPACT

Approval of the amended operations agreement would allow the institution and foundation to operate under the new agreement.

ATTACHMENTS

STAFF COMMENTS AND RECOMMENDATIONS

The Audit Committee reviewed the changes listed above at its June meeting and approved all of the changes except revisions to the Investment Policy. The concerns related to the Investment Policy included the added investment options for foreign securities, emerging market securities and publicly traded real estate investment trusts (REITs). EITC management provided the following information to the Audit Committee:

One of the primary investments that the Foundation has been using has been Mutual funds. In today's global markets, mutual fund portfolio companies have been changing and becoming more diverse when considering the country of operation. It was recommended to the Foundation by their auditors that they disclose a breakdown of investments that was more reflective of the potential of mutual funds today and where they have their investments. The auditors suggested that the foundation clarify the potential for their investments to be held in these Foreign Securities, Emerging Market Securities and real estate investment trusts (REITs) if the mutual fund managers chose to invest in that way. Secondly because of the difficulty in determining the Foreign securities and emerging markets elements portion of their investment they felt that it would be best to disclose in the agreement the breakdown provided by their current investments managers.

EITC management also clarified that the mutual funds may include limited investments in the areas listed above, but noted that the foundation does not invest directly in these instruments.

The Audit Committee was satisfied with the explanations provided by EITC management on the disclosure recommendations made by the external auditors, and is forwarding the EITCF operating agreement to the Board with a recommendation for approval. Staff recommends approval.

BOARD ACTION

I move to approve the amended operating agreement between Eastern Idaho Technical College and the Eastern Idaho Technical College Foundation, as submitted in Attachment 1.

Moved by ___________ Seconded by __________ Carried Yes_____ No____

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OPERATING AGREEMENT BETWEEN
EASTERN IDAHO TECHNICAL FOUNDATION, INC.
AND
EASTERN IDAHO TECHNICAL COLLEGE

THIS AGREEMENT, entered into as of this ____day of _____________, 2015, is between Eastern Idaho Technical College, herein known as "College" and the Eastern Idaho Technical College Foundation, Inc., herein known as "Foundation".

WHEREAS, the Foundation was organized and incorporated in 1992 for the purpose of stimulating voluntary private support from alumni, parents, friends, corporations, foundations, and others for the benefit of the College.

WHEREAS, the Foundation exists to raise and manage private resources supporting the mission and priorities of the College, and provide opportunities for students and a degree of institutional excellence unavailable with state funding levels.

WHEREAS, the Foundation is dedicated to assisting the College in the building of the endowment to address, through financial support, the long-term academic and other priorities of the College.

WHEREAS, as stated in its articles of incorporation, the Foundation is a separately incorporated 501(c)(3) organization and is responsible for identifying and nurturing relationships with potential donors and other friends of the College; soliciting cash, securities, real and intellectual property, and other private resources for the support of the College; and acknowledging and stewarding such gifts in accordance with donor intent and its fiduciary responsibilities.

WHEREAS, furthermore, in connection with its fund-raising and asset-management activities, the Foundation utilizes, in accordance with this Agreement, personnel experienced in planning for and managing private contributions and works with the College to assist and advise in such activities.

WHEREAS, the parties hereby acknowledge that they will at all times conform to and abide by, the Idaho State Board of Education's Governing Policies and Procedures, Gifts and Affiliated Foundations policy, § V.E., and that they will submit this Agreement for initial prior State Board of Education ("State Board") approval, and thereafter every three (3) years, or as otherwise requested by the State Board, for review and re-approval.

NOW THEREFORE, in consideration of the mutual commitments herein contained, and other good and valuable consideration, receipt of which is hereby acknowledged, the parties agree as follows:

ARTICLE I
Foundation Purposes

The Foundation is the primary affiliated foundation responsible for securing, managing and distributing private support for the College. Accordingly, to the extent consistent with the Foundation's Articles of Incorporation and Bylaws, and the State Board's Policies and Procedures, the Foundation shall: (1) solicit, receive and accept gifts, devises, bequests and other direct or indirect contributions of money and other property made for the benefit of the College from the general public (including individuals, corporations, other entities and other sources); (2) manage and invest the money and property it receives for the benefit of the College; and (3) support and assist the College in fundraising and donor relations.

In carrying out its purposes the Foundation shall not engage in activities that conflict with (1) federal or state laws, rules and regulations (including, but not limited to all applicable provisions of the Internal Revenue Code and corresponding Federal Treasury Regulations); (2) applicable polices of the State Board; or (3) the role and mission of the College.

ARTICLE II
Foundation Organizational Documents

The Foundation shall provide copies of its current Articles of Incorporation and Bylaws to the College and the State Board. All amendments of such documents shall also be provided to the College and the State Board. Furthermore, the Foundation shall, to the extent practicable, provide the College with an advance copy of any proposed amendments to the Foundation's Articles of Incorporation and Bylaws.

ARTICLE III
College Resources and Services

1. College Employees.

   a. *College/Foundation Liaison:* The College's President shall serve as the College's Liaison to the Foundation.

      i. The College's President shall be responsible for coordinating the College's and the Foundation's fundraising efforts and for supervising and coordinating the administrative support provided by the College to the Foundation.

      ii. The College President or her/his designee shall attend each meeting of the Foundation's Board of Directors and shall report on behalf of the College to the Foundation's Board of Directors regarding the College's coordination with the Foundation's fundraising efforts.

   b. *Executive Director:* The Executive Director of the Foundation is an employee of the College loaned to the Foundation. All of the Executive Director's services shall be provided directly to the Foundation as follows:

      i. The Executive Director shall be responsible for the supervision and control of the day-to-day operations of the Foundation. More specific duties of the Executive Director may be set forth in a written job description prepared by the Foundation and attached to the Loaned Employee Agreement described in iv below. The Executive Director shall be subject to the control and direction of the Foundation.

      ii. The Executive Director shall be an employee of the College and entitled to College benefits to the same extent and on the same terms as other full-time College employees of the same classification as the Executive Director.

      iii. The College shall be responsible for all costs incurred by the College in connection with the College's employment of the Executive Director including such expenses as salary, payroll taxes, and benefits.

      iv. The Foundation and the College shall enter into a written agreement, in the form of Exhibit "A" hereto, establishing that the Executive Director is an employee of the College but subject to the direction and control of the Foundation (generally a "Loaned Employee Agreement"). The Loaned Employee Agreement shall also set forth the relative rights and responsibilities of the Foundation and the College with respect to the Executive Director, including the following:

         1. The Foundation shall have the right to choose to terminate the Loaned Employee Agreement in accordance with Foundation Procedures and applicable law; such termination may include election by the Foundation for non-renewal of the Loaned

Employee Agreement.

2. Termination of the Loaned Employee Agreement in accordance with the Foundation procedures and applicable law shall also result in termination of any obligation of the College to employ the Loaned Employee, subject to applicable legal and procedural requirements of the State of Idaho and the College.

3. Loaned Employee shall be subject to the supervision, direction and control of the Foundation Board of Directors and shall report directly to the Foundation Chairman or her/his designee. Further, the Foundation shall have the primary role in hiring a Loaned Employee, subject to applicable State or College requirements.

c. *Other Loaned Employees.* Other loaned employees providing services pursuant to this Agreement shall also serve pursuant to a Loaned Employee Agreement, Exhibit "A", which shall set forth their particular responsibilities and duties.

d. *Other College Employees Holding Key Foundation or Administrative or Policy Positions:* In the event the College and the Foundation determine it is appropriate for one or more additional College employees who function in a key administrative or policy making capacity for the College (including, but not limited to, any College Dean or equivalent position) to serve both the College and the Foundation, then, pursuant to Section V.E.2.c.I.a. of the Board Policy Statement, this Operating Agreement shall be amended to clearly set forth the authority and responsibilities of the position of any such College employee.

e. *Limited Authority of College Employees.* Notwithstanding the foregoing provisions, no College employee who functions in a key administrative or policy making capacity for the College (including, but not limited to, any College Dean or equivalent position) shall be permitted to have responsibility or authority for Foundation policy making, financial oversight, spending authority, investment decisions, or the supervision of Foundation employees.

2. Support Staff Services. The College shall provide administrative, financial, accounting and development services to the Foundation, as set forth in the Service Agreement attached hereto as Exhibit "B" ("Service Agreement"). All College employees who provide support services to the Foundation shall remain College employees under the direction and control of the College, unless it is agreed that the direction and control of any such employee will be vested with the Foundation in a written Loaned Employee Agreement. The Foundation will pay directly to the College the portion of the overhead costs associated with the services provided to the Foundation pursuant to the Service Agreement. The portion of such costs shall be determined by the agreement of the Parties.

3. College Facilities and Equipment. The College shall provide the use of the College's office space, equipment and associated services to the Foundation's employees upon the terms agreed to by the College and the Foundation. The terms of

use (including amount of rent) of the College's office space, equipment and associated services shall be as set forth in the Service Agreement, Exhibit "B" hereto.

4. No Foundation Payments to College Employees. Notwithstanding any contrary provision of this Agreement to the contrary, the Foundation shall not make any payments directly to a College employee in connection with any resources or services provided to the Foundation pursuant to this Article of this Operating Agreement.

ARTICLE IV
Management and Operation of Foundation

1. Gift Solicitation.

   a. *Authority of College President.* All Foundation gift solicitations shall be subject to the direction and control of the College President.

   b. *Form of Solicitation.* Any and all Foundation gift solicitations shall make clear to prospective donors that (1) the Foundation is a separate legal and tax entity organized for the purpose of encouraging voluntary, private gifts, trusts, and bequests for the benefit of the College; and (2) responsibility for the governance of the Foundation, including the investment of gifts and endowments, resides in the Foundation's Board of Directors.

   c. *Foundation is Primary Donee.* Absent unique circumstances, prospective donors shall be requested to make gifts directly to the Foundation rather than to the College.

2. Acceptance of Gifts.

   a. *Approval Required Before Acceptance of Certain Gifts.* Before accepting contributions or grants for restricted or designated purposes that may require administration or direct expenditure by the College, the Foundation shall obtain the prior written approval of the College, and where required by State Board policy, approval of the State Board. Similarly, the Foundation shall also obtain the prior written approval of the College of the acceptance of any gift or grant that would impose a binding financial or contractual obligation on the College.

   b. *Acceptance of Gifts of Real Property.* The Foundation shall conduct adequate due diligence on all gifts of real property that it receives. All gifts of real property intended to be held and used by the College shall be approved by the State Board before acceptance by the College and the Foundation. In cases where the real property is intended to be used by the College in connection with carrying out its proper functions, the real property may be conveyed directly to the College, in which case the College and not the Foundation shall be responsible for the due diligence obligations for such property.

   c. *Processing of Accepted Gifts.* All gifts received by the College or the

Foundation shall be delivered (if cash) or reported (if any other type of property) to the Foundation's designated gift administration office in accordance with the Service Agreement.

3. Fund Transfers. The Foundation agrees to transfer funds, both current gifts and income from endowments, to the College on a regular basis as agreed to by the Parties. The Foundation's Treasurer or other individual to whom such authority has been delegated by the Foundation's Board of Directors shall be responsible for transferring funds as authorized by the Foundation's Board of Directors.

    a. *Restricted and Unrestricted Gift Transfers.* The Foundation may make restricted donations to the College. Such donated funds will only be expended by the College pursuant to the terms of such restrictions. The Foundation may also make unrestricted donations to the College. Such donated funds will be expended under the oversight of the College President in compliance with state law and College policies. All expenditures notes in this section must comply with the I.R.S. 501(c)(3) code and be consistent with the Foundation's sole mission to support the College.

4. Foundation Expenditures and Financial Transactions.

    a. *Signature Authority.* The Foundation designates the Foundation Treasurer as the individual with signature authority for the Foundation in all financial transactions. The Foundation may supplement or change this designation with written notice to the College; provided, however, in no event may the person with Foundation signature authority for financial transactions be a College employee nor a "Loaned Employee" as that term is used in this Agreement.

    b. *Expenditures.* All expenditures of the Foundation shall be (1) consistent with the charitable purposes of the Foundation, and (2) not violate restrictions imposed by the donor or the Foundation as to the use or purpose of the specific funds.

5. College Report on Distributed Funds. On a regular basis, which shall not be less than annually, the College shall report to the Foundation on the use of restricted and unrestricted funds transferred to the College. This report shall specify the restrictions on any restricted funds and the uses of such funds.

6. Transfer of College Assets to the Foundation. No College funds, assets, or liabilities may be transferred directly or indirectly to the Foundation without the prior approval of the State Board except when:

    a. A donor inadvertently directs a contribution to the College that is intended for the Foundation in which case such funds may be transferred to the Foundation so long as the documents associated with the gift indicate the Foundation was the intended recipient of the gift. In the absence of any such indication of donor intent, such funds shall be deposited in an institutional account, and State Board approval will be required prior to the College's transfer of such funds to the Foundation.
    b. The College has gift funds that were originally transferred to the College from the

Foundation and the College wishes to return a portion of those funds to the Foundation for reinvestment consistent with the original intent of the gift.

c. The institution has raised scholarship funds through an institution activity and the institution wishes to deposit the funds with the Foundation for investment and distribution consistent with the scholarship nature of the funds.

d. Transfers of a *de minimis* amount not to exceed $10,000 from the institution to the Foundation provided such funds are for investment by the Foundation for scholarship or other general College support purposes. This exception shall not apply to payments by the institution to the Foundation for obligations of the institution to the Foundation, operating expenses of the Foundation or other costs of the Foundation.

7. Separation of Funds. All Foundation assets (including bank and investment accounts) shall be held in separate accounts in the name of the Foundation using Foundation's Federal Employer Identification Number. The financial records of the Foundation shall be kept using a separate chart of accounts. For convenience purposes, some Foundation expenses may be paid through the College such as payroll and campus charges. These expenses will be paid through accounts clearly titled as belonging to the Foundation and shall be reimbursed by the Foundation on a regular basis. Further, the Foundation shall make data available to external auditors as necessary to complete audit responsibilities.

8. Insurance. To the extent that the Foundation is not covered by the State of Idaho Retained Risk program, the Foundation shall maintain insurance to cover the operations and activities of its directors, officers and employees. The Foundation shall also maintain general liability coverage.

9. Investment Policies. All funds held by the Foundation, except those intended for sho1t term expenditures, shall be invested in accordance with the Uniform Prudent Management of Institutional Funds Act, Idaho Code Sections 33-5001 to 33-5010, and the Foundation's investment policy which is attached hereto as Exhibit "C"; provided, however, the Foundation shall not invest any funds in a manner that would violate the applicable terms of any restricted gifts. The Foundation shall provide to the College any updates to such investment policy which updates shall also be attached hereto as Exhibit "C".

10. Organization Structure of the Foundation. The organizational structure of the Foundation is set forth in the Foundation's Articles of Incorporation which are attached hereto as Exhibit "D" and the Foundation's Amended and Restated Bylaws which are attached as Exhibit "E." The Foundation agrees to provide copies of such Articles and Bylaws as well as any subsequent amendments to such documents to both the College and the State Board.

11. Conflicts of Interest and Ethical Conduct. The Foundation has adopted a written policy addressing the manner the Foundation will address conflict of interest situations. The Foundation's Conflict of Interest Policy is set forth as Exhibit "F", and the Foundations Code of Ethical Conduct is set forth as Exhibit "G".

ARTICLE V
Foundation Relationships with the College

1. Access to Records. Subject to recognized legal privileges, each Party shall have the right to access the other Party's financial, audit, donor and related books and records as needed to properly conduct its operations.

2. Record Management.

    a. The Parties recognize that the records of the Foundation relating to actual or potential donors contain confidential information. Such records shall be kept by the Foundation in such a manner as to protect donor confidentiality to the fullest extent allowed by law. Notwithstanding the access to records permitted above, access to such confidential information by the College shall be limited to the College's President and any designee of the College's President.

    b. The Foundation shall be responsible for maintaining all permanent records of the Foundation including but not limited to the Foundation's Articles, Bylaws and other governing documents, all necessary documents for compliance with IRS regulations, all gift instruments, and all other Foundation records as required by applicable laws.

    c. Except to the extent that records are confidential (including confidential donor information), the Foundation agrees to be open to public inquiries for information that would normally be open in the conduct of College affairs and to provide such information in a manner consistent with the Idaho Public Records Law, set forth in Idaho Code Sections 9-337 – 9-350, except where otherwise required by state and federal law.

3. Name and Marks. Each Party hereby is granted a general, non-exclusive, royalty-free license to use the corporate name of the other, specifically: "Eastern Idaho Technical College" and "Eastern Idaho Technical College Foundation" in all activities conducted in association with or for the benefit of the other. Use of the other Party's name must be in manner that clearly identifies the Parties as separate entities, and neither Party may use the other Party's name to imply approval or action of the other Party. Neither Party may delegate, assign, or sublicense the rights granted hereunder without express written consent from the other Party. This license does not extend to any identifying marks of either Party other than the specified corporate name. Use of other marks must receive prior written approval.

4. Identification of Source. The Foundation shall be clearly identified as the source of any correspondence, activities and advertisements emanating from the Foundation.

5. Establishing the Foundation's Annual Budget. The Foundation shall provide the

College with the Foundation's proposed annual operating budget and capital expenditure plan (if any) prior to the date the Foundation's Board of Directors meeting at which the Foundation's Board of Directors will vote to accept such operating budget. Any of the College's funding requests to the Foundation shall be communicated in writing to the Foundation's Treasurer and Assistant Treasurer by March 1 of each year.

6. Attendance of College's President at Foundation's Board of Director Meetings. The College's President shall be invited to attend all meetings of the Foundation's Board of Directors and may act in an advisory capacity in such meetings.

7. Supplemental Compensation of College Employees. Any supplemental compensation of College employees by the Foundation must be preapproved by the State Board. Any such supplemental payment or benefits must be paid by the Foundation to the College, and the College shall then pay compensation to the employee in accordance with the College's normal practice. No College employee shall receive any payments or other benefits directly from the Foundation.

ARTICLE VI
Audits and Reporting Requirements

1. Fiscal Year. The Foundation and the College shall have the same fiscal year.

2. Annual Audit. On an annual basis, the Foundation shall have an audit conducted by a qualified, independent certified public accountant who is not a director or officer of the Foundation. The annual audit will be provided on a timely basis to the College's President and the Board, in accordance with the Board's schedule for receipt of said annual audit. The Foundation's Annual Statements may be presented in accordance with standards promulgated by the Financial Accounting Standards Board (FASB). The Foundation is a component unit of the College as defined by the Government Accounting Standards Board (GASB). Accordingly, the College is required to include the Foundation in its Financial Statements which follow a GASB format. Therefore, if the Foundation presents its audited Financial Statement under FASB, Schedules reconciling the FASB Statements to GASB standards must be provided in the detail required by GASB Standards. The annual audited Financial Statements and Schedules shall be submitted to the College's fiscal office in sufficient time to incorporate the same into the College's statements.

3. Separate Audit Rights. The College agrees that the Foundation, at its own expense, may at any time during normal business hours conduct or request additional audits or reviews of the College's books and records pertinent to the expenditure of donated funds. The Foundation agrees that the College and the State Board, at its own expense, may, at reasonable times, inspect and audit the Foundation's books and accounting records.

4. Annual Reports to College President. Each September the Foundation shall provide a written report to the College President and the State Board setting forth the following items:

    a. the annual financial audit report;

b. an annual report of Foundation transfers made to the College, summarized by College department;

c. an annual report of unrestricted funds received by the Foundation;

d. an annual report of unrestricted funds available for use during the current fiscal year;

e. a list of all of the Foundation's officers, directors, and employees;

f. a list of College employees for whom the Foundation made payments to the College for supplemental compensation or any other approved purpose during the fiscal year, and the amount and nature of that payment;

g. a list of all state and federal contracts and grants managed by the Foundation;

h. an annual report of the Foundation's major activities;

i. an annual report of each real estate purchase or material capital lease, investment, or financing arrangement entered into during the preceding Foundation fiscal year for the benefit of the College; and

j. an annual report of (1) any actual litigation involving the Foundation during its fiscal year; (2) identification of legal counsel used by the Foundation for any purpose during such year; and (3) identification of any potential or threatened litigation involving the Foundation.

ARTICLE VII
Conflict of Interest and Code of Ethics and Conduct

1. Conflicts of Interest and Code of Ethics and Conduct Policy Statement. The Foundation has adopted a written policy addressing the manner the Foundation will address conflict of interest situations. The Foundation's Conflict of Interest Policy is set as Exhibit "E", and its Code of Ethical Conduct is set forth as Exhibit "F".

2. Dual Representation. Under no circumstances may a College employee represent both the College and the Foundation in any negotiation, sign for both entities in transactions, or direct any other institution employee under their immediate supervision to sign for the related party in a transaction between the College and the Foundation. This shall not prohibit College employees from drafting transactional documents that are subsequently provided to the Foundation for its independent review, approval and use.

3. Contractual Obligation of College. The Foundation shall not enter into any contract that would impose a financial or contractual obligation on the College without first obtaining the prior written approval of the College and, if applicable under law or policy, the State Board of Education. College approval of any such contract shall comply with policies of the State Board of Education with respect to approval of

College contracts.

4. Acquisition or Development or Real Estate. The Foundation shall not acquire or develop real estate or otherwise build facilities for the College's use without first obtaining approval of the State Board. In the event of a proposed purchase of real estate for such purposes by the Foundation, the College shall notify the State Board and where appropriate, the Idaho Legislature, at the earliest possible date, of such proposed purchase for such purposes. Furthermore, any such proposed purchase of real estate for the College's use shall be a coordinated effort of the College and the Foundation. Any notification to the State Board required pursuant to this paragraph may be made through the State Board's chief executive officer in executive session pursuant to Idaho Code Section 67-2345(1)(c).

ARTICLE VIII
General Terms

1. Effective Date. This Agreement shall be effective on the date set forth above.

2. Right to Terminate. This Operating Agreement shall terminate upon the mutual written agreement of both parties. In addition, either party may, upon 90 days prior written notice to the other, terminate this Operating Agreement, and either party may terminate this Operating Agreement in the event the other party defaults in the performance of its obligations and fails to cure the default within 30 days after receiving written notice from the non-defaulting party specifying the nature of the default. Should the College choose to terminate this Operating Agreement by providing 90 days written notice or in the event of a default by the Foundation that is not cured within the time frame set forth above, the Foundation may require the College to pay, within 180 days of written notice, all debt incurred by the Foundation on the College's behalf including, but not limited to, lease payments, advanced funds, and funds borrowed for specific initiatives. Should the Foundation choose to terminate this Operating Agreement by providing 90 days written notice or in the event of a default by the College that is not cured within the time frame set forth above, the College may require the Foundation to pay any debt it holds on behalf of the Foundation in like manner. The parties agree that in the event this Operating Agreement shall terminate, they shall cooperate with one another in good faith to negotiate a new agreement within six (6) months. In the event the parties are unable to negotiate a new agreement within the time period specified herein, they will refer the matter to the State Board for resolution. Termination of this Operating Agreement shall not constitute or cause dissolution of the Foundation.

3. Board Approval of Operating Agreement. Prior to the Parties' execution of this Operating Agreement, an unexecuted copy of this Operating Agreement must be approved to the State Board. Furthermore, this Operating Agreement, including any subsequent modifications and restatements of this Operating Agreement, shall be submitted to the State Board for review and approval no less frequently than once every two (2) years or more frequently if otherwise requested by the State Board.

4. Modification. Any modification to the Agreement or Exhibits hereto shall be in writing and signed by both Parties.

5. Providing Document to and Obtaining Approval from the College. Unless otherwise indicated herein, any time documents are to be provided to the College or any time the College's approval of any action is required, such documents shall be provided to, or such approval shall be obtained from, the College's President or an individual to whom such authority has been properly delegated by the College's President.

6. Providing Documents to and Obtaining Approval from the Foundation. Unless otherwise indicated herein, any time documents are to be provided to the Foundation or any time the Foundation's approval of any action is required, such document shall be provided to, or such approval shall be obtained from, the Foundation's Board of Directors or an individual to whom such authority has been properly delegated by the Foundation's Board of Directors.

7. Notices. Any notices required under this agreement may be mailed or delivered as follows:

To The College:
Steven K. Albiston, President
Eastern Idaho Technical College
1600 S. 25th E. h
Idaho Falls, ID 83404

To The Foundation:
Natalie J. Hebard, Executive Director
Eastern Idaho Technical College Foundation, Inc.
1600 S. 25th E. h
Idaho Falls, ID 83404

8. No Joint Venture. At all times and for all purposes of this Memorandum of Understanding, the College and the Foundation shall act in an independent capacity and not as an agent or representative of the other party.

9. Liability. The College and Foundation are independent entities and neither shall be liable for any of the other's contracts, torts, or other acts or omissions, or those of the other's trustees, directors, officers, members or employees.

10. Indemnification. The College and the Foundation each agree to indemnify, defend and hold the other party, their officers, directors, agents and employees harmless from and against any and all losses, liabilities, and claims, including reasonable attorney's fees arising out of or resulting from the willful act, fault, omission, or negligence of the party, its employees, contractors, or agents in performing its obligations under this Operating Agreement. This indemnification shall include, but not be limited to, any and all claims arising from an employee of one party who is working for the benefit of the other party. Nothing in this Operating Agreement shall be construed to extend to the College's liability beyond the limits of the Idaho Tort Claims Act, Idaho Code §6-901 et seq.

11. Dispute Resolution. The parties agree that in the event of any dispute arising from this MOU, they shall first attempt to resolve the dispute by working together with the appropriate staff members of each of the parties. If the staff cannot resolve the dispute, the dispute will be referred to the Chair of the Foundation and the College President. If the Foundation and College President cannot resolve the dispute, then the dispute will be referred to the Foundation Chair and the State Board of Education for

resolution. If they are unable to resolve the dispute, the parties shall submit the dispute to mediation by an impartial third party or professional mediator mutually acceptable to the parties. If and only if all the above mandatory steps are follows in sequence and the dispute remains unsolved, then, in such case, either party shall have the right to initiate litigation arising from this MOU. In the event of litigation, the prevailing party shall be entitled, in addition to any other rights and remedies it may have, to reimbursement for its expenses, including court costs, attorney fees, and other professional expenses.

12. Dissolution of Foundation. Consistent with provisions appearing in the Foundation's Bylaws and/or Articles of Incorporation, should the Foundation cease to exist or cease to qualify as an Internal Revenue Code §501(c)(3) organization, the Foundation will transfer its assets and property to the College, to a reincorporated successor Foundation organized to benefit the College, or to the State of Idaho for public purposes, in accordance with Idaho law

13. Assignment. This Agreement is not assignable by either party, in whole or in part.

14. Governing Law. This Agreement shall be governed by the laws of the State of Idaho.

15. Severability. If any provision of this Agreement is held invalid or unenforceable to any extent, the remainder of this Agreement is not affected thereby and that provision shall be enforced to the greatest extent permitted by law.

16. Entire Agreement. This Agreement constitutes the entire agreement among the Parties pertaining to the subject matter hereof, and supersedes all prior agreements and understandings pertaining thereto.

IN WITNESS WHEREOF, the College and the Foundation have executed this agreement on the above specified date.

Eastern Idaho Technical College
By:____
Its: President

Eastern Idaho Technical College Foundation, Inc. By:

____

Its: Chairman

AGREEMENT FOR LOANED EMPLOYEE

EASTERN IDAHO TECHNICAL COLLEGE

EASTERN IDAHO TECHNICAL COLLEGE FOUNDATION, INC.

THIS AGREEMENT is entered into by and between EASTERN IDAHO TECHNICAL COLLEGE, a state educational institution, and a body politic and corporate organized and existing under the laws of the state of Idaho ("College"), and EASTERN IDAHO TECHNICAL COLLEGE FOUNDATION, INC., a private nonprofit corporation ("Foundation").

BACKGROUND

The Foundation, incorporated as a 50l(c) (3) organization in 1992, raises and manages private funds for the benefit of the College, and The College has agreed to loan its employee, Natalie Hebard ("Loaned Employee"), to the Foundation to act in the capacity of Executive Director for the Foundation.

AGREEMENT

The parties agree as follows:

1. **Relationship between Loaned Employee and the College.**

    a. Loaned Employee may be an exempt, fiscal year employee of the College subject to all applicable policies and procedures of the Board and the College, or a classified employee subject to the applicable State of Idaho, State Board and/or College rules and procedures.

    b. Loaned Employee will be paid at a fiscal year salary rate of $48,000 payable on the regular bi-weekly paydays of the College. Loaned Employee will be entitled to College benefits to the same extent and on the same terms as other full-time College employees of her/his classification.

    c. The College shall be responsible for the payment of all salary and benefits to Loaned Employee. The College shall be responsible for all payroll-related taxes, benefits costs, and other related payroll costs arising out of the Loaned Employee's employment with the College.

2. **Relationship between the Foundation and Loaned Employee.**

    a. Loaned Employee will work full time and shall be under the exclusive supervision, direction and control of the Foundation Board of Directors during the performance of her/his duties under this Agreement. Loaned Employee will report directly to the Foundation Chairman or her/his designee, who shall determine her/his duties. Loaned Employee will be considered a loaned employee under the workers' compensation law of the State of Idaho.

b. The Foundation is solely responsible for payment of income, social security, and other employment taxes, if any, due to the proper taxing authorities arising from its payment of reimbursements to Loaned Employee. The Foundation agrees to indemnify, defend, and hold the College harmless from any and all liabilities, losses, claims or judgments relating to the payment of these taxes.

c. No later than ninety (90) days prior to the end of the term of this Agreement, and each subsequent term, if any, The Foundation will evaluate the performance of Loaned Employee. In the case where the Loaned Employee is a classified employee, such evaluation shall occur in accordance with rules and procedures applicable to such employees. The Foundation will provide a copy of the evaluation document to the College no later than fourteen (14) days after the evaluation is completed.

d. The Foundation may terminate or non-renew Loaned Employee's employment contract, or discipline Loaned Employee in accordance with the Foundation's procedures and applicable law, any such termination or non-renewal shall constitute grounds for termination, non-renewal or discipline of Loaned Employee by the College. Provided however, particularly when the Loaned Employee is a classified employee, any contemplated termination shall be subject to applicable legal and procedural requirements of the State of Idaho and the College.

3. Relationship between the Foundation and the College.

a. The College will pay one hundred percent (100%) of the total cost of Loaned Employee's salary and benefits. The Foundation will reimburse the College for costs associated with Loaned Employee's travel approved by the Foundation. Such costs will be billed regularly and paid to the College.

b. The College shall maintain accurate books and account records reflecting the actual cost of all items of direct cost for which payment is sought under this Agreement. At all reasonable times, the Foundation shall have the right to inspect and copy said books and records, which the College agrees to retain for a minimum period of one year following the completion of this Agreement.

c. The furnishing of Loaned Employee shall not be considered a professional service of the College. At no time during the performance of this Agreement shall the Loaned Employee receive or act under instructions from the College regarding the work performed on behalf of the Foundation.

d. The College shall have no liability to the Foundation for loss or damage growing out of or resulting from the activities of the Loaned Employee. The Foundation therefore agrees to release, defend, indemnify and hold harmless the state of Idaho, the College, its governing board, officers, employees, and agents, and the Loaned Employee from and against any and all claims, demands, losses, damages, costs, expenses, and liabilities, including but not limited to injuries (including death) to persons and for damages to property (including damage to property of the Foundation or others) arising out of or in connection with the activities of the Loaned Employee under this Agreement. The limitation on liability and any agreement to defend, indemnify, or hold harmless expressed in the Agreement shall apply even in the event of the fault or negligence of the Loaned Employee.

4. **General Terms.**

   a. **Term, Termination**. This Agreement will terminate on the same day as Loaned Employee's contract as an exempt employee of the College terminates, or in the case of classified employees, after applicable rules and procedures have been followed, or upon Employee's resignation or other separation from employment, whichever is earlier. By mutual written consent, in conjunction with any renewal of the Loaned Employee's contract as an exempt employee of the College, the parties may extend the term of this Agreement for a term equal to the term of the exempt Loaned Employee's renewed contract with the College, or in the case of a classified employee, continued into the next ensuing fiscal year, such that the term of this Agreement shall always be equal to the term of Loaned Employee's status as an exempt or classified employee of the College. The Loaned Employee remains subject to all applicable Board and College policies, including but not limited to policies regarding nonrenewal of fixed term appointments and termination or discipline for adequate cause, and where applicable, rules and procedures pertaining to classified employees.

   b. **Governing Law.** This Agreement will be governed by the laws of the State of Idaho as an agreement to be performed within the State of Idaho. The venue for any legal action under this Agreement shall be in Bonneville County.

   c. **Notice**. Any notice under this Agreement shall be in writing and be delivered in person or by public or private courier service (including U.S. Postal Service Express Mail) or certified mail with return receipt requested or by facsimile. All notices shall be addressed to the parties at the following addresses or at such other addresses as the parties may from time to time direct in writing:

To Foundation:
Eastern Idaho Technical College Foundation, Inc.
Chairman
1600 S. 25th E.
Idaho Falls, ID 83404
Phone: (208) 524-3000
Fax: (208) 524-0429

To the College:
Eastern Idaho Technical College
President
1600 S. 25th E.
Idaho Falls, ID 83404
Phone: (208) 524-3000
Fax: (208) 524-0429

To the Loaned Employee:
Natalie Hebard
1600 S. 25th E.
Idaho Falls, ID 83404
Phone: (208) 524-0464
Fax: (208)524-0429

Notice shall be deemed given on its date of mailing, faxing, or upon written acknowledgment of its receipt by personal delivery, whichever shall be earlier.

d. Waiver. Waiver by either party of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition, or any subsequent breach of the same or any other term, covenant or condition herein contained.

e. Attorney's Fees. In the event an action is brought to enforce any of the terms, covenants or conditions of this Agreement, or in the event this Agreement is placed with an attorney for collection or enforcement, the successful party to such an action or collection shall be entitled to recover from the losing party a reasonable attorney's fee, together with such other costs as may be authorized by law.

EASTERN IDAHO TECHNICAL COLLEGE

Steven K. Albiston, President

Date: 10-21-13

EASTERN IDAHO TECHNICAL COLLEGE FOUNDATION

Chairman

Date: 11-12-2013

LOANED EMPLOYEE concurrence and commitment:

Natalie Hebard

Date: 10/16/13

SERVICES AGREEMENT

EASTERN IDAHO TECHNICAL COLLEGE AND EASTERN IDAHO TECHNICAL COLLEGE FOUNDATION, INC.

THIS SERVICES AGREEMENT is entered into by and between Eastern Idaho Technical College, a state educational institution, and a body politic and corporate organized and existing under the Constitution and laws of the state of Idaho (“College”) and Eastern Idaho Technical College Foundation, Inc., a private nonprofit corporation (“Foundation”).

A. The College agrees to provide to the Foundation the following administrative, financial, accounting and investment support services.

1. Administrative support for reconciliation between appropriate Foundation and College accounts such as scholarship and spendable accounts and appropriate revenue reports between the Foundation and the College, assist with the transfer of gift funds to the College, assist with monitoring gift fund use to ensure compliance with wishes of donors, Foundation policies and applicable laws.

2. Administrative support for Foundation gift acceptance committee including analysis for evaluation of proposed gifts of real estate and analysis of gifts with unusual restrictions and/or financial/legal consequences, assist with transfers of gifted marketable securities and approved real estate to the Foundation, assist with receipt of distributions from estates and trusts to the Foundation.

B. All College employees who provide support services to the Foundation shall remain College employees under the direction and control of the College.

C. The College will supply the facilities, equipment, software and operating supplies necessary for the College employees supplying the above support services to the Foundation, the nature and location of which shall be at the College’s discretion. In addition, the College shall furnish office space and office equipment for use by the “loaned employees,” the nature and location of which shall be subject to the agreement of the parties.

D. The Foundation will reimburse directly to the College amounts for the operating supplies provided to the Foundation pursuant to the Services Agreement.

This Services Agreement shall be effective as of the date of the last signature thereto and shall continue in annual terms matched to the College’s fiscal year until terminated by either party. This Services Agreement may be terminated by either party upon written notice of termination, such termination to be effective 30 days after notice thereof. This Services Agreement shall also terminate at the same time as any termination of the Operating Agreement between the College and the Foundation dated __________. In the event of termination, all obligations of the parties hereto shall cease as of the date of termination except for obligation for payment or reimbursement which accrued prior to the date of termination.

EASTERN IDAHO TECHNICAL COLLEGE

____

Dr. Steven K. Albiston, President

Date: ____

EASTERN IDAHO TECHNICAL COLLEGE FOUNDATION

____

Chairperson

Date: ____

Exhibit C

EASTERN IDAHO TECHNICAL FOUNDATION

BOARD OF DIRECTOR'S

INVESTMENT POLICY

The following Investment Guidelines have been established by the Eastern Idaho Technical College Foundation, Inc., to provide guidance for the investment and reinvestment of the principal and income from its investment portfolio.

The purpose of these investment guidelines is to assure that funds be invested in high-quality securities in a manner that provides capital preservation, minimum levels of risk with a reasonable return and necessary liquidity.

Investment Objectives

The long-term objective is a preservation of capital with a maximum total return from income and appreciation. The goal is to achieve a total portfolio return net of investment fees of 5% to 7%. Secondly, the total return performance of the fixed income portfolio will attempt to achieve a total return that exceeds an index of like securities. Thirdly, the equity portfolio will attempt to achieve a total return equal to or greater than the total return of the S&P500 for stocks, and the EAFE[i] and MSCI EM for international investment.

Authorities and Responsibilities of the Investment Manager(s)

Subject to the terms and conditions of this statement, the investment manager(s) shall have the full discretionary power to direct the investment and reinvestment of assets under its management. The EITC Foundation Finance and Investment Committee expects that the investment manager(s) will recommend changes to this statement at any time when the investment manager(s) views any part of this statement to be at variance with overall market and economic conditions. A copy of this investment policy statement shall be provided to any investment manager. For purposes of this paragraph, investment manager does not include a manager of mutual funds.

Portfolio Guidelines

1. Investments shall be limited to the following:

   a. Obligations of the United State Treasury, including United States Treasury bills, United States Treasury notes, and United States Treasury bonds.

   b. Obligations issued by or fully guaranteed to principal and interest by the following agencies or instrumentalities of the United States in which a market is made by a primary reporting government securities dealer: Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Student Loan Marketing Association, Government National Mortgage Association, or the World Bank.

   c. Repurchase agreements with the primary-reporting dealers, acting as principal for securities of the United States Treasury, and only if safekeeping receipt of a

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[i] *The **EAFE Stock Index** tracks the Europe, Australasia, and Far East (EAFE) stock index. The EAFE Index is primarily composed of around 20,000 securities from over 20 countries.*

correspondent banking institution supports the securities. The value of the security shall always equal or exceed the repurchase price. Master Repurchase Agreement facilities, which are supported by a third party custodian. Collateral relationships are approved.

d. Zero coupon "stripped securities" when the securities otherwise meet the requirements of these investment guidelines.

e. Negotiable or non-negotiable certificates of deposit in amounts not to exceed $100,000 principal plus interest unless the certificates of deposits are fully collateralized with obligations of the United States Treasury.

f. Banker's acceptances that are eligible for discount at a Federal Reserve Bank.

g. Money Market Funds, but only if the underlying securities and obligations conform to the restrictions of the investment guidelines.

h. Direct investment in commercial paper, which is rated at least P-1 by Moody's Investor Services or A-1 by Standard and Poors, Inc.

i. Corporate debt obligations which are rated a least A by either Moody's Investor Services or Standard and Poors, Inc., at the time of purchase. Downgrades will be discussed with the EITC Foundation Finance and Investment Committee.

j. The investment manager(s) may invest in mutual funds or pooled savings accounts for which the investment manager(s) or its affiliate acts as investment advisor, manager, or sponsor, as designated by the Principal, if the underlying securities and obligations conform to the restrictions of these investment guidelines.

k. Equity securities, which are listed on the New York Stock Exchange, the American Stock Exchange, or the NASDAQ. Equity securities may be purchased through pooled funds or as individual issues.

l. Foreign securities – limited to 30% maximum of total account value.

m. Emerging market securities – limited to 7% maximum of total account value and subject to Foreign security limit l. above.

n. Publicly traded REIT's – limited to 5% maximum of total account value.

To assure capital preservation, the following diversification guidelines shall apply to the total holdings under the investment management accounts.

Asset Class	Preferred
Equities	**45 - 70%**
Fixed Income	**25 - 50%**
Cash & Equivalents	**0 - 20%**

***Individual bonds may be utilized for up to 50% of the Fixed Income Allocation. Individual bonds will be limited to U.S. Treasury and Agency Bonds, and U.S. Corporate Debt Obligations.**

The asset allocation will be reviewed every six months to take into consideration market conditions.

2. Other Restrictions. The investment manager(s) shall not utilize managed assets to:

   a. Make loans, unless otherwise provided in these investment guidelines.

   b. Borrow money or pledge or mortgage managed assets.

   c. Purchase securities on margins or make short sales.

   d. Purchase restricted securities.

   e. Write, purchase or sell puts, calls, warrants, or options.

   f. Hedges or derivatives.

Meetings of the Finance and Investment Committee

The Finance and Investment Committee shall review the portfolio's investment results at least semi-annually, and shall report its conclusions, either orally or in writing, to the EITC Foundation (EITCF) Board of Directors promptly. Written reports from all brokerage firms and investment managers shall be provided to the EITCF at least quarterly.

Performance Evaluation
The Finance and Investment Committee will monitor the portfolio's performance as described above, and will evaluate the overall success of the investment objectives outlined in this document over a three year moving average of the fund value based on the valuations of the account on June 30 of each of the previous three years. The annual grant allocation shall be at a rate of at least 5%. Allocations of additional amounts will be made on the basis of fund performance on the recommendation of the Finance Committee. The portfolio asset allocation between equity, fixed income and cash should also be reported on at least a semi-annual basis.

Delegation of Authority,
The EITC Foundation Board of Directors is a fiduciary, and the Finance and Investment Committee is responsible for directing and monitoring the investment management of EITCF assets. As such, the Finance and Investment Committee shall recommend that the Board delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. Investment Management Consultant. The consultant may assist the Finance and Investment Committee in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.

2. Investment Manager. In the absence of direction from the Finance and Investment Committee the investment manager(s) has discretion to purchase, sell, or hold the specific securities that will be used to meet EITCF investment objectives.

3. Custodian. The custodian will physically (or through agreement with a sub- custodian) maintain possession of securities owned by EITCF, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out EITCF accounts.

4. Co-Trustee. The Finance and Investment Committee may ask the EITCF Board of Directors to appoint an outside individual or entity, such as a bank trust department to be co-trustee. The co-trustee will assume fiduciary responsibility for the administration of EITCF assets.

5. Additional specialists such as attorneys, auditors, actuaries, retirement plan consultants and others may be employed by EITCF Board of Directors to assist in meeting its responsibilities and obligations to administer EITCF assets in a prudent manner.

The Finance and Investment Committee will not reserve any control over investment decisions, with the exception of specific limitations described in these statements. Investment managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper investment managers, each manager should request modifications which they deem appropriate.

If such experts employed are also deemed to be fiduciaries, they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by EITCF as deemed appropriate and necessary.

Responsibility of the Investment Consultant(s)

The Investment Consultant's role, if one is assigned, is that of a non-discretionary advisor to the Finance and Investment Committee of EITCF. Investment advice concerning the investment management of EITCF assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the investment Consultant include:

1. Assisting in the development and periodic review of investment policy.

2. Conducting investment manager searches when requested by the Finance and Investment Committee.

3. Providing “due diligence”, or research, on the Investment Manager(s).

4. Monitoring the performance of the Investment Manager(s) to provide the Finance and Investment Committee with the ability to determine progress toward the investment objectives.

5. Communicating matters of policy, manager research, and manager performance to the Finance and Investment Committee.

6. Reviewing EITCF investment history, historical capital markets performance and the contents of this investment policy statement to any newly appointed members of the Finance and Investment Committee.

Liquidity

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Finance and Investment Committee will periodically provide investment manager(s) with an estimate of expected net cash flow. The Finance and Investment Committee will notify the investment manager(s) in a timely manner, to allow sufficient time to build up necessary liquid reserves.

To maintain the ability to deal with unplanned cash requirements that might arise, the Finance and Investment Committee requires that a minimum of 0-10% of EITCF assets shall be maintained in cash or cash equivalents, including money market funds or short-term U.S. Treasury bills.

Diversification for Investment Managers

The Finance and Investment Committee does not believe it is necessary or desirable that securities held by EITCF represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency should not exceed 10% of the total fund, and no more than 30% of the total fund should be invested in any one industry. Individual treasury securities may represent 40% of the total fund, while the total allocation to treasury bonds and notes may represent up to 100% of EITCF aggregate bond position.

Submitted, Chair, EITC Foundation
Finance and Investment Committee

Approved, Chair EITC Foundation

ARTICLE II

CODE OF ETHICS

PROPOSED AMENDMENT

February 2013

General Provisions

D. VIOLATIONS OF CODE OF ETHICS POLICY

a. Any suspected violations of the Code of Ethics Policy need to be handled by the procedure outlined in Article 9, Section B of the Bylaws.

ARTICLE III, Section 4

CONFLICT OF INTEREST

PROPOSED AMENDMENT

February 2013

4. VIOLATION OF CONFLICT OF INTEREST POLICY

a. Any suspected violations of the Conflict of Interest Policy need to be handled by the procedure outlined in Article 9, Section B of the Bylaws.

Exhibit F

Eastern Idaho Technical College Foundation
BOARD OF DIRECTOR'S
CODE OF ETHICS AND CONDUCT

Article I

PURPOSE

The Board of Directors of the Eastern Idaho Technical College Foundation, herein known as the "Organization," a supervisory board to raise and manage private resources supporting the mission and priorities of the Eastern Idaho Technical College, herein known as "College," hereby revises its Code of Ethical Conduct, herein known as "Code," to provide guidance to its members regarding ethical and behavioral considerations and/or actions as they address their duties and obligations during their appointment.

Compliance with the provisions of this Code will allow the Board to enhance relationships and foster teamwork among Board members and also with College staff and Faculty; and to build respect, confidence, and credibility with the donors of the organization.

Article II.
CODE OF ETHICS

Each Board member shall adhere to the following Code of Ethics:

A. Board members shall act with integrity and in an ethical and professional manner in their interactions with each other, the Executive Director ("Director"), the College President, College employees, donors and the public.

B. Board members shall maintain high ethical and moral character, both professionally and personally, so that their behavior will reflect positively upon the Organization and the College.

C. Board members shall act with competence and shall strive to maintain and enhance their competence and that of their fellow Board members.

D. Board members shall use proper care and exercise independent professional judgment in the performance of their duties.

E. Board members shall maintain confidentiality about all matters that are considered to be non-public information.

F. Board members are required to be familiar and comply with the Organization's Conflict of Interest Policy. In addition to such compliance, and beyond the definition of "conflict of interest" contained in the Conflict of Interest Policy, Board members will meet the following criteria in order to avoid even the appearance of impropriety:

1. Board members will have no private contracts or business dealings with the Organization or College, without proper disclosure.

2. Board members will recuse themselves and will not participate in the consideration of any matter or attempt to affect the outcome of any issue before the Board when to do so might result in even the appearance of a conflict of interest as defined by the Conflict of Interest Policy.

3. Board members will not abuse their authority by using their offices to obtain favorable treatment by the College or Organization for any person.

4. Board members shall receive no payments for duties performed in their positions as Board Directors from the Organization or College or from any funds or transactions of the Organization except for appropriate compensation for reimbursement of expenses related to Board duties.

H. Board members shall exercise due diligence to avoid breaches of duty via negligence, intentional action or omission, and unauthorized communications with individuals trying to influence by improper means or seeking to receive personal gains through Board decisions.

I. Board members recognize that all Board decisions and actions are to be based on integrity, competence, and independent judgment.

Article III.
STANDARDS OF CONDUCT

Board member shall comply with the following standards of conduct:

A. Board members shall not engage in conduct that would compromise, discredit, or diminish the integrity of the Board and/or College.

B. The Board will respect the authority of the Director and will provide instruction and direction only to the Director.

1. Board members will be sensitive to the considerable workload of the Foundation staff when making requests for assistance and all requests for assistance will be made through the Director.

2. The Board will respect the Director's authority in all personnel matters.

C. Individual Board members are not to become involved in operational management of the College.

D. Board members will operate with the understanding that they represent the citizenry of nine county area that the College serves.

E. Board members will strive to establish sound working relationships with each other by taking time to know and appreciate each other as individuals.

1. Board members will be respectful of each other and will not utilize Board meetings to upstage or embarrass colleagues.

2. Board members will respectfully consider the opinions of others during deliberations, strive for integration of viewpoints or consensus building in decision-making, and will respect the corporate judgment of the Board in regards to its decisions.

F. Board members will refrain from using Board meetings to advance their personal agenda.

G. Board members will strive to cultivate and maintain good relations with the public, press, and constituent groups; however, they will recognize their limitations to speak for the Board and refer to the Director.

H. Individual Board members shall refer all proposals or other communications regarding potential or existing programs, contracts, or services to the Director.

I. Board members shall not communicate with persons under consideration for selection by the Board and/or the Director for contracts, acquisitions, etc. while the procurement process is in progress.

J. A Board member shall not participate in a breach of this Code of Ethical Conduct by another member, contribute to the concealment of such breach, or knowingly or negligently allow such breach to occur.

Article IV
GIFTS

A. A Board member shall not solicit or receive a gift or favor from any person, company, or organization, or from any intermediary interest, that may compromise or appear to compromise the independent judgment of the member regarding his or her obligations to the Board.

B. Any gift received by a Board member that is prohibited by this policy shall immediately be returned to its source. If a gift is immediately returned to the sender or donated to a suitable charitable organization, it will not be necessary to report the gift.

Article V
GENERAL PROVISIONS

A. The provisions of this policy do not excuse any Board member from other restrictions of state or federal law regarding conflicts of interest.

B. Any breach of this Code of Ethical Conduct shall be reported to the Finance Committee and Executive Committee. The Committees will investigate, as appropriate, and report its findings and recommendations to the Board.

C. All Board members will sign an affirmation pledging to honor and follow, according to both the letter and the spirit, this Code of Ethics and Conduct.

D. VIOLATIONS OF CODE OF ETHICS POLICY: Any suspected violations of the Code of Ethics Policy need to be handled by the procedure outlined in Article 9, Section B of the Bylaws.

Exhibit G

CODE OF CONDUCT POLICY

EASTERN IDAHO TECHNICAL COLLEGE FOUNDATION, INC.

BYLAWS
EASTERN IDAHO TECHNICAL COLLEGE FOUNDATION, INC.
Amended and Restated, November 8, 2011

ARTICLE ONE
NAME

The name of the corporation is EASTERN IDAHO TECHNICAL COLLEGE FOUNDATION, INC.

ARTICLE TWO
PRINCIPAL OFFICES

The principal offices of the Foundation shall be maintained at Eastern Idaho Technical College, 1600 South 25th East, Idaho Falls, Idaho 83404-5788.

ARTICLE THREE
PURPOSES

A. To engage in nonprofit activities for the benefit of Eastern Idaho Technical College, including but not limited to, soliciting, receiving, and disbursing gifts, bequests, and devises to promote excellence in education and related activities, to provide scholarships, grants-in-aid, loans, and other financial assistance to students enrolled at Eastern Idaho Technical college and transacting any other business or performing any other activities authorized by Idaho law consistent with section 501(c)(3) of the Internal Revenue Code.

B. To administer any gifts, devises, or like in accordance with the directions of donors, testators, or other benefactors.

C. To receive, acquire, hold purchase, dispose of, convey, mortgage, lease, and improve real and personal property; to sell, lease, assign, transfer, mortgage, and convey any rights, privileges, franchise, real or personal property of the Foundation, other than its franchise of being a corporation; and to purchase, guaranty, take, receive, subscribe for or otherwise acquire or otherwise dispose of and otherwise use and deal in and with, shares or other interests in or obligations of other domestic or foreign corporations, associations, partnerships, or individuals; or direct or indirect obligations of the United States or any government, state, territory, government district or municipality, or any instrumentality thereof.

D. The Foundation shall at all times comply with the intermediate sanction rules and regulations of the Internal Revenue Code in regard to transactions between the Foundation and disqualified persons, as set forth in detail at Article 8.

E. To serve as agent for Eastern Idaho Technical College in the management and investment of property acquired for Eastern Idaho Technical College, as the governing board of the college shall determine to transfer to the Foundation for such management and investment. Nothing in this paragraph is intended to interfere with or usurp the power of the State Board of Education relating to real property of Eastern Idaho Technical College.

F. To determine, by a vote of at least two-thirds of the directors of the Foundation:
1. that the purposes of any grant, gift, donation, or devise have become unnecessary, undesirable, impractical, impossible of fulfillment or
2. that any beneficiary to which the income or principal of any gift is to be paid has become non-existent or has ceased its activities, or
3. that, for any reason, the applications provided by any donor have become impossible, impractical, unnecessary, or undesirable.
Upon such determinations, the Foundation may apply the gift or devise to the general purposes of the Foundation.

G. To receive grants from the United States government or any other public or private corporation or entity, and to disburse such grants for the support of scientific, educational, and research activities.

H. To make applications for and obtain patents, patent rights, trademarks and copyrights, for any inventions or publications and to hold them, provided, however that all income from assets of this kind shall be devoted to the scientific, charitable, and educational purposes of the Foundation and none of such income shall accrue to any officer, director, or employee of the Foundation except for payment for services or compensation as an inventor or author of a project.

I. To have and exercise all powers now or hereafter conferred on nonprofit corporations by the laws of the state of Idaho, subject to the provisions of the articles of incorporation and these bylaws duly and regularly adopted, and to the powers reserved to the governing board of the Eastern Idaho Technical College.

J. Notwithstanding any other provisions of the articles of incorporation, the Foundation shall not carry on, other than as an insubstantial part of its activities, any activities not permitted to be carried on;
1. by corporations exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future law) or
2. by a corporation, contributions to which are deductible under section 170(c)(2) of the Internal Revenue Code of 1986 (or the corresponding provision of any future law).

K. To defend any action filed against the Foundation, or any director carrying out duly authorized and sanctioned activities solely for the benefit of the Foundation, and to initiate and carry on any legal actions necessary for the benefit of the Foundation.

ARTICLE FOUR
RESTRICTIONS ON EARNINGS

No part of the net earnings of the Foundation shall inure to the benefit of or be distributable to its directors, trustees, officers, or other private persons, except that the Foundation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in the articles of incorporation. The Foundation shall not substantially engage in disseminating propaganda or otherwise in attempting to influence legislation, nor shall it participate or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office. Notwithstanding the other provisions of the articles of incorporation or these bylaws, the Foundation shall not engage in any activities forbidden to be carried on:

A. by corporations exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future law) or

B. by a corporation, contributions to which are deductible under section 170(c)(2) of the Internal Revenue Code of 1986 (or the corresponding provision of any future law).

On the dissolution of the Foundation, the board of directors shall, after paying or making provision for the payment of all of the liabilities of the Foundation, dispose of all the assets of the Foundation exclusively for the purposes set forth in these articles or by distributing the assets to Eastern Idaho Technical College or its successor institution, and if there is none to any organization or organizations organized as an exempt organization or organizations under section 501(c)(3) of the Internal Revenue Code of the United States (or corresponding provisions of any future United States internal revenue law), as the board of directors shall determine. Any such assets not so disposed of shall be disposed of by the district court of the county in which the principal office of the

Foundation is then located, exclusively for such purposes or to such organization or organizations, as the court shall determine, which are organized and operated exclusively for such purposes.

The Foundation will distribute its income for each tax year at such time and in such manner as not to become subject to the tax on undistributed income imposed by section 4942 of the Internal Revenue Code, or corresponding section of any future Federal tax code. The Foundation will not engage in any act of self-dealing as defined in section 494(d) of the Internal Revenue Code, or corresponding section of any future Federal tax code. The Foundation will not retain any excess business holdings as defined in Section 4943(c) of the Internal Revenue Code, or corresponding section of any future Federal tax code. The Foundation will not make any investments in such manner as to subject it to tax under section 4944 of the Internal Revenue Code, or corresponding section of any future Federal tax code. The Foundation will not make any taxable expenditure as defined in section 4945(d) of the Internal Revenue Code, or corresponding section of any future Federal tax code.

ARTICLE FIVE
MEMBERS/DIRECTORS

The members of the Foundation are its Board of Directors. The Foundation shall be governed by a Board of Directors consisting of not fewer than five persons. The Board of Directors may determine the upper limit on the number of directors and may adjust the limit provided, however, no director may be removed from office by reduction in board size without the directors express consent. At least one more than a majority of the Board of Directors shall reside within Bonneville County.

The following persons shall be ex-officio Directors;
A. The President of Eastern Idaho Technical College.

B. A member of the Advisory Council of Eastern Idaho Technical College selected by that Advisory Council.

C. The Executive Director of the Eastern Idaho Technical College Foundation

ARTICLE SIX
VOTING

Each Director shall have one vote at all meetings of the Board of Directors of the Foundation. Ex-officio Directors may provide consultation and advice to the board and may otherwise participate in all discussions at such meetings. Ex-officio members shall not have a vote.

ARTICLE SEVEN
ELECTION OF DIRECTORS

The Board of Directors may, from time to time, set the maximum number of Directors the Foundation shall have. No reduction in the size of the Board of Directors will operate to involuntarily reduce the term of office of any Director. The Board of Directors will select Directors to fill the board, to replace Directors whose terms have expired and to fill the terms of office of Directors who resign or are unable to complete the term of office the Director was elected to serve. Directors (of any category) may be elected at any regular or special meeting in a manner prescribed by these bylaws and resolution of the Board of Directors.

ARTICLE EIGHT
CONFLICTS OF INTEREST

A. The Foundation shall at all times comply with the intermediate sanction rules and regulations of the Internal Revenue Code in regard to transactions between the Foundation and disqualified persons. All such transactions shall be for fair consideration, shall be fully disclosed to the Foundation's board of directors. Such transaction shall only be authorized if approved by the Board of Directors, acting with complete and relevant comparable information with regard to the subject matter, and shall be considered and approved without the participation or control over the disqualified person. Complete and accurate minutes shall be kept for all meetings in which such matter is considered.

B. The following principles also apply:
1. A conflict of interest transaction is a transaction with the Foundation in which a director of the Foundation has a direct or indirect interest. A conflict of interest transaction is not voidable or the basis for imposing liability on the director if the transaction was fair at the time it was entered into or is approved as provided in subparagraph 2 of this paragraph.

2. A transaction in which a director of the Foundation has a conflict of interest may be approved if the material facts of the transaction and the director's interest are disclosed or known to the board of directors or a committee of the board and the board or committee of the board authorized, approved or ratified the transaction.

3. For purposes of this section, a director of the Foundation has an indirect interest in a transaction if: (a) Another entity in which the director has a material interest or in which the director is a general partner is a party to the transaction; or (b) Another entity of which the director is a director, officer or trustee is a party to the transaction.

4. For purposes of subparagraph 2 of this paragraph, a conflict of interest transaction is authorized, approved or ratified, if it receives the affirmative vote of a majority of the directors on the board or on the committee, who have no direct or indirect interest in the transaction. The presence of, or a vote cast by, a director with a direct or indirect interest in the transaction does not affect the validity of any action taken under subparagraph 2 of this paragraph if the transaction is otherwise approved as provided in subparagraph 2 of this paragraph.

ARTICLE NINE
TERMS OF OFFICE

A. Active directors shall serve terms of three (3) years. One third of the initial board shall initially be elected for two (2), three (3), or four (4) year terms so as to stagger the expiration of offices. No director may serve more than two full three year terms in succession. After being off the board for a minimum of one (1) year a director may again be eligible for service with the same restrictions. Notwithstanding the foregoing, by a vote of three-fourths of the full Board of Directors, the term of a director may be extended for a specific period of time as determined by the nominating committee. Terms begin in January. If a member is appointed after the January meeting of the previous year, but before the January meeting of the following year, then that time does not count against the three (3) or six (6) year term (two full three year terms in succession). If a Board member is filling the position of another Board member, they should start their own term, not fulfill the term of their predecessor.

B. A Director may be removed for cause, after notice and hearing before the Board of Directors, on the vote of three-fourths of the board present at a regular or special board meeting.

C. Failure to attend at least three consecutive board meetings will constitute the members resignation from the board, unless the Director has been excused by the Chairperson of the Board or his/her designee.

ARTICLE TEN
MEETINGS

A. The annual meeting of the Board of Directors shall be held in November of each year, the day, hour, and place to be determined by the Chairperson of the Board of Directors of the Foundation. Officers and members of any committee established by these bylaws, or by resolution of the Board of Directors, shall be elected at the annual meeting and such other business as may be brought before the meeting may be transacted. Officers and committee members shall be elected for one year terms and shall assume the office or function at the conclusion of the annual meeting of their election.

B. Special meetings of the Board of Directors may be held at any time and place designated by the Chairperson of the Board of Directors of the Foundation.

C. One-half of the Board of Directors shall constitute a quorum at any meeting of the Board of Directors, and all questions shall be determined by a majority vote of the quorum unless provided otherwise in the articles of incorporation, these bylaws, or by resolution of the Board of Directors.

D. Notice of each meeting, annual or special, shall be mailed by the secretary, or his/her designee, to each of the Directors or not less than ten (10) days preceding any such meeting. In the event the notice is of a special meeting, such notice shall indicate briefly the objectives of the meeting. The Directors may waive notice, in writing, of any such meeting, and if unanimous, such action shall be as effective and have the same force and effect as though all Directors have received notice in accordance with these bylaws. The Directors may set the time and place of meetings of the Board of Directors by resolution, in which case no notice of any such meeting shall be required.

ARTICLE ELEVEN
OFFICERS

A. The Board of Directors shall elect from its number, a Chairperson of the Board, Vice-Chairperson, Secretary, and Treasurer. The board may elect such assistant officers or other officers it decides necessary to carry out the business of the Foundation. The office of Secretary and Treasurer may be combined and held by one person.

B. The terms of office shall run for one (1) year. Any officer may be elected to consecutive terms in office.

C. The Chairperson of the Board shall be the presiding officer, but in the Chairperson of the Boards absence, the Vice-Chairperson of the Foundation shall act as Chairperson. In the absence of both of the last mentioned officers from any such meeting, the board may appoint any member to act as Chairperson. The Executive Director of the Foundation or designee shall act as secretary of all meetings of the Board of Directors. In the event of the absence of the Executive Director at any such meeting, the presiding officer may appoint any person to act as secretary of the meeting. The Treasurer shall act as the custodian of financial records and the financial officer of the Foundation. The officers shall perform the traditional tasks assigned to those offices and such other duties as may be assigned by the Chairperson of the Board of Directors.

ARTICLE TWELVE
EXECUTIVE COMMITTEE

A. The Executive Committee of the Board of Directors shall consist of the following:
1. All current officers of the Foundation, and
2. Two other Directors elected by the Board of Directors at the annual meeting.

B. The following who shall be ex-officio members of the Executive Committee with seat and voice on the committee but no vote:

1. The President of Eastern Idaho Technical College,
2. The Executive Director of the Foundation, and
3. The board member representing the Advisory Council of Eastern Idaho Technical College Advisory Council.

C. The presence of at least one-half of the voting members of the committee shall constitute a quorum. The affirmative vote of a majority of the voting directors of the committee shall be necessary for the adoption of any resolution.

D. The Executive Committee shall meet at the call of the Chairperson of the Board of the Foundation and minutes shall be reported to the next meeting of the Board of Directors for approval.

E. The presence of at least one-half of the members shall constitute a quorum of the committee. The affirmative vote of a majority of the quorum shall be necessary for the adoption of any resolution.

F. The executive committee shall have no authority to alter, amend, or repeal the articles of incorporation or bylaws, or to elect directors.

ARTICLE THIRTEEN
THE FINANCE COMMITTEE

A. The Finance Committee of the Board of Directors shall consist of the following:
1. Chairperson of the Finance Committee, who shall be appointed by the Chairperson of the Board,
2. Current Chairperson of the Board of the Foundation,
3. Immediate Past Chairperson of the Board of Directors of the Foundation,
4. The Secretary-Treasurer of the Foundation,
5. Two (2) Members-at-Large appointed by the Board of Directors of the Foundation,
6. The Executive Director of the Foundation (ex-officio non-voting), and
7. Portfolio Manager (ex-officio non-voting).

B. The Finance Committee shall serve as Investment Advisors. The finance committee will develop an investment policy for a full Board approval, a plan and strategy to meet the objectives and criteria of that policy. The advisors will review and analyze portfolio assets, monitor performance, construct and maintain appropriate asset allocations and report performance to the Board of Directors of the Foundation.

C. The Finance Committee shall solicit and evaluate written proposals for financial services, and subsequently make a recommendation to the Board of Directors for the hiring of financial portfolio manager(s). The Finance Committee shall conduct oversight of the financial portfolio management and keep the Foundation Board of Directors informed.

D. The Finance Committee shall be convened at least quarterly and at the call of the Chairman of the Finance Committee. Minutes shall be kept by the Executive Director, or other designee, and filed in the Foundation minute book. The Finance

Committee shall report such investment activity to the Board of Directors at the next regularly scheduled meeting.

E. The presence of a majority of the voting members shall constitute a quorum of the committee. The affirmative vote of at least three-fourths of the members present shall be necessary for the adoption of any resolution.

ARTICLE FOURTEEN
THE FUND RAISING COMMITTEE

The Foundation Board of Directors shall serve as a committee of the whole for fund raising.

ARTICLE FIFTEEN
MARKETING AND PUBLIC RELATIONS COMMITTEE

This committee shall be responsible for, and its duties will encompass, all aspects of community/college dialogue. The purpose of this committee is to broaden and nurture the visibility and integrity of the college with the various communities in the area. The committee shall encourage the college administration to strive to stay in tune with the needs of the people of the college area. The size of the committee shall be determined by, and the members of the community appointed by, the Chairperson of the Board of Directors.

ARTICLE SIXTEEN
OTHER STANDING COMMITTEES

The Foundation should regularly form and staff scholarship and grants, nominating, public relations, donor relations, gifts, and bequests committees. The Foundation may appoint other committees when needed. The duties and functions of such committees shall be determined by the Board of Directors. The Board of Directors shall determine, by resolution, the size of each committee and manner of selection of the members.

ARTICLE SEVENTEEN
NOMINATING COMMITTEE

The nominating committee shall be responsible for, and its duties shall encompass, the nomination of officers for the Eastern Idaho Technical College Foundation Board of Directors and the nomination of individuals for directors of the Foundation Board on an annual basis. In addition, the nominating committee shall nominate individuals to fill director vacancies in a timely manner as the need arises. The committee shall analyze the expertise needed by the Foundation Board and make every effort to find qualified individuals to meet board needs. The committee shall consist of five members including the Chairman of the Board and the Executive Director of the Foundation. The Chairman of the Board shall appoint the additional members. The Executive Director does not have a vote on any matters presented to the nominating committee.

ARTICLE EIGHTEEN
AMENDMENT

These bylaws may be amended by a vote of two-thirds of the directors present at an annual meeting or at a special meeting of the Board of Directors if the amendment of the bylaws is the subject of the notice of the meeting.

ARTICLE NINETEEN
FISCAL YEAR

The Foundation's fiscal year shall end June 30.

Adopted by the Board of Directors on November 8, 2011.

ARTICLE NINE

TERMS OF OFFICE

PROPOSED AMENDMENT

February 2013

B. A Board Director may be removed from his or her position by vote of at least two-thirds of Board Directors for any reason including, but not limited to, the following:

- material conflicts of interest (see Conflict of Interest policy)
- unlawful activity
- failure to perform his or her duties, or,
- for repeated failure to engage in the work of the Foundation
- conduct that the Board determines is detrimental to the work, mission or objectives of the Foundation or the College.

The Board of Directors shall determine in its discretion whether the conditions for removal have been met. Removal in accordance with this Section will not be subject to appeal. Any vacancy on the Board shall be filled by the Nominating Committee created by the removal of a Board Director. Upon removal the attached resolution shall be completed and filed with the Foundation.

Procedure for Removal

If a Board Director believes that there is cause for a fellow Director's removal, he or she will immediately contact the Board Chairperson and detail any evidence of cause. The Board Chairperson will then convene a special meeting with the Executive Committee. One hundred percent of the voting members of the Executive Committee must be present for the meeting. The Executive Committee will review the evidence presented and will place a vote in regards to the adequacy of the cause presented. If the committee votes unanimously in favor of continuing the process of removal, the Board will continue with the removal process outlined in step 1 below. If the Board vote is not unanimous, then the Board will follow the process in Section C below.

If the committee votes unanimously in favor of removal, the director in question shall first be called to a meeting between the Chairperson of the Board and Vice Chairperson of the Board to discuss the suspected violations of bylaw policy. At this time, the member may choose one of the following courses of action:

1. Submit a written resignation to the Chairperson of the Board within five (5) days of the meeting. The member will be removed without prejudice.

2. Request a hearing at a special convening or the following regular monthly board meeting, whichever occurs first. During this meeting, the Chairperson of the Board will present the cause for proposed removal and will allow adequate time (up to 30 minutes) for the member to respond to the allegations. Upon hearing all evidence, voting members may remove the member by two-thirds majority vote.

C. If the Executive Committee meets and the Board vote is not unanimous in requesting a removal, the committee will request a special convening with the entire Foundation Board of Directors to discuss all knowledge and evidence related to the cause of the potential dismissal. If at least two-thirds of Board Directors vote acknowledging potential cause for dismissal, the Board will continue with Step 2 listed below and convene a special hearing allowing the Board Director in question time to respond.

D. Failure to attend at least **two** consecutive board meetings will constitute the member's resignation from the board, unless the Director has been excused by the Chairperson of the Board or his/her designee.

EITC Foundation BOARD OF DIRECTORS' RESOLUTION
REMOVING A DIRECTOR

Pursuant to a duly made and seconded motion, a two-thirds majority of the Board of Directors of Eastern Idaho Technical College Foundation, Inc. (hereinafter referred to as Corporation) voted to adopt the following resolution:

RESOLVED, the immediate removal of ______________________ (hereinafter referred to as Individual) from his/her office as Board Director of said Corporation is hereby authorized. And it is

FURTHER RESOLVED that the Secretary of this Corporation is hereby directed to give notice to said Individual of his/her removal from his/her office as stated in Article 9, Section C and to provide such notice of removal through sealed copies of this resolution sent to the above party by e-mail and to his/her home by mail.

The undersigned, __________________________, certifies that he or she is the duly appointed Secretary of Eastern Idaho Technical Foundation, Inc. and that the above is a true and correct copy of a resolution duly adopted at a meeting of the directors thereof, convened and held in accordance with law and the Bylaws of said Corporation on ___________________, and that such resolution is now in full force and effect.

IN WITNESS THEREOF, I have affixed my name as Secretary of _________________ Corporation.

Dated: ______________________ Secretary:___________________________

ARTICLE SEVENTEEN

NOMINATING COMMITTEE

PROPOSED AMENDMENT

February 2013

Directors' qualifications — The Board of Directors believes that individuals who are nominated to be a director should have demonstrated notable or significant achievements in business, education or public service. Directors should possess a range of skills, diverse perspectives and backgrounds and should have the highest ethical standards, a strong sense of professionalism and intense dedication to serving the interests of the Foundation.

The following attributes or qualifications will be considered by the Nominating Committee in evaluating a person's candidacy for membership of the Board:

- **Management and leadership experience** — Relevant experience should include, at a minimum, a past or current leadership role in a major public company or recognized privately held entity. Consideration will also be given to relevant experience in the industry in which the College serves including but not limited to healthcare, welding, automotive, business, legal and computer technology.
- **Skilled and diverse background** — All candidates must possess the aptitude or experience to understand fully the legal and ethical responsibilities of a director, as well as the personal qualities to be able to make a substantial active contribution to Board deliberations, including interpersonal and communication skills, a passion for higher education and empathy for underserved populations.
- **Integrity and professionalism** — The following are the essential characteristics for each Board candidate: highest standards of moral and ethical character and personal integrity; independence, objectivity and an intense dedication to serve as a representative of the EITC Foundation; a personal commitment to Foundation principles and values.
- **Positive presentation** – The candidate must be perceived as having a good-standing reputation within the region and commit to conduct that will reflect positively on the Board and contribute to the mission of the Foundation.

Further, each candidate must be willing to commit, as well as have sufficient time available to fulfill the duties of Board membership and should live within the counties that the College serves during their years of service.

Selection and nomination process — Whenever a vacancy occurs in the Board of Directors, or the when the Nominating Committee identifies a need for an additional member in compliance with Article Nine, the committee shall follow this procedure for nomination:

1. Identification: The Nominating Committee is authorized to use any methods it deems appropriate for identifying candidates for Board membership, including recommendations from current Board members, past Board Members and respected business and community leaders.

The committee shall also make their best efforts to thoroughly engage in whatever investigation and evaluation processes it deems appropriate, including a thorough review of the candidate's background, characteristics, qualities and qualifications, and personal interviews with the committee as a whole, one or more members of the committee or one or more other Board members. After the investigative period, the committee must meet and discuss the validity of the candidate. The committee will then vote to propose board membership; the committee must vote unanimously for a candidate to be brought before the Board in the Proposal Stage. If the vote is not unanimous, the candidate will not be proposed. If the vote is unanimous, please follow the procedure below in the Proposal phase.

2. Proposal: The chairperson of the Nominating Committee will propose the perspective member during a monthly board meeting by presenting their name, current employment information and any other pertinent information that the committee finds relevant to membership. All Board Directors will then discuss in the open meeting the information reported from the committee and respond with any new information they may have on the proposed member. The communication process will continue until the following month’s board meeting. Negative or potentially inflammatory feedback should be discussed amongst the Nominating Committee and shared with the Board Chairperson and Vice Chairperson.

3. Nomination: After the member is proposed and has been discussed, at the next board meeting, the entire Board of Director’s will vote; a proposed member will earn an invitation with a two-thirds vote in favor of a formal invitation.

4. Invitation: If the proposed member is approved by the Board of Directors, the Chairperson of the Board will then extend a formal invitation to the proposed member to become a Board Director, allowing 14 days for the proposed member to respond.

If during the invitation stage the proposed member denies the opportunity to serve, they are relinquished without prejudice.

If the proposed member accepts the invitation, they will begin serving at the next regularly scheduled board meeting.

SUBJECT

Idaho State Board of Education (Board) Policy V.H. – Audits – first reading

REFERENCE

June 2005	(Board) approved first reading updating policy to bring in alignment with creation of Audit Committee.
August 2005	Board approved second reading of policy.
December 2008	Removal of ISDB, Historical Society and Commission from all applicable policies.

BACKGROUND / DISCUSSION

At its June 2015 meeting, the Audit Committee discussed how it handles Legislative Services Office (LSO) audits of agencies under the jurisdiction of the Board. The Committee recommended revising Board policy to delegate review of LSO audit reports to the Executive Director unless a material weakness or significant deficiency was included in the audit report.

The revisions to Board policy V.H.6, Legislative Audits, would pertain to LSO audits of the Office of the State Board of Education, Professional-Technical Education, Idaho Public Television, and Idaho Vocational Rehabilitation. Minor modifications were made to V.H.6.ii to clarify that LSO provides preliminary and final reports. The addition of section V.H.6.iii allows the Committee to delegate the review of the LSO audit reports to the Executive Director, unless a material weakness or significant deficiency is included in the audit report.

IMPACT

Approval of the proposed amendments would clarify LSO reporting procedures and delegate the review of the LSO audit reports to the Executive Director when there are no material weaknesses or significant deficiencies included in the reports.

ATTACHMENTS

Attachment 1- Board Policy Section V.H., 1st reading Page 3

STAFF COMMENTS AND RECOMMENDATIONS

Staff recommends approval.

BOARD ACTION

I move to approve the first reading of the proposed amendment to Idaho State Board of Education Policy V.H., as presented in Attachment 1.

Moved by____________ Seconded by_____________ Carried Yes____ No____

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General Purpose and Governance

The Audit Committee (Committee) is appointed by the Board in fulfilling its fiscal oversight responsibilities. The Committee provides oversight to the organizations under its governance (defined in Idaho State Board of Education, Policies and Procedures, Section I. A.1.) for: financial statement integrity, financial practices, internal control systems, financial management, and standards of conduct.

The Committee serves as the Board's liaison with its external auditor and with the external and internal audit operations of the agencies and institutions. The Committee reviews agency and institution fiscal operations. The Committee chairperson reports periodically to the Board on the activities of the Committee, including any recommended changes or additions to the Board's policies and procedures.

1. Calendar

   The Committee shall establish a calendar of all regularly scheduled meetings including meetings with the Board, the independent auditors, institutions, and others as appropriate. The Committee should take into consideration the requirements and due dates of other State agencies in establishing timelines.

2. Audit Committee

   a. Membership

      Each member of the Committee shall be in good standing, and shall be independent in order to serve on the Committee. The Committee minutes will indicate whenever a new member is appointed by the Board as well as an acknowledgement that independence has been verified for the new member. Affirmation of independence will be documented in the minutes annually or whenever a change in status by any Committee member occurs.

   b. Financial Expert

      At least one member of the Committee shall be designated as a financial expert and indicated in the Committee minutes. This designation shall be affirmed annually, unless there is a change in status.

   c. Board Bylaws on Audit Committee

      The Committee will review, reassess the adequacy of, and recommend any proposed changes to the Board annually, unless changes are needed during the course of the year, in light of new best practices and new legal requirements.

   d. Meetings

The Committee shall meet at least four times per year and may be combined with regularly scheduled Board meetings or more frequently as circumstances may require. The Committee may require institution management or others to attend the meetings and provide pertinent information as necessary. All members are expected to attend each meeting in person, via telephone conference or videoconference. The agendas for meetings should be prepared and provided to members in advance, along with appropriate briefing materials. Minutes shall be prepared that document decisions made and action steps established and shall be maintained at the Board office.

3. Selection of Independent Auditors

   Items 3, 4 and 5 apply to the institutions only (Boise State University, Idaho State University, University of Idaho, Lewis-Clark State College, and Eastern Idaho Technical College).

   a. The Committee shall allow enough time to prepare and publish a Request for Proposal, review and evaluate proposals, obtain Board approval of the selected audit firm, and negotiate and authorize a contract.

   b. The Committee may establish a process for selecting an independent audit firm. The process used should include representatives from the Board, Committee, and institutions.

   c. The Committee shall make the selection of the audit firm.

   d. The selection of the new audit firm shall be presented to the Board and ratified at the next Board meeting following the Committee's selection.

4. Independent Auditors

   a. Lead Audit Partner Rotation

      It is the intent of the Board to adhere to the recommendation of the National Association of College and University Business Officers (NACUBO) to require rotation of the lead audit partner of the independent audit firm every five years, with a two-year timeout provision. The Committee shall establish when the five-year limit will be reached for the current lead audit partner. At least one year prior to that time, the Committee shall discuss transition plans for the new lead audit partner. The five-year limit will be reviewed annually with the independent auditors. These discussions shall be documented in the Committee meeting minutes.

b. Risk Assessment

Prior to the publication of the independent auditor's report, the Committee will review all material written communications between the independent auditors and institution management, including management letters and any schedule of unadjusted differences. The Committee shall conclude on the appropriateness of the proposed resolution of issues, and the action plan for any items requiring follow-up and monitoring. The Committee shall review these risks with institution management at each meeting or sooner, if necessary, to make sure it is up-to-date.

c. Audit Scope

i. Prior to Audit: Prior to the start of any audit work for the current fiscal year, the Committee will meet with the lead audit partner to review the audit scope. Questions related to audit scope may include significant changes from prior year, reliance on internal controls and any internal audit function, assistance from institutional staff, and changes in accounting principles or auditing standards. The Committee should also discuss how the audit scope will uncover any material defalcations or fraudulent financial reporting, questionable payments, or violations of laws or regulations. Areas of the audit deserving special attention by the Committee and issues of audit staffing should be reviewed.

ii. Subsequent to Audit: Subsequent to the audit report, the Committee shall meet with the lead audit partner and the Chief Financial Officer of each institution, to review the scope of the previous year's audit, and the inter-relationship between any internal audit function and the external auditors with respect to the scope of the independent auditor's work. Prior to the start of interim work for the current year audit, the Committee shall review the plans for the audit of the current year.

d. Accounting Policies

Annually and/or in conjunction with the year-end audit, the Committee shall review with the lead audit partner all critical accounting policies and practices and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management of the institutions, the ramifications of each alternative, and the treatment preferred by each institution.

e. Financial Statement Review

At the completion of the independent audit, the Committee shall review with institution management and the independent auditors each institution's financial statements, Management's Discussion and Analysis (MDA), related footnotes, and the independent auditor's report. The Committee shall also review any significant changes required in the independent auditor's audit plan and any serious difficulties or disputes with institution management encountered during the audit. The Committee shall document any discussions, resolution of disagreements, or action plans for any item requiring follow-up.

f. Single Audit Review

At the completion of the Single Audit Report (as required under the Single Audit Act of 1984, and the Single Audit Act Amendments of 1996), the Committee shall review with institution management and the independent auditors each institution's Single Audit Report. The Committee shall discuss whether the institution is in compliance with laws and regulations as outlined in the current Single Audit Act described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement. The Committee shall report to the Board that the review has taken place and any matters that need to be brought to the Board's attention. The Committee shall document any discussions, resolution of disagreements, or action plans for any item requiring follow-up.

5. Internal Audits

The Committee shall review with institution management any significant findings on internal audits from the preceding 12 months and planned for the upcoming six months along with the status of each planned audit and management's responses thereto. The Committee shall review any difficulties the institution's internal audit staff encountered in the course of their audits, including any restrictions on the scope of their work or access to required information. The Committee shall discuss any internal audit function's budget and staffing.

6. Other Audits

a. Legislative Audits

i. All state agencies under the Board's jurisdiction, excluding the State Department of Education, will receive financial statement audits and federal single audits in accordance with federal and state laws and regulations. The Committee must be informed immediately by an agency of any audit activity being conducted by the legislative auditor.

ii. At the completion of the preliminary and final legislative audits, the Committee shall discuss with the legislative auditor ~~the~~ any ~~progress~~ findings ~~of the~~

~~legislative audit, including a full report on preliminary and final audit findings~~ and recommendations.

iii. The Committee may delegate the review of the audits described in sections i. and ii. to the Executive Director unless a material weakness or significant deficiency was included in the audit report.

b. Employee Severance Audits

When key administrative personnel leave an agency or institution, the Committee may bring to the full Board a recommendation as to whether an audit should be conducted and the scope of the audit.

7. Confidential Complaints

a. The Committee shall set up a process to investigate complaints received by the Board regarding accounting, internal accounting controls, or auditing matters that may be submitted by any party internal or external to any entity under its governance.

b. The Committee shall review the procedures for the receipt, retention, and treatment of complaints, referenced in paragraph 7.a, received by the Board. The Committee shall review an original of each complaint received, no matter the media used to submit and discuss the status or resolution of each complaint. The Committee shall ensure that proper steps are taken to investigate complaints and resolve timely. The Committee shall review a cumulative list of complaints submitted to date to review for patterns or other observations.

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