EASTERN IDAHO TECHNICAL COLLEGE

COMPREHENSIVE ANNUAL FINANCIAL REPORT
CONTAINING AN

INDEPENDENT AUDITOR'S REPORT
and FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
INCLUDING SINGLE AUDIT
REPORTS FOR
THE YEAR ENDED JUNE 30, 2012

An entity of the State of Idaho

PREPARED BY THE CONTROLLER AND BUSINESS OFFICE OF
EASTERN IDAHO TECHNICAL COLLEGE
1-208-524-3000

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REPORT OF INDEPENDENT AUDITORS

Idaho State Board of Education
Eastern Idaho Technical College

We have audited the accompanying financial statements of Eastern Idaho Technical College (College) and its discretely presented component unit, Eastern Idaho Technical College Foundation (Foundation) as of June 30, 2012 and 2011, and for the years then ended. These financial statements are the responsibility of the College's and Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Eastern Idaho Technical College Foundation, a discretely presented component unit, as described in Note 8. 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 in the component unit, is based solely on the report of other auditors.

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

In our opinion, based on our audits and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the financial position of the College and its discretely presented component unit as of June 30, 2012 and 2011, and the changes in its net assets and the College's cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 13, the College corrected its accounting for a building that had been incorrectly capitalized and restated its 2011 financial statements.

REPORT OF INDEPENDENT AUDITORS
(continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and certain information in Note 7, *Postemployment Benefits Other Than Pensions and Retiree Benefits Trust* labeled as "required supplementary information," be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Moss Adams LLP

Eugene, Oregon
September 28, 2012

EASTERN IDAHO TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Overview of the Financial Statements

This comprehensive annual financial report consists of a series of financial statements, prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 35, "*Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.*" This section of Eastern Idaho Technical College's (the "College") financial report presents management's discussion and analysis of the College's financial activities during the fiscal year ended June 30, 2012 with comparative financial data for the years ended June 30, 2011 and 2010.

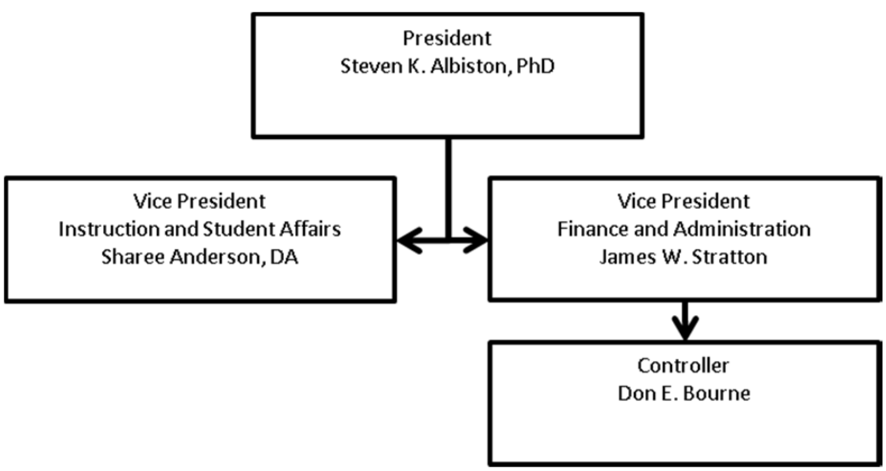
As required by GASB, this report includes the following three basic financial statements that provide information on the College as a whole: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. Each of these statements will be discussed.

This discussion and analysis focuses on the College's primary institution operations. The College's discretely presented component unit, Eastern Idaho Technical College Foundation, Inc., issues separately audited financial statements which can be obtained directly from the Foundation's administrative office.

Principal officials of Eastern Idaho Technical College involved with fiscal controls during the period ending June 30, 2012 include:

Steven K. Albiston, Ph.D.	President
James W. Stratton	Vice President for Finance and Administration
Don E. Bourne	Controller

Reporting relationships for those involved with fiscal performance are shown below:



Statement of Net Assets

The statement of net assets presents the financial position of the College at the end of the fiscal year and includes all the College's assets and liabilities. The difference between total assets and total liabilities is net assets and is an indicator of the College's current financial condition.

	2012	2011 (restated)	2010 (restated)
Assets:			
Current assets	$ 4,140,559	$ 4,598,703	$ 4,434,650
Noncurrent assets	13,547,975	14,052,509	14,328,635
Total assets	17,688,534	18,651,212	18,763,285
Liabilities:			
Current liabilities	1,089,234	1,173,382	878,119
Noncurrent liabilities	351,000	291,000	241,000
Total liabilities	1,440,234	1,464,382	1,119,119
Net assets:			
Invested in capital assets	13,547,975	14,052,509	14,328,635
Unrestricted	2,700,325	3,134,321	3,315,531
Total net assets	16,248,300	17,186,830	17,644,166
Total liabilities and net assets	$17,688,534	$ 18,651,212	$ 18,763,285

Total net assets decreased by 3.7% in 2012 from $17,186,830 to $16,248,300, a reduction of $938,530. Reasons for the reduction include a reduction in revenues from multiple sources and planned expenses for information technology consulting services and non-capital equipment to support expanded access to college facilities from on and off campus. Additional information can be obtained from the notes to the financial statements.

As of June 30, 2012, total College assets were $17.7 million. Current assets consisted primarily of cash and cash equivalents amounting to $1,633,588; cash with the state treasurer in the amount of $1,358,659; amounts due from other state agencies totaling $740,300; and miscellaneous other assets. The $458,144 decrease in current assets is largely due to a decrease of $467,068 in cash and cash equivalents and cash with the state treasurer. The change in cash and cash equivalents is attributable primarily to planned non-capital expenditures for an improved information systems infrastructure. Lower revenue from local funding sources also contributed to the reduction in current assets.

Current liabilities are largely represented by accounts payable and other accrued liabilities. Amounts due to employees for salaries and related benefits earned but not yet paid as of June 30, 2012 totaled $567,491. Additional amounts due to employees for compensated absences amounted to $229,662. These combined liabilities are about the same as FY 2011. Balances due to suppliers for goods and services provided to the College on or prior to June 30, 2012 were $231,795 which is much lower than FY 2011 previous years and more consistent with earlier years. The decrease in supplier payables over the prior year is mostly attributable to a major purchase of computer hardware that was received but unpaid as of June 30, 2011 and which was paid in FY 2012, contributing to the drop in current assets.

Noncurrent liabilities totaling $351,000 are represented entirely by the net OPEB obligation accrued in accordance with GASB Statement No. 45.

Statement of Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses and changes in net assets presents the operating results of the College, as well as other non-operating revenues and expenses and the resulting effect on net assets.

	2012	2011 (restated)	2010 (restated)
Operating Revenues	$3,559,075	$3,877,233	$3,565,657
Operating Expenses	12,016,857	12,445,642	12,250,388
Operating Income (loss)	(8,457,782)	(8,568,409)	(8,684,681)
Net nonoperating revenues	7,548,544	8,017,880	7,680,393
Income (loss) before other revenues	(909,238)	(550,529)	(1,004,288)
Other Revenues	(29,292)	93,193	1,692,742
Increase (decrease) in net assets (restated)	(938,530)	(457,336)	688,454
Net assets – beginning of year (restated)	$17,186,830	17,644,166	16,955,712
Net assets – end of year (restated)	$16,248,300	$17,186,830	$17,644,166

GASB standards classify revenues as operating revenues and non-operating revenues. Operating revenues include activities having characteristics of exchange transactions (the payer/sponsor receives a benefit approximately equal in value to the payment or award). Non-operating revenues include those activities having characteristics of non-exchange transactions (the payer/sponsor makes a voluntary transfer without directly receiving equal value in return). The GASB reporting model regards state appropriations as non-operating revenues or subsidies even though they support operating activities; consequently, operating losses are typical for colleges and universities that rely heavily on state appropriations for their support. Other revenues consist primarily of capital grants and appropriations. Operating expenses are the ordinary and necessary costs associated with the day-to-day operations, maintenance and management of the College. At EITC revenues come from four primary sources:

- Allocation of state funds from the Division of Professional-Technical Education (PTE). Revenue from this source is classified as non-operating revenue.
- Grants from federal and state governments. Revenue from most grants is classified as non-operating revenue. Revenue from contracts is classified as operating revenue.
- Locally generated funds from student fees and adult education. These are classified as operating revenue.
- Self-sustaining or self-funded programs such as the student bookstore. These are classified as operating revenue.

Operating revenues decreased by $318,158 from that of the previous year. While federal grants and contracts increased in FY 2012, every other source of operating revenue decreased including state and local grants, private grants, auxiliary enterprises (bookstore) and revenue from student fees. Net fees from students amounted to $763,846 compared to approximately $861,000 in FY 2011. Net full time student fees reflect a 4.6% increase in full time student fees approved by the State Board of Education which was offset by lower enrollment. The $428,785 decrease in operating expenses was largely due to a decrease of $293,788 in scholarship awards to students and a decrease in supplies of $271,625 which is a reflection of lower enrollment.

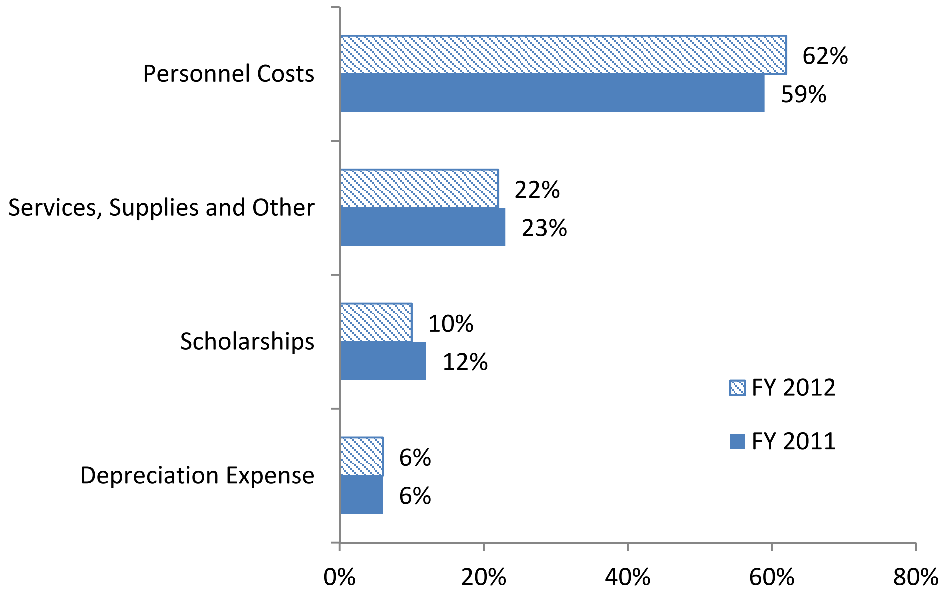
Net non-operating revenues decreased by $469,336 from 2011. That change is primarily the result of a $426,522 decrease in gifts and grants coupled with a slight decrease in state appropriations.

In an effort to minimize or eliminate the potential to “double count” revenues, GASB requires tuition and fees to be reported net of scholarship discounts and allowances. Inter-departmental transactions are also eliminated in determining college-wide revenues and expenses. Scholarship allowances are typically amounts the College has recorded as revenues from gifts or grants and to the extent those resources are used to satisfy student charges for fees and related expenses an allowance is recorded. The College’s allowances amounted to just over $809,177 for 2012 which included scholarship checks issued to pay fee charges of $233,306 and financial aid checks issued to pay fee charges of $575,871.

Other revenues consist primarily of capital grants and appropriations. Capital grants and appropriations are generally those where the resource provider restricts the recipient’s use to capital acquisitions. Capital appropriations also include the cost of completed capital projects funded through such sources as the Idaho Permanent Building Fund and administered by the Idaho Division of Public Works (“DPW”). The College received a $100,000 federal grant for purchase of instructional equipment which is reflected in the financial statements.

Personnel costs are by far the largest single operating expense, accounting for 62% of the College’s operating costs in FY 2012. Services, supplies, insurance, utilities and rent and other expenses represent 22% with scholarships and depreciation representing 10% and 6% respectively for FY 2012. A comparison with FY 2011 is shown below.

OPERATING EXPENSES, FY 2012 VS. FY 2011



Statement of Cash Flows

The statement of cash flows provides information about cash receipts and cash payments during the year. This statement also helps assess the College's ability to generate net cash flows and its ability to meet its obligations as they come due.

	2012	2011	2010
Cash Provided by (used in):			
Operating activities	$ (7,625,675)	$ (7,683,820)	$ (7,913,009)
Noncapital financing activities	7,545,028	8,017,896	7,826,312
Capital and related financing activities	(397,311)	(189,554)	435,226
Investing activities	10,891	12,605	2,659
Net increase (decrease) in cash	(467,067)	157,127	351,188
Cash and cash equivalents - beginning of year	3,459,315	3,302,188	2,951,000
Cash and cash equivalents - end of year	$ 2,992,247	$ 3,459,315	$ 3,302,188

The College's cash and cash equivalents decreased by $467,068 during 2012. The most notable decrease was from cash generated by grants and contracts activities. Cash inflows of student fees, sales and services of educational activities and auxiliary enterprises, gifts and grants, state appropriations and other receipts all fell in FY 2012, a reflection of the continuing slow economy. One federal contract, which provides training services to Idaho National Laboratory, increased in volume in FY 2012 and generated an increase in cash inflow which partially offset these reductions.

Major sources of operating funds during 2012 were net student fees $769,190 (down $49,746), grants and contracts $2,453,722 (up $195,099) and auxiliary enterprise sales $325,982 (down $47,234). Major uses of operating funds during 2012 were payments to suppliers $2,776,190 (up $198,800), payments for employee salaries and benefits $7,358,310 (up $101,763) and payments for scholarships $1,152,438 (down $293,788). The College's significant sources of cash provided by non-capital financing activities were state appropriations $5,647,432 (down $43,282) and gifts and grants amounting to $1,894,933 (down $426,522). The primary use of funds in capital and related financing activities during 2012 was a $306,818 investment in capital assets. Capital grants and contracts on the statement of cash flows reflect a cash outflow of $94,543; this is primarily cash outflow for purchase of instructional equipment using a federal grant which has not yet been reimbursed. Interest received on investments, $10,891, was the only source of funds from investing activities.

The College had previously committed to the construction of an improved information infrastructure referred to as the EduCloud and the $198,800 increase in payments to suppliers, despite the reduction in student enrollment, reflects the purchase of goods and services needed to continue this project.

The increase in salaries and benefits in FY 2012, compared to FY 2011, represents normal variation. There were no pay raises or increases in permanent staffing during FY 2012. By comparison, salaries and benefits dropped by $49,778 in FY 2011 compared to FY 2010.

Component Unit Foundation

As required by GASB Statement No. 39, the College is discretely reporting the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets for the Foundation as part of the financial statements for the College.

At June 30, 2012, the statement of net assets revealed that the total assets of the Foundation were $3,868,116. Foundation assets are comprised of cash and cash equivalents amounting to $969,575 and investments and Pledges receivable totaling $2,105,288. Foundation liabilities are comprised of accounts payable and accrued liabilities amounting to $17,523 and annuities payable totaling $8,679. Net assets of the Foundation total $3,782,270. Of this amount, $3,462,013 is restricted by donor stipulations that limit the use of the donated assets.

The statement of revenues, expenses and changes in net assets for 2012 indicates a decrease in net assets of $413,064. Primary sources of revenues for the Foundation were public support $286,602, interest and dividend income $94,932 and donated services of $79,596. Significant expenses of the Foundation include scholarship payments to the College $622,041 (compared with $890,912 in FY 2011), personnel costs $79,596 and other College support totaling $96,756.

Future Economic Outlook

The College is largely dependent upon ongoing financial and political support from state government. The College's state appropriations, including capital appropriations, comprised over half of total revenues for 2012, clearly indicating the economic position and future of Eastern Idaho Technical College is closely tied to that of the state of Idaho.

The FY 2013 state budget calls for a 2% increase in salaries for all state full time employees. The allocation from the Division of Professional-Technical Education includes funding for this salary increase for employees paid by PTE funding. It also includes $65,000 for the purchase of instructional capital equipment. However, when these funds are removed from the allocation, funding increased by only 0.9% which is less than projected increases in costs for essential items such as utilities. In addition, there is no additional state funding identified for the mandatory 2% salary increase for those state employees not funded by PTE (mostly information systems technicians and student services employees). Although the College's FY 2013 budget calls for breaking even during the year, it is highly dependent on revenue from adult education and federal contracts.

The College expects to see little change in economic conditions through 2014. This trend, if prolonged, will affect institutional operations, student recruitment, and competitive student fees. However for the next several years there is no expected adverse impact on educational quality.

EASTERN IDAHO TECHNICAL COLLEGE

STATEMENT OF NET ASSETS
JUNE 30, 2012 AND 2011

	COLLEGE		COMPONENT UNIT	
ASSETS	**2012**	**2011** (restated)	**2012**	**2011**
CURRENT ASSETS:				
Cash and cash equivalents	$ 1,633,588	$ 1,988,372	$ 969,575	$ 1,031,222
Cash with state treasurer	1,358,659	1,470,943	-	-
Accounts receivable and unbilled charges (net of allowance $7,485 & $26,293)	244,874	213,777		
Due from state agencies	740,300	797,449	-	-
Inventories	163,138	128,162	-	-
Investments		-	2,105,288	2,407,911
Pledges receivable		-	3,750	46,250
Total current assets	4,140,559	4,598,703	3,078,613	3,485,383
LONG TERM ASSETS:				
Investments		-	789,503	789,503
Property, plant and equipment - net	13,547,975	14,052,509	-	-
Total long term assets	13,547,975	14,052,509	789,503	789,503
TOTAL ASSETS	$ 17,688,534	$ 18,651,212	$ 3,868,116	$ 4,274,886
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	$ 231,795	$ 312,204	$ 17,523	$ 9,064
Accrued salaries and benefits payable	567,491	551,306	-	-
Compensated absences payable	229,662	237,255	-	-
Deposits	34.394	31,732	-	-
Deferred revenue	25,891	40,885	-	-
Annuities payable	-	-	8,679	8,529
Total current liabilities	1,089,234	1,173,382	26,202	17,593
LONG TERM LIABILITIES:				
Other Liabilities - net OPEB obligation	351,000	291,000		
Annuities payable	-	-	31,844	34,159
Charitable remainder payable	-	-	27,800	27,800
Total long term liabilities	351,000	291,000	59,644	61,959
TOTAL LIABILITIES	1,440,234	1,464,382	85,846	79,552
NET ASSETS:				
Invested in capital assets - net of related debt	13,547,975	14,052,509	-	-
Restricted for:				
Nonexpendable	-	-	789,503	789,503
Expendable	-	-	2,672,510	3,027,044
Unrestricted	2,700,325	3,134,321	320,257	378,787
Total net assets	16,248,300	17,186,830	3,782,270	4,195,334
TOTAL LIABILITIES AND NET ASSETS	$ 17,688,534	$ 18,651,212	$ 3,868,116	$ 4,274,886

See accompanying notes

EASTERN IDAHO TECHNICAL COLLEGE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
JUNE 30, 2012 AND 2011

	COLLEGE		COMPONENT UNIT	
	2012	2011 (restated)	2012	2011
OPERATING REVENUES:				
Student fees – (net of scholarship discounts and allowances of $809,177 and $902,065)	$ 763,846	$ 861,099	$ -	$ -
Federal grants and contracts	914,198	761,148	-	-
State and local grants and contracts	573,134	811,332	-	-
Private grants and contracts (includes $144,097 and $229,501 from the Foundation)	864,012	925,911	-	-
Sales & services of educational activities	78,882	81,308	-	-
Sales & services of aux. enterprise (bookstore)	327,269	371,400	-	-
Foundation public support	-	-	286,602	751,335
Foundation investment income	-	-	94,932	105,600
Other	37,734	65,035	-	-
Total operating revenues	3,559,075	3,877,233	381,534	856,935
OPERATING EXPENSES:				
Personnel costs	7,426,902	7,361,489	79,596	70,796
Services	1,128,862	980,916	96,756	35,352
Supplies	844,124	1,115,749	-	-
Insurance, utilities and rent	468,708	446,618	-	-
Scholarships and fellowships	1,152,438	1,446,226	-	-
Depreciation	772,554	768,880	-	-
Distributions to the College	-	-	622,041	890,912
Miscellaneous	223,269	325,764	25,477	35,935
Total operating expenses	12,016,857	12,445,642	823,870	1,032,995
OPERATING INCOME (LOSS)	(8,457,782)	(8,568,409)	(442,336)	(176,060)
NONOPERATING REVENUES:				
State appropriations	5,642,720	5,683,820	-	-
Gifts and grants (includes $212,479 and $425,387 from the Foundation)	1,894,933	2,321,455	-	-
Interest income	10,891	12,605	-	-
Unrealized gain (loss) on investments	-	-	(21,697)	408,283
Gain (loss) on sale of investments	-	-	(28,627)	3,077
Donated services	-	-	79,596	70,796
Total nonoperating revenues	7,548,544	8,017,880	29,272	459,756
INCOME (LOSS) BEFORE OTHER REVENUES	(909,238)	(550,529)	(413,064)	283,696
OTHER REVENUES (EXPENSES):				
State capital appropriations	-	36,923	-	-
Capital grants and gifts	7,757	47,857	-	-
Gain (loss) on disposition of property, plant and equipment	(37,049)	8,413	-	-
Total other revenues (expenses)	(29,292)	93,193	-	-
INCREASE (DECREASE) IN NET ASSETS	(938,530)	(457,336)	(413,064)	283,696
NET ASSETS, BEGINNING OF YEAR (restated)	17,186,830	17,644,166	4,195,334	3,911,638
NET ASSETS, END OF YEAR	$ 16,248,300	$ 17,186,830	$ 3,782,270	$ 4,195,334

See accompanying notes

EASTERN IDAHO TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS
JUNE 30, 2012 AND 2011

	COLLEGE	
	2012	**2011** (restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student fees	$ 769,102	$ 818,848
Grants and contracts	2,453,722	2,258,623
Sales and services of educational activities	74,725	80,622
Payments to suppliers	(2,776,190)	(2,577,390)
Payments to employees	(7,358,310)	(7,256,547)
Payments for scholarships and fellowships	(1,152,438)	(1,446,226)
Sales and services of auxiliary enterprises (bookstore)	325,982	373,216
Other receipts	37,733	65,034
Net cash provided (used) by operating activities	(7,625,675)	(7,683,820)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	5,647,432	5,690,714
Gifts and grants	1,894,933	2,321,455
Deposits and advances	2,663	5,727
Student lending receipts	2,023,146	1,458,462
Student lending payments	(2,023,146)	(1,458,462)
Net cash provided (used) by noncapital financing activities	7,545,028	8,017,896
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants and contracts	(94,543)	255,413
Purchases of property, plant and equipment	(306,818)	(459,079)
Proceeds from the sale of property, plant and equipment	4,050	14,112
Net cash provided (used) by capital and related financing activities	(397,311)	(189,554)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	10,891	12,605
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(467,067)	157,127
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,459,315	3,302,188
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,992,247	$ 3,459,315

Statement continues on next page

EASTERN IDAHO TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012 AND 2011

	COLLEGE	
	2012	**2011** (restated)
RECONCILIATION OF NET OPERATING INCOME		
(LOSS) TO NET CASH AND CASH EQUIVALENTS		
USED IN OPERATING ACTIVITIES:		
Operating income (loss)	$ (8,457,782)	$ (8,568,409)
Adjustments to reconcile operating income (loss) to net cash provided (used)		
by operating activities:		
Depreciation expense	772,554	768,880
Maintenance costs paid by the Division of Public Works	-	-
Changes in assets and liabilities:		
Accounts receivable and unbilled charges - net	121,340	-234,023
Work-in-process	(4,157)	-686
Inventories	-30,819	10,882
Unearned fees	-3,036	-
Accounts payable	-80,409	232,942
Accrued salaries and benefits payable	16,185	37,334
Compensated absences payable	-7,593	17,606
Net OPEB obligation	60,000	50,000
Deferred revenue	(11,958)	1,654
Net cash provided (used) by operating activities	$ (7,625,675)	$ (7,683,820)
SUPPLEMENTAL DISCLOSURE OF NONCASH		
TRANSACTIONS:		
Donated assets	$ 2,300	$ 2,450
Assets acquired through state capital appropriations	-	36,923

See accompanying notes

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

***Reporting Entity* –** The accompanying basic financial statements include the accounts of the College and the College's related organization, Eastern Idaho Technical College Foundation, Inc. (the "Foundation").

Governmental Accounting Standards Board ("GASB") has issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. Statement No. 39 requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit. Consequently, the Foundation is presented in the accompanying basic financial statements as a discrete component unit due to the nature and significance of its relationship with the College as defined by GASB Statement No. 39. This relationship is such that its exclusion from the reporting entity could cause the College's financial statements to be misleading or incomplete.

GASB Statement No. 39 does not require component unit cash flow statements to be displayed in the College's financial statements.

Selected financial information related to the component unit Foundation is presented in Note 8.

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

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

***Cash and Cash Equivalents* –** The College considers all liquid investments with a remaining maturity of three months or less at the date of acquisition to be cash equivalents. Balances classified as cash with the state treasurer include amounts that have been remitted to the State of Idaho as a result of the student fee collection process and, once remitted these balances are under the control of the State Treasurer.

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

Inventories **–** Inventories are valued at the lower of first-in, first-out cost ("FIFO") or market.

Investments **–** The College accounts for its investments at fair value in accordance with GASB Statement No. 31. *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* Changes in unrealized gains and losses on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets. The College did not have unrealized investment gains or losses for the years ended June 30, 2012 and 2011.

More comprehensive disclosures of common risks associated with deposits and investments are detailed in note 2, as per the requirements of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

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

Any funds deposited with the Idaho State Treasury for investment purposes can be subject to securities lending transactions initiated by the State Treasury.

Deposit and Investment Risk **–** GASB Statement No. 40, *Deposit and Investment Risk Disclosures,* requires comprehensive disclosure of common risks associated with deposits and investments of state and local governments. The application of these requirements is presented in Note 2.

Property, Plant and Equipment **–** Property, plant and equipment are stated at cost when purchased or constructed, or if acquired by gift, at the estimated fair value at the date of the gift. The College's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the period in which the expense is incurred. Construction and other repair and improvement projects that are funded from other than the College's resources and administered by the State's Division of Public Works (DPW) are capitalized by the College when the projects are completed and closed by DPW, unless the asset has been assigned to another state agency. DPW continues to carry the value of projects that are not closed on its books as construction in progress. Construction and other DPW repair and improvement projects that have an active status at June 30, 2012 total approximately $1,393,873.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40-50 years for buildings, 20-25 years for land improvements, 10 years for library books, and 5-13 years for vehicles and equipment.

Compensated Absences **–** Employee vacation pay that is earned but unused is accrued at year-end for financial statement purposes. Compensated absences payable included in current liabilities in the statement of net assets, and as a component of personnel costs in the statement or revenues, expenses and changes in net assets is $229,662 and $237,255 for the years ended June 30, 2012 and 2011, respectively.

Employees who qualify for retirement under the Public Employee Retirement System of Idaho ("PERSI") or the College and University Optional Retirement Plan ("ORP") are eligible to use 50% of the cash value of their unused sick leave (to a maximum of 600 hours) to continue their medical insurance coverage through the College. The College partially funds these obligations by depositing .65% of employee gross payroll to the Sick Leave Insurance Reserve Fund ("SLIRF"). SLIRF is a trust fund administered by PERSI. The total contribution for the years ended June 30, 2012 and 2011 was $29,128 and $29,526, respectively.

Deferred Revenues **–** Deferred revenues include amounts received for certain student fees prior to the end of the fiscal year which are related to the subsequent accounting period.

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

> *Invested in capital assets, net of related debt* **–** This represents the College's total investment in capital assets, net of outstanding debt obligations related to those assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts would not be included as a component of invested in capital assets, net of related debt. At June 30, 2012 and 2011, the College has no outstanding debt obligations or unexpended debt proceeds.
>
> *Unrestricted* **–** Unrestricted net assets represent resources derived from student fees, state appropriations and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions related to the educational and general operations of the College and may be used to meet current expenses for any lawful purpose, in compliance SBOE policy.

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

Income Taxes **–** The College, as a political subdivision of the State of Idaho, is excluded from Federal income taxes under section 115(1) of the Internal Revenue Code, as amended. The College is liable for tax on its unrelated business income. Defined by the Internal Revenue Code, unrelated business income is income from a trade or business, regularly carried on, that is not substantially related to the performance by the organization of its exempt purpose of function. The College did not incur unrelated business income tax expense in the fiscal years ended June 30, 2012 or 2011.

Classification of Revenues **–** The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

> *Operating revenues* **–** Operating revenues included activities that have the characteristics of exchange transactions, such as (1) student fees, net of scholarship discounts and allowances, (2) sales and services of educational departments and

auxiliary enterprises, and (3) most Federal, state and local grants and contracts and Federal appropriations.

Non-operating revenues – Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating by GASB Statement No. 9, Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB Statement No. 34, such as state appropriations and investment income.

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

Impairment of Capital Assets – The College follows GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which requires the College to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairments of capital assets have occurred and record impaired assets and impairment losses accordingly. This statement also addresses the appropriate recording of insurance recoveries associated with events or changes in circumstances resulting in impairments of capital assets. The College has determined that no such impairments have occurred for the years ended June 30, 2012 or 2011.

Use of Accounting Estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements, and revenues and expenses during the year. Actual results could differ from those estimates.

Reclassifications – Certain amounts reported in the 2011 financial statements have been reclassified to conform to the 2012 presentation. See Notes 12 and 13.

New Accounting Standards – For the year ended June 30, 2011, the College was required to implement GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The College has concluded that the adoption of Statement No. 55 has not resulted in any changes in current practice.

In February 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. In December 2009, the GASB issued Statement No. 57, *Other Postemployment Benefit ("OPEB") Measurements by Agent Employers and Agent Multiple-Employer Plans*. The purpose of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by agent employers that participate in agent multiple-employer OPEB plans. The requirements of these statements are effective for the fiscal year ended June 30, 2011. The College has concluded that the adoption of Statement No. 54 has not resulted in any changes in current practice.

In December 2010, the GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus. The objective of the Statement is to improve the information presented about the financial reporting entity, which is comprised of a primary government and related entities (component units). For primary governments that are business-type activities reporting in a single column, such as the College, the new guidance for reporting blended component units will require condensed combining information to be included in the notes to the financial statements, which will allow users to better distinguish between the primary government and its component units. The new requirements for reporting equity interests in component units will help ensure that the primary government's financial statements do not understate financial position and provide for more consistent and understandable display of those equity interests. The requirements of Statement No. 61 will be effective for financial statement periods beginning after June 15, 2012. The College does not expect that there will be any significant impact on financial statements.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents are carried at cost and are held by the College, deposited with various financial institutions or are deposited with the Idaho State Treasurer. Cash and cash equivalents at June 30, 2012 and 2011 consist of:

	2012	2011
Cash On Hand	$ 800	$ 800
Deposits with financial institutions	1,632,788	1,987,572
Cash with State Treasurer	1,358,659	1,470,943
Total	$ 2,992,247	$ 3,459,315

Custodial Credit Risk is the risk that in the event of a financial institutions failure, the College's deposits may not be returned. The College does not have a policy for managing such risk.

Any one of the following circumstances exposes a deposit to custodial credit risk:

- Deposits are uninsured and uncollateralized.
- Deposits are uninsured and collateralized with securities held by the pledging financial institution.

- Deposits are uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but are not held in the College's name.

Of the total deposits with financial institutions, $1,374,306 and $1,680,333 was uninsured but was collateralized with securities held by the pledging financial institution for the years ending June 30, 2012 and 2011 respectively. Cash deposits with the State Treasurer may be exposed to custodial credit risk. As of June 30, 2012, the College was not able to determine the extent of that exposure, if any.

Investments **–** Idaho Code, Section 67-1210, limits credit risk by restricting the investment activities of the Local Government Investment Pool ("LGIP") and state agencies with investment authority. Idaho Code further gives SBOE the authority to establish investment policies for Colleges and Universities. Section V Subsection D of the Governing Policies and Procedures of SBOE authorizes funds within the control of the College to be invested in FDIC passbook saving accounts, certificates of deposit, U. S. securities, federal funds repurchase agreements, reverse repurchase agreements, federal agency securities, large money market funds, bankers acceptances, corporate bonds of AA grade or better, mortgage backed securities of AA grade or better and commercial paper of prime or equivalent grade all without prior board approval. Authority to make investments in any other form requires prior SBOE approval. The College does not have policies that further limit its deposit or investment alternatives beyond those allowed by SBOE.

3. ACCOUNTS RECEIVABLE AND UNBILLED CHARGES

Accounts receivable and unbilled charges are all current and consist of the following at June 30, 2012 and 2011:

Current:	FY 2012	FY 2011
Student fees	$ 44,259	$ 83,316
Auxiliary enterprises	1,287	-
Grants and contracts	206,813	156,753
Accounts receivable and unbilled charges - total	252,359	240,069
Less allowance for doubtful accounts	(7,485)	(26,293)
Accounts receivable and unbilled charges, net	$ 244,874	$ 213,777

4. PROPERTY, PLANT AND EQUIPMENT

Following are the changes in property, plant and equipment for the year ended June 30:

	2012			
Property, Plant and Equipment Summary	**Balance at June 30, 2011** (restated)	**Additions**	**Retirements**	**Balance at June 30, 2012**
Property, plant and equipment not being depreciated:				
Land	$ 355,988	$ -	$ -	$ 355,988
Construction in progress	-	-	-	-
Total property, plant and equipment not being depreciated	355,988	-	-	355,988
Other property, plant and equipment:				
Buildings and improvements	19,805,355	51,169	-	19,856,524
Furniture, fixtures and equipment	2,766,524	252,001	248,954	2,769,571
Library materials	531,275	5,950	6,325	530,900
Total other property, plant and equipment	23,103,154	309,120	255,279	23,156,995
Less accumulated depreciation:				
Buildings and improvements	7,524,808	548,727	-	8,073,535
Furniture, fixtures and equipment	1,416,918	170,737	211,016	1,376,639
Library materials	464,907	53,090	3,163	514,834
Total accumulated depreciation	9,406,632	772,554	214,179	9,965,007
Other property, plant and equipment net of accumulated depreciation	13,696,521	(463,434)	41,100	13,191,987
Property, plant and equipment summary:				
Property, plant and equipment not being depreciated	355,988	-	-	355,988
Other property, plant and equipment	23,103,154	309,120	255,279	23,156,995
Total cost of property	23,459,142	309,120	255,279	23,512,983
Less accumulated depreciation	9,406,632	772,554	214,179	9,965,007
Property, plant and equipment - net	$ 14,052,509	$ (463,434)	$ 41,100	$ 13,547,975

Property, Plant and Equipment Summary	2011 Balance at June 30, 2010 (restated)	Additions (restated)	Retirements	Balance at June 30, 2011 (restated)
Property, plant and equipment not being depreciated:				
Land	$ 355,988	$ -	$ -	$ 355,988
Construction in progress	30,000	-	30,000	-
Total property, plant and equipment not being depreciated	385,988	-	30,000	355,988
Other property, plant and equipment:				
Buildings and improvements	19,738,432	66,923	-	19,805,355
Furniture, fixtures and equipment	3,229,448	441,104	904,029	2,766,524
Library materials	513,525	20,425	2,675	531,275
Total other property, plant and equipment	23,481,405	528,452	906,704	23,103,154
Less accumulated depreciation:				
Buildings and improvements	6,978,049	546,759	-	7,524,808
Furniture, fixtures and equipment	2,147,592	168,992	899,667	1,416,918
Library materials	413,117	53,128	1,338	464,907
Total accumulated depreciation	9,538,758	768,880	901,005	9,406,632
Other property, plant and equipment net of accumulated depreciation	13,942,647	(240,427)	5,699	13,696,521
Property, plant and equipment summary:				
Property, plant and equipment not being depreciated	385,988	-	30,000	355,988
Other property, plant and equipment	23,481,405	528,452	906,704	23,103,154
Total cost of property	23,867,393	528,452	936,704	23,459,142
Less accumulated depreciation	9,538,758	768,880	901,005	9,406,632
Property, plant and equipment - net	$ 14,328,635	$ (240,427)	$ 35,699	$ 14,052,509

5. OPERATING LEASE OBLIGATIONS

The College has entered into operating lease agreements covering various pieces of equipment and facilities. Some of those agreements provide for contingent charges for uses of equipment over the allowances included in the agreements, including charges for additional copies in the case of copier lease agreements. The lease payments for non-cancelable agreements in excess of one year for the years ended June 30, 2012 and 2011 were $81,118 and $48,788. Future minimum lease obligations under these agreements for the years ending June 30 are as follows:

2013	76,792
2014	76,192
2015	25,035
Total	178,019

6. RETIREMENT PLANS

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

For the years ended June 30, 2012, 2011 and 2010 the required contribution rates for general employers each year was 10.39% and the required contribution rate % for general members each year was 6.23%. The College's contributions required and paid were $192,261, $189,505, and $177,916 for the three years ended June 30, 2012, 2011 and 2010, respectively.

PERSI issues a publicly available financial report that includes program elements financial statements and required supplementary information. That report may be obtained by writing to Public Employee Retirement System of Idaho, PO Box 83720, Boise, ID 83720-0078.

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

New faculty and exempt employees hired July 1, 1997 or thereafter automatically enroll in the ORP and select their vendor option. Faculty and exempt employees hired before July 1, 1997 had a one-time opportunity to enroll in the ORP. Enrollees in the ORP no longer belong to PERSI. Vendor options include Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company (VALIC).

Participants are immediately fully vested in the ORP. Retirement benefits are available either as a lump sum or any portion thereof upon attaining 55 years of age. The contribution requirement (and amount paid) for the years ended June 30, 2012, 2011 and 2010 was $479,548, $399,596, and $413,444 which consisted of $286,119, $210,127, and $217,404 from the College and $193,429, $189,468, and $196,041 from employees. These contributions represent 7.72% and 6.97% of covered payroll for the College and employees, respectively.

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Summary of Plans

Eastern Idaho Technical College participates in other postemployment benefit plans relating to health and disability administered by the State of Idaho as agent multiple-employer defined benefit plans. The Life Insurance benefit is a single-employer defined benefit plan. Idaho Code, Sections 67-5760 to 67-5767 and 72-1335, establishes the benefits and contribution obligations. Each of these benefits is provided by Eastern Idaho Technical College to retired or disabled employees. The most recent actuarial valuation is as of July 1, 2010. Eastern Idaho Technical College has not set aside any assets to pay future benefits; Eastern Idaho Technical College funds these benefits on a pay-as-you-go basis. Details of the plans can be found in the Comprehensive Annual Report of the State of Idaho, which may be obtained as follows:

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

Plan Descriptions and Funding Policy

Retiree Healthcare Plan

A retired employee of Eastern Idaho Technical College who is eligible to retire under the Public Employee Retirement System of Idaho (PERSI) may elect to purchase the retiree health insurance coverage for themselves and eligible dependents. Employees must enroll within 60 days of the date of their retirement. Additionally, the unreduced PERSI monthly benefit at the time of retirement must meet or exceed the monthly cost of single retiree health insurance coverage, or employees must have 10 or more years (20,800 or more hours) of credited service. An employee must have been an active employee on or before June 30, 2009, and must retire directly from State service. Coverage is not available to Medicare-eligible retirees or their Medicare-eligible dependents. Retirees eligible for medical health insurance pay the majority of the premium cost; however, the retiree plan costs are subsidized by the active employee plan. The maximum benefit is $1,860 per retiree per year. Eastern Idaho Technical College contributed $8 per active employee per month towards the retiree premium cost.

Long-Term Disability Plan

Disabled employees are defined as being unable to perform each of the substantial and material duties of the job for which they were hired and unable to earn more than 70 percent of their monthly salary for the first 30 months of disability, If after 30 months the employee is unable to perform any job for which they are reasonably qualified by experience, education, or training, and unable to earn more than 60 percent of their monthly salary the employee is considered totally disabled. To qualify for long-term disability benefits, the waiting period of the longer of 26 weeks of continuous total disability or exhaustion of accrued sick leave must be met.

The plan provides long-term disability income benefits to active employees who become disabled, generally up to a maximum age of 70. The gross benefit equals 60 percent of monthly pre-disability salary or $4,000, whichever is less. The benefit does not increase with inflation and may be offset by other sources of income such as Social Security, Workers' Compensation, unemployment benefits, and certain retirement benefits. The State is self-insured for employees who became disabled prior to July 1, 2003; the State pays 100 percent of the cost of this benefit. The amount of the contribution is based on active claims and the number of insured individuals.

Employees disabled on or after July 1, 2003, are insured by Principal Life Insurance Company and the obligation for the payment of benefits has been effectively transferred. Eastern Idaho Technical College pays 100 percent of the cost of the premiums. Eastern Idaho Technical College's contribution rate for the period was 0.318 percent of payroll in fiscal year 2012. This portion of the long-term disability income benefit is not included in the actuarial estimate as this is considered an insured benefit.

For up to 30 months following the date of disability, an employee is entitled to continue healthcare coverage under the State plan. Eastern Idaho Technical College pays 100 percent of its share of medical and dental premiums while the employee remains disabled. The employee is required to pay the normal active employee contribution for the plan and rate category in which the employee is enrolled. Eastern Idaho Technical College was not required to make a contribution in fiscal year 2012.

This plan also provides basic life insurance and dependent life coverage to disabled employees, generally up to a maximum age of 70. The life insurance benefit amount is generally 100 percent of annual salary, but not less than $20,000. In addition, a $2,000 life insurance benefit is provided for spouses, and a $1,000 life insurance benefit is provided for dependent children. These benefits do not increase with inflation. Eastern Idaho Technical College pays 100 percent of the premiums; the contribution is actuarially determined based on actual claims experience.

Retiree Life Insurance Plan

This plan provides basic life insurance for certified retired employees. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at least 80 to qualify for this benefit. Eligible retirees receive basic life insurance coverage equal to 100 percent of their annual salary at retirement. The University pays 100 percent of the cost of basic life insurance for eligible retirees. The University's contribution for the period as a percent of payroll was 1.177% for retirees under age 65, .894% for retirees between the ages of 65 and 69, and .600% for retirees over age 70.

Annual OPEB Cost

The annual OPEB cost (AOC) is actuarially determined based on the annual required contribution (ARC) of the employer. The following table illustrates the annual OPEB cost, the amount of contributions made, the increase (decrease) in the net OPEB obligation (NOO), and the NOO (funding excess) for the current year.

Annual OPEB Cost and Net OPEB Obligation
(dollars in thousands)

		Long-Term Disability Plan			
	Retiree Healthcare Plan	Healthcare	Life Insurance	Income	Retiree Life Insurance Plan
Annual Required Contribution	$0.024	$0.008	$0.005	$0.005	$0.073
Interest	$0.007	$0.000	($0.000)	($0.000)	$0.008
Adjustment to ARC	($0.010)	($0.001)	$0.000	$0.000	($0.012)
Total Annual OPEB Cost	$0.020	$0.008	$0.005	$0.005	$0.069
Contributions Made	($0.019)	($0.007)	($0.005)	($0.004)	($0.011)
Increase (Decrease) in NOO	$0.001	$0.001	($0.001)	$0.001	$0.058
NOO – Beginning of Year	$0.157	$0.009	($0.002)	($0.002)	$0.129
NOO (Funding Excess) – End of Year	$0.158	$0.010	($0.003)	($0.001)	$0.187

Annual OPEB Cost Comparison

The following table compares the annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation (funding excess) for the current and two prior years.

Annual OPEB Cost and Net OPEB Obligation (NOO) Comparison
(dollars in thousands)

			Long-Term Disability Plan			
		Retiree Healthcare Plan	Healthcare	Life Insurance	Income	Retiree Life Insurance Plan
Annual OPEB Cost	2010	$0.017	$0.010	$0.004	$0.006	$0.063
	2011	$0.020	$0.008	$0.004	$0.005	$0.047
	2012	$0.020	$0.008	$0.005	$0.005	$0.069
Percentage of AOC Contributed	2010	58.82%	60.00%	125.00%	66.67%	25.40%
	2011	44.63%	85.10%	148.70%	90.95%	16.91%
	2012	94.31%	91.20%	111.86%	82.49%	15.96%
NOO (Funding Excess) –	2010	$0.146	$0.008	($0.001)	($0.002)	$0.090

End of Year	2011	$0.157	$0.009	($0.002)	($0.002)	$0.129
	2012	$0.158	$0.010	($0.003)	($0.001)	$0.187

Funded Status and Funding Progress

The following table illustrates the funded status and the funding progress for the Eastern Idaho Technical College:

Funded Status and Funding Progress
(dollars in thousands)

		Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan
			Healthcare	Life Insurance	Income	
	Actuarial Valuation Date	7/1/2010	7/1/2010	7/1/2010	7/1/2010	7/1/2010
1	Actuarial Value of Assets	$0.000	$0.000	$0.000	$0.000	$0.000
2	Actuarial Accrued Liability (AAL)	$149	$53	$56	$30	$919
3	Unfunded AAL (UAAL) (2) - (1)	$149	$53	$56	$30	$919
4	Funded Ratios (1) : (2)	0.0%	0.0%	0.0%	0.0%	0.0%
5	Annual Covered Payroll	$3,198	$3,198	$3,198	$3,198	$3,198
6	UAAL as a Percentage of Covered Payroll (3) : (5)	4.660%	1.657%	1.751%	0.938%	28.740%

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information and shown on page 27, contains multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits for financial reporting purposes does not incorporate the potential effects of legal funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The following table presents the significant methods and assumptions for all plans:

Significant Methods and Actuarial Assumptions

	Retiree Healthcare Plan	Long-Term Disability Plan: Healthcare	Long-Term Disability Plan: Life Insurance	Long-Term Disability Plan: Income	Retiree Life Insurance Plan
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percentage of Payroll	Level Percentage of Payroll	Level Percentage of Payroll	Level Dollar Amount	Level Percentage of Payroll
Amortization Period	11 years, Closed	30 years, Open	30 years, Open	8 years, Closed	30 years, Open
Assumptions:					
Inflation Rate	3.0%	3.0%	3.0%	3.0%	3.0%
Investment Return	4.0%	4.0%	4.0%	4.0%	4.0%
OPEB Increases	N/A	N/A	N/A	N/A	N/A
Projected Salary Increases	3.5%	3.5%	3.5%	3.5%	3.5%
Healthcare Cost Initial Trend Rate	10.0%	10.0%	N/A	N/A	N/A
Healthcare Cost Ultimate Trend Rate	5.0%	5.0%	N/A	N/A	N/A

Required Supplementary Information

OTHER POSTEMPLOYMENT BENEFITS – Schedule of Funding Progress *(dollars in thousands):*

OPEB Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1) : (2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) : (5)
Retiree Healthcare	7/1/2006	$0	$1,949	$1,949	0.0%	$3,671	53.1%
	7/1/2008	$0	$116	$116	0.0%	$4,515	2.6%
	7/1/2010	$0	$141	$141	0.0%	$4,526	3.1%
Long-Term Disability:							
Life Insurance	7/1/2006	$0	$59	$59	0.0%	$3,671	1.6%
	7/1/2008	$0	$45	$45	0.0%	$4,515	1.0%
	7/1/2010	$0	$57	$57	0.0%	$4,526	1.3%
Healthcare	7/1/2006	$0	$55	$55	0.0%	$3,671	1.5%
	7/1/2008	$0	$54	$54	0.0%	$4,515	1.2%
	7/1/2010	$0	$51	$51	0.0%	$4,526	1.1%
Income	7/1/2006	$0	$35	$35	0.0%	$3,671	1.0%
	7/1/2008	$0	$31	$31	0.0%	$4,515	0.7%
	7/1/2010	$0	$33	$33	0.0%	$4,526	0.7%
Retiree Life Insurance	7/1/2006	$0	$223	$223	0.0%	$3,671	6.1%
	7/1/2008	$0	$414	$414	0.0%	$4,515	9.2%
	7/1/2010	$0	$614	$614	0.0%	$4,526	13.6%

Effective July 1, 2009, legislative changes to the Retiree Healthcare Plan regarding eligibility stipulate that an officer or employee must be an active employee on or before June 30, 2009, and retire directly from State service; the maximum benefit is $1,860 per retiree per year. Additionally, any retiree will remain eligible until they are eligible for Medicare. Beginning January 1, 2010, coverage was not available to Medicare-eligible retirees or their Medicare-eligible dependents.

Schedule of Employer Contributions *(dollars in thousands):*

OPEB Plan	Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions	Actual Contributions as Percentage of ARC
Life Insurance	06/30/12	$73	($11)	-15%

8. COMPONENT UNIT FOUNDATION

The Eastern Idaho Technical College Foundation, Inc. (“the Foundation”) was established for the purpose of soliciting donations and to hold and manage invested donations for the exclusive benefit of the College. The Foundation, a component unit of the College as described in Note 1, is a private nonprofit organization that reports under Financial Accounting Standards Board (“FASB”) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain presentation features are different from GASB presentation features and accordingly, no modifications have been made to the Foundation’s financial information in the College’s financial reporting entity for these differences.

Significant transactions occurring between the College and the Foundation include: the Foundation made scholarship and other support payments to the College amounting to $622,041and $890,912, for the years ending June 30, 2012 and 2011, respectively; the College provided funding for the Foundation’s director of operations salary and benefits in the amount of $79,596 and $70,796, for the years ending June 30, 2012 and 2011. Other selected supplementary information related to the Foundation is presented below. Certain prior year balances have been reclassified to conform to the presentation adopted in the current year.

Cash and Cash Equivalents **–** At June 30, 2012 and 2011, the carrying amount of the Foundation’s cash and cash equivalents is comprised of the following:

	2012	2011
Cash on hand and demand deposits at banking institutions	$957,679	$ 906,105
Cash held in certificates of deposit	11,896	125,117
Total balance held	$969,575	$1,031,222

Custodial Credit Risk is the risk that in the event of a financial institutions failure, the Foundation’s deposits may not be returned. The Foundation does not have a written policy for managing credit risk. Of the total bank balance, $984,388 and $1,031,222 was covered by federal depository insurance for the years ended June 30, 2012 and 2011, respectively.

Investments **–** Investments are held at various nonbanking institutions. The following methods and assumptions were used by the Foundation board in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents, and short-term pledges receivable - The carrying amounts reported in the statement of net assets approximate fair values because of the short maturities of those instruments.

Short-term and endowment investments - The fair values of investments are based on quoted market prices for those or similar investments.

Note receivable - The fair value of the note receivable that is due in more than one year is estimated at the same as the face value of the note.

Investments are recorded at fair value and consist of the following:

	2012	2011
Money market funds	$ 117,971	$ 73,726
Equity securities	1,821,312	2,065,792
U.S Government obligations	122,601	108,712
Corporate debt securities	588,251	0
Municipal Bonds	192,207	0
Foreign and Other Obligations	52,449	949,184
Total investments	$ 2,894,791	$ 3,197,414

Custodial Credit Risk – Custodial credit risk for investments is the risk that in the event of the failure of a counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. Investments in obligations explicitly guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure.

Interest Rate Risk – Investments in debt securities that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. The Foundation has not adopted a formal policy that addresses interest rate risk.

Foundation Maturity of Debt Investments at June 30, 2012

Investment Type	Less Than 1 Year	1-5 Years	6-10 Years	11-20 Years	20-30 Years	Total Fair Value
Debt Securities						
Money Market Funds	117,971					117,971
U. S. Government obligations	25	29,396	37,124	15,745	40,311	122,601
Corporate obligations	67	77,704	98,134	41,620	106,548	324,073
Preferred Securities	55	63,343	79,997	33,928	86,855	264,178
Municipal Bonds	40	46,086	58,203	24,685	63,193	192,207
Foreign and Other	12	12,576	15,883	6,736	17,242	52,449
Total Debt Securities	118,170	229,105	289,341	122,714	314,149	1,073,479
Equity Mutual Funds						1,821,312
Total component unit investments reported on financial statements						2,894,791

Credit Risk of Debt Securities **–** The risk that an issuer of debt securities or another party to an investment will not fulfill its obligation is commonly expressed in terms of the credit quality rating issued. Investments explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit ratings. Unless otherwise stated, the ratings presented below use the Moody's scale. The Foundation's policy, with some exceptions, limits its investment in bonds to securities issued or guaranteed by the government of the United States of America, or to corporate bonds rated investment grade (AAA, AA, A, BBB). This constraint does not apply to bonds held in mutual funds.

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	CCC	CC	D	Unrated
Money Market Funds	117,971										117,971
U. S. Government obligations	122,601	72,746	5,572	13,538	18,872	5,040	3,641	605	30	1,025	1,532
Corporate obligations	324,073	128,513	13,121	26,362	46,186	36,188	50,207	14,821	53	2,065	6,557
Preferred Securities	264,178	154,586	12,732	27,242	43,177	11,024	8,691	1,774	63	1,309	3,580
Municipal Bonds	192,207	20,126	12,863	37,355	55,749	11,844	11,627	286	1	43	42,313
Foreign and Other	52,449	20,874	4,719	7,705	10,381	3,967	2,159	299	5	192	2,148
Total	1,073,479	396,845	49,007	112,202	174,365	68,063	76,325	17,785	152	4,634	56,130
Equity Mutual Funds	1,821,312										
Total Bonds and Securities	2,894,791										

Pledges Receivable **–** The Foundation received pledges prior to year end. A receivable for pledges of $3,750 has been recorded for FY 2012, compared with $46,250 for FY 2011.

Annuities Payable **–** The Foundation, in prior years, received a contribution in the form of an irrevocable charitable remainder trust. The trust agreement calls for annuity payments to be paid over the contributor's life. Annuity payments are to be made to Edward C. Breiter in equal quarterly amounts of $2,800. The estimated present value of the annuity payable to Edward Breiter at June 30, 2012 and 2011 is $40,523 and $42,688, respectively.

Payable To Idaho State University **–** The Edward C. Breiter Charitable Remainder Annuity Trust agreement also indicates that one-third of the total remainder shall be distributed to Idaho State University. At June 30, 2012 and 2011, the one-third remainder was estimated at $27,800. However, this amount is subject to change based on the final remainder amount.

Fair Value Measurements **–** FASB ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include:
-quoted prices for similar assets or liabilities in active markets;
-quoted prices for identical or similar assets or liabilities in inactive markets;
-inputs other than quoted prices that are observable for the asset or liability;
-inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified contractual term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual Funds: Valued at the net assets value (NAV) of shares held by the Foundation at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2012:

	Level 1	Level 2	Level 3	Total
Interest bearing cash	117,971	-	-	117,971
U. S. government obligations	122,601	-	-	122,601
Corporate obligations	324,073	-	-	324,073
Preferred securities	264,178	-	-	264,178
Municipal bonds	192,207	-	-	192,207
Foreign and other obligations	52,449	-	-	52,449
Mutual funds	1,821,312	-	-	1,821,312
Total	2,894,791	0	0	2,894,791

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2011:

	Level 1	Level 2	Level 3	Total
Interest bearing cash	73,726	-	-	73,726
U. S. government obligations	108,712	-	-	108,712
Corporate obligations	792,108	-	-	792,108
Preferred securities	157,076	-	-	157,076
Corporate domestic securities	29,898	-	-	29,898
Mutual funds	2,035,894	-	-	2,035,894
Total	3,197,414	0	0	3,197,414

9. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATIONS

FY 2012 Natural Classifications

Functional Classifications	Salaries	Services	Supplies	Insurance	Scholarship	Depreciation	Misc	Capital	Total
Instruction	4,406,964	265,877	339,054	24,760	169		15,698		5,052,522
Academic Support	582,963	296,615	45,931	47,345	3,796		134		976,784
Student Services	856,705	104,853	49,151	60,206	136		130,139		1,201,190
Institutional Support	1,061,231	233,362	21,134	10,953			76,621		1,403,301
Operations & maintenance of plant	461,504	223,475	74,638	325,444		772,554	678		1,858,293
Scholarships					1,148,337				1,148,337
Auxiliary Enterprises	57,535	4,679	314,216						376,430
Total	7,426,902	1,128,861	844,124	468,708	1,152,438	772,554	223,270		12,016,857

FY 2011 Natural Classifications (restated)

Functional Classifications	Salaries	Services	Supplies	Insurance	Scholarship	Depreciation	Misc	Capital	Total
Instruction	4,292,894	260,803	382,881	22,903	-	-	12,505	-	4,971,985
Academic Support	702,563	186,967	225,025	28,473	-	-	15,601	-	1,158,629
Student Services	792,929	163,658	32,448	86,381	-	-	189,068	-	1,264,484
Institutional Support	1,070,198	169,273	24,686	13,057	-	-	100,970	-	1,378,184
Operations & maintenance of plant	447,186	199,695	86,472	295,804	-	768,880	7,620	-	1,805,656
Scholarships	-	-	-	-	1,446,226	-	-	-	1,446,226
Auxiliary Enterprises	55,719	520	364,237	-	-	-	-	-	420,476
Total	7,361,489	980,916	1,115,749	446,618	1,446,226	768,880	325,764	-	12,445,642

10. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of net assets date but before financial statements are issued. The College recognizes in the financial statements the effects of subsequent events that provide additional evidence about conditions that existed at the date of the statement of net assets, including the estimates inherent in the process of the financial statements. The College's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of net assets but arose after the statement of net assets date and before the financial statements are issued.

11. RISK MANAGEMENT

The College obtains workers' compensation coverage from the Idaho State Insurance Fund. The College's workers' compensation premiums are based on its payroll, its own experience as well as that of the State of Idaho as a whole.

The College is insured through the state of Idaho's Risk Management Program for other risks of loss, including but not limited to employee bonds, all liability insurance, auto physical damage insurance, and all property insurance.

The College is subject to legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, the results of these matters will not have a significant impact on the financial statements.

12. RELATED PARTIES TRANSACTIONS

In fiscal year 2005 the College began constructing a new Health Care Education Building (the "facility"). With an estimated cost of approximately $10,000,000, this project was completed in fiscal year 2010. The Idaho State Building Authority (the "ISBA"), with approval from the Idaho State Legislature, issued tax exempt bonds to finance the project and has initial ownership of the facility.

The College, through the State Board of Education, entered into a lease agreement with the ISBA whereby the land upon which the building was constructed is leased to the ISBA. It is intended that this site lease will continue until June 30, 2040 or until all amounts owed to the bondholders have been paid, whichever is earlier. The Idaho Legislature is obligated, via the annual appropriation process, to provide funds to the State Department of Administration (the "SDOA") to make the bond payments. The site lease is without consideration and EITC does not pay for use of the facility. EITC is responsible for operating and maintenance costs of the building.

The SDOA, on behalf of the College, has signed an agreement to lease the facility from the ISBA during the period the bond holders are being paid. This agreement obligates the SDOA to pay rent to the ISBA in the amount of the annual bond obligations, plus expenses, as funded by the Idaho Legislature. The facilities lease, signed on August 25, 2005 has an initial expiration date of June 30, 2007 with automatic annual renewals. It runs concurrently with the site lease and terminates when the site lease terminates.

The College and the SDOA have also entered into an operating agreement, signed on August 25, 2005 whereby the College is obligated to cover all operating costs including maintenance, insurance, and furnishings. At the termination of these agreements, drafted to coincide with the final bond payments, ownership of the facility should pass to the State.

13. RESTATEMENT OF 2011 FINANCIAL STATEMENTS

During fiscal year 2012, the College corrected the following error related to a building that was constructed on campus and placed into use in prior periods and as a result, restated its 2011 financial statements, including net assets as of July 1, 2010.

The College recorded the transfer of a building during fiscal year 2010 which was constructed on its behalf by DPW and began depreciating the building. During fiscal year 2012, it was discovered that the building had not been transferred to the College, but was being accounted for by the state as an asset of the Idaho State Building Authority. The College is occupying the building under various lease agreements as described in Note 12. The College should not have recorded the transfer of the building or the related depreciation expense.

The restatement resulted in the following changes to the June 30, 2011, financial statements:

ADJUSTMENTS TO STATEMENT OF NET ASSETS

	2011 Previously Reported	**Increase (Decrease)**	**2011 Restated**
ASSETS			
LONG TERM ASSETS:			
Property, plant and equipment - net	$23,321,987	$(9,269,478)	$14,052,509
TOTAL ASSETS	$27,920,690	$(9,269,478)	$18,651,212
LIABILITIES AND NET ASSETS			
NET ASSETS:			
Invested in capital assets – net of related debt	$23,321,987	$(9,269,478)	$14,052,509
Total net assets	$26,456,308	$(9,269,478)	$17,186,830
TOTAL LIABILITIES AND NET ASSETS	$27,920,690	$(9,269,478)	$18,651,212

ADJUSTMENTS TO STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS:

OPERATING EXPENSES	2011 Previously Reported	Increase (Decrease)	2011 Restated
Depreciation	961,994	(193,114)	768,880
Total Operating Expenses	12,638,756	(193,114)	12,445,642
OPERATING INCOME (LOSS)	(8,761,523)	193,114	(8,568,409)
INCOME (LOSS) BEFORE OTHER REVENUES	(743,643)	193,114	(550,529)
INCREASE (DECREASE) IN NET ASSETS	(650,450)	193,114	(457,336)
NET ASSETS, BEGINNING OF YEAR	27,106,758	(9,462,592)	17,644,166
NET ASSETS, END OF YEAR	26,456,308	(9,269,478)	$ 17,186,830

ADJUSTMENTS TO STATEMENT OF CASH FLOWS:

RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES	2011 Previously Reported	Increase (Decrease)	2011 Restated
Operating Income (Loss)	(8,761,523)	193,114	(8,568,409)
Depreciation	961,994	(193,114)	768,880

REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Idaho State Board of Education
Eastern Idaho Technical College

We have audited the financial statements of Eastern Idaho Technical College (College) and it's discretely presented component unit as of and for the year ended June 30, 2012, and have issued our report thereon dated September 28, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit as described in our report on the College's financial statements. The financial statements of Eastern Idaho Technical College Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the discretely presented component unit.

Internal Control Over Financial Reporting
Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying *schedule of findings and questioned costs*, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *schedule of findings and questioned costs* to be a material weakness, see finding 2012-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2012-01.

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

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

Moss Adams LLP

Eugene, Oregon
September 28, 2012

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Idaho State Board of Education
Eastern Idaho Technical College

Compliance

We have audited Eastern Idaho Technical College's (College) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2012. The College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (continued)

Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Moss Adams LLP

Eugene, Oregon
September 28, 2012

EASTERN IDAHO TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weakness(es) identified?	__X__ yes	___ no
• Significant deficiency(ies) identified?	___ yes	__X__ none reported
Noncompliance material to financial statements noted?	__X__ yes	___ no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	___ yes	__X__ no
• Significant deficiency(ies) identified?	___ yes	__X__ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	___ yes	__X__ no

Identification of major programs:

CFDA Number(s)	*Name of Federal Program or Cluster*
	Student Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans

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

EASTERN IDAHO TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Section II - Financial Statement Findings

Finding 2012-01 – Prior Period Adjustment - Material Weakness

Criteria – Financial statements need to be presented in accordance with accounting principles generally accepted in the United States of America.

Condition – During the current year, it was identified that a building constructed on campus, on the College's behalf by the State, was capitalized and recorded as a contribution by the College in 2010 when the State had not actually transferred the building. The building is still considered the property of the State and has had a related operating and lease agreement for the College's use of the building since 2005.

Effect – A prior period adjustment was required in order to present the financial statements in accordance with accounting principles generally accepted in the United States of America (as required under various grants and contracts), which decreased the June 30, 2011, net asset balance by $9,269,478 and increased the change in net assets for the year ended June 30 2011, by $193,114.

Cause – Management at the College did not realize there were lease agreements signed in 2005 related to the building and therefore, when the building appeared on the Department of Public Works schedule for the College in 2010, they capitalized the building as has always occurred in the past as being indicative of the property being transferred.

Recommendation – We recommend management create procedures to ensure that finance is aware of all agreements so they can be evaluated for financial statement purposes.

Management Response – Management concurs with the finding. Because no individuals remain at the College who were involved in preparation, review or approval of either the lease agreements or the subsequent financial reports, it is not possible to identify and correct the root cause of the problem. Communications appear to be a major factor. The College has put into place a procedure which requires review of existing leases prior to capitalizing an asset funded through DPW, and the College also now requires review of the funding source for any DPW project which exceeds a threshold value. Specifically, if the DPW project cost exceeds the level which would have required approval by the State Board of Education, the College will verify funding source prior to capitalizing the project. Management has briefed all executive officers of the College, and all personnel involved with leases and financial reporting, on the problem and corrective action.

Section III - Federal Award Findings and Questioned Costs

None

EASTERN IDAHO TECHNICAL COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

Finding 2011-01 – Special Tests and Provisions: Return of Title IV Funds
Condition – The College eliminated instructor-initiated withdrawals for students who stopped attending class and did not implement a different process to identify unofficial withdrawals at the end of the term. The registrar's office did not notify the Director of Student Financial Aid that changes were made to the calendar days used in the Return of Title IV Funds calculation in order for recalculations to be performed.

Recommendation – Moss-Adams recommended that the College design and implement a process using system reports to identify unofficial withdrawals. This report should be generated at the end of each term and should be sent to the Director of Student Financial Aid who performs the appropriate Return of Title IV Funds calculations. Prior to the end of the audit, we observed that the College was able to create a system report that identified the unofficial withdrawals and planned to implement the use of the report.

Management Response – Eastern Idaho Technical College (EITC) now has a report in place which tells if a student(s) has earned "0" credits for the term. At the end of the term the report is run and then a double check is made against the Registrar's final grade report. If a student does a total withdrawal any time during a semester/term the same form and process are followed. The student initiated withdrawal is processed as soon as the last dates of attendance are verified with the instructors. Any student with "0" credits on their scheduled courses is/are pulled to verify the classes the student were enrolled and if they earned "0" credits due to Failing and/or Withdrawn status of all courses. The Registrar's Office prepares a Total Withdrawal form, which includes: date notified of "0" credits; term in which the "0" credits happened; academic program; student name (FML, address, date student entered EITC, last date of attendance at EITC, reason for Total Withdrawal (i.e. other = earned "0" credits); verification from instructors of last date attended (failing grades are required to have last date attended entered by instructors (into the student database) at the semester/term end. These Total Withdrawal forms are then routed to Financial Aid, Veteran's Affairs, and the Business Office. After processing is completed by Financial Aid, Veteran's Affairs, and the Business Office the form(s) are then returned to the Registrar's Office for review of the student hard copy file and closing the file. If the student owes any money to EITC Financial Aid, Veteran's Affairs, or the Business Office these amounts are indicated. The student has an electronic hold(s) on their account for the reasons indicated on the Total Withdrawal form. This/these holds prevent the student from getting verifications, requesting transcripts, or enrolling in any classes at EITC until the money owing has been paid. The Registrar's Office also changed the frequency of their reporting to the National Student Clearinghouse which sends the reports monthly to the NSLDS.

Status – Fully corrected.

EASTERN IDAHO TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grant / Program Title	Pass-Through Entity Identifying #	Federal CFDA Number	2012 Final
US Department of Education			
Direct Programs			
SEOG		84.007	25,928
CWS		84.033	12,854
PELL		84.063	1,683,451
ACG		84.375	-
Direct Student Loan Program		84.268	2,023,399
Pass Through Payments From the State of Idaho Division of Professional-Technical Education			
ABE Federal Direct Services	F-ABE-D01-12A-615	84.002A	260,934
ABE GAIN	F-ABE-D01-12D-615	84.002A	5,500
ABE Federal Incarcerated	F-ABE-D03-12B-615	84.002A	5,113
ABE Leadership (Teacher Training)	F-ABE-L01-12A-615	84.002A	9,999
ABE Leadership (IMAS)	F-ABE-D01-12C-615	84.002A	4,000
ABE Incentive Award	F-ABE-L06-12B-615	84.002A	6,774
ABE Bridge Project	F-ABE-L10-12A-615	84.002A	5,869
CNA Curriculum: Skills Exam - Phase 2	F-CDP-CCSE-AD-12A-615	84.048A	1,599
Academic Support	PFF-B01-12A-615	84.048A	96,058
Retention For PTE Students	PFF-B08-12B-615	84.048A	50,096
GOALS	PFF-B09-12C-615	84.048A	32,319
Special Populations	PFF-B09-12D-615	84.048A	75,075
Advanced Learning Partnership	RFF-C16-12A-615	84.048A	89,284
Nontraditional Training Programs	F-NTT-MCND-GU-12A-615	84.048A	76,479
Equipment	F-SPP-TCEQ-AD-12A-615	84.048A	100,000
ATM Bridge Component	F-SPP-ATMB-AB-12A-615	84.048A	600
FY2012 CATEMA System Fees	F-SPP-MCSF-AD-12A-615	84.048A	3,796
Pass Through Payments From the Idaho State Board of Education			
LEAP		84.069	4,147
SLEAP		84.069	-
US Deparment of The Interior, BLM			
Direct Programs			
Community Assistance - Fire Prevention Programs		15.228	24,000
US Department of Homeland Security			
Pass Through Payments From the State of Idaho			
State Fire Training System Grants	F-FST-NFA-ET-12-615	97.043	19,299
Total Federal Financial Assistance			4,616,573

The accompanying notes are an integral part of this schedule.

EASTERN IDAHO TECHNICAL COLLEGE
NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the College and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

2. COLLEGE ADMINISTERED LOAN PROGRAMS

During the fiscal year ended June 30, 2012, the College administered the following loan programs:

Loan Program	Federal CFDA Number	2012 Amount	2011 Amount
Direct Subsidized	84.268	1,084,097	1,052,779
Direct Unsubsidized	84.268	936,446	399,833
Parent Plus	84.268	2,856	5,850
Total		2,023,999	1,458,462