

EASTERN IDAHO TECHNICAL COLLEGE

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
CONTAINING AN**

**INDEPENDENT AUDITOR'S REPORT
and FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
INCLUDING SINGLE AUDIT
REPORTS FOR
THE YEAR ENDED JUNE 30, 2014**



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

The Idaho State Board of Education
Eastern Idaho Technical College

Report on the Financial Statements

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), which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the 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 the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

REPORT OF INDEPENDENT AUDITORS (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit as of June 30, 2014 and 2013, and the respective changes in their financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and certain information in Note 7, *Postemployment Benefits Other Than Pensions*, 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.

REPORT OF INDEPENDENT AUDITORS (continued)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedule of expenditures of federal awards as required by 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 are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2014, 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* in considering the College's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Eugene, Oregon
October 7, 2014

EASTERN IDAHO TECHNICAL COLLEGE MANAGEMENT’S DISCUSSION AND ANALYSIS

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, 2014 with comparative financial data for the years ended June 30, 2013 and 2012.

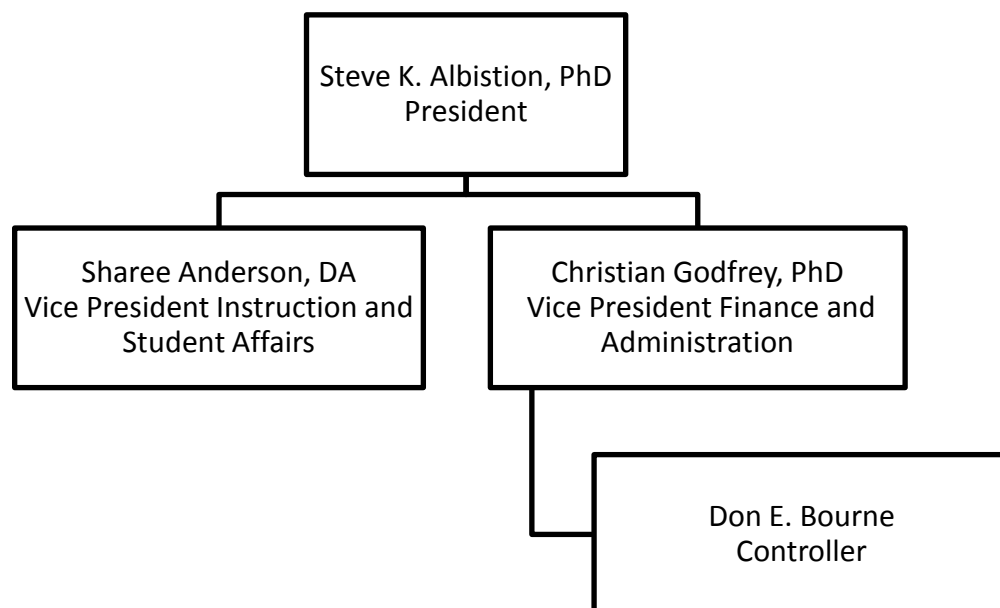
As required by GASB, this report includes the following three basic financial statements that provide information on the College as a whole: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. Each of these statements will be 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, 2014 include:

Steven K. Albiston, Ph.D.	President
Christian Godfrey, Ph.D.	Vice President for Finance and Administration
Don E. Bourne	Controller

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



Statement of Net Position

The statement of net position presents the financial status 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 position and is an indicator of the College's current financial condition.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets:			
Current assets	\$ 4,015,958	\$ 3,741,851	\$ 4,140,559
Noncurrent assets	<u>13,079,361</u>	<u>13,105,121</u>	<u>13,547,975</u>
Total assets	<u>17,095,319</u>	<u>16,846,972</u>	<u>17,688,534</u>
Liabilities:			
Current liabilities	941,538	909,094	1,089,234
Noncurrent liabilities	<u>485,000</u>	<u>427,000</u>	<u>351,000</u>
Total liabilities	<u>1,426,538</u>	<u>1,336,094</u>	<u>1,440,234</u>
Net Position:			
Invested in capital assets	13,079,361	13,105,121	13,547,975
Unrestricted	<u>2,589,420</u>	<u>2,405,757</u>	<u>2,700,325</u>
Total net position	<u>15,668,781</u>	<u>15,510,878</u>	<u>16,248,300</u>
Total liabilities and net position	<u>\$ 17,095,319</u>	<u>\$ 16,846,972</u>	<u>\$ 17,688,534</u>

Total net position increased by 1 percent in 2014 from \$15,510,878 to \$15,668,781, an increase of \$157,903. Reasons for the increase include cash and accounts receivable from a reduction in expenses from multiple sources. Additional information can be obtained from the notes to the financial statements.

As of June 30, 2014, total College assets were \$17.1 million. Current assets consisted primarily of cash and cash equivalents amounting to \$1,552,692; cash with the state treasurer in the amount of \$1,416,683; amounts due from other state agencies totaling \$756,231; and miscellaneous other assets. The \$274,107 increase in current assets is largely due to an increase of \$233,777 in cash with the state treasurer and an increase in accounts due from state agencies of \$85,840.

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, 2014 totaled \$580,947. Amounts due to employees for compensated absences amounted to \$226,923. These combined liabilities are slightly higher than FY 2013 and is normal variation. Balances due to suppliers for goods and services provided to the College on or prior to June 30, 2014 were \$72,423 which is lower than FY 2013 and earlier years.

Noncurrent liabilities totaling \$485,000 are represented entirely by the net OPEB obligation accrued in accordance with GASB Statement No. 45.

Statement of Revenues, Expenses and Changes in Net Position

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating Revenues	\$3,316,264	\$3,269,512	\$3,559,075
Operating Expenses	<u>11,481,221</u>	<u>12,171,026</u>	<u>12,016,857</u>
Operating Income (loss)	(8,164,957)	(8,901,514)	(8,457,782)
Net non-operating revenues	<u>7,694,203</u>	<u>7,831,320</u>	<u>7,548,544</u>
Income (loss) before other revenues	(470,754)	(1,070,194)	(909,238)
Other Revenues	<u>628,656</u>	<u>332,772</u>	<u>(29,292)</u>
Increase (decrease) in net position	157,902	(737,422)	(938,530)
Net position – beginning of year	<u>\$15,510,878</u>	<u>\$16,248,300</u>	<u>\$17,186,830</u>
Net position – end of year	<u>\$15,668,780</u>	<u>\$15,510,878</u>	<u>\$16,248,300</u>

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.

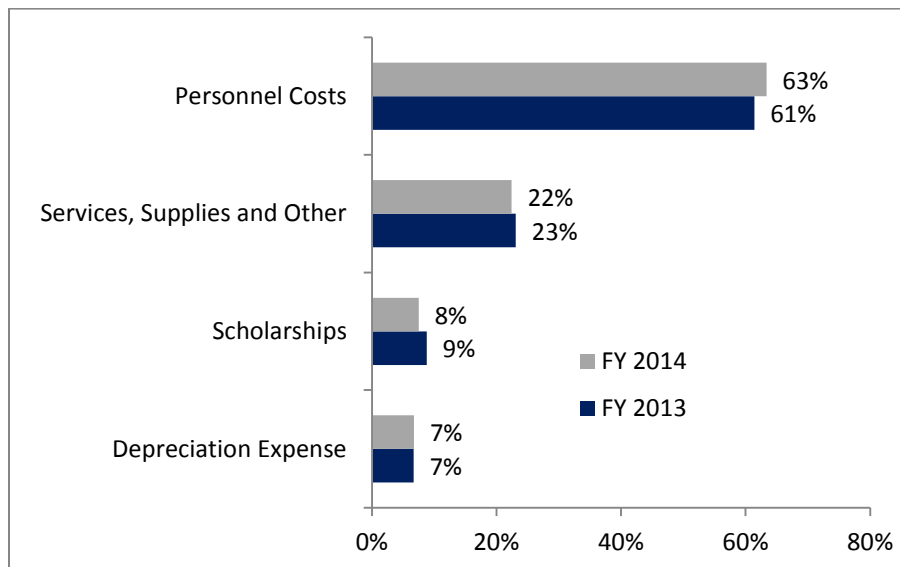
Operating revenues increased by \$46,752 from that of the previous year. An increase in revenue from both Federal as well as State and local grants and contracts offset the decreases in private grants and contracts as well as the decreases in auxiliary enterprises (bookstore) revenues. Net non-operating revenues decreased by \$137,117 from 2013.

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 \$937,527 for 2014 which included scholarship checks issued to pay fee charges of \$243,271 and financial aid checks issued to pay fee charges of \$694,256.

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”).

Personnel costs are by far the largest single operating expense, accounting for 63 percent of the College’s operating costs in FY 2014. Services, supplies, insurance, utilities and rent and other expenses represent 22 percent with scholarships and depreciation representing 8 percent and 7 percent respectively for FY 2014. A comparison with FY 2013 is shown below.

OPERATING EXPENSES, FY 2014 VS. FY 2013



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.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash Provided by (used in):			
Operating activities	\$ (7,412,621)	\$ (8,062,383)	\$ (7,625,675)
Noncapital financing activities	7,689,126	7,810,359	7,545,028
Capital and related financing activities	(65,755)	7,314	(397,311)
Investing activities	<u>4,464</u>	<u>6,623</u>	<u>10,891</u>
Net increase (decrease) in cash	215,214	(238,087)	(467,067)
Cash and cash equivalents - beginning of year	<u>2,754,160</u>	<u>2,992,247</u>	<u>3,459,315</u>
Cash and cash equivalents - end of year	<u>\$ 2,969,375</u>	<u>\$ 2,754,160</u>	<u>\$ 2,992,247</u>

The College's cash and cash equivalents increased by \$215,214 during FY 2014. The most notable increase was from cash generated by reductions in cash flows to suppliers and employees. Cash inflows of student fees decreased due to anticipated enrollment declines, mostly by part time students.

Major sources of operating funds during 2014 were net student fees \$736,423 (down \$68,413), grants and contracts \$2,091,866 (down \$63,273) and auxiliary enterprise sales \$306,432 (down \$32,949). Major uses of operating funds during FY 2014 were payments to suppliers \$2,611,161 (down \$326,251), payments for employee salaries and benefits \$7,160,866 (down \$279,680) and payments for scholarships \$862,313 (down \$209,439). The College's significant sources of cash provided by non-capital financing activities were state appropriations \$5,924,959 (down \$10,113) and gifts and grants amounting to \$1,764,058 (down \$111,548). The primary use of funds in capital and related financing activities during 2014 was a \$762,724 investment in capital assets. Capital grants and contracts on the statement of cash flows reflect a cash inflow of \$53,049; this is cash inflow for purchase of instructional equipment in FY 2013 using a state grant for which reimbursement was received in FY 2014. Interest received on investments, \$4,464, was the only source of funds from investing activities.

Component Unit Foundation

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

At June 30, 2014, the statement of net position revealed that the total assets of the Foundation were \$4,408,140. Foundation assets are comprised of cash and cash equivalents amounting to \$937,224 and investments totaling \$2,589,031. Foundation liabilities are comprised of accounts payable and accrued liabilities amounting to \$14,123 and no annuities payable. Net assets of the Foundation total \$4,394,017. Of this amount, \$4,023,091 is restricted by donor stipulations that limit the use of the donated assets.

The statement of revenues, expenses and changes in net position for 2014 indicates an increase in total net assets of \$618,163. Primary sources of revenues for the Foundation were public support \$581,193, an unrealized gain on investments of \$113,946, interest and dividend income \$135,132 and donated services of \$73,218. Significant expenses of the Foundation include scholarship payments and other support to the College of \$416,506 (compared with \$630,457 in FY 2013), and personnel costs \$73,216.

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 FY 2014, clearly indicating the economic position and future of Eastern Idaho Technical College is closely tied to that of the state of Idaho.

The FY 2015 state budget calls for a 1% onetime bonus increase and a 1% ongoing increase in salaries for all state full time employees but an increase in medical insurance premiums. The allocation from the Division of Professional-Technical Education includes funding for this increase for employees paid by PTE funding. However, funding actually decreased slightly when these funds are removed from the allocation. In addition, there is no additional state funding identified for the premium increase for those state employees not funded by PTE (mostly information systems technicians and student services employees). The College's FY 2015 budget anticipates operating at a net loss for the year, the amount of which is highly dependent on revenue from adult education and federal contracts.

The College expects to see little change in economic conditions through 2016. 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 POSITION JUNE 30, 2014 AND 2013

ASSETS	COLLEGE		COMPONENT UNIT	
	2014	2013	2014	2013
CURRENT ASSETS:				
Cash and cash equivalents	\$ 1,552,692	\$ 1,571,254	\$ 937,224	\$ 635,385
Cash with state treasurer	1,416,683	1,182,906	-	-
Accounts receivable and unbilled charges, net	123,009	162,828	-	-
Due from state agencies	756,231	670,391	-	-
Inventories	167,343	154,472	-	-
Investments	-	-	2,589,031	2,261,475
Pledges receivable	-	-	-	-
Note Receivable	-	-	-	-
Total current assets	<u>4,015,958</u>	<u>3,741,851</u>	<u>3,526,255</u>	<u>2,896,860</u>
NONCURRENT ASSETS:				
Note receivable	-	-	-	-
Investments	-	-	881,885	789,503
Property, plant and equipment - net	<u>13,079,361</u>	<u>13,105,121</u>	<u>-</u>	<u>100,000</u>
Total noncurrent assets	<u>13,079,361</u>	<u>13,105,121</u>	<u>881,885</u>	<u>889,503</u>
TOTAL ASSETS	<u>\$ 17,095,319</u>	<u>\$ 16,846,972</u>	<u>\$ 4,408,140</u>	<u>\$ 3,786,363</u>
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES:				
Accounts payable	\$ 72,423	\$ 95,987	\$ 14,123	\$ 10,509
Accrued salaries and benefits payable	580,947	528,706	-	-
Compensated absences payable	226,923	224,940	-	-
Deposits	34,184	34,075	-	-
Deferred revenue	27,061	25,386	-	-
Annuities payable	-	-	-	-
Total current liabilities	<u>941,538</u>	<u>909,094</u>	<u>14,123</u>	<u>10,509</u>
NONCURRENT LIABILITIES:				
Other Liabilities - net OPEB obligation	485,000	427,000	-	-
Annuities payable	-	-	-	-
Charitable remainder payable	-	-	-	-
Total non-current liabilities	<u>485,000</u>	<u>427,000</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,426,538</u>	<u>1,336,094</u>	<u>14,123</u>	<u>10,509</u>
NET POSITION:				
Invested in capital assets - net of related debt	13,079,361	13,105,121	-	-
Restricted for:				
Nonexpendable	-	-	881,885	789,503
Expendable	-	-	3,141,206	2,673,797
Unrestricted	<u>2,589,420</u>	<u>2,405,757</u>	<u>370,926</u>	<u>312,554</u>
Total net position	<u>15,668,781</u>	<u>15,510,878</u>	<u>4,394,017</u>	<u>3,775,854</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 17,095,319</u>	<u>\$ 16,846,972</u>	<u>\$ 4,408,140</u>	<u>\$ 3,786,363</u>

See accompanying notes

EASTERN IDAHO TECHNICAL COLLEGE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED JUNE 30, 2014 AND 2013

	COLLEGE		COMPONENT UNIT	
	2014	2013	2014	2013
OPERATING REVENUES:				
Student fees (net of scholarship discounts and allowances of \$937,527 and \$838,777)	\$ 755,404	\$ 785,091	\$ -	\$ -
Federal grants and contracts	809,669	755,806	-	-
State and local grants and contracts	788,895	504,591	-	-
Private grants and contracts (includes \$305 and \$62,730 from the Foundation)	570,291	796,159	-	-
Sales and services of educational activities	60,274	54,644	-	-
Sales and services of auxiliary enterprise - bookstore	307,135	339,190	-	-
Foundation public support	-	-	581,193	357,142
Foundation investment income	-	-	135,132	72,331
Other	24,596	34,031	-	-
Total operating revenues	3,316,264	3,269,512	716,325	429,473
OPERATING EXPENSES:				
Personnel costs	7,273,089	7,473,039	73,218	90,468
Services	835,243	968,834	52,282	63,041
Supplies	1,006,410	1,146,724	-	-
Insurance, utilities and rent	624,432	563,529	-	-
Scholarships and fellowships	862,313	1,071,752	-	-
Depreciation	773,221	815,261	-	-
Distributions to the College	-	-	416,506	630,457
Miscellaneous	106,513	131,887	16,750	52,522
Total operating expenses	11,481,221	12,171,026	558,756	836,488
OPERATING INCOME (LOSS)	(8,164,957)	(8,901,514)	157,569	(407,015)
NONOPERATING REVENUES:				
State appropriations	5,925,681	5,949,091	-	-
Gifts and grants (includes \$247,472 and \$240,686 from the Foundation)	1,764,058	1,875,606	-	-
Interest income	4,464	6,623	-	-
Unrealized gain (loss) on investments	-	-	113,946	279,647
Gain (loss) on sale of investments	-	-	273,430	32,774
Donated services	-	-	73,218	88,178
Total nonoperating revenues	7,694,203	7,831,320	460,594	400,599
INCOME (LOSS) BEFORE OTHER REVENUES	(470,754)	(1,070,194)	618,163	(6,416)
OTHER REVENUES (EXPENSES):				
State capital appropriations	643,407	287,780	-	-
Capital grants and gifts	4,725	54,924	-	-
Gain (loss) on disposition of property, plant and equipment	(19,476)	(9,932)	-	-
Total other revenues (expenses)	628,656	332,772	-	-
INCREASE (DECREASE) IN NET POSITION	157,902	(737,422)	618,163	(6,416)
NET POSITOIN, BEGINNING OF YEAR	15,510,878	16,248,300	3,775,854	3,782,270
NET POSITION, END OF YEAR	\$ 15,668,780	\$ 15,510,878	\$ 4,394,017	\$ 3,775,854

See accompanying notes

EASTERN IDAHO TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2014 AND 2013

	COLLEGE	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student fees	\$ 736,423	\$ 804,836
Grants and contracts	2,091,866	2,155,139
Sales and services of educational activities	62,402	53,940
Payments to suppliers	(2,611,161)	(2,937,412)
Payments to employees	(7,160,866)	(7,440,546)
Payments for scholarships and fellowships	(862,313)	(1,071,752)
Sales and services of auxiliary	306,432	339,381
Other receipts	<u>24,596</u>	<u>34,031</u>
Net cash provided (used) by operating activities	<u>(7,412,621)</u>	<u>(8,062,383)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	5,924,959	5,935,072
Gifts and grants	1,764,058	1,875,606
Deposits and advances	109	(319)
Student lending receipts	1,934,144	2,111,895
Student lending payments	<u>(1,934,144)</u>	<u>(2,111,895)</u>
Net cash provided (used) by noncapital financing activities	<u>7,689,126</u>	<u>7,810,359</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants and contracts	53,049	100,000
Purchases of property, plant and equipment	(119,317)	(94,976)
Proceeds from the sale of property, plant and equipment	<u>513</u>	<u>2,030</u>
Net cash provided (used) by capital and related financing activities	<u>(65,755)</u>	<u>7,314</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	<u>4,465</u>	<u>6,623</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	215,215	(238,088)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,754,160</u>	<u>2,992,247</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,969,375</u>	<u>\$ 2,754,160</u>

See accompanying notes

EASTERN IDAHO TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2014 AND 2013

	COLLEGE	
	2014	2013
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES:		
Operating income (loss)	\$ (8,164,957)	\$ (8,901,514)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	773,221	815,261
Maintenance costs paid by the Division of Public Works	-	-
Changes in assets and liabilities:		
Accounts receivable and unbilled charges - net	(98,348)	119,024
Work-in-process	2,128	(704)
Inventories	(14,999)	9,370
Unearned fees	-	(1,251)
Prepaid expenses	-	-
Accounts payable	(23,564)	(135,808)
Accrued salaries and benefits payable	52,241	(38,785)
Compensated absences payable	1,982	(4,722)
Net OPEB obligation	58,000	76,000
Deferred revenue	1,675	746
Net cash provided (used) by operating activities	<u>\$ (7,412,621)</u>	<u>\$ (8,062,383)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:		
Donated assets	\$ 4,725	\$ 1,875
Assets acquired through state capital appropriations	643,407	287,780

See accompanying notes

EASTERN IDAHO TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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 position. The College did not have unrealized investment gains or losses for the years ended June 30, 2014 and 2013.

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 position.

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, 2014 total approximately \$1,959,018.

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, 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 position, and as a component of personnel costs in the statement of revenues, expenses and changes in net position is \$226,923 and \$224,940 for the years ended June 30, 2014 and 2013, 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 percent 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 0.65 percent 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, 2014 and 2013 was \$ 28,375 and \$ 33,224 respectively.

Unearned Revenues – Unearned 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 Position – The College’s net position is classified as follows:

Invested in capital assets – 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, 2014 and 2013, 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 or function. The College did not incur unrelated business income tax expense in the fiscal years ended June 30, 2014 or 2013.

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 position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or 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, 2014 or 2013.

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.

New Accounting Standards – In June 2012, the GASB issued Statement No. 68. “Accounting and Financial Reporting for Pensions”. This Statement will require, for employer and governmental non-employer contributing entity financial reports, recognition of the entire net pension liability and a more comprehensive measure of pension expense. It will also require more robust disclosures of assumptions will allow for better informed assessments of the reasonableness of pension measurements Management has not yet determined the impact this standard will have on the College's financial statements. The requirements of this Statement are effective for the fiscal year ended June 30, 2015.

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, 2014 and 2013 consist of:

	2014	2013
Cash On Hand	\$ 1,200	\$ 800
Deposits with financial institutions	1,551,492	1,570,454
Cash with State Treasurer	1,416,683	1,182,906
Total	<u>\$2,969,375</u>	<u>\$2,754,160</u>

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, \$1,290,775 was uninsured and uncollateralized for the years ending June 30, 2014. For FY2013 \$1,060,736 was collateralized with securities held by the pledging financial institution. Cash deposits with the State Treasurer may be exposed to custodial credit risk. As of June 30, 2014, 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, 2014 and 2013:

<u>Current:</u>	<u>FY 2014</u>	<u>FY 2013</u>
Student fees	\$ 41,702	\$ 28,150
Auxiliary enterprises	1,799	1,096
Grants and contracts	84,030	145,208
Accounts receivable and unbilled charges - total	<u>127,531</u>	<u>174,754</u>
Less allowance for doubtful accounts	<u>(4,522)</u>	<u>(11,626)</u>
Accounts receivable and unbilled charges, net	<u>\$ 123,009</u>	<u>\$ 162,828</u>

4. PROPERTY, PLANT AND EQUIPMENT

Following are the changes in property, plant and equipment for the year ended June 30, 2014:

	2014			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<u>Property, Plant and Equipment Summary</u>				
Property, plant and equipment not being depreciated:				
Land	\$355,988	\$0	\$0	\$355,988
Construction in progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total property, plant and equipment not being depreciated	<u>355,988</u>	<u>0</u>	<u>0</u>	<u>355,988</u>
Other property, plant and equipment:				
Buildings and improvements	20,144,304	643,407	0	20,787,711
Furniture, fixtures and equipment	2,803,885	111,642	174,857	2,740,670
Library materials	<u>534,800</u>	<u>12,400</u>	<u>8,950</u>	<u>538,250</u>
Total other property, plant and equipment	23,482,990	767,449	183,807	24,066,632
Less accumulated depreciation:				
Buildings and improvements	8,634,187	603,887	0	9,238,074
Furniture, fixtures and equipment	1,532,232	194,047	159,344	1,566,935
Library materials	<u>567,439</u>	<u>-24,714</u>	<u>4,475</u>	<u>538,250</u>
Total accumulated depreciation	10,733,857	773,221	163,819	11,343,259
Other property, plant and equipment net of accumulated depreciation	<u>12,749,133</u>	<u>(5,772)</u>	<u>19,989</u>	<u>12,723,372</u>
Property, plant and equipment summary:				
Property, plant and equipment not being depreciated	355,988	0	0	355,988
Other property, plant and equipment	<u>23,482,990</u>	<u>767,449</u>	<u>183,807</u>	<u>24,066,632</u>
Total cost of property	23,838,978	767,449	183,807	24,422,620
Less accumulated depreciation	<u>10,733,857</u>	<u>773,221</u>	<u>163,819</u>	<u>11,343,259</u>
Property, plant and equipment - net	\$13,105,121	(\$5,772)	\$19,989	\$13,079,360

Following are the changes in property, plant and equipment for the year ended June 30, 2013:

	2013			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<u>Property, Plant and Equipment Summary</u>				
Property, plant and equipment not being depreciated:				
Land	\$355,988	-	-	\$355,988
Construction in progress	-	-	-	-
Total property, plant and equipment not being depreciated	<u>355,988</u>	<u>-</u>	<u>-</u>	<u>355,988</u>
Other property, plant and equipment:				
Buildings and improvements	19,856,524	287,780	-	20,144,304
Furniture, fixtures and equipment	2,769,571	90,939	56,624	2,803,885
Library materials	<u>530,900</u>	<u>5,650</u>	<u>1,750</u>	<u>534,800</u>
Total other property, plant and equipment	23,156,995	384,369	58,374	23,482,990
Less accumulated depreciation:				
Buildings and improvements	8,073,535	560,649	-	8,634,185
Furniture, fixtures and equipment	1,376,639	201,132	45,537	1,532,232
Library materials	<u>514,834</u>	<u>53,480</u>	<u>875</u>	<u>567,439</u>
Total accumulated depreciation	9,965,008	815,261	46,412	10,733,857
Other property, plant and equipment net of accumulated depreciation	<u>13,191,987</u>	<u>(430,892)</u>	<u>11,962</u>	<u>12,749,133</u>
Property, plant and equipment summary:				
Property, plant and equipment not being depreciated	355,988	-	-	355,988
Other property, plant and equipment	<u>23,156,995</u>	<u>384,369</u>	<u>58,374</u>	<u>23,482,990</u>
Total cost of property	23,512,983	384,369	58,374	23,838,978
Less accumulated depreciation	<u>9,965,008</u>	<u>815,261</u>	<u>46,412</u>	<u>10,733,857</u>
Property, plant and equipment - net	<u>\$13,547,975</u>	<u>(\$430,892)</u>	<u>\$11,962</u>	<u>\$13,105,121</u>

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. These obligations will show a sizeable increase in the lease amounts for FY 2014 allowing the College to print in-house a lot of materials that used to be sent to outside printers and publishers. This leased equipment should result in a decrease in overall costs. The lease payments for non-cancelable agreements in excess of one year for the years ended June 30, 2014 and 2013 were \$116,887 and \$80,177. Future minimum lease obligations under these agreements for the years ending June 30 are as follows:

2015	77,755
2016	50,433
2017	40,320
2018	<u>40,320</u>
Total	<u>208,828</u>

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, 2013, and 2012 the required contribution rates for general employers each year was 10.39 percent and the required contribution rate for general members each of those years was 6.23 percent. The College’s contribution required and paid for those years were 191,081, and \$192,261

Starting on July 1, 2013 the contribution rates for employers and general members has changed. The new required contribution rates for general employers is now 11.32 percent and the required contribution for general members is now 6.79 percent. The Colleges contribution required and paid for FY 2014 was \$204,133.

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 required contribution rates for general employers is 10.31 percent and the required contribution rate for general members is 6.97 percent. The College’s contribution requirement (and amount paid) for the years ended June 30, 2014, 2013 and 2012 were \$283,760, \$285,200 and \$286,119 the general members contribution requirement (and amount paid) for the same time periods were \$177,659, \$192,807, and \$193,429 totaling \$461,419, \$478,007, and \$479,548 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, 2012. 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 employee must be receiving PERSI monthly benefits at the time of retirement and 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 \$14.04 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.

For up to 30 months following the date of disability, an employee may continue healthcare coverage under the State plan. Eastern Idaho Technical College pays 100 percent of Eastern Idaho Technical College's 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 charged \$8.48 per active employee per month in fiscal year 2014.

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, employment rehabilitation earnings, and certain retirement benefits. The State is self-insured for employees who became disabled prior to July 1, 2012; 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, 2012, 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 0.264 percent of payroll in fiscal year 2014. This portion of the long-term disability income benefit is not included in the actuarial estimate as this is considered an insured benefit.

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. Eastern Idaho Technical College pays 100 percent of the cost of basic life insurance for eligible retirees. The contribution by Eastern Idaho Technical College for the period as a percent of payroll was 1.177 percent for retirees under age 65, 0.894 percent for retirees between the ages of 65 and 69, and 0.600 percent 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)

	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan
		Healthcare	Life Insurance	Income	
Annual Required Contribution	\$13	\$7	\$9	\$5	\$81
Interest on NOO	7	0	0	0	12
Adjustment to ARC	(12)	(1)	0	0	(22)
Total Annual OPEB Cost	8	6	9	5	71
Contributions Made	(11)	(9)	(7)	(3)	(11)
Increase (Decrease) in NOO	(3)	(3)	2	2	60
NOO (Funding Excess) – Beginning of Year	155	8	(4)	2	266
NOO (Funding Excess) – End of Year	\$152	\$5	(\$2)	\$4	\$326
Percentage of AOC Contributed	137.5%	150.0%	77.8%	60.0%	-15.5%

Annual OPEB Cost Comparison

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

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

		Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan
			Healthcare	Life Insurance	Income	
Annual OPEB Cost	2012	\$20	\$8	\$5	\$5	\$69
	2013	\$9	\$6	\$9	\$5	\$92
	2014	\$8	\$6	\$9	\$5	\$71
Percentage of AOC Contributed	2012	94.3%	91.2%	111.9%	82.4%	16.0%
	2013	133.3%	133.3%	111.1%	80.0%	14.1%
	2014	137.5%	150.0%	77.8%	60.0%	15.5%
NOO (Funding Excess) – End of Year	2012	\$158	\$10	(\$3)	(\$1)	\$187
	2013	\$155	\$8	(\$4)	\$2	\$266
	2014	\$152	\$5	(\$2)	\$4	\$326

Funded Status and Funding Progress

The following table illustrates the funded status and the funding progress for 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	7/1/2013	7/1/2013	7/1/2013	7/1/2013	7/1/2013
1 Actuarial Value of Assets	\$0	\$0	\$0	\$0	\$0
2 Actuarial Accrued Liability (AAL)	\$95	\$43	\$34	\$22	\$987
3 Unfunded AAL (UAAL) (2) - (1)	\$95	\$43	\$34	\$22	\$987
4 Funded Ratios (1) : (2)	0.0%	0.0%	0.0%	0.0%	0.0%
5 Annual Covered Payroll	\$4,365	\$4,365	\$4,365	\$4,365	\$4,365
6 UAAL as a Percentage of Covered Payroll (3) : (5)	2.18%	0.99%	0.78%	0.50%	22.61%

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 immediately before note 8 contains the 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			Retiree Life Insurance Plan
		Healthcare	Life Insurance	Income	
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 Dollar Amount	Level Dollar Amount	Level Percentage of Payroll
Amortization Period	13 years, Closed	30 years, Open	4 years, Closed	5 years, Closed	30 years, Open
Assumptions:					
Inflation Rate	3.0%	3.0%	3.0%	3.0%	3.0%
Investment Return	3.75%	3.75%	3.75%	3.75%	3.75%
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	8.4%	8.4%	N/A	N/A	N/A
Healthcare Cost Ultimate Trend Rate	5.0%	5.0%	N/A	N/A	N/A

Required Supplementary Information

Schedule of Funding Progress (dollars in thousands):

OPEB Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial 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	7/1/2010	\$0	\$149	\$149	0.0%	\$4,526	3%
	7/1/2012	\$0	\$99	\$99	0.0%	\$3,198	3%
	7/1/2013	\$0	\$95	\$95	0.0%	\$4,365	2%
Long-Term Disability:							
Healthcare	7/1/2010	\$0	\$53	\$53	0.0%	\$4,526	1%
	7/1/2012	\$0	\$45	\$45	0.0%	\$3,198	1%
	7/1/2013	\$0	\$43	\$43	0.0%	\$4,365	1%
Life Insurance	7/1/2010	\$0	\$56	\$56	0.0%	\$4,526	1%
	7/1/2012	\$0	\$43	\$43	0.0%	\$3,198	1%
	7/1/2013	\$0	\$34	\$34	0.0%	\$4,365	1%
Income	7/1/2010	\$0	\$30	\$30	0.0%	\$4,526	1%
	7/1/2012	\$0	\$26	\$26	0.0%	\$3,198	1%
	7/1/2013	\$0	\$22	\$22	0.0%	\$4,365	1%
Retiree Life Insurance	7/1/2010	\$0	\$919	\$919	0.0%	\$4,526	20%
	7/1/2012	\$0	\$1,249	\$1,249	0.0%	\$3,198	39%
	7/1/2013	\$0	\$987	\$987	0.0%	\$4,365	23%

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

OPEB Plan	Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions	Actual Contributions as Percentage of ARC
Retiree Life Insurance	06/30/14	\$81	\$0	0.00%
Retiree Life Insurance	06/30/13	\$105	\$0	0.00%
Retiree Life Insurance	06/30/12	\$73	(\$11)	-15.00%

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 \$416,506 and \$630,457, for the years ending June 30, 2014 and 2013, respectively; the College provided funding for the Foundation’s director of operations salary and benefits in the amount of \$73,218 and \$88,178, for the years ending June 30, 2014 and 2013. 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, 2014 and 2013, the carrying amount of the Foundation’s cash and cash equivalents is comprised of the following:

	<u>2014</u>	<u>2013</u>
Cash on hand and demand deposits at banking institutions	\$925,297	\$623,484
Cash held in certificates of deposit	11,896	11,901
Total balance held	<u>\$937,193</u>	<u>\$635,385</u>

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, \$675,982 and \$635,385 was covered by federal depository insurance for the years ended June 30, 2014 and 2013, respectively and \$261,211 was uninsured and uncollateralized for the year ended June 30, 2014.

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 position 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:

	<u>2014</u>	<u>2013</u>
Money market funds	\$ 59,311	\$ 103,649
Equity securities	2,442,561	2,085,580
U.S Government obligations	692,807	412,555
Corporate debt securities	1,609	292,914
Municipal Bonds	117,940	123,025
Foreign and Other Obligations	<u>156,688</u>	<u>33,355</u>
Total investments	<u>\$ 3,470,916</u>	<u>\$ 3,050,978</u>

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, 2014

Investment Type	Less Than 1 Year	1-5 Years	6-10 Years	11-20 Years	20-30 Years	Over 30 Years	Total Fair Value
Debt Securities							
Money Market Funds							
U. S. Government obligations	6,445	142,313	215,758	86,279	189,948	52,067	692,807
Corporate obligations	15	331	510	200	411	121	1,609
Municipal Bonds	1,096	24,227	36,730	14,687	32,336	8,864	117,940
Foreign and Other	1,457	32,186	48,797	19,513	42,959	11,776	156,688
Total Debt Securities	<u>9,013</u>	<u>199,056</u>	<u>301,785</u>	<u>120,677</u>	<u>265,685</u>	<u>72,828</u>	969,044
Cash							59,311
Equity Mutual Funds							<u>2,442,561</u>
Total component unit investments reported on financial statements							<u>3,470,916</u>

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	Below B	Unrated
U. S. Government Obligations	692,807	322,884	36,168	71,239	120,666	48,198	56,768	20,518	16,366
Corporate obligations	1,609	542	56	150	183	194	322	127	35
Municipal Bonds	117,940	8,481	4,953	22,173	35,264	11,322	10,025	118	25,604
Foreign and Other Obligations	156,688	61,862	13,481	20,346	29,745	11,230	12,122	5,106	2,769
Total	969,044	393,769	54,658	113,908	185,858	70,944	79,237	25,869	44,801
Cash	59,311								
Equity Mutual funds	2,442,561								
Total Bonds and Securities	3,470,916								

Pledges Receivable – The Foundation held no pledges at June 30, 2014.

Temporarily Restricted Donation

The Foundation received a donation of a house during the year ended June 30, 2013. The agreement allows the donor to live in the house and that the donor be responsible for the insurance, property taxes, and maintenance of the home for the remainder of his life. This donation has been valued at the appraised value of \$100,000 and has been transferred to unrestricted net assets in the year ending June 30, 2014, as the donor has passed away and the house has been sold.

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, 2014:

	Level 1	Level 2	Level 3	Total
Interest bearing cash	59,311	-	-	59,311
U. S. government obligations	692,807	-	-	692,807
Corporate obligations	1,609	-	-	1,609
Preferred securities	0	-	-	0
Municipal bonds	117,940	-	-	117,940
Foreign and other obligations	156,688	-	-	156,688
Mutual funds	2,442,561			2,442,561
Total	<u>3,470,916</u>	<u>-</u>	<u>-</u>	<u>3,470,916</u>

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2013:

	Level 1	Level 2	Level 3	Total
Interest bearing cash	103,649	-	-	103,649
U. S. government obligations	412,455	-	-	412,455
Corporate obligations	288,343	-	-	288,343
Preferred securities	4,572	-	-	4,572
Municipal bonds	123,025	-	-	123,025
Foreign and other obligations	33,355	-	-	33,355
Mutual funds	2,085,580			2,085,580
House and land		-	100,000	100,000
Total	<u>3,050,978</u>	<u>-</u>	<u>100,000</u>	<u>3,150,978</u>

9. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATIONS

FY 2014 Natural Classifications

Functional Classifications	Salaries	Services	Supplies	Insurance	Scholarship	Depreciation	Misc	Total
Instruction	4,001,787	209,733	336,782	23,040	1,140	-	8,296	4,610,778
Academic Support	783,923	271,388	241,636	69,351	-	-	12,060	1,378,359
Student Services	743,522	48,694	13,439	206,119	71	-	2,485	1,014,330
Institutional Support	1,128,541	106,493	22,081	14,310	-	-	83,018	1,354,443
Operations & maintenance of plant	555,123	196,077	75,008	311,612	-	773,221	654	1,911,695
Scholarships	-	-	-	-	861,102	-	-	861,102
Auxiliary Enterprises	60,193	2,859	287,463	-	-	-	-	350,515
Total	7,273,089	835,243	1,006,410	624,432	862,313	773,221	106,513	11,481,221

FY 2013 Natural Classifications

Functional Classifications	Salaries	Services	Supplies	Insurance	Scholarship	Depreciation	Misc	Total
Instruction	4,339,133	271,213	465,944	23,081	477	-	7,547	5,107,395
Academic Support	647,124	257,939	69,129	21,766	530	-	7,838	1,004,326
Student Services	804,447	55,773	207,725	190,436	519	-	25,751	1,284,651
Institutional Support	1,155,159	168,643	15,984	12,177	-	-	89,816	1,441,779
Operations & maintenance of plant	467,300	209,805	92,853	316,069	-	815,261	935	1,902,223
Scholarships	-	-	-	-	1,070,226	-	-	1,070,226
Auxiliary Enterprises	59,876	5,461	295,089	-	-	-	-	360,426
Total	7,473,039	968,834	1,146,724	563,529	1,071,752	815,261	131,887	12,171,026

10. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of net position 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 position, 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 position but arose after the statement of net position 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.

**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***

The Idaho State Board of Education
Eastern Idaho Technical College

We have audited the financial statements of Eastern Idaho Technical College (College) and Eastern Idaho Technical College Foundation (Foundation), its discretely presented component unit, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated September 29, 2014. 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. Our report includes reference to other auditors who 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 the 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

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control), to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**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)**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

Eugene, Oregon
October 7, 2014

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Idaho State Board of Education
Eastern Idaho Technical College

Report on Compliance for Each Major Federal Program

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 each of the College's major federal programs for the year ended June 30, 2014. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 (continued)

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002. Our opinion on each major federal program is not modified with respect to these matters.

The College's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 a 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 (continued)

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

The College's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Moss Adams LLP

Eugene, Oregon
October 7, 2014

**EASTERN IDAHO TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☒ Yes ☐ No

Identification of Major Programs

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued</i>
Various	Student Financial Assistance Cluster	Unmodified

- Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

Section II - Financial Statement Findings

None

**EASTERN IDAHO TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section III - Federal Award Findings and Questioned Costs

2014-001 – Special Tests and Provisions: Return of Title IV Funds – Significant Deficiency

Federal Program: Student Financial Assistance Cluster

Federal Agency: Department of Education

Criteria – Per CFR 668.22(j)(2), if a school is not required to keep attendance, the school must have a mechanism in place to identify unofficial withdrawals no later than 30 days after the end of the earlier of the 1) payment period or period of enrollment; 2) academic year in which the student withdrew; 3) educational program from which the student withdrew. Per CFR 668.22 (f)(2)(i), the calculation of the percentage of payment period or period of enrollment completed by the student is based on the total number of calendar days in a payment period or period of enrollment including all days within the period, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in a payment period or period of enrollment.

Condition – Unofficial withdrawals had been identified for the fall semester 2013; however, the calculation of Return of Title IV Funds was not completed until June 2014.

Questioned Costs – None

Cause – The student financial aid office is charged with performing calculations on unofficial withdrawals to determine the amount of Title IV funds to return, if any. At the time when the calculations were to be performed, those responsible for calculating were out on leave and others within the student financial aid office were not aware of this compliance requirement.

Effect – Twenty four students were identified as unofficial withdrawals for which the required Return of Title IV Funds calculation had not been performed. A total of \$5,426 was calculated to be owed to the Department of Education, which was returned during June 2014.

Recommendations – We recommend that multiple employees within the student financial aid office be trained as to the compliance requirements related to the Student Financial Aid cluster. This will ensure that even when employees are out of the office on leave compliance requirements will be met.

Management's Response – EITC has completed a cross training program so that multiple employees within the Financial Aid Office understand the compliance requirements related to the Student Financial Aid cluster. Additionally, a master schedule of compliance tasks and deadlines was also reviewed and shared to help the entire Financial Aid Office understand the compliance responsibilities.

**EASTERN IDAHO TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section III - Federal Award Findings and Questioned Costs

2014-002 – Special Tests and Provision: Verification – Instance of Noncompliance

Federal Program: Student Financial Assistance Cluster

Federal Agency: Department of Education

Criteria – Per CFR 668.54(a)(1), Except as provided in paragraph (b) of this section, an institution must require an applicant whose FAFSA information is selected for verification by the secretary, to verify the information specified by the secretary pursuant to CFR 668.56.

Condition – For one student who had been selected for verification, no documentation could be found to support that verification had been performed.

Questioned Costs – None

Context – The student financial aid office is charged with performing the verification procedures for all students who have been selected for verification by the Department of Education. Students submit information and sign a school provided form to document the verification procedures that is retained by the school as proof of verification.

Cause – There is no written documentation to show that verification was performed for one student who received student financial aid.

Effect – Students could potentially receive more or less aid than they should if verification is not performed, and if the College is out of compliance, there is risk of losing federal funds.

Recommendations – We recommend that all documentation supporting the verification procedures performed be maintained.

Management's Response – EITC has reviewed the internal verification process with the Financial Aid Office to confirm that a procedure is in place to assure that written documentation will be retained for all students selected by the Department of Education for verification.

**EASTERN IDAHO TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Pass-Through Entity	Federal	
Federal Grant / Program Title	Identifying #	CFDA	2014
		Number	Final
US Department of Education			
Direct Programs			
SEOG		84.007	25,967
CWS		84.033	24,632
PELL		84.063	1,516,586
Direct Student Loan Program		84.268	1,934,150
Total Student Financial Aid Cluster			3,501,334
Pass Through Payments From the State of Idaho Division of Professional-Technical Education			
ABE Federal Direct Services	F-ABE-D01-14A-615	84.002A	297,607
ABE Leadership (Standards to Practice)	F-ABE-L01-14B-615	84.002A	6,076
ABE Leadership (OVAE & Content Training)	F-ABE-L01-14A-615	84.002A	2,587
ABE Incentive Funds	F-ABE-L06-14C-615	84.002A	4,387
ABE ITRP Funding	F-ABE-L10-14D-615	84.002A	9,073
ABE EL Civics	F-ABE-E01-14A-615	84.002A	3,863
Acadmic Support	PFF-B01-14A-615	84.048A	97,127
Retention For PTE Students	PFF-B08-14B-615	84.048A	51,105
GOALS	PFF-B09-14C-615	84.048A	28,078
Special Populations	PFF-B09-14D-615	84.048A	25,605
Advanced Learning Partnership	RFF-C16-14B-615	84.048A	84,993
Computer Based TABE Testing	FWIA-A03-14A-615	17.207	34,648
CATEMA System Fees	F-SPP-MCSF-AD-14A-615	84.048A	7,200
Total Department of Education passed through			652,349
US Department of Homeland Security			
Pass Through Payments From the State of Idaho			
National Fire Academy Training	S-SPP-MNFA-ET-14A-615	97.043	9,077
Total Expenditures of Federal Awards			4,162,760

The accompanying notes are an integral part of this schedule.

EASTERN IDAHO TECHNICAL COLLEGE
NOTES TO TOTAL SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

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* and the expenditures are recognized following the cost principles contained in OMB Circular A-21, Cost Principles for Education Institutions, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. Because the Schedule presents only a selected portion of the operations of the College, it is not intended and does not present the statement of net position, statements of revenues, expenses, and changes in net position, or cash flows of the College.”

2. COLLEGE ADMINISTERED LOAN PROGRAMS

During the fiscal year ended June 30, 2014, the College administered the following loan programs:

<u>Loan Program</u>	<u>Federal CFDA Number</u>	<u>2014 Amount</u>
Direct Subsidized	84.268	949,115
Direct Unsubsidized	84.268	964,057
Parent Plus	84.268	0
Total		<u>1,913,172</u>