

EASTERN IDAHO TECHNICAL COLLEGE

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
CONTAINING AN**

**INDEPENDENT AUDITOR'S REPORT
and FINANCIAL STATEMENTS**

JUNE 30, 2013 AND 2012

INCLUDING SINGLE AUDIT

REPORTS FOR

THE YEAR ENDED JUNE 30, 2013



An entity of the State of Idaho

**PREPARED BY THE CONTROLLER AND BUSINESS OFFICE OF
EASTERN IDAHO TECHNICAL COLLEGE**

1-208-524-3000

TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITORS	1-3
MANAGEMENT’S DISCUSSION AND ANALYSIS	4-10
FINANCIAL STATEMENTS:	
Statement of Net Position	11
Statement of Revenues, Expenses, and Changes in Net Position	12
Statement of Cash Flows	13 – 14
Notes to Financial Statements	15 – 39
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	40 – 41
REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE	42 – 44
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	45 – 46
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	47
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS	48-49

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) as of June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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 Eastern Idaho State College Foundation, a discretely presented component unit as described in Note 8. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for that component unit, are based solely on the report of other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 of 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the College and its discretely presented component unit as of June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity 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 3 through 9 and certain information in Note 7, *Postemployment Benefits Other Than Pensions*, 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)

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 27, 2013, 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.

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

Eugene, Oregon
September 27, 2013

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, 2013 with comparative financial data for the years ended June 30, 2012 and 2011.

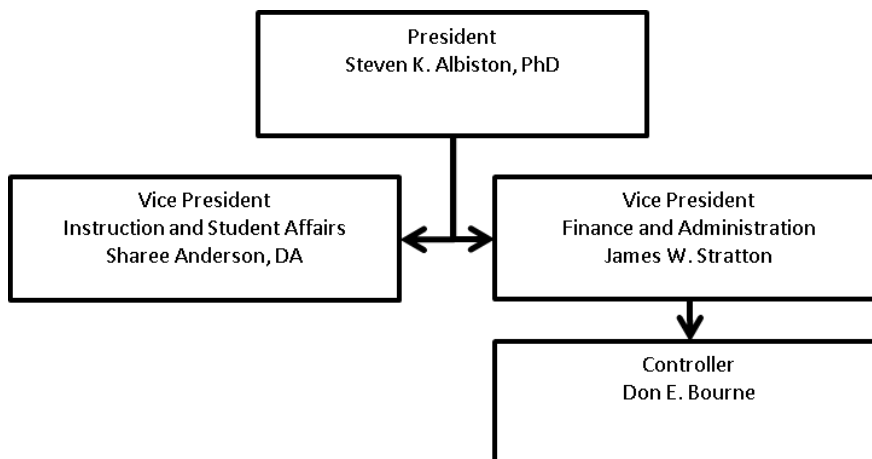
As required by GASB, this report includes the following three basic financial statements that provide information on the College as a whole: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. Each of these statements will be 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, 2013 include:

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

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



Statement of Net 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>2013</u>	<u>2012</u>	<u>2011</u>
Assets:			
Current assets	\$ 3,741,851	\$ 4,140,559	\$ 4,598,703
Noncurrent assets	<u>\$13,105,121</u>	<u>13,547,975</u>	<u>14,052,509</u>
Total assets	<u>\$16,846,972</u>	<u>17,688,534</u>	<u>18,651,212</u>
Liabilities:			
Current liabilities	909,094	1,089,234	1,173,382
Noncurrent liabilities	<u>427,000</u>	<u>351,000</u>	<u>291,000</u>
Total liabilities	<u>1,336,094</u>	<u>1,440,234</u>	<u>1,464,382</u>
Net Position:			
Invested in capital assets	13,105,121	13,547,975	14,052,509
Unrestricted	<u>2,405,757</u>	<u>2,700,325</u>	<u>3,134,321</u>
Total net position	<u>15,510,878</u>	<u>16,248,300</u>	<u>17,186,830</u>
Total liabilities and net position	<u>16,846,972</u>	<u>\$17,688,534</u>	<u>\$ 18,651,212</u>

Total net position decreased by 4.5 percent in 2013 from \$16,248,300 to \$15,510,878, a reduction of \$737,422. Reasons for the reduction include depreciation, a reduction in revenues from multiple sources and planned expenses for non-capital equipment. Additional information can be obtained from the notes to the financial statements.

As of June 30, 2013, total College assets were \$16.8 million. Current assets consisted primarily of cash and cash equivalents amounting to \$1,571,254; cash with the state treasurer in the amount of \$1,182,906; amounts due from other state agencies totaling \$670,391; and miscellaneous other assets. The \$398,708 decrease in current assets is largely due to a decrease of \$238,087 in cash and cash equivalents and cash with the state treasurer and a decrease in accounts receivable of \$82,046. The change in cash and cash equivalents is attributable primarily to ongoing expenses of the college and lower revenue from almost all funding sources.

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, 2013 totaled \$528,706. Additional amounts due to employees for compensated absences amounted to \$224,940. These combined liabilities are slightly lower than FY 2012 and is normal variation. Balances due to suppliers for goods and services provided to the College on or prior to June 30,

2013 were \$95,987 which is much lower than FY 2012 and earlier years. The major reason for this change is a single invoice and payment of about \$108,000 for Colleague software. In FY 2012 the invoice was received shortly before the end of the fiscal year and carried forward as a payable. In FY 2013 this invoice was received earlier in the year, paid and not carried forward as a payable.

Noncurrent liabilities totaling \$427,000 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>2013</u>	<u>2012</u>	<u>2011</u>
Operating Revenues	\$3,269,512	\$3,559,075	\$3,877,233
Operating Expenses	<u>12,171,026</u>	<u>12,016,857</u>	<u>12,445,642</u>
Operating Income (loss)	(8,901,514)	(8,457,782)	(8,568,409)
Net nonoperating revenues	<u>7,831,320</u>	<u>7,548,544</u>	<u>8,017,880</u>
Income (loss) before other revenues	(1,070,194)	(909,238)	(550,529)
Other Revenues	<u>332,772</u>	<u>(29,292)</u>	<u>93,193</u>
Increase (decrease) in net position	(737,422)	(938,530)	(457,336)
Net position – beginning of year	<u>\$16,248,300</u>	<u>\$17,186,830</u>	<u>17,644,166</u>
Net position – end of year	<u>\$15,510,878</u>	<u>\$16,248,300</u>	<u>\$17,186,830</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 decreased by \$289,563 from that of the previous year, which in turn was down \$318,158 from FY 2011. Almost every source of operating revenue decreased including federal grants and contracts, state and local grants, and private grants. Auxiliary enterprises (bookstore) and revenue from student fees generated increased revenues, but not to the degree expected. Net fees from students amounted to \$785,091 compared to \$763,846 in FY 2012. Student fees reflect a 5.0 percent increase in full and part time student fees approved by the State Board of Education which was offset by a continuing decline in enrollment. The \$154,169 increase in operating expenses was the net result of a variety of effects. Personnel costs rose in FY 2013 due to a 2 percent increase in employee compensation and increases in benefit costs. Service and supply costs dropped in part due to normal variation, partly due to reduced enrollment and partly because FY 2012 costs against which they are compared were somewhat higher than previous years.

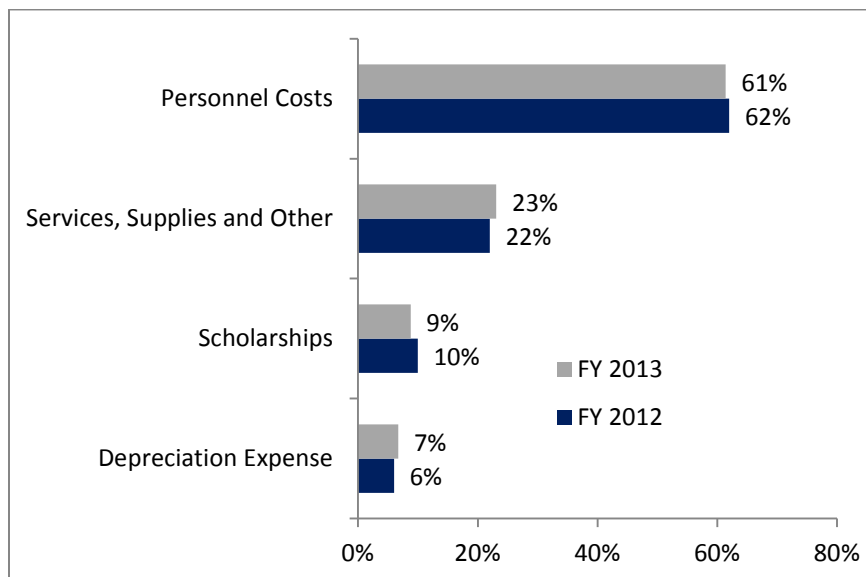
Net non-operating revenues increased by \$282,776 from 2012. That change is primarily the result of a slight increase in state appropriations to offset the 2 percent pay increase and higher benefit costs.

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 \$838,777 for 2013 which included scholarship checks issued to pay fee charges of \$234,521 and financial aid checks issued to pay fee charges of \$604,256.

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 61 percent of the College’s operating costs in FY 2013. Services, supplies, insurance, utilities and rent and other expenses represent 23 percent with scholarships and depreciation representing 9 percent and 7 percent respectively for FY 2013. A comparison with FY 2012 is shown below.

OPERATING EXPENSES, FY 2013 VS. FY 2012



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>2013</u>	<u>2012</u>	<u>2011</u>
Cash Provided by (used in):			
Operating activities	\$ (8,062,383)	\$ (7,625,675)	\$ (7,683,820)
Noncapital financing activities	7,810,359	7,545,028	8,017,896
Capital and related financing activities	7,314	(397,311)	(189,554)
Investing activities	<u>6,623</u>	<u>10,891</u>	<u>12,605</u>
Net increase (decrease) in cash	(238,087)	(467,067)	157,127
Cash and cash equivalents - beginning of year	<u>2,992,247</u>	<u>3,459,315</u>	<u>3,302,188</u>
Cash and cash equivalents - end of year	<u>\$ 2,754,160</u>	<u>\$ 2,992,247</u>	<u>\$ 3,459,315</u>

The College's cash and cash equivalents decreased by \$238,087 during FY 2013. The most notable decrease was from cash generated by grants and contracts activities. Cash inflows of student fees rose less than expected due to declining enrollment, mostly of part time students. Cash outflows for personnel costs were higher due a state legislated 2 percent increase in employee pay and for higher employee benefit costs, some but not all of which was offset by higher funding from state appropriations.

Major sources of operating funds during 2013 were net student fees \$804,836 (up \$35,734), grants and contracts \$2,155,139 (down \$298,583) and auxiliary enterprise sales \$339,381 (up \$13,399). Major uses of operating funds during FY 2013 were payments to suppliers \$2,937,412 (up \$161,222), payments for employee salaries and benefits \$7,440,546 (up \$82,236) and payments for scholarships \$1,071,752 (down \$80,686). The College's significant sources of cash provided by non-capital financing activities were state appropriations \$5,935,072 (up \$287,640) and gifts and grants amounting to \$1,875,606 (down \$19,327). The primary use of funds in capital and related financing activities during 2013 was a \$94,976 investment in capital assets. Capital grants and contracts on the statement of cash flows reflect a cash inflow of \$100,000; this is cash inflow for purchase of instructional equipment in FY 2012 using a federal grant for which reimbursement was received in FY 2013. Interest received on investments, \$6,623, was the only source of funds from investing activities.

The increase in salaries and benefits in FY 2013, compared to FY 2012, represents the result of a measure passed by the state legislature which mandated a 2 percent increase in salaries for all state employees. Premiums for medical insurance benefits rose in FY 2013 and are expected to continue to increase for the next several years.

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, 2013, the statement of net position revealed that the total assets of the Foundation were \$3,786,363. Foundation assets are comprised of cash and cash equivalents amounting to \$635,383 and investments totaling \$2,261,477. Foundation liabilities are comprised of accounts payable and accrued liabilities amounting to \$10,509 and no annuities payable. Net assets of the Foundation total \$3,775,854. Of this amount, \$789,503 is restricted by donor stipulations that limit the use of the donated assets.

The statement of revenues, expenses and changes in net position for 2013 indicates a decrease in total net assets of \$6,416. Primary sources of revenues for the Foundation were public support \$357,142, an unrealized gain on investments of \$279,647, interest and dividend income \$72,331 and donated services of \$88,178. Significant expenses of the Foundation include scholarship payments and other support to the College of \$630,457 (compared with \$622,041 in FY 2012), and personnel costs \$90,468.

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 2013, clearly indicating the economic position and future of Eastern Idaho Technical College is closely tied to that of the state of Idaho.

The FY 2014 state budget calls for no 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 2014 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 2015. 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, 2013 AND 2012

	<u>COLLEGE</u>		<u>COMPONENT UNIT</u>	
ASSETS	2013	2012	2013	2012
CURRENT ASSETS:				
Cash and cash equivalents	\$ 1,571,254	\$ 1,633,588	\$ 635,385	\$ 969,575
Cash with state treasurer	1,182,906	1,358,659	-	-
Accounts receivable and unbilled charges (net of allowance \$11,626 & \$7,485)	162,828	244,874	-	-
Due from state agencies	670,391	740,300	-	-
Inventories	154,472	163,138	-	-
Investments	-	-	2,261,475	2,105,288
Pledges receivable	-	-	-	3,750
Total current assets	<u>3,741,851</u>	<u>4,140,559</u>	<u>2,896,860</u>	<u>3,078,613</u>
LONG TERM ASSETS:				
Investments	-	-	789,503	789,503
Property, plant and equipment - net	<u>13,105,121</u>	<u>13,547,975</u>	<u>100,000</u>	<u>-</u>
Total long term assets	<u>13,105,121</u>	<u>13,547,975</u>	<u>889,503</u>	<u>789,503</u>
TOTAL ASSETS	<u>\$ 16,846,972</u>	<u>\$ 17,688,534</u>	<u>\$ 3,786,363</u>	<u>\$ 3,868,116</u>
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES:				
Accounts payable	\$ 95,987	\$ 231,795	\$ 10,509	\$ 17,523
Accrued salaries and benefits payable	528,706	567,491	-	-
Compensated absences payable	224,940	229,662	-	-
Deposits	34,075	34,394	-	-
Deferred revenue	25,386	25,891	-	-
Annuities payable	-	-	-	8,679
Total current liabilities	<u>909,094</u>	<u>1,089,234</u>	<u>10,509</u>	<u>26,202</u>
LONG TERM LIABILITIES:				
Other Liabilities - net OPEB obligation	427,000	351,000	-	-
Annuities payable	-	-	-	31,844
Charitable remainder payable	-	-	-	27,800
Total long term liabilities	<u>427,000</u>	<u>351,000</u>	<u>-</u>	<u>59,644</u>
TOTAL LIABILITIES	<u>1,336,094</u>	<u>1,440,234</u>	<u>10,509</u>	<u>85,846</u>
NET POSITION:				
Invested in capital assets	13,105,121	13,547,975	-	-
Restricted for:				
Nonexpendable	-	-	789,503	789,503
Expendable	-	-	2,673,797	2,672,510
Unrestricted	<u>2,405,757</u>	<u>2,700,325</u>	<u>312,554</u>	<u>320,257</u>
Total net position	<u>15,510,878</u>	<u>16,248,300</u>	<u>3,775,854</u>	<u>3,782,270</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 16,846,972</u>	<u>\$ 17,688,534</u>	<u>\$ 3,786,363</u>	<u>\$ 3,868,116</u>

See accompanying notes

EASTERN IDAHO TECHNICAL COLLEGE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION JUNE 30, 2013 AND 2012

	<u>COLLEGE</u>		<u>COMPONENT UNIT</u>	
	2013	2012	2013	2012
OPERATING REVENUES:				
Student fees – (net of scholarship discounts and allowances of \$838,777 and \$809,177)	\$ 785,091	\$ 763,846	\$ -	\$ -
Federal grants and contracts	755,806	914,198	-	-
State and local grants and contracts	504,591	573,134	-	-
Private grants and contracts (includes \$62,730 and \$144,097 from the Foundation)	796,159	864,012	-	-
Sales & services of educational activities	54,644	78,882	-	-
Sales & services of aux. enterprise (bookstore)	339,190	327,269	-	-
Foundation public support	-	-	357,142	286,602
Foundation investment income	-	-	72,331	94,932
Other	34,031	37,734	-	-
Total operating revenues	<u>3,269,512</u>	<u>3,559,075</u>	<u>429,473</u>	<u>381,534</u>
OPERATING EXPENSES:				
Personnel costs	7,473,039	7,426,902	90,468	79,596
Services	968,834	1,128,862	63,041	96,756
Supplies	1,146,724	844,124	-	-
Insurance, utilities and rent	563,529	468,708	-	-
Scholarships and fellowships	1,071,752	1,152,438	-	-
Depreciation	815,261	772,554	-	-
Distributions to the College	-	-	630,457	622,041
Miscellaneous	131,887	223,269	52,522	25,477
Total operating expenses	<u>12,171,026</u>	<u>12,016,857</u>	<u>836,488</u>	<u>823,870</u>
OPERATING INCOME (LOSS)	(8,901,514)	(8,457,782)	(407,015)	(442,336)
NONOPERATING REVENUES:				
State appropriations	5,949,091	5,642,720	-	-
Gifts and grants (includes \$240,686 and \$212,479 from the Foundation)	1,875,606	1,894,933	-	-
Interest income	6,623	10,891	-	-
Unrealized gain (loss) on investments	-	-	279,647	(21,697)
Gain (loss) on sale of investments	-	-	32,774	(28,627)
Donated services	-	-	88,178	79,596
Total nonoperating revenues	<u>7,831,320</u>	<u>7,548,544</u>	<u>400,599</u>	<u>29,272</u>
INCOME (LOSS) BEFORE OTHER REVENUES	(1,070,194)	(909,238)	(6,416)	(413,064)
OTHER REVENUES (EXPENSES):				
State capital appropriations	287,780	-	-	-
Capital grants and gifts	54,924	7,757	-	-
Gain (loss) on disposition of property, plant and equipment	(9,932)	(37,049)	-	-
Total other revenues (expenses)	<u>332,772</u>	<u>(29,292)</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN NET POSITION	(737,422)	(938,530)	(6,416)	(413,064)
NET POSITION, BEGINNING OF YEAR	<u>16,248,300</u>	<u>17,186,830</u>	<u>3,782,270</u>	<u>4,195,334</u>
NET POSITION, END OF YEAR	<u>\$ 15,510,878</u>	<u>\$ 16,248,300</u>	<u>\$ 3,775,854</u>	<u>\$ 3,782,270</u>

See accompanying notes

EASTERN IDAHO TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS JUNE 30, 2013 AND 2012

	<u>COLLEGE</u>	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student fees	\$ 804,836	\$ 769,102
Grants and contracts	2,155,139	2,453,722
Sales and services of educational activities	53,940	74,725
Payments to suppliers	(2,937,412)	(2,776,190)
Payments to employees	(7,440,546)	(7,358,310)
Payments for scholarships and fellowships	(1,071,752)	(1,152,438)
Sales and services of auxiliary enterprises (bookstore)	339,381	325,982
Other receipts	34,031	37,733
	<hr/>	<hr/>
Net cash provided (used) by operating activities	(8,062,383)	(7,625,675)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	5,935,072	5,647,432
Gifts and grants	1,875,606	1,894,933
Deposits and advances	(319)	2,663
Student lending receipts	2,111,895	2,023,146
Student lending payments	(2,111,895)	(2,023,146)
	<hr/>	<hr/>
Net cash provided (used) by noncapital financing activities	7,810,359	7,545,028
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants and contracts	100,000	(94,543)
Purchases of property, plant and equipment	(94,976)	(306,818)
Proceeds from the sale of property, plant and equipment	2,030	4,050
	<hr/>	<hr/>
Net cash provided (used) by capital and related financing activities	7314	(397,311)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	6,623	10,891
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(238,087)	(467,067)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,992,247	3,459,315
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,754,160</u>	<u>\$ 2,992,247</u>

Statement continues on next page

EASTERN IDAHO TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2013 AND 2012

	2013	2012
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES:		
Operating income (loss)	\$ (8,901,514)	\$ (8,457,782)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	815,261	772,554
Changes in assets and liabilities:		
Accounts receivable and unbilled charges - net	119,024	121,340
Work-in-process	(704)	(4,157)
Inventories	9,370	(30,819)
Unearned fees	(1,251)	(3,036)
Accounts payable	(135,808)	(80,409)
Accrued salaries and benefits payable	(38,785)	16,185
Compensated absences payable	(4,722)	(7,593)
Net OPEB obligation	76,000	60,000
Deferred revenue	746	(11,958)
Net cash provided (used) by operating activities	<u>\$ (8,062,383)</u>	<u>\$ (7,625,675)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:		
Donated assets	\$ 1,875	\$ 2,300
Assets acquired through state capital appropriations	287,780	-

See accompanying notes

EASTERN IDAHO TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2013

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, 2013 and 2012.

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, 2013 total approximately \$1,214,822.

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

Compensated Absences – Employee vacation pay that is earned but unused is accrued at year-end for financial statement purposes. Compensated absences payable included in current liabilities in the statement of net position, and as a component of personnel costs in the statement of revenues, expenses and changes in net position is \$224,940 and \$229,662 for the years ended June 30, 2013 and 2012, 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, 2013 and 2012 was \$33,224 and \$29,128, respectively.

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

Net 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, 2013 and 2012, 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, 2013 or 2012.

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, 2013 or 2012.

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 March 2012, the GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities". This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognized, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. 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, 2014.

In March 2012, the GASB issued Statement No. 66, "Technical Corrections- 2012". This Statement resolves conflicting accounting and financial reporting guidance resulting from Statement No. 54 and Statement No. 62. The Statement amends Statement No. 10 and Statement No. 62, and clarifies the application of Statement No. 13. 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, 2014.

In June 2012, the GASB issued Statement No. 67, "Financial Reporting for Pension Plans." This Statement will require enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. The new information will provide information about measures of net pension liabilities and explanations of how and why those liabilities changed from year to year. 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, 2014.

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.

Expenditures reported on the schedule of expenditures of federal awards are recognized following the cost principles contained in OMB Circular A-21, Educational Institutions, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

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, 2013 and 2012 consist of:

	2013	2012
Cash On Hand	\$ 800	\$ 800
Deposits with financial institutions	1,570,454	1,632,788
Cash with State Treasurer	1,182,906	1,358,659
Total	<u>\$2,754,160</u>	<u>\$2,992,247</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, \$1,060,736 and \$1,374,306 was uninsured but was collateralized with securities held by the pledging financial institution for the years ending June 30, 2013 and 2012 respectively. Cash deposits with the State Treasurer may be exposed to custodial credit risk. As of June 30, 2013, 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, 2013 and 2012:

<u>Current:</u>	<u>FY 2013</u>	<u>FY 2012</u>
Student fees	\$ 28,150	\$ 44,259
Auxiliary enterprises	1,096	1,287
Grants and contracts	145,208	206,813
Accounts receivable and unbilled charges - total	174,754	252,359
Less allowance for doubtful accounts	(11,626)	(7,485)
Accounts receivable and unbilled charges, net	<u>\$ 162,828</u>	<u>\$ 244,874</u>

4. PROPERTY, PLANT AND EQUIPMENT

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

	<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>23,482,989</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>

	2012			
	<u>Balance at</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at</u> <u>June 30, 2012</u>
<u>Property, Plant and Equipment Summary</u>				
Property, plant and equipment not being depreciated:				
Land	\$ 355,988	\$ -	\$ -	\$ 355,988
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total property, plant and equipment not being depreciated	355,988	-	-	355,988
Other property, plant and equipment:				
Buildings and improvements	19,805,355	51,169	-	19,856,524
Furniture, fixtures and equipment	2,766,524	252,001	248,954	2,769,571
Library materials	<u>531,275</u>	<u>5,950</u>	<u>6,325</u>	<u>530,900</u>
Total other property, plant and equipment	23,103,154	309,120	255,279	23,156,995
Less accumulated depreciation:				
Buildings and improvements	7,524,808	548,727	-	8,073,535
Furniture, fixtures and equipment	1,416,918	170,737	211,016	1,376,639
Library materials	<u>464,907</u>	<u>53,090</u>	<u>3,163</u>	<u>514,834</u>
Total accumulated depreciation	<u>9,406,632</u>	<u>772,554</u>	<u>214,179</u>	<u>9,965,007</u>
Other property, plant and equipment net of accumulated depreciation	<u>13,696,521</u>	<u>(463,434)</u>	<u>41,100</u>	<u>13,191,987</u>
Property, plant and equipment summary:				
Property, plant and equipment not being depreciated	355,988	-	-	355,988
Other property, plant and equipment	<u>23,103,154</u>	<u>309,120</u>	<u>255,279</u>	<u>23,156,995</u>
Total cost of property	23,459,142	309,120	255,279	23,512,983
Less accumulated depreciation	<u>9,406,632</u>	<u>772,554</u>	<u>214,179</u>	<u>9,965,007</u>
Property, plant and equipment - net	<u>\$ 14,052,509</u>	<u>\$ (463,434)</u>	<u>\$ 41,100</u>	<u>\$ 13,547,975</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. The lease payments for non-cancelable agreements in excess of one year for the years ended June 30, 2013 and 2012 were \$76,192 and \$81,118. Future minimum lease obligations under these agreements for the years ending June 30 are as follows:

2014	76,192
2015	25,035
2016	<u>513</u>
Total	<u><u>101,740</u></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, 2012, 2011 and 2010 the required contribution rates for general employers each year was 10.39 percent and the required contribution rate for general members each year was 6.23 percent. The College’s contributions required and paid were \$191,081, \$192,261 and \$189,505 for the three years ended June 30, 2013, 2012 and 2011, respectively.

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

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

New faculty and exempt employees hired July 1, 1997 or thereafter automatically enroll in the ORP and select their vendor option. Faculty and exempt employees hired before July 1, 1997 had a one-time opportunity to enroll in the ORP. Enrollees in the ORP no longer belong to PERSI. Vendor

options include Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company (VALIC).

Participants are immediately fully vested in the ORP. Retirement benefits are available either as a lump sum or any portion thereof upon attaining 55 years of age. The contribution requirement (and amount paid) for the years ended June 30, 2013, 2012 and 2011 was \$478,007, \$479,548 and \$399,596 which consisted of \$285,200, \$286,119, and \$210,127 from the College and \$192,807, \$193,429 and \$189,468 from employees. These contributions represent 7.72 percent and 6.97 percent of covered payroll for the College and employees, respectively.

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Summary of Plans

Eastern Idaho Technical College participates in other postemployment benefit plans relating to health and disability administered by the State of Idaho as agent multiple-employer defined benefit plans. The Life Insurance benefit is a single-employer defined benefit plan. Idaho Code Sections 67-5760 to 67-5767 and 72-1335, establishes the benefits and contribution obligations. Each of these benefits is provided by Eastern Idaho Technical College to retired or disabled employees. The most recent actuarial valuation is as of July 1, 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 \$18.84 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 per active employee per month in fiscal year 2013.

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, 2003; the State pays 100 percent of the cost of this benefit. The amount of the contribution is based on active claims and the number of insured individuals.

Employees disabled on or after July 1, 2003, are insured by Principal Life Insurance Company and the obligation for the payment of benefits has been effectively transferred. Eastern Idaho Technical College pays 100 percent of the cost of the premiums. Eastern Idaho Technical College's contribution rate for the period was 0.264 percent of payroll in fiscal year 2013. 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	\$15	\$7	\$9	\$5	\$105
Interest on NOO	7	0	0	0	13
Adjustment to ARC	(13)	(1)	0	0	(26)
Total Annual OPEB Cost	9	6	9	5	92
Contributions Made	(12)	(8)	(10)	(4)	(13)
Increase (Decrease) in NOO	(3)	(2)	(1)	1	79
NOO (Funding Excess) – Beginning of Year	158	10	(3)	1	187
NOO (Funding Excess) – End of Year	\$155	\$8	(\$4)	\$2	\$266
Percentage of AOC Contributed	133.3%	133.3%	111.1%	80.0%	-14.1%

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	2011	\$20	\$8	\$4	\$5	\$47
	2012	\$20	\$8	\$5	\$5	\$69
	2013	\$9	\$6	\$9	\$5	\$92
Percentage of AOC Contributed	2011	44.6%	85.1%	148.7%	90.9%	16.9%
	2012	94.3%	91.2%	111.9%	82.4%	16.0%
	2013	133.3%	133.3%	111.1%	80.0%	14.1%
NOO (Funding Excess) – End of Year	2011	\$157	\$9	(\$2)	(\$2)	\$129
	2012	\$158	\$10	(\$3)	(\$1)	\$187
	2013	\$155	\$8	(\$4)	\$2	\$266

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	7/1/2012	7/1/2012	7/1/2012	7/1/2012	7/1/2012
1 Actuarial Value of Assets	\$0	\$0	\$0	\$0	\$0
2 Actuarial Accrued Liability (AAL)	\$99	\$45	\$43	\$26	\$1,249
3 Unfunded AAL (UAAL) (2) - (1)	\$99	\$45	\$43	\$26	\$1,249
4 Funded Ratios (1) : (2)	0.0%	0.0%	0.0%	0.0%	0.0%
5 Annual Covered Payroll	\$3,198	\$3,198	\$3,198	\$3,198	\$3,198
6 UAAL as a Percentage of Covered Payroll (3) : (5)	3.1%	1.4%	1.3%	0.8%	39.1%

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 following the notes to the financial statements contains multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits for financial reporting purposes does not incorporate the potential effects of legal funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The following table presents the significant methods and assumptions for all plans:

Significant Methods and Actuarial Assumptions

	Retiree Healthcare Plan	Long-Term Disability Plan			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	10 years, Closed	30 years, Open	5 years, Closed	6 years, Closed	30 years, Open
Assumptions:					
Inflation Rate	3.0%	3.0%	3.0%	3.0%	3.0%
Investment Return	3.8%	3.8%	3.8%	3.8%	3.8%
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	4.9%	4.9%	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	7/1/2008	\$0	\$116	\$116	0.0%	\$4,515	3%
	7/1/2010	\$0	\$149	\$149	0.0%	\$4,526	3%
	7/1/2012	\$0	\$99	\$99	0.0%	\$3,198	3%
Long-Term Disability:							
Healthcare	7/1/2008	\$0	\$54	\$54	0.0%	\$4,515	1%
	7/1/2010	\$0	\$53	\$53	0.0%	\$4,526	1%
	7/1/2012	\$0	\$45	\$45	0.0%	\$3,198	1%
Life Insurance	7/1/2008	\$0	\$45	\$45	0.0%	\$4,515	1%
	7/1/2010	\$0	\$56	\$56	0.0%	\$4,526	1%
	7/1/2012	\$0	\$43	\$43	0.0%	\$3,198	1%
Income	7/1/2008	\$0	\$31	\$31	0.0%	\$4,515	1%
	7/1/2010	\$0	\$30	\$30	0.0%	\$4,526	1%
	7/1/2012	\$0	\$26	\$26	0.0%	\$3,198	1%
Retiree Life Insurance	7/1/2008	\$0	\$414	\$414	0.0%	\$4,515	9%
	7/1/2010	\$0	\$919	\$919	0.0%	\$4,526	20%
	7/1/2012	\$0	\$1,249	\$1,249	0.0%	\$3,198	39%

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	06/30/13	\$105	\$0	0.00%

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 \$630,457 and \$622,041, for the years ending June 30, 2013 and 2012, respectively; the College provided funding for the Foundation’s director of operations salary and benefits in the amount of \$88,178 and \$79,596, for the years ending June 30, 2013 and 2012. 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, 2013 and 2012, the carrying amount of the Foundation’s cash and cash equivalents is comprised of the following:

	<u>2013</u>	<u>2012</u>
Cash on hand and demand deposits at banking institutions	\$623,484	\$957,679
Cash held in certificates of deposit	11,901	11,896
Total balance held	<u>\$635,385</u>	<u>\$969,575</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, \$635,385 and \$969,575 was covered by federal depository insurance for the years ended June 30, 2013 and 2012, respectively.

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

Cash, cash equivalents, and short-term pledges receivable - The carrying amounts reported in the statement of net 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>2013</u>	<u>2012</u>
Money market funds	\$ 103,649	\$ 117,971
Equity securities	2,085,580	1,821,312
U.S Government obligations	412,555	122,601
Corporate debt securities	292,914	588,251
Municipal Bonds	123,025	192,207
Foreign and Other Obligations	<u>33,355</u>	<u>52,449</u>
Total investments	<u>\$ 3,050,978</u>	<u>\$ 2,894,791</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, 2013

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	12,489	56,156	138,072	52,119	106,298	47,321	412,455
Corporate obligations	8,731	39,258	96,525	36,435	74,312	33,082	288,343
Preferred Securities	139	622	1,530	578	1,178	525	4,572
Municipal Bonds	3725	16,750	41,183	15,546	31,706	14,115	123,025
Foreign and Other	1010	4,541	11,166	4,215	8,596	3,827	33,355
Total Debt Securities	<u>26,094</u>	<u>117,327</u>	<u>288,476</u>	<u>108,893</u>	<u>222,090</u>	<u>98,870</u>	861,750
Cash							103,648
Equity Mutual Funds							<u>2,085,580</u>
Total component unit investments reported on financial statements							<u>3,050,978</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	412,454	230,417	21,908	44,005	74,113	17,760	13,762	4,855	5,634
Corporate obligations	288,343	106,458	10,737	22,049	42,925	34,665	48,112	18,377	5,020
Preferred securities	4,572	1,209	283	480	937	645	692	242	85
Municipal Bonds	123,025	13,418	7,203	25,115	36,624	9,035	8,312	322	22,996
Foreign and Other Obligations	33,356	17,440	1,956	3,655	7,006	1,457	1,251	356	234
Total	861,750	368,942	42,087	95,304	161,605	63,562	72,129	24,152	33,969
Cash	103,648								
Equity Mutual funds	2,085,580								
Total Bonds and Securities	3,050,978								

Pledges Receivable – The Foundation held no pledges at June 30, 2013. A receivable for pledges of \$3,750 was recorded for FY 2012.

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 is included in temporarily restricted net assets.

Annuity Payable

The Foundation, in prior years, received a contribution in the form of an irrevocable charitable remainder trust. The trust agreement calls for annuity payments to be paid over the contributor's life. Annuity payments are to be made to Edward C. Breiter in equal quarterly amounts of \$2,800. Midway through the current fiscal year Edward Breiter passed away completing the Foundation's requirement for quarterly payments. The remaining amount in the investment account, after the distribution to Idaho State University noted below, is to be transferred to the endowment to fund scholarships. The annuity payable as of June 30, 2012, was \$40,523. The present value of the annuity was calculated using the applicable federal rate and the life expectancy of the donor at the time of the gift and updated for change in life expectancies. The annuity payable balance is subject to change based on actual annuity payments made over the life of the contributor.

Payable to Idaho State University

The Edward C. Breiter Charitable Remainder Annuity Trust agreement also indicates that one-third of the total remainder shall be distributed to Idaho State University. At June 30, 2012, the one-third remainder was estimated at \$27,800. The actual amount paid out to Idaho State University was \$45,509 during the year ended June 30, 2013, resulting in an additional expense of \$17,709.

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
- 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, 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>

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

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

9. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATIONS

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

FY 2012 Natural Classifications

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

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 its discretely presented component unit, Eastern Idaho Technical College Foundation (Foundation), as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2013. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit as described in our report on the College's financial statements. The financial statements of 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 results 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
September 27, 2013

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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, 2013. 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, 2013.

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.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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)**

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
September 27, 2013

**EASTERN IDAHO TECHNICAL COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

Finding 2012-01 – Prior Period Adjustment - Material Weakness

Condition – During the FY 2012 audit, it was identified that a building constructed on campus, on the College's behalf by the State, was capitalized and recorded as a contribution by the College in 2010 when the State had not actually transferred the building. The building is still considered the property of the State and has had a related operating and lease agreement for the College's use of the building since 2005.

Management Response:

The College has put into place a procedure which requires review of existing leases prior to capitalizing an asset funded through DPW, and the College also now requires review of the funding source for any DPW project which exceeds a threshold value. Specifically, if the DPW project cost exceeds the level which would have required approval by the State Board of Education, the College will verify funding source prior to capitalizing the project. Management has briefed all executive officers of the College, and all personnel involved with leases and financial reporting, on the problem and corrective action.

Status – Fully corrected.

**EASTERN IDAHO TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

		Federal	
	Pass-Through Entity	CFDA	2013
Federal Grant / Program Title	Identifying #	Number	Final
US Department of Education			
Direct Programs			
SEOG		84.007	26,659
CWS		84.033	25,067
PELL		84.063	1,635,620
Direct Student Loan Program		84.268	2,113,175
Total Student Financial Aid Cluster			3,800,520
Pass Through Payments From the State of Idaho Division of Professional-Technical Education			
ABE Federal Direct Services	F-ABE-D01-13A-615	84.002A	292,614
ABE Leadership (Applied Learning)	F-ABE-L01-13A-615	84.002A	29,697
ABE Leadership (OVAE & Content Training)	F-ABE-L01-13B-615	84.002A	4,490
ABE Bridge General Ed. Math & English	F-ABE-L10-13C-615	84.002A	4,304
ABE Bridge Transitional Math 105	F-ABE-L10-13D-615	84.002A	3,852
Academic Support	PFF-B01-13A-615	84.048A	84,995
Retention For PTE Students	PFF-B08-13B-615	84.048A	55,184
GOALS	PFF-B09-13C-615	84.048A	34,483
Special Populations	PFF-B09-13D-615	84.048A	26,136
Guidance Activities	RFF-C08-13A-615	84.048A	1,214
Advanced Learning Partnership	RFF-C16-13B-615	84.048A	87,329
CATEMA System Fees	F-SPP-MCSF-AD-13A-615	84.048A	7,200
Total Department of Education passed through			631,499
US Department of Homeland Security			
Pass Through Payments From the State of Idaho			
State Fire Training System Grants	F-FST-NFA-ET-13A-615	97.043	12,092
Total Federal Financial Assistance			4,444,111

The accompanying notes are an integral part of this schedule.

**EASTERN IDAHO TECHNICAL COLLEGE
NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

1. BASIS OF PRESENTATION

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

2. COLLEGE ADMINISTERED LOAN PROGRAMS

During the fiscal year ended June 30, 2013, the College administered the following loan programs:

	Federal CFDA	
<u>Loan Program</u>	<u>Number</u>	<u>2013 Amount</u>
Direct Subsidized	84.268	1,059,599
Direct Unsubsidized	84.268	1,051,656
Parent Plus	84.268	1,920
Total		<u>2,113,175</u>