EASTERN IDAHO TECHNICAL COLLEGE

INDEPENDENT AUDITOR'S REPORT
and
FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

Eastern Idaho
Technical College

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MOSS-ADAMS LLP mri

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Idaho State Board of Education
Eastern Idaho Technical College
Idaho Falls, Idaho

We have audited the accompanying statement of net assets of Eastern Idaho Technical College (College) as of June 30, 2005, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Eastern Idaho Technical College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Eastern Idaho Technical College Foundation, a discretely presented component unit, as described in Note 1. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for that component unit, is based solely on the report of other auditors. The financial statements of the College as of June 30, 2004, were audited by other auditors whose report dated October 7, 2004, expressed an unqualified opinion on those statements based on their audit and the report of 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Idaho Technical College and its discretely presented component unit, as of June 30, 2005, and the changes in financial position and cash flows for the year thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the College adopted the provisions of Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures* for the year ended June 30, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2005, on our consideration of Eastern Idaho Technical College's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

MOSS ADAMS LLP

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However we did not audit the information and express no opinion on it.

Moss Adams LLP

Eugene, Oregon
September 2, 2005

EASTERN IDAHO TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview Of The Financial Statements

This financial report consists of a series of financial statements, prepared in accordance with the 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 financial report presents management's discussion and analysis of the College's financial activities during the fiscal year ending June 30, 2005 with comparative financial data for the year ending June 30, 2004.

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

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

Statement of Net Assets

The statement of net assets presents the financial position of the College at the end of the fiscal year and includes all the College's assets and liabilities. The difference between total assets and total liabilities is net assets and is an indicator of the College's current financial condition. The change in net assets in an indicator of whether the overall financial condition has improved or worsened during the year.

Summary Statement of Net Assets

	2005	2004	Increase (Decrease)
Assets:			
Current assets	$ 3,708,789	$ 3,350,653	$ 358,136
Noncurrent assets	12,711,798	12,360,345	351,453
Total assets	16,420,587	15,710,998	709,589
Liabilities:			
Current liabilities	894,716	739,990	154,726
Noncurrent liabilities	-	-	-
Total liabilities	894,716	739,990	154,726
Net assets:			
Invested in capital assets	12,711,798	12,360,345	351,453
Unrestricted	2,814,073	2,610,663	203,410
Total net assets	15,525,871	14,971,008	554,863
Total liabilities and net assets	$ 16,420,587	$ 15,710,998	$ 709,589

A review of the College's statement of net assets at June 30, 2005 and 2004 indicates an increase in net assets from $14.9 million in 2004 to $15.5 million in 2005, or an improvement of approximately $555,000 from the prior year. This increase is attributable to the normal results of operations of the College. The $358,136 increase in current assets is largely due to a $154,934 increase in cash and cash equivalents and a $206,378 increase in the amounts due from other state agencies. The $351,453 increase in non-current assets is represented by a $941,456 net addition to fixed assets less depreciation recognized on property, plant and equipment amounting to $590,003.

As of June 30, 2005, total College assets were $16.4 million. Current assets consisted primarily of cash and cash equivalents amounting to $1,451,490 and amounts due from other state agencies totaling $1,943,341. The College's largest asset is its investment in property, plant and equipment, which totaled $12.7 million.

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, 2005 totaled more than $577,000. Additional amounts due to employees for compensated absences amounted to nearly $147,000 and balances due to suppliers for goods and services provided to the College on or prior to June 30, 2005 were nearly $117,000.

Statement of Revenues, Expenses and Changes In Net Assets

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

Summary Statement of Revenues, Expenses and Changes In Net Assets

	2005	2004	Increase (Decrease)
Operating revenues	$ 3,842,791	$ 3,635,913	$ 206,878
Operating expenses	9,405,243	8,682,469	722,774
Operating loss	(5,562,452)	(5,046,556)	(515,896)
Net nonoperating revenues	5,358,644	5,157,586	201,058
Income (loss) before other revenues	(203,808)	111,030	(314,838)
Other revenues	758,671	160,492	598,179
Increase in net assets	554,863	271,522	283,341
Net assets - beginning of year	14,971,008	14,699,486	271,522
Net assets - end of year	$ 15,525,871	$ 14,971,008	$ 554,863

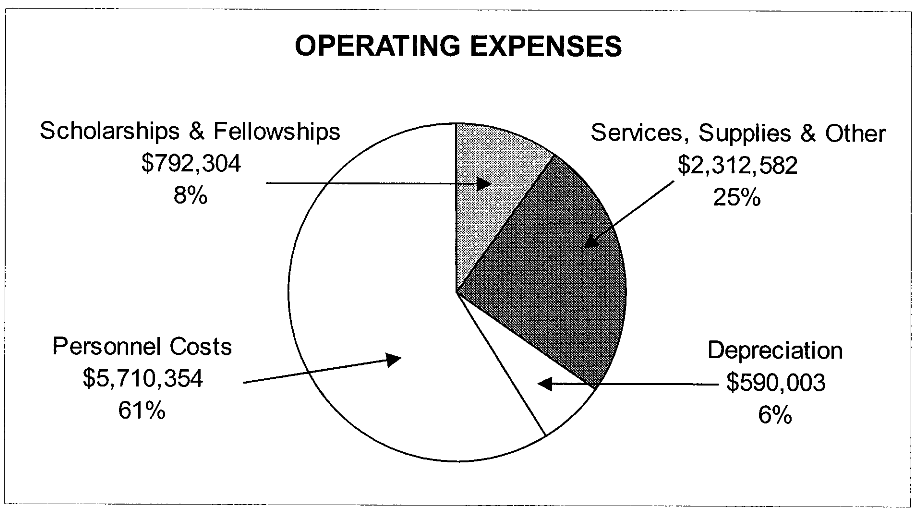
Operating revenues include activities having characteristics of exchange transactions (the payer/sponsor receives a benefit approximately equal in value to the payment or award) whereas; non-operating revenues include those activities having characteristics of non-exchange transactions (the payer/sponsor makes a voluntary transfer without directly receiving equal value in return). Operating revenues increased by $206,878 primarily as a result of a $117,509 increase in student tuition and fees and a $78,937 increase in the grants and contracts administered by the College. The $722,774 increase in operating expenses is largely due to an increase in the College's personnel and supply costs for FY

2005. Net non-operating revenues increased by $201,058 largely because of an increase in the College's state appropriation.

Student fees and grants and contracts account for the majority or operating revenues. Net student fees amounted to approximately $809,000 while grants and contracts totaled approximately $2,263,222.

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 nearly $495,000 for FY 2005. The College also identified and eliminated over $91,000 in inter-departmental sales made during the year.

Operating expenses are the ordinary and necessary costs associated with the day-to-day operation, maintenance and management of the College.



Personnel costs are by far the largest single operating expense, accounting for 61% of the College's operating costs. Services, supplies and other represent 25% with scholarships and depreciation representing 8% and 6% respectively.

Operating expenses exceed operating revenues for FY 2005, resulting in a $5.6 million operating loss. State appropriations, at approximately $4.8 million, continue to be the largest source of revenue for the College and are expended largely for the cost of operations. The GASB reporting model, however, regards state appropriations as non-operating revenues or subsidies even though they support operating activities. Operating losses will be typical for colleges and universities that rely heavily on state appropriations for their support.

Other significant sources of non-operating revenues are gifts and miscellaneous receipts (appropriated student fees). The College received gifts of nearly $124,000 from the EITC Foundation for student scholarships and nearly $372,000 in miscellaneous receipts were appropriated to the College.

Capital grants and appropriations are generally those that 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. During FY 2005, the College received approximately $691,000 in capital grants and appropriations.

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.

Summary Statement of Cash Flows

	2005	2004	Increase (Decrease)
Cash provided by (used in):			
Operating activities	$ (4,853,504)	$ (4,546,295)	$ (307,209)
Noncapital financing activities	5,230,100	4,398,527	831,573
Capital and related financing activities	(236,823)	43,514	(280,337)
Investing activities	15,161	1,714	13,447
Net increase (decrease) in cash	154,934	(102,540)	257,474
Cash and cash equivalents - beginning of year	1,296,556	1,399,096	(102,540)
Cash and cash equivalents - end of year	$ 1,451,490	$ 1,296,556	$ 154,934

The College's cash and cash equivalents increased $154,934 during FY2005. Significant increases in operating sources were experienced with a $128,342 increase in student fees and a $37,872 increase in grants and contracts while a significant increase in operating uses was $562,482 in payments to employees.

Major sources of operating funds were net student fees $814,839, grants and contracts $2,507,338 and auxiliary enterprise sales $371,855. Major uses of operating funds were payments to suppliers $2,228,800, payments to employees $5,634,075, and payments for scholarships $792,304. The College's significant sources of cash provided by non-capital financing activities were state appropriations $4,647,245, gifts $123,771 and miscellaneous receipts $371,900. The primary use of funds in financing activities was a $240,928 investment in capital assets. Interest received on investments, $15,161, was the only source of funds from investing activities.

Component Unit Foundation

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

At June 30, 2005, the statement of net assets revealed that the total assets of the Foundation were $2,758,867. Foundation assets are comprised primarily of cash and cash equivalents amounting to $262,674 and investments totaling $2,354,481. Foundation liabilities are almost entirely made up of annuities payable in the amount of $65,769. Net assets of the Foundation total $2,692,300. Of this amount, $2,273,340 is restricted by donor stipulations that limit the use of the donated assets.

The statement of revenues, expenses and changes in net assets for 2005 indicates an increase in net assets of $897,598. Primary sources of revenues for the Foundation were public support $804,694, investment income $126,315 and unrealized gains on investments $113,201. Significant expenses of the Foundation include scholarship payments to the College $125,519 and personnel costs $56,924.

Economic Factors That Could Affect The Future

The College is largely dependent upon ongoing financial and political support from state government. The College's state appropriations, including capital appropriations, comprised nearly 55% of total revenues for FY 2005, clearly indicating the economic position and future of Eastern Idaho Technical College is closely tied to that of the state of Idaho.

State revenues have shown signs of recovery during FY2005, but state budget writers have indicated that appropriations will probably remain flat through the coming fiscal year and consequently, the College continues to utilize appropriate cost control measures. This trend, if prolonged, could affect future institutional operations, student recruitment, competitive student fees and educational quality.

EASTERN IDAHO TECHNICAL COLLEGE

STATEMENT OF NET ASSETS
JUNE 30, 2005 AND 2004

	COLLEGE		COMPONENT UNIT	
ASSETS	**2005**	**2004**	**2005**	**2004**
CURRENT ASSETS:				
Cash and cash equivalents	$ 1,451,490	$ 1,296,556	$ 262,674	$ 321,022
Accounts receivable and unbilled charges	155,419	104,473	-	-
Due from state agencies	1,943,341	1,736,963	-	-
Inventories	113,231	158,521	-	-
Investments	-	-	1,801,578	861,032
Other current assets	45,308	54,140	21,954	17,216
Total current assets	3,708,789	3,350,653	2,086,206	1,199,270
NONCURRENT ASSETS:				
Note receivable	-	-	119,611	130,257
Investments	-	-	552,903	538,783
Property, plant and equipment - net	12,711,798	12,360,345	147	443
Total noncurrent assets	12,711,798	12,360,345	672,661	669,483
TOTAL ASSETS	$ 16,420,587	$ 15,710,998	$ 2,758,867	$ 1,868,753
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	$ 707,183	$ 573,389	$ 798	$ -
Accrued liabilities	146,776	139,146	-	-
Deposits	14,550	13,182	-	-
Deferred revenue	26,207	14,273	-	-
Annuities payable	-	-	8,856	8,282
Total current liabilities	894,716	739,990	9,654	8,282
NONCURRENT LIABILITIES:				
Annuities payable	-	-	56,913	65,768
TOTAL LIABILITIES	894,716	739,990	66,567	74,050
NET ASSETS:				
Invested in capital assets - net of related debt	12,711,798	12,360,345	147	443
Restricted for:				
Nonexpendable	-	-	552,903	538,783
Expendable	-	-	1,720,437	863,151
Unrestricted	2,814,073	2,610,663	418,813	392,326
Total net assets	15,525,871	14,971,008	2,692,300	1,794,703
TOTAL LIABILITIES AND NET ASSETS	$ 16,420,587	$ 15,710,998	$ 2,758,867	$ 1,868,753

See accompanying notes

EASTERN IDAHO TECHNICAL COLLEGE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2005 AND 2004

	COLLEGE		COMPONENT UNIT	
	2005	2004	2005	2004
OPERATING REVENUES:				
Student fees (net of scholarship discounts and allowances of $494,706 and $504,859)	$ 809,312	$ 691,803	$ -	$ -
Federal grants and contracts	1,940,392	1,860,930	-	-
State and local grants and contracts	344,362	365,520	-	-
Private grants and contracts	278,468	257,835	-	-
Sales and services of educational activities	71,287	87,370	-	-
Sales and services of auxiliary enterprise - bookstore	362,614	345,307	-	-
Foundation public support	-	-	804,694	272,370
Foundation investment income	-	-	126,315	90,706
Other	36,356	27,148	487	639
Total operating revenues	3,842,791	3,635,913	931,496	363,715
OPERATING EXPENSES:				
Personnel costs	5,710,354	5,108,836	56,924	54,543
Services	778,370	743,149	17,097	13,697
Supplies	1,107,992	1,010,460	-	-
Insurance, utilities and rent	326,894	295,545	-	-
Scholarships and fellowships	792,304	863,093	-	-
Depreciation	590,003	566,828	-	-
Scholarship payments to the College			125,519	144,565
Miscellaneous	99,326	94,558	4,750	6,427
Total operating expenses	9,405,243	8,682,469	204,290	219,232
OPERATING INCOME (LOSS)	(5,562,452)	(5,046,556)	727,206	144,483
NONOPERATING REVENUES:				
State appropriations	4,847,812	4,669,023	-	-
Gifts (includes $123,771 and $144,565 from the Foundation)	123,771	147,149	-	-
Investment income	15,161	1,714	-	-
Miscellaneous receipts	371,900	339,700	-	-
Unrealized gain (loss) on investments	-	-	113,201	(51,847)
Gain (loss) on sale of investments	-	-	(483)	10,690
Donated services	-	-	57,674	54,543
Total nonoperating revenues	5,358,644	5,157,586	170,392	13,386
INCOME (LOSS) BEFORE OTHER REVENUES	(203,808)	111,030	897,598	157,869
OTHER REVENUES (EXPENSES):				
State capital grants and appropriations	664,402	151,452	-	-
Federal capital grants	26,597	26,604	-	-
Capital gifts	94,057	21,324	-	-
Gain (loss) on disposition of property, plant and equipment	(26,385)	(38,888)	-	-
Total other revenues (expenses)	758,671	160,492	-	-
INCREASE IN NET ASSETS	554,863	271,522	897,598	157,869
NET ASSETS, BEGINNING OF YEAR	14,971,008	14,699,486	1,794,702	1,636,833
NET ASSETS, END OF YEAR	$ 15,525,871	$ 14,971,008	$ 2,692,300	$ 1,794,702

See accompanying notes

EASTERN IDAHO TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005 AND 2004

	COLLEGE	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student fees	$ 814,839	$ 686,497
Grants and contracts	2,507,338	2,469,496
Sales and services of educational activities	71,287	87,370
Payments to suppliers	(2,228,800)	(2,228,359)
Payments to employees	(5,634,075)	(5,071,593)
Payments for scholarships and fellowships	(792,304)	(863,093)
Sales and services of auxiliary	371,855	346,239
Other receipts	36,356	27,148
Net cash provided (used) by operating activities	(4,853,504)	(4,546,295)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	4,647,245	4,525,897
Miscellaneous receipts	371,900	339,700
Gifts	123,771	147,149
Deposits and advances	87,184	(614,219)
Net cash provided (used) by noncapital financing activities	5,230,100	4,398,527
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants and contracts	4,105	172,807
Purchases of property, plant and equipment	(240,928)	(129,293)
Net cash provided (used) by capital and related financing activities	(236,823)	43,514
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	15,161	1,714
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	154,934	(102,540)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,296,556	1,399,096
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,451,490	$ 1,296,556

See accompanying notes

EASTERN IDAHO TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005 AND 2004

	COLLEGE	
	2005	**2004**
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES:		
Operating income (loss)	$ (5,562,452)	$ (5,046,556)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	590,003	566,828
Maintenance costs paid by the Department of Public Works	-	1,412
Changes in assets and liabilities:		
Accounts receivable and unbilled charges - net	(53,050)	(14,735)
Inventories	45,290	(37,058)
Other current assets	8,832	(7,390)
Accounts payable	98,310	(17,091)
Accrued liabilities	7,629	12,723
Deferred revenue	11,934	(4,428)
Net cash provided (used) by operating activities	$ (4,853,504)	$ (4,546,295)
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:		
Donated assets	$ 94,057	$ 21,324
Assets acquired through state capital appropriations	$ 600,540	-

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 State Board of Education, 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").

The Governmental Accounting Standards Board (GASB) has issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units.* Statement No. 39 amends GASB Statement No. 14, *The Financial Reporting Entity*, to require reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit. The College implemented this statement for the year ended June 30, 2004 and consequently, the Foundation is presented in the accompanying basic financial statements as a 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.

Independent auditors have audited the Foundation and a separate report has been issued thereon. That report is available from the College or the Foundation's administrative office.

Selected supplementary financial information related to the component unit Foundation is presented in Note 7.

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

The College has the option to apply all Financial Accounting Standards Board ("FASB") pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected 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 of less at the date of acquisition to be cash equivalents.

Accounts Receivable – Accounts receivable consists 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 ("FIFO") cost or market.

Investments – The College accounts for its investments at fair value in accordance with GASB Statement No. 31. *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* Changes in unrealized gains and losses on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets. The College did not have unrealized investment gains or losses for the years ended June 30, 2005 and 2004.

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

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

Deposit and Investment Risk – Effective July 1, 2004 the College adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures.* Statement No. 40 amends GASB Statement No. 3, *Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements.* The objective of this Statement is to update the custodial credit risk disclosure requirements of GASB Statement No. 3 and to establish more comprehensive disclosure requirements addressing other common risks of the 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.

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. Included in accrued liabilities in the statement of net assets, and as a component of personnel costs in the statement or revenues, expenses and changes in net assets is $146,776 and $139,146 for the years ended June 30, 2005 and 2004, respectively.

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

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

> *Invested in capital assets, net of related debt* – This represents the College's total investment in capital assets, net of outstanding debt obligations related to those assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt. At June 30, 2005 and 2004, the College has no outstanding debt obligations.
>
> *Unrestricted* – Unrestricted net assets represent resources derived from student fees, state appropriations and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions related to the educational and general operations of the College and may be used to meet current expenses for any lawful purpose, in compliance with State Board of Education ("Board") policy.

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

Income Taxes – The College, as a political subdivision of the State of Idaho, is excluded from Federal income taxes under section 115(1) of the Internal Revenue Code, as amended.

Classification of Revenues – The College has classified its revenues as either operating or 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 resources that are defined as non-operating by GASB Statement No. 9, Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB Statement No. 34, such as state appropriations and investment income.

Scholarship Discounts and Allowances – Student fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net assets. 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.

New Accounting Standards – In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.* This statement establishes accounting and financial reporting standards for impairment of capital assets and requirements for application of related insurance recoveries. The College has not completed the process of evaluating the impact that will result from adopting this Statement. The requirements of this statement are effective for the College's fiscal year ending June 30, 2006.

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. This statement generally requires that the College account for and report the cost and obligations related to post-employment healthcare and other non-pension benefits (OPEB) and include disclosures regarding its OPEB plans. OPEB costs are likely to be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of Statement No. 45 may be applied retrospectively and do not require the College to fund its OPEB plans. The College may establish its OPEB liability at zero as of the beginning of the initial year of implementation, however, the unfunded liability is required to be amortized over future periods. The requirements of this Statement for the College are effective for the fiscal year ending June 30, 2008. The College has not completed the process of evaluating the impact that will result from adopting this Statement and is therefore unable to disclose the impact that adopting the Statement will have on its financial statements.

In June of 2005, the GASB issued Statement No. 47, *Accounting for Termination Benefits*. This Statement provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees that are terminated. The College has not completed the process of evaluating the impact that will result from adopting this Statement. The requirements of this Statement are effective for the fiscal year ending June 30, 2006.

Reclassification – Certain amounts reported in the June 30, 2004 financial statements have been reclassified to conform to the June 30, 2005 financial statement presentation.

2. CASH AND CASH EQUIVALENTS

The Idaho State Board of Education 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 Board approval. The College does not have policies that further limit its deposit or investment alternatives beyond those allowed by the Idaho State Board of Education.

Cash and cash equivalents are held by the College or deposited with various financial institutions and are carried at cost. All deposits are insured or collateralized with securities held in the College's name. Cash and cash equivalents at June 30, 2005 and 2004 consist of:

	2005	2004
Cash on hand	$ 905	$ 800
Deposits with financial institutions	1,450,585	1,295,756
Total	$1,451,490	$1,296,556

Of the cash and cash equivalents reported on the statement of net assets, $8,043 was restricted by donors, granting agencies or other contractual agreements at June 30, 2005.

3. ACCOUNTS RECEIVABLE AND UNBILLED CHARGES

Account receivable and unbilled charges are all current and consist of the following at June 30, 2005 and 2004:

	2005	2004
Current:		
Student fees	$ 9,385	$ 2,977
Auxiliary enterprises	(3,426)	5,816
Grants and contracts	149,460	95,680
Total	$ 155,419	$ 104,473

4. PROPERTY, PLANT AND EQUIPMENT

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

	2005			
Property, Plant and Equipment Summary	**Balance at June 30, 2004**	**Additions**	**Retirements**	**Balance at June 30, 2005**
Property, plant and equipment not being depreciated				
Land	$ 355,988	$ -	$ -	$ 355,988
Construction in progress	60,063	-	-	60,063
Total property, plant and equipment not being depreciated	416,051	-	-	416,051
Other property, plant and equipment:				
Buildings and improvements	15,330,378	713,679	-	16,044,057
Furniture, fixtures and equipment	2,414,282	217,364	(50,272)	2,581,374
Library materials	384,971	36,799	(12,000)	409,770
Total other property, plant and equipment	18,129,631	967,842	(62,272)	19,035,201
Less accumulated depreciation:				
Buildings and improvements	(4,452,838)	(364,684)	-	(4,817,522)
Furniture, fixtures and equipment	(1,532,763)	(184,342)	29,886	(1,687,219)
Library materials	(199,736)	(40,977)	6,000	(234,713)
Total accumulated depreciation	(6,185,337)	(590,003)	35,886	(6,739,454)
Other property, plant and equipment net of accumulated depreciation	$ 11,944,294	$ 377,839	$ (26,386)	$ 12,295,747
Property, plant and equipment summary:				
Property, plant and equipment not being depreciated	$ 416,051	$ -	$ -	$ 416,051
Other property, plant and equipment at cost	18,129,631	967,842	(62,272)	19,035,201
Total cost of property, plant and equipment	18,545,682	967,842	(62,272)	19,451,252
Less accumulated depreciation	(6,185,337)	(590,003)	35,886	(6,739,454)
Property, plant and equipment - net	$ 12,360,345	$ 377,839	$ (26,386)	$ 12,711,798

Property, Plant and Equipment Summary	2004 Balance at June 30, 2003	Additions	Retirements	Balance at June 30, 2004
Property, plant and equipment not being depreciated				
Land	$ 355,988	$ -	$ -	$ 355,988
Construction in progress	60,063	-	-	60,063
Total property, plant and equipment not being depreciated	416,051	-	-	416,051
Other property, plant and equipment:				
Buildings and improvements	15,359,832	7,050	(36,504)	15,330,378
Furniture, fixtures and equipment	2,337,018	95,433	(18,169)	2,414,282
Library materials	340,286	48,135	(3,450)	384,971
Total other property, plant and equipment	18,037,136	150,618	(58,123)	18,129,631
Less accumulated depreciation:				
Buildings and improvements	(4,103,349)	(349,489)	-	(4,452,838)
Furniture, fixtures and equipment	(1,371,431)	(178,842)	17,510	(1,532,763)
Library materials	(199,736)	(38,497)	1,725	(199,736)
Total accumulated depreciation	(5,637,744)	(566,828)	19,235	(6,185,337)
Other property, plant and equipment, net of accumulated depreciation	$ 12,399,392	$ (416,210)	$ (38,888)	$ 11,944,294
Property, plant and equipment summary:				
Property, plant and equipment not being depreciated	$ 416,051	$ -	$ -	$ 416,051
Other property, plant and equipment at cost	18,037,136	150,618	(58,123)	18,129,631
Total cost of property, plant and equipment	18,453,187	150,618	(58,123)	18,545,682
Less accumulated depreciation	(5,637,744)	(566,828)	19,235	(6,185,337)
Property, plant and equipment - net	$ 12,815,443	$ (416,210)	$ (38,888)	$ 12,360,345

5. OPERATING LEASE OBLIGATIONS

The College has entered into operating lease agreements covering various pieces of equipment. 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, 2005 and 2004 were $15,315 and $14,533. Future minimum lease obligations under these agreements for the years ending June 30 are as follows:

2006	$15,936
2007	4,974
2008	880
Total minimum obligations	$21,790

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. Financial reports for the plan are available from PERSI upon request.

After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance ranges from 1.667% to 2.300% (depending upon employee classification and date of last contribution) of the average monthly salary for the highest consecutive 42 months.

For the year ended June 30, 2005, the required contribution rate for general employees was 10.39% and 6.23% of covered payroll for the College and its employees, respectively. For the year ended June 30, 2004, the required contribution rate for general employees was 9.77% and 5.86% for the College and its employees, respectively. The College contributions required and paid were $164,902, $143,932 and $153,803 for the three years ended June 30, 2005, 2004 and 2003, respectively.

Optional Retirement Plan – Effective July 1, 1997, the Idaho State Legislature authorized the Idaho State Board of Education to establish an Optional Retirement Plan ("ORP"), a defined contribution plan, for faculty and exempt employees. The employee contribution requirement for the ORP is based on a percentage of total payroll. Employer contributions are determined by the State of Idaho. The plan provisions were established by and may be amended by the State of Idaho.

New faculty and exempt employees hired July 1, 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, 2005 and 2004 was $277,622 and $245,891, which consisted of $145,880 and $129,207 from the College and $131,742 and $116,684 from employees. These contributions represent 7.72% and 6.97% of covered payroll for the College and covered employees, respectively.

Although enrollees in the ORP no longer belong to PERSI, the College is required to contribute to PERSI 3.83% of the annual covered payroll. These annual supplemental payments are required through July 1, 2011. During the years ended June 30, 2005 and 2004, this supplemental funding payment made to PERSI was $72,392 and $63,757. This amount is not included in the regular College PERSI contributions discussed previously.

Postretirement Benefits Other Than Pensions – Employees who qualify for retirement under PERSI or ORP are eligible to use 50% of the cash value of their unused sick leave to continue their medical insurance coverage through the College. The College partially funds these obligations by depositing .65% of employee gross payroll to PERSI, who administers the plan as a cost-sharing, multiple-employer plan. The total contribution for the years ended June 30, 2005 and 2004 was $22,508 and $20,298, respectively.

The College also offers a life insurance plan for retired employees. During the years ended June 30, 2005 and 2004, the College made expenditures totaling $3,390 and $3,485, respectively, to purchase life insurance for 11 retired employees receiving these benefits. This program is accounted for by the College on a pay-as-you-go basis. See Note 1 for discussion of a new accounting standard related to these types of benefits.

7. 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 payments to the College amounting to $125,519 and $144,565, for the years ending June 30, 2005 and 2004, respectively; the College provided funding for the Foundation's director of operations salary and benefits in the amount of $56,924 and $54,543, for the years ending June 30, 2005 and 2004.

Other selected supplementary financial information related to the Foundation is presented below.

Cash and Cash Equivalents – At June 30, 2005 and 2004, the carrying amount of the Foundation's cash and cash equivalents is comprised of the following:

	2005	2004
Cash on hand and held at banking institutions	$ 208,393	$ 191,423
Cash held in money market funds at nonbanking institutions	54,281	129,588
Total balance held	$ 262,674	$ 321,022

Of the bank balances, $136,002 and $135,321 was covered by FDIC for the years ended June 30, 2005 and 2004, respectively. Cash held in money market funds was uninsured and uncollateralized and invested in U.S. Government backed securities.

Investments – The following methods and assumptions were used by the Foundation board in estimating its fair value disclosures for financial instruments:

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

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

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

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

	2005	2004
Equity securities	$ 306,856	$ 218,497
U.S. government securities	30,025	53,865
Corporate debt securities	2,017,600	1,127,453
Total investments	$2,354,481	$1,399,815

Investments are held at various nonbanking institutions and are insured by SIPC.

Note Receivable – The Foundation sold donated property and as partial payment received a $150,000 note and deed of trust. The note bears interest at the rate of 8.25% and calls for monthly installments of $1,744.

Annuities Payable – The Foundation has received contributions in the form of irrevocable charitable remainder trusts with the trust agreements calling for quarterly and/or monthly annuity payments to be paid over the contributors' lives. The present value of the annuities were calculated using the applicable federal rate and the life expectancies of the donors at the time of the gift and updated for changes in life expectancies. The annual annuity payment obligation under these agreements for 2005 and 2004 was $11,200.

8. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

2005 Natural Classifications

Functional Classifications	Personnel Costs	Services	Supplies	Insurance, Utilities and Rent	Scholarships	Depreciation	Miscellaneous	Total
Instruction	$ 3,185,267	$ 177,437	$ 386,113	$ 15,480	$ -	$ -	$ 13,472	$ 3,777,769
Academic Support	543,554	121,527	130,187	22,191	-	-	928	818,387
Student services	674,891	64,735	34,693	41,017	-	-	9,810	825,146
Institutional support	859,858	182,997	21,230	7,672	-	-	69,395	1,141,152
Operations and maintenance of plant	374,001	224,158	175,083	240,534	-	590,003	5,721	1,609,500
Scholarships	-	-	-	-	792,304	-	-	792,304
Auxiliary enterprises	72,783	7,516	360,686	-	-	-	-	440,985
Total	$ 5,710,354	$ 778,370	$ 1,107,992	$ 326,894	$ 792,304	$ 590,003	$ 99,326	$ 9,405,243

2004 Natural Classifications

Functional Classifications	Personnel Costs	Services	Supplies	Insurance, Utilities and Rent	Scholarships	Depreciation	Miscellaneous	Total
Instruction	$ 2,897,196	$ 138,306	$ 485,094	$ 185	$ -	$ -	$ 10,660	$ 3,531,441
Academic Support	495,862	92,637	83,502	26,795	-	-	1,832	700,628
Student services	613,696	55,353	28,430	37,770	-	-	11,448	746,697
Institutional support	731,547	216,867	14,310	6,468	-	-	56,679	1,025,871
Operations and maintenance of plant	335,677	228,608	66,574	224,327	-	566,828	6,994	1,429,008
Scholarships	-	-	-	-	863,093	-	-	863,093
Auxiliary enterprises	34,858	11,378	332,550	-	-	-	6,945	385,731
Total	$ 5,108,836	$ 743,149	$ 1,010,460	$ 295,545	$ 863,093	$ 566,828	$ 94,558	$ 8,682,469

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

Idaho State Board of Education
Eastern Idaho Technical College
Idaho Falls, Idaho

We have audited the financial statements of Eastern Idaho Technical College (College) as of and for the year ended June 30, 2005, and have issued our report thereon dated September 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the College in a separate letter dated September 2, 2005.

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

Moss Adams LLP

Eugene, Oregon
September 2, 2005