EASTERN IDAHO TECHNICAL COLLEGE

INDEPENDENT AUDITOR'S REPORT
and
FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
INCLUDING SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2006

EITC
Eastern Idaho
Technical College

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Eastern Idaho Technical College (College) as of and for the years ended June 30, 2006 and 2005, as listed in the table of contents. 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.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Idaho Technical College and its discretely presented component unit, as of June 30, 2006 and 2005, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2006 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.

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MOSS-ADAMS LLP

The Management's Discussion and Analysis listed in the table of contents 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Moss Adams LLP

Eugene, Oregon
August 31, 2006

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 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 ended June 30, 2006 with comparative financial data for the year ended June 30, 2005.

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

	2006	2005	Increase (Decrease)
Assets:			
Current assets	$ 3,983,279	$ 3,708,789	$ 274,490
Noncurrent assets	12,824,954	12,711,798	113,156
Total assets	16,808,233	16,420,587	387,646
Liabilities:			
Current liabilities	714,313	894,716	(180,403)
Noncurrent liabilities	-	-	-
Total liabilities	714,313	894,716	(180,403)
Net assets:			
Invested in capital assets	12,824,954	12,711,798	113,156
Unrestricted	3,268,966	2,814,073	454,893
Total net assets	16,093,920	15,525,871	568,049
Total liabilities and net assets	$ 16,808,233	$ 16,420,587	$ 387,646

A review of the College's statement of net assets at June 30, 2006 and 2005 indicates an increase in net assets from $15.5 million in 2005 to $16.1 million in 2006, or an improvement of approximately $568,000 from the prior year. This increase is attributable to the normal results of operations of the College. The $274,490 increase in current assets is largely due to a $553,101 increase in cash and cash equivalents offset by a $94,568 decrease in cash with the state treasurer and a $142,812 decrease in the amounts due from other state agencies. The $113,156 increase in non-current assets is represented by a $737,860 net addition to fixed assets less depreciation recognized on property, plant and equipment amounting to $624,704.

As of June 30, 2006, total College assets were $16.8 million. Current assets consisted primarily of cash and cash equivalents amounting to $2,004,591, cash with the state treasurer in the amount of $1,146,364 and amounts due from other state agencies totaling

$559,597. The College's largest asset is its investment in property, plant and equipment, which totals $12.8 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, 2006 totaled more than $410,000. Additional amounts due to employees for compensated absences amounted to nearly $167,000 and balances due to suppliers for goods and services provided to the College on or prior to June 30, 2006 were nearly $98,000.

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

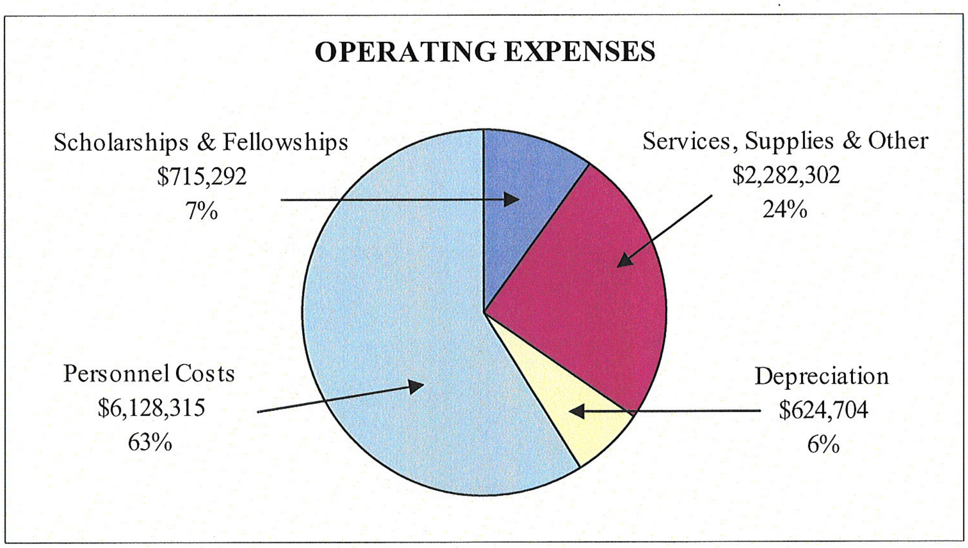
	2006	2005	Increase (Decrease)
Operating revenues	$ 3,857,030	$ 3,842,791	$ 14,239
Operating expenses	9,750,613	9,405,243	345,370
Operating loss	(5,893,583)	(5,562,452)	331,131
Net nonoperating revenues	5,762,959	5,358,644	404,315
Income (loss) before other revenues	(130,624)	(203,808)	73,184
Other revenues	698,673	758,671	(59,998)
Increase in net assets	568,049	554,863	13,186
Net assets - beginning of year	15,525,871	14,971,008	554,863
Net assets - end of year	$ 16,093,920	$ 15,525,871	$ 568,049

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 only $14,239 over 2005. The most notable change in operating revenues was a $117,202 increase in net student fees and a decrease of $119,056 in the grants and contracts administered by the College. The $345,370 increase in operating expenses is largely due to an increase in the College's personnel costs for FY 2006. Net non-operating revenues increased by $404,315 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 $926,000 while grants and contracts totaled approximately $2,444,000.

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 $489,000 for FY 2006. The College also identified and eliminated over $98,000 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 63% of the College's operating costs. Services, supplies and other represent 24% with scholarships and depreciation representing 7% and 6% respectively.

Operating expenses exceed operating revenues for FY 2006, resulting in a $5.9 million operating loss. State appropriations, at approximately $5.6 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 are typical for colleges and universities that rely heavily on state appropriations for their support.

Other significant sources of non-operating revenues are gifts and interest income. The College received gifts of nearly $125,000 from the EITC Foundation for student scholarships and over $55,000 in interest income was earned by 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 2006, the College received approximately $713,000 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

	2006	2005	Increase (Decrease)
Cash provided by (used in):			
Operating activities	$ (5,355,559)	$ (4,853,504)	$ (502,055)
Noncapital financing activities	5,761,562	5,147,451	614,111
Capital and related financing activities	(2,722)	(236,823)	234,101
Investing activities	55,252	15,161	40,091
Net increase (decrease) in cash	458,533	72,285	386,248
Cash and cash equivalents - beginning of year	2,692,422	2,620,137	72,285
Cash and cash equivalents - end of year	$ 3,150,955	$ 2,692,422	$ 458,533

The College's cash and cash equivalents increased $458,533 during FY2006. A significant increase in operating sources was experienced with a $110,880 increase in student fees while a significant increase in operating uses was $640,993 in payments to employees.

Major sources of operating funds were net student fees $925,719, grants and contracts $2,487,908 and auxiliary enterprise sales $379,955. Major uses of operating funds were payments to suppliers $2,260,745, payments to employees $6,275,068 and payments for scholarships $715,292. The College's significant sources of cash provided by non-capital financing activities were state appropriations $5,634,556 and gifts $131,038. The primary use of funds in financing activities was a $179,376 investment in capital assets. Interest received on investments, $55,252, 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, 2006, the statement of net assets revealed that the total assets of the Foundation were $3,072,498. Foundation assets are comprised primarily of cash and cash equivalents amounting to $233,683, investments totaling $2,710,972 and notes receivable of $119,669. Foundation liabilities are entirely made up of annuities payable in the amount of $54,605. Net assets of the Foundation total $3,017,893. Of this amount, $2,588,090 is restricted by donor stipulations that limit the use of the donated assets.

The statement of revenues, expenses and changes in net assets for 2006 indicates an increase in net assets of $325,593. Primary sources of revenues for the Foundation were public support $385,064 and investment income $151,746. Significant expenses of the Foundation include scholarship payments to the College $124,777 and personnel costs $59,067.

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 60% of total revenues for FY 2006, clearly indicating the economic position and future of Eastern Idaho Technical College is closely tied to that of the state of Idaho.

State revenues recovered during FY2005, resulting in a general fund surplus of $211 million. This trend has continued allowing the state to increase its general fund surplus to $298 million at the end of FY2006. The current financial health of Idaho's economy has translated into increased general fund appropriations to the College amounting to 5.2% for FY2006 and 5.9% for FY2007. Even though this trend appears to be favorable, the College remains cautious when considering the likelihood of receiving future appropriations that might exceed the maintenance of current operations ("MCO") level. Consequently, the College continues to utilize appropriate cost control measures, which overtime, may adversely affect institutional operations, student recruitment, competitive student fees and overall educational quality.

EASTERN IDAHO TECHNICAL COLLEGE

STATEMENT OF NET ASSETS
JUNE 30, 2006 AND 2005

	COLLEGE		COMPONENT UNIT	
ASSETS	**2006**	**2005**	**2006**	**2005**
CURRENT ASSETS:				
Cash and cash equivalents	$ 2,004,591	$ 1,451,490	$ 233,683	$ 208,393
Cash with state treasurer	1,146,364	1,240,932	-	-
Accounts receivable and unbilled charges	121,930	155,419	-	-
Due from state agencies	559,597	702,409	-	-
Inventories	100,880	113,231	-	-
Investments	-	-	2,054,224	1,855,859
Prepaid expenses	49,917	45,308	-	-
Other current assets	-	-	19,657	21,954
Total current assets	3,983,279	3,708,789	2,307,564	2,086,206
NONCURRENT ASSETS:				
Note receivable	-	-	108,186	119,611
Investments	-	-	656,748	552,903
Property, plant and equipment - net	12,824,954	12,711,798	-	147
Total noncurrent assets	12,824,954	12,711,798	764,934	672,661
TOTAL ASSETS	$ 16,808,233	$ 16,420,587	$ 3,072,498	$ 2,758,867

LIABILITIES AND NET ASSETS

	COLLEGE 2006	COLLEGE 2005	COMPONENT UNIT 2006	COMPONENT UNIT 2005
CURRENT LIABILITIES:				
Accounts payable	$ 97,938	$ 129,884	$ -	$ 798
Accrued salaries and benefits payable	410,375	577,299	-	-
Compensated absences payable	166,946	146,776	-	-
Deposits	10,419	14,550	-	-
Deferred revenue	28,635	26,207	-	-
Annuities payable	-	-	7,161	8,856
Total current liabilities	714,313	894,716	7,161	9,654
NONCURRENT LIABILITIES:				
Annuities payable	-	-	47,444	56,913
TOTAL LIABILITIES	714,313	894,716	54,605	66,567
NET ASSETS:				
Invested in capital assets - net of related debt	12,824,954	12,711,798	-	147
Restricted for:				
Nonexpendable	-	-	656,748	552,903
Expendable	-	-	1,931,342	1,720,437
Unrestricted	3,268,966	2,814,073	429,803	418,813
Total net assets	16,093,920	15,525,871	3,017,893	2,692,300
TOTAL LIABILITIES AND NET ASSETS	$ 16,808,233	$ 16,420,587	$ 3,072,498	$ 2,758,867

See accompanying notes

EASTERN IDAHO TECHNICAL COLLEGE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2006 AND 2005

	COLLEGE		COMPONENT UNIT	
	2006	2005	2006	2005
OPERATING REVENUES:				
Student fees (net of scholarship discounts and allowances of $488,905 and $494,706)	$ 926,514	$ 809,312	$ -	$ -
Federal grants and contracts	1,812,382	1,940,392	-	-
State and local grants and contracts	310,141	344,362	-	-
Private grants and contracts	321,643	278,468	-	-
Sales and services of educational activities	74,518	71,287	-	-
Sales and services of auxiliary enterprise - bookstore	384,386	362,614	-	-
Foundation public support		-	385,064	804,694
Foundation investment income		-	151,746	126,315
Other	27,446	36,356	515	487
Total operating revenues	3,857,030	3,842,791	537,325	931,496
OPERATING EXPENSES:				
Personnel costs	6,128,315	5,710,354	59,067	56,924
Services	809,634	778,370	20,451	17,097
Supplies	969,188	1,107,992	-	-
Insurance, utilities and rent	377,622	326,894	-	-
Scholarships and fellowships	715,292	792,304	-	-
Depreciation	624,704	590,003	-	-
Scholarship payments to the College			124,777	125,519
Miscellaneous	125,858	99,326	21,589	4,750
Total operating expenses	9,750,613	9,405,243	225,884	204,290
OPERATING INCOME (LOSS)	(5,893,583)	(5,562,452)	311,441	727,206
NONOPERATING REVENUES:				
State appropriations	5,576,669	5,219,712	-	-
Gifts (includes $124,777 and $123,771 from the Foundation)	131,038	123,771	-	-
Interest income	55,252	15,161	-	-
Unrealized gain (loss) on investments	-	-	(29,260)	113,201
Gain (loss) on sale of investments	-	-	(15,655)	(483)
Donated services	-	-	59,067	57,674
Total nonoperating revenues	5,762,959	5,358,644	14,152	170,392
INCOME (LOSS) BEFORE OTHER REVENUES	(130,624)	(203,808)	325,593	897,598
OTHER REVENUES (EXPENSES):				
State capital grants and appropriations	574,385	600,540	-	-
Capital grants and gifts	138,722	184,516	-	-
Gain (loss) on disposition of property, plant and equipment	(14,434)	(26,385)	-	-
Total other revenues (expenses)	698,673	758,671	-	-
INCREASE IN NET ASSETS	568,049	554,863	325,593	897,598
NET ASSETS, BEGINNING OF YEAR	15,525,871	14,971,008	2,692,300	1,794,702
NET ASSETS, END OF YEAR	$ 16,093,920	$ 15,525,871	$ 3,017,893	$ 2,692,300

See accompanying notes

EASTERN IDAHO TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2006 AND 2005

	COLLEGE 2006	COLLEGE 2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student fees	$ 925,719	$ 814,839
Grants and contracts	2,487,908	2,507,338
Sales and services of educational activities	74,518	71,287
Payments to suppliers	(2,260,745)	(2,228,800)
Payments to employees	(6,275,068)	(5,634,075)
Payments for scholarships and fellowships	(715,292)	(792,304)
Sales and services of auxiliary	379,955	371,855
Other receipts	27,446	36,356
Net cash provided (used) by operating activities	(5,355,559)	(4,853,504)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	5,634,656	5,019,145
Gifts	131,038	123,771
Deposits and advances	(4,132)	4,535
Net cash provided (used) by noncapital financing activities	5,761,562	5,147,451
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants and contracts	176,654	4,105
Purchases of property, plant and equipment	(179,376)	(240,928)
Net cash provided (used) by capital and related financing activities	(2,722)	(236,823)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	55,252	15,161
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	458,533	72,285
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,692,422	2,620,137
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,150,955	$ 2,692,422

See accompanying notes

EASTERN IDAHO TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2006 AND 2005

	COLLEGE 2006	COLLEGE 2005
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES:		
Operating income (loss)	$ (5,893,583)	$ (5,562,452)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	624,704	590,003
Maintenance costs paid by the Department of Public Works	900	-
Changes in assets and liabilities:		
Accounts receivable and unbilled charges - net	48,634	(53,050)
Inventories	12,350	45,290
Grants Payable	(12,545)	-
Other current assets	-	8,832
Unearned Fees	2,514	-
Prepaid Expenses	(4,610)	-
Accounts payable	12,916	98,310
Accrued salaries and benefits payable	(166,924)	-
Compensated Absences Payable	20,171	7,629
Deferred revenue	(86)	11,934
Net cash provided (used) by operating activities	$ (5,355,559)	$ (4,853,504)

	2006	2005
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:		
Donated assets	$ 31,750	$ 94,057
Assets acquired through state capital appropriations	$ 574,385	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 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.

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 cost ("FIFO") or market.

Investments – The College accounts for its investments at fair value in accordance with GASB Statement No. 31. *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* Changes in unrealized gains and losses on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets. The College did not have unrealized investment gains or losses for the years ended June 30, 2006 and 2005.

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.

Any funds deposited with the Idaho State Treasury for investment purposes can be subject to securities lending transactions initiated by the State Treasury. As of June 30, 2006 the College was not able to determine the extent those transactions occurred during the fiscal year.

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.

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 $166,946 and $146,776 for the years ended June 30, 2006 and 2005, respectively.

Employees who qualify for retirement under the Public Employee Retirement System of Idaho ("PERSI") or the College and University Optional Retirement Plan ("ORP") are eligible to use 50% of the cash value of their unused sick leave (to a maximum of 600 hours) to continue their medical insurance coverage through the College. The College partially funds these obligations by depositing .65% of employee gross payroll to the Sick Leave Insurance Reserve Fund ("SLIRF"). SLIRF is a trust fund administered by PERSI. The total contribution for the years ended June 30, 2006 and 2005 was $25,140 and $22,508, respectively.

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

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

> *Invested in capital assets, net of related debt* – This represents the College's total investment in capital assets, net of outstanding debt obligations related to those assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts would not be included as a component of invested in capital assets, net of related debt. At June 30, 2006 and 2005, 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.

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

Operating revenues – Operating revenues included activities that have the characteristics of exchange transactions, such as (1) student fees, net of scholarship discounts and allowances, (2) sales and services of educational departments and auxiliary enterprises, and (3) most Federal, state and local grants and contracts and Federal appropriations.

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

Scholarship Discounts and Allowances – Student fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net assets. 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 – Effective July 1, 2005, the College was required to adopt GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.* This statement, which was effective for periods beginning after December 15, 2004, requires the College to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairments of capital assets has 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 year ended June 30, 2006.

Termination Benefits – In June 2005, the GASB issued Statement No. 47, *Accounting for Termination Benefits*. This statement, which was effective for years beginning after June 15, 2005, establishes reporting standards for termination benefits provided by employers to employees as an inducement to hasten the termination of services or as a result of the voluntary early termination of services or as a consequence of the involuntary early termination of services. The College has determined there is no impact on the financial position or the results of its operations for the year ended June 30, 2006 by adopting Standard No. 47 effective July 1, 2005.

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

Reclassifications – Certain amounts reported in the 2005 financial statements have been reclassified to conform to the 2006 presentation.

New Accounting Standards – 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.

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, 2006 and 2005 consist of:

	2006	2005
Cash on hand	$ 1,096	$ 905
Deposits with financial institutions	2,003,495	1,450,585
Cash with State Treasurer	1,146,364	1,240,932
Total	$3,150,955	$2,692,422

Of the cash and cash equivalents reported on the statement of net assets, $2,270 was restricted by donors, granting agencies or other contractual agreements at June 30, 2006.

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, $1,902,021 and $1,338,462 was uninsured and collateralized with securities held by the pledging financial institution for the years ending June 30, 2006 and 2005 respectively. Cash deposits with the State Treasurer may be exposed to custodial credit risk. As of June 30, 2006, 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 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 Polices 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

Account receivable and unbilled charges are all current and consist of the following at June 30, 2006 and 2005:

	2006	2005
Current:		
Student fees	$ 12,608	$ 9,385
Auxiliary enterprises	1,005	(3,426)
Grants and contracts	108,317	149,460
Total	$ 121,930	$ 155,419

4. PROPERTY, PLANT AND EQUIPMENT

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

	2006			
Property, Plant and Equipment Summary	**Balance at June 30, 2005**	**Additions**	**Retirements**	**Balance at June 30, 2006**
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	16,044,057	642,413	-	16,686,470
Furniture, fixtures and equipment	2,581,374	83,140	(35,298)	2,629,216
Library materials	409,770	26,741	(28,425)	408,086
Total other property, plant and equipment	19,035,201	752,294	(63,723)	19,723,772
Less accumulated depreciation:				
Buildings and improvements	(4,817,522)	(391,854)	-	(5,209,376)
Furniture, fixtures and equipment	(1,687,219)	(192,041)	35,076	(1,844,184)
Library materials	(234,713)	(40,809)	14,213	(261,309)
Total accumulated depreciation	(6,739,454)	(624,704)	49,289	(7,314,869)
Other property, plant and equipment net of accumulated depreciation	$ 12,295,747	$ 127,590	$ (14,434)	$ 12,408,903
Property, plant and equipment summary:				
Property, plant and equipment not being depreciated	$ 416,051	$ -	$ -	$ 416,051
Other property, plant and equipment at cost	19,035,201	752,294	(63,723)	19,723,772
Total cost of property, plant and equipment	19,451,252	752,294	(63,723)	20,139,823
Less accumulated depreciation	(6,739,454)	(624,704)	49,289	(7,314,869)
Property, plant and equipment - net	$ 12,711,798	$ 127,590	$ (14,434)	$ 12,824,954

Property, Plant and Equipment Summary	2005 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

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, 2006 and 2005 were $15,936 and $15,315. Future minimum lease obligations under these agreements for the years ending June 30 are as follows:

2007	$18,136
2008	6,824
2009	200
Total minimum obligations	$25,160

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.

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 years ended June 30, 2006 and 2005 the required contribution rates for general employees was 10.39% and 6.23% of covered payroll for the College and its employees, respectively. The College contributions required and paid were $181,727, $164,902 and $143,932 for the three years ended June 30, 2006, 2005 and 2004, respectively.

PERSI issues a publicly available financial report that includes 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, 1997, 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, 2006 and 2005 was $312,386 and $277,622, which consisted of $164,163 and $145,880 from the College and $148,223 and $131,742 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, 2006 and 2005, this supplemental funding payment made to PERSI was $80,464 and $72,392. This amount is not included in the regular College PERSI contributions discussed previously.

Postretirement Benefits Other Than Pensions – The College offers a life insurance plan for employees who qualify for retirement under PERSI or ORP. This plan is established by the authority of and approved by SBOE through general powers granted to it pursuant to Idaho Code Section 33-107. During the years ended June 30, 2006 and 2005, the College made expenditures totaling $3,390 annually to purchase life insurance for 11 retired employees receiving this benefit.

This program is accounted for by the College on a pay-as-you-go basis; however, the GASB is studying a new accounting standard (GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*") that would require the College to record this obligation on an actuarially determined basis. An actuarially determined valuation of this obligation would likely be significantly higher than the amount currently reported.

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 $124,777 and $125,519, for the years ending June 30, 2005 and 2006, respectively; the College provided funding for the Foundation's director of operations salary and benefits in the amount of $59,067 and $56,924, for the years ending June 30, 2006 and 2005. 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, 2006 and 2005, the carrying amount of the Foundation's cash and cash equivalents is comprised of the following:

	2006	2005
Cash on hand and held at banking institutions	$ 141,621	$ 172,391
Cash held in demand deposits at nonbanking institutions	92,062	36,002
Total balance held	$ 233,683	$ 208,393

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, $137,062 and $137,095 was covered by federal depository insurance for the years ended June 30, 2006 and 2005, respectively. Uninsured and uncollateralized deposits were $96,621 and $71,298 at June 30, 2006 and 2005, respectively.

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:

	2006	2005
Money market funds	$ 96,634	54,281
Equity securities	967,865	306,856
U.S. government securities	75,162	30,025
Corporate debt securities	1,571,311	2,017,600
Total investments	$2,710,972	$2,408,762

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

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, 2006

Investment Type	Less Than 1 Year	1-5 Years	6-10 Years	11-15 Years	16-20 Years	Total Fair Value
Debt Securities:						
Money market funds	96,634					96,634
U.S. government obligations	11,105	20,008		44,049		75,162
Corporate obligations					15,100	15,100
Bond mutual funds	5,597	24,708	188,637	25,994	34,281	279,217
Total debt securities	113,336	44,716	188,637	70,043	49,381	466,113
Other corporate obligations						1,276,994
Corporate domestic equities						937,556
Corporate foreign equities						30,309
Total Foundation Investments						2,710,972

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 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.

Foundation Rated Debt Investments at June 30, 2006

Investment Type	Fair Value	Aaa	Aa3	Aa2	A3	A2	A1	Baa	B	BB	BBB	B-/Caa1	Unrated
Money market funds	96,634	-	-	-	-	-	96,634	-	-	-	-	-	-
U.S. government obligation	75,162	46,682	-	-	-	-	-	-	-	-	-	-	28,480
Corporate obligations	1,292,334	95,465	62,031	63,949	292,117	85,562	463,305	130,724	-	-	49,772	15,340	34,069
Mutual funds	278,977	64,487	-	-	-	-	28,639	10,635	78,503	42,592	35,414	18,707	-
Total	1,743,107	206,634	62,031	63,949	292,117	85,562	588,578	141,359	78,503	42,592	85,186	34,047	62,549
Corporate domestic securities	937,556												
Corporate foreign equities	30,309												
Total Foundation Securities	2,710,972												

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 2006 and 2005 was $11,200.

8. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

2006 Natural Classifications

Functional Classifications	Personnel Costs	Services	Supplies	Insurance, Utilities and Rent	Scholarships	Depreciation	Miscellaneous	Total
Instruction	$ 3,477,580	$ 171,579	$ 347,817	$ 20,850	$ -	$ -	$ 21,170	$ 4,038,996
Academic Support	587,737	119,426	96,655	20,676	-	-	1,534	826,028
Student services	739,429	68,156	26,966	41,456	-	-	21,822	897,829
Institutional support	894,555	228,435	40,294	7,987	-	-	74,943	1,246,214
Operations and maintenance of plant	375,755	217,767	108,204	286,653	-	624,704	6,389	1,619,472
Scholarships	-	-	-	-	715292	-	-	715,292
Auxiliary enterprises	53,259	4,271	349,252	-	-	-	-	406,782
Total	$ 6,128,315	$ 809,634	$ 969,188	$ 377,622	$ 715,292	$ 624,704	$ 125,858	$ 9,750,613

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

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, 2006, and have issued our report thereon dated August 31, 2006. 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 statement 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*.

MOSS-ADAMS LLP

We noted certain matters that we reported to management of the College in a separate letter dated August 31, 2006.

This report is intended solely for the information and use of the Idaho State Board of Higher Education, Department 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
August 31, 2006

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Eastern Idaho Technical College (College) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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

In our opinion, the College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

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accounting firms throughout
the world

Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. 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 of risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This information is intended solely for the use of the Idaho State Board of Higher Education, Department 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
August 31, 2006

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ____ yes _X_
  none reported

- Reportable condition(s) identified that are not considered to be material weaknesses? ____ yes _X_

none reported

Noncompliance material to financial statements noted? ____ yes _X_ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ____ yes _X_

none reported

- Reportable condition(s) identified that are not considered to be material weaknesses? ____ yes _X_

none reported

Type of auditor's report issued on compliance for major programs: *unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _X_ yes ____ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	U.S. Department of Education
	Student Financial Aid Cluster
84.007	Supplemental Educational Opportunity Grant Program
84.033	Federal Work-Study Program
84.063	Pell Grant Program
	U.S. Department of Education
84.048	Vocational Education Basic Grants to States

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

II. FINANCIAL STATEMENT FINDINGS

None

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDING

Finding 05-1

Condition – Moss Adams noted that charges for personal services which were supported with funds from the Vocational Education Basic Grants to States were not being certified in accordance with OMB Circular A-21.

Recommendations – Moss Adams recommends that the College develop and implement policies and procedures to certify actual personal service costs in accordance with OMB Circular A-21.

Current Status - Fully corrected.

SUPPLEMENTAL INFORMATION

Eastern Idaho Technical College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Federal Grant / Program Title	**Federal CFDA Number**	**Expended**
US Department of Education		
Direct Programs		
SEOG	84.007	56,472
CWS	84.033	35,129
PELL	84.063	991,351
Pass Through Payments From the State of Idaho		
Adult Education - State Administered Basic Grant Program	84.002	227,656
Vocational Education - Basic Grants to States	84.048	301,068
LEAP	84.069	5,500
Tech Prep Education	84.243	107,324
US Department of Health and Human Services		
Pass Through Payments From the State of Idaho		
Temporary Assistance For Needy Families	93.558	79,396
Nurse Education, Practice and Retention Grants	93.359	6,692
US Deparment of The Interior, BLM		
Direct Programs		
Community Assistance - Fire Prevention Programs	15.228	18,092
US Department of Homeland Security		
Pass Through Payments From the State of Idaho		
State Fire Training System Grants	97.043	1,718
US Department of Labor		
Direct Programs		
RITA	17.261	8,933
US Department of Housing & Urban Development		
Pass Through Payments From City of Idaho Falls		
Community Development Block Grants	14.218	14,997
Total Federal Financial Assistance		1,854,328

See accompanying notes to this schedule

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of EITC for the year ended June 30, 2006 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

Note B – College Administered Loan Programs

During the fiscal year ended June 30, 2006, the College processed the following amount of new loans:

	CFDA #	Amount
Stafford Subsidized Loan Program	84.032	$ 658,912
Stafford Unsubsidized Loan Program	84.032	361,505
		$1,020,417