

EASTERN IDAHO TECHNICAL COLLEGE

**INDEPENDENT AUDITOR'S REPORT
and
FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2008
INCLUDING SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2008**



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INDEPENDENT AUDITOR'S REPORT

Idaho State Board of 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, 2008 and 2007, 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 8. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for that component unit, is based solely on the report of other auditors.

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

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 the College, and its discretely presented component unit, as of June 30, 2008 and 2007, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statement, on July 1, 2007, the College adopted Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB Statement No. 45 required the College to recognize and match other postemployment benefit costs with related services received and disclose additional information.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2008, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

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.

Our audit was conducted for the purpose of forming an opinion on the College's basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Moss Adams LLP

Eugene, Oregon
November 18, 2008

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, 2008 with comparative financial data for the year ended June 30, 2007.

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 is an indicator of whether the overall financial condition has improved or worsened during the year.

Summary Statement of Net Assets

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>
Assets:			
Current assets	\$ 4,561,336	\$ 3,954,880	\$ 606,456
Noncurrent assets	<u>13,058,901</u>	<u>12,525,540</u>	<u>533,361</u>
Total assets	<u>17,620,237</u>	<u>16,480,420</u>	<u>1,139,817</u>
Liabilities:			
Current liabilities	933,684	760,815	172,869
Noncurrent liabilities	<u>159,000</u>	<u>-</u>	<u>159,000</u>
Total liabilities	<u>1,092,684</u>	<u>760,815</u>	<u>331,869</u>
Net assets:			
Invested in capital assets	13,058,901	12,525,540	533,361
Unrestricted	<u>3,468,652</u>	<u>3,194,065</u>	<u>274,587</u>
Total net assets	<u>16,527,553</u>	<u>15,719,605</u>	<u>807,948</u>
Total liabilities and net assets	<u>\$ 17,620,237</u>	<u>\$ 16,480,420</u>	<u>\$ 1,139,817</u>

A review of the College's statement of net assets at June 30, 2008 and 2007 indicates an increase in net assets from \$15.7 million in 2007 to \$16.5 million in 2008, or an improvement of approximately 5.1% from the prior year. The \$606,456 increase in current assets is largely due to increases of \$134,318 in cash and cash equivalents, \$59,199 in accounts receivable and unbilled charges and \$415,973 in amounts due from other state agencies. These variances are attributable primarily to timing differences as the College was in different stages of its normal operating cycle of collecting and converting receivables and amounts due from other state agencies to cash and cash equivalents. The \$533,361 increase in non-current assets is represented by a \$1,164,254 net addition to fixed assets less depreciation recognized on property, plant and equipment amounting to \$630,893.

As of June 30, 2008, total College assets were \$17.6 million. Current assets consisted primarily of cash and cash equivalents amounting to \$559,602, cash with the state treasurer in the amount of \$2,323,889 and amounts due from other state agencies totaling \$1,338,545. The College's largest asset is its investment in property, plant and

equipment, which totals \$13.1 million. In the fall of 2007 the College occupied a newly constructed health education facility, but since that project has not been officially closed by the Division of Public Works (DPW), it continues to be classified as construction in progress on DPW's books and has not been capitalized by the College. Construction costs for that facility through June 30, 2008 total approximately \$9.5 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, 2008 totaled more than \$479,000. Additional amounts due to employees for compensated absences amounted to just over \$207,000 and balances due to suppliers for goods and services provided to the College on or prior to June 30, 2008 were nearly \$213,000. The \$173,000 change in current liabilities is represented primarily by increases in amounts due to employees, amounts due for compensated absences and amounts due to suppliers in the amounts of \$59,200, \$20,500 and \$99,700 respectively.

Noncurrent liabilities totaling \$159,000 are represented entirely by the net OPEB obligation accrued in accordance with GASB Statement No. 45 which became effective for fiscal year 2008 and later years.

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

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>
Operating revenues	\$ 4,324,282	\$ 3,787,710	\$ 536,572
Operating expenses	<u>11,547,650</u>	<u>10,454,650</u>	<u>1,093,000</u>
Operating loss	(7,223,368)	(6,666,940)	(556,428)
Net nonoperating revenues	<u>6,566,137</u>	<u>6,049,867</u>	<u>516,270</u>
Income (loss) before other revenues	(657,231)	(617,073)	(40,158)
Other revenues	<u>1,465,179</u>	<u>242,758</u>	<u>1,222,421</u>
Increase in net assets	807,948	(374,315)	1,182,263
Net assets - beginning of year	<u>15,719,605</u>	<u>16,093,920</u>	<u>(374,315)</u>
Net assets - end of year	<u>\$ 16,527,553</u>	<u>\$ 15,719,605</u>	<u>\$ 807,948</u>

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 \$536,572 from 2007. The most notable change in operating revenues was an increase of \$485,782 in the grants and contracts administered by the College. The most significant change in grants and contracts was the addition of the INL training contract which generated nearly \$440,000 in revenues. Net student fees increased by \$73,828 while sales and services of educational activities and auxiliary enterprises increased by \$19,139. The \$1,093,000 increase in operating expenses was largely due to increased personnel costs amounting to just over \$993,000. The increase in personnel costs is attributable primarily to a 5% CEC for 2008 (change in employee compensation approved by the Idaho legislature) amounting to approximately \$312,000, salaries and benefits associated with increased grant and contract activities amounting to \$347,000 and the accrual of the net OPEB obligation in accordance with the adoption of GASB Statement No. 45 totaling \$159,000.

Net non-operating revenues increased by \$516,270 largely because of an increase in the College's state appropriation.

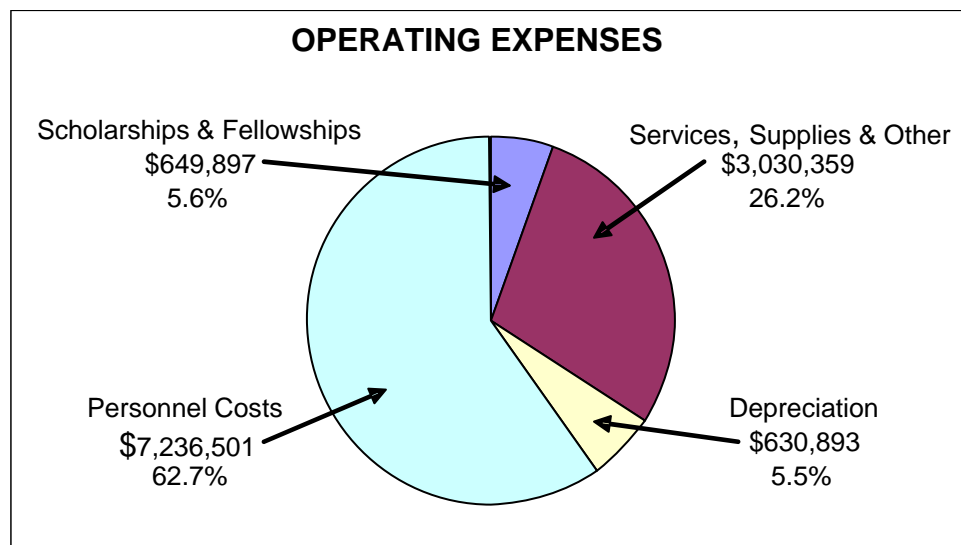
Student fees and grants and contracts account for the majority of operating revenues. Net student fees amounted to approximately \$1,021,000 while grants and contracts totaled approximately \$2,814,000.

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 \$488,000 for 2008. The College also identified and eliminated over \$92,000 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 62.7% of the College's operating costs. Services, supplies and other represent 26.2% with scholarships and depreciation representing 5.6% and 5.5% respectively.

Operating expenses exceeded operating revenues for 2008, resulting in a \$7.2 million operating loss. State appropriations, at approximately \$6.3 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 regards state appropriations as non-operating revenues or subsidies even though they support operating activities, consequently, operating losses are typical for colleges and universities that rely heavily on state appropriations for their support.



Other significant sources of non-operating revenues are gifts and interest income. In 2008 the College received gifts of approximately \$213,000 and over \$39,000 in interest income was earned by the College.

Other revenues consist primarily of capital grants and appropriations. 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 (DPW). The College received approximately \$1,495,000 in capital grants and appropriations in 2008, an increase of \$1,238,000 from the \$257,000 received in 2007. Significant capital grants and appropriations for 2008 include the Maintenance Building expansion \$402,678; the Creek Building roofing project \$162,675; HVAC improvements in the Christofferson Building \$148,377; and \$682,097 for furnishings and audio visual equipment in the Health Education Building.

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

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>
Cash provided by (used in):			
Operating activities	\$ (6,281,391)	\$ (6,006,986)	\$ (274,405)
Noncapital financing activities	6,726,150	5,752,415	973,735
Capital and related financing activities	(349,580)	(238,683)	(110,897)
Investing activities	<u>39,139</u>	<u>91,472</u>	<u>(52,333)</u>
Net increase (decrease) in cash	134,318	(401,782)	536,100
Cash and cash equivalents - beginning of year	<u>2,749,173</u>	<u>3,150,955</u>	<u>(401,782)</u>
Cash and cash equivalents - end of year	<u>\$ 2,883,491</u>	<u>\$ 2,749,173</u>	<u>\$ 134,318</u>

The College's cash and cash equivalents increased by \$134,318 during 2008. A significant increase in operating sources was experienced with a \$601,219 increase in grants and contracts while a significant increase in operating uses was \$784,959 in payments for employee salaries and benefits.

Major sources of operating funds were net student fees \$1,011,082, grants and contracts \$2,792,617 and auxiliary enterprise sales \$396,300. Major uses of operating funds were payments to suppliers \$2,925,528, payments for employee salaries and benefits \$6,997,818 and payments for scholarships \$649,897. The College's significant sources of cash provided by non-capital financing activities were state appropriations \$6,511,494 and gifts \$213,094. The primary use of funds in financing activities was a \$482,807 investment in capital assets. Interest received on investments, \$39,139, 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, 2008, the statement of net assets revealed that the total assets of the Foundation were \$3,436,005. Foundation assets are comprised primarily of cash and cash equivalents amounting to \$243,431, investments totaling \$3,094,111 and notes receivable of \$82,150. Foundation liabilities are comprised of accounts payable and accrued liabilities amounting to \$1,111 and annuities payable, including a charitable remainder, totaling \$77,304. Net assets of the Foundation total \$3,357,590. Of this amount, \$2,883,126 is restricted by donor stipulations that limit the use of the donated assets.

The statement of revenues, expenses and changes in net assets for 2008 indicates a decrease in net assets of \$168,783. Primary sources of revenues for the Foundation were public support \$316,427, investment income \$225,699 and other net investment losses of \$449,592. Significant expenses of the Foundation include scholarship payments to the College \$157,787 and personnel costs \$61,290.

Future Economic Outlook

The College is largely dependent upon ongoing financial and political support from state government. The College's state appropriations, including capital appropriations, comprised over 53% of total revenues for 2008, 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 increased steadily since 2005, resulting in a general fund surplus of \$223.8 million at June 30, 2008. Although the recent financial health of Idaho's economy has translated into increased general fund appropriations to the College averaging 6.23% for fiscal years 2007 through 2009, the state's division of financial management (DFM) has warned of a potential budget shortfall for fiscal 2009. As a

result of changes in national and state economic indicators, DFM has reduced its fiscal 2009 general fund revenue projection by 5.9%, consequently, the Idaho governor has announced the possibility of a temporary reduction of spending authority in order to bring spending in line with the new revenue estimate. A reduction in spending authority would require the College to implement cost-saving measures to in order to meet a new, reduced authorization.

The College expects to see little change in economic conditions through FY 2010. This trend, if prolonged, will affect institutional operations, student recruitment, competitive student fees and overall educational quality.

EASTERN IDAHO TECHNICAL COLLEGE

STATEMENT OF NET ASSETS JUNE 30, 2008 AND 2007

ASSETS	COLLEGE		COMPONENT UNIT	
	2008	2007	2008	2007
CURRENT ASSETS:				
Cash and cash equivalents	\$ 559,602	\$ 1,413,512	\$ 243,431	\$ 231,661
Cash with state treasurer	2,323,889	1,335,661	-	-
Accounts receivable and unbilled charges	231,664	172,465	-	-
Due from state agencies	1,338,545	922,572	-	-
Inventories	107,636	110,670	-	-
Investments	-	-	2,374,608	2,539,867
Other current assets	-	-	16,313	26,169
Total current assets	<u>4,561,336</u>	<u>3,954,880</u>	<u>2,634,352</u>	<u>2,797,697</u>
NONCURRENT ASSETS:				
Note receivable	-	-	82,150	95,688
Investments	-	-	719,503	717,628
Property, plant and equipment - net	<u>13,058,901</u>	<u>12,525,540</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>13,058,901</u>	<u>12,525,540</u>	<u>801,653</u>	<u>813,316</u>
TOTAL ASSETS	<u>\$ 17,620,237</u>	<u>\$ 16,480,420</u>	<u>\$ 3,436,005</u>	<u>\$ 3,611,013</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	\$ 213,646	\$ 113,948	\$ 1,111	\$ 4,984
Accrued salaries and benefits payable	479,865	420,693	-	-
Compensated absences payable	207,058	186,547	-	-
Deposits	7,825	6,262	-	-
Deferred revenue	25,290	33,365	-	-
Annuities payable	-	-	8,056	7,893
Total current liabilities	<u>933,684</u>	<u>760,815</u>	<u>9,167</u>	<u>12,877</u>
NONCURRENT LIABILITIES:				
Other Liabilities - net OPEB obligation	159,000	-	-	-
Annuities payable	-	-	41,448	43,963
Charitable remainder payable	-	-	27,800	27,800
Total non-current liabilities	<u>159,000</u>	<u>-</u>	<u>69,248</u>	<u>71,763</u>
TOTAL LIABILITIES	<u>1,092,684</u>	<u>760,815</u>	<u>78,415</u>	<u>84,640</u>
NET ASSETS:				
Invested in capital assets - net of related debt	13,058,901	12,525,540	-	-
Restricted for:				
Nonexpendable	-	-	719,503	717,628
Expendable	-	-	2,163,623	2,333,472
Unrestricted	<u>3,468,652</u>	<u>3,194,065</u>	<u>474,464</u>	<u>475,273</u>
Total net assets	<u>16,527,553</u>	<u>15,719,605</u>	<u>3,357,590</u>	<u>3,526,373</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,620,237</u>	<u>\$ 16,480,420</u>	<u>\$ 3,436,005</u>	<u>\$ 3,611,013</u>

See accompanying notes

EASTERN IDAHO TECHNICAL COLLEGE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2008 AND 2007

	COLLEGE		COMPONENT UNIT	
	2008	2007	2008	2007
OPERATING REVENUES:				
Student fees (net of scholarship discounts and allowances of \$487,642 and \$457,423)	\$ 1,021,756	\$ 947,928	\$ -	\$ -
Federal grants and contracts	1,636,773	1,651,895	-	-
State and local grants and contracts	343,750	301,596	-	-
Private grants and contracts	832,882	374,132	-	-
Sales and services of educational activities	68,703	66,897	-	-
Sales and services of auxiliary enterprise - bookstore	397,268	418,213	-	-
Foundation public support	-	-	316,427	307,282
Foundation investment income	-	-	225,699	181,687
Other	23,150	27,049	473	138
Total operating revenues	4,324,282	3,787,710	542,599	489,107
OPERATING EXPENSES:				
Personnel costs	7,236,501	6,242,778	61,290	59,057
Services	833,707	891,359	21,223	16,311
Supplies	1,608,682	1,599,225	-	-
Insurance, utilities and rent	435,790	347,746	-	-
Scholarships and fellowships	649,897	583,824	-	8,105
Depreciation	630,893	637,940	-	-
Scholarship payments to the College	-	-	157,787	129,999
Miscellaneous	152,180	151,778	82,780	45,399
Total operating expenses	11,547,650	10,454,650	323,080	258,871
OPERATING INCOME (LOSS)	(7,223,368)	(6,666,940)	219,519	230,236
NONOPERATING REVENUES:				
State appropriations	6,313,904	5,828,396	-	-
Gifts (includes \$157,787 and \$129,999 from the Foundation)	213,094	129,999	-	-
Interest income	39,139	91,472	-	-
Unrealized gain (loss) on investments	-	-	(445,716)	168,262
Gain (loss) on sale of investments	-	-	(3,876)	50,925
Donated services	-	-	61,290	59,057
Total nonoperating revenues	6,566,137	6,049,867	(388,302)	278,244
INCOME (LOSS) BEFORE OTHER REVENUES	(657,231)	(617,073)	(168,783)	508,480
OTHER REVENUES (EXPENSES):				
State capital appropriations	708,830	125,289	-	-
Capital grants and gifts	786,009	131,290	-	-
Gain (loss) on disposition of property, plant and equipment	(29,660)	(13,821)	-	-
Total other revenues (expenses)	1,465,179	242,758	-	-
INCREASE (DECREASE) IN NET ASSETS	807,948	(374,315)	(168,783)	508,480
NET ASSETS, BEGINNING OF YEAR	15,719,605	16,093,920	3,526,373	3,017,893
NET ASSETS, END OF YEAR	\$ 16,527,553	\$ 15,719,605	\$ 3,357,590	\$ 3,526,373

See accompanying notes

EASTERN IDAHO TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2008 AND 2007

	COLLEGE	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student fees	\$ 1,011,082	\$ 954,191
Grants and contracts	2,792,617	2,191,398
Sales and services of educational activities	68,703	66,897
Payments to suppliers	(2,925,528)	(2,865,771)
Payments to employees	(6,997,818)	(6,212,859)
Payments for scholarships and fellowships	(649,897)	(583,824)
Sales and services of auxiliary	396,300	415,933
Other receipts	23,150	27,049
Net cash provided (used) by operating activities	<u>(6,281,391)</u>	<u>(6,006,986)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	6,511,494	5,626,573
Gifts	213,094	129,999
Deposits and advances	<u>1,562</u>	<u>(4,157)</u>
Net cash provided (used) by noncapital financing activities	<u>6,726,150</u>	<u>5,752,415</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants and contracts	133,227	46,449
Purchases of property, plant and equipment	(482,807)	(287,882)
Proceeds from the sale of property, plant and equipment	<u>-</u>	<u>2,750</u>
Net cash provided (used) by capital and related financing activities	<u>(349,580)</u>	<u>(238,683)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	<u>39,139</u>	<u>91,472</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	134,318	(401,782)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,749,173</u>	<u>3,150,955</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,883,491</u></u>	<u><u>\$ 2,749,173</u></u>

See accompanying notes

EASTERN IDAHO TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2008 AND 2007

	COLLEGE	
	2008	2007
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES:		
Operating income (loss)	\$ (7,223,368)	\$ (6,666,940)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	630,893	637,940
Maintenance costs paid by the Division of Public Works	2,100	68,200
Changes in assets and liabilities:		
Accounts receivable and unbilled charges - net	(24,354)	(136,972)
Inventories	3,034	(9,790)
Grants payable	-	-
Unearned fees	(4,220)	4,345
Prepaid expenses	-	49,917
Accounts payable	99,698	16,011
Accrued salaries and benefits payable	59,170	10,318
Compensated absences payable	20,511	19,600
Net OPEB obligation	159,000	-
Deferred revenue	(3,855)	385
Net cash provided (used) by operating activities	<u>\$ (6,281,391)</u>	<u>\$ (6,006,986)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:		
Donated assets	\$ 4,375	\$ 10,125
Assets acquired through state capital appropriations	\$ 708,830	125,289

EASTERN IDAHO TECHNICAL COLLEGE

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

The College has the option to apply all Financial Accounting Standards Board (“FASB”) pronouncements issued after November 30, 1989, unless FASB

conflicts with GASB. The College has elected not to apply FASB pronouncements issued after the applicable date.

Cash and Cash Equivalents – The College considers all liquid investments with a remaining maturity of three months or less at the date of acquisition to be cash equivalents.

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, 2008 and 2007.

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, 2008 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. Construction and other repair and improvement projects that are funded from other than the College's resources and administered by the State's Division of Public Works (DPW) are capitalized by the College when the projects are completed and closed by DPW. DPW continues to carry the value of projects that are not closed on its books as construction in progress. Construction and other DPW repair and improvement projects that have an active status at June 30, 2008 total approximately \$10.5 million.

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

Compensated Absences – Employee vacation pay that is earned but unused is accrued at year-end for financial statement purposes. Compensated absences payable included in current liabilities in the statement of net assets, and as a component of personnel costs in the statement of revenues, expenses and changes in net assets is \$207,058 and \$186,547 for the years ended June 30, 2008 and 2007, 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, 2008 and 2007 was \$28,780 and \$25,476, 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, 2008 and 2007, the College has no outstanding debt obligations or unexpended debt proceeds.

Unrestricted – Unrestricted net assets represent resources derived from student fees, state appropriations and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions related to the educational and general operations of the College and may be used to meet current expenses for any lawful purpose, in compliance SBOE policy.

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

Income Taxes – The College, as a political subdivision of the State of Idaho, is excluded from Federal income taxes under section 115(1) of the Internal Revenue Code, as amended. The College is liable for tax on its unrelated business income. Defined by the Internal Revenue Code, unrelated business income is income from a trade or business, regularly carried on, that is not substantially related to the performance by the organization of its exempt purpose or function. The College did not incur unrelated business income tax expense in the fiscal years ended June 30, 2008 or 2007.

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 have occurred and record impaired assets and impairment losses accordingly. This statement also addresses the appropriate recording of insurance recoveries associated with events or changes in circumstances resulting in impairments of capital assets. The College has determined that no such impairments have occurred for the year ended June 30, 2008.

Sales and Pledges of Receivables and Future Revenues – In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* effecting financial statement periods beginning after December 15, 2006. GASB Statement No. 48 details criteria used to determine whether certain revenue generating transactions should be classified as a sale or a collateralized borrowing. The College has determined there is no impact on the financial position or the results of its operations for the year ended June 30, 2008 by adopting Standard No. 48 effective July 1, 2007.

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 2007 financial statements may have been reclassified to conform to the 2008 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 establishes standards of accounting and financial reporting for other postemployment benefits expense/expenditures and related liabilities. The College adopted GASB Statement No. 45 during fiscal year 2008 and its impact is disclosed in Note 7.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures*, which amends GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pension Plans by State and Local Governmental Employers*. The amendments align the financial reporting requirements for pensions with the reporting requirements for other postemployment benefits (OPEB) under Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by*

Employers for Postemployment Benefits Other Than Pensions. The goal of Statement No. 50, the provisions of which are effective for periods beginning after June 15, 2007, is to improve the transparency of financial reporting by public sector employers and retirement plans. 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, 2008 and 2007 consist of:

	2008	2007
Cash on hand	\$ 2,990	\$ 4,183
Deposits with financial institutions	556,612	1,409,329
Cash with State Treasurer	<u>2,323,889</u>	<u>1,335,661</u>
Total	<u>\$2,883,491</u>	<u>\$2,749,173</u>

Of the cash and cash equivalents reported on the statement of net assets, \$3,285 was restricted by donors, granting agencies or other contractual agreements at June 30, 2008.

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, \$446,139 and \$1,307,420 was uninsured but was collateralized with securities held by the pledging financial institution for the years ending June 30, 2008 and 2007 respectively. Cash deposits with the State Treasurer may be exposed to custodial credit risk. As of June 30, 2008, 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 Policies and Procedures of SBOE authorizes funds within the control of the College to be invested in FDIC passbook saving accounts, certificates of deposit, U. S. securities, federal funds repurchase agreements, reverse repurchase agreements, federal agency securities, large money market funds, bankers acceptances, corporate bonds of Aa grade or better, mortgage backed securities of Aa grade or better and commercial paper of prime or equivalent grade all without prior board approval. Authority to make investments in any other form requires prior SBOE approval. The College does not have policies that further limit its deposit or investment alternatives beyond those allowed by SBOE.

3. ACCOUNTS RECEIVABLE AND UNBILLED CHARGES

Account receivable and unbilled charges are all current and consist of the following at June 30, 2008 and 2007:

	2008	2007
Current:		
Student fees	\$ 13,674	\$ 11,074
Auxiliary enterprises	4,252	3,285
Grants and contracts	<u>213,738</u>	<u>158,106</u>
Total	<u>\$ 231,664</u>	<u>\$ 172,465</u>

4. PROPERTY, PLANT AND EQUIPMENT

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

<u>Property, Plant and Equipment Summary</u>	<u>2008</u>			<u>Balance at June 30, 2008</u>
	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Retirements</u>	
Property, plant and equipment not being depreciated				
Land	\$ 355,988	\$ -	\$ -	\$ 355,988
Construction in progress	<u>73,981</u>	<u>-</u>	<u>(7,000)</u>	<u>66,981</u>
Total property, plant and equipment not being depreciated	<u>429,969</u>	<u>-</u>	<u>(7,000)</u>	<u>422,969</u>
Other property, plant and equipment:				
Buildings and improvements	16,743,559	713,730	-	17,457,289
Furniture, fixtures and equipment	2,789,639	450,650	(130,096)	3,110,193
Library materials	<u>431,861</u>	<u>36,534</u>	<u>(7,850)</u>	<u>460,545</u>
Total other property, plant and equipment	<u>19,965,059</u>	<u>1,200,914</u>	<u>(137,946)</u>	<u>21,028,027</u>
Less accumulated depreciation:				
Buildings and improvements	(5,614,563)	(416,892)	-	(6,031,455)
Furniture, fixtures and equipment	(1,957,143)	(167,946)	104,361	(2,020,728)
Library materials	<u>(297,782)</u>	<u>(46,055)</u>	<u>3,925</u>	<u>(339,912)</u>
Total accumulated depreciation	<u>(7,869,488)</u>	<u>(630,893)</u>	<u>108,286</u>	<u>(8,392,095)</u>
Other property, plant and equipment net of accumulated depreciation	<u>\$ 12,095,571</u>	<u>\$ 570,021</u>	<u>\$ 29,660</u>	<u>\$ 12,635,932</u>
Property, plant and equipment summary:				
Property, plant and equipment not being depreciated	\$ 429,969	\$ -	\$ (7,000)	\$ 422,969
Other property, plant and equipment at cost	<u>19,965,059</u>	<u>1,200,914</u>	<u>(137,946)</u>	<u>21,028,027</u>
Total cost of property, plant and equipment	20,395,028	1,200,914	(144,946)	21,450,996
Less accumulated depreciation	<u>(7,869,488)</u>	<u>(630,893)</u>	<u>108,286</u>	<u>(8,392,095)</u>
Property, plant and equipment - net	<u>\$ 12,525,540</u>	<u>\$ 570,021</u>	<u>\$ (36,660)</u>	<u>\$ 13,058,901</u>

	2007			
<u>Property, Plant and Equipment Summary</u>	<u>Balance at June 30, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2007</u>
Property, plant and equipment not being depreciated				
Land	\$ 355,988	\$ -	\$ -	\$ 355,988
Construction in progress	<u>60,063</u>	<u>13,918</u>	<u>-</u>	<u>73,981</u>
Total property, plant and equipment not being depreciated	<u>416,051</u>	<u>13,918</u>	<u>-</u>	<u>429,969</u>
Other property, plant and equipment:				
Buildings and improvements	16,686,470	57,089	-	16,743,559
Furniture, fixtures and equipment	2,629,216	246,889	(86,466)	2,789,639
Library materials	<u>408,086</u>	<u>37,200</u>	<u>(13,425)</u>	<u>431,861</u>
Total other property, plant and equipment	<u>19,723,772</u>	<u>341,178</u>	<u>(99,891)</u>	<u>19,965,059</u>
Less accumulated depreciation:				
Buildings and improvements	(5,209,376)	(405,187)	-	(5,614,563)
Furniture, fixtures and equipment	(1,844,184)	(189,567)	76,608	(1,957,143)
Library materials	<u>(261,309)</u>	<u>(43,186)</u>	<u>6,713</u>	<u>(297,309)</u>
Total accumulated depreciation	<u>(7,314,869)</u>	<u>(637,940)</u>	<u>83,321</u>	<u>(7,869,488)</u>
Other property, plant and equipment, net of accumulated depreciation	<u>\$ 12,408,903</u>	<u>\$ (296,762)</u>	<u>\$ (16,570)</u>	<u>\$ 12,095,571</u>
Property, plant and equipment summary:				
Property, plant and equipment not being depreciated	\$ 416,051	\$ 13,918	\$ -	\$ 429,969
Other property, plant and equipment at cost	<u>19,723,772</u>	<u>341,178</u>	<u>(99,891)</u>	<u>19,965,059</u>
Total cost of property, plant and equipment	20,139,823	355,096	(99,891)	20,395,028
Less accumulated depreciation	<u>(7,314,869)</u>	<u>(637,940)</u>	<u>83,321</u>	<u>(7,869,488)</u>
Property, plant and equipment - net	<u>\$ 12,824,954</u>	<u>\$ (282,844)</u>	<u>\$ (16,570)</u>	<u>\$ 12,525,540</u>

5. OPERATING LEASE OBLIGATIONS

The College has entered into operating lease agreements covering various pieces of equipment and facilities. Some of those agreements provide for contingent charges for uses of equipment over the allowances included in the agreements, including charges for additional copies in the case of copier lease agreements. The lease payments for non-cancelable agreements in excess of one year for the years ended June 30, 2008 and 2007 were \$56,254 and \$17,950. Future minimum lease obligations under these agreements for the years ending June 30 are as follows:

2009	\$ 45,481
2010	40,514
2011	7,659
2012	<u>483</u>
Total minimum obligations	<u>\$ 94,137</u>

6. RETIREMENT PLANS

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

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, 2008, 2007 and 2006 the required contribution rates for general employers was 10.39% and 6.23% for general members. The College’s contributions required and paid were \$184,476, \$172,354 and \$181,727 for the three years ended June 30, 2008, 2007 and 2006, 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, 2008, 2007 and 2006 was \$391,021, \$332,451 and \$312,386, which consisted of \$205,467 \$174,828 and \$164,163 from the College and \$185,554, \$157,623 and \$148,223 from employees. These contributions represent 7.72% and 6.97% of covered payroll for the College and 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, 2008, 2007 and 2006, this supplemental funding payment made to PERSI was \$101,662, \$86,757 and \$80,464, respectively. This amount is not included in the regular College PERSI contributions discussed previously.

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Summary of Plans - The College participates in other postemployment benefit plans relating to health, disability, and life insurance administered by the State of Idaho as agent multiple-employer defined benefit plans. *Idaho Code*, Sections 67-5760 to 67-5767 and 72-1335, establishes the benefits and contribution obligations. Each of these benefits is provided by the College to retired or disabled employees. GASB Statement No. 45 has been implemented prospectively, and the net OPEB obligation at transition was zero. The most recent actuarial valuation is as of June 30, 2006. As part of the transition provisions of GASB Statement 45, the College accrued \$159,000 for retiree benefit costs during fiscal year 2008. Detail of the plans can be found in the Comprehensive Annual Report of the State of Idaho, which may be obtained as follows:

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

Plan Descriptions

Retiree Healthcare Plan

This plan allows retirees to purchase healthcare insurance coverage for themselves and eligible dependents. A retired employee of the College who is eligible to retire under the Public Employee Retirement System of Idaho (PERSI) may elect to have the retiree health insurance coverage for themselves and eligible dependents. To be eligible, College employees must enroll within sixty days of the date of their retirement. Additionally, the unreduced PERSI monthly benefit at the time of retirement must meet or exceed the monthly cost of single retiree health insurance coverage, or employees must have ten or more years (20,800 or more hours) of credited state service.

Long-Term Disability Income

This plan provides long-term disability income benefits for active employees who become disabled, generally up to a maximum age of 70. Disabled employees are defined as being unable to perform each of the substantial and material duties of the job for which they were hired for the first 30 months of disability, or any job thereafter for which they are reasonably qualified by experience, education, or training. Additionally, to qualify for long-term disability, the waiting period of the later of 26 weeks of continuous total disability or exhaustion of accrued sick leave must be met. The gross benefit equals 60 percent of monthly salary or \$3,750 (whichever is smaller). The benefit does not increase with inflation and may be offset by other disability benefits from Social Security, Workers' Compensation, or PERSI.

Life Insurance for Disabled Employees

This plan provides basic life and dependent life coverage for disabled employees, generally up to a maximum age of 70. The life insurance benefit amount is generally 100 percent of annual salary, but not less than \$20,000. In addition, a \$2,000 life insurance benefit is provided to spouses, and a \$1,000 life insurance benefit is provided to dependent children. These benefits do not increase with inflation.

Healthcare for Disabled Employees

For up to 30 months following the date of disability, an employee is entitled to continue healthcare coverage under the State plan.

Life Insurance for Retirees

This plan provides basic life insurance for certified retired employees. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at least 80 to qualify for this benefit. Eligible retirees receive basic life insurance coverage equal to 100 percent of the annual salary at retirement.

Funding Policy

The College has not set aside any assets to pay future benefits; the College funds these benefits on a pay-as-you-go basis.

Retiree Healthcare Plan

Retirees eligible for medical health insurance pay the majority of the premium cost; however, the retiree plan costs are subsidized by the active employee plan. The College contributed \$32.83 per active non-retired employee per month towards the retiree premium cost.

Long-Term Disability Income

Self-Insured portion:

Employees who became disabled prior to July 1, 2003, are self-insured by the State, which pays 100 percent of the cost of this benefit. The amount of the contributions is actuarially determined based on active claims and the number of insured individuals.

Insured Benefit portion:

Employees who became disabled after July 1, 2003, are insured by Principal Life Insurance Company and the obligation for the payment of benefits has been effectively transferred. The University pays 100 percent of the cost of the premiums. The College's contribution for the period was 0.37% of payroll in fiscal year 2008. This portion of the long-term disability income benefit is not included in the actuarial estimate.

Life Insurance for Disabled Employees

The College pays 100 percent of the premium cost of the benefit. The College's contribution for the period was 0.37% of payroll in fiscal year 2008.

Healthcare for Disabled Employees

The College pays 100 percent of its share of medical/dental premiums while the employee remains disabled. The employee is required to pay the normal active employee contribution for the plan and rate category in which the employee is enrolled. The College's contribution for the period was \$5.98 per active employee per month in fiscal year 2008.

Life Insurance for Retirees

The College pays 100 percent of the cost of basic life insurance. The College's contribution for the period as a percent of payroll was 2.037% retirees under age 65, 1.568% for retirees between the ages of 65 and 69, and 1.081% for retirees over age 70 in fiscal year 2008.

Annual OPEB Cost

The annual OPEB cost is actuarially determined based on the annual required contribution (ARC) of the employer in accordance with GASB Statement No. 45. The following table illustrates the annual OPEB expense, the amount of contributions made, and the increase in the net OPEB obligation, for the plans as of June 30, 2008, (*dollars in thousands*):

	Retiree Healthcare	Long- term Disability Income	Long- term Disability Life Insurance	Long-term Disability Healthcare	Life Insurance	Total
Annual required contribution						
Amortization of UAAL	\$70	\$1	\$2	\$2	\$8	\$83
Normal Cost	106	0	2	6	11	124
Interest to Fiscal Year-end	9	0	0	0	1	10
Annual OPEB cost (expense)	184	1	4	8	20	217
Contributions made	(43)	(5)	(2)	(5)	(4)	(59)
Increase (Decrease) in Net OPEB Obligation	141	(4)	2	4	16	159
Net OPEB Obligation – Beginning of Year	0	0	0	0	0	0
Net OPEB Obligation (Funding Excess) – End of Year	<u>\$141</u>	<u>(\$4)</u>	<u>\$2</u>	<u>\$4</u>	<u>\$16</u>	<u>\$159</u>
Percentage of AOC Contributed	23.52%	371.32%	55.10%	56.21%	18.30%	26.99%

Funded Status and Funding Progress (dollars in thousands):

	Retiree Healthcare	Long-term Disability Income	Long-term Disability Life Insurance	Long-term Disability Healthcare	Long-term Disability Life Insurance
Actuarial Valuation Date	7/1/2006	7/1/2006	7/1/2006	7/1/2006	7/1/2006
1 Actuarial Value of Assets	\$0	\$0	\$0	\$0	\$0
2 Accrued Liability (AAL)	\$1,949	\$35	\$59	\$55	\$223
3 Unfunded AAL (UAAL) (2) - (1)	\$1,949	\$35	\$59	\$55	\$223
4 Funded Ratios (1) : (2)	0.0%	0.0%	0.0%	0.0%	0.0%
5 Annual Covered Payroll	\$3,671	\$3,671	\$3,671	\$3,671	\$3,671
6 UAAL as a Percentage of Covered Payroll (3) : (5)	53.08%	0.96%	1.60%	1.50%	6.09%

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members. Any variations in future experience from that expected from these assumptions will result in corresponding changes in the estimated costs of the benefits. The projection of benefits for financial reporting purposes does not incorporate the potential effects of legal funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions for all plans:

	Retiree Healthcare	Long-term Disability Income	Long-term Disability Life Insurance	Long-term Disability Healthcare	Life Insurance
Actuarial Cost Method	Projected Unit Credit Level	Projected Unit Credit Level	Projected Unit Credit Level	Projected Unit Credit Level	Projected Unit Credit Level
Amortization Method	Percentage of Payroll	Percentage of Payroll	Percentage of Payroll	Percentage of Payroll	Percentage of Payroll
Amortization Period	30 years, Open	30 years, Open	30 years, Open	30 years, Open	30 years, Open
Assumptions:					
Inflation Rate	3.75%	3.75%	3.75%	3.75%	3.75%
Investment Return	5.00%	5.00%	5.00%	5.00%	5.00%
OPEB Increases	N/A	N/A	N/A	N/A	N/A
Projected Salary Increases	4.50%	4.50%	4.50%	4.50%	4.50%
Healthcare Cost Initial Trend Rate	10.00%	N/A	N/A	10.00%	N/A
Healthcare Cost Ultimate Trend Rate	5.00%	N/A	N/A	5.00%	N/A

8. COMPONENT UNIT FOUNDATION

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

Significant transactions occurring between the College and the Foundation include: the Foundation made scholarship payments to the College amounting to \$157,787 and \$129,999, for the years ending June 30, 2008 and 2007, respectively; the College provided funding for the Foundation’s director of operations salary and benefits in the amount of \$61,290 and \$59,057, for the years ending June 30, 2008 and 2007. 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, 2008 and 2007, the carrying amount of the Foundation’s cash and cash equivalents is comprised of the following:

	2008	2007
Cash on hand and held		
at banking institutions	\$ 231,424	\$ 163,832
Cash held in demand deposits		
at nonbanking institutions	<u>12,007</u>	<u>67,829</u>
Total balance held	<u>\$ 243,431</u>	<u>\$ 231,661</u>

Custodial Credit Risk is the risk that in the event of a financial institutions failure, the Foundation’s deposits may not be returned. The Foundation does not have a written policy for managing credit risk. Of the total bank balance, \$112,007 and \$111,153 was covered by federal depository insurance for the years ended June 30, 2008 and 2007, respectively. Uninsured and uncollateralized deposits were \$131,424 and \$120,508 at June 30, 2008 and 2007, respectively.

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

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

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

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

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

	2008	2007
Money market funds	\$ 80,798	\$ 220,743
Equity securities	446,532	500,680
U.S. government securities	25,007	24,202
Corporate debt securities	<u>2,541,774</u>	<u>2,511,870</u>
Total investments	<u>\$3,094,111</u>	<u>\$3,257,495</u>

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

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

Foundation Maturity of Debt Investments at June 30, 2008

<u>Investment Type</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>11-15 Years</u>	<u>16-20 Years</u>	<u>Over 20 Years</u>	<u>Total Fair Value</u>
Debt Securities:							
Money market funds	80,798	-	-	-	-	-	80,798
Certificates of deposit		5,211	-	-	-	-	5,211
US government obligations	-	-	-	25,007	-	-	25,007
Corporate obligations	-	-	-	5,706	18,145	-	23,851
Preferred securities	-	-	-	3,760	-	970,178	973,938
Total debt securities	80,798	5,211	-	34,473	18,145	970,178	1,108,805
Other preferred securities							214,078
Corporate domestic equities							441,321
Mutual funds & other pooled fixed income securities							1,329,907
Total Foundation investments							3,094,111

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, 2008

<u>Investment Type</u>	<u>Fair Value</u>	<u>Aaa</u>	<u>Aa3</u>	<u>Aa2</u>	<u>A3</u>	<u>A2</u>	<u>A1</u>	<u>BBB</u>	<u>Baa1</u>	<u>Baa2</u>	<u>Baa3</u>	<u>B-1</u>	<u>Unrated</u>
Money market funds	80,798												80,798
Certificates of deposit	5,211						5,211						
US government obligations	25,007	25,007											
Corporate obligations	23,851						18,145		5,706				
Preferred securities	1,188,016	177,058	69,955	282,131	65,997	147,882	316,955	17,802	16,732	18,613	50,880	8,003	16,008
Total	1,322,883	202,065	69,955	282,131	65,997	147,882	340,311	17,802	22,438	18,613	50,880	8,003	96,806
Corporate domestic equities	441,321												
Mutual funds & other pooled securities	1,329,907												
Total Foundation securities	3,094,111												

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 2008 and 2007 was \$11,200.

9. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

<u>2008 Natural Classifications</u>								
<u>Functional Classifications</u>	Personnel	Insurance, Utilities and			Scholarships	Depreciation	Miscellaneous	Total
	<u>Costs</u>	<u>Services</u>	<u>Supplies</u>	<u>Rent</u>				
Instruction	\$ 4,282,025	\$ 184,752	\$ 650,216	\$ 21,357	\$ -	\$ -	\$ 10,950	\$ 5,149,300
Academic Support	678,988	122,987	166,210	23,080	-	-	23,040	1,014,305
Student services	780,987	88,292	183,502	54,057	-	-	10,500	1,117,338
Institutional support	970,246	228,070	24,156	7,530	-	-	101,196	1,331,198
Operations and maintenance of plant	467,866	208,463	211,838	329,766	-	630,893	6,494	1,855,320
Scholarships	-	-	-	-	649,897	-	-	649,897
Auxiliary enterprises	<u>56,389</u>	<u>1,143</u>	<u>372,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>430,292</u>
Total	<u>\$ 7,236,501</u>	<u>\$ 833,707</u>	<u>\$ 1,608,682</u>	<u>\$ 435,790</u>	<u>\$ 649,897</u>	<u>\$ 630,893</u>	<u>\$ 152,180</u>	<u>\$ 11,547,650</u>

<u>2007 Natural Classifications</u>								
<u>Functional Classifications</u>	Personnel	Insurance, Utilities and			Scholarships	Depreciation	Miscellaneous	Total
	<u>Costs</u>	<u>Services</u>	<u>Supplies</u>	<u>Rent</u>				
Instruction	\$ 3,630,026	\$ 194,421	\$ 407,563	\$ 23,151	\$ -	\$ -	\$ 17,337	\$ 4,272,498
Academic Support	585,373	144,119	122,974	21,197	-	-	1,125	874,788
Student services	686,778	93,537	553,050	45,601	-	-	25,552	1,404,518
Institutional support	907,140	254,607	46,624	8,854	-	-	101,410	1,318,635
Operations and maintenance of plant	383,487	204,103	119,033	248,943	-	637,940	6,354	1,599,860
Scholarships	-	-	-	-	583,824	-	-	583,824
Auxiliary enterprises	<u>49,974</u>	<u>572</u>	<u>349,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,527</u>
Total	<u>\$ 6,242,778</u>	<u>\$ 891,359</u>	<u>\$ 1,599,225</u>	<u>\$ 347,746</u>	<u>\$ 583,824</u>	<u>\$ 637,940</u>	<u>\$ 151,778</u>	<u>\$ 10,454,650</u>

10. SUBSEQUENT EVENTS

The College is aware there are significant pressures in the current global financial markets. The College is vigilantly monitoring the developments in the markets and believes that it is positioned to deal with these developments should the market conditions persist.

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) and its discretely presented component unit as of and for the year ended June 30, 2008, which collectively comprise the College's basic financial statements and have issued our report thereon dated November 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit as described in our report on the College's financial statements. This report does not include the results of other auditors' testing of internal control over financial report or compliance and other matters that are reported on separately by other auditors. The financial statements of Eastern Idaho Technical College Foundation were not audited in accordance with *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant.

A control deficiency exists when the design or operation of a control does not allow management or employees, in normal course of performing the assigned functions, to prevent or detect misstatement on a timely basis. A significant deficiency is a control deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control. We consider the deficiency

described in the accompanying schedule of findings and questioned costs to be a material weakness in internal control over financial reporting as item 2008-01.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph on this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly would not necessarily disclose all significant deficiencies that are also considered 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*.

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

This report is intended solely for the information and use of the Idaho State Board of Education, management, 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
November 18, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND 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 OMB *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. The College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program 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 its major federal programs for the year ended June 30, 2008.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of

compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the College's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as described above.

This report is intended solely for the information and use of, management, others within the entity, the Idaho State Board of Education, and 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
November 18, 2008

**EASTERN IDAHO TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiencies(s) identified that are not considered to be material weaknesses? yes X no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiencies (s) identified that are not considered to be material weaknesses? yes X no

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? yes X no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.007
84.032
84.033
84.063
84.375

Student Financial Assistance Cluster:

Federal Supplemental Educational Opportunity Grants
Federal Family Education Loans
Federal Work-Study Program
Federal Pell Grant Program
Academic Competitiveness Grant

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes no

**EASTERN IDAHO TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Section II - Financial Statement Findings

2008-01 – Lack of Segregation of duties over Financial Reporting and Year end closing entries

Criteria – Good internal control over the financial closing process, as with other control cycles requires adequate documentation and segregation of duties to ensure that an appropriate review of activities occurs.

Condition – The current year material weakness is the prior year's unresolved significant deficiency. This item was reported as a deficiency due to a lack of adequate segregation of duties over financial reporting and year end closing entries. In the current year, this finding has been upgraded to a material weakness due to several factors. Several experienced College personnel in key positions retired. Due to these retirements and lack of experienced personnel in these positions, there were times where the Controller performed basic accounting functions, such as paying bills, in order for the Business Office to process information timely. With the Controller performing these functions, and most of the financial close and reporting functions, there was not review or oversight by another person

Questioned Costs – None

Context – The auditor must evaluate identified control deficiencies and determine whether these deficiencies, individually or in combination, are significant deficiencies or material weaknesses. The significance of a control deficiency depends on the potential for a misstatement, not on whether a misstatement actually has occurred. Accordingly, the absence of identified misstatement does not provide evidence that identified control deficiencies are not significant deficiencies or material weaknesses. Since the controller has the ability to control accounting transactions from the beginning of the process through the preparation of the financial statements there is a risk that errors will not be detected.

Effect – Due to the condition described above, the possibility of a misstatement of the College's financial statements and the potential for fraud to occur that is more than inconsequential not being prevented or detected is increased as the Controller has the ability to override the College's policies and controls.

Recommendation – Moss Adams recommends that the College 1) document their journal entry process, with particular focus on year end manual journal entries; 2) consider segregating the financial statement closing procedures, specifically those related to manual journal entries, by having another qualified individual, either post or prepare the closing manual journal entries; 3) prepare manual journal entry support so that in the event there is another individual at the College, beside the Controller, performing the closing procedures they could re-perform the closing process and the books could be closed accurately and timely; 4) consider adding more resources in the form of capacity to the Business Office so that it will make it possible for them to address the proceeding recommendations.

Management Response – The College's fiscal office has a limited staff and all positions are key to its proper function and successful operation. The resignation of just one individual adversely affects our ability to provide adequate and timely services as well as our ability to adequately segregate duties and responsibilities. The College views the condition resulting from the resignation of two staff members at and just after year-end as an unfortunate set of circumstances that were largely beyond our control. The resignations included the assistant controller who was key to segregation of duties at year-end close and financial statement preparation, and the accounts payable clerk which impeded our ability to timely pay

**EASTERN IDAHO TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

vendor invoices without the involvement of the controller. The College recognizes the effects that could result from the condition described by the auditor and will do all that is possible to remedy this situation. We have hired and are recruiting qualified individuals to fill those positions vacated by the untimely resignations and will continue to review our processes and additional staffing opportunities in an effort to enhance the controls over all aspects of our financial reporting.

Section III - Federal Award Findings and Questioned Costs

None.

**EASTERN IDAHO TECHNICAL COLLEGE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2008**

2007-01 – Lack of Segregation of duties over Financial Reporting and Year end closing entries

Condition: A crucial portion of the financial statement process is the year-end closing procedures. Based on a sample of manual journal entries tested during the audit, we noted that most of closing entries are prepared by the Controller and all entries are posted by the Controller. Supporting documentation for the entries exists; however it is not comprehensive enough for another individual at the College to timely recreate the closing procedures without the assistance of Controller.

Recommendation: Moss Adams recommends that the College 1) document their journal entry process, with particular focus on manual focus on year end manual journal entries; 2) consider segregating the financial statement closing procedures, specifically those related to manual journal entries, by having another qualified individual, either post or prepare the closing manual journal entries; 3) prepare manual journal entry support so that in the event there is another individual at the College, beside the Controller, performing the closing procedures they could re-perform the closing process and the books could be closed accurately and timely.

Status: During the current year engagement, we noted that this issue has not been resolved. This is partly due to turnover in client personnel, requiring the Controller to take on additional responsibilities. See current year finding 2008-01 regarding the current year condition, recommendation, and management's updated response.

**EASTERN IDAHO TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008**

Federal Grant / Program Title	Federal CFDA Number	Expended
US Department of Education		
Direct Programs		
SEOG	84.007	\$25,928
CWS	84.033	14,661
PELL	84.063	937,576
ACG	84.375	4,375
Pass Through Payments From the State of Idaho		
Adult Education - State Administered Basic Grant Program	84.002	187,951
Vocational Education - Basic Grants to States	84.048	335,144
LEAP / SLEAP	84.069	5,605
Tech Prep Education	84.243	75,909
US Department of The Interior, BLM		
Direct Programs		
Community Assistance - Fire Prevention Programs	15.228	18,504
US Department of Homeland Security		
Pass Through Payments From the State of Idaho		
State Fire Training System Grants	97.043	3,166
Total Federal Financial Assistance		\$1,608,819

See accompanying notes to this schedule

EASTERN IDAHO TECHNICAL COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

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, 2008 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, 2008, the College processed the following amount of new loans:

	<u>CFDA #</u>	<u>Amount</u>
Stafford Subsidized Loan Program	84.032	\$ 964,593
Stafford Unsubsidized Loan Program	84.032	<u>255,009</u>
		<u>\$ 1,219,602</u>