EASTERN IDAHO TECHNICAL COLLEGE

INDEPENDENT AUDITOR'S REPORT
and
FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
INCLUDING SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2010

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MOSS-ADAMS LLP

CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Eastern Idaho Technical College (the College) as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. 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 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 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 our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the College and its discretely presented component unit as of June 30, 2010 and 2009, 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 October 1, 2010, on our consideration of the College's internal control over financial reporting and 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 on pages 3 through 9 and certain information in Note 7, *Postemployment Benefits Other Than Pensions*, that is labeled as "required supplementary information" 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 Governments, 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
October 1, 2010

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 (the "College") financial report presents management's discussion and analysis of the College's financial activities during the fiscal year ended June 30, 2010 with comparative financial data for the years ended June 30, 2009 and 2008.

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.

	2010	2009	2008
Assets:			
Current assets	$ 4,434,650	$ 4,611,564	$ 4,561,336
Noncurrent assets	23,791,227	13,402,694	13,058,901
Total assets	28,225,877	18,014,258	17,620,237
Liabilities:			
Current liabilities	878,119	876,546	933,684
Noncurrent liabilities	241,000	182,000	159,000
Total liabilities	1,119,119	1,058,546	1,092,684
Net assets:			
Invested in capital assets	23,791,227	13,402,694	13,058,901
Unrestricted	3,315,531	3,553,018	3,468,652
Total net assets	27,106,758	16,955,712	16,527,553
Total liabilities and net assets	$ 28,225,877	$ 18,014,258	$ 17,620,237

A review of the College's statement of net assets at June 30, 2010 and 2009 indicates an increase in net assets from $16.9 million in 2009 to $27.1 million in 2010, or an improvement of approximately 59.9% from the prior year. The $176,914 decrease in current assets is largely due to a $561,125 decrease in amounts due from other state agencies offset by increases of $351,188 in cash and cash equivalents and $27,789 in inventories. 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 $10,388,533 increase in non-current assets is represented by a $11,282,313 net addition to fixed assets less depreciation recognized on property, plant and equipment amounting to $893,780. The significant addition to fixed assets is attributable primarily to the capitalization of a health education facility at a cost of nearly $9.7 million.

As of June 30, 2010, total College assets were $28.2 million. Current assets consisted primarily of cash and cash equivalents amounting to $2,154,921, cash with the state treasurer in the amount of $1,147,267 and amounts due from other state agencies totaling $729,444. The College's largest asset is its investment in property, plant and equipment, net, which totals $23.8 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, 2010 totaled nearly $514,000. Additional amounts due to employees for compensated absences amounted to nearly $220,000 and balances due to suppliers for goods and services provided to the College on or prior to June 30, 2010 were just over $79,000. The $1,573 increase in current liabilities is represented primarily by increases of $12,405 and $14,601 in deposits and deferred revenue, respectively offset by a $34,178 decrease in amounts due to suppliers.

Noncurrent liabilities totaling $241,000 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.

	2010	2009	2008
Operating revenues	$ 3,565,657	$ 3,365,189	$ 3,386,307
Operating expenses	12,443,452	11,352,772	11,547,650
Operating income (loss)	(8,877,795)	(7,987,583)	(8,161,343)
Net nonoperating revenues	7,680,393	7,482,073	7,504,112
Income (loss) before other revenues	(1,197,402)	(505,510)	(657,231)
Other revenues	11,348,448	933,669	1,465,179
Increase in net assets	10,151,046	428,159	807,948
Net assets - beginning of year	16,955,712	16,527,553	15,719,605
Net assets - end of year	$ 27,106,758	$ 16,955,712	$ 16,527,553

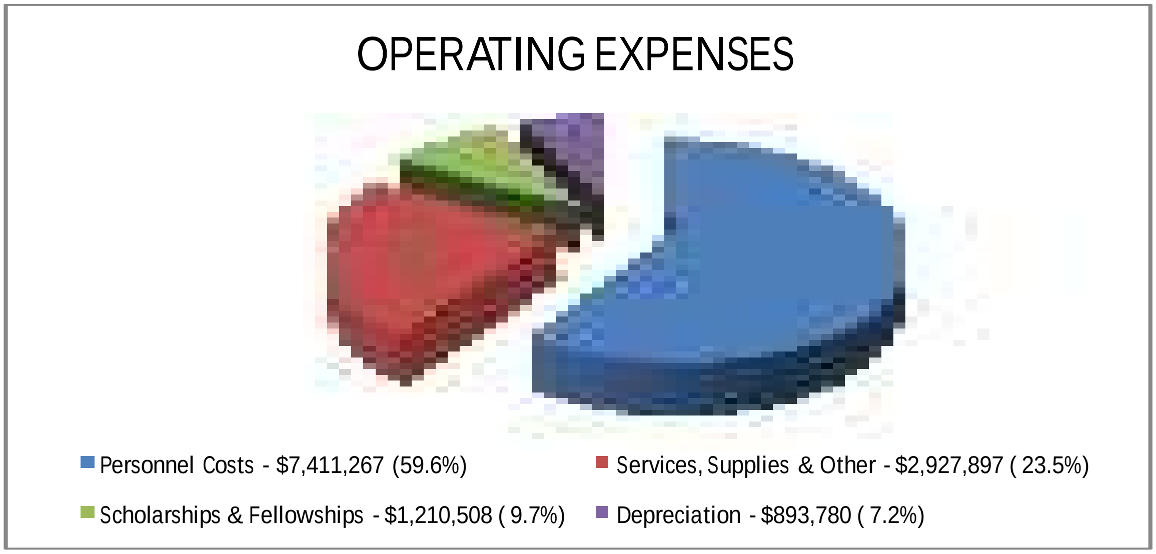
Operating revenues include activities having characteristics of exchange transactions (the payer/sponsor receives a benefit approximately equal in value to the payment or award) whereas; non-operating revenues include those activities having characteristics of non-exchange transactions (the payer/sponsor makes a voluntary transfer without directly receiving equal value in return). Operating revenues increased by approximately $200,000 from that of the previous year. The increase in revenues can primarily be attributed to the $244,696 increase in grants and contracts administered by the College. The $1,090,680 increase in operating expenses was largely due to an increase of $536,126 in scholarship awards to students, an increase of nearly $248,000 in depreciation expense and an increase of $168,766 in personnel costs. Expenditures in other operating expense categories varied little from 2009 levels. The net overall increase in all operating expenditures can be largely attributed an increase in the availability of financial aid funds for students and the increase in grant activities administered by the College. Net non-operating revenues increased by $198,320 from 2009. That change is primarily the result of a $636,780 increase in gifts and grants that is offset by a $436,722 decrease in state appropriations. Student fees and grants and contracts account for the majority of operating revenues. Net student fees amounted to approximately $988,000 while grants and contracts totaled approximately $2,090,000.

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 just over $707,000 for 2010. The College also identified and eliminated nearly $126,000 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 59.3% of the College’s operating costs. Services, supplies and other represent 23.8% with scholarships and depreciation representing 9.7% and 7.2% respectively.

Operating expenses exceeded operating revenues for 2010, resulting in nearly an $8.9 million operating loss. State appropriations, at approximately $5.8 million, continue to be the largest source of revenue for the College and are expended largely for the cost of operations. The GASB reporting model 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.



Another significant source of non-operating revenues is gifts and grants. In 2010 the College received gifts and grants of approximately $1,866,000.

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 nearly $11.4 million in capital grants and appropriations in 2010. Significant capital grants and appropriations for 2010 include $9,655,706 for a health education facility as well as $1,517,304 for renovations and improvements to other buildings on the College's campus.

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

	2010	2009	2008
Cash Provided by (used in):			
Operating activities	$ (7,913,009)	$ (7,401,993)	$ (7,219,366)
Noncapital financing activities	7,826,312	7,459,877	7,664,125
Capital and related financing activities	435,226	5,228	(349,580)
Investing activities	2,659	4,397	39,139
Net increase (decrease) in cash	351,188	67,509	134,318
Cash and cash equivalents - beginning of year	2,951,000	2,883,491	2,749,173
Cash and cash equivalents - end of year	$ 3,302,188	$ 2,951,000	$ 2,883,491

The College's cash and cash equivalents increased by $351,188 during 2010. Operating sources of cash increased by $235,424. The most notable increase was from cash generated by grants and contracts activities. Operating uses increased by $746,440 from 2009. The most notable increase in operating uses was $536,126 in scholarship payments to students. Payments for employee salaries and benefits increased by $161,255 from 2009 as well.

Major sources of operating funds during 2010 were net student fees $1,022,756, grants and contracts $2,084,623 and auxiliary enterprise sales $366,604. Major uses of operating funds during 2010 were payments to suppliers $2,935,415, payments for employee salaries and benefits $7,343,163 and payments for scholarships $1,210,508. The College's significant sources of cash provided by non-capital financing activities were state appropriations $5,948,372 and gifts and grants amounting to $1,865,894. The primary use of funds in financing activities during 2010 was a $254,925 investment in capital assets. Interest received on investments, $2,659, 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, 2010, the statement of net assets revealed that the total assets of the Foundation were $4,000,534. Foundation assets are comprised entirely of cash and cash equivalents amounting to $1,287,979 and investments totaling $2,712,555. Foundation liabilities are comprised of accounts payable and accrued liabilities amounting to $16,186 and annuities payable, including a charitable remainder, totaling $72,710. Net assets of the Foundation total $3,911,638. Of this amount, $3,489,184 is restricted by donor stipulations that limit the use of the donated assets.

The statement of revenues, expenses and changes in net assets for 2010 indicates an increase in net assets of $1,171,928. Primary sources of revenues for the Foundation were public support $1,254,539, interest and dividend income $73,431 and other net investment gains of $266,416. Significant expenses of the Foundation include scholarship payments to the College $201,071, personnel costs $70,012 and other College support totaling $170,560.

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 74% of total revenues for 2010, clearly indicating the economic position and future of Eastern Idaho Technical College is closely tied to that of the state of Idaho.

The FY 2010 revenue for the state of Idaho was down over 9% from FY 2009's actual General Fund revenue. This revenue shortfall ultimately translated into a 7.4% decrease in the College's final FY 2010 State General fund appropriation when compared to FY 2009. The College's FY 2011 General Fund appropriation now stands at 2.6% less than the final appropriation for FY 2010. The current state General Fund revenue forecast is $63 million or 2.6 % below the forecast of December 2009. The College is not certain how the projected shortfall will translate into additional budget reductions or holdback's for FY 2011, if any, but further reductions will require the College to implement additional and likely more drastic cost-saving measures than those already in place.

The College expects to see little change in economic conditions through 2011 and possibly into 2012. 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, 2010 AND 2009

	COLLEGE		COMPONENT UNIT	
ASSETS	**2010**	**2009**	**2010**	**2009**
CURRENT ASSETS:				
Cash and cash equivalents	$ 2,154,921	$ 2,040,407	$ 1,287,979	$ 177,032
Cash with state treasurer	1,147,267	910,593	-	-
Accounts receivable and unbilled charges	264,660	259,426	-	-
Due from state agencies	729,444	1,290,569	-	-
Inventories	138,358	110,569	-	-
Investments	-	-	1,943,052	1,659,881
Pledges receivable	-	-	-	183,226
Note Receivable	-	-	-	14,691
Total current assets	4,434,650	4,611,564	3,231,031	2,034,830
NONCURRENT ASSETS:				
Note receivable	-	-	-	67,544
Investments	-	-	769,503	719,503
Property, plant and equipment - net	23,791,227	13,402,694	-	-
Total noncurrent assets	23,791,227	13,402,694	769,503	787,047
TOTAL ASSETS	$ 28,225,877	$ 18,014,258	$ 4,000,534	$ 2,821,877
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	$ 79,262	$ 113,440	$ 16,186	$ 7,175
Accrued salaries and benefits payable	513,972	510,190	-	-
Compensated absences payable	219,649	214,326	-	-
Deposits	26,005	13,960	-	-
Deferred revenue	39,231	24,630	-	-
Annuities payable	-	-	8,375	8,217
Total current liabilities	878,119	876,546	24,561	15,392
NONCURRENT LIABILITIES:				
Other Liabilities - net OPEB obligation	241,000	182,000		
Annuities payable	-	-	36,535	38,975
Charitable remainder payable	-	-	27,800	27,800
Total non-current liabliities	241,000	182,000	64,335	66,775
TOTAL LIABILITIES	1,119,119	1,058,546	88,896	82,167
NET ASSETS:				
Invested in capital assets - net of related debt	23,791,227	13,402,694	-	-
Restricted for:				
Nonexpendable	-	-	769,503	719,503
Expendable	-	-	2,719,681	1,578,297
Unrestricted	3,315,531	3,553,018	422,454	441,910
Total net assets	27,106,758	16,955,712	3,911,638	2,739,710
TOTAL LIABILITIES AND NET ASSETS	$ 28,225,877	$ 18,014,258	$ 4,000,534	$ 2,821,877

See accompanying notes

EASTERN IDAHO TECHNICAL COLLEGE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010 AND 2009

	COLLEGE		COMPONENT UNIT	
	2010	2009	2010	2009
OPERATING REVENUES:				
Student fees (net of scholarship discounts and allowances of $707,489 and $530,401)	$ 988,109	$ 1,023,760	$ -	$ -
Federal grants and contracts	807,729	634,778	-	-
State and local grants and contracts	278,782	402,621	-	-
Private grants and contracts (includes $170,560 and $80,662 from the Foundation)	1,003,919	808,335	-	-
Sales and services of educational activities	57,011	82,911	-	-
Sales and services of auxiliary enterprise - bookstore	365,740	377,307	-	-
Foundation public support	-	-	1,254,539	370,131
Foundation investment income	-	-	73,431	128,413
Other	64,367	35,477	-	2,487
Total operating revenues	3,565,657	3,365,189	1,327,970	501,031
OPERATING EXPENSES:				
Personnel costs	7,411,267	7,242,501	70,012	65,814
Services	1,207,817	990,078	31,819	29,417
Supplies	981,962	1,169,086	-	-
Insurance, utilities and rent	439,547	479,095	-	-
Scholarships and fellowships	1,210,508	674,382	-	-
Depreciation	893,780	646,185	-	-
Distributions to the College	-	-	371,631	238,415
Miscellaneous	298,571	151,445	19,008	16,899
Total operating expenses	12,443,452	11,352,772	492,470	350,545
OPERATING INCOME (LOSS)	(8,877,795)	(7,987,583)	835,500	150,486
NONOPERATING REVENUES:				
State appropriations	5,811,840	6,248,562	-	-
Gifts and grants (includes $201,071 and $157,753 from the Foundation)	1,865,894	1,229,114	-	-
Interest income	2,659	4,397	-	-
Unrealized gain (loss) on investments	-	-	266,401	(797,310)
Gain (loss) on sale of investments	-	-	15	(36,870)
Donated services	-	-	70,012	65,814
Total nonoperating revenues	7,680,393	7,482,073	336,428	(768,366)
INCOME (LOSS) BEFORE OTHER REVENUES	(1,197,402)	(505,510)	1,171,928	(617,880)
OTHER REVENUES (EXPENSES):				
State capital appropriations	11,173,010	799,858	-	-
Capital grants and gifts	212,632	159,963	-	-
Gain (loss) on disposition of property, plant and equipment	(37,194)	(26,152)	-	-
Total other revenues (expenses)	11,348,448	933,669	-	-
INCREASE (DECREASE) IN NET ASSETS	10,151,046	428,159	1,171,928	(617,880)
NET ASSETS, BEGINNING OF YEAR	16,955,712	16,527,553	2,739,710	3,357,590
NET ASSETS, END OF YEAR	$ 27,106,758	$ 16,955,712	$ 3,911,638	$ 2,739,710

See accompanying notes

EASTERN IDAHO TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2010 AND 2009

	COLLEGE 2010	COLLEGE 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student fees	$ 1,002,756	$ 1,023,608
Grants and contracts	2,084,623	1,826,263
Sales and services of educational activities	57,728	76,426
Payments to suppliers	(2,935,415)	(2,886,356)
Payments to employees	(7,343,163)	(7,181,908)
Payments for scholarships and fellowships	(1,210,508)	(674,382)
Sales and services of auxiliary	366,604	378,879
Other receipts	64,366	35,477
Net cash provided (used) by operating activities	(7,913,009)	(7,401,993)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	5,948,372	6,224,628
Gifts and grants	1,865,894	1,229,114
Deposits and advances	12,046	6,135
Student lending receipts	1,599,295	-
Student lending payments	(1,599,295)	-
Net cash provided (used) by noncapital financing activities	7,826,312	7,459,877
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants and contracts	682,097	159,000
Purchases of property, plant and equipment	(254,925)	(158,578)
Proceeds from the sale of property, plant and equipment	8,054	4,806
Net cash provided (used) by capital and related financing activities	435,226	5,228
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	2,659	4,397
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	351,188	67,509
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,951,000	2,883,491
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,302,188	$ 2,951,000

See accompanying notes

EASTERN IDAHO TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2010 AND 2009

	COLLEGE 2010	COLLEGE 2009
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES:		
Operating income (loss)	$ (8,877,795)	$ (7,987,583)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	893,780	646,185
Maintenance costs paid by the Division of Public Works	103,000	-
Changes in assets and liabilities:		
Accounts receivable and unbilled charges - net	(52,730)	(17,390)
Work-in-process	717	(6,485)
Inventories	(28,510)	3,553
Unearned fees	-	-
Prepaid expenses	-	-
Accounts payable	(34,178)	(100,206)
Accrued salaries and benefits payable	3,783	30,325
Compensated absences payable	5,323	7,268
Net OPEB obligation	59,000	23,000
Deferred revenue	14,601	(660)
Net cash provided (used) by operating activities	$ (7,913,009)	$ (7,401,993)
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:		
Donated assets	$ 2,625	$ 4,375
Assets acquired through state capital appropriations	11,070,010	708,830

See accompanying notes

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

The College has the option to apply all Financial Accounting Standards Board ("FASB") pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected not to apply FASB pronouncements issued after the applicable date.

***Cash and Cash Equivalents* –** The College considers all liquid investments with a remaining maturity of three months or less at the date of acquisition to be cash equivalents. Balances classified as cash with treasurer include amounts that have been remitted to the State of Idaho as a result of the student fee collection process and, once remitted these balances are under the control of the State Treasurer. The College, prior to July 1, 2010, has not been allocated any interest earnings on these balances.

***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, 2010 and 2009.

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

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

Any funds deposited with the Idaho State Treasury for investment purposes can be subject to securities lending transactions initiated by the State Treasury.

***Deposit and Investment Risk* –** GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires comprehensive disclosure of common risks associated with deposits and investments of state and local governments. The application of these requirements is presented in Note 2.

Property, Plant and Equipment **–** Property, plant and equipment are stated at cost when purchased or constructed, or if acquired by gift, at the estimated fair value at the date of the gift. The College's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the period in which the expense is incurred. Construction and other repair and improvement projects that are funded from other than the College's resources and administered by the State's Division of Public Works ("DPW") are capitalized by the College when the projects are completed and closed by DPW. 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, 2010 total approximately $738,000.

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 or revenues, expenses and changes in net assets is $219,649 and $214,326 for the years ended June 30, 2010 and 2009, 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, 2010 and 2009 was $29,416 and $29,425, 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, 2010 and 2009, 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 of function. The College did not incur unrelated business income tax expense in the fiscal years ended June 30, 2010 or 2009.

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. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or other third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or non-governmental programs are recorded as operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy student fees and related charges, the College has recorded a scholarship discount or allowance.

***Impairment of Capital Assets* –** 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, 2010.

***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 2009 financial statements may have been reclassified to conform to the 2010 presentation.

***New Accounting Standards* –** Effective July 1, 2009, the College was required to adopt GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement defines an intangible asset's required characteristics and generally requires that they be treated as capital assets. The College has determined that as of June 30, 2010, it has no intangible assets that are required to be reported in accordance with the provisions of Statement No. 51.

As of July 1, 2009, the College implemented GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The College has determined that it has no reporting obligation in accordance with Statement No. 53 for the year ended June 30, 2010.

For the year ended June 30, 2010, the College was required to implement GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to incorporate the hierarchy of GAAP for state and local governments into the

GASB's authoritative literature. The College has concluded that the adoption of Statement No. 55 has not resulted in any changes in current practice.

The College has implemented GASB Statement No. 56 for the year ended June 30, 2010. The objective of Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the American Institute of Certified Public Accountants (AICPA) Statements on Auditing Standards*, is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the AICPA's Statements on Auditing Standards. This Statement does not establish new accounting standards but rather incorporates the existing guidance, to extent applicable in a governmental environment, into the GASB standards. The College has concluded the adoption of Statement No. 56 has not resulted in any changes in current practice.

In February 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. In December 2009, the GASB issued Statement No. 57, *Other Postemployment Benefit ("OPEB") Measurements by Agent Employers and Agent Multiple-Employer Plans*. The purpose of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by agent employers that participate in agent multiple-employer OPEB plans. The requirements of these statements are effective for the fiscal year ended June 30, 2011. The College has not yet determined the impact these standards 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, 2010 and 2009 consist of:

	2010	2009
Cash On Hand	$ 12,298	$ 5,555
Deposits with financial institutions	2,142,623	2,034,852
Cash with State Treasurer	1,147,267	910,593
Total	$ 3,302,188	$ 2,951,000

Of the cash and cash equivalents reported on the statement of net assets, $6,914 and $5,259 was restricted by donors, granting agencies or other contractual agreements at June 30, 2010 and 2009 respectively.

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, $1,885,609 and $1,775,106 was uninsured but was collateralized with securities held by the pledging financial institution for the years ending June 30, 2010 and 2009 respectively. Cash deposits with the State Treasurer may be exposed to custodial credit risk. As of June 30, 2010, the College was not able to determine the extent of that exposure, if any.

Investments – Idaho Code, Section 67-1210, limits credit risk by restricting the investment activities of the Local Government Investment Pool ("LGIP") and state agencies with investment authority. Idaho Code further gives SBOE the authority to establish investment policies for Colleges and Universities. Section V Subsection D of the Governing 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

Accounts receivable and unbilled charges are all current and consist of the following at June 30, 2010 and 2009:

	2010	2009
Current:		
Student fees	$ 39,421	$ 21,943
Auxiliary enterprises	1,816	2,680
Grants and contracts	249,725	243,581
Accounts receivable and unbilled charges	290,962	268,204
Less allowance for doubtful accounts	(26,302)	(8,778)
Accounts receivable and unbilled charges, net	$ 264,660	$ 259,426

4. PROPERTY, PLANT AND EQUIPMENT

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

	2010			
	Balance at June 30, 2009	Additions	Retirements	Balance at June 30, 2010
Property, Plant and Equipment Summary				
Property, plant and equipment not being depreciated:				
Land	$ 355,988	$ -	$ -	$ 355,988
Construction in progress	60,063	30,000	60,063	30,000
Total property, plant and equipment not being depreciated	416,051	30,000	60,063	385,988
Other property, plant and equipment:				
Buildings and improvements	18,264,065	11,130,073	-	29,394,138
Furniture, fixtures and equipment	3,200,448	217,675	188,675	3,229,448
Library materials	511,025	9,875	7,375	513,525
Total other property, plant and equipment	21,975,538	11,357,623	196,050	33,137,111
Less accumulated depreciation:				
Buildings and improvements	6,475,180	695,983	-	7,171,163
Furniture, fixtures and equipment	2,148,263	146,444	147,115	2,147,592
Library materials	365,452	51,353	3,688	413,117
Total accumulated depreciation	8,988,895	893,780	150,803	9,731,872
Other property, plant and equipment net of accumulated depreciation	12,986,643	10,463,843	45,247	23,405,239
Property, plant and equipment summary:				
Property, plant and equipment not being depreciated	416,051	30,000	60,063	385,988
Other property, plant and equipment	21,975,538	11,357,623	196,050	33,137,111
Total cost of property	22,391,589	11,387,623	256,113	33,523,099
Less accumulated depreciation	8,988,895	893,780	150,803	9,731,872
Property, plant and equipment - net	$ 13,402,694	$ 10,493,843	$ 105,310	$ 23,791,227

	2009			
	Balance at June 30, 2008	**Additions**	**Retirements**	**Balance at June 30, 2009**
Property, Plant and Equipment Summary				
Property, plant and equipment not being depreciated:				
Land	$ 355,988	$ -	$ -	$ 355,988
Construction in progress	66,981	-	6,918	60,063
Total property, plant and equipment not being depreciated	422,969	-	6,918	416,051
Other property, plant and equipment:				
Buildings and improvements	17,457,289	806,776	-	18,264,065
Furniture, fixtures and equipment	3,110,193	119,473	29,218	3,200,448
Library materials	460,545	101,605	51,125	511,025
Total other property, plant and equipment	21,028,027	1,027,854	80,343	21,975,538
Less accumulated depreciation:				
Buildings and improvements	6,031,455	443,725	-	6,475,180
Furniture, fixtures and equipment	2,020,728	151,357	23,822	2,148,263
Library materials	339,912	51,103	25,563	365,452
Total accumulated depreciation	8,392,095	646,185	49,385	8,988,895
Other property, plant and equipment net of accumulated depreciation	12,635,932	381,669	30,958	12,986,643
Property, plant and equipment summary:				
Property, plant and equipment not being depreciated	422,969	-	6,918	416,051
Other property, plant and equipment	21,028,027	1,027,854	80,343	21,975,538
Total cost of property	21,450,996	1,027,854	87,261	22,391,589

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, 2010 and 2009 were $75,634 and $67,336. Future minimum lease obligations under these agreements for the years ending June 30 are as follows:

2011	$ 40,120
2012	12,858
2013	-
Total minimum obligations	$ 52,978

6. RETIREMENT PLANS

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

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, 2010, 2009 and 2008 the required contribution rates for general employers was 10.39% and 6.23% for general members. The College's contributions required and paid were $177,916, $179,887 and $184,476 for the three years ended June 30, 2010, 2009 and 2008, 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, 1990, the Idaho State Legislature authorized SBOE to establish and to provide for the administration of an Optional Retirement Plan ("ORP"), a defined contribution plan, for faculty and exempt employees. The employee contribution requirement for the ORP is based on a percentage of total payroll. Employer contributions are determined by the State of Idaho. The plan provisions were established by and may be amended by the State of Idaho.

New faculty and exempt employees hired July 1, 1997 or thereafter automatically enroll in the ORP and select their vendor option. Faculty and exempt employees hired before July 1, 1997 had a one-time opportunity to enroll in the ORP. Enrollees in the ORP no longer belong to PERSI. Vendor options include Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company (VALIC).

Participants are immediately fully vested in the ORP. Retirement benefits are available either as a lump sum or any portion thereof upon attaining 55 years of age. The contribution requirement (and amount paid) for the years ended June 30, 2010, 2009 and 2008 was $413,444, $408,978 and $391,021 which consisted of $217,404, $214,903 and $205,467 from the College and $196,041, $194,075 and $185,554 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, 2010 and 2009 and 2008 , this supplemental funding payment made to PERSI was $107,634, $106,643 and $101,662. 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, 2008. The College has not set aside any assets to pay future benefits; the College funds these benefits on a pay-as-you-go basis. 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. 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 $26 per active non-retired employee per month towards the retiree premium cost.

Effective July 1, 2009, changes to this benefit regarding eligibility stipulate that an officer or employee must be an active employee on or before June 30, 2009, and retire directly from state service; the maximum benefit is $1,860 per retiree per year. Additionally, any retiree who is currently eligible will remain so until they are eligible for Medicare. Beginning January 1, 2010, coverage will not be available to Medicare eligible retirees on their Medicare-eligible dependents.

Long-Term Disability Plan

Disabled employees are defined as being unable to perform each of the substantial and material duties of the job for which they were hired and unable to earn more than 70 percent of their monthly salary for the first 30 months of disability. If after 30 months the employee is unable to perform any job for which they are reasonably qualified by experience, education, or training, and unable to earn more than 60 percent of their monthly salary the employee is considered totally disabled. To qualify for long-term disability benefits, the waiting period of the longer of 26 weeks of continuous total disability or exhaustion of accrued sick leave.

The plan provides long-term disability income benefits to active employees who become disabled, generally up to a maximum of age 70. The gross benefit equals 60 percent of monthly pre-disability salary or $4,000, whichever is less. The benefit does not increase with inflation and may be offset by other sources of income such as Social Security, Workers' Compensation, unemployment benefits, and certain retirement benefits. The State is self-insured for employees who become disabled prior to July 1, 2003; the State pays 100 percent of the cost of this benefit. The amount of the contribution is based on active claims and the number of insured individuals.

Employees disabled after July 1, 2003, are insured by Principle Life Insurance Company and the obligation for the payment of benefits has been effectively transferred. The College pays 100 percent of the cost of the premiums. The College's contribution for the period was 0.328 percent of payroll in fiscal year 2010. This portion of the long-term disability income benefit is not included in the actuarial estimate.

For up to 30 months following the date of disability, an employee is entitled to continue healthcare coverage under the State plan. The College pays 100 percent of the College's share of medical and dental premiums while the employee remains disabled. The employee is required to pay the normal active employee contribution for the plan and rate category in which the employee is enrolled. The College's contribution for the period was $6.96 per active employee per month in fiscal year 2010.

This plan also provides basic life insurance and dependent life coverage to disabled employees, generally up to a maximum age of 70. The life insurance benefit amount is generally 100 percent of annual salary, but not less than $20,000. In addition, a $2,000 life insurance benefit is provided for spouses, and a $1,000 life insurance benefit is provided for dependent children. These benefits do not increase with inflation. The College pays 100 percent of the premiums; the contribution is actuarially determined based on actual claims experience.

Life Insurance Plan

This plan provides basic life insurance for certified retired employees. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at least 80 to qualify for this benefit. Eligible retirees receive basic life insurance coverage equal to 100 percent of their annual salary at retirement. 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% for retirees under age 65, 1.568% for retirees between the ages of 65 and 69, and 1.081% for retirees over age 70.

Annual OPEB Cost

The annual OPEB cost (AOC) is actuarially determined based on the annual required contribution (ARC) of the employer in accordance with GASB Statement Nos. 43 and 45. The following table illustrates the annual OPEB cost, the amount of contributions made, the increase (decrease) in the net OPEB obligation, and the net OPEB obligation for the current year.

(dollars in thousands)

	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	Total
		Income	**Healthcare**	**Life Insurance**		
Annual OPEB Cost						
Annual Required Contribution	$ 19	$ 6	$ 10	$ 4	$ 65	$ 104
Interest	7	-	-	-	4	11
Adjustment To ARC	(9)	-	-	-	(6)	(15)
Annual OPEB Cost	17	6	10	4	63	100
Contributions Made	(10)	(4)	(6)	(5)	(16)	(41)
Increase (Decrease) In Net OPEB Obligation	7	2	4	(1)	47	59
Net OPEB Obligation - Beginning Of Year	139	(4)	4	-	43	182
Net OPEB Obligation (Funding Excess) - End Of Year	$ 146	$ (2)	$ 8	$ (1)	$ 90	$ 241
Percentage Of AOC Contributed	58.82%	66.67%	60.00%	125.00%	25.40%	41.00%

Annual OPEB Cost Comparison

The following table compares the annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation (funding excess) for the current and prior year.

Annual OPEB Cost Comparison

(dollars in thousands)

		Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	Total
			Income	Healthcare	Life Insurance		
Annual OPEB Cost	2010	$ 17	$ 6	$ 10	$ 4	$ 63	$ 100
	2009	15	5	8	4	35	68
	2008	184	1	8	4	20	217
Percentage Of AOC Contributed	2010	58.82%	66.67%	60.00%	125.00%	25.40%	41.00%
	2009	111.02%	96.03%	96.05%	147.36%	24.89%	65.05%
	2008	23.52%	371.32%	56.21%	55.10%	18.30%	26.08%
Net OPEB Obligation (Funding Excess) - End Of Year	2010	146	(2)	8	(1)	90	241
	2009	139	(3)	4	-	43	182
	2008	$ 141	$ (4)	$ 4	$ 2	$ 16	$ 159

Required Supplementary Information

The following table contains multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Other Postemployment Benefits
Schedule Of Funding Progress
(dollars in thousands)

	Actuarial Valuation Date	(1) Actuarial Value Of Assets	(2) Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2-1)	(4) Funded Ratios (1/2)	(5) Annual Covered Payroll	(6) UAAL As A Percentage Of Covered Payroll (3/5)
Retiree Healtcare Plan	7/1/2006	$ -	$ 1,949	$ 1,949	0.00%	$ 3,671	53.09%
	7/1/2008	-	116	116	0.00%	4,515	2.57%
Long-Term Disability Plan:							
Income	7/1/2006	-	35	35	0.00%	3,671	0.95%
	7/1/2008	-	31	31	0.00%	4,515	0.69%
Life Insurance	7/1/2006	-	59	59	0.00%	3,671	1.61%
	7/1/2008	-	45	45	0.00%	4,515	1.00%
Healthcare	7/1/2006	-	55	55	0.00%	3,671	1.50%
	7/1/2008	-	54	54	0.00%	4,515	1.20%
Retiree Life Insurance Plan	7/1/2006	-	223	223	0.00%	3,671	6.07%
	7/1/2008	$ -	$ 414	$ 414	0.00%	$ 4,515	9.17%

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.

The following table presents the significant methods and assumptions for all plans:

Significant Methods And Actuarial Assumptions

	Retiree Healtcare Plan	**Long-Term Disability Plan**			**Retiree Life Insurance Plan**
		Income	**Healthcare**	**Life Insurance**	
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percentage Of Payroll	Level Dollar Amout	Level Percentage Of Payroll	Level Percentage Of Payroll	Level Percentage Of Payroll
Amortization Period	11 Years, Closed	8 Years, Closed	30 Years, Open	30 Years, Open	30 Years, Open
Assumptions:					
Inflation Rate	3.00%	3.00%	3.00%	3.00%	3.00%
Investment Return	4.50%	5.25%	4.50%	5.25%	4.50%
OPEB Increases	N/A	N/A	N/A	N/A	3.75%
Projected Salary Increases	3.75%	3.75%	3.75%	3.75%	3.75%
Healthcare Cost Initial Trend Rate	13.60%	N/A	13.60%	N/A	N/A
Healthcare Cost Ultimate Trend Rate	5.00%	N/A	5.00%	N/A	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 and other support payments to the College amounting to $371,631 and $238,415, for the years ending June 30, 2010 and 2009, respectively; the College provided funding for the Foundation's director of operations salary and benefits in the amount of $70,012 and $65,814, for the years ending June 30, 2010 and 2009. 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, 2010 and 2009, the carrying amount of the Foundation's cash and cash equivalents is comprised of the following:

	2010	2009
Cash on hand and held at banking institutions	$ 421,099	$ 165,178
Cash held in demand deposits at nonbanking institutions	866,880	11,854
Total balance held	$ 1,287,979	$ 177,032

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, $1,287,979 and $177,032 was covered by federal depository insurance for the years ended June 30, 2010 and 2009, 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:

	2010	2009
Money market funds	$ 53,099	$ 168,973
Equity securities	1,623,204	1,466,904
U.S Government obligations	144,747	164,679
Corporate debt securities	891,505	578,828
Total investments	$ 2,712,555	$ 2,379,384

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 tha t addresses interest rate risk.

Foundation Maturity Of Debt Investments At June 30, 2010

Investment Type	Less Than 1 Year	1-5 Years	6-10 Years	11-15 Years	16-20 Years	Over 20 Years	Total Fair Value
Debt Securities:							
Money Market Funds	$ 53,099						$ 53,099
US Government Obligations		$ 85,744	$ 47,355	$ 4,092	$ 6,606	$ 951	144,747
Corporate Obligations		291,158	300,538	115,087	75,904	8,109	790,796
Preferred Securities		2,823	1,536	122	190	30	4,701
Total Debt Securities	$ 53,099	$ 379,725	$ 349,429	$ 119,301	$ 82,700	$ 9,090	993,343
Corporate Domestic Securities							96,008
Mutual Funds & Other Pooled Securities							1,623,204
Total Foundation Investments							$ 2,712,555

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, 2010

Investment Type	Fair Value	A1	Aaa	Aa2	B	BB	BBB	Baa	CCC	D	Unrated
Money Market Funds	$ 53,099										$ 53,099
US Government Obligations	144,747										$ 144,747
Corporate Obligations	790,796	$ 134,555	$ 53,805	$ 75,219	$ 15,599	$ 38,185	$ 168,877	$ 46,694	$ 1,673	$ 279	$ 307,910
Preferred Securities	4,701										$ 4,701
Total	993,343	$ 134,555	$ 53,805	$ 75,219	$ 15,599	$ 38,185	$ 168,877	$ 46,694	$ 1,673	$ 279	$ 510,457
Corporate Domestic Securities	96,008										
Mutual Funds & Other Pooled Securities	1,623,204										
Total Bonds & Securities	$ 2,712,555										

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 2010 and 2009 was $11,200.

Fair Value Measurements **–** FASB ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include:
-quoted prices for similar assets or liabilities in active markets;
-quoted prices for identical or similar assets or liabilities in inactive markets;
-inputs other than quoted prices that are observable for the asset or liability;
-inputs that are derived principally from or corraborated by observable market data by correlation or other means.

If the asset or liability has a specified contractual term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual Funds: Valued at the net assets value (NAV) of shares held by the Foundation at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2010:

	Level 1	Level 2	Level 3	Total
Interest bearing cash	$ 53,099	$ -	$ -	$ 53,099
US government obligations	144,747	-	-	144,747
Corporate obligations	790,796	-	-	790,796
Preferred Securities	4,701	-	-	4,701
Corporate domestic securities	96,008	-	-	96,008
Mutual funds	1,623,204	-	-	1,623,204
Total assets at fair value	$ 2,712,555	$ -	$ -	$ 2,712,555

9. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATIONS

	2010 Natural Classifications							
Functional Classifications	**Personnel Costs**	**Services**	**Supplies**	**Insurance, Utilities and Rent**	**Scholarships**	**Depreciation**	**Miscellaneous**	**Total**
Instruction	4,469,256	271,533	398,215	20,190	-	-	44,838	5,204,033
Academic support	562,627	203,943	72,033	33,139	-	-	17,578	889,320
Student services	799,238	229,552	41,657	64,792	-	-	100,944	1,236,183
Institutional support	1,008,502	238,959	19,218	20,820	-	-	127,873	1,415,372
Operations and maintenance of plant	512,225	263,134	100,457	300,607	-	893,780	7,337	2,077,540
Scholarships	-	-	-	-	1,210,508	-	-	1,210,508
Auxiliary enterprises	59,420	697	350,381	-	-	-	-	410,497
Total	7,411,267	1,207,817	981,962	439,547	1,210,508	893,780	298,571	12,443,452

	2009 Natural Classifications							
Functional Classifications	**Personnel Costs**	**Services**	**Supplies**	**Insurance, Utilities and Rent**	**Scholarships**	**Depreciation**	**Miscellaneous**	**Total**
Instruction	4,302,914	212,230	405,163	22,949	-	-	8,383	4,951,639
Academic support	654,085	181,809	92,308	24,376	-	-	16,463	969,041
Student services	823,945	63,614	157,220	60,639	-	-	16,927	1,122,345
Institutional support	924,486	204,742	30,780	18,447	-	-	100,804	1,279,259
Operations and maintenance of plant	478,310	327,158	125,209	352,684	-	646,185	8,626	1,938,172
Scholarships	-	-	-	-	674,382	-	-	674,382
Auxiliary enterprises	58,761	525	358,406	-	-	-	242	417,934
Total	7,242,501	990,078	1,169,086	479,095	674,382	646,185	151,445	11,352,772

10. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of net assets date but before financial statements are issued. The College recognizes in the financial statements the effects of subsequent events that provide additional evidence about conditions that existed at the date of the statement of net assets, including the estimates inherent in the process of the financial statements. The College's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of net assets but arose after the statement of net assets date and before the financial statements are issued.

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.

11. RISK MANAGEMENT

The College obtains workers' compensation coverage from the Idaho State Insurance Fund. The College's workers' compensation premiums are based on its payroll, its own experience as well as that of the State of Idaho as a whole.

The College is insured through the state of Idaho's Risk Management Program for other risks of loss, including but not limited to employee bonds, all liability insurance, auto physical damage insurance, and all property insurance.

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 the Eastern Idaho Technical College (the College) and its discretely presented component unit as of and for the year ended June 30, 2010 and have issued our report thereon dated October 1, 2010. 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 those auditors.

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 purpose 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting as item 2010-01. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the College in a separate letter dated October 1, 2010.

The college's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the College's responses and, accordingly, we express no opinion on them.

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
October 1, 2010

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROLOVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited Eastern Idaho Technical College (the College) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2010. 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. 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 of the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2010-02 and 2010-03.

Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program in order to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did identify a deficiency in internal control over compliance that we consider to be a material weakness, as defined above, which is described in the accompanying schedule of findings and questioned costs as item 2010-02.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses.

The College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the College's responses and, accordingly, we express no opinion on them.

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
October 1, 2010

EASTERN IDAHO TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

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? ______ yes __X__ no
- Significant deficiencies(s) identified that are not considered to be material weaknesses? __X__ yes ______ no

Noncompliance material to financial statements noted? ______ yes __X__ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? __X__ yes ______ 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? __X__ yes ______ no

Identification of major programs:

CFDA Number(s)	*Name of Federal Program or Cluster*
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.032	Federal Family Education Loans
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.375	Academic Competitiveness Grant
84.048	Career & Technical 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? _____ yes __X__ no

Section II - Financial Statement Findings

Finding 2010-01 – Segregation of Duties – Significant Deficiency

Criteria – Good internal controls require proper segregation of duties to ensure checks and balances are in place.

Condition/Context **–** There were several areas in which we noted additional segregation of duties is needed. The first area is related to the approval of timecards. We noted several instances in which the personnel technician approved time cards for both the employee and the supervisor, rather than requiring the employee to approve their own timecard and then obtaining the supervisor's approval. The second is related to the Controller's access to the accounting system. We found that the Controller has access to all areas of the system, rather than just the areas in which access is needed. The last area is related to the review and approval of journal entries. Management implemented a new process during the year in which all journal entries are prepared by either the Assistant Controller or the Controller and then reviewed by either the Controller or Assistant Controller, respectively. The journal entry process is much improved over the prior year; however, a weakness still exists as the Controller and Assistant Controller has the potential to post an entry without the other knowing it; therefore, reviewing and approving the entry.

Questioned Costs – None

Cause – Limited staffing and new processes and procedures created a lack of controls or segregation of duties.

Effect – Due to the conditions described above, we believe that in the aggregate there is a possibility of a misstatement of the College's financial statements going undetected.

Recommendation – Moss Adams recommends the College review controls surrounding these areas and work to further strengthen the control structure to provide adequate segregation of duties.

Management Response **–** We have reviewed the instances related to timecard approvals and have determined that the entries made into the Idaho Paperless Online Personnel/Payroll System ("IPOPS") were made based upon the appropriate supporting documentation, time sheets, leave applications, etc., and feel that the personnel technician was acting within the scope of her assigned responsibilities. The support was not readily available to present to the auditors.

We are reviewing access rights of the controller and assistant controller and intend to eliminate access to incompatible areas and/or those areas that are not essential to the discharge of the their assigned or reasonable responsibilities. Access to the accounting system security maintenance will be assigned to the College's IT department to enhance security and eliminate the possibility of unauthorized access to incompatible functions by the controller and/or assistant controller.

Finding 2010-01 – Segregation of Duties – Significant Deficiency, Cont.

We are implementing a policy whereby rights to create and/or post journal entries will be taken away from one of either the controller or assistant controller. One will have the rights to create and the other will only have the right to post journal entries. This procedure will eliminate the potential for one to create and post journal entries without the other's knowledge.

Section III - Federal Award Findings and Questioned Costs

Finding 2010-02 – Suspension & Debarment – Material Weakness

Federal Program: Career & Technical Education – Basic Grants to States

Federal Agency: Department of Education; Passed through the state of Idaho

Criteria – OMB Circular A-110, Section 13, outlines requirements for recipients of federal financial assistance regarding compliance with the debarment and suspension common rule implementing Executive Orders (E. O. 12549 and 12689). This common rule restricts subawards and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in federal assistance programs or activities. For covered transactions occurring after November 26, 2003, the recipient must verify the subrecipient or vendor entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. Covered transactions include procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other specified criteria.

Condition – The major program noted above had covered transactions exceeding $25,000 for which verification of suspension and debarment status did not occur.

Questioned Costs – None. During the audit, the EPLS was checked for the specific vendors. These vendors were not listed as suspended or debarred.

Effect – The lack of controls in suspension and debarment verifications for all categories of covered transactions permits the possibility for suspended or debarred parties to inappropriately receive federal funds.

Cause – The College does not have a process in place to identify vendors that are expected to equal or exceed $25,000 in total College wide expenditures in order to verify the vendor is not suspended or debarred or otherwise excluded.

Finding 2010-02 – Suspension & Debarment – Material Weakness, Cont.

Recommendation – We recommend the College implement a process to check EPLS for large contracts that occur in the standard procurement process.

Management Response – The College has implemented a procedure whereby the purchasing department consults the EPLS listing for debarred and suspended vendors on all purchases of $2,500 or more.

Finding 2010-03 – Reporting: Timeliness of Reporting

Federal Program: Student Financial Aid Cluster

Federal Agency: Department of Education

Criteria – Per 34 CFR 682.610(c), a school shall (1) Upon receipt of a student status confirmation report form from the Secretary or a similar student status confirmation report form from any guaranty agency, complete and return that report within 30 days of receipt to the Secretary or the guaranty agency, as appropriate; and (2) Unless it expects to submit its next student status confirmation report to the Secretary or the guaranty agency within the next 60 days, notify the guaranty agency or lender within 30 days (i) If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who enrolled at that school, but who has ceased to be enrolled on at least a half-time basis; (ii) If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a student who has been accepted for enrollment at that school, but who failed to enroll on at least a half-time basis for the period for which the loan was intended; (iii) If it discovers that a Stafford, SLS, or PLUS loan has been made to or on behalf of a full-time student who has ceased to be enrolled on a full-time basis; or (iv) If it discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address.

Condition – During our testing of the student status changes and reporting processes, we noted that the Registrar’s office identified a student as an official withdrawal but did not update the student’s status in time to meet the 60 day rule noted above.

Questioned Costs – None.

Context – The College did not include the updated student data in the next student status confirmation report to the Secretary or the guaranty agency within the next 60 days, nor did the College notify the guaranty agency or lender within 30 days.

Finding 2010-03 – Reporting: Timeliness of Reporting, Cont.

Effect – Student status change information was not provided timely to the National Student Loan Database System.

Cause – The Registrar's Office delayed the status change for the student in question and requested the last date of attendance for the student from the appropriate instructors. The Registrar's Office did not follow up with the instructors who did not respond in a timely manner.

Recommendation – We recommend the College implement a process to obtain all necessary information and appropriate follow up to ensure reporting is not delayed.

Management Response – The Vice President of Instruction and Student Affairs is committed to the necessary level of awareness of this issue for faculty and their timely submission of attendance information as well as Registrar office staff for appropriate and timely follow-up of attendance information. The Registrar's office has developed tracking documents to monitor report submissions to and receipt of notifications from National Student Clearinghouse that the reports were received as well as when those reports are sent to NSLDS. Registrar office staff is working closely with the audit resource center coordinator at National Student Clearinghouse relative to auditor concerns as well as best practices to follow.

Program Findings

Finding 2009-02 – Special Tests and Provisions: Return of Title IV Funds for Withdrawn Students

Condition and Perspective Information – During our testing of student files we noted the College had two instances where funds were not returned within 45 days after the date of the College's determination that the student withdrew. The instances noted above appeared to be due to an oversight of Department of Education guidelines, coupled with changes in key personnel.

Recommendation – We recommend the College more closely monitor the withdrawal dates to ensure funds due the Department of Education are returned within 45 days of determining the student's withdrawal date.

Current Year Status – The College has made it a priority to ensure that this deadline is met. The Director of Student Financial Aid maintains a log of students with funds to be returned and tracking the progress of the refund. Student withdrawals are being reported to the business office within a week of identification. The business office is processing the appropriate returns within a week of being notified.

Finding 2009-03 – Reporting: Timeliness of Reporting

Condition and Perspective Information – During prior year testing of the student status change and reporting processes, we noted that the College had technical problems with data transmissions to the National Student Clearinghouse due to a recent change of the Student Financial Aid software. We noted that although student data was being transmitted through the Clearinghouse to the National Student Loan Database System, the information was out of date. The instance appears to be due to an isolated technical problem within the College's software.

Recommendation – Through additional work performed, we noted that this issue was resolved by 6/30/2009. Therefore, we have no recommendations or suggestions for improvement.

Current Year Status – The technical problem was resolved by 6/30/2009.

Finding 2009-04 – Level of Effort: Certification of Personnel Costs

Condition and Perspective Information – Records to support the distribution of salary and wage activity did exist for the entire year and there was evidence that payroll expenses were authorized by a supervisor or other knowledgeable official based on testing performed. Although costs were properly allocated, the certifications to substantiate the allocations were not completed within the timelines noted above under criteria. The instance of noncompliance appears to have resulted from the lack of adherence to OMB Circular A-21, due to turn over in personnel that have historically monitored the certification controls.

Recommendation – We recommend the College establish and adhere to policies and procedures that timely document the determination that costs distributed represent actual costs and were properly allocated between sponsored agreements.

Current Year Status – All salaries and wages charged to the Federal program were certified timely in the current year.

EASTERN IDAHO TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grant / Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Expended
US Department of Education			
Direct Programs			
SEOG		84.007	25,928
CWS		84.033	36,825
PELL		84.063	1,699,760
ACG		84.375	7,113
Student Loan Program		84.032	1,586,976
Direct Student Loan Program		84.268	12,319
Pass Through Payments From the State of Idaho			
ABE Federal	F-ABE-D01-10B-615	84.002A	138,272
ABE Skills Tutor Contract	F-ABE-D01-10C-615	84.002A	4,087
ABE Federal Directed Use Funds	F-ABE-D01-10E-615	84.002A	60,791
ABE Administration	F-ABE-D02-10A-615	84.002A	6,672
ABE Incarcerated	F-ABE-D03-10D-615	84.002A	3,279
ABE EL/Civics	F-ABE-E01-10A-615	84.002A	2,563
ABE Leadership Teacher Training	F-ABE-L01-10A-615	84.002A	6,039
ABE Leadership IMAS	F-ABE-L05-10B-615	84.002A	4,000
Nontraditional Fields	F-NTT-MCND-GU-10A-615	84.048A	63,164
Higher Education In Idaho	F-SPP-MHEI-AD-10A-615	84.048A	3,600
Academic Support	PFF-B01-10A-615	84.048A	127,977
Professional Development	PFF-B04-10B-615	84.048A	7,549
CND Retention for PTE Students	PFF-B08-10D-615	84.048A	56,734
GOALS	PFF-B09-10E-615	84.048A	34,126
CND Special Populations	PFF-B09-10F-615	84.048A	94,968
Advanced Learning Partnership	PFF-B16-10G-615	84.048A	17,578
LEAP	NONE	84.069	4,245
SLEAP	NONE	84.069	894
Tech Prep Education	F-ALP-L010-10A-615	84.243	69,494
US Department of The Interior, BLM			
Direct Programs		15.228	22,241
Total Federal Financial Assistance			4,097,194

See accompanying notes to this schedule

EASTERN IDAHO TECHNICAL COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

1. BASIS OF PRESENTATION

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

2. COLLEGE ADMINISTERED LOAN PROGRAMS

During the fiscal year ended June 30, 2010, the College administered the following loan programs:

	Federal	
	CFDA	
Loan Program	Number	Amount
Stafford Subsidized	84.032	1,090,841
Stafford Unsubsidized	84.032	493,255
Parent Plus	84.032	2,880
Direct Subsidized	84.268	12,319
Total		1,599,295

EASTERN IDAHO TECHNICAL COLLEGE
EIN: 820292220
OPEID: 01113300

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CORRECTIVE ACTION PLAN
For the year ending June 30, 2010

A. <u>Comments on Findings and Recommendations</u>

1. Finding 2010-01. Segregation of Duties – Significant Deficiency

There are areas in which the auditor noted that additional segregation of duties is needed. The first area is related to the approval of timecards. The auditor noted instances in which the personnel technician approved time cards for the employee and the supervisor, rather than requiring the employee to approve their own time cards and then obtaining the supervisor's approval. The second is related to the Controller's access to the accounting system. Auditors noted that the Controller has access to all areas of the system, rather than just the areas in which access is needed. The last area is related to the review and approval of journal entries. Although the journal entry process is much improved over the prior year, a weakness still exists as the Controller and Assistant Controller has the potential to post an entry without the other knowing it.

2. Finding 2010-02. Suspension & Debarment – Material Weakness

The auditor noted that the College did not have a procedure in place to monitor and verify that vendor entities were not suspended, debarred or otherwise excluded or ineligible for participation in federal assistance programs or activities.

3. Finding 2010-03. Reporting: Timeliness of Reporting

The auditor noted that during testing of the student status changes and reporting processes the Registrar's office identified a student as an official withdrawal but did not update the student's status in time to meet the 60 day rule prescribed by 34 CFR 682.610(c).

B. Action Taken or Planned

1. Finding 2010-01. Segregation of Duties – Significant Deficiency

Auditors recommend the College review controls surrounding the areas identified and work to strengthen the control structure to provide adequate segregation of duties.

The College has fully implemented the State of Idaho's *I-Time* entry system which will eliminate the need for the personnel technician to enter timecard information into that system on behalf of employees and supervisors. We believe that the full implementation of this capability will resolve any issues described by the auditor with regards to the approval of timecards. We are reviewing access rights of the Controller and A ssistant Controller and intend to eliminate access to incompatible areas and/or those areas that are not essential to the discharge of their assigned or reasonable responsibilities. Access to the accounting system security maintenance will be assigned to the College's IT department to enhance security and eliminate the possibility of unauthorized access to incompatible functions by the Controller and/of Assistant Controller. We are implementing a policy whereby rights to create and/or post journal entries will be taken away from one of either the Controller or Assistant Controller. One will have the rights to create and the other will only have the right to post journal entries.

2. Finding 2010-02. Suspension & Debarment – Material Weakness

Auditors recommend the College implement a process to check EPLS for large contracts that occur in the standard procurement process.

The College has implemented a procedure whereby the purchasing department consults the EPLS listing for debarred and suspended vendors on all purchases of $2,500 or more.

3. Finding 2010-03. Reporting: Timeliness of Reporting

Auditors recommend the College implement a process to obtain all necessary information and appropriate follow-up to ensure reporting is not delayed.

The Vice President of Instruction and Student Affairs is committed to the necessary level of awareness of this issue for faculty and their timely submission of attendance information as well as Registrar office staff for appropriate and timely follow-up of attendance information. The Registrar's office has developed tracking documents to monitor report submissions to and receipt of notifications from National Student

Finding 2010-03 – Reporting: Timliness of Reporting, Continued

Clearinghouse that the reports were received as well as when those reports are sent to NSLDS. Additionally, Registrar office staff is working closely with the audit resource center coordinator at National Student Clearinghouse relative to auditor concerns as well as best practices to follow.