

COLLEGE OF WESTERN IDAHO

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Years Ended June 30, 2009 and 2008

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
MISSION, VISION AND CORE VALUES	5
MANAGEMENT'S DISCUSSION AND ANALYSIS	7
FINANCIAL STATEMENTS	
Statements of Net Assets	17
Statements of Revenues, Expenses and Changes in Net Assets	18
Statements of Cash Flows	19
Notes to Financial Statements	21
SUPPLEMENTARY INFORMATION	
Schedule of Operating Expenses	36
FEDERAL REPORTS	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	41



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
College of Western Idaho
Nampa, Idaho

We have audited the accompanying financial statements of the College of Western Idaho (the College), as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of College of Western Idaho's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College of Western Idaho as of June 30, 2009 and 2008, 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 March 11, 2010 on our consideration of the College of Western Idaho's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 8 through 15 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 we express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the College of Western Idaho's basic financial statements taken as a whole. The accompanying supplemental information on pages 36 through 39 is presented for purposes of additional analysis 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.

Harris & Co., PLLC

Meridian, Idaho
March 11, 2010

MISSION, VISION AND CORE VALUES



MISSION

The College of Western Idaho is a public, open-access, and comprehensive community college committed to providing affordable access to quality teaching and learning opportunities to the residents of its service area in western Idaho.

VISION

Opportunities for all to excel at learning for life!

Institutional Core Values

- **Acting with integrity**
- **Serving all in an atmosphere of caring**
- **Sustaining our quality of life for future generations**
 - **Respecting the dignity of opinions**
 - **Innovating for the 21st Century**
 - **Leaving a legacy of learning**

Harris & Co., PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

COLLEGE OF WESTERN IDAHO

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

This section of College of Western Idaho's annual financial report presents a discussion and analysis of the financial performance of College of Western Idaho ("the College") for the fiscal year 2009 ended June 30, 2009. This discussion has been prepared by management along with the financial statements and related footnote disclosures, and should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes. The discussion and analysis is designed to focus on current activities, resulting changes, and current known facts. The financial statements, footnotes and this discussion are the responsibility of management.

Accreditation Agreement

On July 1, 2008, the College of Western Idaho and the College of Southern Idaho (CSI) entered into an Accreditation Agreement in which the College of Southern Idaho agreed to serve as the partner institution to the College of Western Idaho through the Northwest Commission on Colleges and Universities' accreditation process. This agreement provides the College of Western Idaho's students the ability to earn transferrable credits and to receive financial aid.

FINANCIAL HIGHLIGHTS

There was an overall increase of over \$18.6 million to the current fund surplus. This increase was primarily due to a transfer from Boise State University of one hundred acres of land valued at \$13.0 million, and a \$2.5 million donation from the J.A. and Kathryn Albertson Foundation.

As compared to last year:

- Appropriations from the State decreased from \$5 million to \$4.7 million.
- Student Tuition and Fee Revenue increased from zero to \$1.5 million.
- Property Tax revenue increased from zero to \$4.8 million.
- Operating Expenses increased from \$1.6 million to \$8.3 million.

It is challenging to compare fiscal year 2008 to fiscal year 2009 due to two different focuses. During fiscal year 2008, all activity was devoted to start-up, which included securing personnel and purchasing the ERP system for the College. During fiscal year 2009, the College opened its doors to 1202 students on January 20, 2009 and activity was split between completing start-up projects and accommodating a fast growing student population.

Overview of the Financial Statements and Financial Analysis

The financial statements for fiscal years ended June 30, 2009 and June 30, 2008 are prepared in accordance with Governmental Accounting Standards Board ("GASB") principles. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. These statements present financial information in a form similar to that used by most private-sector companies. These financial statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities and net assets of the College as of the current fiscal year-end in comparative format with the prior fiscal year-end. The purpose of the Statement of Net Assets is to present to the reader a point-in-time fiscal snapshot of the College. The Statement of Net Assets presents end-of-year data concerning assets (current and non-current), liabilities (current and non-current), and net assets (assets minus liabilities).

Current assets consist of available cash and other assets that could be converted to cash within a year. Non-current assets are those assets and property which cannot easily be converted into cash. Current liabilities are business obligations that are due to be cleared within one year. Non-current liabilities are obligations that are not required to be satisfied within twelve months.

The Statement of Net Assets is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and expenses and liabilities are recognized when others provide the service.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the College. They are also able to determine how much the College owes vendors and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by the College. Over time, increases or decreases in net assets are indications of either improvement or erosion of the College's financial well-being when considered along with non-financial factors such as enrollment levels, the College's property tax base, and the condition of the facilities.

Net assets are divided into three major categories. The first category is Invested in Capital Assets, Net of Related Debt; this provides the College's equity in capital assets. The second category, Restricted Net Assets, must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The third category is Unrestricted Net Assets, which are net assets available to the College for any lawful purpose of the institution.

Summary Statements of Net Assets
Fiscal Years Ended June 30

	<u>2009</u>	<u>2008</u>
Current Assets	\$ 9,322,982	\$ 2,491,062
Noncurrent Assets	14,393,618	1,264,321
Total Assets	23,716,600	3,755,383
Current Liabilities	1,276,335	293,204
Noncurrent Liabilities	285,194	0
Total Liabilities	1,561,529	293,204
Net Assets:		
Invested in Capital Assets, Net of Related Debt	14,378,718	1,256,421
Restricted	478,483	0
Unrestricted	7,297,870	2,205,758
Total Net Assets	22,155,071	3,462,179
Total Liabilities and Net Assets	\$ 23,716,600	\$ 3,755,383

The College's total assets increased during fiscal year 2009 by \$19,961,217, from \$3,755,383 in 2008 to \$23,716,600 in 2009. These changes reflect the College's acquisition of donated land, emphasizing the importance of facilities infrastructure. Also contributing to the increase was the recognition of receivables due from College of Southern Idaho for student tuition and fee revenues. The College's total liabilities also increased during fiscal year 2009 by \$1,268,325 from \$293,204 in 2008 to \$1,561,529 in 2009. The increase in the liabilities was largely due to deferred revenue for Summer tuition and fees and the first year payroll related costs.

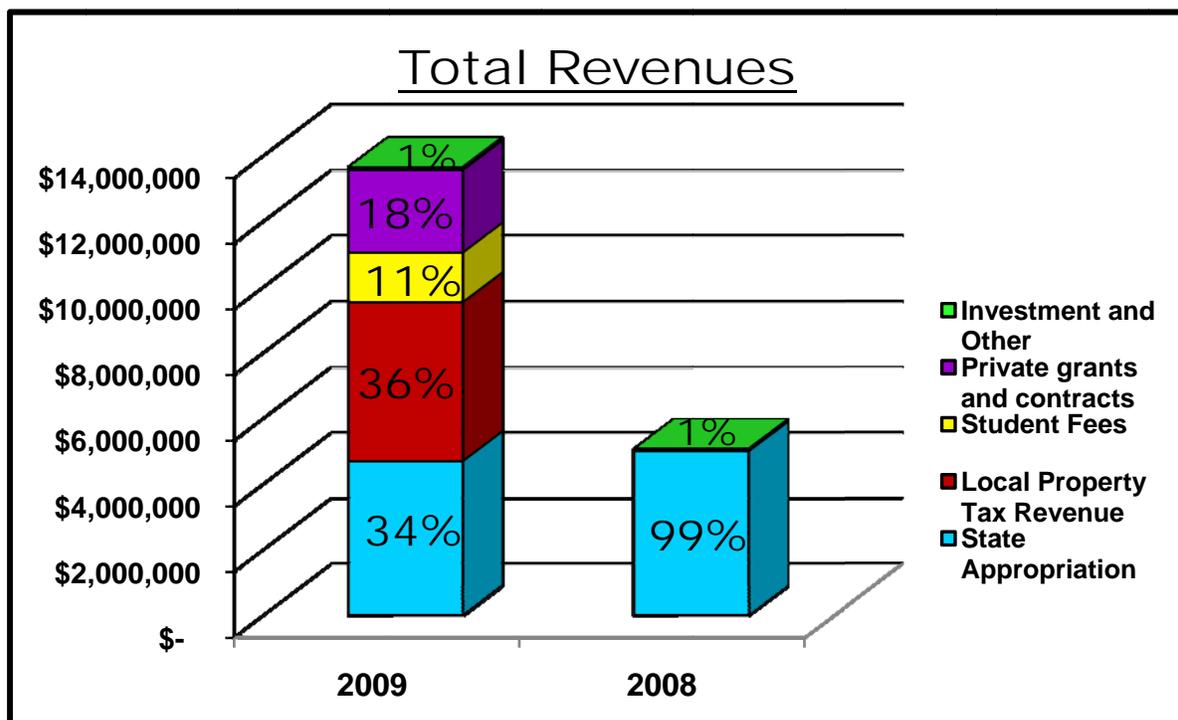


Statement of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets as presented in the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. All changes in net assets are reported under the accrual basis of accounting, or as soon as the underlying event giving rise to the change occurs, regardless of the timing when cash is received or disbursed. Therefore, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years. The purpose of the statement is to present the revenues earned and the expenses incurred during the year.

Activities are reported as either operating or non-operating. The College will always reflect a net operating loss in this format since state appropriations and gifts, the revenue streams that the College depends upon most significantly, are classified as Non-Operating Revenues. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as Depreciation which amortizes the cost of an asset over the expected useful life.

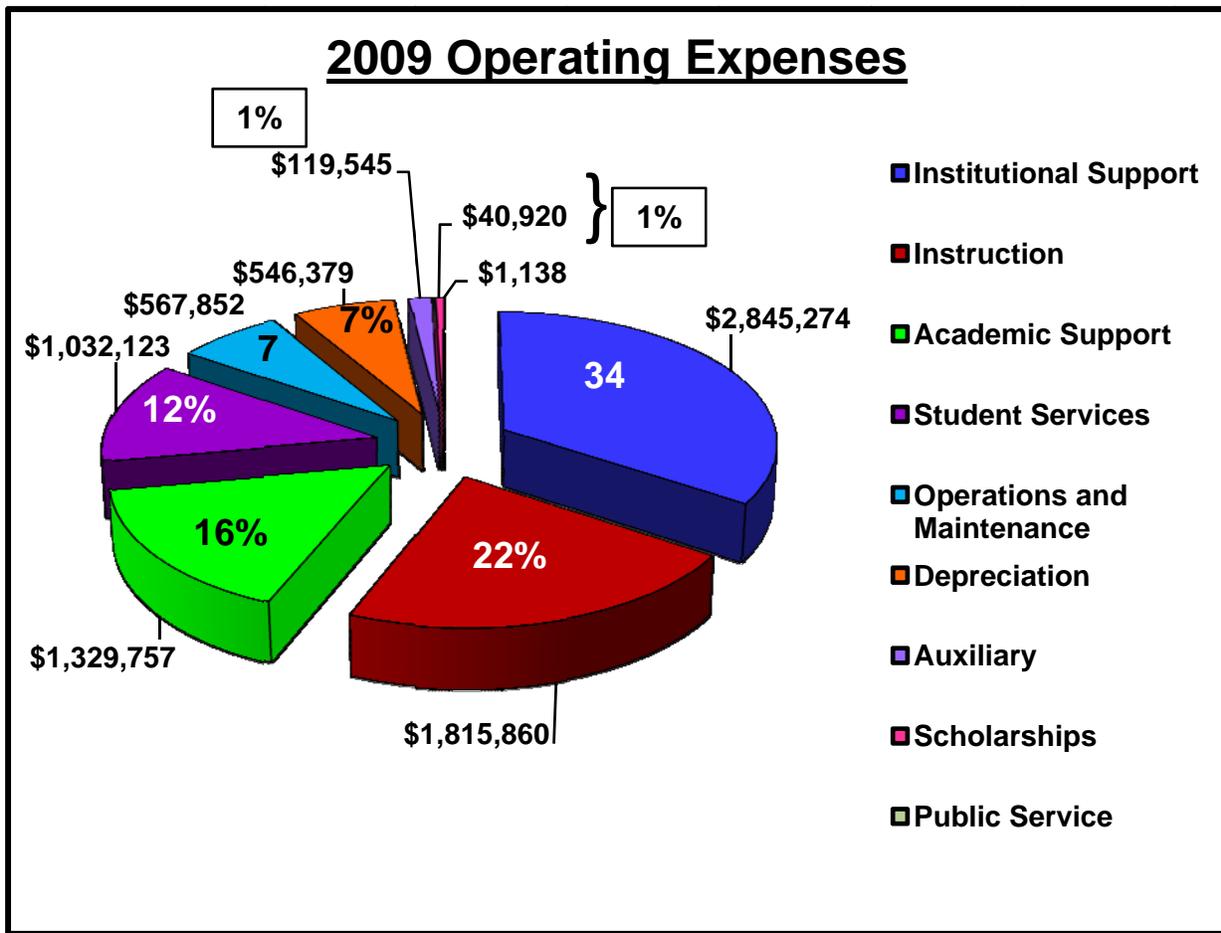
Generally, operating revenues are generated by providing services to various customers, students, and constituencies of the College, including but not limited to student tuition, fees, auxiliary enterprises, and federal and state grants. Operating expenses are those expenses paid to acquire or produce the services provided in return for operating revenues, and to carry out the functions of the College. Non-operating revenues are revenues received for which services are not provided. Examples of non-operating revenues include but are not limited to: state appropriations, property tax revenue, investment income and other miscellaneous revenues.



**Summary Statements of Revenues, Expenses, and Changes in Net Assets
Fiscal Years Ended June 30**

	<u>2009</u>	<u>2008</u>
Operating Revenues	\$1,659,502	\$0
Operating Expenses	<u>8,298,848</u>	<u>1,599,720</u>
Operating Loss	(6,639,346)	(1,599,720)
Non-Operating Revenues and (Expenses)		
State Appropriation	4,700,000	5,000,000
Property Taxes	4,838,853	0
Private Gifts	2,506,900	0
Investment Income	86,485	61,899
Other Non-Operating Revenue	<u>200,000</u>	<u>0</u>
Non-Operating Revenues	12,332,238	5,061,899
Capital Gifts	<u>13,000,000</u>	<u>0</u>
Increase in Net Assets	18,692,892	3,462,179
Net Assets - Beginning of Year	<u>3,462,179</u>	<u>0</u>
Net Assets - End of Year	<u>\$ 22,155,071</u>	<u>\$ 3,462,179</u>

The Statement of Revenues, Expenses, and Changes in Net Assets reflects an overall increase in net assets during fiscal year 2009. Operating revenues increased from zero to \$1,659,502 in 2009. This increase was due to the College collecting student fees in 2009. Operating expenses increased by \$6,699,128 from \$1,599,720 in 2008 to \$8,298,848 in 2009. Approximately \$3.9 million of this increase relates to personnel costs, as the College continued to add faculty and staff. An additional \$800,000 was expended to acquire the contents of the building on the Nampa campus.



Statement of Cash Flows

The final statement presented by the College is the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the College during a period. An important factor to consider when assessing financial viability is the College's ability to meet financial obligations as they mature. The Statement of Cash Flows presents information about the cash activity of the College during the year. The statement is divided into five parts: The first section deals with operating cash flows and shows the net cash used by the operating activities of the College. The second section reflects cash flows from non-capital financing activities. This section represents the cash received and spent for non-operating, non-investing and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section shows the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds and interest received from investing activities. The fifth section reconciles the net cash used in operating activities to operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

Summary Statements of Cash Flows
Fiscal Years Ended June 30

	<u>2009</u>	<u>2008</u>
Cash provided (used) by:		
Operating activities	\$ (5,757,763)	\$ (1,395,872)
Noncapital financing activities	10,220,245	5,000,000
Capital and related financing activities	(668,676)	(1,501,280)
Investing activities	86,485	61,899
	3,880,291	2,164,747
Net change in cash	3,880,291	2,164,747
Cash - Beginning of Year	2,164,747	0
Cash - End of Year	\$ 6,045,038	\$ 2,164,747

Overall, cash increased by \$3,880,291 during fiscal year 2009 compared to a cash increase of \$2,164,747 during fiscal year 2008. Cash used in operating activities totaled \$5,757,763 in fiscal year 2009 compared to \$1,395,872 in fiscal year 2008. The largest area of change was payments to suppliers and contractual personnel. Cash provided by non-capital financing activities increased to \$10,220,245 in fiscal year 2009 compared to \$5,000,000 in fiscal year 2008. This was mostly the result of local property tax receipts and a gift from the J.A. and Kathryn Albertson Foundation in 2009. Cash used in capital and related financing activities decreased to \$668,676 in fiscal year 2009 compared to \$1,501,280 in fiscal year 2008. Fewer capital assets were purchased in fiscal year 2009. The primary expense in fiscal year 2008 was the purchase of the ERP system. Cash provided by investing activity increased slightly to \$86,485 in fiscal year 2009 compared to \$61,899 in fiscal year 2008. This represents interest earned in banking activities.

Capital Assets

The College's investment in capital assets as of June 30, 2009 equates to \$14,378,718, net of accumulated depreciation. Investment in capital assets normally includes land, buildings, improvements, machinery and equipment, library holdings, and infrastructure. The College of Western Idaho acquired one hundred acres of land in the form of a donation on June 30, 2009.

Debt Administration

The College of Western Idaho had one lease obligation for administrative office space at fiscal year ended June 30, 2009. The College had no outstanding debt at fiscal year ended June 30, 2009. Beginning July 1, 2009, the College entered into additional operating lease obligations for more administrative and instructional facilities.

Economic Outlook

The economic outlook for the College is obviously impacted by the downturn in the economy. In particular, the decline in the tax revenue for the State of Idaho continues to negatively impact the state support of the College. As previously mentioned, the state appropriation to the College of Western Idaho was reduced from \$5 million to \$4.7 million in 2009. The College has been advised that for fiscal year 2010, the state appropriation will be reduced an additional 7.1% and the state allocation for Professional Technical Education will be reduced 6.9%. Total State support for the College, in fiscal year 2010, will be reduced by more than \$800,000.

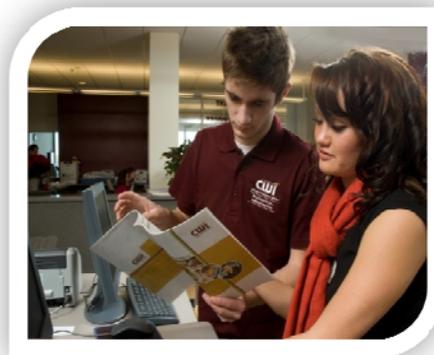
The enrollment at the College has continued to increase exponentially, which has caused a dramatic increase in student tuition and fee revenue. Increased revenue, the ability to hire adjunct faculty to teach the additional classes, the transfer of facilities from Boise State University to accommodate the growth, along with implementation of tight fiscal controls, has allowed the College to continue to provide open access to the students of the Treasure Valley.

Another factor that has allowed the College to grow so rapidly despite a declining economy has been the support of the J.A. and Kathryn Albertson Foundation in assisting with the initial start up costs of the College. The Albertson Foundation has gifted the College of Western Idaho with a total of \$10 million starting in fiscal year 2010.

The College leadership is developing in-depth plans for the next five years which includes development of a five-year financial plan to ensure financial stability for the College.

Contacting the College's Financial Management

This financial report is designed to provide the College's citizens, taxpayers, customers, investors, and potential creditors with a general overview of the College's finances and to demonstrate the College's accountability for the money it receives. Questions about this report or the need for additional financial information should be directed to Cheryl Wright, Vice President of Finance and Administration, College of Western Idaho, 6056 Birch Lane, Suite 200, Nampa, Idaho 83687.



Harris & Co., PLLC

FINANCIAL STATEMENTS

COLLEGE OF WESTERN IDAHO

STATEMENTS OF NET ASSETS

June 30

ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and investments	\$ 6,045,038	\$ 2,164,747
Accounts receivable, net	2,931,052	61,273
Prepaid expenses	<u>346,892</u>	<u>265,042</u>
Total Current Assets	9,322,982	2,491,062
NONCURRENT ASSETS		
Deposits	14,900	7,900
Capital assets, net	<u>14,378,718</u>	<u>1,256,421</u>
Total Assets	<u>\$ 23,716,600</u>	<u>\$ 3,755,383</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 500,524	\$ 293,204
Accrued payroll and related costs	367,840	0
Deferred revenue	<u>407,971</u>	<u>0</u>
Total Current Liabilities	1,276,335	293,204
NONCURRENT LIABILITIES		
Compensated absences	276,553	0
Deposits	<u>8,641</u>	<u>0</u>
Total Liabilities	1,561,529	293,204
NET ASSETS		
Invested in capital assets, net of related debt	14,378,718	1,256,421
Unrestricted	7,297,870	2,205,758
Restricted – expendable	<u>478,483</u>	<u>0</u>
Total Net Assets	<u>22,155,071</u>	<u>3,462,179</u>
Total Liabilities and Net Assets	<u>\$ 23,716,600</u>	<u>\$ 3,755,383</u>

See notes to financial statements.

COLLEGE OF WESTERN IDAHO

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended June 30

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Tuition and fees	\$ 1,514,209	\$ 0
Other	<u>145,293</u>	<u>0</u>
Total Operating Revenues	1,659,502	0
EXPENSES		
Operating Expenses		
Instruction	1,815,860	0
Academic support	1,329,757	0
Student services	1,032,123	223,680
Public service	1,138	0
Scholarships	40,920	0
Auxiliary expenses	119,545	0
Institutional support	2,845,274	768,735
Operations and maintenance	567,852	607,305
Depreciation	<u>546,379</u>	<u>0</u>
Total Operating Expenses	<u>8,298,848</u>	<u>1,599,720</u>
Operating Loss	<u>(6,639,346)</u>	<u>(1,599,720)</u>
NONOPERATING REVENUES		
State appropriations	4,700,000	5,000,000
Local property tax	4,838,853	0
State liquor fund	200,000	0
Private grants and contracts	2,506,900	0
Investment income	<u>86,485</u>	<u>61,899</u>
Total Nonoperating Revenues	<u>12,332,238</u>	<u>5,061,899</u>
Income Before Other Revenues and Expenses	5,692,892	3,462,179
Capital gifts	<u>13,000,000</u>	<u>0</u>
Increase in Net Assets	18,692,892	3,462,179
NET ASSETS, Beginning of Year	<u>3,462,179</u>	<u>0</u>
NET ASSETS, End of Year	<u>\$ 22,155,071</u>	<u>\$ 3,462,179</u>
See notes to financial statements.		

COLLEGE OF WESTERN IDAHO

STATEMENTS OF CASH FLOWS

For the Years Ended June 30

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 1,033,767	\$ 0
Payments to suppliers	(3,505,347)	(540,936)
Payments to contractual personnel and employees	(3,475,618)	(854,936)
Other receipts	<u>189,435</u>	<u>0</u>
Net Cash Used in Operating Activities	(5,757,763)	(1,395,872)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	4,700,000	5,000,000
Private grants and contracts	2,506,900	0
Local property and state liquor taxes	<u>3,013,345</u>	<u>0</u>
Net Cash Provided by Noncapital Financing Activities	10,220,245	5,000,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(668,676)	(1,501,280)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>86,485</u>	<u>61,899</u>
Net Increase in Cash and Investments	3,880,291	2,164,747
CASH AND INVESTMENTS, Beginning of Year	<u>2,164,747</u>	<u>0</u>
CASH AND INVESTMENTS, End of Year	<u>\$ 6,045,038</u>	<u>\$ 2,164,747</u>

See notes to financial statements.

	<u>2009</u>	<u>2008</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (6,639,346)	\$ (1,599,720)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	546,379	244,859
Change in assets and liabilities:		
Accounts receivable	(844,271)	(61,273)
Prepaid expense	(81,850)	(265,042)
Deposits	(7,000)	(7,900)
Accounts payable and accrued expenses	207,320	293,204
Accrued payroll and payroll costs	367,840	0
Deferred revenue	407,971	0
Deposits	8,641	0
Accrued vacation	<u>276,553</u>	<u>0</u>
Net Cash Used in Operating Activities	<u>\$ (5,757,763)</u>	<u>\$ (1,395,872)</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY:		
Donation of land from Boise State University	<u>\$ 13,000,000</u>	<u>\$ 0</u>

COLLEGE OF WESTERN IDAHO
NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

General Statement

The College of Western Idaho (the "College") was established after a supermajority of Ada and Canyon County voters passed a referendum in 2007 to establish a community college district. The College is governed by a separately elected Board of Trustees. The Mission of the College of Western Idaho is to develop 21st Century Learning Platforms for students to transition to baccalaureate programs, achieve adult basic literacy, and acquire necessary skill sets for a dynamic local and global economy. The College serves its students and communities through the use of a variety of innovative delivery systems and offers a dynamic array of programs, courses and services.

Reporting Entity

The financial statements included in this report are for the College of Western Idaho only. There are no component units for which the College is financially accountable, nor do any special financial relationships exist between the College and any other entity.

Basis of Accounting and Presentation

The financial statements of the College have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated non-exchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Government-mandated non-exchange transactions that are not program specific, such as state appropriations and investment income are included in non-operating revenues and expenses.

The College is presenting its financial statements in accordance with GASB Statements No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and GASB Statement 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities, an amendment of GASB Statement No. 34*.

COLLEGE OF WESTERN IDAHO

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2009 and 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting and Presentation (Continued)

The College has elected not to apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, for business type activities. The business type activities apply all applicable GASB pronouncements as well as statements and interpretations of the FASB, the Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Cash and Investments

The College considers all highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents.

Investments are deposited in the Idaho State Treasurer's Local Government Investment Pool (LGIP). State Statute authorizes the College to invest in obligations of the U.S. Treasury, the State of Idaho, or county, city or other taxing district of the State of Idaho, commercial paper, corporate bonds and repurchase agreements. Investments are stated at fair value which approximates market value. The degree of risk depends upon the underlying portfolio.

Accounts Receivable

Accounts receivable consists of tuition and fees charged to students. Accounts receivable also includes amounts due from state and local governments. Accounts receivable are stated at their net realizable value. The College has an allowance for doubtful accounts for uncollectible accounts receivable based on an estimate of collections and an evaluation of the collectability of outstanding accounts receivable. The allowance is increased by a provision for estimated credit losses, which is charged to expense, and reduced by account write offs, net of recoveries.

Prepaid Expenses

Prepaid items include payments made in the current fiscal year for expenditures attributable to the following year.

COLLEGE OF WESTERN IDAHO

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2009 and 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital Assets are stated at cost when purchased, or if acquired by gift, at the estimated fair market value at the date of the gift. For equipment, 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. Routine repairs and maintenance are charged to operating expense in the period in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 years for library books, and 3 to 10 years for equipment.

Deferred Revenue

Deferred revenues include amounts received for student fees prior to the end of the fiscal year that will be earned in the subsequent year. Student fees represent the portion of Summer School revenues related to the number of days instruction in the subsequent fiscal year and prepaid fall semester fees.

Net Assets

Net assets are displayed in three components:

Invested in capital assets, net of related debt – Consists of capital assets restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

COLLEGE OF WESTERN IDAHO

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2009 and 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated Unpaid Vacation and Other Employee Benefit Amounts

Employees of the College are entitled to paid vacation days depending on job classification, length of service and other factors. The accumulation of vacation days are forfeited once 30 days are accrued. Sick days accumulate under a separate plan adopted by the College. Upon retirement, all sick days are forfeited, and the College holds no liability to pay out to the employee. Accumulated vacation pay and employee benefits amounts have been accrued when incurred. Accumulated unpaid vacation is accrued and accounted for as a long term liability.

Classification of Revenues

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

Operating Revenues include activities that have the characteristics of exchange transactions, such as student tuition and fees, and most federal, state, and local grants, and contracts and federal appropriations.

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 revenues by GASB Statement No. 34, such as state appropriations, property taxes and investment income.

Significant revenues of the College that are susceptible to accrual are recognized as revenue as follows:

The allocation of State liquor taxes are disbursed to the College quarterly, and are accrued into the appropriate fiscal year for which the revenue was collected.

Student tuition and fees are recognized as revenue in the appropriate fiscal year which the student attends.

Interest is accrued as income when earned and not when received.

Grant revenues are recognized when expenditure is incurred, or when received, depending on grant.

COLLEGE OF WESTERN IDAHO

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2009 and 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

As a public institution of higher education, the income of the College is generally exempt from federal and state income taxes under Section 115 (a) of the Internal Revenue Code and a similar provision of state law. However, the College is subject to federal income tax on any unrelated business taxable income. The College did not incur unrelated business income tax expense in the fiscal years ended June 30, 2009 or 2008.

Use of Estimates

The preparation of financial statements in conformity 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 disclosure of contingent assets and liabilities as the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH AND INVESTMENTS

At June 30, 2009, the College's cash and investments consisted of the following:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash		
Bank Deposit	\$ 1,149,745	\$ 22,703
Change Funds	\$ 0	\$ 1,850
	<u>Rating</u>	<u>Fair Value</u>
Investments		
State Treasurer's Local Government Pool	AAAf	\$ 6,020,485

COLLEGE OF WESTERN IDAHO

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2009 and 2008

NOTE B - CASH AND INVESTMENTS (Continued)

At June 30, 2008, the College's cash and investments consisted of the following:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash		
Bank Deposit	\$ 1,046,577	\$ 432,315
	<u>Rating</u>	<u>Fair Value</u>
Investments		
State Treasurer's Local Government Pool	AAAf	\$ 1,732,432

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The College does not have a deposit policy for custodial credit risk. At June 30, 2009 and 2008, \$899,750 and \$946,577, respectively, of the College's deposits was uninsured and uncollateralized.

Credit Risk – Investments

Credit risk is the risk that the counterparty to an investment will not fulfill its obligation. It is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's and Fitch's.

The Idaho State Treasurer's Local Government Investment Pool (LGIP) has been assigned an AAAf fund credit quality rating and an S1+ volatility rating by Standard & Poor's Ratings Services. The AAAf rating of the LGIP signifies that according to analysis conducted by Standard & Poor's, the portfolio holdings provide extremely strong protection against losses from credit defaults. The S1+ volatility rating assigned to the LGIP indicates the Fund possesses extremely low sensitivity to changing market conditions, and a level of risk that is less than or equal to that of a portfolio comprised of the highest-quality fixed income instruments with an average maturity of one year or less.

Interest Rate Risk

Interest rate risk is the risk of loss in fair value should market interest rates change in the future. Investments with long-term, fixed interest rates are the most volatile. The investments within the Idaho State Treasurer's Local Government Investment Pool have an average maturity of one year or less, thereby minimizing interest rate risk.

COLLEGE OF WESTERN IDAHO

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2009 and 2008

NOTE D - CAPITAL ASSETS (Continued)

Less accumulated depreciation				
Equipment	50,097	131,936		182,033
Books		213		213
Intangibles	<u>194,762</u>	<u>414,230</u>		<u>608,992</u>
Total accumulated depreciation	<u>244,859</u>	<u>546,379</u>	<u>0</u>	<u>791,238</u>
Capital assets, net	<u>\$ 1,256,421</u>	<u>\$ 13,122,297</u>	<u>\$ 0</u>	<u>\$ 14,378,718</u>

Capital assets at June 30, 2008 consisted of the following:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
Equipment	\$	\$ 332,708	\$	\$ 332,708
Intangibles		<u>1,168,572</u>		<u>1,168,572</u>
Total capital assets	0	1,501,280	0	1,501,280
Less accumulated depreciation				
Equipment		50,097		50,097
Intangibles		<u>194,762</u>		<u>194,762</u>
Total accumulated depreciation	<u>0</u>	<u>244,859</u>	<u>0</u>	<u>244,859</u>
Capital assets, net	<u>\$ 0</u>	<u>\$ 1,256,421</u>	<u>\$ 0</u>	<u>\$ 1,256,421</u>

COLLEGE OF WESTERN IDAHO

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2009 and 2008

NOTE E - PROPERTY TAXES

Idaho counties are responsible for collecting property taxes, assessing penalties and if necessary, sale of the property. In addition, the counties maintain all the records and are responsible for remitting property tax amounts to the various taxing entities within their boundaries.

All real property is assigned a parcel number in accordance with State law, with each parcel being subject to physical reappraisal every five years. A factoring system is used to adjust the appraised value during the years between physical appraisals.

The assessed valuation of the property and its improvements is being assessed at one percent of "taxable value" as defined by statute. The amount of tax levied is developed by multiplying the assessed value by the tax rate applicable to the area in which the property is located.

Taxes on real property are a lien on the property and attach on January 1, of the year for which the taxes are levied.

Taxes on property are due on the 20th of December; however, they may be paid in two installments with the second installment due June 20. Penalties and interest are assessed if a taxpayer fails to pay an installment within ten days of the installment due date. After a three year waiting period, a tax deed is issued conveying the property to the County with a lien for back taxes and accumulated penalties, interest and costs before sale.

Taxes on personal property are collected currently. Personal property declarations are mailed out annually and the tax is computed using percentages of taxable values established by the Department of Taxation. Canyon and Ada counties collect property taxes for the College.

COLLEGE OF WESTERN IDAHO

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2009 and 2008

NOTE F - RETIREMENT

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, the benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for political subdivisions to participate by contractual agreement with PERSI. Financial reports for the plan are available from PERSI upon request.

After five 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 allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

The contribution requirements of the College of Western Idaho and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2009 the required contribution rates as determined by PERSI were 10.39% and 6.23% of covered payroll for the College and employees, respectively. The College of Western Idaho contributions required and paid were \$67,995 for the year ended June 30, 2009.

Optional Retirement Plan – Effective July 1, 1997, the Idaho State Legislature authorized the Idaho State Board of Education to establish an Optional Retirement Plan (ORP), a defined contribution plan, for faculty and exempt employees. The employees contribution requirement for the ORP is based on a percentage of total payroll. Employer contributions are determined 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 Associations – College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Live Insurance Company (VALIC).

COLLEGE OF WESTERN IDAHO

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2009 and 2008

NOTE F - RETIREMENT (Continued)

Participants are immediately fully vested in the ORP. Retirement benefits are available either as a lump sum or any portion thereof upon attaining 62 years of age. These contributions represented approximately 7.81% of and 6.97% of covered payroll for the College and employees, respectively. The College's contributions required and paid were \$119,806 for the year ended June 30, 2009.

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. The College of Western Idaho contributions required and paid were \$58,513 for the year ended June 30, 2009. This amount is not included in the regular College PERSI contribution discussed previously.

Postretirement Benefits Other Than Pensions – Employees who qualify for retirement under PERSI or ORP are eligible to use 50% of the cash value (maximum 600 hours) of their unused sick leave to continue their medical insurance coverage through the College. The College funds these obligations by depositing .65% of the employees' gross payroll to PERSI who administers the plan as a cost sharing, multiple-employer plan.

NOTE G - RELATED PARTY TRANSACTIONS

As a brand new college, the College has not yet met the requirements for independent accreditation. Thus, the College currently delivers college credit instruction, certificates and degrees through its memorandum of understanding with the College of Southern Idaho (CSI). CSI is accredited through The Northwest Commission on Colleges and Universities. The Northwest Commission on Colleges and Universities is a regional postsecondary accrediting agency recognized by the U.S. Department of Education and the Council for Higher Education Accreditation. Credits, certificates and degrees earned at the College appear on CSI transcripts and are transferable to four year institutions, subject to the specific policies of those institutions.

During the year ended June 30, 2009, the College received \$1,042,655 in tuition and fees revenue from CSI. At June 30, 2009, tuition receivable of \$215,314 and deferred revenue of \$407,971 have been reflected in the College's financial statements. The College also recognized \$70,577 in consulting expenses for other services provided by CSI.

COLLEGE OF WESTERN IDAHO

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2009 and 2008

NOTE G - RELATED PARTY TRANSACTIONS (Continued)

Through a memorandum of understanding signed on October 10, 2007, Boise State University (BSU) agreed to process payroll and benefits for the College. BSU had no managerial, supervisory, or other control over the College's employees during the year ended June 30, 2008 and for the first two months of the current fiscal year. Starting August 24, 2009, the College began preparing payroll and the associated services internally. As of June 30, 2009 and 2008, the College owed BSU \$109,115 and \$67,080, respectively for payroll provided during the fiscal year.

During 2009, BSU donated land valued at \$13,000,000, to the College to use for the Nampa campus. The building situated on the land is financed and owned by the State of Idaho and will not be carried on the College's financial statements until the debt is satisfied. The College also purchased \$800,000 of equipment and materials from BSU that were located in the building. Following the capitalization policy of the College, all items purchased were expensed in the current fiscal year.

As of June 30, 2009, the College also had a \$172,646 prepaid expense related to an operating lease agreement entered into with BSU.

NOTE H - RISK MANAGEMENT

The College faces a considerable number of risks of loss, including: (a) damage to and loss to property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, and (e) worker's compensation; i.e., employee injuries. Commercial insurance coverage is purchased for claims arising from such matters.

NOTE I - CONTINGENCIES

The College receives a substantial portion of its revenue from state sources. Significant changes in these revenue sources could have a material effect (positive or negative) on the operations of the College.

The College, from time to time, may be a participant in legal proceedings related to the conduct of business. In the normal course of business, it also has various commitments and contingent liabilities, which are not reflected in the accompanying financial statements. In the opinion of management, any current legal proceedings, commitments or contingent liabilities will not materially affect the financial position of the College.

COLLEGE OF WESTERN IDAHO

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2009 and 2008

NOTE J - OPERATING LEASES

The College is committed under various noncancelable operating leases, primarily for office buildings and maintenance agreements. As of June 30, 2009, future minimum operating lease commitments are as follows:

2010	\$ 359,400
2011	231,375
2012	207,865
2013	178,055
2014	<u>29,676</u>
Total	<u>\$ 1,006,371</u>

Rent expenditure for the year ended June 30, 2009 was \$33,504 and there were no rent expenditures for the year ended June 30, 2008.

NOTE K - SUBSEQUENT EVENTS

Effective July 1, 2009, all programs, personnel, and furnishings of The Seland College of Applied Technology were transferred from Boise State University to the College. The programs are organized into Professional Technical, Workforce Development, and Grant, based upon funding source. Professional Technical programs receive funding from the State Division of Professional Technical Education, and are anticipating \$7 million in State funding for approximately 30 programs. Workforce Development programs are self supporting, and have budgeted \$2.9 million to operate approximately 34 programs. Grants are anticipated to provide \$1.6 million to fund Adult Basic Education, Perkins programs, and several other programs.

The number of personnel who transferred from BSU to the College on July 1, 2009 exceeded 100.

Plant and equipment that transferred from BSU to the College on July 1, 2009 includes five acres of land and a 77,000 square foot building on the Nampa Caldwell Boulevard in Nampa. The value of this transfer will be appraised, and recorded at fair market value during fiscal year 2010, which ends June 30, 2010.

COLLEGE OF WESTERN IDAHO

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2009 and 2008

NOTE K - SUBSEQUENT EVENTS (Continued)

Some programs and equipment continue to operate on the BSU campus. The College entered into an operating lease agreement with BSU for those facilities being used on the BSU campus. The annual rent expense is \$690,584 through the term of the lease effective July 1, 2009 to June 30, 2012. Beginning July 1, 2012, the College has the option of renewing the lease at incremental cost increases.

The College has entered into other operating leases subsequent to year end for facilities for both administration and instructional support. Under the terms of all leases, total annual lease payments for fiscal year ended June 30, 2010 will be approximately \$1,893,659.

In December 2009, the College established the College of Western Idaho Foundation. The organization is a legally separate private non-profit organization.

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SUPPLEMENTARY INFORMATION

COLLEGE OF WESTERN IDAHO
SCHEDULE OF OPERATING EXPENSES

For the Year Ended June 30, 2009

	<u>Instruction</u>	<u>Academic Support</u>	<u>Student Services</u>	<u>Public Service</u>
OPERATING EXPENSES				
Personnel costs	\$ 850,962	\$ 671,565	\$ 872,109	\$ 1,138
Services	6,441	71,318	70,605	
Supplies	877,002	430,896	45,661	
Insurance, Rent, Utilities		64,666	235	
Miscellaneous	81,455	91,312	43,513	
Scholarship & Fellowship				
Depreciation				
	_____	_____	_____	_____
Total Operating Expenses	<u>\$ 1,815,860</u>	<u>\$ 1,329,757</u>	<u>\$ 1,032,123</u>	<u>\$ 1,138</u>

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<u>Scholarships</u>	<u>Auxiliary Expenses</u>	<u>Institutional Support</u>	<u>Operations and Maintenance</u>	<u>Depreciation</u>	<u>Total</u>
\$	\$ 71,106	\$ 1,571,609	\$ 148,602	\$	\$ 4,187,091
		908,436	67,297		1,124,097
	44,510	95,048	205,763		1,698,880
	359	58,193	145,790		269,243
	3,570	197,688	400		417,938
40,920		14,300			55,220
				546,379	546,379
<u>\$ 40,920</u>	<u>\$ 119,545</u>	<u>\$ 2,845,274</u>	<u>\$ 567,852</u>	<u>\$ 546,379</u>	<u>\$ 8,298,848</u>

COLLEGE OF WESTERN IDAHO
SCHEDULE OF OPERATING EXPENSES

For the Year Ended June 30, 2008

	<u>Instruction</u>	<u>Academic Support</u>	<u>Student Services</u>	<u>Public Service</u>
OPERATING EXPENSES				
Personnel costs	\$	\$	\$ 194,121	\$
Services			9,331	
Supplies			7,814	
Insurance, Rent, Utilities			428	
Miscellaneous			11,986	
Scholarship & Fellowship				
Depreciation				
	_____	_____	_____	_____
Total Operating Expenses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 223,680</u>	<u>\$ 0</u>

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<u>Scholarships</u>	<u>Auxiliary Expenses</u>	<u>Institutional Support</u>	<u>Operations and Maintenance</u>	<u>Depreciation</u>	<u>Total</u>
\$	\$	\$ 476,223	\$ 117,511	\$	\$ 787,855
		225,585	71,714		306,630
		29,646	124,440		161,900
		6,256	20,924		27,608
		31,025	27,857		70,868
			244,859		0
					244,859
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 768,735</u>	<u>\$ 607,305</u>	<u>\$ 0</u>	<u>\$ 1,599,720</u>

Harris & Co., PLLC

FEDERAL REPORTS



**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***

To the Board of Trustees
College of Western Idaho
Nampa, Idaho

We have audited the financial statements of the College of Western Idaho (the "College") as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated March 11, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College of Western Idaho'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 of Western Idaho'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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College of Western Idaho'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*.

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

Harris & Co., PLLC

Meridian, Idaho
March 11, 2010