DAWSON COMMUNITY COLLEGE

FINANCIAL REPORT

June 30, 2018

LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors:
Cindy Jorgenson
Joe Murray

March 2019

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of the Dawson Community College for the fiscal year ended June 30, 2018.

The audit was conducted by Eide Bailly LLP, under a contract between the firm and our office. The comments and recommendations contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report is included in the back of the audit report.

Respectfully submitted,

/s/ Angus Maciver

Angus Maciver
Legislative Auditor

18C-06

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C O N T E N T S

CONTENTS

PAGE

OTHER INFORMATION

Independent Auditor's Report

To the Board of Trustees
Dawson Community College
Glendive, Montana

Report on the Financial Statements
We have audited the accompanying financial statements of Dawson Community College (the College), as of and for the year ended June 30, 2018 and the financial statements of the discretely presented component unit as of and for the year ended October 31, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, Dawson College Foundation, Inc. (the Foundation). Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion and the opinion of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College, as of June 30, 2018, and the discretely presented component unit as of October 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended (June 30, 2018 and October 31, 2017), in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of a New Accounting Standard
As discussed in Notes 1 and 14 to the financial statements, the College has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Other Post-Employment Benefits* (OPEB), which has resulted in a restatement of the net position as of July 1, 2017. Our opinions are not modified with respect to this matter.

Correction of an Error
As discussed in Note 14 to the financial statements, certain errors resulting in an understatement of previously reported long term debt, receivables and revenue as of June 30, 2017, were discovered during the current year. Accordingly, the net position as of June 30, 2017, has been restated to correct the errors. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of the College's Proportionate Share of Total OPEB Liability and Employer OPEB Contributions, and Schedule of Employer's Share of Net Pension Liability and Employer's Contributions as noted in the table of contents to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The student financial aid – modified statement of cash receipts and disbursements, schedule of expenditures – student financial assistance programs, schedule of full time equivalent and functional classification of operating expenses (collectively supplementary information) are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is also not a required part of the financial statements.

The schedule of expenditures of federal awards and the supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2019, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
February 28, 2019

The following Management's Discussion and Analysis is required supplementary information under the Governmental Accounts Standards Board (GASB) reporting model. Dawson Community College's (the College) Management Discussion and Analysis (MD&A) presents an overview of its financial condition and results of operations and cash flows for the fiscal year ended June 30, 2018. The MD&A's purpose is to aid readers in understanding the accompanying financial statements through analysis of the College's financial activities based on currently known facts and conditions. This MD&A should be read in conjunction with the accompanying financial statements and footnote disclosures.

Financial Highlights

In the fiscal year 2018, both operating revenues and expenses increased resulting in a net operating loss of $4,289,806; a decrease of $7,117 over fiscal year 2017. This netted against an increase in non-operating revenues from state appropriations, property taxes, and oil and gas revenues resulted in an overall increase in net position of $713,033 after restatements; an increase of $484,913 over fiscal year 2017. The increase in net position resulted from an increase in enrollment, as well as more efficient budgeting management. The restatement of the OPEB liability was also a factor.

Changes in Accounting Principles

In fiscal year 2018, the College adopted the provisions of GASB Statement No. 75: *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

How the Financial Statements Relate to Each Other

The financial statements included are the:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Footnotes

The basic financial statements referred to above are presented using the accrual basis of accounting. The accrual basis of accounting simply means revenues are reported when earned and expenses are reported when incurred, regardless of actual receipt or payment of cash. For example, revenue would be recognized when a student registers and when the class is held, not when the student ultimately pays for the class. Amounts that remain unpaid are recorded in accounts receivable. When final payment is received the balance in accounts receivable associated with the individual student will be zero.

The basic financial statements referred to above are intended and should be viewed in their entirety. However, each of the financial statements is unique and presents the financial information in accordance with the purpose of the individual statement. The most basic relationships between the statements are described below. The Statement of Net Position presents a snap shot of the financial position of the College as of its fiscal year end, June 30, 2018. The Statement of Revenues, Expenses and Changes in Net Position presents the results of activities for the College throughout the fiscal year.

Statement of Net Position – The Statement of Net Position presents the College's assets, deferred outflow of resources, liabilities, deferred inflows of resources and net position as of the fiscal year end. The purpose of this statement is to present the financial statement readers a snapshot of the College's financial position at June 30, 2018. The data presented in the Statement of Net Position aids in determining the assets available to continue the College's operations. It also allows the reader to determine how much the College owes to vendors and creditors. Finally, the Statement of Net Position provides a picture of net position and its availability for expenditures by the College. Assets and liabilities are presented in a classified format. This format differentiates between current and non-current assets and liabilities.

Current assets and liabilities and deferred outflows/inflows are those expected to be realized or expended within the next twelve months. The net position is simply the difference between total assets and deferred outflows and total liabilities and deferred inflows. Net position is presented in three categories applicable to the College:

- Unrestricted
- Restricted – Expendable and Nonexpendable
- Net Investment in Capital Asset

The change in net position during the fiscal year is an indicator of the change in the overall financial condition of the College during the year. The statement is one way of measuring the College's financial position at the end of the fiscal year. Improvements or deterioration of financial position can be measured over time by analyzing the change in net position.

The following is a summary of the Statement of Net Position for each fiscal year:

Condensed Statements of Net Position

	June 30, 2018	June 30, 2017*
Total Current Assets	$ 3,301,484	$ 3,884,293
Total Capital and Other Assets	11,759,534	11,438,908
Total Assets	15,061,018	15,323,201
Deferred Outflow of Resources	455,183	454,814
Total Current Liabilities	951,284	936,678
Total Non-Current Liabilities	5,115,253	6,376,284
Total Liabilities	6,066,537	7,312,962
Deferred Inflow of Resources	477,000	205,422
Net Investment in Capital Assets	6,768,429	6,340,434
Restricted - Expendable	3,166,705	2,966,097
Unrestricted	(962,470)	(1,046,900)
Total Net Position	$ 8,972,664	$ 8,259,631

*The 2017 balances presented here have not been restated to reflect the adoption of GASB 75 or the correction of the errors discussed in Note 14.

The total net position increased by $713,033 from fiscal year 2017 to fiscal year 2018.

Current assets include the College's cash, taxes, grants receivables, student loans, accounts receivables, inventories, prepaid expenses and other assets expected to benefit the College within one year. The net decrease in current assets from fiscal year 2017 to fiscal year 2018 was due to a decrease in cash and cash equivalents, and taxes receivable, as well as a decrease in grants receivables and prepaid expenses.

Capital and other assets include restricted cash, investments and net capital assets. The net increase in capital and other current assets from fiscal year 2017 to fiscal year 2018 is due to building improvements made during fiscal year 2018. These improvements include a new roof on Gibson Hall and the Ullman Center.

Deferred outflows of resources include pension and OPEB obligations.

Current liabilities include payroll and related liabilities, amounts payable to vendors for goods and services received, student deposit balances, unbilled revenue and debt principal payments due within one year. Total current liabilities increased by $14,606 from fiscal year 2017 to fiscal year 2018 due to increases in amounts due related to online summer classes.

Non-current liabilities include debt principal due in greater than one year, other post-retirement benefit obligations (OPEB) for employees and net pension liability. Non-current liabilities decreased from fiscal year 2017 to fiscal year 2018 by $1,261,031 as a result of reductions in debt netted against increases in OPEB obligations and net pension liability.

Deferred inflows of resources include employer pension and OPEB assumptions.

Net investment in capital assets represents historical cost of capital assets such as buildings and land held by the College less accumulated depreciation and net of debt balances related to the capital assets. The increase from fiscal year 2017 to fiscal year 2018 is the difference between the reduction in long term debt and the annual depreciation of capital assets, along with the addition of capital improvements.

Restricted-expendable net position represents funds that may be expended by the College but only in accordance with restrictions imposed by an external party, such as a donor, governmental entity, etc. These funds are primarily restricted for grants, student loans, scholarships and student activities.

Unrestricted net position is funds that the College may use for whatever purpose it determines as appropriate. This category is made up of operating activities, and numerous designated activities which include funds designated as follows:

Student Activity Fees – Any change in the Student Activity Fee must be approved by a majority vote of the voting students, the Board of Trustees, and the Board of Regents. The Student Activity Fee is allocated and deposited into five separate accounts:

- 46.00% to Associated Student Body
- 25.75% to Athletics
- 12.75% to Publications
- 12.75% to Institutional
- 2.75% to Theatre

The Student Government administers the Associated Student Body account and the Board of Trustees or their designee administers the remaining accounts.

Library Fees – Any change in the Library Fee must be approved by the Board of Trustees and the Board of Regents. Library Fees are intended to augment, not replace, basic operating expenses of the library and may be used for consumable supplies, periodicals and holdings, and equipment and improvements. The annual amount budgeted from Library Fees is based on anticipated revenues generated from projected annual enrollment. Library Fees are not intended for continuing personnel costs.

Standard Building Fees – Any change in the Student Building Fees must be approved by a majority vote of the voting students, the Board of Trustees and the Board of Regents. Student Building Fees are collected specifically for purchasing land, new construction and making improvements to existing facilities. Actual use of Student Building Fees require the approval of the Associated Student Body, the Board of Trustees and the Board of Regents.

Computer Fees – Any change in the Computer Fee must be approved by the Board of Trustees and the Board of Regents. Computer Fees are collected for the purchase or lease of computer equipment, software, maintenance or related items which will benefit the College's IT/Banner system. This system is primarily used for student records, human resources, and student accounts receivable and financial accounting record keeping.

Building Repairs and Maintenance Fees – Any change in the Building Repairs and Maintenance Fee must be approved by the Board of Trustees and the Board of Regents. Building Repairs and Maintenance Fees are for major repairs or maintenance of College owned buildings and grounds. This fee would typically be used for renovations and repairs.

Technology Fees – Any changes in the Technology Fee must be approved by the Board of Trustees and the Board of Regents. Technology Fees are collected for the purchase or lease of computer equipment, software, maintenance or related items which will benefit the educational process.

Weight Room Improvement Fee – Weight Room Improvement Fees are collected for the purchase or lease of weight room equipment, maintenance, improvements or related items which will benefit or improve the weight room. Any change in the Weight Room Improvement Fee requires approval from the Associated Student Body, Board of Trustees and Board of Regents.

Statement of Revenue, Expenses, and Change in Net Position – The Statement of Revenue, Expenses and Changes in Net Position reflects the results of the operations for each fiscal year, distinguishing between operating and non-operating revenues and expenses as defined by GASB. GASB has defined appropriations (state and local) and Federal Pell grant funding as non-operating revenues, thus the College shows an operating loss of $4,289,806 and $4,296,923 from fiscal year 2018 and fiscal year 2017, respectively. Once the appropriations and Pell grant dollars are considered, the change in net position results in a decrease of $224,101 and an increase of $228,120 for fiscal year 2018 and fiscal year 2017, respectively. The inclusion of state and local appropriations and Pell grant funding is a more useful measure of the College's regular activities.

Condensed Statements of Revenue, Expenses and Changes in Net Position

	June 30, 2018	June 30, 2017*
Operating Revenues	$ 2,970,428	$ 2,267,511
Operating Expenses	(7,260,234)	(6,564,434)
Operating Loss	(4,289,806)	(4,296,923)
Net Non-Operating Revenues	4,065,705	4,525,043
Changes in Net Position	(224,101)	228,120
Net Position, Beginning of Year	8,259,631	8,031,511
Restatement for an Error	250,994	-
Restatement for New Standard	686,140	-
Net Position, End of Year	$ 8,972,664	$ 8,259,631

*The 2017 balances presented here have not been restated to reflect the adoption of GASB 75 or the correction of the errors discussed in Note 14.

Operating Revenues include federal and state grants and contracts, tuition, fees and auxiliary activities. Operating Revenues for fiscal year 2018 are $2,970,428 compared to fiscal year 2017 are $2,267,511. The increase from fiscal year 2017 to fiscal year 2018 is primarily due to an increase in tuition revenue due to increased enrollment.

Operating Expenses for fiscal year 2018 were $7,260,234 versus $6,564,434 for fiscal year 2017, an increase of $695,800. These increases in operating expenses were the result of much needed repairs and maintenance performed on various buildings on campus. The most notable are Gibson Hall, Ullman Center, and Toepke Center.

Non-Operating Revenues (Expenses) are comprised of interest income and expense, unrealized gains on investments, state and local appropriations and Federal Pell grant funding. Non-Operating Revenues for fiscal year 2018 are $4,065,705 versus $4,525,043 for fiscal year 2017. State appropriations for fiscal year 2018 were $508,553 less than fiscal year 2017, and local appropriations were $100,378 more than fiscal year 2017. In fiscal year 2018, oil and gas revenue were $139,466 as opposed to $109,115 received for oil and gas in fiscal year 2017.

Capital Assets – The College's investment in Capital Assets as of June 30, 2018 and June 30, 2017, was $9,170,001 and $9,010,195, respectively, net of accumulated depreciation. Investment in Capital Assets normally includes land, buildings, improvements, machinery and equipment, library holdings, and software. The increase was due to building improvements to Gibson Hall, Ullman Center, and Toepke Center as well as the addition of the indoor practice facility for baseball and softball. Additional information can be found in Footnote 5. Capital Assets.

Debt Administration – The College's long-term debt obligation as of June 30, 2018, and June 30, 2017, were $2,401,572 and $2,679,517, respectively. Additional information can be found in Footnote 7. Long-Term Liabilities.

Pending Economic and Financial Issues

Since 1940, Dawson Community College has demonstrated remarkable resiliency and served as a center of educational opportunity open to all seekers. The College is proud to provide an educational marketplace where student aspirations and community needs influence course offerings and college programs. This past year Dawson Community College marks 76 years in which the taxpayers' investment in the College and the good work of faculty, staff and administrators has helped countless people learn and advance toward personal goals while enriching surrounding communities.

Institutional Effectiveness – The mission of the College is to provide affordable and open access to quality teaching and learning. The College launched an institutional effectiveness system in August 2014 to foster a shared governance environment and to create an organizational framework of standing committees charged to address nearly every aspect of the College. The standing committees assess mission fulfillment and core theme objectives; engage in long-term strategic and annual planning; respond to changes in the College's political, social and educational environment; prepare the annual budget proposal; and engage in the continuous improvement of systems and processes. The work of these committees provides a process for decision making that deeply considers how to invest the College's human financial resources.

Enrollment – Growing enrollment is a continuing trend at the College. During fiscal year 2018, there was a 12.12% growth over fiscal year 2017. This is after growth of 8.90% in fiscal year 2016 over fiscal year 2017. Enrollment growth over the past two fiscal years has had a great impact on the financial stability of the College.

Workforce Training – As part of the current strategic plan, the College Workforce Development and Continuing Education department has focused on expanding non-credit offerings. New classes requested by area employers and community members have been the focus. The implementation of a twelve-week full-stack web development certificate course has been an essential addition to the Workforce Training program. Students that complete this course gain a wealth of knowledge in computer coding which empowers them to be more employable due to having this skill set. Since the implementation of this program, all completers have gained full time employment in the computer industry.

Improved Systems and Processes – While the use of the Ellucian Integrated Data Base System (Banner) has proved challenging, it is important to say the College continues to improve processes and procedures in the Business Department. A monthly reconciliation process was implemented during fiscal year 2018 that has greatly improved the decision making. Budget control was also given to fiscally responsible parties within the College to assist in monitoring their budget progress to ensure the budgeted expenditures are not exceeded.

The College was served by Dr. Scott Mickelsen as President for fiscal year 2018.

Request for Information – The financial report is designed to provide a general overview of the College's financials. Questions concerning any of the information provided in this report or request for additional information should be addressed to the President, Dawson Community College, 300 College Drive, Glendive, MT 59330.

FINANCIAL STATEMENTS

DAWSON COMMUNITY COLLEGE
STATEMENT OF NET POSITION
June 30, 2018

ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and cash equivalents	$	2,165,238
Taxes receivable		46,896
Due from local government - retirement		427,603
Student loan receivable		72,643
Accounts receivable, net of allowance for doubtful accounts of $4,868 at June 30, 2018		166,024
Grants receivable		236,882
Prepaid expenses		102,123
Inventory		84,075
Total current assets		3,301,484
NON-CURRENT ASSETS		
Restricted cash		314,010
Restricted investments		2,275,523
Land		137,518
Property and equipment, net of accumulated depreciation of $7,316,899 at June 30, 2018		9,032,483
Total non-current assets		11,759,534
Total assets		15,061,018
DEFERRED OUTFLOWS OF RESOURCES		
OPEB obligation		1,180
Pension obligation		454,003
Total deferred outflows of resources		455,183
Total assets and deferred outflows of resources	$	15,516,201

DAWSON COMMUNITY COLLEGE
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2018

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	$ 182,629
Accrued payroll expenses	310,644
Advanced tuition and fees	71,198
Interest payable	19,240
Current portion of long-term debt	283,970
Current portion of compensated absences	83,603
Total current liabilities	951,284
LONG-TERM LIABILITIES	
Long-term debt, less current portion	2,117,602
Long-term compensated absences, less current portion	167,206
Net pension liability	2,401,979
OPEB liability	428,466
Total long-term liabilities	5,115,253
Total liabilities	6,066,537
DEFERRED INFLOWS OF RESOURCES	
OPEB obligation	18,200
Pension obligation	458,800
Total deferred inflows of resources	477,000
NET POSITION	
Net investment in capital assets	6,768,429
Restricted for:	
Student loans	78,483
Scholarships, research, and other	2,907,545
Student activities fund	180,677
Unrestricted	(962,470)
Total net position	8,972,664
Total liabilities, deferred inflows of resources and net position	$ 15,516,201

See Notes to Financial Statements.

DAWSON COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2018

OPERATING REVENUES	
Federal grants and contracts	$ 105,112
State and private grants and contracts	240,092
Tuition (net of waivers)	827,897
Course and mandatory fees	431,477
Auxiliary activities:	
Bookstore	145,423
Dormitory	643,304
Other revenue	577,123
Total operating revenues	2,970,428
OPERATING EXPENSES	
Salaries	2,683,601
Benefits	841,705
Travel	344,543
Supplies	478,746
Contracted services	833,418
Repairs and maintenance	167,716
Utilities	199,696
Communication	159,302
Scholarships and grants	822,710
Other operating expense	335,054
Depreciation	393,743
Total operating expenses	7,260,234
Operating loss	(4,289,806)

See Notes to Financial Statements.

DAWSON COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
(CONTINUED)
For the Year Ended June 30, 2018

NON-OPERATING REVENUES (EXPENSES)	
Interest income	36,749
Interest expense	(124,047)
Other income	412
Loss on sale of assets	(3,458)
Federal Pell grant funding	499,884
State appropriation	1,292,341
State oil and gas production tax	139,466
Local appropriation	2,224,358
Total non-operating revenues	4,065,705
Change in net position	(224,101)
Net position, beginning of year	8,259,631
Restatements (Note 14)	937,134
Net Position, beginning of year, as restated	9,196,765
Net position, end of year	$ 8,972,664

See Notes to Financial Statements.

DAWSON COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tuition and course fees	$ 1,209,789
Receipts from grants and contracts	263,065
Collection on student loans	1,472
Disbursement of loans to students	(5,000)
Receipts from the bookstore	145,423
Receipts from the dormitory	637,004
Cash paid to employees	(3,574,379)
Cash paid to suppliers	(2,330,576)
Cash paid for scholarships and student support	(822,710)
Payments for utilities	(199,696)
Other revenue	577,123
Net cash flows used for operating activities	(4,098,485)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	36,749
Investment earnings reinvested	(144,326)
Other income	412
Net cash flows used for investing activities	(107,165)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State appropriations	1,292,341
State oil and gas production tax	139,466
Federal Pell grant funding	499,884
Local appropriations	2,254,490
Net cash flows from non-capital financing activities	4,186,181
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Receipts on sale of property and equipment	1,500
Purchase of property and equipment	(558,506)
Principal payments on long-term debt	(277,945)
Interest payments on long-term debt	(124,047)
Net cash flows used for financing activities	(958,998)
Net change in cash and cash equivalents	(978,467)
Cash and cash equivalents, beginning of year	3,457,715
Cash and cash equivalents, end of year	$ 2,479,248
Reconciliation to Balance Sheet:	
Cash and cash equivalents	$ 2,165,238
Restricted cash	314,010
Total cash and cash equivalents and restricted cash	$ 2,479,248

See Notes to Financial Statements.

DAWSON COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended June 30, 2018

Reconciliation of operating loss to net cash used by operating activities	
Operating loss	$ (4,289,806)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	393,743
Change in OPEB obligation	(302,789)
Contributions from the State for pensions	253,378
Change in operating assets and liabilities	
Student loans receivable	(3,528)
Accounts receivable, net	(57,716)
Grants receivable	(82,139)
Prepaid expenses	(58,792)
Inventory	6,346
Accounts and interest payable	40,649
Unearned tuition and fees	8,131
Accrued payroll expenses	(28,846)
Room deposits	(6,300)
Compensated absences	29,184
Net cash flows used for operating activities	$ (4,098,485)

See Notes to Financial Statements.

DAWSON COLLEGE FOUNDATION, INC.
(A COMPONENT UNIT OF DAWSON COMMUNITY COLLEGE)
STATEMENT OF FINANCIAL POSITION
As of October 31, 2017

ASSETS		
Cash and cash equivalents	$	354,409
Investments in marketable equity securities		1,392,106
Accrued interest receivable		1,246
Total assets	$	1,747,761
LIABILITIES		
Commitments payable - general fund	$	81,478
NET ASSETS		
Unrestricted		376,793
Temporarily restricted		282,472
Permanently restricted		1,007,018
Total net assets		1,666,283
Total liabilities and net assets	$	1,747,761

See Notes to Financial Statements.

DAWSON COLLEGE FOUNDATION, INC.
(A COMPONENT UNIT OF DAWSON COMMUNITY COLLEGE)
STATEMENT OF ACTIVITIES
For the Year Ended October 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Contributions	$ 1,697	$ 67,742	$ 47,780	$ 117,219
Investment income	12,741	6,346	803	19,890
Net realized and unrealized investment gains	117,465	-	-	117,465
Fundraising	21,725	-	-	21,725
Total revenues and support	153,628	74,088	48,583	276,299
EXPENSES				
Scholarships	81,478	-	-	81,478
Professional fees	2,530	-	-	2,530
Dues and subscriptions	75	-	-	75
Office expenses	1,969	-	-	1,969
Teacher development	4,059	-	-	4,059
Fundraising expenses	2,935	-	-	2,935
Insurance	1,148	-	-	1,148
Advertising	58	-	-	58
Miscellaneous supplies	1,430	-	-	1,430
Charitable distributions	48,625	-	-	48,625
Total expenses	144,307	-	-	144,307
Change in net assets	9,321	74,088	48,583	131,992
Net assets, beginning of year	306,101	269,755	958,435	1,534,291
Reclassified based on donor restrictions	61,371	(61,371)	-	-
Net assets, end of year	$ 376,793	$ 282,472	$ 1,007,018	$ 1,666,283

See Notes to Financial Statements.

DAWSON COLLEGE FOUNDATION, INC.
(A COMPONENT UNIT OF DAWSON COMMUNITY COLLEGE)
STATEMENT OF CASH FLOW
For the Year Ended October 31, 2017

NET CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	131,992
Adjustment to reconcile change in net assets to net cash from operating activities:		
Increase in current liabilities		81,478
Decrease in interest receivable		312
Net cash flows from operating activities		213,782
NET CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investments		(136,643)
Net cash flows used for investing activities		(136,643)
Net change in cash and cash equivalents		77,139
Cash and cash equivalents, beginning of year		277,270
Cash and cash equivalents, end of year	$	354,409

See Notes to Financial Statements.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Dawson Community College, a Community College District (the College), is presented to assist in understanding the College's financial statements. The financial statements and notes are representations of the College's management, which is responsible for their integrity and objectivity.

The College's financial statements are prepared in accordance with the pronouncements of Governmental Accounting Standards Board (GASB) and in accordance with accounting principles generally accepted in the United States of America (GAAP).

Nature of Business – Reporting Entity
The accompanying financial statements include all activities of Dawson Community College. Dawson Community College is a community college district which has received accreditation by the Northwest Association of Schools and Colleges. The College is managed by a Board of Trustees, each member of which is elected in district-wide elections. The College administration is appointed by and responsible to the Board of Trustees.

The County government of Dawson County provides substantial services to the College. Taxes are levied and collected by the County. Cash is maintained and invested by the County Treasurer. The County does not significantly influence the operations of the College; thus, the College is treated as a separate and independent unit of local government.

The College, for financial purposes, includes all funds, organizations and boards for which the College is financially accountable, and other organizations for which the nature and significance of the relationship are such that the exclusion would cause the College's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a majority of the governing body, and by the imposition of will or the potential for financial benefit or burden.

As defined by GAAP established under GASB, the financial reporting entity consists of the primary government, as well as its component unit Dawson College Foundation, Inc. (the Foundation). The Foundation has been organized to coordinate fund-raising activities for the College. These include the long-term care of and building of additional facilities at the College location in Glendive, Montana. The Foundation uses these funds to assist in purchasing needed educational equipment and supplies.

The Foundation's financial statements for the fiscal year ended October 31, 2017, are discretely presented because the College does not have financial accountability for the Foundation.

The Foundation's financial statements are prepared in accordance with the pronouncements of the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Business – Reporting Entity (Continued)
Accordingly, those financial statements have been reported on separate pages following the respective counterpart financial statements of the College. No modifications have been made to the Foundation's financial information included in the College's report. The Foundation's separately issued financial statements may be obtained by contacting their office at 300 College Drive, Glendive, Montana.

Basis of Accounting
For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, the College's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with GAAP. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Non-exchange transactions are those in which the College receives value without directly giving equal value in return. Those include property taxes, federal, state and local grants, state appropriations, and other contributions. On an accrual basis, revenue from taxes is recognized in the period for which the levy is intended to finance. Revenues from grants, state appropriations and other contributions are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the College must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the College on a reimbursement basis.

Cash and Cash Equivalents
Cash and cash equivalents consist of bank deposits, cash held by the County Treasurer, and certificates of deposit. For purposes of the Statement of Cash Flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested in the State Short-term Investment Pool (STIP) with the Montana Board of Investments are considered cash equivalents.

Taxes Receivable
The College records taxes receivable and revenue for property taxes that have been assessed, but have not yet been collected. All property taxes are collected by the Treasurer of Dawson County, Montana. Property taxes attach as an enforceable lien on property as of January 1st and are levied on the 2nd week in September. They are due in two equal installments on November 30th, and May 31st, following the levy date.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes Receivable (Continued)
The tax levies for the College for the year ended June 30, 2018, are as follows:

	2018 Number of Mills
General Levy	52.22
Debt Service Levy	8.88
Adult Education Levy	3.50
Retirement Fund Levy	10.01
Total	74.61

Due from Local Government
The College receives a mill levy for retirement expenses only. The funds collected for this mill levy are held by the county for disbursement by the county superintendent of schools. They are due in two equal installments on November 30th, and May 31st, following the levy date.

Accounts Receivable
Accounts receivable consists primarily of student tuition and fees. Accounts receivable are recorded net of the estimated uncollectible amounts. The College estimates the allowance for doubtful accounts to include 45% of all account balances over 90 days past due.

Grants Receivable
Grants receivable are for expenditures made on grants for which reimbursement has not been received.

Prepaid Expenses
Prepaid items include payments made in the current fiscal year for expenditures attributable to future periods.

Advanced Tuition and Fees
Advanced tuition and fees includes amounts received from grants and student tuition and fees prior to the end of the fiscal year relating to summer term. These revenues are earned in the subsequent year.

Inventories
Inventories consist mainly of bookstore merchandise and are valued at cost on the first in, first out method. The costs of inventory are recorded as expenditures when consumed.

Non-Current Assets
Cash balances and investments that are externally restricted as to their use are classified as a noncurrent asset in the accompanying statement of net position.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Valuation
The College categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The College does not have any investments that are measured using Level 3 inputs.

Capital Assets and Depreciation
Capital assets include building, improvements, and equipment. Capital assets are defined as assets with an individual initial cost of more than $5,000 and a useful life in excess of one year for equipment and library resources, and $25,000 for buildings and improvements.

Purchased capital assets are valued at cost where historical records are available and at estimated historical costs where no historical records exist. Donated capital assets are valued at their estimated acquisition value on the date received. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Capital assets are depreciated under the straight-line method over the following estimated useful lives:

Buildings	50 years
Improvements	7–25 years
Equipment	5–20 years
Library Resources	10 years

Compensated Absences
As required by law, employees are allowed to accumulate earned but unused vacation and sick leave benefits. Unused vacation benefits are 100% payable upon termination. Unused sick leave benefits are payable at 25% of the unused portion upon termination. This liability has been reported as a liability and an expense in the financial statements.

Federal Awards and Grants
The College has received federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in general expenditure disallowances under the terms of the grants, it is believed that any required reimbursement would not be material.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Position
The College classifies net position as follows:

- *Net investment in capital assets* – capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted, expendable* – use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire with the passage of time.
- *Restricted, nonexpendable* – subject to externally imposed stipulations that the College maintain those assets permanently.
- *Unrestricted* – not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by actions of management, the Board of Trustees, or the Board of Regents, or may otherwise be restricted by contractual agreements with outside parties. Substantially all unrestricted net position is designated for general operating purposes and capital asset acquisition.

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

- *Operating Revenues* – includes activities that have the characteristics of exchange transactions, including student tuition and fees, net of scholarship allowances and discounts; sales and services of auxiliary services; and most grants and contracts.
- *Non-operating Revenues* – non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, Pell grant funding, property taxes, investment income and interest expense.

Use of Restricted Revenues
When the College maintains both restricted and unrestricted funds for the same purpose, the order of use of such funds is determined on a case by case basis. Restricted funds remain classified as restricted until they are expended.

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. Defined by the Internal Revenue Code, unrelated business income is 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 does not have unrelated business income tax to report during the fiscal year ended June 30, 2018.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources
The statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The College has two items that qualify for reporting in this category, pension and OPEB obligations.

The statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The College has two items that qualify for reporting in this category reported on the statement of net position, employer pension assumption and OPEB deferrals.

Use of Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the report period. Actual reports could differ from those estimates.

Pensions
The Teachers' Retirement System (TRS) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the net pension liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position of the TRS and additions to/deductions from TRS's fiduciary net position have been determined on the same accrual basis as they are reported by TRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. TRS adheres to all applicable GASB statements.

The Public Employees Retirement System (PERS) is administered by the Montana Public Employee Retirement Administration (MPERA). MPERA prepares its financial statements using the accrual basis of accounting. For purposes of measuring the net pension liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the period incurred. Investments are reported at fair value. MPERA adheres to all applicable GASB statements.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Post-Employment Benefits
For purposes of measuring the Montana University System (MUS) OPEB liability, deferred outflows of resources and deferred inflows of resources related to the MUS OPEB and plan expense, information about the fiduciary net position of the plan and additions to/deductions from the plan's fiduciary net position have been determined based on the same basis as they are reported by the MUS OPEB plan. These are allocated to employers based on their proportionate share. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Scholarship Discounts and Allowances
Student tuition and 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 Position. Scholarship discounts and allowances are generated by the difference between the stated charge of goods and services provided by the College, and the amount that is paid by the students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance of $351,448 for the year ended June 30, 2018.

New Accounting Pronouncements
For the fiscal year ended June 30, 2018, the College implemented the following Governmental Accounting Standards Board (GASB) pronouncements:

- Statement 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pension.* This statement replaces the requirements of GASB No. 45*, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended* and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple- Employer Plans for OPEB.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pension and OPEB) with regard to providing decision- useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement is effective for fiscal years beginning after June 15, 2017.
- Statement 85, *Omnibus 2017,* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

NOTE 2. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents
At June 30, 2018, cash and cash equivalents consisted of the following:

Cash on hand	$	6,850
Deposits with financial institutions		61,426
Time certificate of deposit with financial institution		50,954
Invested in Dawson County Investment Pool		2,153,600
Money market fund		206,418
Total cash and cash equivalents	$	2,479,248

The College follows the practice of pooling cash and investments of all funds with the Dawson County Treasurer, except for student loan fund deposits, loan reserves, and Harold Ullman Funds, which are held in demand deposit and investment accounts with local financial institutions.

The College participates in the Dawson County Investment Pool (Pool). Information pertaining to the Pool can be obtained from the County's annual report. The Pool is not registered with the Securities and Exchange Commission and does not have a credit rating. The Pool is managed by the Dawson County Treasurer, who reports to the Dawson County Commissioners. The Pool unit is fixed at $1 per share for purchases and redemptions. Participants may buy and sell fractional shares.

The Pool has money invested in the State Short-Term Investment Pool (S.T.I.P) which includes asset-backed and variable-rate securities. Asset-backed securities have less credit risk than securities not backed by pledged assets. Market risk for asset-backed securities is the same as for similar non asset-backed securities. Variable-rate securities have credit risk identical to similar fixed-rate securities; the related market risk is more sensitive to changes in interest rates. However, their market risk may be less volatile than fixed-rate securities because their value will usually remain at or near par value as a result of their interest rates being periodically reset to maintain a current market yield. The Montana Board of Investments reported that they were not aware of any legal risks associated with any of the S.T.I.P. investments as of June 30, 2018.

The College may invest in savings deposits, time deposits or repurchase agreements in financial institutions that are both located in Montana and insured by FDIC, FSLIC, or NCUA. The College may also invest in general obligations of the United States Government, Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Mortgage Corporation, and Federal Farm Credit Bank, or U.S. government security money market fund which holds eligible securities in its investment program, or in a unified investment program with the state, county treasurer, or any other political subdivision as long as investments are eligible investments.

Custodial Credit Risk – Deposits
Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Montana law requires 50% security of deposits with financial institutions in excess of the depository insurance coverage limits. A governmental entity's money is insured for each "public unit" based on how the account

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk – Deposits (Continued)

is titled at the financial institution. The Dawson County government is considered to have $250,000 FDIC coverage for demand deposits and $250,000 FDIC coverage for time and savings deposits in each bank in the state. As of June 30, 2018, none of the College's bank balances of $2,258,435 were exposed to custodial credit risk.

NOTE 3. RESTRICTED CASH

The College has restricted cash as follows as of June 30, 2018:

Restricted for dorm furniture replacement	$	30,511
Dorm deposits		6,300
Restricted for grants		549
Restricted for student loan program		19,278
USDA loan reserve		50,954
Money market funds		206,418
Total restricted cash	$	314,010

NOTE 4. RESTRICTED INVESTMENTS

The College's restricted investments are as follows as of June 30, 2018:

Certificates of deposit	$	786,418
GNMA		13
Stock mutual funds		1,489,092
Total restricted investments	$	2,275,523

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period.

Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Mutual funds categorized as Level 1 are valued based on prices quoted in active markets for those securities. Mortgage-backed securities categorized as Level 2 are valued using discounted cash flow techniques. Certificates of deposit are carried at their amortized cost.

NOTE 4. RESTRICTED INVESTMENTS (CONTINUED)

Investments' fair value measurements are as follows at June 30, 2018:

		Fair Value		
Investments	Amount	Quoted prices in active markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds:				
Growth and income	$ 1,385,140	$ 1,385,140	$ -	$ -
Aggressive growth	103,952	103,952	-	-
Mortgage-backed securities	13	-	13	-
Total debt securities	$ 1,489,105	$ 1,489,092	$ 13	-

Interest Rate Risk
The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The College's investments in the State Short-Term Investment Pool (through the Dawson County Investment Pool) and various open-ended mutual funds can be liquidated at any time and are therefore not subject to interest rate risk.

Credit Risk
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The College has no investment policy that would limit its investment choices.

Custodial Credit Risk – Investments
For an investment, custodial credit risk is the risk that, in the event of a failure of a counterparty (the party that pledges collateral or repurchase agreement securities to the College or that sells investments to or buys them for the College), the College will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The College currently does not have an investment policy for custodial credit risk.

NOTE 5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018, is summarized as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated				
Land	$ 137,518	$ -	$ -	$ 137,518
Total capital assets not being depreciated	137,518	-	-	137,518
Capital assets being depreciated				
Building	12,648,215	-	-	12,648,215
Equipment	1,586,067	54,992	(196,268)	1,444,791
Improvements	1,307,101	552,879	-	1,859,980
Library inventory	396,396	-	-	396,396
Total capital assets being depreciated	15,937,779	607,871	(196,268)	16,349,382
Less - accumulated depreciation				
Building	(4,758,871)	(238,243)	-	(4,997,114)
Equipment	(1,263,050)	(82,972)	141,946	(1,204,076)
Improvements	(670,118)	(68,010)	-	(738,128)
Library inventory	(373,063)	(4,518)	-	(377,581)
Total accumulated depreciation	(7,065,102)	(393,743)	141,946	(7,316,899)
Net capital assets being depreciated	8,872,677	214,128	(54,322)	9,032,483
Net capital assets	$ 9,010,195	$ 214,128	$ (54,322)	$ 9,170,001

NOTE 6. COMPENSATED ABSENCES

Compensated absences payable, which represent vacation and sick leave earned by employees which is payable upon termination, at June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Amounts Due Within One Year
Vacation and sick	$ 221,625	$ 129,266	$ (100,082)	$ 250,809	$ 83,603

NOTE 7. LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2018, were as follows:

	Balance June 30, 2017 As Restated	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Loan					
Stockman Bank	$ 355,355	$ -	$ (35,701)	$ 319,654	$ 38,305
USDA Rural Development	529,406	-	(13,750)	515,656	14,403
General Obligation Bonds	1,785,000	-	(220,000)	1,565,000	230,000
Key Equipment Lease	5,238	-	(3,976)	1,262	1,262
All-Lines Leasing	4,518	-	(4,518)	-	-
	$ 2,679,517	$ -	$ (277,945)	$ 2,401,572	$ 283,970

The College had one capital lease as of June 30, 2018. The following is an analysis of the leased assets included in equipment:

Lease equipment	$ 28,904
Accumulated depreciation	(19,218)
	$ 9,686

NOTE 7. LONG-TERM LIABILITIES (CONTINUED)

Long-term debt consists of the following at June 30, 2018:

Note payable to Stockman Bank of $700,000 originated on February 21, 2000. Payments of $58,250 including both principal and interest, are due on February 10 each year. The note will mature in 2025. Interest is payable at 6.25% per annum, with the interest rate to be recalculated every five years. This note is secured by deeds of trust on real estate and improvements of the student dormitories and adjacent parking area. The note is also secured by any fixtures and equipment located in the dormitories, along with an assignment of rental revenue from all of the student dormitories owned by the College. Additionally, the USDA provided an 80% guarantee on the note.	$	319,654
Note payable to the United States Department of Agriculture – Rural Development, originated on February 21, 2000, for $700,000. Principal and interest payments of $39,410 are due on February 21 each year for 40 years. Interest is payable at 4.75% per annum. This note is secured by an assignment of rental revenues from all existing and hereinafter acquired student dormitory facilities owned by the College.		515,656
On September 1, 2004, the College issued general obligation bonds at a purchase price of $4,000,000 and an interest rate of 2.9%–4.35% to pay a portion of the costs of designing, constructing, furnishing and equipping a library and learning center expansion project and for the construction of a new performing arts center/gymnasium. The bonds bear interest payable semiannually on January 1 and July 1 each year, commencing January 1, 2005. The bonds mature beginning July 1, 2005 through 2022.		1,565,000
In 2015, the College entered into an equipment lease agreement extending through May 2019. The College pays $374 monthly for the remainder of the term.		1,262
Total long-term debt		2,401,572
Less-current maturities		(283,970)
Total long-term debt, net	$	2,117,602

NOTE 7. LONG-TERM LIABILITIES (CONTINUED)

Approximate future annual minimum principal and interest payments as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 283,970	$ 115,967	$ 399,937
2020	300,786	103,944	404,730
2021	314,046	90,640	404,686
2022	327,500	77,044	404,544
2023	346,158	62,204	408,362
2024-2028	492,518	131,857	624,375
2029-2033	125,955	71,095	197,050
2034-2038	158,849	38,201	197,050
2039-2043	51,790	4,215	56,005
Total	$ 2,401,572	$ 695,167	$ 3,096,739

The Stockman Bank loan guaranteed by the USDA and the United States Department of Agriculture – Rural Development loan is secured by a pledge of revenue from operation of the dormitory. There was $406,371 in pledged revenue generated from the operations of the dormitory to cover the debt service for the United States Department of Agriculture – Rural Development loan. The total principal and interest remaining to be paid on the Stockman Bank and USDA loans is approximately $1,247,624. The total debt service for this loan during the year ended June 30, 2018, was $49,451 in principal and $48,209 in interest.

NOTE 8. RETIREMENT PLANS

The College participates in two state-wide, multiple-employer, cost-sharing retirement plans which cover all employees, except some substitute and part-time, non-teaching employees.

Plan Descriptions
The Teachers' Retirement System (TRS) is a mandatory-participation multiple-employer cost sharing defined-benefit public pension plan that provides retirement services to individuals employed as teachers, administrators, and in other professional and skilled positions employed in public education in Montana.

The TRS Board is the governing body and the TRS staff administers the system in conformity with the laws set forth in Table 19, chapter 20 of Montana Code Annotated, and administrative rules set forth in Title 2, chapter 44 of the Administrative Rules of Montana. Additional information pertaining to membership, benefit structures, and prior years' actuarial valuations as well as links to applicable statues and administrative rules, may be obtained by visiting the TRS website at trs.mt.gov.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Plan Descriptions (Continued)
The Public Employees Retirement System (PERS) Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan, established July 1, 1945 and governed by Title 19, chapters 2 and 3, Montana Code Annotated (MCA). This plan covers the State, local governments, certain employees of the Montana University System and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be members of both the defined contribution and defined benefit retirement plans. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP). For members that choose to join the PERS-DCRP or the MUS-RP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP.

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service.

Summary of Benefits

TRS
Through June 30, 2013, all members enrolled in TRS participated in single-tiered plan (Tier One). Employees with a minimum of 25 years of service or who have reached age 60 with 5 years of service are eligible to receive an annual retirement benefit equal to creditable service years divided by 60 times the average final compensation (AFC). Final compensation is the average of the highest three consecutive years of earned compensation.

Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Beginning July 1, 2013, new members in TRS participate in a second benefit tier (Tier Two), which differs from Tier One as follows:

- Tier Two uses a 5-year average final compensation (as opposed to 3-year AFC in Tier One),
- Tier Two provides for unreduced service retirement benefits at age 60 with 5 years of creditable service or at age 55 with at least 30 years of creditable service (rather than at age 60 with 5 years of service or at any age with creditable service in 25 years in Tier One),
- Tier Two provides for early retirement benefits with 5 years of creditable service at age 55 (rather than age 50 in Tier One),
- Tier Two has one percent higher normal employee contributions rate (though a temporary 1% supplemental employee contribution rate is also now in place for Tier One members), and
- Tier Two provides for an enhanced benefit calculation – 1.85% x AFC x years of creditable service – for members retiring with at least 30 years of creditable service and at least 60 years of age (rather than 1.6667 x AFC x years of creditable service).

NOTE 8. RETIREMENT PLANS (CONTINUED)

Summary of Benefits (Continued)

A guaranteed annual benefit adjustment (GABA) is payable on January 1st of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA for Tier One members is 1.5% of the benefit payable as of January 1st. For Tier Two members GABA each year may vary from 0.5% to 1.5% based on retirement system's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation.

PERS

Member's Highest Average Compensation (HAC)

Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;

Hired on or after July 1, 2011 – highest average compensation during any conservative 60 months;

Compensation Cap

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as part of a member's HAC.

Eligibility for Benefit

Service Retirement:

Hired prior to July 1, 2011: Age 60, 5 years of membership service;
Age 65, regardless of membership service; or
Any age, 30 years of membership service.

Hired on or after July 1, 2011: Age of 65, 5 years of membership service; or
Age 70, regardless of membership service.

Early Retirement, Actuarially Reduced

Hired prior to July 1, 2011: Age 50, 5 years of membership service; or
Any age, 25 years of membership service.

Hired on or after July 1, 2011: Age 55, 5 years of membership service.

Second Retirement (requires returning to PERS-covered employer or PERS service):

1. Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:
    a. A refund of member's contributions plus return interest (currently .77% effective July 1, 2017).
    b. No service credit for second employment;
    c. Start the same benefit amount the month following termination; and
    d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Summary of Benefits (Continued)

PERS (Continued)

2. Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:
    a. A recalculated retirement benefit based on provision in effect after the initial retirement; and
    b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
3. Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:
    a. The same retirement as prior to the return to service;
    b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
    c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Vesting
5 years of membership service.

Monthly Benefit Formula
1. Members hired prior to July 1, 2011:
    a. Less than 25 years of membership service: 1.785% of HAC per year of service credit;
    b. 25 years of membership service or more: 2% of HAC per year of service credit.
2. Member hired on or after July 1, 2011:
    a. Less than 10 years of membership service: 1.5% of HAC per year of service credit;
    b. 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
    c. 30 years of more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, **inclusive** of all other adjustments to the member's benefit.

3% for members hired prior to July 1, 2007

1.5% for members hired between July 1, 2007 and June 30, 2013

Members hired on or after July 1, 2013:

a. 1.5% for each year PERS is funded at or above 90%;
b. 1.5% reduced by 0.1% for each 2% PERS is funded below 90%; and
c. 0% whenever the amortization period for PERS is 40 years or more.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Overview of Contributions

TRS

TRS receives a portion of the total required statutory contribution directly from the State for all employers. The employers are considered to be in a special funding situation as defined by GASB 68 and the State is treated as a non-employer contributing entity in TRS. TRS receives 2.49% of reportable compensation from the State's general fund for School Districts and Other Employers. The System also receives 0.11% of reportable compensation from the State's general fund for State and University Employers. Finally, the State is also required to contribute $25 million in perpetuity payable July 1st of each year.

The table below shows the history of legislated contributions for TRS members, employers and the State.

	Members	Employers	General fund	Total employee & employer
Prior to July 1, 2007	7.15%	7.47%	0.11%	14.73%
July 1, 2007 to June 30, 2009	7.15%	9.47%	0.11%	16.73%
July 1, 2009 to June 30, 2013	7.15%	9.85%	0.11%	17.11%
July 1, 2013 to June 30, 2014	8.15%	10.85%	0.11%	19.11%
July 1, 2014 to June 30, 2015	8.15%	10.95%	0.11%	19.21%
July 1, 2015 to June 30, 2016	8.15%	11.05%	0.11%	19.31%
July 1, 2016 to June 30, 2017	8.15%	11.15%	0.11%	19.41%
July 1, 2017 to June 30, 2018	8.15%	11.25%	0.11%	19.51%
July 1, 2018 to June 30, 2019	8.15%	11.35%	0.11%	19.61%
July 1, 2019 to June 30, 2020	8.15%	11.45%	0.11%	19.71%
July 1, 2020 to June 30, 2021	8.15%	11.55%	0.11%	19.81%
July 1, 2021 to June 30, 2022	8.15%	11.65%	0.11%	19.91%
July 1, 2022 to June 30, 2023	8.15%	11.75%	0.11%	20.01%
July 1, 2023 to June 30, 2024	8.15%	11.85%	0.11%	20.11%

PERS

Member and employer contribution rates are specified by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The state Legislature has the authority to establish and amend contribution rates. Member and employer contribution rates are shown in the table below.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Overview of Contributions (Continued)

PERS (Continued)

Fiscal Year	Member		Employer
	Hired <07/01/11	Hired >07/01/11	
2018	7.900%	7.900%	8.570%
2017	7.900%	7.900%	8.470%
2016	7.900%	7.900%	8.370%
2015	7.900%	7.900%	8.270%
2014	7.900%	7.900%	8.170%
2012-2013	6.900%	7.900%	7.170%
2010-2011	6.900%		7.170%
2008-2009	6.900%		7.035%
2000-2007	6.900%		6.900%

1. Member contributions to the system of 7.90% are temporary and will be decreased to 6.90% on January 1 following actuary valuation results that show that amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
2. Employer contributions to the system:
    a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of the PERS-DBRP has dropped below 25 years and remains below the 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contribution rates.
    b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
3. Non-Employer Contributions:
    a. Special Funding
        i. The State contributes 0.1% of members' compensation on behalf of local government entities.
        ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
    b. Not Special Funding
        i. The State contributes a portion of Coal Severance Tax income and earnings from the Coal Severance Tax fund.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Overview of Contributions (Continued)

PERS (Continued)

Net Pension Liability, Pension Expense (Revenue), and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2018, the College recorded a liability of $1,052,518 (TRS) and $1,349,461 (PERS) for its proportionate share of the net pension liability.

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the College is required to recognize and report certain amounts associated with their participation in TRS and PERS. Statement 68 became effective June 30, 2105, and includes requirements to record and report their proportionate share of the collective Net Pension Liability (NPL). In accordance with Statement 68, TRS and PERS have special funding situations in which the State of Montana is legally responsible for making contributions directly to TRS and PERS that are used to provide benefits to retired members.

Due to the existence of this special funding situation, the College is required to report the portion of the State of Montana's proportionate share of the collective net pension liability that is associated with the College. The following table displays the amounts and percentages of NPL for the fiscal years ended June 30, 2018 and June 30, 2017 (reporting dates) for TRS.

	TRS			
	Net Pension Liability June 30, 2018	Percent of Collective NPL as of June 30, 2018	Percent of Collective NPL as of June 30, 2017	Change in Percent of Collective NPL
College proportionate share	$ 1,052,518	0.0624%	0.0903%	-0.0279%
State of Montana proportionate share associated with the College	668,304	0.0396%	0.0590%	-0.0194%
	$ 1,720,822	0.1020%	0.1493%	-0.0473%

The following table displays the amounts and percentages of NPL for the fiscal years ended June 30, 2018 and June 30, 2017 (reporting dates) for PERS.

	PERS			
	Net Pension Liability June 30, 2018	Percent of Collective NPL as of June 30, 2018	Percent of Collective NPL as of June 30, 2017	Change in Percent of Collective NPL
College proportionate share	$ 1,349,461	0.0693%	0.0647%	0.0046%
State of Montana proportionate share associated with the College	20,585	0.1049%	0.0827%	0.0222%
	$ 1,370,046	0.1742%	0.1474%	0.0268%

The State of Montana also has a funding situation that is not special funding whereby the State General Fund provides contributions for PERS from the Coal Severance Tax and Interest. All employers are required to report the portion of the Coal Severance Tax and Interest attributable to the employer.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Net Pension Liability, Pension Expense (Revenue), and Deferred Outflows and Inflows of Resources Related to Pensions (Continued)

TRS

For the fiscal year ended June 30, 2018, the net pension liability (NPL) was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The College's proportion of the net pension liability was based on the contributions received by TRS during the measurement period July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all TRS' participating employers. At June 30, 2018, the College's proportion was .0624 percent.

Changes in Actuarial Assumptions and Other Inputs:

There have been no changes in actuarial assumptions and other inputs since the previous measurement date.

Changes in Benefit Terms:

There have been no changes in benefit terms since the previous measurement date.

Changes in Proportionate Share:

There were no changes between the measurement date of the collective net pension liability and the reporting date. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension liability. If there were changes that are expected to have an impact on the net pension liability, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective net pension liability, if known.

PERS

For the fiscal year ended June 30, 2018, the net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 with update procedures to roll forward the Total Pension Liability to the measurement date of June 30, 2017. The College's proportion of the net pension liability was based on the contributions received by PERS during the measurement period July 1, 2016 through June 30, 2017, relative to the total employer contributions received from all PERS participating employers. At June 30, 2017, the College's proportionate share was .0693 percent.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Net Pension Liability, Pension Expense (Revenue), and Deferred Outflows and Inflows of Resources Related to Pensions (Continued)

PERS (Continued)

Changes in Actuarial Assumptions and Methods:
Effective July 1, 2017, the following assumption changes were used:

- Lowered the interest rate from 7.75% to 7.65%.
- Lowered the inflation rate from 3.00% to 2.75%.
- Updated non-disabled mortality to the RP-2000 Combined Employee and Annuitant Mortality Table projected to 2020 using scale BB, males set back 1 year.
- Increased rates of withdrawal.
- Lowered merit component of the total salary increase.
- Lowered the wage base component of the total salary increase from 4.00% to 3.50%.
- Decreased the administrative expense load from 0.27% to 0.26%.
- Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for PERS. This amount will vary from year to year based on the prior year's actual administrative expenses.
- To be consistent with the wage base growth change, the payroll growth assumption for amortization as a level percent of pay was reduced from 4.00% to 3.50%.

Changes in Benefit Terms:
Effective July 1, 2017, the following benefit changes were:

- The interest rate credited to member accounts increased from 0.25% to 0.77%.
- Lump sum payouts in all systems are limited to the member's accumulated contributions rather than the present value of the member's benefit.

Changes in Proportionate Share:
Between the measurement date of the collective NPL and the employer’s reporting date there were no changes in proportion that would have an effect on the employer’s proportionate share of the collective NPL since the previous measurement date.

At June 30, 2018 the College recognized $206,457 (TRS) and $166,954 (PERS) for its proportionate share of the pension expense. The College also recognized grant revenue of $117,450 (TRS) and $1,097 (PERS) and coal tax revenue of $19,304 (PERS) for the support provided by the State of Montana for its proportionate share of the pension expense associated with the College.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Net Pension Liability, Pension Expense (Revenue), and Deferred Outflows and Inflows of Resources Related to Pensions (Continued)

At June 30, 2018, the College reports its proportionate share of TRS deferred outflows and inflows of resources from the following sources:

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,871	$ 1,574
Changes in assumptions or other inputs	-	4,400
Net differences between projected and actual earnings on pension plan investments	-	4,165
Differences between expected and actual contributions and changes in proportion	825	437,645
College's contributions subsequent to the measurement date	96,443	-
Total	$ 101,139	$ 447,784

At June 30, 2018, the College reports its proportionate share of PERS deferred outflows and inflows of resources from the following sources:

	PERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 33,233	$ 1,953
Net differences between projected and actual earnings on pension plan investments	-	9,063
Changes in assumptions or other inputs	184,457	-
Changes in the employer's portion and differences between employer's contributions and the employer's proportionate contributions	52,198	-
College's contributions subsequent to the measurement date	82,976	-
Total	$ 352,864	$ 11,016

Amounts reported as deferred outflows of resources related to pensions resulting from the College’s contributions subsequent to measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2019.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Net Pension Liability, Pension Expense (Revenue), and Deferred Outflows and Inflows of Resources Related to Pensions (Continued)

Other amounts reported as deferred outflows and inflows of resources to pensions will be recognized in pension expense as follows:

	TRS	
Year Ended June 30:	Deferred Outflow/ Inflow of Resources	Increase (Decrease) in Pension Expense
2019	$ (194,797)	$ (194,797)
2020	(148,818)	(148,818)
2021	(80,896)	(80,896)
2022	(18,577)	(18,577)
2023	-	-
Thereafter	-	-

	PERS	
Year Ended June 30:	Deferred Outflow/ Inflow of Resources	Increase (Decrease) in Pension Expense
2019	$ 65,974	$ 65,974
2020	121,970	121,970
2021	99,651	99,651
2022	(28,723)	(28,723)
2023	-	-
Thereafter	-	-

NOTE 8. RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions

TRS

The Total Pension Liability as of June 30, 2017, is based on the results of an actuarial valuation date of July 1, 2017. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2017 valuation were based on the results of the last actuarial experience study, dated May 1, 2014. Among those assumptions were the following:

- Actuarial cost method — Entry age
- Total Wage Increases * — 4% - 8.51% for Non-University Members and 5.00% for University Members
- Investment Return — 7.75%
- Price Inflation — 3.25%

- Postretirement Benefit Increases
  - Tier One Members: If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by 1.5% on January 1st.
  - Tier Two Members: The retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%.
- Mortality among contributing members, service retired members, and beneficiaries:
  - For Males: 1992 Base Rates from the RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the 1992 Base Rates from RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.
  - For Females: 1992 Base Rates from the RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and 1992 Base Rates from the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.
- Mortality among disabled members:
  - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018
  - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

*Total Wage increases include 4% general wage increase assumption.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions (Continued)

PERS

The Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation of June 30, 2016, with update procedures to roll forward the Total Pension Liability to June 30, 2017. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the last actuarial experience study, dated May 2017 for the six-year period July 1, 2010 to June 30, 2016. Those assumptions amounts were the following:

- Actuarial cost method — Entry age normal
- Investment Return (net of admin expense) — 7.65%
- Admin Expense as % of Payroll — 0.26%
- General Wage Growth * — 3.50%
  *includes Inflation at — 2.75%
- Merit Increases — 0% to 4.8%
- Postretirement Benefit Increases:

  Guaranteed Annual Benefit Adjustment (GABA)
  After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit

  - 3% for members hired prior to July 1, 2007
  - 1.5% for members hired between July 1, 2007 and June 30, 2013
  - Members hired on or after July 1, 2013:
    a. 1.5% for each year PERS is funded at or above 90%;
    b. 1.5% is reduced by 0.1% for each 2% PERS is fund below 90%; and
    c. 0% whenever the amortization period for PERS is 40 years or more.

- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among Disabled Members are based on RP 2000 Combined Mortality Tables with no projections.

Discount Rate

TRS

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions the State general fund will contribute $25 million annually to TRS payable July 1st of each year. Based on those assumptions, the fiduciary net position of TRS was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Discount Rate (Continued)

PERS

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund.

The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the fiduciary net position of PERS was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations

Target allocations for June 30, 2018 were:

	TRS		PERS	
Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	N/A	N/A	2.60%	4.00%
Broad US Equity/Domestic Equity	36.00%	4.80%	36.00%	4.55%
Broad International Equity/Foreign Equity	18.00%	6.05%	18.00%	6.35%
Fixed Income	N/A	N/A	23.40%	1.00%
Private Equity	12.00%	8.50%	12.00%	7.75%
Intermediate Bonds	23.40%	1.50%	N/A	N/A
Core Real Estate	4.00%	4.50%	8.00%	4.00%
High Yield Bonds	2.60%	3.25%	N/A	N/A
Non-Core Real Estate	4.00%	7.50%	N/A	N/A
	100.00%		100.00%	

* The long-term expected nominal rate of return above of 8.00% differs from the total TRS long-term rate of return assumption of 7.75%. The assumed rate is comprised of 3.25% inflation rate and a real long-term rate of return of 4.50%. The long-term expected nominal rate of return above of 7.11% for PERS is an expected portfolio rate of return provided by Board of Investments, which differs from the total long-term assumed rate of return of 7.65% in the experience study. The assumed investment rate is comprised of a 2.75% inflation rate and a real rate of return of 4.90%.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Target Allocations (Continued)

TRS

The assumed long-term expected return on pension plan assets was reviewed as part of the regular experience studies prepared for TRS. The most recent analysis, performed for the period covering fiscal years 2009 through 2013, is outlined in a report date May 1, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class.

These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates of arithmetic real rates of return for each major asset class include TRS's target asset allocation as of June 30, 2018, is summarized in the table on the previous page.

PERS

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for PERS. The most recent analysis, performed for the period of July 1, 2010 to June 30, 2016, was outlined in a report dated May 2017 and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate of ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. Best estimate of arithmetic real rates of return for each major class include PERS' target asset allocation as of June 30, 2018, is summarized in the table on the previous page.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Sensitivity Analysis
In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the tables below present the net pension liability calculated using the discount rate of 7.75% and 7.65% for TRS and PERS, respectively, as well as what the net pension liability would be if it were calculated using a discount rate that was 1.00% lower (6.75% and 6.65% for TRS and PERS, respectively) and 1.00% higher (8.75% and 8.65% for TRS and PERS, respectively) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net pension liability - TRS	$ 1,450,402	$ 1,052,518	$ 717,415

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Net pension liability - PERS	$ 1,965,375	$ 1,349,461	$ 832,448

Stand-Alone Statements
The financial statements of the Montana Public Employees Retirement Board (PERB) Comprehensive Annual Financial Report (CAFR) and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or the MPERA website at http://mpera.mt.gov/annualReports.shtml.

TRS' stand-alone financial statements, actuarial valuations and experience studies can be found online at https://trs.mt.gov/TrsInfo/NewsAnnualReports.

Defined Contribution Retirement Plan
The College contributed to the state of Montana Public Employee Retirement System Defined Contribution Retirement Plan (PERS-DCRP) for employees that have elected the DCRP. The PERSDCRP is administered by the PERB and is reported as a multiple-employer plan established July 1, 2002, and governed by Title 19, chapters 2 & 3, MCA.

All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the defined benefit and defined contribution retirement plans.

Member and employer contribution rates are specified by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The Montana Legislature has the authority to establish and amend contribution rates.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Defined Contribution Retirement Plan (Continued)

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer's contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

At the plan level for the measurement period ended June 30, 2017, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 300 employers that have participants in the PERS-DCRP totaled $396,650. During the years ended June 30, 2018, the College contributed $24,825 to the plan, with the employees contributing $23,163.

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

Montana State law requires state agencies to provide access to health insurance benefits to eligible retirees up to Medicare-eligible age (65) (Sec. 2-18-704(a)(a), MCA). The Board of Regents of the Montana University System (MUS), having broad authority to act in the best interest of the MUS, has directed the Office of the Commissioner of Higher Education (OCHE) to provide access to health insurance benefits beyond age 65. Eligible College retirees may participate in the health insurance plan provided that they contribute to the cost of the plan.

The Dawson Community College Employee Health Plan participates with the Montana University System Employee Group Benefits Plan. Former employees who retire from the College and eligible dependents may continue to participate in the College's health and hospitalization plan for medical prescriptions insurance coverage.

The College subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at the blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because an actuarial basis, their current and future claims, are expected to result in higher costs to the plan on average than those of active employees.

Retirees who are eligible to receive retirement benefits from TRS or PERS at the time employment ceases may participate in the plan. Retirees who are in the Optional Retirement Plan (ORP) (through TIAA-CREF) or any other defined contribution plan associated with the MUS must have worked five or more years and be age 50 or have worked 25 years with the MUS to be eligible for retiree benefits.

The MUS Group Benefits Plan does not issue a stand-alone financial report but is subject to audit as part of the State of Montana's Basic Financial Statements, included in the Comprehensive Annual Financial Report (CAFR). A copy of the most recent CAFR can be obtained online at http://sfsd.mt.gov/SAB/cafr or by contacting the Montana Department of Administration, PO Box 200102, Helena, MT 59620-0102.

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Plan Description (Continued)
At December 31, 2017 (the valuation date), the number of active College participants in the health insurance plan was 47. The total number of inactive (retiree and dependent) participants was 37. The College does not contribute to the plan for retirees or their dependents.

Funding Policy
All units of the MUS fund the postemployment benefits on a pay-as-you-go basis from general assets. No assets are accumulated in a trust that meet the criteria in Paragraph 4 of Statement 75. The College's other post-employment benefit (OPEB) consists of the above described post-employment healthcare benefits. The College's annual OPEB consists of an implied rate subsidy since retirees and current employees are in the same plan as well as a cost for future benefits of current employees. The College's policy at this time is to not fund the OPEB obligation.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions above the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEB:
The College annual OPEB liability of $428,466 was measured as of March 31, 2018, and was determined by an actuarial valuation as of December 31, 2017.

Actuarial Methods and Assumptions:
The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

- Discount rate is 3.89%
- Projected payroll increases 4.00%
- Inflation 4.00%
- Healthcare cost trend rate is 7.50% for plan year 2018 trending down to 3.8% for plan year 2075
- Retirees share of benefit-related costs is 7.50% for the plan year 2018 trending down to 3.8% for plan year 2075
- The discount rate was based on the March 31, 2018, 20-year municipal bond index.
- For TRS, healthy mortality is assumed to follow the RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years for males, set back two years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, healthy mortality is assumed to follow the RP2000 Combined Mortality Table with improvements projected by Scale BB to 2020, setback one year for males.
- For TRS, disabled mortality is assumed to follow the RP2000 Disabled Mortality Table, set forward one year for males and set forward five years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, disabled mortality is assumed to follow the RP2000 Combined Mortality Table with no projections.

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Funding Policy (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:
The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

	1% Decrease (2.89%)	Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB Liability	$ 498,092	$ 428,466	$ 372,981

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate:
The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it was calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate:

	1% Decrease (6.50%)	Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
Total OPEB Liability	$ 370,702	$ 428,466	$ 501,426

Recognition of Deferred Outflows and Inflows and OPEB Expense:

For the year ended June 30, 2018, the College recognized OPEB expense of $55,550. For the year ended June 30, 2018, the College reported net deferred inflows of resources related to OPEB from the following sources:

Type of Cash Flow	Outflow/(Inflow)
Differences between expected and actual experience	$ (15,988)
Changes of assumptions or other inputs	(2,212)
Benefit payments subsequent to measurement date	1,180
Total deferred cash flow, net	$ (17,020)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Funding Policy (Continued)

Recognition of Deferred Outflows and Inflows and OPEB Expense (Continued)

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	
2019	$ (1,520)
2020	(1,520)
2021	(1,520)
2022	(1,520)
2023	(1,520)
Thereafter	(10,600)
	$ (18,200)

Amounts reported as deferred outflows of resources related to OPEB resulting from the College's contributions subsequent to measurement date will be recognized as a reduction of the OPEB liability for the year ended June 30, 2019.

NOTE 10. OPERATING LEASE OBLIGATIONS

The College leases an arena for the rodeo teams' use. The lease is for a two year term which began with the 2013 fall semester. The College leases the arena for six months during the school year and has renewed the lease. The current lease is dated December 12, 2016, and was verbally extended to cover the 2017-2018 school year. During the year ended June 30, 2018, rental expense under long-term lease obligations was $11,500.

NOTE 11. COMPONENT UNIT – DAWSON COLLEGE FOUNDATION, INC.

Organization

The Dawson College Foundation, Inc. (the Foundation) has been organized to coordinate fund-raising activities for the local College. These include the long-term care of and building of additional facilities at the College located in Glendive, Montana. The Foundation uses funds to assist in purchasing needed educational equipment and supplies.

NOTE 11. COMPONENT UNIT – DAWSON COLLEGE FOUNDATION, INC. (CONTINUED)

Basis of Presentation
The financial statements of the Foundation have been prepared on the accrual basis of accounting. Revenues and expenses are recognized when earned or incurred. The financial statements reflect unrestricted, temporarily restricted and permanently restricted net assets and activities. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board designated or appropriated amounts, are reported as part of the unrestricted class.

Contributions to the Foundation are recognized when the donor makes a promise to give to the Foundation that is in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction.

Investments
The Foundation's investments consist of certificates of deposit, securities, and mutual funds as follows:

	October 31, 2017
Certificates of deposit	$ 223,090
Charles Schwaab - Hoyt account	593,473
Charles Schwaab - basketball fund	59,710
Edward Jones - managed account	515,833
Total investments	$ 1,392,106

Endowment
The Foundation's endowment consists of individual endowments established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Market value of the endowments funds included in total investments for the year ended October 31, 2017 is $1,281,284.

Direct investment management, custodial and consulting fees for the Foundation's endowment funds totaled $5,191 for the year ended October 31, 2017. These fees have been included as reductions to investment income.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor required the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets, and subsequent gains that restore the fair value of the assets of the endowment fund to the required level are recorded as an increase in unrestricted net assets.

The Foundation's goal for its endowments is to provide a real rate of return (total return minus investment expenses, and administration fees) sufficient, in perpetuity, the purposes of the various endowments. The endowment spending allowance policy is also structured to help maintain the endowments in perpetuity,

NOTE 11. COMPONENT UNIT – DAWSON COLLEGE FOUNDATION, INC. (CONTINUED)

Endowment (Continued)

preserve their purchasing power and stabilize the flow of support for the purposes of the respective endowments. The spending allowance for each endowment in the year ended October 31, 2017, was limited to the unexpended accumulated earnings or return (both realized and unrealized) of the respective endowment, unless otherwise provided by the donor.

NOTE 12. RISK MANAGEMENT

The College faces a considerable number of risks of loss, including a) damage to and loss of property and contents, b) employee torts, c) professional liability, i.e., errors and omissions, d) environmental damage, and e) workers' compensation, i.e., employee injuries. A variety of methods is used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee torts, and professional liabilities. Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years, except for property and content coverage where the guaranteed values have been increased to approximate replacement cost of the assets. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 13. CONTINGENT LIABILITIES AND COMMITMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the College expects such amounts, if any, to be immaterial.

NOTE 14. RESTATEMENTS

As of July 1, 2017, the College adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments calculate and report the cost and obligations associated with other postemployment benefits other than pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively remove the prior OPEB liability reported under GASB Statement No. 45 and adopt the provisions of GASB Statement No. 75 to report the beginning OPEB liability. The restatement resulted in a decrease to the beginning OPEB liability by $686,140.

NOTE 14. RESTATEMENTS (CONTINUED)

The beginning unrestricted net position was also increased due to correcting accounting errors made to long-term debt in the amount of $4,518 and due from local governments in the amount of $246,476.

Net position as previously reported at June 30, 2017	$	8,259,631
Restatement due to adoption of a new standard		
Remove previously reported OPEB liability (GASB 45)		1,085,170
Add OPEB liability (GASB 75)		(399,030)
Restatement due to correction of an error		
Long term debt		4,518
Due from local governments		246,476
Net position as restated, June 30, 2017	$	9,196,765

REQUIRED SUPPLEMENTARY INFORMATION

DAWSON COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF TOTAL OPEB LIABILITY AND EMPLOYER OPEB CONTRIBUTIONS
For the Year Ended June 30, 2018

Measurement Date	Employer's Portion of the OPEB Liability	Employer's Proportionate Share of OPEB Liability	Covered Payroll	TOL as a Percentage of Payroll
March 31, 2018	1.16%	$ 428,466	$ 4,841,117	8.85%

GASB Statement No. 75 requires ten years of information to be presented in this table. However until a full 10-year trend is compiled, the College will present information for those years for which information is available.

Notes to Schedule:
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Actuarial Valuation Date	Actuarially Determined Contribution (ADC)	Total OPEB Liability (TOL)	Covered Payroll	TOL as a Percentage of Payroll	Participants
December 31, 2017	$ 35,398	$ 428,466	$ 4,793,881	8.94%	84

GASB Statement No. 75 requires ten years of information to be presented in this table. However until a full 10-year trend is compiled, the College will present information for those years for which information is available.

Notes to Schedule:
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

DAWSON COMMUNITY COLLEGE
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND EMPLOYER'S CONTRIBUTIONS
LAST TEN FISCAL YEARS*
As of July 1, 2018

Teacher's Retirement System of Montana

	Measurement date as of July 30,			
	2017	2016	2015	2014
Employer's proportionate share of the net pension liability	0.0624%	0.0903%	0.1064%	0.1075%
Employer's proportionate share of the net pension liability associated with the Employer	$ 1,052,518	$ 1,649,637	$ 1,748,471	$ 1,653,808
State of Montana's proportionate share of the net pension liability associated with the Employer	668,304	1,078,027	1,177,834	1,135,292
Total	$ 1,720,822	$ 2,727,664	$ 2,926,305	$ 2,789,100
Employer's covered payroll	$ 823,091	$ 1,172,117	$ 1,358,278	$ 1,355,289
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	127.87%	140.74%	128.73%	122.03%
Plan fiduciary net position as a percentage of the total pension liability	70.09%	66.69%	69.30%	70.36%

* GASB Statement No. 68 required ten years of information to be presented in the table. However, until a full 10-year trend is compiled, the College will present information for those years for which information is available.

See Notes to Required Supplementary Information.

DAWSON COMMUNITY COLLEGE
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND EMPLOYER'S CONTRIBUTIONS (CONTINUED)
LAST TEN FISCAL YEARS*
As of July 1, 2018

Public Employees Retirement System of Montana

	Measurement date as of July 30,			
	2017	2016	2015	2014
Employer's proportionate share of the net pension liability	0.0693%	0.0647%	0.0654%	0.0651%
Employer's proportionate share of the net pension liability associated with the Employer	$ 1,349,461	$ 1,102,418	$ 913,989	$ 811,511
State of Montana's proportionate share of the net pension liability associated with the Employer	20,585	13,470	11,227	9,910
Total	$ 1,370,046	$ 1,115,888	$ 925,216	$ 821,421
Employer's covered payroll	$ 875,498	$ 775,241	$ 763,048	$ 749,215
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	154.14%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.75%	74.71%	78.40%	79.87%

* GASB Statement No. 68 required ten years of information to be presented in the table. However, until a full 10-year trend is compiled, the College will present information for those years for which information is available.

See Notes to Required Supplementary Information.

DAWSON COMMUNITY COLLEGE
SCHEDULE OF EMPLOYER’S SHARE OF NET PENSION LIABILITY AND EMPLOYER’S CONTRIBUTIONS (CONTINUED)
LAST TEN FISCAL YEARS*
As of June 30, 2018

Teacher’s Retirement System of Montana

	Fiscal year-end as of June 30,			
	2018	2017	2016	2015
Contractually required contribution	$ 96,443	$ 130,953	$ 138,615	$ 159,752
Contributions in relation to the contractually required contribution	$ 96,443	$ 130,953	$ 138,615	$ 159,752
Contribution (deficiency) excess	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 1,077,386	$ 823,091	$ 1,172,117	$ 1,358,278
Contributions as a percentage of the covered payroll	8.95%	15.91%	11.83%	11.76%

Public Employees Retirement System of Montana

	Fiscal year-end as of June 30,			
	2018	2017	2016	2015
Contractually required DB contributions	$ 82,976	$ 71,943	$ 64,799	$ 62,878
Plan choice rate required contributions	$ -	$ -	$ 7,649	$ 6,112
Contributions in relation to the contractually required contributions	$ 82,976	$ 71,943	$ 72,448	$ 68,990
Contribution (deficiency) excess	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 1,000,484	$ 875,498	$ 775,241	$ 763,048
Contributions as a percentage of the covered payroll	8.29%	8.22%	9.35%	9.04%

* GASB Statement No. 68 required ten years of information to be presented in the table. However, until a full 10-year trend is compiled, the College will present information for those years for which information is available.

See Notes to Required Supplementary Information.

NOTE 1. TEACHERS'S RETIREMENT SYSTEM OF MONTANA

2017 Legislative Changes:

General Revisions – House Bill 101, effective July1, 2017

Working Retiree Limitations – for PERS
If a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

Terminating Employers – Recovery of actuary costs – for PERS
Employers who terminate participation in PERS must pay the actuarial liability associated with that termination. Starting July 1, 2017, the terminating employer must also pay for the cost of the actuarial study used to determine that liability.

Refunds

1) Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
2) Terminating members with accumulated contributions between $200 and $1,000 who wish to rollover their refund must do so within 90 days of termination of service.
3) Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Family Law Orders
If a Family Law Order (FLO) is silent regarding the apportionment of post-retirement benefit adjustments such as the Guaranteed Annual Benefit Adjustment (GABA), the FLO is presumed to require apportionment of the post-retirement benefit adjustment in the same percentage as the monthly retirement benefit is apportioned.

Disabled PERS Defined Contribution (DC) Members
PERS members hired after July 1, 2011 have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who became disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011 who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

NOTE 2. PUBLIC EMPLOYEES RETIREMENT SYSTEM OF MONTANA

PERS Statutory Appropriation – House Bill 648, effective July 1, 2017
Revenue from coal severance taxes and interest income from the coal severance tax permanent fund previously statutorily-appropriated to the PERS defined benefit trust fund will be replaced with the following statutory appropriations:

1. FY2018 - $31.386 million
2. FY2019 - $31.958 million
3. Beginning July 1, 2019 through at least June 30, 2025, 101% of the contribution from the previous year from the general fund to the PERS defined benefit trust fund, as follows:
    a. FY2020 - $32.277 million
    b. FY2021 - $32.6 million
    c. FY2022 - $32.926 million
    d. FY2023 - $33.255 million
    e. FY2024 - $33.588 million
    f. FY2025 - $33.924 million

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions
The following Actuarial Assumptions were adopted from the June 30, 2017 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increases	0% to 4.8%
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table
Admin Expense as % of Payroll	0.26%

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.

S U P P L E M E N T A R Y   I N F O R M A T I O N

DAWSON COMMUNITY COLLEGE
STUDENT FINANCIAL AID
MODIFIED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Year Ended June 30, 2018

	Pell	Perkins	FWS	SEOG
ASSETS				
Beginning cash balance	$ (23,921)	$ 16,918	$ (11,915)	$ (11,270)
Additions				
Federal advances	499,884	5,000	21,664	46,580
State matching funds	-	-	4,931	-
Interest collected	-	85	-	-
Principal collected	-	1,472	-	-
Total additions	499,884	6,557	26,595	46,580
Deductions				
Distribution to students	514,149	5,000	27,112	43,910
Other: Transfers	-	-	(8,554)	8,554
Total deductions	514,149	5,000	18,558	52,464
Reconciling items				
Net change in accounts receivable	3,226	-	15,000	17,686
Net change to cash	(11,039)	1,557	23,037	11,802
Ending cash balance	$ (34,960)	$ 18,475	$ 11,122	$ 532

DAWSON COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES
STUDENT FINANCIAL ASSISTANCE PROGRAMS
For the Year Ended June 30, 2018

Perkins Loan Program		
Student loan advances	$	5,000
Federal Work Study		
Wages	$	27,112
Supplemental Education Opportunity Grant Program		
Student grants	$	43,910
	$	43,910
Pell Grant Program		
Student grants	$	514,149
	$	514,149

DAWSON COMMUNITY COLLEGE
SCHEDULE OF FULL TIME EQUIVALENT
For the Year Ended June 30, 2018

Semester	Resident	WUE	Nonresident	Total
2018				
Summer 2017	21.3	1.5	25.3	48.1
Fall 2017	169.9	45.3	51.3	266.5
Spring 2018	175.0	39.1	48.5	262.6
	366.2	85.9	125.1	577.2

DAWSON COMMUNITY COLLEGE
FUNCTIONAL CLASSIFICATION OF OPERATING EXPENSES
For the Year Ended June 30, 2018

	Instruction	Academic Support	Student Services	Institutional Support	Scholarships and Fellowships	Operations and Maintenance of Plant	Auxiliary	Total
Salaries	$ 1,033,072	$ 103,300	$ 568,825	$ 581,799	$ -	$ 223,086	$ 173,519	$ 2,683,601
Employee Benefits	379,950	52,003	263,997	114,609	-	95,932	(64,786)	841,705
Travel	55,155	559	237,296	27,870	-	23,663	-	344,543
Supplies	94,990	9,324	123,587	100,768	-	25,000	125,077	478,746
Contracted Services	257,149	9,340	90,844	412,808	-	55,958	7,319	833,418
Repairs and Maintenance	8,163	-	2,191	15,937	-	140,897	528	167,716
Utilities	-	-	6,739	4,431	-	128,380	60,146	199,696
Communications	10,475	1,268	21,987	45,032	-	58,337	22,203	159,302
Scholarships and Grants	13,576	-	14,915	-	794,219	-	-	822,710
Other operating expenses	2,657	9,790	25,218	193,917	-	8,526	94,946	335,054
Depreciation Expense	-	-	-	-	-	393,743	-	393,743
	$ 1,855,187	$ 185,584	$ 1,355,599	$ 1,497,171	$ 794,219	$ 1,153,522	$ 418,952	$ 7,260,234

O T H E R I N F O R M A T I O N

Independent Auditor's 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
Dawson Community College
Glendive, Montana

We have audited, 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, the financial statements of the business-type activities of Dawson Community College (the College) as of and for the year ended June 30, 2018, and the discretely presented component unit as of and for the year ended October 31, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 28, 2019. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, Dawson College Foundation, Inc. (the Foundation), as described in our report on the College's financial statements. The audit of the financial statements of the Foundation were not performed in accordance with *Government Auditing Standards* and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal cont*rol 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 a 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. We consider the deficiency described in 2018-003 in the accompanying schedule of findings and questioned costs to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2018-001, 2018-002 and 2018-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from 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*.

College’s Response to Findings

The College’s response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
February 28, 2019

Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Trustees
Dawson Community College
Glendive, Montana

Report on Compliance for the Major Federal Program

We have audited Dawson Community College's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Dawson Community College's major federal program for the years ended June 30, 2018 and 2017. Dawson Community College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on the compliance for each of Dawson Community College's major federal program based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 Dawson Community 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 qualified opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Dawson Community College's compliance.

Basis for Qualified Opinion on the Major Federal Program
As described in the accompanying schedule of findings and questioned costs, the College did not comply with requirements regarding the Student Financial Aid Cluster as described in finding 2018-005 for eligibility. Compliance with such requirements is necessary, in our opinion, for Dawson Community College to comply with the requirements applicable to that program.

Qualified Opinion
In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major Federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the years ended June 30, 2018 and 2017.

Other Matters
The College's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-005 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-006 to be a significant deficiency.

The College's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
February 28, 2019

DAWSON COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2018

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity ID Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance:			
Supplemental Opportunity Grant Program (SEOG)	84.007		$ 34,935
Federal College Work Study	84.033		18,332
Federal Direct Student Loans	84.268		728,310
Pell Grant Program	84.063		503,333
Perkins Loan Program	84.038		81,644
Total Student Financial Assistance Cluster			1,366,554
Gear Up	84.334S		37,308
Passed Through Montana Office of Public Instruction			
Adult Basic Education	84.002	Not Available	35,505
Local Applications	84.048A	Not Available	16,159
Montana Career Pathways	84.048A	Not Available	35,896
			52,055
Total U.S. Department of Education			1,491,422
Total expenditure of federal awards			$ 1,491,422

See Notes to Schedule of Expenditures of Federal Awards

DAWSON COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2017

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity ID Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance:			
Supplemental Opportunity Grant Program (SEOG)	84.007		$ 34,935
Federal College Work Study	84.033		18,332
Federal Direct Student Loans	84.268		585,062
Pell Grant Program	84.063		376,747
Perkins Loan Program	84.038		74,797
Total Student Financial Assistance Cluster			1,089,873
Gear Up	84.334S		37,226
Passed Through Montana Office of Public Instruction			
Adult Basic Education	84.002	Not Available	20,444
Total U.S. Department of Education			1,147,543
U.S. Department of Labor			
Employment and Training Administration			
TAACCCT/SWAMMEI/REVUP	17.282		134,171
Total U.S. Department of Labor			134,171
U.S. Department of Health and Human Services			
Passed Through MT Department of Public Health and Human Services:			
ECHO-Higher Education	93.575	Not Available	10,841
Total U.S. Department of Health and Human Services			10,841
Total expenditure of federal awards			$ 1,292,555

See Notes to Schedule of Expenditures of Federal Awards

NOTE A. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the College under programs of the federal government for the years ended June 30, 2018 and 2017. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, net position, or cash flows of the College.

NOTE B. SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

NOTE C. SIGNIFICANT ACCOUNTING POLICIES

The College has not elected to use the 10% de minimis cost rate.

NOTE D. LOAN PROGRAMS

Expenditures reported in this schedule consist of the beginning of the year outstanding loan balance plus advances made on the loan during the year.

NOTE E. FEDERAL STUDENT LOAN PROGRAMS

The federal student loan programs listed subsequently are administered directly by the College and balances and transactions relating to these programs are included in the College's basic financial statements. Loans made during the year are included in the federal expenditures presented in the schedule. The College participates in the following federal loan programs:

Perkins Loan Program (CFDA No. 84.038)
Total Perkins loan expenditures and disbursements to students for the year ended June 30, 2018, were $5,000. The outstanding balance of Perkins loans as of June 30, 2018 and 2017 were $81,644 and $74,797, respectively.

Direct Student Loans (CFDA No. 84.268)
During the years ended June 30, 2018 and 2017, the College processed a total of $728,310 and $585,062, respectively, of new loans under the Direct Student Loan Program.

NOTE F. TAACCT/SWAMME/REVUP Grant (17.282)

Draws on the 17.282 grant exceeded the award amount by $14,628 during the year ended June 30, 2017. The excess is not included in the expenditure amount on the accompanying 2017 schedule of expenditures of federal awards. The College returned the funds to the awarding agency in 2018.

SETION I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

Identification of major programs:

Name of Federal Program	CFDA Number
Student Financial Assistance Cluster	
Federal Supplemental Educational Opportunity Grants	84.007
Federal Work-Study Program	84.033
Federal Perkins Loan	84.038
Federal Pell Grant Program	84.063
Federal Direct Student Loans	84.268

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

SECTION II – Financial Statement Findings

2018-001
Timeliness of Audited Financial Statements
Significant Deficiency in Internal Control

Criteria:
The College is responsible for establishing and implementing a system of internal control designed to provide for timely year end closing procedures and for the preparation of the financial statements being audited, including footnote disclosures required by GASB, within a timeframe soon enough after the fiscal year-end, to provide for a timely year-end audit and meet the deadlines set by the State of Montana.

Condition:
The year-end audit fieldwork was scheduled for the middle of November following year end of June 30, 2018. At the time of scheduled fieldwork, the year-end closing procedures were not performed sufficient enough and early enough to provide Eide Bailly with a final trial balance until the week of fieldwork and the financial statements until a month after fieldwork. Some supporting schedules received throughout fieldwork had not been reconciled to the trial balance as part of the year-end closing procedures.

Cause:
Internal controls do not exist or controls with review by the 3rd party accounting firm were not performed in a manner sufficient enough to identify and record all adjusting and closing entries necessary for the preparation of the final trial balance and the financial statements in a timely manner over all account balances.

Effect:
The audit was not performed in the most efficient and effective manner as procedures were postponed between the start of fieldwork and the finalization of the audit procedures. In addition, the State deadline was not met and an extension was granted.

Recommendation:
Procedures should be implemented which include the review and reconciliation of significant account balances, the financial close processes, and audit preparation to ensure that accurate financial information is ready at the start of audit fieldwork and the audited financial statements are submitted to the State timely.

Views of Responsible Officials:
The College agrees with the auditor's finding.

2018-002
Audit Adjustments and Year-End Closing procedures
Significant Deficiency in Internal Control

Criteria:
The College is responsible for establishing and implementing a system of internal control designed to record all year-end adjusting entries necessary to close the fiscal year in a timely and efficient manner to allow those charged with governance the ability to evaluate the financial condition of the College.

Condition:
During the course of our audit engagement, we proposed material audit adjustments, which if not recorded, could have resulted in a misstatement of the College's financial statements. In addition, year-end closing procedures were continuing to be performed during audit fieldwork. Year-end closing entries proposed by the Controller were not reviewed and approved by the appropriate level of authority due to fact that they were proposed during the audit rather than during the year-end procedures. Such entries resulted in audit adjustments required to be made.

Cause:
The internal controls and procedures currently in place were not sufficient to identify and record all adjusting and closing entries necessary for the preparation of the financial statements and to close the fiscal year in a timely manner.

Effect:
Misstatements to the financial statements were undetected by the College and not corrected in a timely manner which may result in the use by management of inaccurate financial information. In addition, the College does not have procedures or controls in place to ensure year-end close procedures are performed timely. As a result, the financial information reported to the board of trustees had the potential for misstatements that went undetected for several months after year end.

Recommendation:
Procedures should be implemented which include the review of significant account balances and financial close processes to ensure that accurate financial information is included in the financial statements of the College and reported to governance timely.

Views of Responsible Officials:
The College agrees with the auditor's finding.

2018-003
Significant Adjustment to Beginning Net Position
Material Weakness in Internal Control

Criteria:
Management should have an internal control structure in place to prevent, detect and correct, significant misstatements of financial statements in a timely manner.

Condition:
During testing over beginning net position in the current period, an error was detected in which beginning net position per the College's internal accounting system did not agree to the ending net position per the prior year financial statements. The error was due to the prior year financial statements not recognizing a receivable due from the county for mill taxes. Therefore, revenue and receivables were understated in the prior year.

Cause:
Management's current internal control structure was not sufficient to detect the misstatement in revenue.

Effect:
Revenue was understated as of June 30, 2017, by $246,456, and therefore, beginning net position had to be restated.

Recommendation:
Management should review the final trial balance and financial statements used in the preparation of the financial statements against the information recorded in the College's accounting software to ensure that all transactions are recorded appropriately.

Views of Responsible Officials:
The College agrees with the auditor's finding.

2018-004
Reconciliation of Ending Account Balances
Significant Deficiency in Internal Control

Criteria:
The College is responsible for establishing and implementing a system of internal control designed to ensure each asset and liability account has sufficient documentation and/or a subsidiary ledger supporting the ending balance each month. This includes reconciling the draw downs of federal awards (G5 report) to the trial balance postings for revenue and receivables.

Condition:
The College is not able to produce a subledger detail of student receivables that agrees to the trial balance or general ledger. The ending prepaid expense and associated expense account balances did not agree to the prepaid expense amortization schedule. Both instances resulted in misstatements to ending account balances. In addition, there were unidentified differences noted between the federal awards draw report (G5) and the amount recognized as revenue and receivable in the trial balance.

Cause:
Management's current internal control structure was not sufficient to detect the misstatements or perform an accurate reconciliation.

Effect:
The ending balances of accounts may become materially misstated if supporting schedules and subledgers are not reconciled and agreed to the trial balance.

Recommendation:
Procedures should be implemented to require that material account balances be confirmed or reconciled with subsidiary ledgers as part of the month-end close, including federal grant revenue with the amounts drawn during the year.

Views of Responsible Officials:
The College agrees with the auditor's finding.

SECTION III – Federal Award Findings and Questioned Costs

2018-005
Direct Programs – Department of Education
CFDA # 84.007, 84.033, 84.038, 84.063, 84.268
Student Financial Assistance Cluster
Eligibility
Material Noncompliance and Material Weakness in Internal Control over Compliance

Criteria:
Student Financial Aid (SFA) can only be awarded to students enrolled in eligible programs as degree-seeking students.

Condition:
In our testing of SFA, there were 2 students in our sample of 60 students that received federal aid that were considered non-degree seeking students and were therefore not eligible to receive such aid.

Cause:
The College did not have a control in place to prevent non-degree seeking students from receiving federal aid.

Effect:
Non-degree seeking students who were not eligible to receive federal aid were awarded and disbursed federal funds.

Questioned Costs:
None Reported

Context/Sampling:
A nonstatistical sample of 60 students out of 356 students were selected for eligibility testing.

Repeat Finding from Prior Year:
No

Recommendation:
The College should implement a process of review over students awarded federal aid for whether they are considered a degree seeking student before financial aid is awarded.

Views of the Responsible Officials:
The College agrees with the finding.

2018-006
Direct Programs – Department of Education
CFDA # 84.007, 84.033, 84.038, 84.063, 84.268
Student Financial Assistance Cluster
Reporting
Significant Deficiency in Internal Control over Compliance

Criteria:
The College must report all loan disbursements and Pell disbursements within 15 days after the school makes a payment or becomes aware of the need to make an adjustment to a previously reported student payment data or expected student payment data. The College should also report student status and other information accurately.

Condition:
During our testing over reporting, it was noted that there were 2 instances where direct loan disbursements were not reported within 15 days of disbursement to COD, 2 instances where Pell Loan Disbursements were not reported within 15 days to COD, and 1 instance where the NSLDS status for a student's enrollment was not updated.

Cause:
The College does not have a control system in place to ensure that all loan and Pell disbursements are reported and records, including student status, are submitted accurately to COD and NSLDS within the required timeframe.

Effect:
COD was not updated to reflect disbursements within the 15 days of disbursement requirement and NSLDS was not updated to reflect the correct student status.

Questioned Costs:
None reported

Context/Sampling:
A nonstatistical sample of 60 students out of 356 students were selected for testing.

Repeat Finding from Prior Year:
No

Recommendation:
The College should implement a process to ensure that disbursements are reported accurately to COD within the 15-day requirement. The College should periodically test this process to ensure that the 15-day requirement is being met. The College should also implement a process to ensure that student status is reflected accurately on NSLDS.

Views of the Responsible Officials:
The College agrees with the finding.