Dawson Community College

Financial Statements and
Supplemental Information

Year Ended June 30, 2019

WIPFLI

LEGISLATIVE AUDIT DIVISION

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

Deputy Legislative Auditors:
Cindy Jorgenson
Joe Murray

May 2020

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of Dawson Community College for the fiscal year ended June 30, 2019.

The audit was conducted by Wipfli, 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 community college's response to the report is included in the back of the audit report.

Respectfully submitted,

/s/ Angus Maciver

Angus Maciver
Legislative Auditor

19C-06

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INDEPENDENT AUDITOR'S REPORT

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, 2019, and the financial statements of the discretely presented component unit, Dawson College Foundation (the "Foundation"), as of and for the year ended October 31, 2018, 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; 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 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 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.

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, based on our audit and the report 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, 2019, and the discretely presented component unit as of October 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended (June 30, 2019 and October 31, 2018) in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis, schedule of changes in net OPEB liability and related ratios – other postemployment benefits, schedule of employer's share of net pension liability, and schedule of employer's contributions, as listed in the table of contents 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, which consisted of inquiries of management about the methods of 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 are presented for purposes of additional analysis and are not a required part of the financial statements.

Such information is the responsibility of management and was 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 or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is 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 our report dated May 12, 2020 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Wipfli LLP

Wipfli LLP

Billings, Montana
May 12, 2020

The following Management's Discussion and Analysis (MD&A) 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, 2019. 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 2019, both operating revenues and expenses increased resulting in a net operating loss of $5,500,705; an increase of $1,210,899 over fiscal year 2018. This netted against an increase in non-operating revenues from state appropriations, property taxes, and oil and gas revenues resulted in an overall decrease in net position of $1,084,306 over fiscal year 2018. The decrease in net position, stemmed largely from an increase in salary and benefits as a result of being fully staffed.

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

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, 2019. 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 outflows 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, 2019. 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 the sum of total assets and deferred outflows and the sum of 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 Assets

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, 2019	June 30, 2018	June 30, 2017
Total Current Assets	$ 2,249,384	$ 3,207,430	$ 4,135,287
Total Capital and Other Assets	11,445,442	11,759,534	11,438,908
Total Assets	13,694,826	14,966,964	15,574,195
Deferred Outflow of Resources	879,912	455,183	454,814
Total Current Liabilities	998,287	772,548	936,678
Total Non-Current Liabilities	5,213,498	5,115,253	5,690,144
Total Liabilities	6,211,785	5,887,801	6,626,822
Deferred Inflow of Resources	389,913	477,000	205,422
Net Investment in Capital Assets	6,740,404	6,768,429	6,340,434
Restricted - Expendable	3,034,274	3,166,705	2,966,097
Unrestricted	(1,801,638)	(877,788)	(109,766)
Total Net Position	$ 7,973,040	$ 9,057,346	$ 9,196,765

The total net position decreased by $1,084,306 from fiscal year 2018 to fiscal year 2019. The total net position decreased by $139,419 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 2018 to fiscal year 2019 was due to a decrease in cash and cash equivalents, and taxes receivable, netted against a decrease in grants receivables and prepaid expenses. This stands true for the decrease from fiscal year 2017 to fiscal year 2018 as well.

Capital and other assets include restricted cash, investments and net capital assets. The net decrease in non-current assets from fiscal year 2018 to fiscal year 2019 is due to the annual depreciation expense offset by a decrease in restricted cash and an increase in investments. 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 $225,739 from fiscal year 2018 to fiscal year 2019 due to increases in amounts due related to the current portion of long-term debt, payroll and accounts payable. Total current liabilities decreased by $164,130 from fiscal year 2017 to fiscal year 2018 due to increases in amounts due related to online summer classes and the prior period restatement.

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 increased from fiscal year 2018 to fiscal year 2019 by $98,245 as a result of increases in OPEB obligations and net pension liability. Non-current liabilities decreased from fiscal year 2017 to fiscal year 2018 by $574,891 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 decrease from fiscal year 2018 to fiscal year 2019 is due to depreciation expense. The increase from fiscal year 2017 to fiscal year 2018 and the decrease from fiscal year 2016 to fiscal year 2017 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 represents funds that the College may use for whatever purpose it deems 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 $5,500,705 and $4,285,144 from fiscal year 2019 and fiscal year 2018, respectively. Once the appropriations and Pell grant dollars are considered, the change in net position results in a decrease of $1,084,306 and a decrease of $219,439 for fiscal year 2019 and fiscal year 2018, 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, 2019	June 30, 2018	June 30, 2017
Operating Revenues	$ 2,809,108	$ 2,975,090	$ 2,415,271
Operating Expenses	(8,309,813)	(7,260,234)	(5,695,040)
Operating Loss	(5,500,705)	(4,285,144)	(3,279,769)
Net Non-Operating Revenues	4,416,399	4,065,705	4,525,043
Changes in Net Position	(1,084,306)	(219,439)	1,245,274
Net Position, Beginning of Year	9,057,346	9,276,785	8,031,511
Net Position, End of Year	$ 7,973,040	$ 9,057,346	$ 9,276,785

Operating Revenues includes federal and state grants and contracts, tuition, fees and auxiliary activities. Operating Revenues for fiscal year 2019 are $2,809,108 compared to 2018 are $2,975,090. The decrease from fiscal year 2018 to fiscal year 2019 is primarily due to a reduction in private, state and federal grants. The increase from fiscal year 2017 to fiscal year 2018 is primarily due to an increase in tuition revenue due to increased enrollment, as well as an increase in local support. A restatement of net position of $84,682 occurred during fiscal year 2019 for fiscal year 2018 and fiscal year 2017.

Operating Expenses for fiscal year 2019 were $8,309,813 versus $7,260,234 for fiscal year 2018, an increase of $1,049,579. These increases in operating expenses was the result of salary and benefit increases. The salary and benefit increase is due to being fully staffed in many areas with much needed positions to assist the college running smoothly on a day-to-day basis.

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 2019 are $4,416,399 versus $4,065,705 for fiscal year 2018. State appropriations for fiscal year 2019 were $153,989 more than fiscal year 2018, and local appropriations were $92,606 more than fiscal year 2018. In fiscal year 2019, oil and gas revenue was $158,227 as opposed to $139,466 received for oil and gas in fiscal year 2018.

Capital Assets – The College's investment in Capital Assets as of June 30, 2019 and June 30, 2018, was $8,856,927 and $9,170,001, respectively. Investment in Capital Assets normally includes land, buildings, improvements, machinery and equipment, library holdings, and software. The decrease was due to fewer capital asset purchases and improvements, as well as the adjustment for annual depreciation.

Debt Administration – The College's current and long-term debt obligation as of June 30, 2019, and June 30, 2018, was $2,116,523 and $2,401,572, respectively. Additional information can be found in Footnote 7, Long-Term Liabilities.

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 Dawson Community 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 charges 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 and financial resources.

Enrollment – Growing enrollment is a continuing trend at DCC. During fiscal year 2019 the there was a 5.6% growth over fiscal year 2018. This is after growth of 12.12% in fiscal year 2018 over fiscal year 2017. Enrollment growth over the past two fiscal years has had a great impact on the financial stability of the College.

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 2019 that has greatly improved the decision making. Allowing budget control access to fiscally responsible parties within the college has allowed the fiscally responsible parties to gain ownership of their expenditure while allowing for more accountability to ensure the budgeted expenditures are not exceeded.

The College was served by Dr. Scott Mickelsen as President for fiscal year 2019.

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, 2019

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 1,367,849
Taxes receivable	56,373
Due from local government	356,188
Student loans receivable	65,409
Accounts receivable, net of allowance for doubtful accounts of $18,473 at June 30, 2019	156,185
Grants receivable	108,554
Prepaid expenses	48,834
Inventory	89,992
Total current assets	2,249,384
NON-CURRENT ASSETS	
Restricted cash	178,638
Restricted investments	2,409,877
Land	137,518
Property and equipment, net of accumulated depreciation of $7,639,108 at June 30, 2019	8,719,409
Total non-current assets	11,445,442
Total assets	13,694,826
DEFERRED OUTFLOWS OF RESOURCES	
OPEB obligation	16,582
Pension obligation	863,330
Total deferred outflows of resources	879,912
Total assets and deferred outflows of resources	$ 14,574,738

See Notes to Financial Statements.

DAWSON COMMUNITY COLLEGE
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2019

LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	$ 183,335
Accrued payroll expenses	366,152
Advanced tuition and fees	37,734
Interest payable	15,802
Current portion of long-term debt	301,293
Current portion of compensated absences	93,971
Total current liabilities	998,287
LONG-TERM LIABILITIES	
Long-term debt, less current portion	1,815,230
Long-term compensated absences, less current portion	187,942
Net pension liability	2,753,428
OPEB payable	456,898
Total long-term liabilities	5,213,498
Total liabilities	6,211,785
DEFERRED INFLOWS OF RESOURCES	
OPEB obligation	16,680
Pension obligation	373,233
Total deferred inflows of resources	389,913
NET POSITION	
Net investment in capital assets	6,740,404
Restricted for:	
Student loans	81,003
Scholarships, research, and other	2,779,981
Student activities fund	173,290
Unrestricted	(1,801,638)
Total net position	7,973,040
Total liabilities, deferred inflows of resources and net position	$ 14,574,738

See Notes to Financial Statements.

DAWSON COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2019

OPERATING REVENUES	
Federal grants and contracts	$ 62,185
State and private grants and contracts	156,293
Tuition, net of waivers of $404,266	832,730
Course and mandatory fees	422,179
Auxiliary activities:	
Bookstore	121,182
Dormitory	639,080
Other revenue	575,459
Total operating revenues	2,809,108
OPERATING EXPENSES	
Salaries	3,155,747
Payroll taxes and benefits	1,253,215
Travel	364,659
Supplies	547,184
Contracted services	838,839
Repairs and maintenance	158,647
Utilities	196,158
Communication	113,836
Scholarships and grants	844,244
Other operating expense	439,093
Depreciation	398,191
Total operating expenses	8,309,813
Operating loss	(5,500,705)

See Notes to Financial Statements.

DAWSON COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)
For the Year Ended June 30, 2019

NON-OPERATING REVENUES (EXPENSES)	
Interest income	46,437
Interest expense	(107,105)
Federal Pell grant funding	555,546
State appropriation	1,446,330
State oil and gas production tax	158,227
Local appropriation	2,316,964
Total non-operating revenues	4,416,399
Change in net position	(1,084,306)
Net position, beginning of year	8,972,664
Restatement (Note 14)	84,682
Net position, beginning of year, as restated	9,057,346
Net position, end of year	$ 7,973,040

See Notes to Financial Statements.

DAWSON COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tuition and course fees	$ 1,178,475
Receipts from grants and contracts	305,561
Collection on student loans	7,234
Receipts from the bookstore	121,182
Receipts from the dormitory	639,080
Cash paid to employees	(4,338,724)
Cash paid to suppliers	(2,351,005)
Cash paid for scholarships and student support	(844,244)
Payments for utilities	(196,158)
Other receipts	575,459
Net cash flows from operating activities	(4,903,140)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	46,437
Investment earnings reinvested	(134,354)
Net cash flows from investing activities	(87,917)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State appropriations	1,446,330
State oil and gas production tax	158,227
Federal Pell grant funding	555,546
Local appropriations	2,378,902
Net cash flows from non-capital financing activities	4,539,005
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of property and equipment	(85,117)
Principal payments on long-term debt	(285,049)
Interest payments on long-term debt	(110,543)
Net cash flows from capital and related financing activities	(480,709)
Net change in cash and cash equivalents	(932,761)
Cash and cash equivalents, beginning of year	2,479,248
Cash and cash equivalents, end of year	$ 1,546,487
Reconciliation to Balance Sheet:	
Dawson Community College:	
Cash and cash equivalents	$ 1,367,849
Restricted cash	178,638
Total cash and cash equivalents and restricted cash	$ 1,546,487

See Notes to Financial Statements.

DAWSON COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended June 30, 2019

Reconciliation of operating loss to net cash flows from operating activities:	
Operating loss	$ (5,500,705)
Adjustments to reconcile operating loss to net cash flows from operating activities:	
Depreciation	398,191
Change in OPEB obligation	(46,368)
Contributions from the State for pensions	(85,567)
Changes in operating assets and liabilities:	
Student loans receivable	7,234
Accounts receivable, net	(42,970)
Grants receivable	87,083
Prepaid expenses	53,289
Inventory	(5,917)
Accounts payable	63,881
Advanced tuition and fees	(33,464)
Accrued payroll expenses	171,069
Compensated absences	31,104
Net cash flows from operating activities	$ (4,903,140)
SUPPLEMENTAL DISCLOSURES OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Disposal of capital assets	$ 75,982

See Notes to Financial Statements.

DAWSON COLLEGE FOUNDATION, INC.
(A COMPONENT UNIT OF DAWSON COMMUNITY COLLEGE)
STATEMENT OF FINANCIAL POSITION
October 31, 2018

ASSETS	
Cash and cash equivalents	$ 219,373
Investments in marketable equity securities	1,414,309
Commitments receivable	2,000
Interest receivable	2,206
Total assets	1,637,888
NET ASSETS	
Unrestricted	283,596
Temporarily restricted	301,638
Permanently restricted	1,052,654
Total net assets	1,637,888
Total liabilities and net assets	$ 1,637,888

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, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Contributions	$ 16,238	$ 50,536	$ 43,585	$ 110,359
Investment income (loss)	(64,263)	81,207	2,051	18,995
Fundraising	3,143	-	-	3,143
Released from restriction	112,577	(112,577)	-	-
Total revenue and support	67,695	19,166	45,636	132,497
EXPENSES				
Scholarships	45,412	-	-	45,412
Professional fees	2,515	-	-	2,515
Dues and subscriptions	2,560	-	-	2,560
Office expenses	1,785	-	-	1,785
Teacher development	13,062	-	-	13,062
Fundraising expenses	1,686	-	-	1,686
Insurance	1,043	-	-	1,043
Advertising	310	-	-	310
Miscellaneous supplies	3,202	-	-	3,202
Charitable distributions	89,317	-	-	89,317
Total expenses	160,892	-	-	160,892
Change in net assets	(93,197)	19,166	45,636	(28,395)
Net assets, beginning of year	376,793	282,472	1,007,018	1,666,283
Net assets, end of year	$ 283,596	$ 301,638	$ 1,052,654	$ 1,637,888

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, 2018

NET CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (28,395)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Decrease in current liabilities	(81,478)
Increase in interest receivable	(960)
Increase in commitments receivable	(2,000)
Net cash flows from operating activities	(156,418)
NET CASH FLOWS FROM INVESTING ACTIVITIES	
Investments purchased, net	(22,203)
Net cash flows from investing activities	(22,203)
Net change in cash and cash equivalents	(135,036)
Cash and cash equivalents, beginning of year	354,409
Cash and cash equivalents, end of year	$ 219,373

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 the 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 fundraising 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 necessary educational equipment and supplies.

The Foundation's financial statements for the fiscal year ended October 31, 2018, 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 (S.T.I.P.) 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, 2019, are as follows:

	Number of Mills
General Levy	56.86
Debt Service Levy	4.82
Adult Education Levy	2.95
Retirement Fund Levy	18.80
Total	83.43

Due from Local Government
The College receives a mill levy for retirement expenses only. The funds collected for this mill 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 the lower of cost, or net realizable value, on the first in, first out method. The costs of inventory are recorded as expenditures when consumed.

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

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.

Investment Valuation
The College categorizes the fair value measurements of its investments based on the hierarchy established by GAAP. 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 which approximates fair 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* **–** subject to externally imposed stipulations.
    - *Expendable* – can be fulfilled by actions of the College pursuant to those stipulations or that expire with the passage of time.
    - *Nonexpendable* – the College must 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 of the 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, 2019.

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).

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 results could differ from those estimates.

Other Post-Employment Benefits (OPEB)
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 $352,134 for the year ended June 30, 2019.

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

New Accounting Pronouncement

For the fiscal year ended June 30, 2019, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. See Note 7 for disclosures.

NOTE 2. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents

At June 30, 2019, cash and cash equivalents consisted of the following:

Cash on hand	$ 4
Deposits with financial institutions	11,679
Invested in Dawson County Investment Pool	1,356,166
Total cash and cash equivalents	$ 1,367,849

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 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, 2019.

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

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, SIPC, 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 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, 2019, none of the College's bank balances of $1,485,926 were exposed to custodial credit risk.

NOTE 3. RESTRICTED CASH

The College has restricted cash as follows as of June 30, 2019:

Restricted for dorm furniture replacement	$ 30,640
Dorm deposits	6,300
Restricted for grants	549
Restricted for student loan program	29,032
USDA loan reserve	51,336
Money market funds	60,781
Total restricted cash	$ 178,638

NOTE 4. RESTRICTED INVESTMENTS

The College's restricted investments are as follows as of June 30, 2019:

Certificates of deposit	$ 802,468
Mutual funds	1,607,409
Total restricted investments	$ 2,409,877

NOTE 4. RESTRICTED INVESTMENTS (CONTINUED)

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. Certificates of deposit are categorized as Level 2 and are carried at their amortized cost.

Investments' fair value measurements are as follows at June 30, 2019:

		Fair Value		
Investments	Amount	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	$ 802,468	$ -	$ 802,468	$ -
Mutual Funds:				
Growth and income	1,485,392	1,485,392	-	-
Aggressive growth	122,017	122,017	-	-
Total investments, fair value	$ 2,409,877	$ 1,607,409	$ 802,468	$ -

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 S.T.I.P. (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. Deposits are insured by the FDIC up to $250,000 per bank. Investments are insured by SIPC up to $500,000. At June 30, 2019 $1,107,409 of the investment balances exceeded insured limits and are uncollateralized.

NOTE 5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019, is summarized as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
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	1,444,791	85,117	(75,982)	1,453,926
Improvements	1,859,980	-	-	1,859,980
Library inventory	396,396	-	-	396,396
Total capital assets being depreciated	16,349,382	85,117	(75,982)	16,358,517
Less - accumulated depreciation				
Building	(4,997,114)	(238,246)	-	(5,235,360)
Equipment	(1,204,076)	(77,379)	75,982	(1,205,473)
Improvements	(738,128)	(78,619)	-	(816,747)
Library inventory	(377,581)	(3,947)	-	(381,528)
Total accumulated depreciation	(7,316,899)	(398,191)	75,982	(7,639,108)
Net capital assets being depreciated	9,032,483	(313,074)	-	8,719,409
Net capital assets	$ 9,170,001	$ (313,074)	$ -	$ 8,856,927

NOTE 6. COMPENSATED ABSENCES

Compensated absences payable, which represent vacation and sick leave earned by employees which is payable upon termination, at June 30, 2019 was as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Amounts Due Within One Year
Vacation and sick	$ 250,809	$ 133,669	$ (102,565)	$ 281,913	$ 93,971

NOTE 7. LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2019, were as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
General Obligation Bonds	$ 1,565,000	$ -	$ (230,000)	$ 1,335,000	$ 245,000
Direct Borrowings:					
Stockman Bank	319,654	-	(38,280)	281,374	41,206
USDA Rural Development	515,656	-	(15,507)	500,149	15,087
Key Equipment Lease	1,262	-	(1,262)	-	-
	$ 2,401,572	$ -	$ (285,049)	$ 2,116,523	$ 301,293

The college had two capital leases as of June 30, 2019. The following is an analysis of the leased assets included in equipment:

Lease equipment	$ 28,904
Accumulated depreciation	(22,060)
	$ 6,844

NOTE 7. LONG-TERM LIABILITIES (CONTINUED)

Long-term debt consists of the following at June 30, 2019:

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.	$ 281,374
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.	500,149
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 2024.	1,335,000
Total long-term debt	2,116,523
Less - current maturities	(301,293)
Total long-term debt, net	$ 1,815,230

NOTE 7. LONG-TERM LIABILITIES (CONTINUED)

Approximate future annual minimum principal and interest payments as of June 30, 2019, are as follows:

	General Obligation Bonds		Direct Borrowings	
Year Ending June 30,	Principal	Interest	Principal	Interest
2020	$ 245,000	$ 57,470	$ 56,293	$ 41,874
2021	255,000	47,302	59,046	38,614
2022	265,000	36,465	62,500	35,160
2023	280,000	24,938	66,158	31,502
2024	290,000	12,687	70,032	27,628
2025-2029	-	-	155,421	95,575
2030-2034	-	-	131,938	65,112
2035-2039	-	-	166,394	30,656
2040-2044	-	-	13,741	1,242
Total	$ 1,335,000	$ 178,862	$ 781,523	$ 367,363

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 $353,946 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 $781,523. The total debt service for this loan during the year ended June 30, 2019, was $53,787.

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.

Teachers' Retirement System

Plan Description

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.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System (Continued)

Plan Description (Continued)
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.

Summary of Benefits
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)

Teachers' Retirement System (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.

Overview of Contributions

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%

Stand-Alone Statements

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

NOTE 8. RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System (Continued)

Actuarial Assumptions

The Total Pension Liability as of June 30, 2018, is based on the results of an actuarial valuation date of July 1, 2018. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2018 valuation were based on the results of the last actuarial experience study, dated May 3, 2018. Among those assumptions were the following:

- Total Wage Increases * — 3.25% - 7.76% for Non-University Members and 4.25% for University Members
- Investment Return — 7.50%
- Price Inflation — 2.50%
- 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 and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years.
- Mortality among disabled members:
  - For Males: RP 2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.
  - For Females: RP 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.

*Total Wage increases include 3.25% general wage increase assumption.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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 2126. 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

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis *	Long-Term Expected Real Rate of Return
Domestic Equity	35.00%	6.68%	2.34%
International Equity	18.00%	6.98%	1.26%
Private Equity	10.00%	10.15%	1.02%
Natural Resources	3.00%	4.09%	0.12%
Core Real Estate	7.00%	5.38%	0.38%
TIPS	3.00%	1.78%	0.05%
Intermediate Duration Bonds	19.00%	2.15%	0.41%
High Yield Bonds	3.00%	4.36%	0.13%
Cash	2.00%	0.81%	0.02%
	100.00%		5.72%
		Inflation	2.50%
		Expected arithmetic nominal return	8.22%

*The assumed rate is comprised of a 2.50% inflation rate and a real long-term expected rate of return of 5.00%.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System (Continued)

Target Allocations (Continued)

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2013 through 2017, is outlined in a report dated May 3, 2018. 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 an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation). Estimates of variability and correlations for each asset class, were developed by the System's investment consultant. These ranges were combined to develop 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 long-term rate of return assumption is intended to be a long-term assumption (30 to 50 years) 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. The average long term capital market assumptions published in the Survey of Capital Market Assumptions 2017 Edition by Horizon Actuarial Service, LLC, yield a median real return of 5.07%. Our recommended assumption of 5.00% for the real return reflects granting each source some degree of credibility. Combined with the 2.50% inflation assumption, the resulting nominal return is 7.50%.

Sensitivity Analysis

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	$ 2,058,616	$ 1,497,143	$ 1,026,863

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.50%) or 1.00% higher (8.50%) than the current rate.

Summary of Significant Accounting Policies

The Teachers' Retirement System 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 Teachers' Retirement System (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 the benefit terms. Investments are reported at fair value. TRS adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System (Continued)

Summary of Significant Accounting Policies (Continued)
TRS' stand-alone financial statements, actuarial valuations and experience studies can be found online at https://trs.mt.gov/TrsInfo/NewsAnnualReports.

Net Pension Liability
In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Montana Teachers' Retirement System (TRS or the System). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability. In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to TRS that are used to provide pension benefits to the retired members of TRS. Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer. The following table displays the amounts and the percentages of Net Pension Liability for the fiscal years ended June 30, 2019 and June 30, 2018 (reporting dates).

	Net Pension Liability June 30, 2019	Net Pension Liability June 30, 2018	Percent of Collective NPL as of June 30, 2019	Percent of Collective NPL as of June 30, 2018	Change in Percent of Collective NPL
College proportionate share	$ 1,497,143	$ 1,052,518	0.0807%	0.0624%	0.0183%
State of Montana proportionate share associated with the College	934,939	668,304	0.0504%	0.0396%	0.0108%
	$ 2,432,082	$ 1,720,822	0.1311%	0.1020%	0.0291%

At June 30, 2019, the College recorded a liability of $1,497,143 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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 College's contributions received by TRS during the measurement period July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2019, the College's proportion was 0.0807 percent.

Changes in Actuarial Assumptions and Other Inputs:
As a result of the recent actuarial experience study, dated May 3, 2018, the following changes to the actuarial assumptions were made since the previous measurement date:

- Assumed rate of inflation was reduced from 3.25% to 2.50%
- Payroll growth assumption was reduced from 4.00% to 3.25%
- Investment return assumption was reduced from 7.75% to 7.50%.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System (Continued)

Net Pension Liability (Continued)

Changes in Actuarial Assumptions and Other Inputs (Continued):

- Wage growth assumption was reduced from 4.00% to 3.25%
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
  - For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years.

    The tables include margins for mortality improvement which is expected to occur in the future.
- Mortality among disabled members was updated to the following:
  - For Males: RP 2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.
  - For Females: RP 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.
- Retirement rates were updated
- Termination rates were updated
- Rates of salary increases were updated

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.

Pension Expense
At June 30, 2019, the College recognized a Pension Expense of ($10,868) for its proportionate share of the TRS' pension expense. The College also recognized grant revenue of ($35,799) for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the College.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System (Continued)

Pension Expense (Continued)

	Pension Expense as of June 30, 2019
College proportionate share	$ 24,931
State of Montana proportionate share associated with the College	(35,799)
	$ (10,868)

Deferred Inflows and Outflows

At June 30, 2019, the College reports its proportionate share of TRS deferred outflows and inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 10,684	$ 934
Changes in actuarial assumptions	122,041	2,216
Differences between projected and actual investment earnings	-	13,514
Differences between expected and actual contributions	215,558	258,570
College's contributions subsequent to the measurement date	203,037	-
Total	$ 551,320	$ 275,234

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, 2020.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System (Continued)

Deferred Inflows and Outflows (Continued)
$203,037 reported as deferred outflows of resources related to pensions resulting from the College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Increase (Decrease) in Pension Expense
2020	$ 148,394	$ 172,336	$ (23,942)
2021	129,896	89,385	40,511
2022	94,423	30,974	63,449
2023	-	6,970	(6,970)
2024	-	-	-
Thereafter	-	-	-

Public Employees' Retirement System

Plan Description
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.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Summary of Benefits

Service Retirement:

- Hired prior to July 1, 2011:
  - Age 60, 5 years of membership service
  - Age 65, regardless of membership service
  - Any age, 30 years of membership service
- Hired on or after July 1, 2011
  - Age 65, 5 years of membership service
  - Age 70, regardless of membership service

Early Retirement:

- Hired prior to July 1, 2011
  - Age 50, 5 years of membership service
  - Any age, 25 years of membership service
- Hired prior to July 1, 2011
  - Age 55, 5 years of membership service

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

- Retired before January 1, 2016 and accumulate less than 2 years additional service credit or retired on or after January 1, 2016 and accumulate less than 5 years additional service credit:
  - A refund of member's contributions plus return interest (currently .77% effective July 1, 2017).
  - No service credit for second employment;
  - Start the same benefit amount the month following termination; and
  - Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- Retired before January 1, 2016 and accumulate at least 2 years of additional service credit:
  - A recalculated retirement benefit based on provisions in effect after the initial retirement; and
  - GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Summary of Benefits (Continued)

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

- Retired on or after January 1, 2016 and accumulate 5 or more years of service credit:
  - The same retirement as prior to the return to service;
  - A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
  - GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

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 consecutive 60 months;

Compensation Cap

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

Monthly Benefit Formula

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

- 3.0% for members hired **prior to** July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013

NOTE 8. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Summary of Benefits (Continued)

Guaranteed Annual Benefit Adjustment (GABA) (Continued)

- 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.

Overview of Contributions

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

Special Funding: The state of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as *special funding*. Those employers who received *special funding* are all participating employers.

Not Special Funding: Per Montana law, state agencies and universities paid their own additional contributions. The employer paid contributions are *not* accounted for as special funding for state agencies and universities but are reported as employer contributions.

Member and employer contribution rates are shown in the table below.

Fiscal Year	Member		Employer
	Hired <07/01/11	Hired >07/01/11	
2019	7.900%	7.900%	8.670%
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.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Overview of Contributions (Continued)

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 contributions rates.
   b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
   c. The portion of employer contributions allocated to the PCR are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
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.
      iii. The state contributed a Statutory Appropriation from the General Fund of $33,454,182.

Summary of Significant Accounting Policies

MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the Net Pension Liability (NPL); Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and, Additions to or Deductions from Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has 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 accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

NOTE 8. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

GASB Statement 68 allows a measurement date of up to 12 months before the College's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2018, was determined by taking the results of the June 30, 2017, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the College's and the state of Montana's NPL for June 30, 2018, and 2017, are displayed below. The College's proportionate share equals the ratio of the College's contributions to the sum of all College and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The College recorded a liability of $1,256,285 and the College's proportionate share was 0.0602 percent.

	Net Pension Liability June 30, 2018	Net Pension Liability June 30, 2017	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	$ 1,256,285	$ 1,349,461	0.0602%	0.0693%	-0.0091%
State of Montana proportionate share associated with the College	423,246	20,585	0.0814%	0.1049%	-0.0235%
	$ 1,679,531	$ 1,370,046	0.1416%	0.1742%	-0.0326%

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the TPL.

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 NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Pension Expense: At June 30, 2018, the employer recognized $145,178 for its proportionate share of the Plan's pension expense and recognized grant revenue of $28,247 for the state of Montana proportionate share of the pension expense associated with the College. Additionally, the College recognized grant revenue of $-0- from the State Statutory Appropriation from the General Fund.

As of Measurement Date	Pension Expense as of June 30, 2018
College proportionate share	$ 145,178
State of Montana proportionate share associated with the College	28,247
	$ 173,425

Recognition of Deferred Inflows and Outflows: At June 30, 2018, the College reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 95,532	$ -
Difference between projected and actual investment earnings	-	19,510
Changes in assumptions or other inputs	106,828	-
Changes in the employer's portion and differences between employer's contributions and the employer's proportionate contributions	-	78,489
College's contributions subsequent to the measurement date	109,650	-
Total	$ 312,010	$ 97,999

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, 2020.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Recognition of Deferred Inflows and Outflows (Continued):
$109,650 reported as deferred outflows of resources related to pensions resulting from the College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources to pensions will be recognized in pension expense as follows:

Measurement Year Ended June 30:	Deferred Outflow/ Inflow of Resources	Increase (Decrease) in Pension Expense
2019	$ 88,229	$ 88,229
2020	68,988	68,988
2021	(44,840)	(44,840)
2022	(8,016)	(8,016)
2023	-	-
Thereafter	-	-

The Total Pension Liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

- Investment Return (net of admin expense) 7.65%
- General Wage Growth * 3.50%

  *Includes Inflation at 2.75%
- Admin Expense as % of Payroll 0.26%
- Merit Salary Increase 0% to 6.3%
- Mortality
  - Continuing members, service retired members, & beneficiaries: RP2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
  - Disabled Members: RP2000 Combined Mortality Tables with no projections.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

- Postretirement Benefit Increases
  - Guaranteed Annual Benefit Adjustment (GABA) each January
    - 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.
      - Members hired prior to July 1, 2007 3.0%
      - Members hired between July 1, 2007 & June 30, 2013 1.5%
      - Members hired on or after July 1, 2013
        - For each year PERS is funded at or above 90% 1.5%
          - The 1.5% is reduced by 0.1% for each 2.0% PERS is funded below 90%.
        - 0% whenever the amortization period for PERS is 40 years or more.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a report dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. Several factors are considered in evaluating the long-term rate of return assumption 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 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 by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target allocation as of June 30, 2018, are summarized in the table below:

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	8.00%	4.00%
	100.00%	

Discount Rate: The discount rate used to measure the TPL 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 would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed a statutory appropriation from the general fund. Based on those assumptions, the Plan's fiduciary net position 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 TPL. A municipal bond rate was not incorporated in the discount rate.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following presents the employer's sensitivity of the NPL to the discount rate in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.65%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Net pension liability	$ 1,816,879	$ 1,256,285	$ 795,948

Pension plan fiduciary net position: The stand-alone financial statements (76d) 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 PERB is available at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or both are available on the MPERA website at http://mpera.mt.gov/index.shtml.

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.

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Plan Description (Continued)
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.

At December 31, 2017 (the census 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
The plan is considered to be a multi-employer agent plan. All units of the MUS fund the postemployment benefits on a pay-as-you-go basis from general assets. 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 $456,898 was measured as of March 31, 2019, 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 3.79%
- Projected payroll increases 4.00%

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Funding Policy (Continued)

Actuarial Methods and Assumptions (Continued):

- Healthcare cost trend rate is 7.00% for plan year 2019 trending down to 3.8% for plan year 2075
- Retirees share of benefit-related costs is 7.00% for the plan year 2019 trending down to 3.8% for plan year 2075
- The discount rate was based on the 3/31/2019 20-year municipal bond index.
- For TRS and MUS-RP, 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 and MUS-RP, 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.

Changes Since Prior Valuation:
Interest rate based on the 3/31/2019 20-year municipal bond index per GASB 75 requirements.

Changes in the total OPEB liability for the year ended June 30, 2019 are as follows:

Balance as of June 30, 2018	$ 428,466
Changes for the year:	
Service cost	14,894
Interest	10,301
Changes of assumptions or other inputs	9,351
Contributions	-
Benefit payments, including refunds of employee contributions	(6,114)
Implicit rate subsidy fulfilled	-
Net change	28,432
Balance as of June 30, 2019	$ 456,898

For the year ended June 30, 2019, the College recognized OPEB expense of $43,995. At June 30, 2019 the College reported deferred outflows of resources of $16,582 and deferred inflows of resources of $16,680.

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 (2.79%)	Discount Rate (3.79%)	1% Increase (4.79%)
Total OPEB Liability	$ 533,272	$ 456,898	$ 396,166

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 (6.00%)	Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
Total OPEB Liability	$ 393,036	$ 456,898	$ 538,099

For the year ended June 30, 2019, the College reported net deferred inflows of resources related to OPEB from the following sources:

Type of Cash Flow	Outflow/(Inflow)
Balance as of June 30, 2018	$ (17,020)
Current year amortization of experience differences	1,335
Current year amortization of assumption changes	185
Changes of assumptions or other inputs	9,351
Current year benefits paid	(1,180)
Benefit payments subsequent to meansurement date	7,231
Total deferred cash flow, net as of June 30, 2019	$ (98)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Funding Policy (Continued)

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

Year Ending June 30,		
2020	$	6,536
2021		(694)
2022		(694)
2023		(694)
2024		(694)
Thereafter		(3,858)
	$	(98)

NOTE 10. OPERATING LEASE OBLIGATIONS

Effective October 29, 2018 the College entered into a lease to rent an arena for the rodeo teams' use for six months during the 2018-2019 school year. During the year ended June 30, 2019, rental expense under the lease obligation was $11,500.

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

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.

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

Investments

The Foundation's investments consist of certificates of deposit, securities, and mutual funds as follows. Mutual funds categorized as Level 1 are valued based on prices quoted in active markets for those securities. Certificates of deposit are categorized as Level 2 and are carried at their amortized cost.

Certificates of deposit	$	223,877
Charles Schwab - Hoyt account		462,663
Charles Schwab - basketball fund		91,199
Edward Jones - managed account		270,024
VOYA investments		366,546
Total investments	$	1,414,309

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 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.

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, 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, 2018, 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. RESTATEMENT

The beginning unrestricted net position was restated to correct accounting errors made to accounts receivable in the amount of $94,054, accounts payable in the amount of $63,175, and accrued liabilities in the amount of $115,561. The net effect was an increase of $84,682.

REQUIRED SUPPLEMENTARY INFORMATION

DAWSON COMMUNITY COLLEGE
SCHEDULE OF CHANGES IN THE COLLEGE'S NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS*
June 30, 2019

	2019	2018
Total OPEB Liability		
Service cost	$ 14,894	$ 23,198
Interest	10,301	16,425
Differences between expected and actual experience	9,351	(2,273)
Benefit payments, including refunds of employee contributions	(6,114)	(7,914)
Net changes in total OPEB liability	28,432	29,436
Total OPEB liability, beginning of year	428,466	399,030
Total OPEB liability, end of year	$ 456,898	$ 428,466
Covered employee payroll	$ 3,130,413	$ 4,841,117
Total OPEB liability as a percentage of covered employee payroll	14.60%	8.85%

* GASB Statement No. 75 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.

DAWSON COMMUNITY COLLEGE
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
LAST TEN FISCAL YEARS*
June 30, 2019

Teacher's Retirement System of Montana

	Measurement date as of June 30,				
	2018	2017	2016	2015	2014
Employer's proportionate share of the net pension liability	0.0807%	0.0624%	0.0903%	0.1064%	0.1075%
Employer's proportionate share of the net pension liability associated with the Employer	$ 1,497,143	$ 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	934,939	668,304	1,078,027	1,177,834	1,135,292
Total	$ 2,432,082	$ 1,720,822	$ 2,727,664	$ 2,926,305	$ 2,789,100
Employer's covered payroll	$ 1,077,386	$ 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	138.96%	127.87%	140.74%	128.73%	122.03%
Plan fiduciary net position as a percentage of the total pension liability	69.09%	70.09%	66.69%	69.03%	70.36%

Public Employees Retirement System of Montana

	Measurement date as of June 30,				
	2018	2017	2016	2015	2014
Employer's proportionate share of the net pension liability	0.0602%	0.0693%	0.0647%	0.0654%	0.0651%
Employer's proportionate share of the net pension liability associated with the Employer	$ 1,256,285	$ 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	423,246	20,585	13,470	11,227	9,910
Total	$ 1,679,531	$ 1,370,046	$ 1,115,888	$ 925,216	$ 821,421
Employer's covered payroll	$ 1,037,858	$ 875,498	$ 775,241	$ 763,048	$ 749,215
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	121.05%	154.14%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.47%	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 Independent Auditor's Report and Notes to Required Supplementary Information.

DAWSON COMMUNITY COLLEGE
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
LAST TEN FISCAL YEARS*
June 30, 2019

Teacher's Retirement System of Montana

	Fiscal year-end as of June 30,				
	2019	2018	2017	2016	2015
Contractually required contribution	$ 203,037	$ 96,443	$ 130,953	$ 138,615	$ 159,752
Contributions in relation to the contractually required contribution	$ 203,037	$ 96,443	$ 130,953	$ 138,615	$ 159,752
Contribution (deficiency) excess	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 1,156,407	$ 1,077,386	$ 823,091	$ 1,172,117	$ 1,358,278
Contributions as a percentage of the covered payroll	17.56%	8.95%	15.91%	11.83%	11.76%

Public Employees Retirement System of Montana

	Fiscal year-end as of June 30,				
	2019	2018	2017	2016	2015
Contractually required DB contributions	$ 134,404	$ 83,843	$ 71,943	$ 64,799	$ 62,878
Plan choice rate required contributions	$ -	$ -	$ -	$ 7,649	$ 6,112
Contributions in relation to the contractually required contributions	$ 134,404	$ 83,843	$ 71,943	$ 72,448	$ 68,990
Contribution (deficiency) excess	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 1,576,744	$ 1,037,858	$ 875,498	$ 775,241	$ 763,048
Contributions as a percentage of the covered payroll	8.52%	8.08%	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.

NOTE 1. OPEB ACTUARIAL METHODS

Financial Data: No assets of the sponsor meet the definition of plan assets under GASB 74 or 75.

Accounting Policies: The unfunded actuarial accrued liability is amortized over a 20-year period on an open basis beginning December 31, 2017.

Funding Policy: The Montana University System funds the benefits on a pay-as-you-go basis from the general assets.

Actuarial Cost Method: The actuarial funding method used to determine the cost of the Montana University System Employee Group Benefits Plan is the entry age normal funding method. The key definition under this method is that the accrued liability is the present value of future benefits less the present value of future normal costs, where the entry age normal cost is the amount of level contribution such that the present value of future normal costs at entry age is exactly equal to the present value of future benefits at entry age. That is, the accrued liability is defined as the present value of prior normal cost deposits. For liability that is not covered by assets of the plan, there is an unfunded liability to be funded over a stipulated period in accordance with an amortization schedule.

A detailed description of the calculation follows:

- An individual's present value of future benefit at entry age is calculated as the monthly benefit due at the point of separation.
- The normal cost at entry age is the present value of future benefit divided by the working lifetime, accounting for interest and inflation assumptions.
- An individual's accrued liability is the present value of the future benefit for valuation purposes at the beginning of the plan year, and an individual's normal cost is the present value of the benefit from the prior year trended forward an increment. If multiple decrements are used, the accrued liability and the normal cost for an individual are the sum of the component accrued liabilities and normal costs associated with the various anticipated separation dates. Such accrued liabilities and normal costs reflect the accrued benefits as modified to obtain the benefits payable on those dates and the probability of the individual separating on those dates.

NOTE 1. OPEB ACTUARIAL METHODS (CONTINUED)

Actuarial Cost Method (Continued):	The plan's service cost is the sum of the individual normal costs, and the plan's accrued liability is the sum of the accrued liabilities for all participants under the plan.
Benefits Not Included in the Valuation:	The dental and vision benefits are rated separately for retirees based on actual retiree cost, so there is no implicit subsidy. Thus, there is no liability for dental or vision valued in this valuation. Continuation of the life insurance benefit is not available as an employer- provided group insurance benefit for retirees. Thus, there is no liability for life insurance valued in this valuation.
Asset Valuation Method:	Not applicable since no assets meet the definition of plan assets under GASB 74 or 75.
Changes Since Prior Valuation:	The amortization period and actuarial cost method have been adjusted to conform with the new GASB Statement No. 75 requirements.
Valuation Date:	December 31, 2017.
Measurement Date:	March 31, 2019.
Interest/Discount Rate:	3.79%.
Projected Payroll Increases:	4.00%.
Participation:	55% of future retirees are assumed to elect medical coverage. 60% of the future retirees who elect medical coverage and are married (see marriage rate assumption) are assumed to elect spousal coverage as well.

NOTE 1. OPEB ACTUARIAL METHODS (CONTINUED)

Marital Status At Retirement:	Actual spouse information is used for current retirees. Future retired members who elect to participate in the plan are assumed to be married at a rate of 70%. Males are assumed to be 3 years older than females.
Mortality – Healthy:	For TRS and MUS-RP, 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, set back one year for males.
Mortality – Disabled:	For TRS and MUS-RP, 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 1. OPEB ACTUARIAL METHODS (CONTINUED)

Withdrawal Rates: **Teachers' Retirement System and Montana University Retirement Plan**

Years of Service	Rate	Years of Service	Rate
0-1	36.5%	13	3.5%
2	20.5%	14	3.2%
3	14.6%	15	2.9%
4	10.5%	16	2.6%
5	8.5%	17	2.3%
6	7.0%	18	2.0%
7	6.4%	19	1.9%
8	5.8%	20	1.8%
9	5.4%	21	1.7%
10	5.0%	22	1.6%
11	4.3%	23	1.5%
12	3.9%	24+	1.5%

All Other Retirement Systems

Years of Service	Public Employee's Retirement System	Years of Service	Game Wardens' & Peace Officers Retirement System
0	30.0%	0	27.0%
1	22.5%	1	22.5%
2	15.0%	2	18.0%
3	12.5%	3	13.0%
4	10.0%	4	13.0%
5	10.0%*	5-9	7.5%
6	8.0%	10-14	4.0%
7	6.0%	15-19	3.0%
8-10	6.0%	20+	2.0%
11-14	4.0%		
15+	2.0%		

** No other terminations of employment are assumed after attainment of Age 50 with 5 years of service.*

NOTE 1. OPEB ACTUARIAL METHODS (CONTINUED)

Disability Rates:

Teachers' Retirement System and MUS-RP		Public Employees' Retirement System		Game Wardens' and Peace Officers' Retirement System	
Age	Rate	Age	Rate	Age	Rate
25	0.005%	22	0.00%	22	0.00%
30	0.005%	27	0.01%	27	0.01%
35	0.008%	32	0.01%	32	0.01%
40	0.028%	37	0.04%	37	0.01%
45	0.044%	42	0.10%	42	0.40%
50	0.063%	47	0.13%	47	0.40%
55	0.084%	52	0.25%	52	0.40%
60	0.100%	57	0.36%	57	0.40%
		62	0.00%	62	0.00%

Retirement Rates: **Teachers' Retirement System and Montana University System Retirement Plan**

Age	Eligible for Reduced Benefits	First Year Eligible for Full Benefits	Thereafter	Age	Eligible for Reduced Benefits	First Year Eligible for Full Benefits	Thereafter
45	*	8.0%	5.5%	58	7.0%	14.8%	13.1%
46	*	8.0%	5.5%	59	7.0%	17.4%	14.8%
47	*	8.0%	5.5%	60	*	14.6%	17.0%
48	*	8.0%	5.5%	61	*	21.3%	25.0%
49	*	8.0%	5.5%	62	*	23.8%	25.0%
50	5.0%	8.0%	5.5%	63	*	11.4%	25.0%
51	5.0%	8.0%	6.3%	64	*	19.0%	25.0%
52	5.0%	8.0%	8.0%	65	*	40.0%	35.0%
53	5.0%	9.0%	7.3%	66	*	8.0%	20.0%
54	5.0%	9.0%	8.2%	67	*	30.0%	20.0%
55	7.0%	9.0%	9.8%	68	*	6.0%	20.0%
56	7.0%	12.0%	11.3%	69	*	6.0%	20.0%
57	7.0%	11.8%	12.5%	70+	*	100.0%	100.0%

NOTE 1. OPEB ACTUARIAL METHODS (CONTINUED)

Retirement Rates (Continued): **Public Employees' Retirement System**

Age	Service < 30 Yrs	Service 30+ Yrs, and Age 60 w/25 Yrs	Age	Service < 30 Yrs	Service 30+ Yrs, and Age 60 w/25 Yrs
Under 50	0.0%	10.0%	62	25.0%	25.0%
50-54	3.0%	10.0%	63	15.0%	15.0%
55	3.0%	15.0%	64	15.0%	15.0%
56	4.0%	15.0%	65	30.0%	30.0%
57	5.0%	15.0%	66	30.0%	30.0%
58	5.0%	15.0%	67	25.0%	25.0%
59	6.0%	15.0%	68	25.0%	25.0%
60	8.0%	15.0%	69	25.0%	25.0%
61	15.0%	15.0%	70+	100.0%	100.0%

Game Wardens' & Peace Officers' Retirement System

Age	Age 55 w/5 Yrs of Service	Service 20+Yrs, and Age 60 w/5 Yrs	Age	Age 55 w/5 Yrs of Service	Service 20+Yrs, and Age 60 w/5 Yrs
Under 50	*	0.0%	60-61	5.0%	15.0%
50-54	*	15.0%	62	*	40.0%
55	15.0%	25.0%	63-64	*	15.0%
56-59	15.0%	25.0%	65+	*	100.0%

Changes Since Prior Valuation: Interest rate based on the March 31, 2019 20-year municipal bond index per GASB 75 requirements.

NOTE 1. OPEB ACTUARIAL METHODS (CONTINUED)

Health Care Cost Rate:

Plan Year	Medical	Prescription Drug
2018	7.5%	7.5%
2019	7.0%	7.0%
2020	6.5%	6.5%
2021	6.0%	6.0%
2022	5.9%	5.9%
2023	5.7%	5.7%
2024	5.6%	5.6%
2025	5.5%	5.5%
2026	5.3%	5.3%
2027-2043	5.2%	5.2%
2044	5.1%	5.1%
2045-2046	5.0%	5.0%
2047-2049	4.9%	4.9%
2050-2053	4.8%	4.8%
2054-2058	4.7%	4.7%
2059-2065	4.6%	4.6%
2066	4.5%	4.5%
2067	4.4%	4.4%
2068	4.3%	4.3%
2069-2070	4.2%	4.2%
2071	4.1%	4.1%
2072-2073	4.0%	4.0%
2074	3.9%	3.9%
2075+	3.8%	3.8%

Age 65 Per Capita Claim Cost: The annual age of 65 per capita claims cost for the period January 1, 2017 to December 31, 2017 are as follows:

Coverage	Medical	Prescription Drug
Before Medicare Eligibility	$ 9,571	$ 2,270
After Medicare Eligibility	$ 1,914	$ 1,701

NOTE 1. OPEB ACTUARIAL METHODS (CONTINUED)

Aging Factors: Aging factors are used to adjust the age 65 per capita claims cost. Percentages shown below age 65 reduce the claims cost. Percentages shown above age 65 increase the claims cost.

Attained Age	Medical	Prescription Drug
<44	3.0% for each age	4.0% for each age
44-54	2.5% for each age	4.5% for each age
55-64	3.0% for each age	3.5% for each age
65-74	3.5% for each age	1.5% for each age
75-84	1.5% for each age	.05% for each age
85+	0.0% for each age	0.0% for each age

Retiree Contributions: The following retiree contributions are a weighted average of all retiree contributions for the period January 1, 2017 to December 31, 2017:

Medical and Prescription Drug	Retiree/ Surviving Spouse	Spouse
Before Medicare Eligibility	$ 11,264	$ 4,728
After Medicare Eligibility	$ 4,806	$ 3,620

NOTE 1. OPEB ACTUARIAL METHODS (CONTINUED)

Retiree Contribution Increases:

Plan Year	Retiree/ Surviving Spouse	Spouse
2018	7.5%	7.5%
2019	7.0%	7.0%
2020	6.5%	6.5%
2021	6.0%	6.0%
2022	5.9%	5.9%
2023	5.7%	5.7%
2024	5.6%	5.6%
2025	5.5%	5.5%
2026	5.3%	5.3%
2027-2043	5.2%	5.2%
2044	5.1%	5.1%
2045-2046	5.0%	5.0%
2047-2049	4.9%	4.9%
2050-2053	4.8%	4.8%
2054-2058	4.7%	4.7%
2059-2065	4.6%	4.6%
2066	4.5%	4.5%
2067	4.4%	4.4%
2068	4.3%	4.3%
2069-2070	4.2%	4.2%
2071	4.1%	4.1%
2072-2073	4.0%	4.0%
2074	3.9%	3.9%
2075+	3.8%	3.8%

Changes Since Prior Valuation: None.

NOTE 2. RETIREMENT PLANS

Changes of Benefit Terms
The following changes to the plan provision were made as identified:

TRS

The 2013 Montana Legislature passed HB377 which provides additional revenue and created a two tier benefit structure. A Tier One Member is a person who first became a member before July 1, 2013 and has not withdrawn their member's account balance. A Tier Two Member is a person who first becomes a member on or after July 1, 2013 or after withdrawing their member's account balance, becomes a member again on or after July 1, 2013.

The second tier benefit structure for members hired on or after July 1, 2013 is summarized below:

(1) **Final Average Compensation:** Average of earned compensation paid in five consecutive years of full-time service that yields the highest average.

(2) **Service Retirement:** Eligible to receive a service retirement benefit if the member has been credited with at least five full years of creditable service and has attained the age of 60; or has been credited with 30 or more years of full-time or part-time creditable service and has attained age 55.

(3) **Early Retirement:** Eligible to receive an early retirement allowance if a member is not eligible for service retirement but has at least five years of creditable service and attained age 55.

(4) **Professional Retirement Option:** If the member has been credited with 30 or more years of service and has attained the age of 60 they are eligible for an enhanced allowance equal to 1.85% of average final compensation times all service at retirement. Otherwise, the multiplier used to calculate the retirement allowance will be equal to 1.67%.

(5) **Annual Contribution:** 8.15% of member's earned compensation.

(6) **Supplemental Contribution Rate:** On or after July 1, 2023, the TRS Board may require a supplemental contribution up to 0.5% if the following three conditions are met:

   a. The average funded ratio of the System based on the last three annual actuarial valuations is equal to or less than 80%; and

   b. The period necessary to amortize all liabilities of the System based on the latest annual actuarial valuation is greater than 20 years; and

   c. A State or employer contribution rate increase or a flat dollar contribution to the Retirement System Trust fund has been enacted that is equivalent to or greater than the supplemental contribution rate imposed by the TRS Board.

(7) **Disability Retirement:** A member will not be eligible for a disability retirement if the member is or will be eligible for a service retirement on the date of termination.

NOTE 2. RETIREMENT PLANS (CONTINUED)

TRS (Continued)

(8) **Guaranteed Annual Benefit Adjustment (GABA):**

a. If the most recent actuarial valuation shows that Retirement System liabilities are at least 90% funded and the provision of the increase is not projected to cause the System's liabilities to be less than 855 funded, the GABA may increase from the 0.5% floor up to 1.5%, as set by the Board.

HB 377 increased revenue from the members, employers and the State as follows:

- Annual State contribution equal to $25 million paid to the System in monthly installments.
- One-time contribution payable to the Retirement System by the trustees of a school district maintaining a retirement fund. The one-time contribution to the Retirement System shall be the amount earmarked as an operating reserve in excess of 20% of the adopted retirement fund budget for the fiscal year 2013. The amount received was $22 million in FY2014.
- 1% supplemental employer contribution. This will increase the current employer rates:
    - School Districts contributions will increase from 7.47% to 8.47%.
    - The Montana University System and State Agencies will increase from 9.85% to 10.85%.
    - The supplemental employer contribution will increase by 0.1% each fiscal year for fiscal year 2014 through fiscal year 2024. Fiscal years beginning after June 30, 2024 the total supplemental employer contribution will be equal to 2%.
- Members hired prior to July 1, 2013 (Tier 1) under HB 377 are required to contribute a supplemental contribution equal to an additional 1% of the member's earned compensation.
- Each employer is required to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position to the System.

Changes in actuarial assumptions and other inputs:

The following changes to the actuarial assumptions were adopted in 2018:

- Assumed rate of inflation was reduced from 3.25% to 2.50%.
- Payroll growth assumption was reduced from 4.00% to 3.25%.
- Investment return assumption was reduced from 7.75% to 7.50%.
- Wage growth assumption was reduced from 4.00% to 3.25%.

NOTE 2. RETIREMENT PLANS (CONTINUED)

TRS (Continued)

Changes in actuarial assumptions and other inputs (Continued):

- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
    - For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years. The tables include margins for mortality improvement which is expected to occur in the future.
- Mortality among disabled members was updated to the following:
    - For Males: RP 2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.
    - For Females: RP 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.
- Retirement rates were updated.
- Termination rates were updated.
- Rates of salary increases were updated.

The following changes to the actuarial assumptions were adopted in 2016:

- The normal cost method has been updated to align the calculation of the projected compensation and the total present value of plan benefits so that the normal cost rate reflects the most appropriate allocation of plan costs over future compensation.

The following changes to the actuarial assumptions were adopted in 2015:

- Correctly reflect the proportion of members that are assumed to take a refund of contributions upon termination and appropriately reflect the three year COLA deferral period for Tier 2 Members.
- The 0.63% load applied to the projected retirement benefits of the university members "to account for larger than average annual compensation increases observed in the years immediately preceding retirement" is not applied to benefits expected to be paid to university members on account of death, disability and termination (prior to retirement eligibility).
- The actuarial valuation was updated to reflect the assumed rate of retirement for university members at age 90. 8.50% as stated in the actuarial valuation report.

NOTE 2. RETIREMENT PLANS (CONTINUED)

TRS (Continued)

Changes in actuarial assumptions and other inputs (Continued):

- The actuarial valuation was updated to reflect the fact that vested termination are only covered by the $500 death benefit for the one year following their termination and, once again when the terminated member commences their deferred retirement annuity (they are not covered during the deferral period). Additionally, only the portion of the terminated members that are assumed to “retain membership in the System” are covered by the $500 death benefit after termination.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
  - For Males: 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, with mortality improvements projected by Scale BB to 2018.
  - For Females: 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 two years, with mortality improvements projected by Scale BB to 2018.
- Mortality among disabled members was update to the following:
  - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvement projected by Scale BB to 2018.
  - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvement projected by Scale BB to 2018.

The following changes to the actuarial assumptions were adopted in 2014:

- Assumed rate of inflation was reduced from 3.50% to 3.25%
- Payroll Growth Assumption was reduced from 4.50% to 4.00%
- Assumed real wage growth was reduced from 1.00% to 0.75%
- Investment return assumption was changed from net of investment and administrative expenses to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
  - For Males: 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, with mortality improvements projected by Scale BB to 2018.
  - For Females: 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 two years, with mortality improvements projected by Scale BB to 2018.

NOTE 2. RETIREMENT PLANS (CONTINUED)

TRS (Continued)

Changes in actuarial assumptions and other inputs (Continued):

- Mortality among disabled members was updated to the following:
  - 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.

Methods and Assumptions used in Calculations of Actuarially Determined Contributions:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	22 years
Asset valuation method	4-year smoothed market
Inflation	3.25%
Salary increase	4.00% to 8.51%, including inflation for Non-University Members and 5.00 % for University Members;
Investment rate of return	7.75%, net of pension plan investment expense, and including inflation

PERS

Changes of Benefit Terms:
The following changes to the plan provision were made as identified:

2017:
Working Retiree Limitations – for PERS
Effective July 1, 2017, 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.

Refunds

- Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- 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.
- Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

NOTE 2. RETIREMENT PLANS (CONTINUED)

PERS (Continued)

Interest credited to member accounts
Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

Lump-sum payouts
Effective July 1, 2017, lump-sum payouts in all systems are limited to the member's accumulated contributions rate than the present value of the member's benefit.

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.

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 2016 Experience Study:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increases	0% to 6.30%
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.

SUPPLEMENTARY INFORMATION

DAWSON COMMUNITY COLLEGE
STUDENT FINANCIAL AID
MODIFIED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Year Ended June 30, 2019

	Pell	Perkins	College Work Study	Supplemental Education Opportunity Grant
ASSETS				
Beginning cash balance	$ (34,960)	$ 18,475	$ 11,122	$ 532
Additions				
Federal advances	555,546	-	18,332	46,580
State matching funds	-	-	4,931	-
Interest collected	-	2,520	-	-
Principal collected	-	7,234	-	-
Total additions	555,546	9,754	23,263	46,580
Deductions				
Distribution to students	537,192	-	11,311	46,125
Other:	3,069	-	-	-
Total deductions	540,261	-	11,311	46,125
Reconciling items				
Net change in accounts receivable	15,400	-	-	2,000
Net change to cash	30,685	9,754	11,952	2,455
Ending cash balance	$ (4,275)	$ 28,229	$ 23,074	$ 2,987

See Independent Auditor's Report.

DAWSON COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES
STUDENT FINANCIAL ASSISTANCE PROGRAMS
For the Year Ended June 30, 2019

Perkins Loan Program	
Student loan advances	$ -
College Work Study	
Wages	$ 11,311
Supplemental Education Opportunity Grant	
Student grants	$ 46,125
Pell Grant Program	
Student grants	$ 537,192

See Independent Auditor's Report.

DAWSON COMMUNITY COLLEGE
SCHEDULE OF FULL TIME EQUIVALENT
For the Year Ended June 30, 2019

Semester	Resident	Western Undergraduate Exchange	Nonresident	Total
2019				
Summer 2018	25.7	3.8	26.6	56.1
Fall 2018	179.7	54.5	29.7	263.9
Spring 2019	204.0	52.2	34.0	290.2
	409.4	110.5	90.3	610.2

See Independent Auditor’s Report.

DAWSON COMMUNITY COLLEGE
FUNCTIONAL CLASSIFICATION OF OPERATING EXPENSES
For the Year Ended June 30, 2019

	Instruction	Academic Support	Student Services	Institutional Support	Scholarships and Fellowships	Operations and Maintenance of Plant	Auxiliary	Total
Salaries	$ 1,213,839	$ 161,809	$ 645,347	$ 712,585	$ -	$ 235,902	$ 186,265	$ 3,155,747
Payroll taxes and benefits	514,865	56,095	319,459	311,645	-	118,741	(67,590)	1,253,215
Travel	43,934	-	253,334	56,014	-	1,664	9,713	364,659
Supplies	59,573	4,270	100,688	73,250	-	25,002	284,401	547,184
Contracted services	396,242	9,543	95,798	150,060	-	104,117	83,079	838,839
Repairs and maintenance	500	-	3,045	19,667	-	101,924	33,511	158,647
Utilities	207	-	4,841	4,725	-	130,481	55,904	196,158
Communications	5,815	1,536	21,505	66,271	-	2,533	16,176	113,836
Scholarships and grants	3,948	-	18,000	-	822,296	-	-	844,244
Other operating expenses	37,653	8,374	35,999	245,394	10,755	870	100,048	439,093
Depreciation expense	-	-	-	-	-	398,191	-	398,191
	$ 2,276,576	$ 241,627	$ 1,498,016	$ 1,639,611	$ 833,051	$ 1,119,425	$ 701,507	$ 8,309,813

See Independent Auditor's Report.

OTHER INFORMATION

WIPFLI

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*

Board of Trustees
Dawson Community College
Glendive, Montana

We have audited, in accordance with auditing standards generally accepted in the United States 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 Dawson Community College (the "College") as of and for the year ended June 30, 2019, and the financial statements of the discretely presented component unit as of and for the year ended October 31, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated May 12, 2020. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, Dawson College Foundation (the "Foundation"), as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control, compliance, or other matters that are 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. 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.

Our consideration of internal control 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 or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001 and 2019-002 that we consider to be significant deficiencies.

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*.

Dawson Community College's Response to Findings

Dawson Community College's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Dawson Community 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 results 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.

Wipfli LLP

Wipfli LLP

Billings, Montana
May 12, 2020

Section I – Summary of Auditor Results

Financial Statements

Type of auditor's report issued:	Unmodified Opinion
Internal control over financial reporting:	
Material weakness(es) identified?	____ Yes __X__ No
Significant deficiency(ies) identified not considered to be material weaknesses?	__X__ Yes ____ No
Noncompliance material to the financial statements noted?	____ Yes __X__ No

Section II - Financial Statement Findings and Responses

2019-001 Reconciliation of Ending Account Balances

Criteria or Specific Requirement: The College is responsible for establishing, implementing, and monitoring of internal controls over balance sheet accounts, which includes reconciling the ending account balances.

Condition: The College did not reconcile ending balances to subsidiary ledgers or other support.

Context: During our testing of accounts receivable, accounts payable, and accrued liabilities, we noted that the subsidiary ledgers and supporting schedules did not reconcile to the trial balance.

Effect: The ending account balances may be materially misstated if subsidiary ledgers and supporting schedules are not reconciled and agreed to the trial balance. Audit adjustments were made to the affected accounts.

Cause: The College did not have procedures in place to reconcile the ending account balances.

Recommendation: The College should implement policies and procedures requiring the reconciliation of ending account balances to subsidiary ledgers or supporting schedules.

View of Responsible Official: The College agrees with the auditor's finding.

2019-002 Audit Adjustments and Restatement of Net Position

Criteria or Specific Requirement: The College is responsible for implementing and maintaining internal control procedures to prevent, or detect and correct, significant misstatements of the financial statements, which includes the year-end closing process.

Condition: The College did not record all necessary adjusting and closing entries to reconcile the trial balance to the underlying records and support.

Context: During our audit, we proposed significant audit adjustments to multiple balance sheet accounts, as outlined in finding 2019-001.

Effect: Accounts receivable, accounts payable, and accrued liabilities were overstated. Adjustment to these accounts also required the restatement of beginning net position.

Cause: The College does not have sufficient policies and procedures in place to identify and record all necessary adjusting and closing entries needed for the preparation of the financial statements.

Recommendation: As part of the year-end close process, all significant account balances should be reviewed for accuracy. Adjusting and closing entries should be posted to these accounts per the underlying support to ensure appropriate reporting in the financial statements.

View of Responsible Official: The College agrees with the auditor's finding.

Section III – Summary of Prior Financial Statement Findings

2018-001: Implemented

2018-002: Substantially restated as part of 2019-002

2018-003: Substantially restated as part of 2019-002

2018-004: Substantially restated as 2019-001