DAWSON COMMUNITY COLLEGE

DAWSON COUNTY, MONTANA

Fiscal Year Ended June 30, 2015

AUDIT REPORT

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors:
Cindy Jorgenson
Angus Maciver

January 2016

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of the Dawson Community College for the fiscal year ended June 30, 2015.

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

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

Respectfully submitted,

/s/ Tori Hunthausen

Tori Hunthausen, CPA
Legislative Auditor

15C-06

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Kathleen Zander	Executive Director of Business and Finance
Majorie Price-Seeger	Vice President of Academic Affairs

CPAs & BUSINESS ADVISORS

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 the business-type activities of Dawson Community College (the College) as of and for the year ended June 30, 2015, the financial statements of the discretely presented component unit as of and for the year ended October 31, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College'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 College'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.

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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, 2015, and the discretely presented component unit as of October 31, 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle
As discussed in Notes 1 and 12 to the financial statements, the College has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that a Management's Discussion and Analysis, the Schedule of Employer’s Share of Net Pension Liability, the Schedule of Employer Contributions and the Other Post Employment Benefits Schedule of Funding Progress as noted 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 of America, 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 of 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 January 25, 2016, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
January 25, 2016

The following Management's Discussion and Analysis is required supplemental information under the Governmental Accounting 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 for the fiscal year ended June 30, 2015. 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 fiscal year 2015, operating revenues and expenses decreased slightly with operating loss increasing to $4,318,658 from $4,231,560 from the previous fiscal year. This, along with an increase in non-operating revenues from state appropriation and property taxes, resulted in an overall increase in net position of $534,866 before restatement. These results were achieved during a downward trend in enrollment and reflect the College's ability to adjust spending appropriately and react to the changing higher education landscape while responding to the needs of students and the community.

Change in Accounting Principles

In fiscal year 2015, the College adopted the provisions of GASB Statement No. 68: *Accounting and Financial Reporting for Pensions,* and GASB Statement No. 71: *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68* (GASB 68 and 71). The tables in this discussion presented for the year ended June 30, 2014, have not been restated for the implementation of GASB 68 and 71.

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 when the cash was actually received or paid. For example, revenue would be recognized when a student registers and when the class is held, not when the student ultimately pays for that 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 interrelated and should be viewed in their entirety. However, each of the financial statements is unique and presents the financial information according to 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 June 30, 2015. The Statement of Revenues, Expenses and Changes in Net Position present the results of activities for the College throughout the fiscal year.

Statement of Net Position

The Statement of Net Position presents the College's assets, deferred outflow of resources, liabilities, deferred inflows of resources and net position as of the fiscal year end. The purpose of this statement is to present to the financial statement readers a snapshot of the College's financial position at June 30, 2015. The data presented in the Statement of Net Position aids in determining the assets available to continue the College's operations. It also allows readers 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 expenditure 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 are those expected to be realized or expended within the next twelve months. The net position is simply the difference between total assets and total liabilities. Net position is presented in three categories applicable to the College:

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

The change in net position during the fiscal year is an indicator of the change in the overall financial condition of the College during the year. This 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 Statement of Net Postion

	June 30, 2015	June 30, 2014 as restated
Total Current Assets	$ 3,334,656	$ 2,836,266
Total Non-Current Assets	11,875,411	12,199,851
Total assets	15,210,067	14,924,036
Deferred Outflow of Resources	317,068	-
Total Current Liabilities	789,845	803,298
Total Non-Current Liabilities	6,585,592	4,379,369
Total liabilities	7,375,437	5,070,586
Deferred Inflow of Resources	465,860	-
Net Investment in Capital Assets	6,285,876	6,333,594
Restricted-Expendable	3,751,265	2,311,564
Unrestricted	(2,351,303)	1,208,292
Total net position	$ 7,685,838	$ 9,853,450

Total net position decreased by $2,167,612 from FY2014 to FY2015, which is primarily due to implementation of GASB 68.

Current assets include the College's cash, taxes, grants, student loans, accounts receivables, inventories and other assets expected to benefit the College within one year. The net increase in current assets was due to an increase in cash and cash equivalents, grants receivables and prepaid expenses netted against a decrease in net accounts receivables and inventories.

Non-current assets include restricted cash and investments and net capital assets. The net decrease in non-current assets from 2014 to 2015 is primarily due to the annual depreciation expense offset by an increase in restricted cash and investments.

Deferred outflow of resources include pension 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 $98,628 from FY2014 due to increases in accrued payroll expense for contractual faculty salaries.

Non-current liabilities include debt principal due in greater than one year and other post-retirement benefit obligations (OPEB) for employees and net pension liability. The increase of total non-current liabilities from FY2014 to FY2015 of $2,206,223, is primarily the result of implementation of GASB 68, which increased net pension liability by $2,465,319.

Deferred outflow of resources include employer pension 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 FY2014 to FY2015 is mainly from the difference between the reduction in long term debt and the annual depreciation of capital assets.

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. It is primarily restricted for grants, student loans, scholarships and student activities, etc.

Unrestricted net position is funds that the College has to use for whatever purpose it determines is appropriate. This category is made up of operating activities, auxiliary activities, and also 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 of the voting students, the Board of Trustees, and the Board of Regents. The Student Activity Fee is allocated and deposited into five separate agency 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.

Student Building Fees – Any change in the Student Building Fees must be approved by a majority of the voting students, the Board of Trustees and the Board of Regents. Student Building Fees are collected specifically for the purpose of purchasing land, new construction, and making improvements to existing facilities. Actual use of Student Building Fees requires 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 building and grounds. This fee would typically be used for renovations and repairs.

Technology Fees – Any change 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 Changes in Net Position

The Statement of Revenue, Expenses, and Changes in Net Position reflects the results of the operations for each fiscal year, distinguishing between operating and non-operating revenues and expenses as defined by GASB. GASB has defined appropriations (state and local) and Federal Pell grant funding as non-operating revenues, thus the College shows an operating loss of $4,318,658 for FY2015. Once the appropriation and Pell grant dollars are considered, the change in net position results in an increase of $534,866 for FY2015. The inclusion of state and local appropriations and Pell grant funding is a more useful measure of the College's regular activities.

While the positive change is encouraging, future strategy must focus on increasing operating revenue and streamlining operating expenses.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	June 30, 2015	June 30, 2014 as restated
Operating Revenues	$ 2,292,242	$ 2,411,800
Operating Expenses	(6,610,900)	(6,643,360)
Operating Loss	(4,318,658)	(4,231,560)
Net Non-Operating Revenues	4,853,524	4,846,358
Changes in Net Position	534,866	614,798
Net Position, Beginning of Year	9,853,450	9,238,652
Restatement	(2,702,478)	-
Net Position, End of Year	$ 7,685,838	$ 9,853,450

Operating Revenues includes federal and state grants and contracts, tuition, fees and auxiliary activities. Operating Revenues for FY2015 are $2,292,242 compared to $2,411,800 for FY2014. This decrease is primarily comprised of decreases in state grants and tuition revenue netted against an increase in revenue in auxiliary activities such as the bookstore and dormitory.

Operating Expenses for FY2015 were $6,610,900 versus $6,643,360 for FY2014, a decrease of $20,850. The decrease in operating expenses was the result of increases in contracted services netted against decreased salaries, supplies, repairs & maintenance and bad debt expense. Lower enrollment necessitated cost saving measures, which resulted in less expended for salaries, supplies, and repairs and maintenance. Bad debt expenses decreased from FY2014 due to improved collection processes. The increase in contracted services was due to fees associated with accreditation, legal costs and accounting services hired to reconcile financial records.

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 FY2015 are $4,853,524 and $4,846,358 for FY2014. State appropriations were $36,548 more than FY2014, and local appropriations were $141,341 higher than FY2014. In FY2015, $400,293 oil and gas revenue was recorded as opposed to $263,889 received for oil and gas in FY2014.

Capital Assets
The College's investment in Capital Assets as of June 30, 2015, equates to $9,587,246 net of accumulated depreciation. Investment in Capital Assets normally includes land, buildings, improvements, machinery and equipment, library holdings, and software. The slight decrease was due to $61,285 in equipment purchases netted against annual depreciation. Additional information can be found in Footnote 5.

Debt Administration
The College's long-term debt obligations as of June 30, 2015 equates to $3,301,370. The College had $3,583,310 long term debt obligations at fiscal year end June 30, 2014. Additional information can be found in Footnote 7.

Pending Economic and Financial Issues

Since 1940, Dawson Community College has demonstrated remarkable resiliency and served as a center of educational opportunity open to all seekers. The College is proud to provide an educational marketplace where student aspirations and community needs influence course offerings and college programs. This year Dawson Community College marks 75 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 charged to address nearly every aspect of the College. The standing committees assess mission fulfillment and core theme objectives; engage in long-term strategic and annual planning; respond to changes in the College's political, social and educational environment; prepare the annual budget proposal; and engage in the continuous improvement of systems and processes. The work of these committees provides a process for decision making that deeply considers how to invest the College's human and financial resources.

Enrollment/Regional Economy - In response to declining FTE numbers, the College administration reorganized our recruiting strategy to include a new enrollment management department in FY2014. The goal of this department is to set enrollment targets and manage initiatives that lead to optimum recruitment, retention and completion. As there is always a lag in regards to changes in recruiting strategies, preliminary data from this new strategy is encouraging as participation in early registration events has increased over last year's numbers. In addition, the College is in the process of developing workforce training and technical programs in collaboration with business and industry partners to meet regional human capital demand and reverse the negative enrollment trend. For example, due to funding from the federal RevUp (TAACCCT) grant, the College has strengthened offerings in our welding program and is on course to being able to offer a new Corrosion Program in the fall of 2016.

Oil and Gas Activity - Eastern Montana is again witnessing the effects of a boom and bust industry that is a unique factor in our economic history. FY2015 began to show the flip side of the recent years' successes in the oil and gas activity in the region. Decreases in oil production also show a corresponding decrease in revenue resulting from these activities and an increase in unemployment in the area. While it is unfortunate that oil and gas revenue has decreased, the College expects to benefit from the down turn with traditional students again looking at education as an option and non-traditional students seeking additional training and skill sets. The College is looking forward to serving these students and employers as we all follow the "roller coaster ride" of the oil and gas industry in our area.

Improved systems and processes – While the use of the Ellucian Integrated Data Base System (Banner) has proved challenging, it is important to note the College continues to improve processes and procedures in our Business Department. Due to a combined effort of documenting and improving procedures in the business office, additional employee training, adding extra personnel and investing additional capital in Banner; the College continues to improve our ability to provide timely and accurate financial information for decision making purposes. The FY2015 audit has been completed in 6 months as compared to the 30 months it took to complete the FY2011 audit and the 18 months it took to complete the FY2012 audit. The College continues to improve processes and looks to shorten that timeframe even more in the future.

Restructuring of Staff and Faculty – Though not announced nor implemented in FY2015, it is important to note the College announced restructuring plans when presenting the FY2016 budget in July 2015. Due to declining enrollment over the last decade and reduction in state allocations from the previous biennium, the College was forced to analyze data regarding operating efficiencies, course and program offerings, enrollment numbers, student need and limited resources. As a result the College recommended reductions in force for both staff and faculty in the FY2016 budget. These recommendations are currently in various stages of implementation. While unfortunate, the restructuring will leave the College in a better position to serve students through the use of a more diverse number of qualified adjunct, increased efficiencies in operational processes and renewed focus on meeting the needs of regional employers and our community.

Administration –To serve the emerging needs of the region and to modernize College organizational structures, functions, and programs, the College entered a period of renewal and reorganization in FY2014. The College continued these turn-around efforts in FY2015. One of the byproducts of this revitalization was the adoption of the Dawson Community College 2015-2018 Strategic Plan in February 2015. This strategic plan, which incorporates input from internal and external college stakeholders, provides a clear set of objectives to strengthen and grow the college in the next three years. Financial resources are being invested in key aspects of this strategic plan such as enrollment management, professional development for employees and academic quality. The plan also addresses areas of improvements such as degree completion and successful transfer to four-year institutions. As the renewal process continues, the administration at Dawson Community College is excited about the challenges and opportunities presented to the College. We are committed to meeting the varied needs of students in our area, improving our financial situation and moving forward.

Request for Information – This 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 address to Executive Director of Business and Finance Dawson Community College, 300 College Dr., Glendive, Montana 59330.

Assets	
Current Assets	
Cash and cash equivalents	$ 2,551,448
Taxes receivable	282,500
Student loan receivable	74,247
Accounts receivable, net of allowance of $6,850	34,644
Grants receivable	189,902
Prepaid expenses	95,011
Inventory	106,904
Total current assets	3,334,656
Noncurrent Assets	
Restricted cash	170,616
Restricted investments	2,117,549
Land	137,518
Property and equipment, net of accumulated depreciation	9,449,728
Total noncurrent assets	11,875,411
Total assets	15,210,067
Deferred Outflow of Resources	
Pension obligation	317,068

Current Liabilities	
Accounts payable	29,765
Accrued payroll expenses	299,945
Room deposits	10,500
Unearned tuition and fees revenue	23,270
Interest payable	21,771
Current portion of long-term debt	313,616
Current portion of compensated absences	90,978
Total current liabilities	789,845
Long-Term Liabilities	
Long-term debt, less current portion	2,987,754
Long-term compensated absences, less current portion	181,957
Net pension liability	2,465,319
OPEB payable	950,562
Total long-term liabilities	6,585,592
Total liabilities	7,375,437
Deferred Inflow of Resources	
Employer pension assumption	465,860
Net Position	
Net investment in capital assets	6,285,876
Restricted for	
Student loans	79,051
Scholarships, research, and other	3,524,687
Student activities fund	147,527
Unrestricted	(2,351,303)
Total net position	$ 7,685,838

Assets		
Cash and cash equivalents	$	246,900
Investments in marketable equity securities		1,171,048
Accrued interest receivable		2,046
Total assets	$	1,419,994
Net Assets		
Unrestricted	$	419,403
Temporarily restricted		221,830
Permanently restricted		778,761
Total net assets	$	1,419,994

Operating Revenues	
Federal grants and contracts	$ 376,197
State and private grants and contracts	104,389
Tuition (net of waivers)	543,642
Course and mandatory fees	262,104
Auxiliary activities	
Bookstore	93,336
Dormitory	558,456
Other revenue	354,118
Total operating revenues	2,292,242
Operating Expenses	
Salaries	2,635,633
Benefits and taxes	939,734
Travel	256,239
Supplies	423,989
Contracted services	819,941
Repairs and maintenance	88,637
Utilities	172,631
Communication	76,867
Scholarships and grants	569,955
Other operating expense	236,331
Depreciation	390,943
Total operating expenses	6,610,900
Operating Loss	(4,318,658)
Non-Operating Revenues (Expenses)	
Interest income	30,490
Interest expense	(151,296)
Transfers in	3,587
Investment income	72,570
Federal Pell grant funding	419,376
State appropriation	2,173,715
State oil and gas production tax	400,293
Local appropriation	1,904,789
Total non-operating revenues	4,853,524
Change in Net Position	534,866
Net Position, Beginning of Year, as restated	7,150,972
Net Position, End of Year	$ 7,685,838

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support				
Dues	$ 730	$ -	$ -	$ 730
Contributions	22,677	29,088	55,687	107,452
Investment Income	13,393	16,368	-	29,761
Net realized & unrealized gains (losses)	11,782	14,399	-	26,181
Fundraising	37,614	-	-	37,614
Total revenues and support	86,196	59,855	55,687	201,738
Expenses				
Scholarships	-	29,826	-	29,826
Professional fees	2,300	-	-	2,300
Dues and subscriptions	2,440	-	-	2,440
Office expenses	3,944	-	-	3,944
Teacher development	-	7,859	-	7,859
Fundraising expenses	16,535	-	-	16,535
Miscellaneous	164	750	-	914
Charitable distributions	6,171	54,008	-	60,179
Total expenses	31,554	92,443	-	123,997
Change in Net Assets	54,642	(32,588)	55,687	77,741
Net Assets, Beginning of Year	359,547	666,880	315,826	1,342,253
Reclassified Based on Donor Restrictions	5,214	(412,462)	407,248	-
Net Assets, End of Year	$ 419,403	$ 221,830	$ 778,761	$ 1,419,994

Operating Activities	
Receipts from tuition and course fees	$ 817,182
Receipts from grants and contracts	407,762
Collection on student loans receivables	13,856
Disbursement of loans to students	(8,399)
Receipts from the bookstore	93,336
Receipts from the dormitory	558,456
Cash paid to employees	(3,657,422)
Cash paid to suppliers	(1,974,702)
Cash paid for scholarships and student support	(569,955)
Payments for utilities	(172,631)
Other revenue	354,118
Net Cash used for Operating Activities	(4,138,399)
Investing Activities	
Interest received	30,490
Investment earnings reinvested	(74,241)
Earnings received on investments	72,571
Transfers in	3,587
Net Cash from Investing Activities	32,407
Non-Capital Financing Activities	
State appropriations	2,173,715
State oil and gas production tax	270,642
Federal Pell grant funding	419,376
Local appropriations	1,904,789
Net Cash from Non-Capital Financing Activities	4,768,522
Capital and Related Financing Activities	
Purchase of property and equipment	(46,185)
Principal payments on long-term debt	(297,040)
Interest payments on long-term debt	(157,805)
Net Cash used for Capital and Related Financing Activities	(501,030)
Net Change in Cash and Cash Equivalents	161,500
Cash and Cash Equivalents, Beginning of Year	2,560,564
Cash and Cash Equivalents, End of Year	$ 2,722,064

Reconciliation of operating loss to net cash used for operating activities	
Operating loss	$ (4,318,658)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation	390,943
Change in OPEB obligation	64,820
Contributions from the State for pensions	(86,077)
Change in operating assets and liabilities	
Student loans receivable	(6,521)
Accounts receivable, net	(11,834)
Grants receivable	(72,824)
Prepaid expenses	(35,413)
Inventory	(13,294)
Accounts payable	12,394
Unearned tuition and fees	23,270
Accrued payroll expenses	(42,347)
Room deposits	(3,150)
Compensated absences	(39,708)
Net Cash used for Operating Activities	$ (4,138,399)
Supplemental Disclosure of Noncash Activity	
Fixed assets acquired from capital lease	$ 15,100
Reconciliation of Cash, Restricted Cash and Cash Equivalents	
Cash and cash equivalents	$ 2,551,448
Restricted cash	170,616
Total cash and cash equivalents and restricted cash	$ 2,722,064

Cash Flows from Operating Activities	
Increase (decrease) in net assets	$ 77,741
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Increase (decrease) in current liabilities	(152)
(Increase) decrease in interest receivable	(1,706)
Net Cash Provided by Operating Activities and Nonoperating Revenues	75,883
Cash Flows from Investing Activities	
(Increase) decrease in investments	(64,932)
Net Cash Used by Investing Activities	(64,932)
Net Increase in Cash and Cash Equivalents	10,951
Cash and Cash Equivalents - Beginning of Year	235,949
Cash and Cash Equivalents - End of Year	$ 246,900

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.

Nature of Business – Reporting Entity

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

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

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

The College’s financial statements for fiscal year ended June 30, 2015, are prepared in accordance with the pronouncements of Government Accounting Standards Board (GASB) and in accordance with accounting principles generally accepted in the United States of America (GAAP).

As defined by GAAP established under GASB, the financial reporting entity consists of the primary government, as well as its component unit Dawson College Foundation, Inc. (the Foundation).

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

The Foundation’s financial statements for fiscal year ended October 31, 2014, 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. Accordingly, those financial statements have been reported on separate pages following the respective counterpart financial statements of the College. No modifications have been made to the Foundation’s financial information included in the College’s report.

The Foundation’s separately issued financial statements may be obtained by contacting their office at 300 College Drive, Glendive, Montana.

Basis of Accounting

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

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

Cash and Cash Equivalents

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

Taxes Receivable

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

The tax levies for the College for the year ended June 30, 2015, is as follows:

	2015 Number of Mills
General Levy	52.07
Debt Service Levy	10.28
Adult Education Levy	1.88
Retirement Fund Levy	27.19
Total	91.42

Student Loan Receivable

Student loan receivables are recognized in the year in which tuition is recognized. Amounts are advanced to students under various federal student financial assistance programs.

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.

Unearned Revenue

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

Inventories

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

Non-Current Assets

Cash balances and investments that are externally restricted as to their use are classified as a noncurrent asset in the accompanying Statement of Net Position.

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.

All 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 fair market 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.

Property, plant, and equipment is 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.

Classification of Net Position

The College classifies net position as follows:

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

Revenues

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

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

Use of Restricted Revenues

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

Income Taxes

As a public institution of higher education, the income of the College is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the College is subject to federal income tax on any unrelated business taxable income. Defined by the Internal Revenue Code, unrelated business income is income from a trade or business, regularly carried on, that is not substantially related to the performance by the organization of its exempt purpose of function. The College does not have unrelated business income tax to report during the fiscal year ended June 30, 2015.

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 one item that qualifies for reporting in this category, pension obligations.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Pensions

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

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

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

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 $294,642 as of June 30, 2015.

New Accounting Standards

As of July 1, 2014, the College adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 12 and the additional disclosures required by these standards are included in Note 8.

Note 2 - Cash and Cash Equivalents

At June 30, 2015, cash and cash equivalents consisted of the following:

Cash on hand	$	5,289
Deposits with financial institutions		67,944
Time certificate of deposit with financial institution		50,347
Invested in Dawson County Investment Pool		2,598,484
Total cash and cash equivalents	$	2,722,064

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

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

The Pool has money invested in the State Short-Term Investment Pool (S.T.I.P.) which includes asset-backed and variable-rate securities. Asset-backed securities have less credit risk than securities not backed by pledged assets. Market risk for asset-backed securities is the same as for similar non asset-backed securities. Variable-rate securities have credit risk identical to similar fixed-rate securities; the related market risk is more sensitive to changes in interest rates. However, their market risk may be less volatile than fixed-rate securities because their value will usually remain at or near par value as a result of their interest rates being periodically reset to maintain a current market yield. The Montana Board of Investments reported that they were not aware of any legal risks associated with any of the S.T.I.P. investments as of June 30, 2015.

The College may invest in savings deposits, time deposits or repurchase agreements in financial institutions that are both located in Montana and insured by FDIC, FSLIC, or NCUA. The College may also invest in general obligations of the United States Government, Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Mortgage Corporation, and Federal Farm Credit Bank, or a 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, 2015, none of the College's bank balances of $2,722,025 was exposed to custodial credit risk.

Note 3 - Restricted Cash

The College had restricted cash as follows as of June 30, 2015:

Restricted for dorm furniture replacement	$	29,697
Dorm deposits		10,500
Restricted for grants or scholarships		75,269
Restricted for student loan program		4,803
USDA loan reserve		50,347
Total restricted cash	$	170,616

Note 4 - Restricted Investments

As of June 30, 2015, the College held the following investments:

Money market funds	$	990,287
GNMA		79
Corporate bond mutual funds		90,280
Stock mutual funds		1,036,903
Total restricted investments	$	2,117,549

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The College has no investment policy that would limit its investment choices. The College’s investment in a corporate bond mutual fund contains approximately 35% investment grade securities and 65% lower rated securities (junk bonds).

Custodial Credit Risk – Investments

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

Note 5 - Capital Assets

Capital assets activity for the year ended June 30, 2015, is summarized as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
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	1,362,732	61,285	-	1,424,017
Improvements	1,264,413	-	-	1,264,413
Library inventory	396,396	-	-	396,396
Total capital assets being depreciated	15,671,756	61,285	-	15,733,041
Less accumulated depreciation				
Building	(4,021,125)	(250,251)	-	(4,271,376)
Equipment	(1,005,567)	(81,812)	-	(1,087,379)
Improvements	(509,936)	(52,801)	-	(562,737)
Library inventory	(355,742)	(6,079)	-	(361,821)
Total accumulated depreciation	(5,892,370)	(390,943)	-	(6,283,313)
Net capital assets being depreciated	9,779,386	(329,658)	-	9,449,728
Net Capital Assets	$ 9,916,904	$ (329,658)	$ -	$ 9,587,246

Note 6 - Compensated Absences

Compensated absences payable, which represent vacation and sick leave earned by employees which is payable upon termination, at June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due Within One Year
Vacation and sick leave	$ 312,643	$ 95,635	$ (135,343)	$ 272,935	$ 90,978

Note 7 - Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015, were as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due Within One Year
Loan					
Stockman Bank	$ 452,504	$ -	$ (30,056)	$ 422,448	$ 31,935
USDA Rural Development	578,763	-	(11,963)	566,800	12,407
General Obligation Bonds	2,400,000	-	(195,000)	2,205,000	205,000
Mid Rivers Communication	4,167	-	(4,167)	-	-
Key Equipment lease	-	15,100	(374)	14,726	4,488
Intercap Loan	147,876	-	(55,480)	92,396	59,786
	$ 3,583,310	$ 15,100	$ (297,040)	$ 3,301,370	$ 313,616

The College has one capital lease, as outlined above. The following is an analysis of the leased asset included in equipment:

Leased Equipment	$ 15,100
Accumulated depreciation	(250)
	$ 14,850

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

In 2015, the College entered into an equipment lease agreement, the lease extends through May, 2019. The College will pay $374 monthly for the remainder of the term.	$ 14,726
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 the dormitory and its contents. 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.	422,448

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.	566,800
On September 1, 2004, the College issued general obligation bonds at a purchase price of $4,000,000 and an interest rate of 2.9%–4.35% to pay a portion of the costs of designing, constructing, furnishing and equipping a library and learning center expansion project and for the construction of a new performing arts center/gymnasium. The bonds bear interest payable semiannually on January 1 and July 1 each year, commencing January 1, 2005. The bonds mature beginning July 1, 2005 through 2022.	2,205,000
The lntercap Loan of $500,000 originated on May 5, 2006. Payments of principal and interest are due semiannually on February 15 and August 15. Payments consist of principal and a variable interest portion. The original stated interest rate was 4.75%; however, for the year ended June 30, 2015, the interest rate was 1.00%. The loan is secured by the aforementioned construction project.	92,396
Total long-term debt	3,301,370
Less current maturities	(313,616)
Total long-term debt, net	$ 2,987,754

Approximate future annual minimum principal and interest payments as of June 30, 2015, are as follows:

Year ending June 30,	Principal	Interest	Total
2016	$ 313,616	$ 152,575	$ 466,191
2017	310,753	140,040	450,793
2018	273,666	127,357	401,023
2019	284,763	115,967	400,730
2020	300,786	97,277	398,063
2021-2025	1,417,016	264,011	1,681,027
2026-2030	109,585	87,465	197,050
2031-2035	138,205	58,845	197,050
2036-2040	152,980	22,752	175,732
Total	$ 3,301,370	$ 1,066,289	$ 4,367,659

The United States Department of Agriculture – Rural Development loan is secured by a pledge of revenue from operation of the dormitory. There was $298,812 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 debt service for this loan during the year ended June 30, 2015, was $11,963.

Note 8 - Retirement Plans

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

Plan Descriptions

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

The TRS Board is the governing body and the TRS staff administers the system in conformity with the laws set forth in Title 19, chapter 20 of the 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.

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

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

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

Summary of Benefits

TRS:
Through June 30, 2013, all members enrolled in TRS participated in a 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 contribution 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 1.6667x AFC x years of creditable service).

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 calculated prior to July 1, 2013, was 1.5% of the benefit payable as of January 1st. Effective July 1, 2013, the GABA to be calculated for Tier One and Tier Two members each year may vary from 0.5% to 1.5% based on the retirement system's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation. The legislative enactment that allows for reduction of the GABA for Tier One members is currently being litigated. A temporary restraining order requires continued calculation of the GABA at the full 1.5% rate for Tier One members pending resolution of the litigation.

PERS:
Member's highest average compensation (HAC)
Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;
Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months;
Hired on or after July 1, 2013 – 110% annual cap on compensation considered as part of a member's HAC.

Eligibility for benefit
Service retirement:

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

Early retirement, actuarially reduced:

Hired prior to July 1, 2011:	Age 50, 5 years of membership service; or Any age, 25 years of membership service.
Hired on or after July 1, 2011:	Age 55, 5 years of membership service.

Vesting
5 years of membership service

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.

Member 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.

GABA*

3% for members hired prior to July 1, 2007
1.5% for members hired on or after July 1, 2007

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided above) each January, inclusive of other adjustment to the member's benefit.

*Court Decision: The First Judicial District Court, Judge Reynolds presiding, issued a decision March 4, 2015, concluding that Section 5 of HB 454 substantially impairs contract rights and is in violation of the contract clause of both the Montana and the United States Constitutions. A permanent injunction prohibiting the State from reducing the GABA paid to PERS retirees was issued. Following cross-appeals to Montana Supreme Court, the parties agreed to seek clarification from Judge Reynolds regarding the scope of his original order. Judge Reynolds issued an order August 19, 2015, clarifying that the permanent injunction is only applicable to public employees that were hired prior to July 1, 2013, the effective date of HB 454. The permanent injunction does not apply to public employees hired on or after July 1, 2013.

Total number of members (employees) covered by benefit terms as of June 30, 2015:

- Active plan members; 28,237
- Inactive members entitled to but not yet receiving benefits or a refund:
  Vested: 2,925
  Non-vested: 8,839
- Inactive members and beneficiaries currently receiving benefits:
  Service Retirements: 20,080
  Disability Retirements: 176
  Survivor Benefits: 425

Overview of Contributions

TRS:
TRS receives a portion of the total required statutory contributions 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.

MCA 19-20-605 requires each employer to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position. Pursuant to MCA 19-20-609, this amount shall increase by 1.00% for fiscal year 2014 and increase by .10% each fiscal year through 2024 until the total employer contribution is equal to 11.85% of re-employed retiree compensation.

PERS:

1. Rates are specified by state law for periodic employer and employee contributions. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
    a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
    b. The 7.90% member contributions is temporary and will be decreased to 6.90% on January 1 following actuary valuation results that show the 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.
3. Employer contributions to the system:
    a. State and University System employers are required to contribute 8.27% of members' compensation.
    b. Local government entities are required to contribute 8.17% of members' compensation.
    c. School district employers contributed 7.90% of member's compensation.
    d. Following the 2013 Legislative Session, PERS-employer contributions were temporarily increased. Effective July 1, 2013, employer contributions increased 1.0%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contribution rates.
    e. Effective July 1, 2013, the additional employer and member contributions for DCRP and MUS-RP is allocated to the defined benefit plan's Plan Choice Rate unfunded liability.
    f. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
4. Non Employer Contributions
    a. Special Funding
        i. The State contributes 0.1% of members' compensation on behalf of local government entities.
        ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
    b. Not Special Funding
        i. The State contributes from the Coal Tax Severance fund

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

At June 30, 2015, the College recorded a liability of $1,653,808 (TRS) and $811,511 (PERS) for its proportionate share of the net pension liability.

In accordance with GASB Statement No. 68, TRS and PERS have a special funding situation in which the State of Montana is legally responsible for making contributions directly to TRS and PERS on behalf of the College. Due to the existence of this special funding situation, the College is required to report the portion of the State of.

Montana’s proportionate share of the collective net pension liability that is associated with the College.

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

The College’s and State of Montana’s proportionate share of the net pension liability are presented below:

	Net Pension Liability June 30, 2014	
	TRS	PERS
College proportionate share	$ 1,653,808	$ 811,511
State of Montana proportionate share associated with College	1,135,292	9,910
	$ 2,789,100	$ 821,421

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The College’s proportion of the net pension liability was based on the contributions received by TRS and PERS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all TRS and PERS participating employers. At June 30, 2014, the College’s proportionate share was .1075 and .065129 percent for TRS and PERS, respectively.

At June 30, 2015, the College recognized $175,818 (TRS) and $63,328 (PERS) for its proportionate share of the pension expense. The College also recognized grant revenue of $63,572 (TRS) and $22,946 (PERS) for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the College.

At June 30, 2015, the College reports its proportionate share of TRS and PERS deferred outflows and inflows of resources from the following sources:

TRS

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 16,360	$ -
Changes in assumptions or other inputs	37,482	-
Net difference between projected and actual earnings on pension plan	-	256,152
Differences between expected and actual contributions	25,628	
College's contributions subsequent to the measurement date	159,752	-
Total	$ 239,222	$ 256,152

PERS

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes in assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	209,681
Changes in the employer's portion and differences between employer's contributions and the employer's proportionate contributions	2,290	27
College's contributions subsequent to the measurement date	75,556	-
Total	$ 77,846	$ 209,708

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, 2016.

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

	TRS			PERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Increase (Decrease) in Pension Expense	Deferred Inflows/ Outflows of Resources	Increase (Decrease) in Pension Expense
Year ended June 30:					
2016	$ 26,490	$ (64,038)	$ (37,548)	$ (51,666)	$ (51,666)
2017	26,490	(64,038)	(37,548)	(51,666)	(51,666)
2018	26,490	(64,038)	(37,548)	(51,666)	(51,666)
2019	-	(64,038)	(64,038)	(52,420)	(52,420)

Actuarial Assumptions:

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

- Total Wage Increases * 8.51%
- Investment Return 7.75%
- Price Inflation 3.25%
- Postretirement Benefit Increases 1.50%
  (starting three years after retirement)

- Mortality among contributing members, service retired members, and beneficiaries
  - 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 RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.
- Mortality among disabled members:
  - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
  - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

*Total Wage Increases include 4% general wage increase and 4.51% merit and longevity increases.

PERS:
The Total Pension Liability as of June 30, 2014, is based on the results of an actuarial valuation date of June 30, 2014. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the last actuarial experience study, dated May 2010 for the six year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

- General Wage Growth* 4.00%
- *includes Inflation at 3.00%
- Merit Increases 0% to 6%
- Investment Return 7.75%
- Postretirement Benefit Increases
  - 3% for members hired prior to July 1, 2007
  - 1.5% for members hired on or after July 1, 2007

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 other adjustments to the member's benefit.
*At this time as a result of permanent injunction issued in the *AMRPE vs State* litigation, the GABA rate in effect is being used in the calculation. Clarification of the GABA rate for members hired on or after July 1, 2013, is pending.

- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No further mortality improvement is assumed.

Discount Rate:

TRS:
The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions the State general fund will contribute $25 million annually to TRS payable July 1st of each year. Based on those assumptions, the fiduciary net position of TRS was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2116. 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.

PERS:
The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the fiduciary net position of PERS was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations:

	TRS		PERS	
Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	N/A	N/A	2.00%	-0.25%
Broad US Equity/Domestic Equity	36.00%	4.80%	36.00%	4.80%
Broad International Equity/ Foreign Equity	18.00%	6.05%	18.00%	6.05%
Private Equity	12.00%	8.50%	12.00%	8.50%
Intermediate Bonds	23.40%	1.50%	N/A	N/A
Core Real Estate	4.00%	4.50%	8.00%	4.50%
Fixed Income	N/A	N/A	24.00%	1.68%
High Yield Bonds	2.60%	3.25%	N/A	N/A
Non-Core Real Estate	4.00%	7.50%	N/A	N/A
	100.00%		100.00%	

TRS:
The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared every four years for TRS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated May 1, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates of arithmetic real rates of return for each major asset class include TRS' target asset allocation as of June 30, 2014, is summarized in the table above.

PERS:
The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for PERS. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building blocks 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 by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates of arithmetic real rates of return for each major asset class include PERS' target asset allocation as of June 30, 2014, is summarized in the table above.

Sensitivity Analysis:

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the below table presents the net pension liability calculated using the discount rate of 7.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that was 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.750%)
Net pension liability - TRS	$ 2,297,665	$ 1,653,808	$ 1,109,848
Net pension liability - PERS	$ 1,291,030	$ 811,511	$ 407,083

Note 9 - Postemployment Benefits Other Than Pensions

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(1)(a), MCA). The Board of Regents of the Montana University System (MUS), having broad authority to act in the best interest of the MUS, has directed the Office of the Commissioner of Higher Education (OCHE) to provide access to health insurance benefits beyond age 65. Eligible College retirees may participate in the health insurance plan provided that they contribute to the cost of the plan.

The Dawson Community College Employee Health Plan participates with the Montana University System Employee Group Benefits Plan. Former employees who retire from the College and eligible dependents may continue to participate in the College's health and hospitalization plan for medical prescriptions insurance coverage. The College subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at the blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because an actuarial basis, their current and future claims, are expected to result in higher costs to the plan on average than those of active employees.

Retirees who are eligible to receive retirement benefits from Teachers Retirement System (TRS) or the Public Employees Retirement System (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.

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 annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents an amount that, if funded, would cover normal cost each year and amortize any unfunded actuarial liability over a period of 30 years. For the College for the 2015 fiscal year, the obligations were based on the July 1, 2013 census. At that time, the number of active College participants in the health insurance plan was 53. The total number of inactive (retiree and dependent) participants was 29. The College does not contribute to the plan for retirees or their dependents.

Annual OPEB Cost and Net OPEB Obligations

The following table shows the College's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the College's net OPEB obligation:

	2015
Annual Required Contribution	$ 82,692
Interest on net OPEB obligation	11,703
Annual OPEB cost (expense)	94,395
Estimated contributions made	(29,575)
Increase in net OPEB obligation	64,820
Net OPEB obligation – beginning of year	885,742
Net OPEB obligation – end of year	$ 950,562

Three year trend disclosure information of the College's plan is as follows:

Fiscal Year Ended	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost	Net Liability
June 30, 2015	$ 94,395	$ 82,692	87.60%	$ 950,562
June 30, 2014	$ 76,944	$ 42,572	55.33%	$ 885,742
June 30, 2013	$ 117,186	$ 87,793	74.92%	$ 808,798

Actuarial methods and assumptions:
Following are the newly applied actuarial methods and assumptions for the most recent valuation:

- Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

- Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

- Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

- The actuarial methods and significant assumption are
  - Projected Unit cost funding method.
  - Discount rate is 4.25%
  - Projected payroll increases 2.5%
  - Healthcare cost trend rate is 7% for plan year 2015 grading to 4.5% for plan year 2020.
  - Past service liability is amortized over a closed 30-year period as a level percentage of projected payroll assumed to grow 2.5% per year.

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was $1.1 million. The plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on a cash basis. Because the plan is unfunded, the AAL and UAAL are equal. The covered payroll (annual payroll of active employees covered by the plan) was $2.6 million and the ratio of the UAAL to the covered payroll was 40.81%.

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.

Note 10 - Operating Lease Obligations

The College leases an arena for the rodeo teams' use. The lease is for a two year term which began with the 2013 fall semester. The College leases the arena for six months during the school year.

During the year ended June 30, 2015, rentals under long-term lease obligations were $11,500.

Note 11 - Restatement

During the year ended June 30, 2015, the College implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The adoption of this statement resulted in the restatement of the beginning Net Position of the Statement of Activities.

Beginning net position as previously reported at June 30, 2014	$ 9,853,450
Prior period adjustment - Implementation of GASB 68/71	
Net pension liability (measurement date) TRS	(1,911,592)
Net pension liability (measurement date) PERS	(1,044,289)
Deferred Outflows - contributions made during fiscal year 2014 TRS	193,348
Deferred Outflows - contributions made during fiscal year 2014 PERS	60,055
Total prior period adjustment	(2,702,478)
Net position, July 1, 2014, as restated	$ 7,150,972

Note 12 - Subsequent Events

Federal funding received by the College for student support services will no longer be available after August 31, 2015. The funding had been provided by the U.S. Department of Education through its TRIO Student Support Services program. This represents a loss of approximately $280,000/year for five years. The College is examining other options for providing these services going forward.

After June 30, 2015 the College had labor disputes that were settled. The College is anticipating paying off the settlements during the year ended June 30, 2016. The College is covering these costs through State reimbursement, mill calculations and the Ullman Fund.

Note 13 - Component Unit – Dawson College Foundation, Inc.

Organization

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

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. The contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction.

Investments

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

Certificates of deposit	$ 315,455
Charles Schwaab- Hoyt account	393,853
Charles Schwaab- basketball fund	32,609
Edward Jones- managed account	188,550
Edward Jones- stocks, mutual funds	112,882
Edward Jones- bonds	127,699
Total restricted cash	$ 1,171,048

Endowment

The Foundation’s endowment consists of individual endowments established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Market value of the endowment funds included in total investments for the years ended October 31, 2014 are $811,411.

Direct investment management, custodial and consulting fees for the Foundation’s endowment funds totaled $3,218 for the year ended October 31, 2014. These fees have been included as reductions to investment income.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires 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 for the year ended October 31, 2014, was limited to the unexpected accumulated earnings or return (both realized and unrealized) of the respective endowment, unless otherwise provided by the donor.

Required Supplementary Information
June 30, 2015

Dawson Community College

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b/a)	Funded Ration (a/b)	Covered Payroll (c)	UAAL as a Percentage of Payroll ((b-a)/c)
July 1, 2013	$ -	$1,075,475	$1,075,475	0.00%	$2,527,390	42.55%
July 1, 2011	-	1,234,517	1,234,517	0.00%	2,641,259	46.74%
July 1, 2009	-	1,612,783	1,612,783	0.00%	4,194,987	38.45%

Schedule of Employer's Share of Net Pension Liability
Teacher's Retirement System
Last 10 - Fiscal Years *

		2015
Employer's proportionate share of the net pension liability		0.1075%
Employer's proportion share of the net pension liability	$	1,653,808
State of Montana's proportionate share of the net pension liability associated with the Employer	$	1,135,292
Total	$	2,789,100
Employer's covered-employee payroll	$	1,765,735
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll		93.66%
Plan fiduciary net position as a percentage of the total pension liability		70.36%

Schedule of Employer's Share of Net Pension Liability
Public Employees Retirement Systems of Montana
Last 10 - Fiscal Years *

		2015
Employer's proportionate share of the net pension liability		0.065129%
Employer's proportion share of the net pension liability	$	811,511
State of Montana's proportionate share of the net pension liability associated with the Employer	$	9,910
Total	$	821,421
Employer's covered-employee payroll	$	744,182
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll		110.07%
Plan fiduciary net position as a percentage of the total pension liability		79.90%

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

Data reported is measured as of July 1, 2014 (measurement date)

Schedule of Employer Contributions
Teacher's Retirement System
Last 10 - Fiscal Years *

		2015
Statutorily required contribution	$	159,752
Contributions in relation to the statutorily required contribution	$	159,752
Contribution (deficiency) excess	$	-
Employer's covered - employee payroll	$	1,358,278
Contributions as a percentage of the covered-employee payroll		11.76%

Schedule of Employer Contributions
Public Employees Retirement Systems of Montana
Last 10 - Fiscal Years *

		2015
Statutorily required contribution	$	66,037
Contributions in relation to the statutorily required contribution	$	66,037
Contribution (deficiency) excess	$	-
Employer's covered - employee payroll	$	737,256
Contributions as a percentage of the covered-employee payroll		8.957%

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

Data reported is measured as of June 30, 2015.

Supplementary Information
June 30, 2015

Dawson Community College

	Pell	Perkins	CWS	SEOG
Assets				
Beginning cash balance	$ (4,822)	$ 11,479	$ 4,840	$ 2,480
Additions				
Federal advances	419,376	-	24,909	46,690
Interest collected	-	457	-	-
Principal collected	-	13,399	-	-
Total additions	419,376	13,856	24,909	46,690
Deductions				
Distribution to students	418,176	8,399	25,075	45,882
Other	-	4,198	-	-
Total deductions	418,176	12,597	25,075	45,882
Net change to cash	1,200	1,259	(166)	808
Ending cash balance	$ (3,622)	$ 12,738	$ 4,674	$ 3,288

Perkins Loan Program		
Student loan advances	$	8,399
College Work Study		
Wages	$	25,075
Supplemental Education Opportunity Grant Program		
Student grants	$	45,882
Pell Grant Program		
Student grants	$	418,176

Semester	Resident	WUE	Nonresident	Total
Summer 2014	40.5	2.2	10.7	53.4
Fall 2014	205.3	47.5	17.1	269.9
Spring 2015	196.8	42.7	14.5	254.0
	442.6	92.4	42.3	577.3

	Instruction	Academic Support	Student Services	Institutional Support	Scholarships and Fellowships	Operations and Maintenance of Plant	Auxiliary	Total
Salaries	$ 1,399,272	$ 225,965	$ 354,419	$ 376,148	$ -	$ 152,300	$ 127,529	$ 2,635,633
Benefits	490,104	69,209	125,265	142,119	-	57,470	55,567	939,734
Travel	32,732	1,352	201,619	17,691	-	-	2,845	256,239
Supplies	120,208	5,900	55,308	79,504	-	25,499	137,570	423,989
Contracted services	237,380	8,057	30,691	262,316	-	12,325	269,172	819,941
Repairs and maintenance	2,489	-	6,797	25,573	-	45,864	7,914	88,637
Utilities	-	-	2,941	6,209	-	111,052	52,429	172,631
Communication	4,669	-	25,801	10,729	-	21,629	14,039	76,867
Scholarships and grants	-	-	-	-	569,955	-	-	569,955
Other operating expense	(17,830)	22,339	45,879	165,074	-	644	20,225	236,331
Depreciation	-	-	-	-	-	390,943	-	390,943
Total	$ 2,269,024	$ 332,822	$ 848,720	$ 1,085,363	$ 569,955	$ 817,726	$ 687,290	$ 6,610,900

Other Information
June 30, 2015

Dawson Community College

CPAs & BUSINESS ADVISORS

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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Dawson Community College (the College) as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report dated January 25, 2016. Our report includes a reference to other auditors who audited the financial statements of Dawson College Foundation, Inc. (the Foundation), as described in our report on the College's financial statements. The audit of the financial statements of the Foundation were not performed in accordance with *Government Auditing Standards* and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

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

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 over financial reporting was for the limited purpose described in the preceding paragraph 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 were not 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 item 2015-A to be a significant deficiency.

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

College's Response to Findings
The College's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
January 25, 2016

2015-A **Audit Adjustments and Report Prep**
Significant Deficiency

Criteria: The College is responsible for establishing and implementing a system of internal control designed to record all year end adjusting entries necessary to close the fiscal year and to provide for the preparation of the financial statements being audited, including footnote disclosures required by GASB.

Condition: During the course of our audit engagement, we proposed audit adjustments, which if not recorded, would have resulted in a misstatement of the College's financial statements. In addition, we were asked to prepare the financial statements and footnote disclosures.

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

Effect: Misstatements to the financial statements were undetected by the College and not corrected in a timely manner which may result in the use by management of inaccurate financial information.

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

Management's Response and Corrective Action Plan

Explanation of Disagreements: Management agrees with the finding.

Official Responsible for ensuring corrective action: VP of Administration

Plan to monitor Completion of Corrective Action: The College began an overhaul of our internal controls and financial reporting system in FY2014. The need for a full time Controller to review account balances and oversee financial processes on a monthly basis quickly became apparent. Unsuccessful efforts to hire this position hindered the College's ability to move forward in this area. The College eventually solicited bids from local accounting firms to assist with monthly accounting functions in the spring of 2015. Shortly before signatures were obtained on the agreement, a highly qualified full time Controller was hired. The hire allowed The College to clear out outdated account balances, correct Banner created setup issues, reconcile balance sheet accounts and decrease the time required for year end closing and audit preparation. Even with all the work completed in the Business Department, there were several year end entries not completed by the time the auditors began field work. However, the College was either in the process of compiling the needed entries or the entries were the result of auditors reporting accounts differently. The auditors were correct in that the College did not have the personnel on board to review accounts balances monthly. However, the College has filled this position and is doubling up cross training efforts to eliminate this issue going forward. Accounts are now being reconciled and reviewed on a monthly basis and cross training is in progress. In the past several years, the College has decreased the time required to close out a fiscal year from 30 months to 6 months. It is our goal to be able to close out the current fiscal year within three months and maintain this timeline going forward. The College is committed to improving our efforts to provide accurate, reliable financial information in a timely manner to all our stakeholders.