DAWSON COMMUNITY COLLEGE

FINANCIAL REPORT

June 30, 2017 and 2016

LEGISLATIVE AUDIT DIVISION

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

Deputy Legislative Auditors:
Cindy Jorgenson
Joe Murray

March 2018

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, 2017.

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

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

Respectfully submitted,

/s/ Angus Maciver

Angus Maciver
Legislative Auditor

17C-06

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Independent Auditor's Report

To the Board of Trustees
Dawson Community College
Glendive, Montana

Report on the Financial Statements
We have audited the accompanying financial statements of Dawson Community College (the College), as of and for the years ended June 30, 2017 and 2016 and the financial statements of the discretely presented component unit as of and for the years ended October 31, 2016 and 2015, 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 discretely presented component unit, Dawson College Foundation, Inc. (the Foundation). Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audits and the reports 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, 2017 and 2016, and the discretely presented component unit as of October 31, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, other postemployment benefits – schedule of funding progress, schedule of employer's share of net pension liability and schedule of employer contributions as noted in the table of contents to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods 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 federal expenditures – student financial assistance programs, schedule of full time equivalent and functional classification of operating expenses are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 30, 2018 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
March 30, 2018

The following Management's Discussion and Analysis is required supplementary information under the Governmental Accounts Standards Board (GASB) reporting model. Dawson Community College's (the College) Management Discussion and Analysis (MD&A) presents an overview of its financial condition and results of operations and cash flows for the fiscal years ended June 30, 2017 and 2016. The MD&A's purpose is to aid readers in understanding the accompanying financial statements through analysis of the College's financial activities based on currently known facts and conditions. This MD&A should be read in conjunction with the accompanying financial statements and footnote disclosures.

Financial Highlights

In the fiscal year 2017, operating revenues decreased and operating expenses increased resulting in net operating loss of $4,296,923. This netted against an increase in non-operating revenues; resulting from increases in investment income, Pell grant funding and local appropriations netted against decreases in state appropriations and oil and gas revenues resulted in an overall increase in net position of $228,120. The College continues to increase net position even during this time of reorganization.

In the fiscal year 2016, operating revenues increased and operating expenses decreased slightly resulting in net operating loss decrease to $3,834,301 from the previous fiscal year. This netted against a decrease in non-operating revenues from state appropriations, property taxes, and oil and gas revenues resulted in an overall increase in net position of $345,673. The ability to increase net position during a restructuring that eliminated several faculty and staff positions and a downward trend in enrollment reflects the college's ability to adjust to spending appropriately and react to the changing higher education landscape while responding to the needs of students and community.

Changes 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).

How the Financial Statements Relate to Each Other

The financial statements included are the:

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

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

The basic financial statements referred to above are intended and should be viewed in their entirety. However, each of the financial statements is unique and presents the financial information in accordance with the purpose of the individual statement. The most basic relationships between the statements are described below. The Statement of Net Position presents a snap shot of the financial position of the College as of its fiscal year end, June 30, 2017 and 2016. The Statement of Revenues, Expenses and Changes in Net Position presents the results of activities for the College throughout the fiscal year.

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

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

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

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

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

Condensed Statements of Net Position

	June 30, 2017	June 30, 2016	June 30, 2015
Total Current Assets	$3,884,293	$3,657,434	$3,334,656
Total Capital and Other Assets	11,438,908	11,649,439	11,875,411
Total Assets	15,323,201	15,306,873	15,210,067
Deferred Outflow of Resources	454,814	279,892	317,068
Total Current Liabilities	936,678	858,511	789,845
Total Non-Current Liabilities	6,376,284	6,516,250	6,585,592
Total Liabilities	7,312,962	7,374,761	7,375,437
Deferred Inflow of Resources	205,422	180,493	465,860
Net Investment in Capital Assets	6,340,434	6,354,763	6,285,876
Restricted - Expendable	2,966,097	2,739,194	3,751,265
Unrestricted	(1,046,900)	(1,062,446)	(2,351,303)
Total Net Position	$8,259,631	$8,031,511	$7,685,838

The total net position increased by $228,120 from FY2016 to FY2017. The total net position increased by $345,673 from FY2015 to FY2016.

Current assets include the College's cash, taxes, grants receivables, student loans, accounts receivables, inventories, prepaid expenses and other assets expected to benefit the College within one year. The net increase in current assets from FY2016 to FY2017 was due to an increase in cash and cash equivalents, accounts and grant receivables, netted against a decrease in tax receivables, student loan receivables, prepaid expenses and inventory. The net increase in current assets from FY2015 to FY2016 was due to an increase in cash and cash equivalents, and taxes receivable, netted against a decrease in grants receivables and prepaid expenses.

Non-current assets include restricted cash, investments and net capital assets. The net decrease in non-current assets from FY2017 to FY2016 is due to the annual depreciation expense and decrease in restricted cash offset by an increase in investments. The net decrease in non-current assets from FY2016 to FY2015 is due to the annual depreciation expense offset by an increase in restricted cash and investments.

Deferred outflows 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 $78,167 from FY2016 to FY2017 due to increases accounts payable, accrued payroll expenses, netted against decreases in advanced tuition and fees, current portions of long-term debt and compensated absences. .

Non-current liabilities include debt principal due in greater than one year, other post-retirement benefit obligations (OPEB) for employees and net pension liability. Non-current liabilities decreased from FY2016 to FY2017 by $139,966 as a result of reductions in debt netted against increases in long tem compensated absences, OPEB obligations and net pension liability. The College has paid off two long term debt notes within the last two fiscal years, including the Intercap Loan originated in 2013. Non-current liabilities decreased from FY2015 to FY2016 by $69,342 as a result of reductions in debt netted against increases in OPEB obligations and net pension liability.

Deferred inflows 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 FY2016 to FY2017 and the increase from FY2015 to FY2016 is 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. These funds are primarily restricted for grants, student loans, scholarships and student activities.

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

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

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

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

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

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

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

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

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

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

Statement of Revenue, Expenses, and Change in Net Position – The Statement of Revenue, Expenses and Changes in Net Position reflects the results of the operations for each fiscal year, distinguishing between operating and non-operating revenues and expenses as defined by GASB. GASB has defined appropriations (state and local) and Federal Pell grant funding as non-operating revenues, thus the College shows an operating loss of $4,296,923 and $3,834,301 from FY2017 and FY2016, respectively. Once the appropriations and Pell grant dollars are considered, the change in net position results in an increase of $228,120 and $345,673 for FY2017 and FY2016, respectively. The inclusion of state and local appropriations and Pell grant funding is a more useful measure of the College's regular activates.

Condensed Statements of Revenue, Expenses and Changes in Net Position

	June 30, 2017	June 30, 2016	June 30, 2015
Operating Revenues	$2,267,511	$2,612,360	$2,292,242
Operating Expenses	(6,564,434)	(6,446,661)	(6,610,900)
Operating Loss	(4,296,923)	(3,834,301)	(4,318,658)
Net Non-Operating Revenues	4,525,043	4,179,974	4,853,524
Changes in Net Position	228,120	345,673	534,866
Net Position, Beginning of Year	8,031,511	7,685,838	7,150,972
Net Position, End of Year	$8,259,631	$8,031,511	$7,685,838

Operating Revenues includes federal and state grants and contracts, tuition, fees and auxiliary activities. Operating Revenues for FY2017 are $2,267,511 compared to FY2016 are $2,612,360 and $2,292,242 for FY2015. The decrease from FY 2016 to FY2017 is primarily due to reduction in state appropriations, as well as the reduction of state oil and gas production tax. The increase from FY2015 to FY2016 is primarily due to the receipt of insurance proceeds from storm damage. The related repairs were completed August 2018.

Operating Expenses for FY2017 were $6,564,434 versus $6,446,661 for FY2016, an increase of $117,773. Operating Expenses decreased $164,239 from $6,610,900 in FY2015 to $6,446,661 in FY 2016. These increases in operating expenses were the net result of increases in health insurance premiums, contracted services, repairs and maintenance and utilities against decreases in salaries, travel and depreciation.

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 FY2017 are $4,525,043 versus $4,179,974 for FY2016. State appropriations for FY2017 were $126,246 less than FY2016, and local appropriations were $265,722 more than in FY2016. In FY2017, oil and gas revenue was $109,115, a decrease of $65,134 from the $174,249 received in FY2016. In FY2016 Non-Operating Revenues decreased by $673,550 from FY2015. State appropriations were $246,575 less in FY2016 than FY2015, and local appropriations were $46,531 lower. Oil and gas revenue in FY2015 was $400,293.

Capital Assets – The College's investment in Capital Assets as of June 30, 2017 and June 30, 2016, was $9,010,195 and $9,327,378, respectively, net of accumulated depreciation. Investment in Capital Assets normally includes land, buildings, improvements, machinery and equipment, library holdings, and software. The decrease was due to fixed asset additions of $59,260 netted against annual depreciation.

Debt Administration – The College's long-term debt obligation as of June 30, 2017, and June 30, 2016, were $2,679,517 and $2,995,143, respectively. The College had $3,301,370 long-term debt obligations at fiscal year end June 30, 2015. Additional information can be found in Footnote 7. Long-Term Liabilities.

Pending Economic and Financial Issues

DCC is in the third year of an extensive transition and awakening period. Having addressed accreditation concerns in FY2015 and surviving faculty and staff layoffs is FY2016, the College proceeded through FY2017 with a new President at the helm. While the College is still challenged in multiple areas, these issues are the same as what other institutions are facing and not in addition to a multitude of deficiencies seen in past years. There is more work to do, however, with President Mickelsen recently signing a five year contract, DCC not only looks to the future with a new found stability; but is eager to build, grow and expand our reach into eastern Montana and beyond. Continued focus remains on enrollment and funding, however in FY2018 the College is also addressing the strategic plan, program review, plant maintenance and marketing as we spread the good message of DCC across the state. In addition, the College has partnered with local economic development groups and is leading discussions to boost economic growth and bring businesses and industry to our service area.

General Fund Revenue - Since FY2015 there has been a 29% decrease in state support provided to Dawson Community College. State allocations made up approximately 43% of the general fund budget in FY2017. With the College's focus on enrollment growth, tuition revenue increased 20% over FY2016 levels. With an additional 18% decrease expected in state allocations for FY2018, the College spent considerable time in FY2017 developing funding strategy going forward. The plan includes reducing expenses where feasible and allocating certain allowable expenses to other unrestricted funds. The College has focused on a three point strategy to overcome funding deficits left by decreasing state support. This strategy includes increasing tuition with close monitoring of tuition rates and increasing enrollment numbers by adding programming and securing additional partnerships with area schools.

Enrollment - In order to achieve its goals, DCC is committed to growing and sustaining enrollment through strong recruiting efforts with intentional focus on Montana students. Strategies implemented in FY2017 included new programming with embedded certificates and adding a new GEM tuition rate to recruit North Dakota and South Dakota students. New faculty were hired and key staff positions were filled making DCC a stronger institution. Additional resources were allocated to recruiting and retention efforts for FY2018. Results of these efforts have been promising as FY2017 FTE increased 9% over FY2016 totals. This growth has continued in FY2018, as Fall 2017 FTE numbers increased over 20% compared to Fall 2016.

Workforce Training –. As part of the current strategic plan, College Workforce Development and Continuing Education is an important source of unrestricted revenue for the College and we are working diligently to expand these learning opportunities for the businesses, industries and communities in our region. A sampling of training DCC hosted in FY2017 includes the Eastern Montana 2016 Educational Symposium, Employment Law Seminars; customized training for Mid-Rivers Communications titled "DC Circuit/CAT 5." which served technicians from Lewistown, Roundup, Baker, Sidney, Glendive, and Miles City; and online fifteen (15) hour Gambling Addiction Workshops created to address changing state requirements for Licensed Addiction Counselors.

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

DAWSON COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
As of June 30, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,160,199	$ 2,850,122
Taxes receivable	258,176	402,191
Student loan receivable	69,115	73,565
Accounts receivable, net of allowance for doubtful accounts $10,000 and $19,270 at June 30, 2017 and 2016, respectively)	108,308	66,473
Grants receivable	154,743	90,253
Prepaid expenses	43,331	65,478
Inventory	90,421	109,352
Total current assets	3,884,293	3,657,434
NONCURRENT ASSETS		
Restricted cash	297,516	1,186,101
Restricted investments	2,131,197	1,135,960
Land	137,518	137,518
Property and equipment (net of accumulated depreciation of $7,065,102 and $6,688,658 at June 30, 2017 and 2016, respectively)	8,872,677	9,189,860
	11,438,908	11,649,439
Total assets	15,323,201	15,306,873
DEFERRED OUTFLOW OF RESOURCES		
Pension obligation	454,814	279,892

See Notes to Financial Statements

DAWSON COMMUNITY COLLEGE
STATEMENTS OF NET POSITION (CONTINUED)
As of June 30, 2017 and 2016

	2017	2016
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	146,498	106,380
Accrued payroll expenses	339,490	255,278
Room deposits	6,300	8,845
Advanced tuition and fees	63,067	97,480
Interest payable	19,240	19,479
Current portion of long-term debt	288,208	301,997
Current portion of compensated absences	73,875	69,052
Total current liabilities	936,678	858,511
LONG-TERM LIABILITIES		
Long-term debt, less current portion	2,391,309	2,693,146
Long-term compensated absences, less current portion	147,750	138,105
Net pension liability	2,752,055	2,662,460
OPEB payable	1,085,170	1,022,539
Total long-term liabilities	6,376,284	6,516,250
Total liabilities	7,312,962	7,374,761
DEFERRED INFLOW OF RESOURCES		
Pension obligation	205,422	180,493
NET POSITION		
Net investment in capital assets	6,340,434	6,354,763
Restricted for:		
Student loans	80,245	79,378
Scholarships, research, and other	2,677,995	2,472,280
Student activities fund	207,857	187,536
Unrestricted	(1,046,900)	(1,062,446)
Total net position	$ 8,259,631	$ 8,031,511

See Notes to Financial Statements

DAWSON COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Federal grants and contracts	$ 297,042	$ 563,297
State and private grants and contracts	84,007	42,362
Tuition (net of waivers)	731,342	607,534
Course and mandatory fees	344,342	330,094
Auxiliary activities		
Bookstore	122,303	96,281
Dormitory	529,525	506,696
Other revenue	158,950	466,096
Total operating revenues	2,267,511	2,612,360
OPERATING EXPENSES		
Salaries	2,198,003	2,456,851
Benefits	1,112,675	1,030,619
Travel	231,591	295,181
Supplies	302,401	294,223
Contracted services	991,680	958,824
Repairs and maintenance	102,015	89,094
Utilities	172,163	154,923
Communication	162,928	111,217
Scholarships and grants	693,288	511,552
Other operating expense	221,246	138,832
Depreciation	376,444	405,345
Total operating expenses	6,564,434	6,446,661
Operating loss	(4,296,923)	(3,834,301)

DAWSON COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)
For the Years Ended June 30, 2017 and 2016

	2017	2016
NON-OPERATING REVENUES (EXPENSES)		
Interest income	33,833	35,199
Interest expense	(121,237)	(141,755)
Investment income	196,538	8,849
Federal Pell grant funding	381,920	318,034
State appropriation	1,800,894	1,927,140
State oil and gas production tax	109,115	174,249
Local appropriation	2,123,980	1,858,258
Total non-operating revenues (expenses)	4,525,043	4,179,974
Change in net position	228,120	345,673
Net position, beginning of year	8,031,511	7,685,838
Net position, end of year	$ 8,259,631	$ 8,031,511

See Notes to Financial Statements

DAWSON COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tuition and course fees	$ 999,436	$ 980,332
Receipts from grants and contracts	316,559	655,001
Collection on student loans	5,683	6,368
Disbursement of loans to students	(1,233)	(5,358)
Receipts from the bookstore	122,303	96,281
Receipts from the dormitory	526,980	506,696
Cash paid to employees	(3,209,765)	(3,597,915)
Cash paid to suppliers	(1,930,665)	(1,785,329)
Cash paid for scholarships and student support	(693,288)	(461,245)
Payments for utilities	(172,163)	(154,923)
Other revenue	158,711	466,096
Net cash used for operating activities	(3,877,442)	(3,293,996)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	33,833	35,350
Investment earnings reinvested	(995,237)	(8,849)
Earnings received on investments	196,538	8,849
Net cash from (used for) investing activities	(764,866)	35,350
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	1,800,894	1,927,140
State oil and gas production tax	109,115	87,299
Federal Pell grant funding	381,920	318,034
Local appropriations	2,267,995	1,858,258
Net cash from non-capital financing activities	4,559,924	4,190,731

See Notes to Financial Statements

DAWSON COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property and equipment	(59,261)	(130,377)
Principal payments on long-term debt	(315,626)	(320,031)
Interest payments on long-term debt	(121,237)	(157,805)
Net cash used for financing activities	(496,124)	(608,213)
Net change in cash and cash equivalents	(578,508)	323,872
Cash and cash equivalents, beginning of year	4,036,223	3,712,351
Cash and cash equivalents, end of year	$ 3,457,715	$ 4,036,223
Reconciliation to Statement of Net Position:		
Dawson Community College:		
Cash and cash equivalents	$ 3,160,199	$ 2,850,122
Restricted cash	297,516	1,186,101
	3,457,715	4,036,223
Total cash and cash equivalents and restricted cash	$ 3,457,715	$ 4,036,223

See Notes to Financial Statements

DAWSON COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years Ended June 30, 2017 and 2016

	2017	2016
Reconciliation of operating loss to net cash used for operating activities		
Operating loss	$ (4,296,923)	$ (3,834,301)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation	376,444	405,345
Change in OPEB obligation and GASB 68 pension	26,597	71,977
Contributions from the State for pensions	(24,364)	(71,329)
Change in operating assets and liabilities		
Student loans receivable	4,450	682
Accounts receivable, net	(41,835)	(31,829)
Grants receivable	(64,490)	99,649
Prepaid expenses	22,147	29,533
Inventory	18,931	(2,448)
Accounts and interest payable	39,879	76,615
Unearned tuition and fees	(34,413)	74,210
Accrued payroll expenses	84,212	(44,667)
Room deposits	(2,545)	(1,655)
Compensated absences	14,468	(65,778)
Net cash used for operating activities	$ (3,877,442)	$ (3,293,996)

DAWSON COLLEGE FOUNDATION, INC.
(A COMPONNENT UNIT OF DAWSON COMMUNITY COLLEGE)
STATEMENTS OF FINANCIAL POSITION
October 31, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	$ 277,270	$ 294,797
Investments in marketable equity securities	1,255,463	1,183,904
Commitments receivable	-	4,000
Accrued interest receivable	1,558	1,688
Total assets	$ 1,534,291	$ 1,484,389
NET ASSETS		
Unrestricted	$ 306,101	$ 321,579
Temporarily restricted	269,755	303,096
Permanently restricted	958,435	859,714
Total net assets	1,534,291	1,484,389
Total liabilities and net assets	$ 1,534,291	$ 1,484,389

See Notes to Financial Statements

DAWSON COLLEGE FOUNDATION, INC.
(A COMPONENT UNIT OF DAWSON COMMUNITY COLLEGE)
STATEMENT OF ACTIVITIES
For the Year Ended October 31, 2016

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support				
Contributions	$ 24,451	$ 56,408	$ 16,530	$ 97,389
Investment income	12,569	16,989	1,331	30,889
Net realized & unrealized investment gains (losses)	3,686	4,506	-	8,192
Total revenues and support	40,706	77,903	17,861	136,470
Expenses				
Scholarships	1,750	-	-	1,750
Professional fees	2,705	-	-	2,705
Dues and subscriptions	1,010	-	-	1,010
Office expenses	1,484	-	-	1,484
Teacher development	4,584	-	-	4,584
Insurance	1,035	-	-	1,035
Advertising	600	-	-	600
Miscellaneous supplies	1,952	-	-	1,952
Charitable distributions	71,448	-	-	71,448
Total expenses	86,568	-	-	86,568
Change in net assets	(45,862)	77,903	17,861	49,902
Net assets, beginning of year	321,579	303,096	859,714	1,484,389
Reclassified based on donor restrictions	30,384	(111,244)	80,860	-
Net assets, end of year	$ 306,101	$ 269,755	$ 958,435	$ 1,534,291

See Notes to Financial Statements

DAWSON COLLEGE FOUNDATION, INC.
(A COMPONENT UNIT OF DAWSON COMMUNITY COLLEGE)
STATEMENT OF ACTIVITIES
For the Year Ended October 31, 2015

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support				
Contributions	$ 6,807	$ 48,082	$ 41,975	$ 96,864
Investment income	13,289	16,244	-	29,533
Net realized & unrealized investment gains (losses)	(981)	(1,200)	-	(2,181)
Fundraising	2,725	-	-	2,725
Total revenues and support	21,840	63,126	41,975	126,941
Expenses				
Scholarships	-	12,294	-	12,294
Professional fees	3,700	-	-	3,700
Dues and subscriptions	1,211	-	-	1,211
Office expenses	4,057	-	-	4,057
Teacher development	-	6,753	-	6,753
Program services	1,424	-	-	1,424
Fundraising	425	-	-	425
Insurance	1,177	-	-	1,177
Advertising	3,802	-	-	3,802
Miscellaneous	824	-	-	824
Charitable distributions	191	26,688	-	26,879
Total expenses	16,811	45,735	-	62,546
Change in net assets	5,029	17,391	41,975	64,395
Net assets, beginning of year	419,403	221,830	778,761	1,419,994
Reclassified based on donor restrictions	(102,853)	63,875	38,978	-
Net assets, end of year	$ 321,579	$ 303,096	$ 859,714	$1,484,389

See Notes to Financial Statements

DAWSON COLLEGE FOUNDATION, INC.
(A COMPONENT UNIT OF DAWSON COMMUNITY COLLEGE)
STATEMENTS OF CASH FLOW
For the Years Ended October 31, 2016 and 2015

	2016	2015
NET CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 49,902	$ 64,395
Adjustment to reconcile change in net assets to net cash from operating activities:		
Decrease (increase) in interest receivable	130	358
Decrease (increase) in commitments receivable	4,000	(4,000)
Net cash from operating activities	54,032	60,753
NET CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in investments	(71,559)	(12,856)
Net cash used for investing activities	(71,559)	(12,856)
Net change in cash and cash equivalents	(17,527)	47,897
Cash and cash equivalents, beginning of year	294,797	246,900
Cash and cash equivalents, end of year	$ 277,270	$ 294,797

See Notes to Financial Statements

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

The Foundation’s financial statements for the fiscal year ended October 31, 2016 and 2015, are discretely presented because the College does not have financial accountability for the Foundation.

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

Nature of Business – Reporting Entity (Continued)

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.

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

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 years ended June 30, 2017 and 2016, are as follows:

	2017 Number of Mills	2016 Number of Mills
General Levy	52.56	44.85
Debt Service Levy	15.50	12.71
Adult Education Levy	3.44	2.22
Retirement Fund Levy	7.97	13.66
Total	79.47	73.44

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

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

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

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

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

Summary of Significant Accounting Policies (Continued)

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.

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

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

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

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

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

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

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

Summary of Significant Accounting Policies (Continued)

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.

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

Summary of Significant Accounting Policies (Continued)

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

Income Taxes
As a public institution of higher education, the income of the College is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the College is subject to federal income tax on any unrelated business taxable income. Defined by the Internal Revenue Code, unrelated business income is from a trade or business, regularly carried on, that is not substantially related to the performance by the organization of its exempt purpose of function. The College does not have unrelated business income tax to report during the fiscal years ended June 30, 2017 or 2016.

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 includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The College has 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 GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the report period. Actual reports could differ from those estimates.

Pensions
The Teachers' Retirement System (TRS) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the net pension liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position of the TRS and additions to/deductions from TRS's fiduciary net position have been determined on the same accrual basis as they are reported by TRS.

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

Summary of Significant Accounting Policies (Continued)

Pensions (Continued)
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's 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 $286,965 and $318,991 for the years ended June 30, 2017 and 2016, respectively.

NOTE 2. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents
At June 30, 2017 and 2016, cash and cash equivalents consisted of the following:

	2017	2016
Cash on hand	$ 5,350	$ 6,744
Deposits with financial institutions	81,697	70,086
Time certificate of deposit with financial institution	50,751	50,548
Invested in Dawson County Investment Pool	3,128,178	2,918,407
Money market fund	191,739	990,438
Total cash and cash equivalents	$ 3,457,715	$ 4,036,223

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, 2017 and 2016.

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

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

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, 2017 and 2016, respectively, none of the College's bank balances of $3,390,161 and $3,237,559, respectively, were exposed to custodial credit risk.

NOTE 3. RESTRICTED CASH

The College has restricted cash as follows as of June 30, 2017 and 2016.

	2017	2016
Restricted for dorm furniture replacement	$ 30,455	$ 30,425
Dorm deposits	6,300	8,845
Restricted for grants	549	94,674
Restricted for student loan program	17,722	11,171
USDA loan reserve	50,751	50,548
Money market funds	191,739	990,438
Total restricted cash	$ 297,516	$ 1,186,101

NOTE 4. RESTRICTED INVESTMENTS

The College’s restricted investments are as follows as of June 30, 2017 and 2016:

	2017	2016
Certificates of deposit	$ 799,013	$ -
GNMA	27	35
Stock mutual funds	1,332,157	1,135,925
Total restricted investments	$ 2,131,197	$ 1,135,960

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

NOTE 4. RESTRICTED INVESTMENTS (CONTINUED)

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

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

Investments' fair value measurements are as follows at June 30, 2017:

		Fair Value Measurement Using		
Investments	Fair Value	Level 1	Level 2	Level 3
Mutual Funds:				
Growth & Income	$ 1,231,204	$ 1,231,204	$ -	$ -
Aggressive Growth	100,953	100,953	-	-
Mortgage-backed securities	27	-	27	-
Total debt securities	$ 1,332,184	$ 1,332,157	$ 27	$ -

Investments' fair value measurements are as follows at June 30, 2016:

		Fair Value Measurement Using		
Investments	Fair Value	Level 1	Level 2	Level 3
Mutual Funds:				
Growth & Income	$ 1,045,903	$ 1,045,903	$ -	$ -
Aggressive Growth	90,022	90,022	-	-
Mortgage-backed securities	35	-	35	-
Total debt securities	$ 1,135,960	$ 1,135,925	$ 35	$ -

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.

NOTE 4. RESTRICTED INVESTMENTS (CONTINUED)

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, 2017, is summarized as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
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	1,526,806	59,261	-	1,586,067
Improvements	1,307,101	-	-	1,307,101
Library inventory	396,396	-	-	396,396
Total capital assets being depreciated	15,878,518	59,261	-	15,937,779
Less accumulated depreciation				
Building	(4,520,627)	(238,244)	-	(4,758,871)
Equipment	(1,183,027)	(80,023)	-	(1,263,050)
Improvements	(617,170)	(52,948)	-	(670,118)
Library inventory	(367,834)	(5,229)	-	(373,063)
Total accumulated depreciation	(6,688,658)	(376,444)	-	(7,065,102)
Net capital assets being depreciated	9,189,860	(317,183)	-	8,872,677
Net capital assets	$ 9,327,378	$ (317,183)	$ -	$ 9,010,195

NOTE 5. CAPITAL ASSETS (CONTINUED)

Capital assets activity for the year ended June 30, 2016, is summarized as follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
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	1,424,017	102,789	-	1,526,806
Improvements	1,264,413	42,688	-	1,307,101
Library inventory	396,396	-	-	396,396
Total capital assets being depreciated	15,733,041	145,477	-	15,878,518
Less accumulated depreciation				
Building	(4,271,376)	(249,251)	-	(4,520,627)
Equipment	(1,087,379)	(95,648)	-	(1,183,027)
Improvements	(562,737)	(54,433)	-	(617,170)
Library inventory	(361,821)	(6,013)	-	(367,834)
Total accumulated depreciation	(6,283,313)	(405,345)	-	(6,688,658)
Net capital assets being depreciated	9,449,728	(259,868)	-	9,189,860
Net capital assets	$ 9,587,246	$ (259,868)	$ -	$ 9,327,378

NOTE 6. COMPENSATED ABSENCES

Compensated absences payable, which represent vacation and sick leave earned by employees which is payable upon termination, at June 30, 2017 and 2016, was as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Amounts Due Within One Year
Vacation and sick	$ 207,157	$ 88,784	$ (74,316)	$ 221,625	$ 73,875

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Amounts Due Within One Year
Vacation and sick	$ 272,935	$ 111,285	$ (177,063)	$ 207,157	$ 69,052

NOTE 7. LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2017, were as follows:

Loan:	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
Stockman Bank	$ 389,108	$ -	$ (33,753)	$ 355,355	$ 36,051
USDA Rural Development	555,714	-	(26,308)	529,406	23,151
General Obligation Bonds	2,000,000	-	(215,000)	1,785,000	220,000
Key Equipment Lease	10,238	-	(5,000)	5,238	4,488
All-Lines Leasing	9,036	-	(4,518)	4,518	4,518
Intercap Loan	31,047	-	(31,047)	-	-
	$ 2,995,143	$ -	$(315,626)	$ 2,679,517	$ 288,208

Changes in long-term liabilities for the year ended June 30, 2016, were as follows:

Loan:	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
Stockman Bank	$ 422,448	$ -	$ (33,340)	$ 389,108	$ 33,930
USDA Rural Development	566,800	-	(11,086)	555,714	13,014
General Obligation Bonds	2,205,000	-	(205,000)	2,000,000	215,000
Key Equipment Lease	14,726	-	(4,488)	10,238	4,488
All-Lines Leasing	-	13,804	(4,768)	9,036	4,518
Intercap Loan	92,396	-	(61,349)	31,047	31,047
	$ 3,301,370	$ 13,804	$(320,031)	$ 2,995,143	$ 301,997

The College had two capital leases as of June 30, 2017 and 2016. The following is an analysis of the leased assets included in equipment:

	2017	2016
Lease equipment	$ 28,904	$ 28,904
Accumulated depreciation	(16,377)	(12,955)
	$ 12,527	$ 15,949

NOTE 7. LONG-TERM LIABILITIES (CONTINUED)

Long-term debt consists of the following at June 30, 2017 and 2016:

	2017	2016
Note payable to Stockman Bank of $700,000 originated on February 21, 2000. Payments of $58,250 including both principal and interest, are due on February 10 each year. The note will mature in 2025. Interest is payable at 6.25% per annum, with the interest rate to be recalculated every five years. This note is secured by deeds of trust on real estate and improvements of the student dormitories and adjacent parking area. The note is also secured by any fixtures and equipment located in the dormitories, along with an assignment of rental revenue from all of the student dormitories owned by the College. Additionally, the USDA provided an 80% guarantee on the note.	$ 355,355	$ 389,108
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.	529,406	555,714
On September 1, 2004, the College issued general obligation bonds at a purchase price of $4,000,000 and an interest rate of 2.9%–4.35% to pay a portion of the costs of designing, constructing, furnishing and equipping a library and learning center expansion project and for the construction of a new performing arts center/gymnasium. The bonds bear interest payable semiannually on January 1 and July 1 each year, commencing January 1, 2005. The bonds mature beginning July 1, 2005 through 2022.	1,785,000	2,000,000
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 years ended June 30, 2017 and 2016, the interest rate was 1.00% and 1.25%, respectively. The loan is secured by the aforementioned construction project.	-	31,047

NOTE 7. LONG-TERM LIABILITIES (CONTINUED)

Long-term debt consists of the following at June 30, 2017 and 2016 (Continued):

	2017	2016
In 2016, the College entered into an equipment lease agreement, the lease extends through November 2017. The College will pay $4,518 annually.	$ 4,518	$ 9,036
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.	5,238	10,238
Total long-term debt	2,679,517	2,995,143
Less: current maturities	(288,208)	(301,997)
Total long-term debt, net	$ 2,391,309	$ 2,693,146

Approximate future annual minimum principal and interest payments as of June 30, 2017, are as follows:

Year ending June 30,	Principal	Interest	Total
2018	$ 288,208	$ 117,957	$ 406,165
2019	283,334	115,008	398,342
2020	303,053	102,939	405,992
2021	315,099	89,587	404,686
2022	328,603	75,941	404,544
2023-2027	822,631	186,252	1,008,883
2028-2032	128,254	68,796	197,050
2033-2037	210,335	37,609	247,944
Total	$ 2,679,517	$ 794,089	$ 3,473,606

The Stockman Bank loan guaranteed by the USDA and the United States Department of Agriculture – Rural Development loan are secured by a pledge of revenue from operation of the dormitory. There was $289,785 in pledged revenue generated from the operations of the dormitory to cover the debt service for these loans. The total principal and interest remaining to be paid on the Stockman Bank and USDA loans is approximately $895,000 and $460,000, respectively. The total debt service for the Stockman Bank loan during the year ended June 30, 2017 and 2016, was $58,250 and $58,250, respectively. The total debt service for the USDA loan during the year ended June 30, 2017 and 2016, was $39,410 and $39,410, respectively.

NOTE 8. RETIREMENT PLANS

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

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

The TRS Board is the governing body and the TRS staff administers the system in conformity with the laws set forth in Table 19, chapter 20 of Montana Code Annotated, and administrative rules set forth in Title 2, chapter 44 of the Administrative Rules of Montana. Additional information pertaining to membership, benefit structures, and prior years' actuarial valuations as well as links to applicable statutes 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 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 a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be members of both the defined contribution and defined benefit retirement plans. All new members from the universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP). For members that choose to join the PERS-DCRP or the MUS-RP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP.

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

NOTE 8. RETIREMENT PLANS (CONTINUED)

Summary of Benefits

TRS:
Through June 30, 2013, all members enrolled in TRS participated in single-tiered plan ("Tier One"). Employees with a minimum of 25 years of service or who have reached age 60 with 5 years of service are eligible to receive an annual retirement benefit equal to creditable service years divided by 60 times the average final compensation (AFC). Final compensation is the average of the highest three consecutive years of earned compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Beginning July 1, 2013, new members in TRS participate in a second benefit tier ("Tier Two"), which differs from Tier One as follows:

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

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

NOTE 8. RETIREMENT PLANS (CONTINUED)

Summary of Benefits (Continued)

PERS:

Member's highest average compensation (HAC)

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

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

Compensation Cap

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

Eligibility for benefit

Service retirement:

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

Early retirement, actuarially reduced:

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

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 of more of membership service: 2% of HAC per year of service credit.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Summary of Benefits (Continued)

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

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

Overview of Contributions

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

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.

NOTE 8. RETIREMENT PLANS (CONTINUED)

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 that amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
3. Employer contributions to the system:
   a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of the PERS-DBRP has dropped below 25 years and remains below the 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
   b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
   c. The portion of employer contributions allocated to the PCR are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
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 a portion of Coal Severance Tax income and earnings from the Coal Severance Tax fund.

NOTE 8. RETIREMENT PLANS (CONTINUED)

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

At June 30, 2017 and 2016, respectively, the College recorded a liability of $1,649,637 and $1,748,471 (TRS) and $1,102,418 and $913,989 (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, 2017		Net Pension Liability June 30, 2016	
	TRS	PERS	TRS	PERS
College proportionate share	$ 1,649,637	$ 1,102,418	$ 1,748,471	$ 913,989
State of Montana proportionate share associated with the College	1,078,027	13,470	1,177,834	11,227
	$ 2,727,664	$ 1,115,888	$ 2,926,305	$ 925,216

TRS:

For the fiscal year ended June 30, 2017, the net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The College's proportion of the net pension liability was based on the contributions received by TRS during the measurement period July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all TRS' participating employers. At June 30, 2017 and 2016, the College's proportion was .0903 percent and 0.1064 percent, respectively.

NOTE 8. RETIREMENT PLANS (CONTINUED)

TRS (continued):

Changes in actuarial assumptions and other inputs:

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

Changes in benefit terms:

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

Changes in proportionate share:

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

PERS:

For the fiscal year ended June 30, 2017, the net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 with update procedures to roll forward the Total Pension Liability to the measurement date of June 30, 2016. The College's proportion of the net pension liability was based on the contributions received by PERS during the measurement period July 1, 2015 through June 30, 2016, relative to the total employer contributions received from all PERS participating employers. At June 30, 2017, the College's proportionate share was .0647 percent and at June 30, 2016, the College's proportionate share was .0654 percent.

Changes in actuarial assumptions and other inputs:

- There were no changes in assumptions or other inputs that affected the measurement of the Total Pension Liability.

Changes in benefit terms:

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

Changes in proportionate share:

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

NOTE 8. RETIREMENT PLANS (CONTINUED)

Changes in proportionate share (continued):
At June 30, 2017, the College recognized $74,990 (TRS) and $77,828 (PERS) for its proportionate share of the pension expense. The College also recognized grant revenue of $3,920 (TRS) and $1,129 (PERS) for the support provided by the State of Montana for its proportionate share of the pension expense associated with the College.

At June 30, 2017, 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	$ 8,820	$ 3,507
Changes in assumptions or other inputs	10,498	10,368
Net differences between projected and actual earnings	106,229	-
Differences between expected and actual contributions	10,296	187,898
College's contributions subsequent to the measurement date	130,953	-
Total	$ 266,796	$ 201,773

PERS

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,948	$ 3,649
Net differences between projected and actual earnings	103,715	-
Changes in the employer's portion and differences between employer's contributions and the employer's proportionate contributions	824	-
College's contributions subsequent to the measurement date	77,531	-
Total	$ 188,018	$ 3,649

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, 2018.

At June 30, 2016, the College recognized $161,061 (TRS) and $62,919 (PERS) for its proportionate share of the pension expense. The College also recognized grant revenue of $48,693 (TRS) and $698 for the pension expense that is associated with the College.

NOTE 8. RETIREMENT PLANS (CONTINUED)

At June 30, 2016, 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	$ 18,437	$ -
Changes in assumptions or other inputs	24,744	3,693
Net differences between projected and actual earnings on pension plan	-	93,891
Differences between expected and actual contributions	19,761	-
College's contributions subsequent to the measurement date	138,615	-
Total	$ 201,557	$ 97,584

PERS

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 5,530
Net differences between projected and actual earnings on pension plan investments	-	77,379
Changes in the employer's portion and differences between employer's contributions and the employer's proportionate contributions	6,700	-
College's contributions subsequent to the measurement date	71,635	-
Total	$ 78,335	$ 82,909

Amounts reported as deferred outflows of resources related to pensions resulting from the College's contributions subsequent to measurement date were recognized as a reduction of the net pension liability for the year ended June 30, 2017.

NOTE 8. RETIREMENT PLANS (CONTINUED)

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 Outflow/ Inflow of Resources	Increase (Decrease) in Pension Expense
Year ended June 30:					
2018	$ 31,557	$ 71,163	$ (39,606)	$ 5,845	$ 5,845
2019	7,584	71,043	(63,459)	5,021	5,021
2020	58,570	59,567	(997)	58,938	58,938
2021	38,132	-	38,132	37,034	37,034

Actuarial Assumptions:

TRS:

The Total Pension Liability as of June 30, 2016, is based on the results of an actuarial valuation date of July 1, 2016. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2016 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 * 4% - 8.51% for Non-University Members and 5.00% for University Members
- Investment Return 7.75%
- Price Inflation 3.25%
- Postretirement Benefit Increases
  - Tier One Members: If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by 1.5% on January 1st.
  - Tier Two Members: The retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%.
- Mortality among contributing members, service retired members, and beneficiaries:
  - For Males: 1992 Base Rates from the RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the 1992 Base Rates from RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.
  - For Females: 1992 Base Rates from the RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and 1992 Base Rates from the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.

- Mortality among disabled members:
  - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018
  - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

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

PERS:
The Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation of June 30, 2015, with update procedures to roll forward the Total Pension Liability to June 30, 2016. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2016, valuation were based on the results of the last actuarial experience study, date June 2010 for the six year period July 1, 2003 to June 30, 2009. Those assumptions amounts were the following:

• Investment Return	7.75%
• Admin Expense as % of Payroll	0.27%
• General Wage Growth *	4.00%
*includes Inflation at	3.00%
• Merit Increases	0% to 6%

Guaranteed Annual Benefit Adjustment (GABA)
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit
  - 3% for members hired prior to July 1, 2007
  - 1.5% for members hired between July 1, 2007 and June 30, 2013
  - Members hired on or after July 1, 2013:
    (a) 1.5% for each year PERS is funded at or above 90%;
    (b) 1.5% is reduced by 0.1% for each 2% PERS is fund below 90%; and
    (c) 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Mortality Tables Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Discount Rate:

TRS:
The discount rate used to measure the total pension liability was 7.75% for both fiscal years ended June 30, 2017 and 2016. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions the State general fund will contribute $25 million annually to TRS payable July 1st of each year. Based on those assumptions, the fiduciary net position of TRS was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

PERS:
The discount rate used to measure the total pension liability was 7.75% for fiscal years ended June 30, 2017 and 2016. 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 2117. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Target allocations for June 30, 2017, were:

	TRS			PERS		
Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis *	Long-Term Expected Real Rate of Return	Target Asset Allocation	Real Rate of Return Arithmetic Basis *	Long-Term Expected Real Rate of Return
Cash Equivalents	N/A	N/A	N/A	2.60%	4.00%	0.10%
Broad US Equity/Domestic Equity	36.00%	4.80%	1.73%	36.00%	4.55%	1.64%
Broad International Equity/Foreign Equity	18.00%	6.05%	1.09%	18.00%	6.35%	1.14%
Fixed Income	N/A	N/A	N/A	23.40%	1.00%	0.23%
Private Equity	12.00%	8.50%	1.02%	12.00%	7.75%	0.93%
Intermediate Bonds	23.40%	1.50%	0.35%	N/A	N/A	N/A
Core Real Estate	4.00%	4.50%	0.18%	8.00%	4.00%	0.32%
High Yield Bonds	2.60%	3.25%	0.08%	N/A	N/A	N/A
Non-Core Real Estate	4.00%	7.50%	0.30%	N/A	N/A	N/A
	100%		4.75%	100.00%		4.36%
		Inflation	3.25%			3.00%
Expected arithmetic nominal return			8.00%			7.36%

*The long-term expected nominal rate of return above of 8.00% differs from the total TRS long-term rate of return assumption of 7.75%. The assumed rate is comprised of 3.25% inflation rate and a real long-term expected rate of return of 4.5%.

Target allocations for June 30, 2016 were:

	TRS			PERS	
Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis *	Long-Term Expected Real Rate of Return	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	N/A	N/A	N/A	2.00%	-0.25%
Board US Equity/Domestic Equity	36.00%	4.80%	1.73%	36.00%	4.55%
Broad International Equity/Foreign Equity	18.00%	6.05%	1.09%	18.00%	6.10%
Fixed Income	N/A	N/A	N/A	24.00%	1.25%
Private Equity	12.00%	8.50%	1.02%	12.00%	8.00%
Intermediate Bonds	23.40%	1.50%	0.35%	N/A	N/A
Core Real Estate	4.00%	4.50%	0.18%	8.00%	4.25%
High Yield Bonds	2.60%	3.25%	0.08%	N/A	N/A
Non-Core Real Estate	4.00%	7.50%	0.30%	N/A	N/A
	100%		4.75%	100.00%	
		Inflation	3.25%		
Expected arithmetic nominal return			8.00%		

NOTE 8. RETIREMENT PLANS (CONTINUED)

TRS:
The assumed long-term expected return on pension plan assets was reviewed as part of the regular experience studies prepared for TRS. The most recent analysis, performed for the period covering fiscal years 2009 through 2013, is outlined in a report date May 1, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates of arithmetic real rates of return for each major asset class include TRS's target asset allocation as of June 30, 2016, is summarized in the table above.

PERS:
The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for PERS. The experience study performed for the period of fiscal years 2003 through 2009, was outlined in a report dated June 2010, which is located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate of ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

Best estimate of arithmetic real rates of return for each major class include PERS' target asset allocation as of June 30, 2016 and 2015, is summarized in the table above.

NOTE 8. RETIREMENT PLANS (CONTINUED)

Sensitivity Analysis:

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

June 30, 2017

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net pension liability - TRS	$ 2,213,354	$ 1,649,637	$ 1,175,049
Net pension liability - PERS	$ 1,599,689	$ 1,102,418	$ 674,067

June 30, 2016

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net pension liability - TRS	$ 2,402,258	$ 1,748,471	$ 1,198,346
Net pension liability - PERS	$ 1,409,174	$ 913,989	$ 495,818

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

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

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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

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, the obligations were based on the July 1, 2015 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:

	2017	2016
Annual Required Contribution	$ 93,565	$ 93,565
Interest on Net OPEB Obligation	444	5,070
	94,009	98,635
Annual OPEB Cost (Expense)	94,009	98,635
Estimated contributions made	(31,378)	(26,658)
Increase in Net OPEB Obligation	62,631	71,977
Net OPEB Obligation, Beginning of Year	1,022,539	950,562
Net OPEB Obligation, End of Year	$ 1,085,170	$ 1,022,539

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

Fiscal Year Ended OPEB Obligation	Annual OPEB Cost	Contributions	Percentage of Annual OPEB Cost	Net Liability
June 30, 2017	$ 94,009	$ 93,565	99.53%	$ 1,085,170
June 30, 2016	$ 98,635	$ 93,565	94.86%	$ 1,022,539
June 30, 2015	$ 94,395	$ 82,692	87.60%	$ 950,562

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 actuarial value of assets.
- The actuarial methods and significant assumption are
    - Projected Unit cost funding method.
    - Actuarial value of assets is fair value.
    - 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.

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and the unfunded actuarial accrued liability (UAAL) for benefits was $1.45 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 $2.5 million and the ratio of the UAAL to the covered payroll was 59.16%.

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 and has renewed the lease. The current lease is dated December 12, 2016, and covers the 2016-2017 school year.

During the years ended June 30, 2017 and 2016, rental under long-term lease obligations were $11,500 and $11,500, respectively.

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

Organization

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

Basis of Presentation

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

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

Investments

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

	October 31, 2016	October 31, 2015
Certificates of deposit	$ 222,314	$ 317,097
Charles Schwab- Hoyt account	528,016	407,674
Charles Schwab- basketball fund	52,671	34,634
Edward Jones- managed account	452,462	187,853
Edward Jones- stocks, mutual funds	-	109,700
Edward Jones- bonds	-	126,946
Total restricted cash	$ 1,255,463	$ 1,183,904

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

Endowment

The Foundation's endowment consists of individual endowments established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Market value of the endowments funds included in total investments for the years ended October 31, 2016 and 2015, are $1,017,094 and $943,243, respectively.

Direct investment management, custodial and consulting fees for the Foundation's endowment funds totaled $4,747 and $3,306 for the years ended October 31, 2016 and 2015, respectively. These fees have been included as reductions to investment income.

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

The Foundation's goal for its endowments is to provide a real rate of return (total return minus investment expenses, and administration fees) sufficient, in perpetuity, the purposes of the various endowments. The endowment spending allowance policy is also structured to help maintain the endowments in perpetuity, preserve their purchasing power and stabilize the flow of support for the purposes of the respective endowments. The spending allowance for each endowment in the years ended October 31, 2016 and 2015, was limited to the unexpended accumulated earnings or return (both realized and unrealized) of the respective endowment, unless otherwise provided by the donor.

NOTE 12. RISK MANAGEMENT

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

NOTE 13. CONTINGENT LIABILITIES AND COMMITMENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

DAWSON COMMUNITY COLLEGE
OTHER POSTEMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
Years Ended June 30, 2017 and 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit	Unfunded AAL (UAAL) (b/a)	Funded Ration (a/b)	Covered Payroll (c)	UAAL as a Percentage of Payroll ((b-a)/c)
July 1, 2015	$ -	$1,453,360	$1,453,360	0.00%	$2,456,852	59.16%
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%

See Notes to Required Supplementary Information

DAWSON COMMUNITY COLLEGE
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABLITY

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

	Measurement date as of July 1, 2016	2015	2014
Employer's proportionate share of the net pension liability	0.0903%	0.1064%	0.1075%
Employer's proportionate share of the net pension liability associated with the Employer	$ 1,649,637	$ 1,748,471	$1,653,808
State of Montana's proportionate share of the net pension liability associated with the Employer	$ 1,078,027	$ 1,177,834	$1,135,292
Total	$ 2,727,664	$ 2,926,305	$2,789,100
Employer's covered payroll	$ 1,172,117	$ 1,358,278	$1,355,289
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	140.74%	128.73%	122.03%
Plan fiduciary net position as a percentage of the total pension liability	66.69%	69.03%	70.36%

Schedule of Employer's Share of Net Pension Liability
Public Employees Retirement System of Montana
Last 10 – Fiscal Years

	Measurement date as of July 1, 2016	2015	2014
Employer's proportionate share of the net pension liability	0.0647%	0.0654%	0.0651%
Employer's proportionate share of the net pension liability associated with the Employer	$ 1,102,418	$ 913,989	$ 811,511
State of Montana's proportionate share of the net pension liability associated with the Employer	$ 13,470	$ 11,227	$ 9,910
Total	$ 1,115,888	$ 925,216	$ 821,421
Employer's covered payroll	$ 775,241	$ 763,048	$ 737,256
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	142.203%	119.781%	110.072%
Plan fiduciary net position as a percentage of the total pension liability	74.71%	78.40%	79.90%

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

DAWSON COMMUNITY COLLEGE
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS

Teacher's Retirement System of Montana
Last 10 – Fiscal Years*

	Fiscal year-end as of June 30,		
	2017	2016	2015
Statutorily required contribution	$ 77,531	$ 138,615	$ 159,752
Contributions in relation to the statutorily required contribution	$ 77,531	$ 138,615	$ 159,752
Contribution (deficiency) excess	$ -	$ -	$ -
Employer's covered payroll	$ 823,091	$ 1,172,117	$ 1,358,278
Contributions as a percentage of the covered payroll	9.42%	11.83%	11.76%

Schedule of Employer Contributions
Public Employees Retirement System of Montana
Last 10 – Fiscal Years*

	Fiscal year-end as of June 30,		
	2017	2016	2015
Statutorily required contribution	$ 72,448	$ 71,635	$ 68,990
Contributions in relation to the statutorily required contribution	$ 72,448	$ 71,635	$ 68,990
Contribution (deficiency) excess	$ -	$ -	$ -
Employer's covered payroll	$ 875,497	$ 775,241	$ 763,048
Contributions as a percentage of the covered payroll	8.49%	9.24%	9.04%

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

Data reported is presented for the fiscal years ended June 30.

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

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

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

(1) **Final Average Compensation:** Average of earned compensation paid in five consecutive years of full-time service that yields the highest average.
(2) **Service Retirement:** Eligible to receive a service retirement benefit if the member has been credited with at least five full years of creditable service and has attained the age of 60; or has been credited with 30 or more years of full-time or part-time creditable service and has attained age 55.
(3) **Early Retirement:** Eligible to receive an early retirement allowance if a member is not eligible for service retirement but has at least five years of creditable service and attained age 55.
(4) **Professional Retirement Option:** If the member has been credited with 30 or more years of service and has attained the age of 60 they are eligible for an enhanced allowance equal to 1.85% of average final compensation times all service at retirement. Otherwise, the multiplier used to calculate the retirement allowance will be equal to 1.67%.
(5) **Annual Contribution:** 8.15% of member's earned compensation.
(6) **Supplemental Contribution Rate:** On or after July 1, 2023, the TRS Board may require a supplemental contribution up to 0.5% if the following three conditions are met:
    a. The average funded ratio of the System based on the last three annual actuarial valuations is equal to or less than 80%; and
    b. The period necessary to amortize all liabilities of the System based on the latest annual actuarial valuation is greater than 20 years; and
    c. A State or employer contribution rate increase or a flat dollar contribution to the Retirement System Trust fund has been enacted that is equivalent to or greater than the supplemental contribution rate imposed by the TRS Board
(7) **Disability Retirement:** A member will not be eligible for a disability retirement if the member is or will be eligible for a service retirement on the date of termination.
(8) **Guaranteed Annual Benefit Adjustment (GABA):**
    a. If the most recent actuarial valuation shows that Retirement System liabilities are at least 90% funded and the provision of the increase is not projected to cause the System's liabilities to be less than 85% funded, the GABA may increase from the 0.5% floor up to 1.5%, as set by the Board.

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

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

Changes in actuarial assumptions and other inputs:

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

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

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

- Correctly reflect the proportion of members that are assumed to take a refund of contributions upon termination and appropriately reflect the three year COLA deferral period for Tier 2 Members.
- The 0.63% load applied to the projected retirement benefits of the university members "to account for larger than average annual compensation increases observed in the years immediately preceding retirement" is not applied to benefits expected to be paid to university members on account of death, disability and termination (prior to retirement eligibility).
- The actuarial valuation was updated to reflect the assumed rate of retirement for university members at age 90. 8.50% as stated in the actuarial valuation report.
- The actuarial valuation was updated to reflect the fact that vested termination are only covered by the $500 death benefit for the one year following their termination and, once again when the terminated member commences their deferred retirement annuity (they are not covered during the deferral period). Additionally, only the portion of the

terminated members that are assumed to "retain membership in the System" are covered by the $500 death benefit after termination.

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

Methods and assumptions used in calculations of actuarially determined contributions:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	24 years
Asset valuation method	4-year smoothed market
Inflation	3.25 percent
Salary increase	4.00 to 8.51 percent, including inflation for Non-University Members and 5.00 % for University Members;
Investment rate of return	7.75 percent, net of pension plan investment Expense, and including inflation

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

2013 Legislative Changes:

<u>House Bill 454 – Permanent Injunction Limits Application of GABA reduction passed under HB454</u>

Guaranteed Annual Benefit Adjustment (GABA) – for PERS

- After the member has completed 12 full months of retirement, the member's benefit increase by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.
- *3% for members hired **prior** to July 1 , 2007*

- 1.5% for members hired **on or after** July 1, 2007 and **before** July 1, 2013
- Members hired **on or after** July 1, 2013
  (a) 1.5% each year PERS is funded at or above 90%;
  (b) 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and,
  (c) 0% whenever the amortization period for PERS is 40 years or more.

2015 Legislative Changes:

General Revisions – House Bill 101, effective January 1, 2016

Second Retirement Benefit – for PERS

1) Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:
   - Refund of member's contributions from second employment plus regular interest (currently 0.25%);
   - No service credit for second employment;
   - Start same amount the month following termination; and
   - GABA starts again in the January immediately following second retirement.

2) For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:
   - Member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
   - GABA starts in the January after receiving recalculated benefit for 12 months.

3) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
   - Refund of member's contributions from second employment plus regular (currently 0.25%);
   - No service credit for second employment;
   - State same benefit amount the month following termination; and,
   - GABA starts again in the January immediately following second retirement.

4) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate five or more years of service credit before retiring again:
   - Member receives same retirement benefit as prior to return to service;
   - Member receives second retirement benefit for second period of service based on laws in effect at second retirement; and,
   - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

Revise DC Funding Laws – House Bill 107, effective July 1, 2015

Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP

The PCR was paid off effective March 2016 and the contributions of 2.37%, .47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following addition to the actuarial assumptions was adopted in 2014 based upon implementation of GASB Statement 68:

Admin Expense as % of payroll	0.27%

There were no changes following the 2013 Economic Experience study:

The following Actuarial Assumptions are from the June 2010 Experience Study:

General Wage Growth*	4.00%
*Includes inflation at	3.00%
Merit increase	0% to 6.0%
Investment rate of return	7.5%, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

SUPPLEMENTARY INFORMATION

DAWSON COMMUNITY COLLEGE
STUDENT FINANCIAL AID
MODIFIED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Year Ended June 30, 2017

	Pell	Perkins	CWS	SEOG
Assets				
Beginning cash balance	$ (6,394)	$ 10,367	$ 4,745	$ 14,933
Additions				
Federal advances	381,920	1,233	19,817	38,436
State matching funds	-	-	-	11,645
Interest collected	-	868	-	-
Principal collected	-	5,683	-	-
Total additions	381,920	7,784	19,817	50,081
Deductions				
Distribution to students	380,821	1,233	21,477	58,098
Other:	-	-	-	-
Total deductions	380,821	1,233	21,477	58,098
Reconciling items				
Net change in accounts receivable	(18,626)	-	(15,000)	(18,186)
Net change to cash	(17,527)	6,551	(16,660)	(26,203)
Ending cash balance	$ (23,921)	$ 16,918	$ (11,915)	$ (11,270)

DAWSON COMMUNITY COLLEGE
STUDENT FINANCIAL AID
MODIFIED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Year Ended June 30, 2016

	Pell	Perkins	CWS	SEOG
Assets				
Beginning cash balance	$ (3,622)	$ 12,738	$ 4,674	$ 3,288
Additions				
Federal advances	318,034	-	13,515	43,079
Interest collected	-	327	-	-
Principal collected	-	6,041	-	-
Loans cancelled	-	-	-	-
Total additions	318,034	6,368	13,515	43,079
Deductions				
Distribution to students	302,806	5,358	13,444	31,434
Other	18,000	3,381	-	-
Total deductions	320,806	8,739	13,444	31,434
Net change to cash	(2,772)	(2,371)	71	11,645
Ending cash balance	$ (6,394)	$ 10,367	$ 4,745	$ 14,933

DAWSON COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES
STUDENT FINANCIAL ASSISTANCE PROGRAMS
For the Years Ended June 30, 2017 and 2016

	2017	2016
Perkins Loan Program		
Student loan advances	$ 1,233	$ 5,358
College Work Study		
Wages	$ 21,477	$ 13,444
Supplemental Education Opportunity Grant Program		
Student grants	$ 58,098	$ 31,434
	$ 58,098	$ 31,434
Pell Grant Program		
Student grants	380,821	302,806
	$ 380,821	$ 302,806

DAWSON COMMUNITY COLLEGE
SCHEDULE OF FULL TIME EQUIVALENT
For the Years Ended June 30, 2017 and 2016

Semester	Resident	WUE	Nonresident	Total
2017				
Summer 2016	23.9	9.9	34.3	68.1
Fall 2016	147.5	30.6	41.3	219.4
Spring 2017	159.3	25.8	42.2	227.3
	330.7	66.3	117.8	514.8

Semester	Resident	WUE	Nonresident	Total
2016				
Summer 2015	17.7	2.3	19.3	39.3
Fall 2015	152.8	40.9	30.3	224.0
Spring 2016	138.7	34.0	38.1	210.8
	309.2	77.2	87.7	474.1

DAWSON COMMUNITY COLLEGE
FUNCTIONAL CLASSIFICATION OF OPERATING EXPENSES
For the Year Ended June 30, 2017

	Instruction	Academic Support	Student Services	Institutional Support	Scholarships and Fellowships	Operations and Maintenance of Plant	Auxiliary	Total
Salaries	$ 1,017,317	$ 114,129	$ 353,674	$ 332,324	$ -	$ 185,680	$ 194,879	$ 2,198,003
Benefits	440,854	49,387	158,697	252,575	-	89,407	121,755	1,112,675
Travel	13,131	1,562	178,248	27,750	-	316	10,584	231,591
Supplies	68,657	3,217	64,740	60,715	-	22,327	82,745	302,401
Contracted services	387,548	13,267	83,586	488,239	-	17,136	1,904	991,680
Repairs and maintenance	1,242	-	15,978	9,226	-	74,474	1,095	102,015
Utilities	-	-	5,375	4,418	-	110,845	51,525	172,163
Communication	12,971	1,405	41,864	38,365	-	39,409	28,914	162,928
Scholarships and grants	15,893	-	875	-	661,520	-	15,000	693,288
Other operating (income)expense	855	15,892	(27,405)	134,913	-	1,010	95,981	221,246
Depreciation	-	-	-	-	-	376,444	-	376,444
Total	$ 1,958,468	$ 198,859	$ 875,632	$ 1,348,525	$ 661,520	$ 917,048	$ 604,382	$ 6,564,434

DAWSON COMMUNITY COLLEGE
FUNCTIONAL CLASSIFICATION OF OPERATING EXPENSES
For the Year Ended June 30, 2016

	Instruction	Academic Support	Student Services	Institutional Support	Scholarships and Fellowships	Operations and Maintenance of Plant	Auxiliary	Total
Salaries	$ 1,210,969	$ 108,040	$ 293,537	$ 531,606	$ -	$ 162,564	$ 150,135	$ 2,456,851
Benefits	516,678	40,118	129,429	199,446	-	70,725	74,223	1,030,619
Travel	32,280	-	239,936	22,236	-	41	688	295,181
Supplies	48,596	5,756	60,218	67,203	-	32,264	80,186	294,223
Contracted services	288,233	8,033	70,118	322,503	-	66,778	203,159	958,824
Repairs and maintenance	774	-	3,965	7,521	-	76,741	93	89,094
Utilities	4,878	-	-	4,419	-	95,005	50,621	154,923
Communication	4,008	-	19,950	15,374	-	33,284	38,601	111,217
Scholarships and grants	-	-	-	-	511,552	-	-	511,552
Other operating expense	7,983	19,330	13,289	45,641	-	842	51,747	138,832
Depreciation	-	-	-	-	-	405,345	-	405,345
Total	$ 2,114,399	$ 181,277	$ 830,442	$ 1,215,949	$ 511,552	$ 943,589	$ 649,453	$ 6,446,661

OTHER INFORMATION

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
Dawson Community College
Glendive, Montana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Dawson Community College (College) as of and for the year ended June 30, 2017, and the financial statements of the discretely presented component unit as of and for the year ended October 31, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 30, 2018. 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 Dawson Community 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 Dawson Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of Dawson Community College's internal control.

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

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 College's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as 2017-A, 2017-B and 2017-C to be material weaknesses.

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as 2017-D to be a significant deficiency.

Compliance and Other Matters

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

College's Response to Findings

The College's response to the findings identified in our audit are described in the accompanying schedule of findings and 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
March 30, 2018

2017-A Timeliness of Audited Financial Statements
Material Weakness in Internal Control

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

Condition:
The year-end audit fieldwork was scheduled for the end of October and was scheduled to wrap-up the middle of November. At the time of scheduled fieldwork, the year-end closing procedures were not performed sufficient enough to provide Eide Bailly with a final trial balance. Supporting schedules received throughout fieldwork had not been reconciled to the trial balance as part of the year-end closing procedures.

The first draft of the financial statements was not received until March, well after the January 31st deadline and the extended deadline of February 28th granted initially by the State, and over 8 months after the fiscal year-end. When this initial draft was received, Eide Bailly had to receive another updated trial balance as balances had changed materially from the previous trial balance. Eide Bailly required new and updated audit documentation as a result of the change in balances.

Cause:
The internal controls that were to be performed by the 3rd party accounting firm were not performed in a manner sufficient enough to identify and record all adjusting and closing entries necessary for the preparation of the final trial balance and the financial statements in a timely manner. The Controller was new to her position effective July 1, 2017, and thus was not present during the fiscal year under audit. The Controller was relying on the 3rd party accounting firm that was hired to perform reconciliations during the fiscal year as well as perform the year-end closing entries and the preparation of the financial statements.

Effect:
The audit was not performed in the most efficient and effective manner as procedures were postponed for weeks at a time and the trial balance changed significantly over the course of the months between the start of fieldwork and the finalization of the audit procedures. In addition, the State deadline and the extended deadlines were not met.

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

Views of Responsible Officials:
Dawson Community College agrees with the auditor's finding. The majority of closing entries were completed in time for audit fieldwork, however due to personnel changes several entries and reconciliations were not finalized for some time after fieldwork was conducted. In an effort to address FY2016 reconciliation concerns, the College continued to recruit for a full time Controller throughout FY2017, with the intent this position will oversee all monthly and year-end reconciliations. In April of last year after recognizing the results of not having a full time Controller, the College engaged a third party accounting firm to assist in performing monthly reconciliations and year-end closeout for FY2017. The third party accounting firm's designee, due to personal issues, was not able to respond and complete prescribed duties in a timely manner. To add to the challenge, the Vice President of Administration transitioned into a different role at year-end creating a void where some review processes and reconciliations were not then completed as timely as intended. The College filled the Controller position as of July 2017 and has addressed the situation with the third party firm. In addition, as a result of the challenges in this audit, the prior Vice President of Administration has recently agreed to return for general oversight of the business office functions until processes are brought up to date and the position is permanently filled. The College will continue to use the oversight of the prior Vice President of Administration, the third party accounting firm and the Controller for monthly reconciliation support until processes are firmly in place.

2017-B Audit Adjustments and Year-End Closing procedures
Material Weakness in Internal Control

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

Condition:
During the course of our audit engagement, we proposed material audit adjustments, which if not recorded, could have resulted in a misstatement of the College's financial statements. In addition, year-end closing procedures were continuing to be performed during and after audit fieldwork, which was 8 months after year-end. This caused Eide Bailly to have to re-perform testing and audit documentation as the balances continued to change throughout the engagement. In addition, year-end closing entries proposed by the Controller were not reviewed and approved by the appropriate level of authority due to fact that they were proposed during the audit rather than during the year-end procedures.

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

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

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

Views of Responsible Officials:
Dawson Community College agrees with the auditor's finding. This finding relates to the first in that the combination of the timing and vacancies in the Business Department positions added to the challenges faced by the third party accounting firm created a situation where missteps occurred in the closeout of the fiscal year. Again, the issues with the third party accounting firm have been resolved, oversight of the department has been adjusted and the Controller is in a better position to understand the monthly processes of the College.

2017-C Bank Reconciliation
Material Weakness in Internal Control

Criteria:
The College is responsible for establishing and implementing a system of internal control designed to reconcile the bank accounts on a monthly basis.

Condition:
The June 30, 2017, bank reconciliation was not performed as of the start of the audit fieldwork in October. In addition, the final reconciliation for the June 30, 2017, bank balance had an unreconciled difference of approximately $50,000.

Cause:
The College's Controller was new to the position effective July 1, 2017, and did not take over responsibility of performing the bank reconciliation until the new fiscal year. The 3rd party accounting firm hired to prepare the reconciliation did not perform it timely and was unable to identify all the reconciling items.

Effect:
If the bank accounts are not reconciled or are not reconciled timely, a material misstatement of the financial statements or material misappropriation of College assets could go undetected and uncorrected.

Recommendation:
Procedures should be implemented to require the reconciliation of all bank accounts monthly and timely and all reconciling items should be identified and corrected if necessary.

Views of Responsible Officials:
Dawson Community College agrees with the auditor's finding. Again, this finding relates to the first two in that the combination of challenges produced accounts not completely reconciled at year end close out. The issue with the third party accounting firm has been resolved, general oversight of the department has been adjusted and the Controller is currently moving forward with this year's reconciliations. Currently FY2018 cash reconciliations are complete as of January 2018 with other balance sheet reconciliations expected to be up to date by the end of April.

2017-D Accounts Payable Listing
Significant Deficiency in Internal Control

Criteria:
The College is responsible for establishing and implementing a system of internal control designed to ensure each asset and liability account has sufficient documentation and/or a subsidiary ledger supporting the ending balance each month.

Condition:
The College was not able to produce an accounts payable listing or subsidiary ledger that agreed to the trial balance at the end of the fiscal year under audit.

Cause:
The College's Controller was new to the position effective July 1, 2017, and was not part of the recording and releasing of accounts payable during the year under audit. Due to the number of journal entries posted after year-end during the audit and financial statement preparation, the Controller was not able to produce an accurate listing.

Effect:
If the balances in assets and liabilities are not reviewed and reconciled with subsidiary ledgers on a regular monthly basis, the balances in these accounts can grow to an amount that materially misstates the financial statements of the College.

Recommendation:
Procedures should be implemented to require that material account balances be confirmed or reconciled with subsidiary ledgers as part of the month-end close.

Views of Responsible Officials:
Dawson Community College agrees with the auditor's finding. Again, this finding relates to the others in that the combination of challenges produced accounts and some amounts not completely reconciled at year end close out. The discrepancy in the Accounts Payable control account has been identified, will be corrected in FY2018 journal entries and reviewed on a regular basis going forward.