



DELTA-MONTROSE TECHNICAL COLLEGE
FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2017



RECEIVED
By the Office of the State Auditor at 11:11 am, Nov 22, 2017

C O N T E N T S

	Page
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	3
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	10
STATEMENT OF ACTIVITIES	11
BALANCE SHEET – GOVERNMENTAL FUNDS	12
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES	
IN FUND BALANCES – GOVERNMENTAL FUNDS	13
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS.....	14
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -	
FIDUCIARY FUND	15
NOTES TO FINANCIAL STATEMENTS	16
REQUIRED SUPPLEMENTAL INFORMATION	
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND	
BALANCE – BUDGET AND ACTUAL – GENERAL FUND	37
SCHEDULE OF ACTIVITY – NET PENSION LIABILITY.....	38
SCHEDULE OF ACTIVITY – EMPLOYER PENSION CONTRIBUTIONS.....	39
OTHER SUPPLEMENTAL INFORMATION	
COMBINING BALANCE SHEET – FIDUCIARY FUNDS.....	40
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION	
EXPENDABLE AND NON-EXPENDABLE PRIVATE PURPOSE	
SCHOLARSHIP TRUST	41
SINGLE AUDIT SECTION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	42
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	43
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 <i>GOVERNMENT AUDITING STANDARDS</i>.....	44
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR	
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE	
REQUIRED BY THE UNIFORM GUIDANCE	46
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	48
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	50

**Independent Auditor's Report**

November 1, 2017

Board of Education
Delta-Montrose Technical College
Delta, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Delta-Montrose Technical College, a component unit of the Delta County Joint School District 50J, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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.

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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Delta-Montrose Technical College as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Board of Education
Delta-Montrose Technical College
Page Two

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of activity – net pension liability, and the schedule of activity – employer pension contribution 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 statement. The combining statement and schedule, the Auditor's Integrity Report of the Colorado Department of Education, and schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 our report dated November 1, 2017 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Chadwick, Steinkirchner, Davis & Co., P.C.

**DELTA-MONTROSE TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2017**

Reporting the College as a Whole

The Delta-Montrose Technical College is a public institution of higher education, governed by the Delta County Joint School District No. 50J Board of Education. The College provides post-secondary and secondary career and technical programs that lead to a certificate of occupational proficiency. The College is affiliated with the Colorado Community College System and accredited by the Council of Occupational Education. The Service area of the College includes Delta, Montrose, Gunnison, Hinsdale, Ouray, and San Miguel counties.

This discussion and analysis provides an overall view of the Delta-Montrose Technical College's financial activities for the fiscal year 2016-2017. Revenues for the College come from the State of Colorado (FTE funding), school district funding for secondary students, contract revenue, student tuition and fees, grants and various enterprise ventures. The intent of this analysis is to look at the College's financial performance as a whole. Complete understanding of the fiscal performance of the College may require reading of the basic financial statements for the College.

Financial Highlights

Key financial highlights for the fiscal year ended on June 30, 2017 are as follows:

- In total, net position decreased by (\$1,253,737). Although overall net position decreased this significantly, the College's fund balance decreased (\$92,771), which \$150,000 of this was using fund balance to purchase a new building. If the building had not been purchased, fund balance would have increased by \$57,229. Below will be an explanation on how reporting of the Employer's Pension liability has a negative effect on the College's overall net position.
- The College had \$3,262,990 in total revenues. State revenues accounted for \$1,196,606 or 37% of total revenues. Program specific revenues accounted for \$1,251,325 or 38% of total revenues. Student aid programs and other operating grants accounted for \$815,059 or 25% of total revenues.
- The College had \$4,516,727 in total expenses. Instructional expenses accounted for \$2,637,330 or 58% of total expenses. General, supporting, business and student aid programs accounted for \$1,879,397 or 42% of total expenses.
- Total expenses of \$4,516,727 exceeded total revenues of \$3,262,990 by (\$1,253,737). A net change in fund balance of (\$92,771), capital outlays exceeding depreciation \$145,297, compensated absences of (\$40,003), cost of assets disposed (\$9,862), amount of donated assets \$160,859 and the College's pension expense of (\$1,417,257) make up the total of expenditures exceeding revenues.
- In FY 15 the College is required to record in the Government Wide financial statements their portion of Employer Pension liability with the adoption of GASB 68. With the adoption of GASB 68, the College shows a Net pension liability of (\$9,750,654). See Note F Defined Benefit Pension Plan in the financial statements for further explanation of the College's pension plan.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Delta-Montrose Technical College as a financial whole, or as an entire operating entity.

The statement of net position and statement of activities provide information about the activities of the whole College, presenting both an aggregate view of the College's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the College's operations in more detail than the government-wide statements by providing information about the College's most significant funds. The remaining statements provide financial information about the activities for which the College acts solely as a trustee or agent for the benefit of those outside the reporting entity.

Reporting the College as a Whole

While this report contains all funds used by the College to provide programs and activities, the view of the College as a whole looks at all the financial transactions and asks the question, "How did we do financially during the 2016-2017 fiscal year?" The statement of net position and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. The accrual basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the College's net position and changes in that position. This change in net position is important because it identifies whether the financial position of the College has improved or diminished for the College as a whole. The cause of this change may be a result of many factors, some financial, some not. Non-financial factors include enrollment levels, statutorily required reserves, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the College reports its governmental activities, which include instruction, support services and student aid programs.

Statement of Net Position

The following is a statement of the College's net position for the fiscal year 2016 compared to 2017.

<u>Assets</u>	<u>2016</u>	<u>2017</u>
Current	\$1,000,522	\$936,690
Capital Assets	1,589,527	1,885,821
Total Assets	<u>2,590,049</u>	<u>2,822,511</u>
<u>Deferred Outflows</u>		
Pension Deferred Outflows	673,577	3,754,133
Total Assets & Deferred Outflows	<u>\$3,263,626</u>	<u>\$6,576,644</u>
 <u>Liabilities</u>		
Current	\$76,096	\$123,869
Non-Current Liabilities	5,345,812	9,771,823
Total Liabilities	<u>5,421,908</u>	<u>9,895,692</u>
<u>Deferred Inflows</u>		
Pension Deferred Inflows	237,414	330,385
<u>Net Position</u>		
Net Investment in Capital Assets	1,589,527	1,885,821
Restricted	60,125	46,984
Unrestricted	<u>(4,045,348)</u>	<u>(5,582,238)</u>
Total Net Position	<u>(2,395,696)</u>	<u>(3,649,433)</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$3,263,626</u>	<u>\$6,576,644</u>

Total current assets decreased by \$63,832. Intergovernmental receivables balance at year end is \$133K less than prior year. Year end balances in cash, student receivables & inventory combined increased \$22K from the prior year. The remaining increase was due to an interfund receivable and prepaid expenses. Capital Assets increased by \$296K this year. This increase is due to a building purchase of \$150K and approximately \$150K worth of new equipment purchased for programs. Pension deferred outflows increased significantly in the current year by \$3.1 million. The bulk of this increase is the difference between projected and actual earnings on pension plan investments.

Non-current liabilities is mostly the College's net pension liability, and this liability increased by \$4.4 million from the prior year. The total liabilities increased from the prior year, most is the net pension liability.

Overall changes in pension expense increased by (\$1.4 million) this was offset by a decrease of fund balance of (\$92K), an increase of capital outlays over depreciation of \$145K, an increase in the compensated absences liability of (\$40K), a loss on disposable assets of (\$9K) and increase to capital assets received by donation \$161K. The net effect is an overall decrease in net position for the current year of (\$1,253,737).

Statement of Activities

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The following detail is a reflection of total revenues for the College as a whole and expenditures listed as costs of operations.

	2016	2017
<u>Revenues</u>		
<u>Program Revenues</u>		
Charges for Services and Sales	\$1,268,193	\$1,251,325
Operating Grants and Contributions	446,615	519,701
Capital Grants and Contributions	135,788	295,358
Total Program Revenue	\$1,850,596	\$2,066,384
<u>General Revenues</u>		
State FTE Funding	1,196,606	1,196,606
Interest	6	0
Total General Revenue	1,196,612	1,196,606
Total Revenue	\$3,047,208	\$3,262,990
 <u>Expenses</u>		
Instructional	\$1,583,770	\$2,637,330
General Administration	682,948	710,861
School Administration	298,346	481,276
Business Services	553,956	610,879
Student Aid	26,200	74,448
Unallocated Depreciation	1,338	1,933
Total Expenses	\$3,146,558	\$4,516,727
 Increase (Decrease) in Net Position	 (\$99,350)	 (\$1,253,737)

Revenues increased by \$216K from the prior year, which was fully from program revenue as state funding was flat. Student aid increased in the current year by \$74K, and capital grants and contributions increased by \$159K.

Program expenses increased by \$1.4 million in 2017. The bulk of this increase is due to changes of PERA expenditures in the current year. General administration, school administration, and business expenses all increased in this year a total of \$317K. Student aid increased a total of \$48K. Instructional activities at the College include LPN Nursing, Business, Law Enforcement, Auto Mechanics, EMT, Cosmetology, Mine Training, Early Childhood, Massage and Welding. The Extended Studies Department delivers a variety of courses that depend on community interest.

The College also operates a comprehensive testing and assessment center and basic skills/career counseling service center. Delta-Montrose Technical College also houses and budgets for the Delta County Joint School District No. 50J Technology Repair Department.

The College provides student services and business services for 932 total students, of which 200 are considered "full-time", 75 were high school or "secondary", 245 were "part-time" certificate and 412 were "part-time" non-certificate. Enrollment for FY 16-17 was down 29.72 FTE compared to the prior year. Enrollment for the Fall 17-18 semester is down from last year, due to two programs being reorganized, Business Administration and Law Enforcement. Law Enforcement will be operating in the Spring 2018 semester.

The College depends on general State FTE funding, which was flat in the current fiscal year. State funding is expected to increase \$29K in fiscal year 2017-18.

Fund Financial Statements

Governmental Funds

Fund financial reports provide detailed information about the College's major funds. The College's only major governmental fund is the General Fund. The fund level financial statements focus on how services were financed in the short-term as well as what remains for future spending. For financial reporting purposes, the College's General Fund is considered to be a governmental fund, which focuses on how monies flow into and out of the fund and the balances left at fiscal year-end for spending in future periods. This fund is combined for presentation purposes with the College's Student Financial Aid Fund. These funds are reported using an accounting method referred to as modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed short-term view of the College's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the statement of net position and the statement of activities and the governmental funds is reconciled in the financial statements.

Fiduciary Funds

The College is a trustee, or fiduciary, for the Private Purpose Scholarship Trust Fund and one agency fund, the student activity fund. In this budget year most of the Private Purpose Scholarship Trusts were transferred, in partnership, to the Western Colorado Community Foundation. The College cannot use these funds for operation costs. They are accounted for separately. The College is responsible for ensuring that these funds are used for their intended purposes.

Capital Assets and Debt

At the end of FY17, the College had \$1,885,821 invested in capital assets, including buildings, furniture and fixtures, and vehicles.

	Capital Assets at Fiscal Year End Net of Depreciation	
	2016	2017
Land	0	\$29,639
Building and Improvements	\$1,384,907	\$1,575,748
Furniture, Equipment and Vehicles	204,620	280,434
Totals	\$1,589,527	\$1,885,821

The College added \$306,156 in capital assets net of depreciation, and reduced them \$61,706 in 2017.

As of June 30, 2017, the College has a balance of \$42,338 in long-term debt. This is for Early Retirement Benefit.

General Fund Budgeting Highlights

The College's procedures in establishing the budgetary data reflected in the financial statements are summarized on page 20 of the financial statements. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

During fiscal year 2017, there was an adjustment to the College's budget to increase expenditures for personnel and to purchase a building. The College uses a line-item based budget. The budgeting systems are designed to tightly control line-item expenditures, but provide flexibility for overall budgetary management.

General Fund revenues and other financing sources in the amount of \$3,499,588 were \$120,459 more than budgeted. Tuition and fees were \$46K more than budgeted and other local sources were \$73K more than budget.

Expenditures and other financing uses had actual expenditures of \$3,592,359 which was \$713,531 under budget. The College appropriates all of the unassigned fund balance which makes up the contingency portion of the budget. The contingency in this budget was \$776,759, which \$63,228 was spent, therefore the College was under budget a total of \$713,531.

Initiatives

The Delta-Montrose Technical College is involved in several initiatives for the 2017-18 school year.

New in FY 17-18 is that the Technical College is going through a rebranding. As of August 9, 2017 the Tech College is now known as Technical College of the Rockies. Along with a name change, the College has hired a new Director after the retirement of our prior director.

The College partnered with Delta County Economic Development, Region 10, The City of Delta, Delta County, Small Business Development and other partners, to start the ENGAGE Project. ENGAGE stands for ENergy, Growth, Agriculture, and Entrepreneurship. The idea of ENGAGE is to help support the community entrepreneurs in growing and launching their initiatives, particularly in agriculture and energy related fields. The College was awarded a three year EDA grant for operations of the ENGAGE project in

fiscal year 17-18. The College purchased a building in downtown Delta to eventually house this project. The College is working on grant funding for the renovation of the ENGAGE building in downtown Delta.

The PIC partnership with the Center for Mental Health, Community Dental and TCR opened its doors in June, 2017. The College is currently offering classes in Medical Assistant working with a third party, and have plans to get program approval to host full programs in the building.

Current Issues

State dollars, in combination with tuition revenue and programming for high school students from the local school districts, make up the bulk of the revenue for the College. We expect that there will be a minimal increase in state dollars for the technical colleges for 2017-18.

Tuition revenue is reviewed by the management team each year. Tuition for some programs and some fees were increased for the 2017-2018 school year. The need for the increases is due to state funding being flat in the current year, and possible minimal increases in the next year, and ongoing facility demands for aging buildings and infrastructure. We currently anticipate another tuition increase for the 2018-19 school year.

The physical plant is aging and in need of upgrades to keep the buildings viable for classroom and support functions. The roof on the main building was completed in the fall of 2013 using fund balance dollars, as approved by the board of education. A second roof on building B was replaced in the fall of 2015, with the assistance of school district capital. Roofing upgrades are scheduled in phases, fund balance dollars may be necessary to complete the needed upgrade.

The College's staff continues to explore new programs and classes in occupational fields. These classes might lead to additional full time programs, but are started as a night class or on-line class in order to gauge demand. Those courses would include CDL training, dental assistant, HVAC tech and vet tech.

Contacting the College

This financial report is designed to provide our residents, customers, taxpayers, investors, and creditors with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact the:

Delta Montrose Technical College
%Delta County Joint School District No. 50J
7655 2075 Rd
Delta, CO 81416
Tel: 970-874-4438
Fax: 970-874-5744

Delta-Montrose Technical College

STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Cash and cash equivalents	\$ 665,132
Intergovernmental receivable	23,879
Other receivables	30,471
Due from agency fund	15,091
Student accounts receivable, net of allowance of \$9,679	20,494
Inventory	149,958
Prepaid expenses	31,665
Capital assets (net of accumulated depreciation)	1,885,821
Total assets	2,822,511
Deferred outflows of resources	
Pension related deferred outflows	3,754,133
Total deferred outflows of resources	3,754,133
Total assets and deferred outflows of resources	\$ 6,576,644
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
Liabilities	
Accounts payable	\$ 48,374
Accrued liabilities	26,604
Unearned revenue	27,722
Current portion early retirement benefit	21,169
Noncurrent liabilities	
Early retirement benefit	21,169
Net pension liability	9,750,654
Total liabilities	9,895,692
Deferred inflows of resources	
Pension related deferred inflows	330,385
Total deferred inflows of resources	330,385
Net Position	
Net investment in capital assets	1,885,821
Restricted for emergencies	46,984
Unrestricted	(5,582,238)
Total net position	(3,649,433)
Total liabilities, deferred inflows of resources, and net position	\$ 6,576,644

The accompanying notes are an integral part of this statement.

Delta-Montrose Technical College

STATEMENT OF ACTIVITIES

Year ended June 30, 2017

Function/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instructional services	\$ 2,637,330	\$ 1,151,142	\$ -	\$ 295,358	\$ (1,190,830)
Support services:					
General administration	710,861	-	-	-	(710,861)
School administration	481,276	-	-	-	(481,276)
Business	610,879	100,183	-	-	(510,696)
Student aid programs	74,448	-	519,701	-	445,253
Unallocated depreciation	1,933	-	-	-	(1,933)
Total governmental activities	<u>\$ 4,516,727</u>	<u>\$ 1,251,325</u>	<u>\$ 519,701</u>	<u>\$ 295,358</u>	<u>(2,450,343)</u>
		General revenues:			
				State FTE funding	<u>1,196,606</u>
				Total general revenues	<u>1,196,606</u>
				Change in net position	<u>(1,253,737)</u>
				Net position at beginning of year	<u>(2,395,696)</u>
				Net position at end of year	<u>\$ (3,649,433)</u>

The accompanying notes are an integral part of this statement.

Delta-Montrose Technical College

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2017

	General
ASSETS	
Cash and cash equivalents	\$ 665,132
Intergovernmental receivable	23,879
Other receivables	30,471
Due from Student Activity fund	15,091
Student accounts receivable, net of allowance of \$9,679	20,494
Inventory	149,958
Prepaid expenses	31,665
Total assets	\$ 936,690
LIABILITIES AND FUND EQUITY	
Liabilities	
Accounts payable	\$ 48,374
Accrued expenses	26,604
Unearned revenue	27,722
Total liabilities	102,700
Fund balance	
Nonspendable fund balance	181,623
Restricted for emergencies	46,984
Unassigned	605,383
Total fund balance	833,990
Total liabilities and fund equity	\$ 936,690
Fund equity (as reported above)	\$ 833,990
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are not recorded in the funds	1,885,821
Long term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. This is the early retirement liability as of year-end.	(42,338)
Net pension liability and related deferred inflows and outflows of resources are not recorded in the funds (\$3,754,133-9,750,654-330,385)	(6,326,906)
Total net position	\$ (3,649,433)

The accompanying notes are an integral part of this statement.

Delta-Montrose Technical College

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS**

Year ended June 30, 2017

	General
Revenues	
Local sources:	
Tuition, fees and services (net of scholarship allowances of \$397,457)	\$ 899,847
Other local	455,679
Intergovernmental:	
Local school districts	90,600
State sources	1,196,606
Federal sources	459,399
Total revenues	3,102,131
Expenditures	
Instruction	1,549,585
Supporting services	776,332
Business services	481,462
Student aid programs (net of scholarship allowances of \$397,457)	74,448
Capital outlay	313,075
Total expenditures	3,194,902
Excess of Revenues Over(Under) Expenditures	(92,771)
Fund balance at beginning of year	926,761
Fund balance at end of year	\$ 833,990
 Amounts reported for governmental activities in the Statement of Activities are different because:	
Net Change in Fund Balances - Governmental Funds	\$ (92,771)
 Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period (\$300,769-155,472).	145,297
 In the governmental funds, expenditures for compensated absences and early retirement are measured by the amount of financial resources used, whereas in the statement of activities, they are measured as the benefits are earned. This is the amount the liability for compensated absences and early retirement changed during the year.	(40,003)
 In the statement of activities, only the gain (loss) on disposal of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the asset disposed.	(9,862)
 Revenues in the statement of activities that do not provide available current financial resources are not reported as revenues in the funds. This is the amount of donated capital assets received during the year.	160,859
 In the governmental funds, expenditures related to pension obligations are measured by the amount of financial resources used, whereas in the statement of activities, they are measured on the accrual basis. This is the amount by which pension expense in the statement of activities is more than that in the governmental funds.	(1,417,257)
Change in Net Position of Governmental Activities	\$ (1,253,737)

The accompanying notes are an integral part of this statement.

Delta-Montrose Technical College

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2017

	Private Purpose Trust	Agency Fund
ASSETS		
Cash and cash equivalents - expendable	\$ 2,481	\$ 39,173
Cash and cash equivalents - non-expendable	2,251	-
Total assets	\$ 4,732	\$ 39,173
LIABILITIES		
Due to General Fund	\$ -	\$ 15,091
Due to student groups	-	24,082
Total liabilities	-	39,173
NET POSITION		
Committed for scholarships	2,481	-
Nonspendable for perpetuities	2,251	-
Total net position	\$ 4,732	\$ -

The accompanying notes are an integral part of this statement.

Delta-Montrose Technical College

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

Year ended June 30, 2017

	Private Purpose Trust/ Scholarship Trust
ADDITIONS	
Investment income	\$ 1
	1
DEDUCTIONS	
Grants to others	-
Scholarships	-
	-
Change in net position	1
Net position at beginning of year	4,731
Net position at end of year	\$ 4,732

The accompanying notes are an integral part of this statement.

Delta-Montrose Technical College
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Delta-Montrose Technical College (the College) are prepared in accordance with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The College applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Significant accounting policies established in GAAP and used by the College are described below.

1. Financial Reporting Entity

The College is an area vocational school organized under the laws of the State of Colorado. The College provides post-secondary vocational training for Delta and Montrose, Colorado and the surrounding area. The College is governed by the Board of Education of Delta County Joint School District No. 50J (the District).

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes.

The reporting entity consists of (a) the primary government; i.e., the College, and (b) organizations for which the College is financially accountable. The College is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the College.

Consideration is also given to other organizations that are fiscally dependent; i.e., unable to adopt a budget, levy taxes or issue debt without approval by the College. Organizations for which the nature and significance of their relationship with the College are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, the College's financial statements include only the funds of the College and do not include any component units, nor do they exclude any potential component units requiring inclusion in the College's reporting entity. The College's basic financial statements include the accounts of all College operations.

The College, while it is a legally separate entity, is a component unit of the District and has been included in the District's financial reporting entity. The College is included as a component unit of the District because the District's Board of Education is also the governing body of the College, for which it exercises oversight and direction and retains accountability.

Delta-Montrose Technical College

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Basis of Presentation

The College's basic financial statements consist of government-wide statements, including a statement of net position and statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the College as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the College at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the College's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the College, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from general revenues of the College.

Fund Financial Statements

During the fiscal year, the College segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance by segregating transactions related to certain governmental functions or activities. Fund financial statements are designed to present financial information of the College at this more detailed level. The focus of governmental fund financial statements is on major funds. Fiduciary funds are reported by type.

3. Fund Accounting

The accounts of the College are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. College resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and by the means by which spending activities are controlled.

Delta-Montrose Technical College
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The various funds are grouped, in the financial statements in this report, as follows:

Governmental Funds

Governmental funds are those through which most governmental functions of the College are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund is the College's only major governmental fund.

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General fund balance is available to the College for any purpose provided it is expended or transferred according to general statutory laws.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds.

Fiduciary trust funds are used to account for assets held by the College under a trust agreement for individuals, private organizations, or other governments and are not available to support the College's own programs. The College's fiduciary trust fund is a private purpose trust which accounts for expendable and non-expendable student scholarship funds.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The College's agency funds consist of accounts for various student-managed activities.

4. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the College are included on the statement of net position.

Government-wide financial statements are prepared using the accrual basis of accounting.

Delta-Montrose Technical College
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflect the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

Basis of Accounting

While the measurement focus identifies which transactions and events should be recorded on the financial statements, the basis of accounting determines when transactions and economic events are reflected in financial statements.

Governmental funds and agency funds use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available (often referred to as *susceptible to accrual*). Revenues are measurable when they are subject to reasonable estimation, while the available criterion is satisfied when revenues are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The College considers revenues to be available if they are expected to be collected within 60 days of the end of the year. Generally, fees and non-tax revenues are recognized when received. Grants, State reimbursement, and tuition are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when the conditions of the grants are satisfied. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources.

Private purpose trust funds use the accrual basis of accounting and the flow of all economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises, and revenues are recorded when earned and expenses are recorded when incurred.

Delta-Montrose Technical College
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Budgets and Budgetary Accounting

The College follows these procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all governmental funds. The College legally adopted annual budgets for all of the College's funds for the year ended June 30, 2017.
- Prior to June 30, the budget shall be adopted and appropriations made by formal resolution for the ensuing fiscal year. A public hearing on the proposed budget is held by the Board prior to adoption of the budget.
- Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund. Budget amounts included in the financial statements are based on the final, legally amended budget. There were no supplemental appropriations approved during the current fiscal year.
- Appropriations lapse at the end of each year, and the College's Board may adopt supplemental appropriations during the year.
- Encumbrance accounting, under which purchase orders, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation is used by the College for internal budgetary control during the year, but is not used for financial reporting purposes.

6. Cash and Investments

The College's policy in determining which items are treated as cash equivalents, include cash, demand deposits, treasury bills and other short-term, highly liquid investments that are readily convertible to cash and have original maturities of three months or less.

Investments are reported at fair value, which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last quoted market price. Cash deposits are reported at carrying amounts, which reasonably estimate fair value.

Delta-Montrose Technical College
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation.

8. Allowance for Doubtful Accounts

The College established an allowance for doubtful accounts based upon factors including historical trends and the length of time that the student receivable balance has been outstanding.

9. Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Furniture and fixtures	20 years
Equipment	5-15 years
Vehicles	8 years
Other infrastructure	10-50 years

10. Compensated Absences

Compensated absence liabilities, when applicable, are reported on the government-wide financial statements. On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments are due upon the occurrence of employee resignations and retirements.

Accumulated sick leave does not vest with the employee, that is, the employees have no right to be reimbursed for unused sick leave if they terminate. Accordingly, there is no expenditure or liability for accumulated sick leave included in the College's records.

Delta-Montrose Technical College
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Personnel that accrue vacation may only accrue an amount equal to their annual vacation accrual. The College has no estimates as to the amount of accrued vacation pay and has not made an accrual on the financial statements because the amount is not material.

11. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations, when applicable, are reported on the government-wide financial statements. In general, governmental fund payables and accrued liabilities are paid in a timely manner and in full from current resources; therefore, they are reported as obligations in the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bond obligations are recognized as a liability on the fund financial statements when due.

12. Fund Balance Reserves

GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid expenses) or is legally or contractually required to be maintained intact.

Restricted fund balance – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grants or bondholders), or is legally or contractually required to be maintained intact.

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District’s highest level of decision making authority, the Delta County School District 50J Board of Education, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Delta County School District 50J Board of Education.

Delta-Montrose Technical College

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assigned fund balance – The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Delta County School District 50J Board of Education or other individual authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum intended to be used for the purpose of that particular fund.

Unassigned fund balance – The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

13. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the College or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The College's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

14. Scholarship Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. The scholarship allowance is the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf where the College recognizes and records revenue.

Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded 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 allowance. The scholarship allowance on tuition and fees for the year ended June 30, 2017 was \$397,457.

15. Inventories

Inventories in the general fund consist of student supplies and are carried at cost using the first-in, first-out method.

Delta-Montrose Technical College

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

16. Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

17. Pensions

The College participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Material Violations

The College appears to be in compliance with all material, legal and contractual provisions.

NOTE C – DEPOSITS AND INVESTMENTS

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

At June 30, 2017, the College's cash and investments consisted of the following:

Cash on hand	\$	975
Deposits		<u>708,062</u>
Total	\$	<u>709,037</u>

Delta-Montrose Technical College
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE C – DEPOSITS AND INVESTMENTS – CONTINUED

As of June 30, 2017, the carrying amount of the College's deposits was \$708,062 and the bank balance was \$774,708. Of that balance \$305,582 was covered by FDIC insurance and \$469,126 was collateralized as noted above.

Investments

State Statutes authorize the College to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, school district, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, certain repurchase agreements, and local government investment pools.

NOTE D – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balances June 30, 2016	Additions	Reductions	Balances June 30, 2017
Governmental Activities				
Land	\$ -	\$ 29,639	\$ -	\$ 29,639
Depreciable Capital Assets:				
Buildings and improvements	4,731,029	282,066	-	5,013,095
Furniture, Equipment, Vehicles	<u>803,636</u>	<u>149,923</u>	<u>61,706</u>	<u>891,853</u>
Total capital assets at historical costs	<u>5,534,665</u>	<u>461,628</u>	<u>61,706</u>	<u>5,934,587</u>
Less accumulated depreciation:				
Buildings and improvements	(3,346,122)	(91,225)	-	(3,437,347)
Furniture, Equipment, Vehicles	<u>(599,016)</u>	<u>(64,247)</u>	<u>51,844</u>	<u>(611,419)</u>
Total accumulated depreciation	<u>(3,945,138)</u>	<u>(155,472)</u>	<u>51,844</u>	<u>(4,048,766)</u>
Governmental activities				
Capital assets, net	<u>\$ 1,589,527</u>	<u>\$ 306,156</u>	<u>\$ (9,862)</u>	<u>\$ 1,885,821</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 149,742
Support: General administration	3,797
Unallocated depreciation	<u>1,933</u>
 Current year depreciation expense	 <u>\$ 155,472</u>

Delta-Montrose Technical College
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE E – LONG-TERM OBLIGATIONS

Changes in the College’s long-term obligations were as follows:

	<u>Balance at</u> <u>6/30/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>6/30/17</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 2,335	\$ –	\$ 2,335	\$ –	\$ –
Early retirement benefit	<u>–</u>	<u>63,507</u>	<u>21,169</u>	<u>42,338</u>	<u>21,169</u>
Total long term obligations	<u>\$ 2,335</u>	<u>\$ 63,507</u>	<u>\$ 23,504</u>	<u>\$ 42,338</u>	<u>\$ 21,169</u>

NOTE F – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. Eligible employees of the College are provided with pensions through the School Division Trust Fund (SCHDTF) – a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit
- The value of the retiring employee’s member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

Delta-Montrose Technical College
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

In all cases the service retirement benefit is limited to 100% of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions. Eligible College employees are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8% of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

Delta-Montrose Technical College
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

	For the Calendar Year Ended December 31, 2016	For the Calendar Year Ended December 31, 2017
Employer Contribution Rate ¹	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.50%	5.00%
Total Employer Contribution Rate to the SCHDTF ¹	18.13%	18.63%

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the College is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the College were \$264,005 for the year ended June 30, 2017.

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

At June 30, 2017, the College reported a liability of \$9,750,654 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll-forward the total pension liability to December 31, 2016. The College's proportion of the net pension liability was based on the College's contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the College proportion was .032749%, which was a decrease of .002204 from its proportion measured as of December 31, 2015.

Delta-Montrose Technical College

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

For the year ended June 30, 2017, the College recognized pension expense of \$1,681,262. At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 121,898	\$ 86
Changes of assumptions or other inputs	3,163,884	43,970
Net difference between projected and actual earnings on pension plan investments	326,042	–
Changes in proportion and differences between contributions recognized and proportionate share of contributions	6,344	286,329
Contributions subsequent to the measurement date	135,965	–
Total	<u>\$ 3,754,133</u>	<u>\$ 330,385</u>

\$135,965 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2017:	
2018	1,276,233
2019	1,342,120
2020	666,179
2021	3,251
2022	–
Thereafter	–

Delta-Montrose Technical College

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 - 10.10 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50 percent
Discount rate	7.50 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and were effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Delta-Montrose Technical College

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

Delta-Montrose Technical College

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

The long-term expected rate of return on pension plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class.

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

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Delta-Montrose Technical College
 NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount Rate. The discount rate used to measure the total pension liability was 5.26%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA’s Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

Delta-Montrose Technical College
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the projection test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

Delta-Montrose Technical College
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

Sensitivity of the College proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26% as of the measurement date, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.26%) or 1-percentage-point higher (6.26%) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	\$12,261,134	\$9,750,654	\$7,705,959

Pension Plan Fiduciary Net Position. Detailed information about the SCHDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE G – POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description. The College contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investment/pera-financial-reports.

Funding Policy. The College is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the College are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. The College’s employer contributions to HCTF for the years ended June 30, 2017, 2016, and 2015, were \$14,648, \$15,077, and \$15,274, respectively, equal to its required contributions for each year.

NOTE H – CONTINGENT LIABILITIES

Under the terms of federal and state grants, costs may be questioned as not being appropriate expenditures under the terms of the grants, which could lead to reimbursement to the grantor agencies. College management is not aware of any such expenditure that would not be allowed.

Delta-Montrose Technical College

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE I – RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors and omissions; injuries to employees; or acts of God. The College maintains commercial insurance for all risks of loss. There have been no significant reductions in coverage from prior year and settled claims have not exceeded coverage in any of the past three years.

NOTE J – TAX, SPENDING AND DEBT LIMITATION

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer’s Bill of Rights (TABOR). TABOR contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all Colorado local governments. TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service and expenditures of Federal Awards). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. The total emergency reserve was \$46,984 as of June 30, 2017.

In November 1999 the College’s electorate passed a ballot issue allowing the College to collect, retain and expend revenues not withstanding any of TABOR’S revenue limitations.

The College’s management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits (and qualification of a fund as an Enterprise Fund) will require judicial interpretation.

NOTE K – FIDUCIARY FUND APPROPRIATIONS

The schedule below is presented to demonstrate compliance with School District Budget Law.

	<u>Appropriation</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Private Purpose Trust	\$ 4,770	\$ –	\$ 4,770
Student Activity Fund	30,800	6,922	23,878

NOTE L – PRIVATE PURPOSE SCHOLARSHIP TRUST

Earnings on the non-expendable trust principal within the private purpose scholarship trust fund are transferred to the expendable trust balance within the private purpose scholarship trust to support scholarship expenses and expenditures in accordance with the authority established for the fund.

Delta-Montrose Technical College

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND**

Year ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Local sources				
Tuition, fees and services	\$ 1,375,324	\$ 1,251,605	1,297,304	\$ 45,699
Other local	398,925	382,800	455,679	72,879
Intergovernmental				
Local school districts	29,800	90,525	90,600	75
State sources	1,196,607	1,196,607	1,196,606	(1)
Federal sources	457,592	457,592	459,399	1,807
Total revenues	<u>3,458,248</u>	<u>3,379,129</u>	<u>3,499,588</u>	<u>120,459</u>
Expenditures				
Current				
Instruction	1,450,743	1,451,032	1,549,585	(98,553)
Supporting services	846,868	854,000	776,332	77,668
Business services	547,706	544,327	481,462	62,865
Student aid programs	420,000	420,000	471,905	(51,905)
Capital outlay	68,408	259,772	313,075	(53,303)
Contingency	989,707	776,759	-	776,759
Total expenditures	<u>4,323,432</u>	<u>4,305,890</u>	<u>3,592,359</u>	<u>713,531</u>
Excess of Revenues Over (Under) Expenditures	(865,184)	(926,761)	(92,771)	833,990
Fund balance at beginning of year	<u>865,184</u>	<u>926,761</u>	<u>926,761</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 833,990</u>	<u>\$ 833,990</u>

Delta-Montrose Technical College

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2017

	Employer proportion of NPL	Employer proportionate share of NPL	Employer covered payroll	Employer proportionate share of NPL as a percentage of covered payroll	Pension plan's fiduciary net position as a percentage of total pension liability
<u>Measurement date:</u>					
December 31, 2014	0.034849%	\$ 4,723,223	\$ 1,427,466	331%	63%
December 31, 2015	0.034953%	5,345,812	1,496,971	357%	59%
December 31, 2016	0.032749%	9,750,654	1,470,002	663%	43%

Delta-Montrose Technical College

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2017

	<u>Required employer contribution</u>	<u>Employer contributions recognized by the plan</u>	<u>Differenc e</u>	<u>Employer covered payroll</u>	<u>Contributions as a percentage of employer covered payroll</u>
June 30, 2015	\$ 253,083	\$ 253,083	\$ -	\$ 1,497,496	16.90%
June 30, 2016	262,268	262,268	-	1,478,116	17.74%
June 30, 2017	264,005	264,005	-	1,436,049	18.38%

Note 1: Factors that Significantly Affect Trends in the Amounts Reported

For the measurement period ended December 31, 2016, the discount rate changed from 7.5% to 5.26% based on the municipal bond index rate. This change significantly affected the total plan net pension liability and the employer share of the net pension liability. There were no other changes in benefit terms, size or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.

Delta-Montrose Technical College

COMBINING BALANCE SHEET - FIDUCIARY FUNDS

June 30, 2017

	Expendable Trust Funds	Non-expendable Trust Funds	Agency Fund	
	Perpetual Scholarship	Perpetual Scholarship	Student Activity Fund	Total
ASSETS				
Cash	\$ 2,481	\$ 2,251	\$ 39,173	\$ 43,905
Total assets	<u>\$ 2,481</u>	<u>\$ 2,251</u>	<u>\$ 39,173</u>	<u>\$ 43,905</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Due to General Fund	\$ -	\$ -	\$ 15,091	\$ 15,091
Due to student groups	-	-	24,082	24,082
Total liabilities	-	-	39,173	39,173
Fund balance				
Committed for scholarships	2,481	-	-	2,481
Nonspendable for perpetuities	-	2,251	-	2,251
Total fund balance	<u>2,481</u>	<u>2,251</u>	<u>-</u>	<u>4,732</u>
Total liabilities and fund balance	<u>\$ 2,481</u>	<u>\$ 2,251</u>	<u>\$ 39,173</u>	<u>\$ 43,905</u>

Delta-Montrose Technical College

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
EXPENDABLE AND NON-EXPENDABLE PRIVATE PURPOSE SCHOLARSHIP TRUST

Year ended June 30, 2017

	<u>Expendable Trust Funds</u>		<u>Non-expendable Trust Funds</u>	
	<u>Perpetual Scholarship</u>	<u>Perpetual Scholarship</u>	<u>Perpetual Scholarship</u>	<u>Total</u>
Revenues				
Investment income	\$ 1	\$ -	\$ -	\$ 1
Total revenues	1	-	-	1
Expenditures				
Grants to others	-	-	-	-
Scholarships	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over (under) expenditures	1	-	-	1
Fund balance beginning of year	2,480	2,251	2,251	4,731
Fund balance end of year	\$ 2,481	\$ 2,251	\$ 2,251	\$ 4,732

SINGLE AUDIT SECTION

Delta-Montrose Technical College

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>2017 Amount of Award Expended</u>
U.S. DEPARTMENT OF EDUCATION		
Direct		
Federal Pell Grant Program	84.063	\$ 315,723
Federal Supplemental Educational Opportunity Grants	84.007	5,500
Federal Work-Study Program	84.033	3,678
Federal Direct Student Loans	84.268	<u>418,378</u>
Total Student Financial Aid Cluster		743,279
Passed through Colorado Community College and Occupational Education System		
Career and Technical Education – Basic Grants to States	84.048	<u>134,499</u>
Total U.S. Department of Education		<u>877,778</u>
Total federal awards expended		<u>\$ 877,778</u>

Delta-Montrose Technical College

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2017

NOTE A – GENERAL

The accompanying schedule of expenditures of federal awards includes the amount of federal grants expended by Delta-Montrose Technical College, during the year ended June 30, 2017. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

NOTE B – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting.

NOTE C – INDIRECT COST RATE

The College did not elect to use the 10 percent de minimus indirect cost rate.



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*

November 1, 2017

Board of Education
Delta-Montrose Technical College
Delta, Colorado

We have audited, in accordance with the 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 governmental activities, each major fund, and the aggregate remaining fund information of Delta-Montrose Technical College, a component unit of the Delta County Joint School District 50J, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 1, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Board of Education
Delta-Montrose Technical College
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Delta-Montrose Technical 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*.

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.

Chadwick, Steinkirchner, Davis & Co., P.C.



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

November 1, 2017

Board of Education
Delta-Montrose Technical College

Report on Compliance for Each Major Federal Program

We have audited Delta-Montrose Technical College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Delta-Montrose Technical College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, Delta-Montrose Technical College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.



Board of Education
Delta-Montrose Technical College
Page Two

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Chadwick, Steinkirchner, Davis & Co., P.C.

Delta-Montrose Technical College

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	<u>Unmodified Opinion</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	_____	yes <u>✓</u>	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes <u>✓</u>	none reported
Noncompliance material to financial statements noted?	_____	yes <u>✓</u>	no

Federal Awards

Internal Control over major programs:			
Material weakness(es) identified?	_____	yes <u>✓</u>	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes <u>✓</u>	none reported

Type of auditor's report issued on compliance for major programs:	<u>Unmodified Opinion</u>		
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	_____	yes <u>✓</u>	no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.063/84.007/84.033/84.268	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	<u>✓</u> yes _____ no

Delta-Montrose Technical College

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2017

**SECTION II - FINDINGS UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING
STANDARDS**

There are no findings required to be reported under Generally Accepted Government Auditing Standards.

SECTION III - FINDINGS AND QUESTIONED COSTS UNDER THE UNIFORM GUIDANCE

There are no findings or questioned costs noted under the Uniform Guidance.

Delta-Montrose Technical College

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2017

There were no prior audit findings to be resolved.