



FORT LEWIS COLLEGE

**FINANCIAL AND COMPLIANCE AUDIT
Fiscal Years Ended June 30, 2007 and 2006**

**LEGISLATIVE AUDIT COMMITTEE
2007 MEMBERS**

Senator Stephanie Takis
Chairman

Representative James Kerr
Vice Chairman

Senator Jim Isgar
Representative Rosemary Marshall
Representative Victor Mitchell
Representative Dianne Primavera
Senator Nancy Spence
Senator Jack Taylor

Office of the State Auditor Staff

Sally Symanski
State Auditor

Dianne Ray
Deputy State Auditor

Christy Reeves
Legislative Auditor

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

TABLE OF CONTENTS

	<u>Page</u>
Report Summary	1
Mission, History, Enrollment and Staffing.....	3
Findings and Recommendation Report Section	
Findings and Recommendations	6
Disposition of Prior Audit Findings	7
Financial Statements Section	
Independent Auditors' Report	8
Management's Discussion and Analysis	10
Statements of Net Assets	16
Fort Lewis College Foundation Statements of Financial Position	17
Statements of Revenues, Expenses, and Changes in Net Assets	18
Fort Lewis College Foundation Statements of Activities.....	19
Statements of Cash Flows	21
Notes to the Financial Statements	23
Independent Auditors' Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40
Audit Committee Communications.....	42

**FORT LEWIS COLLEGE
FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY
FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**

Authority, Purpose and Scope

The audit of Fort Lewis College was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all state agencies and educational institutions. The 2007 and 2006 audits were conducted under contract with Chadwick, Steinkirchner, Davis & Co., P.C. The audit was made in accordance with audit standards generally accepted in the United States of America, and *Government Auditing Standards* issued by the Comptroller General of the United States. Audit work was performed during June through August 2007.

The purposes and scope of the audit were to:

- Perform a financial and compliance audit of Fort Lewis College for the years ended June 30, 2007 and 2006 and to express an opinion on the financial statements. Review internal controls as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- Evaluate compliance with rules and regulations governing the expenditures of federal and State funds.
- Report on the College's compliance and internal control over financial reporting based on our audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Evaluate progress in implementing prior audit recommendations.

Audit Results and Summary of Major Audit Findings

Chadwick, Steinkirchner, Davis & Co., P.C. expressed an unqualified opinion on the financial statements for the years ended June 30, 2007 and 2006.

We issued a report of the College's compliance and internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards*. We did not note any material weaknesses or any material instances of noncompliance with legal or regulatory requirements based on our audit of the financial statements.

Required Auditor Communications to the Legislative Audit Committee

The auditor is required to communicate to the Legislative Audit Committee certain matters related to the conduct of the audit and to ensure that the Legislative Audit Committee receives additional information regarding the scope and results of the audit that may assist the Legislative Audit Committee in overseeing the financial reporting and disclosure process for which management is responsible. These matters have been communicated to the Legislative Audit Committee in this report and include among other items, that no audit adjustments were required and there were no difficulties encountered in performing the audit.

SUMMARY OF KEY FINDINGS AND RECOMMENDATIONS

There were no reported findings and recommendations resulting from the audit work completed for fiscal year 2007.

Summary of Progress in Implementing Prior Audit Findings

There were no findings in the prior year.

MISSION, HISTORY, ENROLLMENT, AND STAFFING

MISSION

The following mission statement has been adopted by the Board of Trustees for Fort Lewis College.

The mission of Fort Lewis College is to open minds and kindle thought and action by instilling in students knowledge, a desire to acquire knowledge, the tools for doing so, and an understanding of how knowledge can be put to use for a common good. The experiences students have here should help them learn to live wisely and should make a significant difference in their futures by enabling them to pursue their own educational goals throughout their lives. They should be able to demonstrate thoughtful scholarship in pursuing and weighing knowledge. They should be able to communicate and cooperate with others. The College should also play an active role in the community and the region as a multifaceted learning resource.

Fort Lewis College has chosen to pursue its mission via its historic role as an undergraduate, public, four-year liberal arts college. Because of the liberal arts focus, we require common general studies courses which include the fine arts, humanities, social sciences, mathematics, and the natural sciences in addition to more specialized junior and senior courses offered through the various majors. Our curriculum is designed both to ensure that students understand the values and assumptions implicit in their major fields of study and to prepare them for a rapidly changing world.

The College's first obligation is to create a personalized learning environment in which faculty and staff are accessible to all of its students. Therefore excellence in classroom teaching is our first priority. We are committed to hiring experienced faculty and professional staff dedicated to teaching and to working directly with students. The College also supports and encourages research, scholarly inquiry and creative performance by its faculty in order to enhance their work with students and the students' own work. We will continue to acquire the resources necessary to fulfill our primary mission.

It is essential to Fort Lewis College's mission that we contribute to the cultural diversity and economic development of the Four Corners region. To play an active role in the community, state and region, we must ensure that our programs fulfill the needs of our student population and the residents of our area. Our ethnic and regional heritage must be reflected in the make-up of our student body, in our special programs, and in our curriculum. Because of terms established in the original charter of the College, we have an honored tradition of providing tuition-free education for American Indian students. The College will continue to enhance educational opportunities for other minority groups, especially those originating in the Southwest. While a large percentage of our students should continue to come from Colorado, the College will encourage enrollment of students from other regions and from abroad in order to provide a diversified student body.

MISSION, HISTORY, ENROLLMENT, AND STAFFING

HISTORY

Fort Lewis College is named for Fort Lewis, a U.S. Army Post established in 1878 at Pagosa Springs, Colorado. Two years later, the military post moved to Hesperus, Colorado, a location more central to Indian settlements and pioneer communities. The U.S. government abandoned the site as a military post in 1891, and in its stead, established Fort Lewis as a school offering free education to Native American students.

By 1911, Congress had deeded the Hesperus site to the State of Colorado, which then established a high school of agriculture under the supervision of the State Board of Agriculture. The school began to offer some college-level courses in 1925, and in 1933, Fort Lewis began to offer college courses exclusively. In 1948, Fort Lewis was officially designated a junior college with its own president.

Fort Lewis moved to the Durango campus in 1956. The first baccalaureate degrees were granted in 1964. In 1986, Fort Lewis joined the Colorado State University System under the governance of the State Board of Agriculture. Colorado State University in Fort Collins and the University of Southern Colorado in Pueblo were sister institutions in the system. In 2002, the Board of Trustees for Fort Lewis College began governance of the College separate from the State Board of Agriculture.

Fort Lewis continues to honor its historic commitment to Native Americans by offering tuition scholarships to all qualified American Indians who meet admission requirements. It is the only college in Colorado to do so, as it has for more than 100 years.

Fort Lewis College's statutory authority is in the Colorado Revised Statutes (CRS) 23-52-101.

ENROLLMENT

Enrollment data for the past three years are presented below as student full-time equivalents (FTE.) Each FTE is equal to 30 credit hours during the fiscal year.

	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
Resident FTE	2,644.0	2,656.0	2,733.0
Non-Resident FTE	<u>1,075.0</u>	<u>1,056.0</u>	<u>1,127.0</u>
Total FTE Students	<u>3,719.0</u>	<u>3,712.0</u>	<u>3,860.0</u>

MISSION, HISTORY, ENROLLMENT, AND STAFFING

STAFFING

Staffing data for the past three years are presented below as employee full-time equivalents (FTE.) Each faculty FTE is equal to 30 credit hours taught during the fiscal year. Each staff FTE is equal to working 2,080 hours each fiscal year.

	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
Faculty FTE	215.5	201.3	197.0
Staff FTE	<u>248.5</u>	<u>254.7</u>	<u>275.0</u>
Total FTE	<u>464.0</u>	<u>456.0</u>	<u>472.0</u>

AUDITORS' FINDINGS AND RECOMMENDATIONS

Fort Lewis College had no audit findings or recommendations in the current year.

DISPOSITION OF PRIOR AUDIT FINDINGS

Fort Lewis College had no audit findings or recommendations in the prior year.

FINANCIAL STATEMENTS SECTION



INDEPENDENT AUDITORS' REPORT

November 7, 2007

Members of the Legislative Audit Committee:

We have audited the accompanying basic financial statements of the business-type activities of Fort Lewis College, a blended component unit of the State of Colorado, as of and for the years ended June 30, 2007 and 2006, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Fort Lewis College Foundation, the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Fort Lewis College Foundation, is based solely on the report of the other auditors.

We conducted our audits 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 of material misstatement. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Fort Lewis College and the discretely presented component unit as of June 30, 2007 and 2006, and the respective changes in financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2007 on our consideration of Fort Lewis College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



November 7, 2007
Page Two

Management's Discussion and Analysis on pages ten through fifteen is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2007 AND 2006

Fort Lewis College management is pleased to present this discussion and analysis of the College. It provides an analysis of the College's financial activities based on currently known facts, decisions, and conditions.

FINANCIAL HIGHLIGHTS

Year Ended June 30, 2007:

- The College's financial position, as a whole, improved slightly during the year ended June 30, 2007. The combined net assets increased \$167,984 or .18% over the prior year.
- The College Opportunity Fund (COF) tuition stipend amount increased \$6 per credit hour, resulting in an additional \$913,844 in stipend revenue. Also, the Fee for Service (FFS) contract revenue increased by \$1,352,091 over the prior year.
- Gross tuition and fee revenue remained substantially the same between fiscal years, primarily due to a decline in enrollment.

Year Ended June 30, 2006:

- The College's financial position, as a whole, improved slightly during the year ended June 30, 2006. The combined net assets increased \$610,329 or .67% over the prior year.
- The State General Fund appropriation was discontinued and replaced with the College Opportunity Fund (COF) Program. The funding components in the program include student stipends and a Fee for Service (FFS) contract. The shift to stipends resulted in increased net tuition and fee revenue of \$4,858,522 and the College recognized \$2,537,022 in Fee for Service revenue.
- Gross tuition and fee revenue increased by 33% from the previous year, primarily due to the change in funding structure as a result of the COF.

This report consists of three basic financial statements, including the Statements of Net Assets, the Statements of Revenues, Expenses, and Changes in Net Assets, and the Statements of Cash Flows. The statements provide information on the College as a whole and report on all of the College activities including instruction, research, public service, and support services. The Statements of Net Assets and the Statements of Revenues, Expenses, and Changes in Net Assets report financial position and financial activity using the accrual basis of accounting (reporting all of the year's revenues and expenses when earned or incurred, rather than when the cash is received or paid.) The financial statements and notes are presented for the reporting entity of the College that includes Fort Lewis College and the Fort Lewis College Foundation, a discretely presented component unit. (See Note 1 for additional information on the reporting entity.)

STATEMENTS OF NET ASSETS

The Statements of Net Assets report assets, liabilities, and net assets (the difference between assets and liabilities.) A condensed Statement of Net Assets is shown on the next page.

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2007 AND 2006

Condensed Statements of Net Assets

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Current Assets	\$ 20,291,888	\$ 17,604,740	\$ 15,589,419
Noncurrent Assets	<u>91,635,539</u>	<u>94,892,376</u>	<u>97,550,681</u>
Total Assets	<u>111,927,427</u>	<u>112,497,116</u>	<u>113,140,100</u>
Current Liabilities	8,183,402	7,844,210	7,788,434
Noncurrent Liabilities	<u>12,323,771</u>	<u>13,400,636</u>	<u>14,709,725</u>
Total Liabilities	<u>20,507,173</u>	<u>21,244,846</u>	<u>22,498,159</u>
Net Assets:			
Invested in capital assets, net of related debt	74,965,383	76,592,441	78,314,159
Restricted	8,732,552	8,742,506	7,293,465
Unrestricted	<u>7,722,319</u>	<u>5,917,323</u>	<u>5,034,317</u>
Total Net Assets	<u>\$ 91,420,254</u>	<u>\$ 91,252,270</u>	<u>\$ 90,641,941</u>

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statements of Revenues, Expenses and Changes in Net Assets report the results of operating and nonoperating revenues and expenses during the year, as well as the resulting increase or decrease in net assets at the end of the year.

Condensed Statements of Revenues, Expenses, and Changes in Net Assets

	<u>Year Ended June 30, 2007</u>	<u>Year Ended June 30, 2006</u>	<u>Year Ended June 30, 2005</u>
Operating Revenues			
Tuition and Fees, Net	\$ 18,475,013	\$ 18,094,160	\$ 13,235,638
Grants and Contracts	14,966,101	15,310,951	14,648,284
Auxiliary Services, Net	13,060,395	12,747,081	12,427,688
Other	<u>805,298</u>	<u>526,713</u>	<u>506,620</u>
Total Operating Revenues	<u>47,306,807</u>	<u>46,678,905</u>	<u>40,818,230</u>
Operating Expenses	<u>53,699,822</u>	<u>50,412,593</u>	<u>50,640,385</u>
Net Operating Revenues (Expenses)	<u>(6,393,015)</u>	<u>(3,733,688)</u>	<u>(9,822,155)</u>
Nonoperating Revenues (Expenses):			
State Fee for Service Agreement	3,921,993	2,537,022	-
State Appropriations	-	-	7,435,158
Other Net Nonoperating Revenues	<u>2,311,041</u>	<u>1,501,051</u>	<u>792,806</u>
Net Nonoperating Revenues	<u>6,233,034</u>	<u>4,038,073</u>	<u>8,227,964</u>
Income (Loss) Before Other Revenues, Expenses, or Transfers	(159,981)	304,385	(1,594,191)
Gain (loss) on Disposal of Assets	(3,285)	-	-
State Capital Contributions	198,754	6,125	30,406
Capital Grants and Gifts	<u>132,496</u>	<u>299,819</u>	<u>35,590</u>
Increase (Decrease) in Net Assets	167,984	610,329	(1,528,195)
Net Assets – Beginning of Year	<u>91,252,270</u>	<u>90,641,941</u>	<u>92,170,136</u>
Net Assets – End of Year	<u>\$ 91,420,254</u>	<u>\$ 91,252,270</u>	<u>\$ 90,641,941</u>

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2007 AND 2006

CAPITAL ASSETS

At June 30, 2007, the College had approximately \$87 million invested in capital assets, net of accumulated depreciation of \$54.8 million. Depreciation charges were \$5 million for the year ended June 30, 2007. At June 30, 2006, the College had approximately \$90 million invested in capital assets, net of accumulated depreciation of \$49.9 million. Depreciation charges were \$4.9 million for the year ended June 30, 2006. Details of these assets are shown below.

Capital Assets, Net, at Year-End

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Land and Improvements	\$ 280,559	\$ 280,559	\$ 280,559
Construction in Progress	925,756	926,533	1,190,865
Collections	1,251,884	1,230,085	1,043,051
Land Improvements, Net	11,325,795	11,589,438	12,013,287
Buildings and Improvements, Net	70,819,147	73,311,502	75,785,946
Equipment, Net	1,798,806	1,998,804	1,952,375
Library Materials, Net	713,749	675,969	696,458
Total	<u>\$ 87,115,696</u>	<u>\$ 90,012,890</u>	<u>\$ 92,962,541</u>

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2007 AND 2006

Major capital additions completed in fiscal year 2006-07 and the resources that funded their acquisition include:

Berndt Hall Geosciences renovation project, funded by the College	\$ 163,322
Parking Lot E Improvement, funded by the College	370,352
Reed Library Computer Lab, funded by the College	<u>652,396</u>
	<u>\$ 1,186,070</u>

The following significant capital projects were in progress at June 30, 2007:

Cooper Hall roof replacement, funded by the College	\$ 254,824
Campus Precinct Plan, funded by the College	81,064
Program Plan for the Sciences, funded by the College	64,799
Escalante Hall plumbing improvements, funded by the College	72,179
Physical Plant Storage Facility, funded by the College	<u>270,887</u>
	<u>\$ 743,753</u>

Major capital additions completed in fiscal year 2005-06 and the resources that funded their acquisition include:

College Union Building roof replacement funded by revenue bonds	\$ 437,554
Center of Southwest Studies shelving project, funded by the College	255,910
Institutional Facilities Master Plan, funded by the College	165,662
Aquatic Center Office renovation, funded by the College	<u>55,088</u>
	<u>\$ 914,214</u>

The following significant capital projects were in progress at June 30, 2006:

Physical Plant Storage Facility, funded by the College	\$ 266,071
Reed Library Computer Lab, funded by the College	565,840
Miscellaneous Safety Improvements	44,788
Berndt Hall Geosciences renovation project, funded by the College	11,119
Athletics/Exercise Science Program Plan, funded by the College	<u>37,500</u>
	<u>\$ 925,318</u>

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2007 AND 2006

DEBT

At June 30, 2007 the College had approximately \$12.2 million in debt outstanding respectively. This is a change of \$1.3 million. The table below summarizes these amounts by type of debt.

Outstanding Debt at Fiscal Year-End

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Auxiliary Revenue Bonds, Net	\$ 12,153,208	\$ 13,373,774	\$ 14,554,340
Capital Lease Obligations	-	32,609	126,953
Other Long Term Debt	-	24,984	47,492
Total	<u>\$ 12,153,208</u>	<u>\$ 13,431,367</u>	<u>\$ 14,728,785</u>

ECONOMIC OUTLOOK & FORT LEWIS COLLEGE FUTURE

The passage of Referendum C in the 2005 election resulted in a less restrictive funding environment in the State of Colorado. Referendum C allowed the State to retain excess revenues above the TABOR limit for a period of five years and eased the structural budget deficit created by the confluence of the recent recession and statutory and constitutional budget restrictions. This eased State budget situation allowed for increased funding to higher education. Fort Lewis College received an increase in floor funding of \$2.25 million for FY 06-07, as well as receiving increased funding to address unfunded enrollment and mandatory costs, which will be included in the FFS contract with the State. For FY 07-08, the College received \$908,142 in increased funding from the State.

On a related note, during the 2005-06 fiscal year, the College attained "Enterprise" status by receiving less than 10% of overall funding directly from the State. With the passage of Referendum C, TABOR restrictions are on hold for five years; therefore, achieving enterprise status does not present any financial benefits to the College. Once TABOR restrictions are back in place, enterprise status will allow for more flexibility in tuition rate increases.

The Department of Higher Education (DHE) has been studying the general funding conditions for higher education in the Colorado. In the spring of 2007, it was determined that, in total, funding for the higher education institutions in Colorado is \$832 million behind peer institutions. The methodology for determining the gap in peer funding was developed by the National Center for Higher Education Management Systems. The calculation was accomplished by determining a peer group for each institution and using data from the Integrated Postsecondary Education Data System (IPEDS) related to State funding, tuition and student FTE. The DHE plans to use this model to help determine allocations of future state funding and tuition increases.

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2007 AND 2006

Due to the recently implemented statutory change in funding methodology in the State of Colorado (College Opportunity Fund), the importance of enrollment has become even more paramount to the success of public institutions than it was in the past. Recognizing this changing landscape, the College has reorganized its administrative structure to place a greater emphasis on the enrollment management function. As part of this refocusing, during the 2005 legislative session, President Brad Bartel provided the necessary leadership to have the College's State level selectivity designation changed from "*Moderately Selective*" to "*Selective*". The College is currently in the second year of the three year phase-in. Ultimately, the increase in selectivity will differentiate the College from other State institutions and provide a distinct marketing advantage. Furthermore, the increase in student preparedness will stabilize the size and quality of the freshman class and, therefore, increase students' chances for success, as measured by retention and graduation rates.

While the College experienced a dip in enrollment in the fiscal year ended June 30, 2007, Fall 2007 enrollment is up slightly over fall 2006. The College has approved a strategic plan that involves growing enrollment to 5,000 by the year 2014.

The College completed the Facilities Master Plan, approved by the Trustees, in the 2005-06 fiscal year. The master plan calls for a number of facilities improvements, including modernized residence halls and a new College Union building to help enrollment management efforts. The College implemented a new fee to pay for the construction of a new student union to be complete in 2010. Also, a new residence hall is planned to be complete and open in Fall 2009. The College is undertaking a revenue bond issue to pay for these projects and refinance all remaining debt. The College has also received the first phase of State funding for a new Biology wing of Berndt Hall.

Request for Information

This financial report is designed to provide a general overview of the College's finances for all those with an interest in the College's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Fort Lewis College Controller, 1000 Rim Drive, Durango, CO 81301-3999.

Fort Lewis College
Statements of Net Assets
June 30, 2007 and 2006

ASSETS	<u>2007</u>	<u>2006</u>
Current Assets:		
Cash and Cash Equivalents	\$17,585,622	\$14,724,042
Student Accounts Receivable, Net	348,220	381,624
Accounts Receivable - Fort Lewis College Foundation	19,849	13,643
Other Accounts Receivable	1,089,162	1,075,837
Student Loans Receivable, Net	577,861	481,614
Inventories	590,492	670,490
Prepaid Expense	80,682	257,490
Total Current Assets	<u>20,291,888</u>	<u>17,604,740</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	3,112,612	3,104,465
Student Loans Receivable, Net	1,407,230	1,775,021
Nondepreciable Capital Assets:		
Land and Improvements	280,559	280,559
Construction in Progress	925,756	926,533
Collections	1,251,884	1,230,086
Total Nondepreciable Capital Assets	<u>2,458,199</u>	<u>2,437,178</u>
Depreciable Capital Assets:		
Land Improvements, Net	11,325,796	11,589,438
Buildings and Improvements, Net	70,819,147	73,311,502
Equipment, Net	1,798,806	1,998,804
Library Materials, Net	713,749	675,968
Total Depreciable Capital Assets, Net	<u>84,657,498</u>	<u>87,575,712</u>
Total Noncurrent Assets	<u>91,635,539</u>	<u>94,892,376</u>
Total Assets	<u>111,927,427</u>	<u>112,497,116</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	905,684	823,414
Accrued Liabilities	4,557,801	4,451,520
Deferred Revenue	977,295	826,042
Deposits Held for Others	321,649	279,694
Bonds Payable, Current Portion	1,270,000	1,250,000
Capital Leases Payable - Fort Lewis College Foundation, Current Portion	-	32,608
Other Long Term Liabilities, Current Portion	-	24,984
Compensated Absence Liabilities	150,973	155,948
Total Current Liabilities	<u>8,183,402</u>	<u>7,844,210</u>
Noncurrent Liabilities:		
Bonds Payable, Net	10,883,208	12,123,774
Compensated Absence Liabilities	1,440,563	1,276,862
Total Noncurrent Liabilities	<u>12,323,771</u>	<u>13,400,636</u>
Total Liabilities	<u>20,507,173</u>	<u>21,244,846</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	74,965,383	76,592,441
Restricted for Nonexpendable Purposes:		
Endowment	141,649	141,649
Restricted for Expendable Purposes		
Endowment	529,156	497,054
Debt Service	1,673,633	1,691,351
Other	6,388,114	6,412,452
Unrestricted	7,722,319	5,917,323
Total Net Assets	<u>\$91,420,254</u>	<u>\$91,252,270</u>

The accompanying notes are an integral part of this financial statement.

FORT LEWIS COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2007 and 2006

ASSETS	<u>2007</u>	<u>2006</u>
Pooled Cash and Investments	\$ 12,366,028	\$ 9,375,375
Pledges Receivable	40,000	130,000
Interest Receivable	9,226	11,522
Notes Receivable	7,897	11,228
Net Investment in Property Leased to Fort Lewis College	-	32,608
Segregated Cash and Investments	1,765,326	2,427,227
Tangible Assets, Net	<u>6,193,459</u>	<u>5,960,608</u>
 Total Assets	 <u>\$ 20,381,936</u>	 <u>\$ 17,948,568</u>
 LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 182	\$ 3,109
Accounts Payable - Fort Lewis College	19,851	13,643
Gift Annuity Obligation Payable	60,534	286,890
Mortgage Payable	<u>464,665</u>	<u>470,814</u>
 Total Liabilities	 <u>545,232</u>	 <u>774,456</u>
 NET ASSETS		
Unrestricted		
Board Designated	14,899	14,500
Board Designated Endowment	311,322	285,661
Gifts-in-Kind	372,604	374,354
General Unrestricted	<u>1,783,220</u>	<u>403,029</u>
	<u>2,482,045</u>	<u>1,077,544</u>
 Temporarily Restricted		
Scholarships, Awards, and Other	7,602,949	7,156,281
Gifts-in-Kind and Tangible Assets	<u>3,179,306</u>	<u>2,944,704</u>
	<u>10,782,255</u>	<u>10,100,985</u>
 Permanently Restricted		
True Endowments	3,930,854	3,354,033
Gifts-in-Kind	<u>2,641,550</u>	<u>2,641,550</u>
	<u>6,572,404</u>	<u>5,995,583</u>
 Total Net Assets	 <u>19,836,704</u>	 <u>17,174,112</u>
 TOTAL LIABILITES AND NET ASSETS	 <u>\$ 20,381,936</u>	 <u>\$ 17,948,568</u>

The accompanying notes are an integral part of this financial statement.

Fort Lewis College
 Statements of Revenues, Expenses, and Changes in Net Assets
 For the Year Ended June 30, 2007 and 2006

REVENUES	<u>2007</u>	<u>2006</u>
Operating Revenues:		
Student Tuition and Fees (including pledged revenues of \$2,190,144 -2007 and \$2,102,948 -2006 and net of scholarship allowances of \$13,227,849 -2007 and \$13,391,630 -2006)	\$ 18,475,013	\$18,094,160
Federal Grants and Contracts	5,720,615	6,154,101
State Grants and Contracts	8,862,513	8,799,930
Local Grants and Contracts	168,326	145,688
Non-Governmental Grants and Contracts	214,647	211,232
Sales and Services of Educational Activities	720,898	467,081
Auxiliary Enterprises (including pledged revenues of \$11,974,262 - 2007 and \$11,805,758 -2007 and net of scholarship allowances of \$723,985 -2006 and \$722,137 -2006)	13,060,395	12,747,081
Other Operating Revenues	84,400	59,632
Total Operating Revenues	<u>47,306,807</u>	<u>46,678,905</u>
 EXPENSES		
Operating Expenses:		
Instruction	15,090,637	14,726,831
Research	227,109	392,957
Public Service	1,263,549	1,159,174
Academic Support	5,210,552	4,478,254
Student Services	5,516,139	5,194,598
Institutional Support	4,551,328	3,917,985
Operation and Maintenance of Plant	3,823,383	3,143,748
Scholarships and Fellowships	1,052,030	1,210,014
Auxiliary Enterprises	11,952,706	11,316,788
Depreciation	5,012,389	4,872,244
Total Operating Expenses	<u>53,699,822</u>	<u>50,412,593</u>
Operating Income (Loss)	<u>(6,393,015)</u>	<u>(3,733,688)</u>
 NONOPERATING REVENUES (EXPENSES)		
State Fee for Service Agreement	3,921,993	2,537,022
Gifts (including pledged revenues of \$316,081 - 2007 and \$249,716 - 2006)	1,663,238	1,488,794
Investment Income (including pledged revenues of \$236,872 -2007 and \$157,282 - 2006)	1,222,448	610,595
Interest Expense on Capital Debt	(594,494)	(635,875)
Other Nonoperating Revenues	19,849	37,537
Net Nonoperating Revenues	<u>6,233,034</u>	<u>4,038,073</u>
Income (loss) before other revenues, expenses, or transfers	(159,981)	304,385
 OTHER REVENUES, (EXPENSES), OR TRANSFERS		
Gain or (Loss) on Disposal of Assets	(3,285)	-
State Capital Contributions	198,754	6,125
Capital Grants and Gifts	132,496	299,819
Increase (Decrease) in Net Assets	<u>167,984</u>	<u>610,329</u>
 NET ASSETS		
Net Assets - Beginning of Year	<u>91,252,270</u>	<u>90,641,941</u>
Net Assets - End of Year	<u>\$ 91,420,254</u>	<u>\$ 91,252,270</u>

The accompanying notes are an integral part of this financial statement.

FORT LEWIS COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

	2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NET ASSETS, BEGINNING OF YEAR	\$ 1,077,544	\$ 10,100,985	\$ 5,995,583	\$ 17,174,112
REVENUES, GAINS, AND OTHER SUPPORT				
Donations - Cash	83,636	1,588,019	264,780	1,936,435
Donations - Gifts in Kind	-	244,834	-	244,834
Investment Income	1,593,310	(884)	312,041	1,904,467
Change in the Value of Split Interest Agreement	-	210,956	-	210,956
Fund Raising Income	-	37,855	-	37,855
Special Events	19,820	15,550	-	35,370
Other Income	32,292	158,198	-	190,490
Subtotal	1,729,058	2,254,528	576,821	4,560,407
Net Assets Released from Restriction	1,550,964	(1,550,964)	-	-
Total from Revenues, Gains, and Other Support	3,280,022	703,564	576,821	4,560,407
EXPENSES AND LOSSES				
Scholarships	540,435	-	-	540,435
Awards	1,407	-	-	1,407
Program Expense	1,303,779	-	-	1,303,779
Fund Raising	19,136	-	-	19,136
Management and General	33,058	-	-	33,058
Total Expenses and Losses	1,897,815	-	-	1,897,815
Changes in Donor Restrictions	22,294	(22,294)	-	-
Change in Net Assets for the Year	1,404,501	681,270	576,821	2,662,592
Net Assets at End of Year	\$ 2,482,045	\$ 10,782,255	\$ 6,572,404	\$ 19,836,704

The accompanying notes are an integral part of this financial statement.

FORT LEWIS COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
NET ASSETS, BEGINNING OF YEAR	\$ 1,045,083	\$ 9,200,192	\$ 5,913,459	\$ 16,158,734
	#			
REVENUES, GAINS, AND OTHER SUPPORT				
Donations - Cash	149,041	923,653	76,185	1,148,879
Donations - Gifts in Kind	-	399,061	-	399,061
Investment Income	177,585	631,391	-	808,976
Fund Raising Income	-	123,991	-	123,991
Special Events	24,341	55,442	-	79,783
Other Income	39,080	117,736	-	156,816
Subtotal	390,047	2,251,274	76,185	2,717,506
Net Assets Released from Restriction	1,344,624	(1,344,624)	-	-
Total from Revenues, Gains, and Other Support	1,734,671	906,650	76,185	2,717,506
EXPENSES AND LOSSES				
Scholarships	607,179	-	-	607,179
Awards	2,177	-	-	2,177
Program Expense	1,022,622	-	-	1,022,622
Fund Raising	30,960	-	-	30,960
Management and General	45,129	-	-	45,129
Total Expenses and Losses	1,708,067	-	-	1,708,067
Changes in Donor Restrictions	5,857	(5,857)	5,939	5,939
Change in Net Assets for the Year	32,461	900,793	82,124	1,015,378
Net Assets at End of Year	<u>\$ 1,077,544</u>	<u>\$ 10,100,985</u>	<u>\$ 5,995,583</u>	<u>\$ 17,174,112</u>

The accompanying notes are an integral part of this financial statement.

Fort Lewis College
 Statements of Cash Flows
 For the Year Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received:		
Tuition and Fees	\$18,507,052	\$ 18,050,154
Sales of Products	2,682,228	2,743,140
Sales of Services	11,163,924	10,619,391
Grants and Contracts	15,019,411	15,286,288
Student Loans Collected	697,612	549,157
Other Operating Receipts	143,513	113,317
Cash Payments:		
Scholarships Disbursed	(1,052,030)	(1,210,014)
Student Loans Disbursed	(476,280)	(683,778)
Payments to Suppliers	(15,503,302)	(14,531,383)
Payments to Employees	(31,373,826)	(29,991,484)
Other Operating Payments	(35,127)	(16,703)
Net Cash Provided (Used) by Operating Activities	<u>(226,825)</u>	<u>928,085</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Fee For Service Payments - Noncapital	3,921,993	2,537,022
Gifts for Other than Capital Purposes	1,666,367	1,516,293
Agency Receipts	16,555,460	16,031,431
Agency Payments	(16,501,052)	(16,017,558)
Net Cash Provided by Noncapital Financing Activities	<u>5,642,768</u>	<u>4,067,188</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Gifts	131,283	92,450
Acquisition and Construction of Capital Assets	(2,015,195)	(1,472,346)
Principal Paid on Capital Debt	(1,307,592)	(1,304,344)
Interest on Capital Debt	(577,160)	(614,372)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(3,768,664)</u>	<u>(3,298,612)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	1,222,448	610,595
Net Cash Provided by Investing Activities	<u>1,222,448</u>	<u>610,595</u>
Net Increase (Decrease) in Cash	2,869,727	2,307,256
Cash - Beginning of Year	<u>17,828,507</u>	<u>15,521,251</u>
Cash - End of Year	<u>20,698,234</u>	<u>17,828,507</u>

Fort Lewis College
 Statements of Cash Flows
 For the Year Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash		
Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (6,393,015)	\$ (3,733,688)
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Depreciation Expense	5,012,389	4,872,244
Net increase in other Nonoperating revenues/expenses	13,868	37,537
Noncash Operating Transactions	56,450	(21,608)
Change in Assets and Liabilities (Operating Portions):		
Receivables, Net	285,416	(26,502)
Inventories	79,998	(12,305)
Prepaid Expense	176,806	39,399
Construction in Progress	777	(271,116)
Accounts Payable	82,270	(320,699)
Accrued Liabilities	106,281	167,826
Deferred Revenue	151,253	211,909
Deposits Held for Others	41,956	45,406
Compensated Absence Liabilities	158,726	(60,318)
Net Cash Provided (Used) by Operating Activities	<u>\$ (226,825)</u>	<u>\$ 928,085</u>
 NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
State Capital Contributions	\$ 198,754	\$ 6,125
Donations of Capital Assets	27,213	238,291
Loss on Capital Asset Deletions	(3,285)	-

The accompanying notes are an integral part of this financial statement.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GOVERNANCE

Fort Lewis College (the College) is governed by the Board of Trustees for Fort Lewis College (the Board.) The Board is comprised of nine members. Seven members are appointed by the Governor of Colorado for four-year terms. An elected member of the student body of the College serves for a one-year term and an elected member of the faculty of the College serves for two-year terms.

REPORTING ENTITY AND COMPONENT UNIT

Fort Lewis College is an institution of higher education of the State of Colorado. Thus, for financial reporting purposes, the College is included as part of the State of Colorado's primary government. A copy of the State Comprehensive Annual Financial Report may be obtained from the Office of the State Controller.

The College implemented Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units* during fiscal year 2004. This Statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance for determining whether certain organizations, such as not-for-profit foundations, should be included in the College's financial reporting entity. The College has determined that the Fort Lewis College Foundation (the Foundation) meets the GASB Statement No. 39 criteria for inclusion in the College's financial statements.

The Foundation is a legally separate, tax-exempt component unit of the College. In December, 1969 the Foundation was organized and issued a Certificate of Incorporation under the Colorado Non-Profit Corporation Act. The purposes of the corporation are to "...assist in promoting, developing and enhancing the facilities and programs of Fort Lewis College..." (Per Articles of Incorporation III.) Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities, facilities, and programs of the College by the donors. Because these restricted resources held by the Foundation can only be used for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition and presentation features. No modifications have been made to the Foundation's financial information in the College's financial statements for these differences.

The amount transferred from the Foundation to the College, during the fiscal year ended June 30, 2007, for the purposes stated above was \$1,404,447 and for the year ended June 30, 2006 was \$1,460,303. Complete financial statements for the Foundation can be obtained from the Controller's Office at the College.

As defined by GASB Statement No. 14, the College is not financially accountable for any other entity, nor are there any other entities for which the nature and significance of their relationship with the College are such that exclusion would cause the College's financial statements to be misleading or incomplete.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING

The College's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation is incurred. All significant intra-agency transactions have been eliminated.

The College has the option to apply all FASB pronouncements issued after November 30, 1989, unless the FASB standards conflict with GASB standards. The College has elected not to apply FASB pronouncements issued after the applicable date.

Any effort to reconcile this report with presentations made for other purposes, such as data submitted with the institutional budget documents, must take into consideration any differences in the basis of accounting and other requirements for the preparation of such other presentations.

CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, cash and cash equivalents are defined as cash-on-hand, demand deposits, certificates of deposit with financial institutions, pooled cash with the state treasurer, and all highly liquid investments with an original maturity of three months or less.

INVENTORIES

Inventories of consumable supplies or goods held for resale are stated at the lower of cost or market, with cost being determined either on the first-in, first-out or average cost method. Consumable inventories are accounted for in accordance with State fiscal rules.

RESTRICTED CASH AND CASH EQUIVALENTS

Cash balances that are externally restricted as endowments, or for bond reserve, replacement, or rebate funds, or to purchase capital or noncurrent assets, are classified as noncurrent assets on the Statement of Net Assets.

CAPITAL ASSETS

Capital assets are recorded at cost for items purchased or at current market value at the date of acquisition for donated items. The College capitalizes equipment costing \$5,000 or more and having a useful life in excess of one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 20-40 years for buildings, 20-50 years for improvements other than buildings, 3-10 years for equipment, and 15 years for library materials.

COMPENSATED ABSENCE LIABILITIES

Employees' compensated absences are accrued when earned. The liability and expense incurred are recorded at year-end as compensated absence liabilities in the Statements of Net Assets and as a component of appropriate functional expense categories in the Statements of Revenues, Expenses, and Changes in Net Assets. The current portion of this liability is estimated based on historical trends.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NET ASSETS

The College has classified its net assets according to the following criteria:

Invested in Capital Assets, Net of Related Debt – This category represents the College’s total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but the proceeds have not yet been expended for capital assets, such amounts are not included as a component of this category.

Restricted Net Assets, Nonexpendable – This category consists of endowment funds that are required to be retained in perpetuity.

Restricted Net Assets, Expendable – This category includes resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties, including unspent debt proceeds.

Unrestricted Net Assets – Unrestricted Net Assets are those that do not meet the definition of “Restricted” or “Invested in Capital Assets, Net of Related Debt” as described above. Generally, these resources will be derived from student tuition and fees, state appropriations, sales and services of educational activities, and sales and services of certain auxiliary and self-funded activities.

CLASSIFICATION OF REVENUES

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

Operating revenues – Operating revenues generally result from providing goods and services for instruction, public service, or related support services to an individual or entity separate from the College.

Nonoperating revenues – Nonoperating revenues are those revenues that do not meet the definition of operating revenues. Nonoperating revenues include state appropriations and fee for service agreement for operations, gifts, investment income, and insurance reimbursement revenue.

APPLICATION OF RESTRICTED AND UNRESTRICTED RESOURCES

The College’s policy is to first apply an expense against restricted resources then towards unrestricted resources, when both restricted and unrestricted resources are available to pay an expense.

NOTE 2: CASH AND CASH EQUIVALENTS

As of year-end June 30, 2007, the College had \$20,698,234 on deposit with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office. At year-end, the carrying amount of the College's cash was \$556,176. The cash included petty cash and change funds of \$23,011 and bank deposits of \$533,165. The bank balance of the deposits was \$1,174,547. Of this bank balance, \$251,027 was covered by federal depository insurance or by collateral held by the institution's agent in the institution's name and \$923,520 was covered by collateral held by the bank or its agent in the State's name.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 2: CASH AND CASH EQUIVALENTS, (continued)

As of year-end June 30, 2006, the College had \$17,828,507 on deposit with the State Treasurer. On that date, the carrying amount of the College's cash was \$591,513. The cash included petty cash and change funds of \$20,161 and bank deposits of \$571,352. The bank balance of the deposits was \$847,527. Of this bank balance, \$227,220 was covered by federal depository insurance or by collateral held by the institution's agent in the institution's name and \$620,306 was covered by collateral held by the bank or its agent in the State's name.

The College deposits cash with the Colorado State Treasurer (the Treasurer) as required by Colorado Revised Statutes (CRS.) The Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. The College reports its share of the Treasurer's unrealized gains and losses based on its participation in the Treasurer's Pool. All of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at June 30, 2007. The Treasurer does not invest any of the pool resources in any external investment pool, and there is no assignment of income related to participation in the pool. The unrealized gains/losses included in income reflect only the change in fair value during the current fiscal year. Additional information on the Treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report.

NOTE 3: FORT LEWIS COLLEGE FOUNDATION CASH AND INVESTMENTS

Under the Foundation's adopted investment policy, investments are identified and allocated using three asset classes. Asset allocation is reviewed at least annually by the Finance Committee. Asset classes include cash and cash equivalents, fixed income securities, and equities. For the years reported herein, cash and cash equivalents consist of demand deposits and money market accounts. Fixed income securities include GNMA pools, other government-back securities individually held and in mutual funds, bonds and bond funds, and preferred stocks. Equities include individual stocks and stock-based mutual funds.

Pooled cash and investments

Pooled cash and investments as of June 30, 2007 and 2006 are summarized as follows:

	<u>June 30, 2007</u>		<u>June 30, 2006</u>	
	<u>Cost Basis</u>	<u>Market Value</u>	<u>Cost Basis</u>	<u>Market Value</u>
Cash and Cash Equivalents	\$ 297,886	\$ 297,886	\$ 90,954	\$ 90,954
Marketable Securities				
Fixed Income	3,634,524	3,526,457	4,320,206	4,167,719
Equities	<u>6,827,638</u>	<u>8,541,685</u>	<u>4,170,597</u>	<u>5,116,702</u>
Total pooled cash and investments	<u>\$ 10,760,048</u>	<u>\$ 12,366,028</u>	<u>\$ 8,581,757</u>	<u>\$ 9,375,375</u>

Net unrealized gains of \$812,362 and \$95,949 were recognized on these marketable securities as of June 30, 2007 and 2006, respectively.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 3: FORT LEWIS COLLEGE FOUNDATION CASH AND INVESTMENTS (Continued)

Segregated cash and investments

Segregated cash and investments at June 30, 2007 and 2006 are summarized as follows:

	June 30, 2007		June 30, 2006	
	Cost Basis	Market Value	Cost Basis	Market Value
Title III Funds				
Money Market Funds	\$ 29,883	\$ 29,883	\$ 35,234	\$ 35,234
Fixed Income	147,656	144,657	195,142	189,476
Equities	<u>1,089,963</u>	<u>1,393,290</u>	<u>882,088</u>	<u>1,138,044</u>
Total Title III Funds	<u>1,267,502</u>	<u>1,567,830</u>	<u>1,112,464</u>	<u>1,362,754</u>
Gift Annuity Trust				
Money Market Funds	5,866	5,866	8,963	8,963
Fixed Income	68,295	67,452	393,896	381,261
Equities	<u>128,116</u>	<u>124,178</u>	<u>696,243</u>	<u>674,249</u>
Total Gift Annuity Trust Funds	<u>202,277</u>	<u>197,496</u>	<u>1,099,102</u>	<u>1,064,473</u>
Total segregated cash and investments	<u>\$ 1,469,779</u>	<u>\$ 1,765,326</u>	<u>\$ 2,211,566</u>	<u>\$ 2,427,227</u>

Net unrealized gains of \$79,886 and \$66,707 were recognized on these marketable securities as of June 30, 2007 and 2006, respectively.

Total cash and investments

Total cash investments at June 30, 2007 and 2006 are summarized as follows:

	June 30, 2007			June 30, 2006		
	Cost Basis	Market Value	% of Total	Cost Basis	Market Value	% of Total
Cash and Cash						
Equivalents	\$ 333,635	\$ 333,635	2%	\$ 135,151	\$ 135,151	1%
Marketable Securities						
Fixed Income	3,850,475	3,738,566	27%	4,909,244	4,738,456	40%
Equities	<u>8,045,717</u>	<u>10,059,153</u>	<u>71%</u>	<u>5,748,928</u>	<u>6,928,995</u>	<u>59%</u>
Total	<u>\$ 12,229,827</u>	<u>\$ 14,131,354</u>	<u>100%</u>	<u>\$ 10,793,323</u>	<u>\$ 11,802,602</u>	<u>100%</u>

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 4: ACCOUNTS RECEIVABLE

Accounts Receivable balances are presented net of estimated allowance for doubtful accounts in the accompanying Statements of Net Assets. At June 30, 2007 and 2006 the Accounts Receivable balances are comprised of:

	<u>6/30/2007</u>	<u>6/30/2006</u>
Student Accounts Receivable	\$ 765,191	\$ 746,005
Less: Allowance for Doubtful Accounts	<u>(416,971)</u>	<u>(364,381)</u>
Student Accounts Receivable, Net	<u>348,220</u>	<u>381,624</u>
Student Loans Receivable	2,104,633	2,352,260
Less: Allowance for Doubtful Accounts	<u>(119,542)</u>	<u>(95,625)</u>
Student Loans Receivable, Net	<u>1,985,091</u>	<u>2,256,635</u>
Accounts Receivable – Fort Lewis College Foundation	<u>19,849</u>	<u>13,643</u>
Other Accounts Receivable		
Sponsored Programs	350,910	388,544
Vendor Credits	269,530	242,142
Conferences & Summer Programs	268,065	276,718
Other	<u>200,657</u>	<u>168,433</u>
Other Accounts Receivable	<u>1,089,162</u>	<u>1,075,837</u>
Total Receivables, Net	<u><u>\$3,442,322</u></u>	<u><u>\$3,727,739</u></u>

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 5: CAPITAL ASSETS

The college's capital asset activity for the year ended June 30, 2007 was as follows:

	Balance				Balance
	<u>6/30/2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>6/30/2007</u>
Land	\$ 259,875	-	-	-	259,875
Land Improvements	16,934,132	-	-	370,353	17,304,485
Buildings and Improvements	111,160,651	-	-	949,284	112,109,935
Construction in Progress	926,533	1,998,503	576,531	(1,422,749)	925,756
Equipment	6,465,694	567,130	210,061	103,112	6,925,875
Library Materials	2,987,082	134,101	29,523	-	3,091,660
Capitalized Collections	1,230,085	21,799	-	-	1,251,884
Total	<u>139,964,052</u>	<u>2,721,533</u>	<u>816,115</u>	<u>-</u>	<u>141,869,470</u>
Less Accumulated Depreciation:					
Land Improvements	5,324,010	633,996	-	-	5,958,006
Buildings and Improvements	37,849,149	3,441,639	-	-	41,290,788
Equipment	4,466,890	840,433	180,255	-	5,127,068
Library Materials	2,311,113	96,321	29,523	-	2,377,911
Total Accumulated Depreciation	<u>49,951,162</u>	<u>5,012,389</u>	<u>209,778</u>	<u>-</u>	<u>54,753,773</u>
Capital Assets, Net	<u>\$ 90,012,890</u>	<u>\$ (2,290,856)</u>	<u>\$ 606,337</u>	<u>\$ -</u>	<u>\$ 87,115,697</u>

The college's capital asset activity for the year ended June 30, 2006 was as follows:

	Balance				Balance
	<u>6/30/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>6/30/2006</u>
Land	\$ 259,875	\$ -	\$ -	\$ -	\$ 259,875
Land Improvements	16,729,132	205,000	-	-	16,934,132
Buildings and Improvements	110,227,871	-	-	932,780	111,160,651
Construction in Progress	1,190,865	1,121,734	396,037	(990,029)	926,533
Equipment	6,026,033	746,178	363,766	57,249	6,465,694
Library Materials	2,945,811	75,773	34,503	-	2,987,081
Capitalized Collections	1,043,051	187,035	-	-	1,230,086
Total	<u>138,422,638</u>	<u>2,335,720</u>	<u>794,306</u>	<u>-</u>	<u>139,964,052</u>
Less Accumulated Depreciation:					
Land Improvements	4,695,161	628,849	-	-	5,324,010
Buildings and Improvements	34,441,925	3,407,224	-	-	37,849,149
Equipment	4,073,658	739,908	346,676	-	4,466,890
Library Materials	2,249,353	96,263	34,503	-	2,311,113
Total Accumulated Depreciation	<u>45,460,097</u>	<u>4,872,244</u>	<u>381,179</u>	<u>-</u>	<u>49,951,162</u>
Capital Assets, Net	<u>\$ 92,962,541</u>	<u>\$ (2,536,524)</u>	<u>\$ 413,127</u>	<u>\$ -</u>	<u>\$ 90,012,890</u>

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 6: FORT LEWIS COLLEGE FOUNDATION TANGIBLE ASSETS

Tangible assets include gifts-in-kind and purchased items held by the Foundation. Included in real estate are two condominiums which the Foundation is depreciating over a period of forty years using the straight-line method.

At June 30, 2007 and 2006, tangible assets are comprised of the following:

	<u>June 30, 2007</u>		<u>June 30, 2006</u>	
	<u>Restricted</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unrestricted</u>
Gifts-in-kind				
Real estate	\$ 81,500	\$ 392,000	\$ 81,500	\$ 392,000
Accumulated depreciation	(32,871)	(19,396)	(31,134)	(17,646)
Equipment and other	5,920	-	5,920	-
Collection items	<u>4,324,517</u>	<u>-</u>	<u>4,079,685</u>	<u>-</u>
Total gifts-in-kind	<u>4,379,066</u>	<u>372,604</u>	<u>4,135,971</u>	<u>374,354</u>
Purchased assets				
Real estate	1,326,385	-	1,318,005	-
Accumulated Depreciation	(50,226)	-	(33,352)	-
Collection items	91,730	-	91,730	-
Concert piano	<u>73,900</u>	<u>-</u>	<u>73,900</u>	<u>-</u>
Total purchased assets	<u>1,441,789</u>	<u>-</u>	<u>1,450,283</u>	<u>-</u>
Total tangible assets	<u>\$ 5,820,855</u>	<u>\$ 372,604</u>	<u>\$ 5,586,254</u>	<u>\$ 374,354</u>

The Foundation's collections are made up of artifacts of historical significance and art objects that are held for educational, research, and curatorial purposes. Each of the items is cataloged, preserved, and cared for by Fort Lewis College staff, and activities verifying their existence and assessing their condition are performed continuously.

NOTE 7: ACCRUED LIABILITIES

At June 30, 2007 and 2006, the Accrued Liabilities balances, as presented on the Statements of Net Assets, are comprised of:

	<u>6/30/2007</u>	<u>6/30/2006</u>
Accrued Payroll & Benefits	\$ 4,053,825	\$ 3,931,799
Accrued Interest Payable	138,006	150,106
Contractor Retainage	23,624	23,205
Other Liabilities	<u>342,346</u>	<u>346,410</u>
Total	<u>\$ 4,557,801</u>	<u>\$ 4,451,520</u>

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 8: LONG-TERM LIABILITIES

The College's Long-Term Liability activity for the year ended June 30, 2007 was as follows:

	Balance <u>6/30/2006</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2007</u>	Current <u>Portion</u>
Bonds and Leases Payable:					
Revenue Bonds	\$ 13,373,774	\$ -	\$ 1,220,566	\$ 12,153,208	\$1,270,000
Lease Obligations	32,608	-	32,608	-	-
Total Bonds and Leases Payable	<u>13,406,382</u>	<u>-</u>	<u>1,253,174</u>	<u>12,153,208</u>	<u>1,270,000</u>
Other Liabilities:					
Compensated Absences	1,432,810	320,817	162,091	1,591,536	150,973
Other	24,984	-	24,984	-	-
Total Other Liabilities	<u>1,457,794</u>	<u>320,817</u>	<u>187,075</u>	<u>1,591,536</u>	<u>150,973</u>
 Total Long-Term Liabilities	 <u>\$14,864,176</u>	 <u>\$320,817</u>	 <u>\$1,440,249</u>	 <u>\$13,744,744</u>	 <u>\$1,420,973</u>

The College's Long-Term Liability activity for the year ended June 30, 2006 was as follows:

	Balance <u>6/30/2005</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2006</u>	Current <u>Portion</u>
Bonds and Leases Payable:					
Revenue Bonds	\$ 14,554,340	\$ -	\$ 1,180,566	\$ 13,373,774	\$1,250,000
Lease Obligations	126,953	-	94,345	32,608	32,608
Total Bonds and Leases Payable	<u>14,681,293</u>	<u>-</u>	<u>1,274,911</u>	<u>13,406,382</u>	<u>1,282,608</u>
Other Liabilities:					
Compensated Absences	1,493,128	76,767	137,085	1,432,810	155,948
Other	47,492	-	22,508	24,984	24,984
Total Other Liabilities	<u>1,540,620</u>	<u>76,767</u>	<u>159,593</u>	<u>1,457,794</u>	<u>180,932</u>
 Total Long-Term Liabilities	 <u>\$ 16,221,913</u>	 <u>\$ 76,767</u>	 <u>\$ 1,434,504</u>	 <u>\$ 14,864,176</u>	 <u>\$1,463,540</u>

NOTE 9: BONDS PAYABLE

As of June 30, 2007 and 2006, the College has revenue bonds payable of \$12,190,000 (less unamortized deferred costs of \$36,792) and \$13,440,000 (less unamortized deferred costs of \$66,226) respectively. For those wishing further information, the College issues a separate report on revenue bond obligations and the operations supporting them. Principal and interest are payable solely from certain student fees and net revenues from operations supporting them. The revenue bonds bear interest at rates ranging from 2.0% to 5.0%, payable semi-annually, and are serial obligations that mature annually with a final payment due October 1, 2019. Funds sufficient to meet all reserve requirements have been placed in replacement and reserve funds. All earnings requirements were satisfied.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 9: BONDS PAYABLE (continued)

Required bond payments to maturity as of June 30, 2007 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,270,000	\$ 534,444	\$ 1,804,444
2009	1,310,000	483,279	1,793,279
2010	1,380,000	419,545	1,799,545
2011	1,445,000	354,258	1,799,258
2012	1,520,000	286,785	1,806,785
2013-2017	3,705,000	658,037	4,363,037
2018-2020	1,560,000	128,962	1,688,962
Total	<u>\$12,190,000</u>	<u>\$ 2,865,310</u>	<u>\$15,055,310</u>

NOTE 10: DEBT REFUNDING

Revenue Bonds - Series 1998A

On September 1, 1998, the College issued the Auxiliary Facilities Enterprise Refunding Revenue Bonds, Series 1998A in the amount of \$5,130,000 for the purpose of refunding a portion of the College's existing Auxiliary Facilities Refunding and Improvement Revenue Bonds, Series 1992. The outstanding debt refunded was in the amount of \$4,570,000 and was accomplished by depositing in an escrow account the net proceeds of the new bond issue and a portion of the 1992 Bond Reserve Fund to provide for all future payments on the refunded 1992 bonds. The balance of debt outstanding on the refunded bonds at June 30, 2007 was \$4,570,000. Interest payments have been made annually. The initial principal payment is due October 1, 2008.

All refunded debt of the College is considered defeased and the liability for such debt is not included on the Statement of Net Assets.

NOTE 11: LEASE PURCHASE AGREEMENTS

In June, 1998, the College entered into a Lease/Purchase Agreement with the Fort Lewis College Foundation for the acquisition of a modular building for the principal amount of \$441,329 with payments to be made through October, 2006 with a variable interest rate. The variable rate was determined annually as the Prime Interest rate less 1.5 percent. The final payment of \$32,608 was made during fiscal 2006 and the lease has been paid in full.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 12: OPERATING LEASES

Certain equipment is being leased by the College under operating leases. The following is a schedule of all future minimum rental payments due on operating leases as of June 30, 2007:

Year Ending June 30:	
2008	\$ 99,531
2009	<u>20,224</u>
Total	<u>\$119,755</u>

Rent expense for the years ended June 30, 2007 and 2006 was \$102,583 and \$104,298, respectively.

NOTE 13: ENCUMBRANCES

Outstanding purchase commitments not reflected in the financial statements at June 30, 2007 and 2006 are:

	6/30/07	6/30/06
Education and General	\$ 234,930	\$ 173,875
Auxiliary Enterprises	310,609	387,694
Restricted Funds	6,880	41,372
Plant Funds	<u>274,468</u>	<u>166,280</u>
Total	<u>\$ 826,887</u>	<u>\$ 769,221</u>

NOTE 14: SCHOLARSHIP ALLOWANCE

Tuition, fees, auxiliary revenue, and the related scholarship allowances for the year ended June 30, 2007 and 2006 were as follows:

	Tuition and Fees	Auxiliary Revenue	6/30/07 Total	6/30/06 Total
Gross Revenue	\$ 31,702,862	\$ 13,784,380	\$ 45,487,242	\$ 44,955,008
Scholarship Allowances:				
Federal	(2,270,744)	(310,350)	(2,581,094)	(2,721,192)
State	(8,612,253)	(93,156)	(8,705,409)	(8,450,221)
Private	(369,760)	(50,537)	(420,296)	(579,643)
Institutional	(1,975,092)	(269,942)	(2,245,035)	(2,362,711)
Total Scholarship Allowances	<u>(13,227,849)</u>	<u>(723,985)</u>	<u>(13,951,834)</u>	<u>(14,113,767)</u>
Net Revenue	<u>\$ 18,475,013</u>	<u>\$ 13,060,395</u>	<u>\$ 31,535,408</u>	<u>\$ 30,841,241</u>

FORT LEWIS COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007 AND 2006

NOTE 15: SPENDING LIMITATIONS

In November 1992, Colorado voters passed Section 20 Article X of the Colorado Constitution, commonly known as the Taxpayer's Bill or Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations that apply to all local governments and the State of Colorado, including Fort Lewis College. During the year ended June 2004, the Colorado State Legislature determined that in Section 23-5-101.7 of the Colorado Revised Statutes, an institution of higher education may be designated as an enterprise for the purposes of TABOR so long as the institution's governing board retains authority to issue revenue bonds on its behalf and the institution receives less than ten percent of its total annual revenues in grants from all Colorado State and local governments combined. Further, so long as it is so designated as an enterprise, the institution shall not be subject to any of the provisions of TABOR.

In February, 2005, the Board of Trustees designated the College as a TABOR enterprise pursuant to the statute and in fiscal 2006 the College began reporting its activity to the State as an enterprise. During the fiscal years ended June 30, 2007 and June 30, 2006, the College believes it has met all requirements of TABOR enterprise status. Specifically, the Board of Trustees retain the authority to issue revenue bonds and the amount of State grants received by the College was just under 8% during the year ended June 30, 2007, and 5% during the year ended June 30, 2006, as shown in the following table:

TABOR Enterprise State Support Calculation:

State Grants:	<u>2007</u>	<u>2006</u>
State Fee for Service Agreement	\$ 3,921,993	\$ 2,537,022
Capital Appropriations	<u>198,754</u>	<u>6,125</u>
Total State Grants	<u>\$ 4,120,747</u>	<u>\$ 2,543,147</u>
Total Revenues (gross operating, nonoperating and other revenues)	<u>\$54,465,585</u>	<u>\$51,652,672</u>
Ratio of State Grants to Total Revenues	<u>7.57%</u>	<u>4.92%</u>

A portion of the College is subject to revenue and expense limitations imposed by the Colorado State Legislature through the annual appropriation process. The College's appropriated funds include the State appropriation from the State's General Funds, as well as certain cash funds as specified in the State's annual appropriations bill. Appropriated cash funds include tuition, certain fees, and certain other revenue sources, which are recognized in various revenue lines, as appropriate in the accompanying financial statements.

All other revenues and expenses reported by the College represent non-appropriated funds are excluded from the annual appropriations bill. Non-appropriated funds include certain grants and contracts, gifts, indirect cost recoveries, certain auxiliary revenues, and other revenue sources.

For the years ended June 30, 2007 and 2006, appropriated expenses were within the authorized spending authority as shown in the following table:

FORT LEWIS COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007 AND 2006

NOTE 15: SPENDING LIMITATIONS, (continued)

Appropriated Funds

Description	2007	2006
Total Appropriation	\$34,351,658	\$32,115,916
Actual appropriated revenues	\$33,344,931	\$31,674,537
Actual appropriated expenditures and transfers	\$33,344,931	\$31,032,146
Net increase (decrease) in appropriated net assets	\$ 0	\$ 642,391

NOTE 16: EMPLOYMENT BENEFITS

Employees of the College participate in one of three retirement plans. Eligible student employees participate in a student retirement plan that is funded solely by contributions from the student employees. All other eligible employees of the College participate in either the PERA plan or an optional defined contribution plan.

The College's total payroll for the fiscal years ended June 30, 2007 and 2006 was and \$26,608,389 and \$25,432,847 respectively. The total payroll for employees covered by the PERA plan, the optional defined contribution plan, and the student retirement plan was \$11,519,350, \$12,882,250, and \$422,132 respectively for June 30, 2007 and \$11,524,124, \$11,814,704, and \$458,889 respectively for June 30, 2006. The remaining employees were not eligible for participation in any of the College's plans.

PERA Defined Benefit Pension Plan

Plan Description – A portion of the College employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple employer plan administered by the Public Employees' Retirement Association (PERA.) PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements which may be obtained by writing PERA at 1300 Logan Street, Denver, Colorado 80203, by calling PERA at 303-832-9550 or 1-800-729-7372, or by visiting WWW.COPERA.ORG.

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the Colleges optional retirement plan. Based on the 2006 legislation, higher education employees hired on or after January 1, 2008, have the additional option of participating in the states' defined contribution plan or PERA's defined contribution plan, which are discussed below, as well as the plans available to other employees of the College.

PERA members electing the defined contribution plan are allowed an irrevocable election between the second and fifth year to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to the rules in effect for those hired on or after January 1, 2007, as discussed below. Employer contributions to both defined contribution plans are the same as the contributions to the PERA defined benefit plan.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 16: EMPLOYMENT BENEFITS (continued)

Defined benefit plan members vest after five years of service and are eligible for full retirement based on their original hire date as follows:

Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.

Hired between July 1, 2005 and December 31, 2006- any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 63 with 5 years of service.

Hired on or after January 1, 2007 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service.

Members are also eligible for retirement benefits without a reduction for early retirement based on their original hire date as follows:

Hired before January 1, 2007- age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.

Hired on or after January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more.

Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods. For retirements after January 1, 2009 or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increases between periods used in calculating HAS.

Retiree benefits are increased annually based on their original hire date as follows:

Hired before July, 1 2005 – 3.5 percent, compounded annually

Hired between July 1, 2005- and December 31, 20006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index

Hired on or after January 1, 2007 – the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percent of the employer contributions for this population.)

Members disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, their eligible children under the age of 18 (23 if a full time student) or their spouse may be entitled to a single payment or monthly benefit payments. If there is no eligible child or spouse then financially dependent parents, beneficiaries, or the member's estate, may be entitled to a survivor's benefit.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 16: EMPLOYEE BENEFITS (continued)

Funding Policy -- The contribution requirements of plan members are established, and may be amended, by the General Assembly. Salary subject to PERA contribution is gross earnings less and reduction in pay to offset employer contributions to the state sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

College employees contribute 8.0 percent of their salary, as defined in CRS 24-51-101(42) to an individual account in the plan. From July 1, 2006 to December 31, 2006, the College contributed 10.65 percent of the employee's salary. From January 1, 2007, through June 30, 2007, the College contributed 11.15 percent. During all of the Fiscal Year 2006-07, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2005, the division of PERA in which the state participates was under funded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

In the 2004 legislative session the general assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional .5 percent of salary beginning January 1, 2006, another .5 percent of salary in 2007, and subsequent year increases of .4 percent of salary until the additional payment reaches 3.0 percent in 2012

In the 2006 legislative session, the general assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one half percentage point through 2013 resulting in a cumulative increase of three percentage points. For state employers, each year's one half percentage point increase in the SAED will be deducted from the amount of changes to state employees' salaries, and used by the employer to pay the SAED. Both the AED and SAED will terminate when funding levels reach 100 percent.

Historically members have been allowed to purchase service credit at reduced rates. However, legislation passed in the 2006 session required, that future agreements to purchase service credit be sufficient to fund the related actuarial liability.

The College's total contributions to PERA for the fiscal years ending June 30, 2007, 2006, and 2005 were \$1,257,437, \$1,201,033, and \$1,109,852 respectively. These contributions met the contribution requirement for each year.

Voluntary Tax-Deferred Retirement Plans

PERA offers a voluntary 401k plan entirely separate from the defined benefit pension plan. The state offers a 457 deferred compensation plan and certain agencies and institutions of the state offer 403(b) or a 401(a) plans.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 16: EMPLOYMENT BENEFITS (continued)

Optional Defined Contribution Plan

Certain full time faculty and professional staff of the College participate in an optional defined contribution plan as an alternative to PERA. Two vendor choices are offered through the defined contribution plan; Teachers Insurance Annuity Association (TIAA) and Variable Annuity Insurance Corporation (VALIC). The College's aggregate contribution to the above two vendors was equal to 11.4 percent of covered payroll or \$1,468,576 for the fiscal year ended June 30, 2007 and \$1,346,876 for the fiscal year ended June 30, 2006. The employee aggregate contribution to the above two vendors was equal to 8.0 percent of covered payroll or \$1,030,580 for the fiscal year ended June 30, 2007 and \$945,176 for the fiscal year ended June 30, 2006.

Student Employee Retirement Program

Eligible student employees contribute 7.5% of covered payroll to the student retirement program. All contributions are invested with one vendor, Teachers Insurance Annuity Association. The contribution by student employees for the fiscal year ended June 30, 2007 and 2006 was \$31,660 and \$34,417 respectively. The College is not liable for any matching contributions to the student retirement program.

Health Insurance Programs

The College's contribution to the various health insurance programs for the fiscal year ended June 30, 2007 and 2006 was \$1,952,059 and \$1,747,415 respectively.

NOTE 17: POST-EMPLOYMENT BENEFITS

PERA Post-Employment Health Care and Life Insurance Benefits

Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Trust Fund; the program was converted to a trust fund in 1999. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During Fiscal Year 2005-06, the premium subsidy was \$115 for those with 20 years of service credit (\$230 for members under age 64 and not eligible for Medicare), and it was reduced by 5 percent for each year of service fewer than 20.

The Health Care Trust Fund is maintained by an employer's contribution as discussed above in Note 16 under the section titled "Funding Policy."

Monthly premium costs for participants depend on the health care plan selected, the number of persons covered, Medicare eligibility, and the number of years of service credit. PERA contracts with a major medical indemnity carrier to administer claims for self-insured medical and prescription benefit plans, and with several health maintenance organizations providing services within Colorado. As of December 31, 2006 there were 42,433 enrollees in the plan.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 17: POST-EMPLOYMENT BENEFITS. (continued)

Life Insurance Program

Previously, PERA provided its members access to two group decreasing term life insurance plans offered by Prudential Insurance Company and Anthem Life. Effective April 1, 2005, PERA consolidated the two plans, and UnumProvident became the administrator. Members who transition to the new plan may continue coverage into retirement. During Fiscal Year 2005-06, PERA provided its members access to a group decreasing term life insurance plan offered by UnumProvident in which 41,180 members participated. Active members may join the UnumProvident Plan and continue coverage into retirement. Premiums are collected by monthly payroll deductions or other means. In addition, PERA maintained coverage for 13,375 members under closed group plans underwritten by Anthem Life, Prudential, and New York Life.

Other Postretirement Healthcare and Life Insurance Benefits

Retired faculty and exempt-administrative staff are eligible to participate in the Colorado Higher Education Insurance Benefits Alliance Trust (CHIEBA). CHIEBA is a cost-sharing multiple-employer insurance purchasing pool, which allows for post employment health coverage until the retiree is eligible for Medicare. As of June 30, 2007, there were 41 participants in post retirement coverage from the eight member higher education institutions.

CHIEBA financial statements are prepared under accounting principals generally accepted in the United States using the accrual basis of accounting following Governmental accounting standards for a business type activity. The financial statements can be obtained by contacting the Human Resources Office at Fort Lewis College at (970) 247-7429. Contributions are recognized in the period due. Benefits and refunds are recognized and paid when due according to the participating plans. The fair value of the Trust's investments is based on quoted market prices from national securities exchanges.

There are no long term contracts for contributions to the plan. Participating schools can withdraw their participation in the plan with at least one year's notice to the CHIEBA board.

NOTE 18: COMMITMENTS AND CONTINGENCIES

Contracts have been entered into for the purpose of planning, constructing, or equipping certain building or land improvements with outstanding amounts totaling \$286,076 as of June 30, 2007. These improvements will be funded by appropriations from the State, revenue bonds, or internal transfers of funds. The amount of state capital appropriations unexpended was \$64,887 as of June 30, 2007.

The College receives significant amounts from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed amounts resulting from such audits could become a liability of the College. However, College management believes that any such disallowed amounts will not have a material adverse effect on any of the financial statements or on the overall financial position of the College at June 30, 2007.

The College is insured by the State of Colorado self-insurance program for liability, property, and workers compensation insurance.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

November 7, 2007

Members of the Legislative Audit Committee:

We have audited the basic financial statements of Fort Lewis College, a blended component unit of the State of Colorado and its discretely presented component unit, as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated November 7, 2007. We did not audit the financial statements of the Fort Lewis College Foundation, the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Fort Lewis College Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audits, we considered Fort Lewis College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.



Members of the Legislative Audit Committee
November 7, 2007
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fort Lewis College’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the State of Colorado Legislative Audit Committee and management of Fort Lewis College, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record upon release by the Legislative Audit Committee.

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



AUDIT COMMITTEE COMMUNICATIONS

November 7, 2007

Members of the Legislative Audit Committee:

We have audited the financial statements of Fort Lewis College, a blended component unit of the State of Colorado, for the years ended June 30, 2007 and 2006, and have issued our report thereon dated November 7, 2007. As required by professional auditing standards, we are providing you with information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

Our responsibility under professional standards is to plan and perform an audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. As part of our audit, we considered the internal control of Fort Lewis College. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Fort Lewis College's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of the engagement letter we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Fort Lewis College are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007 or 2006. We noted no transactions entered into by Fort Lewis College during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.



Members of the Legislative Audit Committee
November 7, 2007
Page Two

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements and are based on management's judgments. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The significant accounting estimates affecting the financial statements are the allowance for uncollectible receivables, accrued compensated absences, scholarship allowances, and the depreciation of capital assets. We evaluated the factors and assumptions used to develop these estimates and determined they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Fort Lewis College's financial reporting process (that is, cause future financial statements to be materially misstated). We noted no adjustments that could have a significant effect on Fort Lewis College's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statement or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.



Members of the Legislative Audit Committee
November 7, 2007
Page Three

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Fort Lewis College's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Legislative Audit Committee and management of Fort Lewis College and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record upon release by the Legislative Audit Committee.

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

The electronic version of this report is available on the Web site of the
Office of the State Auditor
www.state.co.us/auditor

A bound report may be obtained by calling the
Office of the State Auditor
303-869-2800

Please refer to the Report Control Number below when requesting this report

Report Control Number 1792A