

**FORT LEWIS COLLEGE**

**FINANCIAL AND COMPLIANCE AUDIT**  
**Fiscal Years Ended June 30, 2012 and 2011**



**Wall,  
Smith,  
Bateman** Inc.  
Certified Public Accountants

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**FORT LEWIS COLLEGE  
FINANCIAL AND COMPLIANCE AUDIT  
REPORT SUMMARY  
FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

**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 Fiscal Year 2012 audit was conducted under contract with Wall, Smith, Bateman Inc. The audit was made in accordance with auditing 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 October 2012.

The purposes and scope of the audit were to:

- § Perform a financial and compliance audit of Fort Lewis College for the year ended June 30, 2012 and to express an opinion on the financial statements. This included a review of 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*.
- § Express an opinion on the Statement of Appropriations, Expenditures, Transfers, and Reversions of State-Funded Student Assistance Programs for the fiscal year ended June 30, 2012.

The Schedule of Expenditures of Federal Awards for Fort Lewis College and applicable audit opinions are included in the June 30, 2012 Statewide Single Audit Report issued by the Office of the State Auditor under a separate cover.

**Audit Results**

Wall, Smith, Bateman Inc. expressed an unqualified opinion on the financial statements for the year ended June 30, 2012. Wall, Smith, Bateman Inc. also expressed an unqualified opinion on the Statements of Appropriations, Expenditures, Transfers and Reversions of State-Funded Student Assistance Programs for the fiscal year ended June 30, 2012.

**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 there were no significant difficulties encountered in performing the audit.

**Summary of Findings and Recommendations**

There were no reported findings or recommendations resulting from the audit work completed for fiscal year 2012.

**Summary of Progress in Implementing Prior Audit Findings**

There were no reported findings or recommendations in the prior year audit.

# MISSION, HISTORY, ENROLLMENT, AND STAFFING

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## 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.

## VISION, MISSION AND CORE VALUES

The following have been adopted by the Board of Trustees for Fort Lewis College.

### **Vision**

We strive to be the finest public liberal arts college in the western United States.

### **Mission**

Fort Lewis College offers accessible, high quality, baccalaureate liberal arts education to a diverse student population, preparing citizens for the common good in an increasingly complex world. We strive to be the finest public liberal arts college in the western United States.

### **Core Values**

§ Student success is at the center of all College endeavors. The College is dedicated to the highest quality liberal arts education that develops the whole person for success in life and work. Learner needs, rather than institutional preferences, determine priorities for academic planning, policies, and programs. Quality teaching and advising is demanded, recognized, and rewarded.

- § Academic freedom is the foundation for learning and advancement of knowledge. The College vigorously protects freedom of inquiry and expression while expecting civility and mutual respect to be practiced in all interactions.
- § Diversity is a source of renewal and vitality. The College is committed to developing capacities for living together in a democracy, the hallmark of which is individual, social, and cultural diversity. The College fosters a climate and models a condition of openness in which students, faculty, and staff engage with respect, tolerance and equity. The College is further dedicated to our historical mission to educate the nation’s Native Americans within the liberal arts framework.
- § Informed and engaged citizens are essential to the creation of a civil and sustainable society. The College values the development of the responsible citizen, grounded in honesty, courage, and compassion, and is committed to advancing democratic ideals. Through community-based learning, the College engages students in community involvement and formal reflection on the value of these experiences.
- § Service to Southwest Colorado and the Four Corners area, including access to the College, is a public trust. The College is committed to forging partnerships and being responsive to the Four Corners region. It strives to make available its knowledge resources, services, and educational offerings at times, places, in forms, and by methods that will meet the needs of its constituents.
- § Connected knowing, independent learning, and collaborative learning are basic to being well educated. The College structures interdisciplinary learning experiences throughout the curriculum to have students develop the ability to think in terms of whole systems and to understand the interrelatedness of knowledge across disciplines. Emphasis is placed on the development of teamwork skills through collaborative opportunities.
- § Evaluation of all functions is necessary for improvement and continual renewal. The College is committed to studying and documenting its effectiveness through assessment.

**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.

	FY <u>2011-12</u>	FY <u>2010-11</u>	FY <u>2009-10</u>
Resident FTE	2,288.97	2,397.73	2,407.26
Non-Resident FTE	<u>1,255.64</u>	<u>1,179.53</u>	<u>1,100.29</u>
Total FTE Students	<u>3,544.61</u>	<u>3,577.26</u>	<u>3,507.55</u>

## 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.

	FY <u>2011-12</u>	FY <u>2010-11</u>	FY <u>2009-10</u>
Faculty FTE	191.6	187.0	199.5
Staff FTE	<u>300.3</u>	<u>296.7</u>	<u>298.5</u>
Total FTE	<u>491.9</u>	<u>483.7</u>	<u>498.0</u>



## FINDINGS AND RECOMMENDATIONS SECTION

**FORT LEWIS COLLEGE  
AUDITORS' FINDINGS AND RECOMMENDATIONS  
FISCAL YEAR ENDED JUNE 30, 2012**

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

**FORT LEWIS COLLEGE**  
**AUDITORS' FINDINGS AND RECOMMENDATIONS**  
**FISCAL YEAR ENDED JUNE 30, 2012**

**Summary of Progress in Implementing Prior Audit Recommendations**

The audit report for the year ended June 30, 2011 did not include any recommendations or findings.

FINANCIAL STATEMENTS SECTION



Wall,  
Smith,  
Bateman Inc

## INDEPENDENT AUDITORS' REPORT

Members of the Legislative Audit Committee:

We have audited the accompanying basic financial statements of the business type activities of Fort Lewis College (the College), a blended component unit of the State of Colorado, as of and for the years ended June 30, 2012 and 2011, which collectively comprise the College's basic financial statements as listed in the table of contents. We have also audited the financial statements of Fort Lewis College Foundation, a discretely presented component unit of Fort Lewis College, as of and for the year ended June 30, 2011. 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, a discretely presented component unit of the College, as of and for the year ended June 30, 2012. 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, as of and for the year ended June 30, 2012, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Fort Lewis College Foundation were not audited in accordance with the *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, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of the College as of June 30, 2012 and 2011, and the respective changes in its financial position and its cash flows 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 October 23, 2012 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This 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.

**Certified Public Accountants**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10-20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Pledged Revenues and Expenses for Revenue Bonds is presented for purposes of additional analysis and is not a required part of the basic financial statements of the College. Such information, which is the responsibility of the College's management, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in blue ink that reads "Wall, Smith, Bateman, Inc." in a cursive script.

Wall, Smith, Bateman Inc.  
Certified Public Accountants

October 23, 2012

FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2012 AND 2011

We are pleased to present this financial discussion and analysis of Fort Lewis College (the College). The discussion is intended to make the financial statements easier to understand and communicate the College's financial situation in an open and accountable manner. Furthermore, the management's discussion and analysis provides an objective examination of the College's financial position and results of operations as of and for the years ended June 30, 2012 and 2011 (fiscal years 2012 and 2011, respectively), with comparative information for fiscal year 2010. College management is responsible for the completeness and fairness of this discussion and analysis, the financial statements, and related footnote disclosures.

The presented information relates to the financial activities of the College, a public liberal arts institution, and focuses on the financial condition and results of operations as a whole. The financial statements for the Fort Lewis College Foundation, a legally separate organization whose operations benefit the College – are discretely presented within the College's financial statements. Unless otherwise noted, the information and financial data included in management's discussion and analysis relate solely to the College.

Fort Lewis College was established under an agreement with the federal government whereby any qualified Native American students would be admitted tuition free and on terms of equality with other students. Fort Lewis College is one of two public, non-tribal schools in this category in the country. The Native American Tuition Funding, included in State Grants and Contracts on the financial statements, represents reimbursement for tuition waived in the previous fiscal year. Tuition from Native American students accounts for approximately 30% of the general fund budget.

According to recent reports, Fort Lewis College ranks high in the nation among institutions of higher education in the number of baccalaureate degrees awarded to Native American students<sup>1</sup> and high in the nation in the number of Science, Technology, Engineering, and Math (STEM) baccalaureate degrees awarded to Native American students.<sup>2</sup> According to the American Indian Science & Engineering Society, Fort Lewis College ranks 7<sup>th</sup> in the nation among institutions of higher education in percent of full time Native American undergraduates<sup>3</sup> enrolled in college. Fort Lewis College is the only Native American Serving, Non-Tribal Institution in Colorado.

### **Understanding the Financial Statements**

Financial highlights are presented in this discussion and analysis to help with the reader's assessment of the College's financial activities. Since this presentation includes highly summarized data, it should be read in conjunction with the financial statements, which have the following five parts.

- ***Report of Independent Auditors*** presents an unqualified opinion prepared by the College's auditors (an independent certified public accounting firm, Wall, Smith, Bateman Inc.) on the fairness, in all material respects, of the College and its discretely presented component unit's respective financial position.
- ***Statement of Net Assets*** presents the assets, liabilities, and net assets of the College as of June 30, 2012 and 2011. Its purpose is to present a financial snapshot of the College. This statement aids readers in determining the assets available to continue the College's operations; evaluating how much the College owes to vendors and lending institutions; and understanding the College's net assets and their availability for expenditure.
- ***Statement of Revenues, Expenses, and Changes in Net Assets*** presents the total revenues earned and expenses incurred by the College for operating, non-operating, and other related activities for the years ended June 30, 2012 and 2011. This statement's purpose is to assess the College's operating results.

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<sup>1</sup> National Science Foundation, <http://webcaspar.nsf.gov>

<sup>2</sup> Ibid

<sup>3</sup> *Winds of Change*, American Indian Science & Engineering Society, 14<sup>th</sup> Annual College Guide, 2007

FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2012 AND 2011

- **Statement of Cash Flows** presents College cash receipts and payments for the years ended June 30, 2012 and 2011. This statement's purpose is to assess the College's ability to generate net cash flows and meet its payment obligations as they come due.

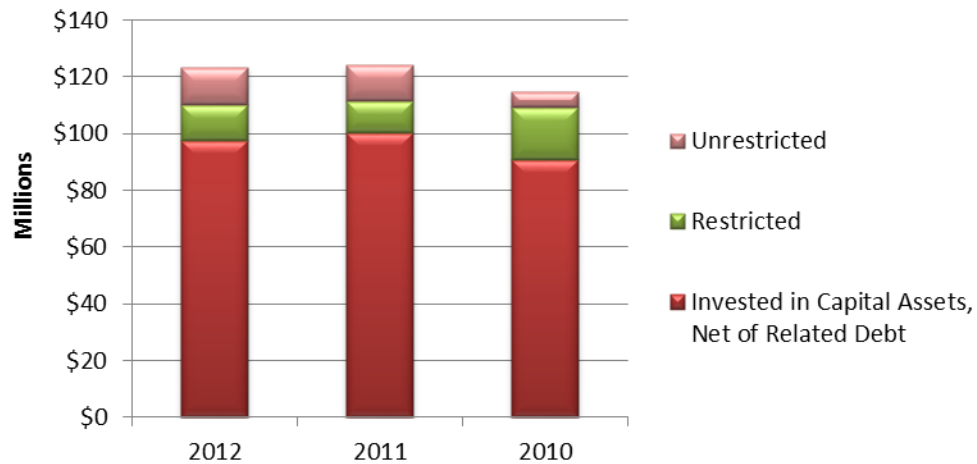
- **Notes to the Financial Statements** present additional information to support the financial statements and are commonly referred to as Note(s). The purpose of the Notes is to clarify and expand on the information in the financial statements.

**FINANCIAL HIGHLIGHTS**

Year Ended June 30, 2012:

§ **Net Assets** -- The College's financial position, as a whole, remained the same during the year ended June 30, 2012. The combined net assets decreased slightly by \$786,377 or approximately 0.6% from the prior year. The portion of net assets which is invested in capital assets, net of related debt, declined due to the increase of debt from a bond issue that was funded in March 2012.

**Net Assets at Year End**

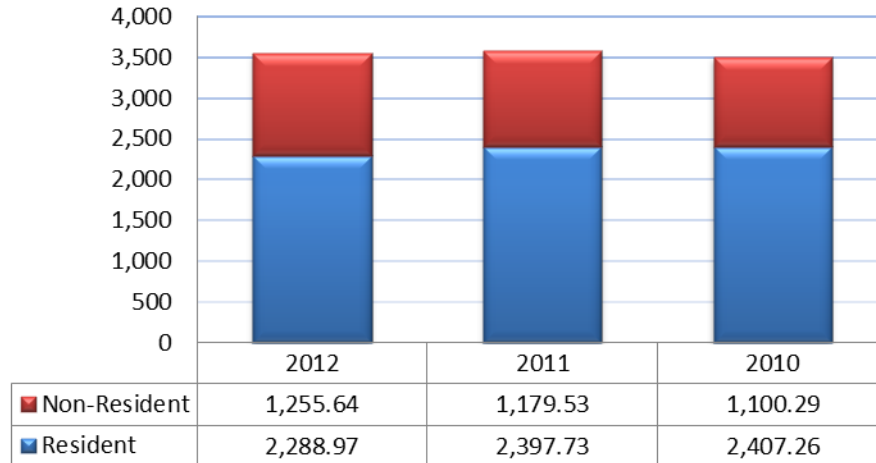


§ **Enrollment** -- Overall full-time equivalent (FTE) enrollment decreased by 0.9% in FY 2012; in-state enrollment declined by 4.5% while out-of-state enrollment grew approximately 6.5%. Native American Tuition Waiver fall headcount enrollment increased by 6.6% from FY 2011 to FY 2012. Because enrollment is a top priority for the College, significant resources have been dedicated to enrollment management functions, including marketing and financial aid leveraging in order to recover the enrollment loss attributed to increasing admission standards fully implemented in Fall 2008. As a result of the increased admission standards the College has seen an increase in retention rates from 56% for the fall 2006 class to 62% for the fall 2010 class.



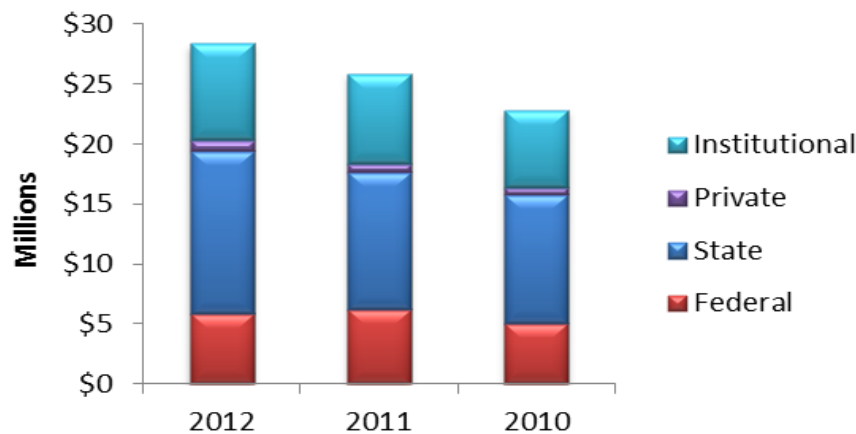
FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2012 AND 2011

### FTE Enrollment



§ **Scholarships** – The College increased total institutional scholarships by \$587,132 in FY 2012, an increase of 7.9%. The discount rate for 2012 (adjusted for the effect of the Native American Tuition Waiver) was 34.4%. Scholarship awards were increased as part of the overall enrollment management strategy; the College believes that its enrollment management initiatives are beginning to produce positive results. More importantly, the retention rate for returning students is also improving. Financial Aid Awards over the past three fiscal years are depicted below. State-funded financial aid includes the Native American Tuition Waiver.

### Financial Aid



§ **State Funding** – Funding for Higher Education in the State of Colorado is allocated in two ways: College Opportunity Fund (COF) stipends and Fee for Service (FFS) contracts. During fiscal years 2009, 2010 and 2011, the State of Colorado experienced significant declines in State revenue that led to reductions in funding to Higher Education and Fort Lewis College. During this time period, the State received American Recovery and Reinvestment Act (ARRA) funds and used these funds to help reduce the immediate reductions to higher education. ARRA funds were awarded to institutions of higher education as State Fiscal Stabilization Funds (SFSF). The following table provides the combined COF, FFS and SFSF received by the College between FY 2009-10 and FY 2011-12.

FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2012 AND 2011

	FY 2012	FY 2011	FY 2010
Total State Funding	9,323,117	11,503,271	12,736,330
Change from Previous Year	-18.9%	-9.7%	

In addition to regular State funding, Fort Lewis College also receives reimbursement from the State for tuition waived to qualified Native American students, as a result of a 1911 Federal mandate. The reimbursement is funded one year in arrears; the tuition waived is paid in the following year. The funding received for Native American Tuition waivers is considered financial aid, as the waiver directly benefits the students. The following table represents the Native American tuition reimbursement received between FY 2010 and FY 2012.

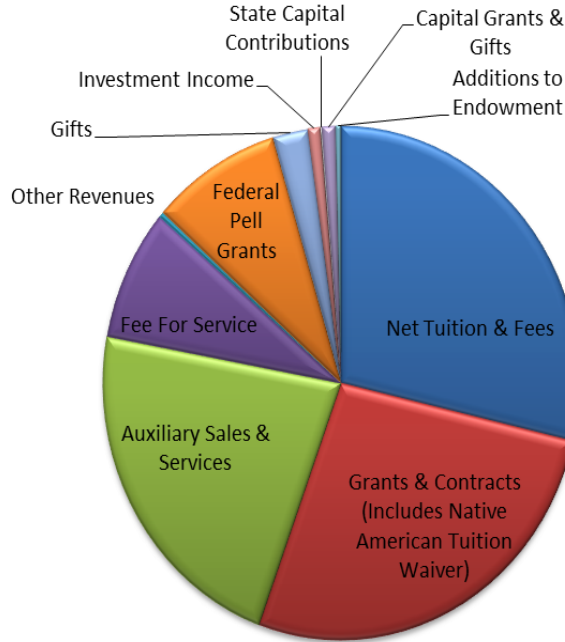
	FY 2012	FY 2011	FY 2010
Native American Tuition Reimbursement	11,785,002	10,430,371	9,622,969
Change from Previous Year	13.0%	8.4%	

- § **City Partnership** - During FY 2011, the College entered into a partnership with the City of Durango to build recreational fields on the Fort Lewis College campus near the northeast entrance to campus. Construction was completed in FY 2012. The College offered the City a multi-year lease and the City funded the construction of the fields, which will be used by City residents through the Parks department, and by Fort Lewis College club sports and intramurals. Another cooperative project between the City and the College was the renovation of the downtown Durango Welcome Center. The project was funded by the College, the City and Durango Business Improvement District and provides marketing for the College, as well as information on area attractions for visitors.
- § **Strategic Plan** – The College president, Dr. Dene Kay Thomas, spearheaded a rewrite of the College’s strategic plan, with the goals of increasing student success, developing selected programs with significant market demand, implementing pedagogically -appropriate technologies for the curriculum, enhancing the comprehensive undergraduate enrollment management plan, and continually assessing the efficiency and effectiveness of all programs and services.

FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2012 AND 2011

Total revenues received in FY 2012 were \$64,264,751 and are depicted below without distinction as to whether they are classified as Operating or Non-operating on the Statement of Revenues, Expenses and Changes in Net Assets.

**2012 Sources of Revenue**



FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2012 AND 2011

Total expenses for FY 2012 were \$65,051,129 and are illustrated in the chart below without distinction as to whether they are classified as Operating or Non-operating on the Statement of Revenues, Expenses and Changes in Net Assets.



FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2012 AND 2011

Year Ended June 30, 2011:

- § The College's financial position, as a whole, improved during the year ended June 30, 2011. The combined net assets increased by \$9,280,374, or approximately 8.1% over the prior year. This increase is primarily due to the completion of the Student Union construction project and three smaller campus-funded construction projects. Additionally, the College received \$1,352,303 in state capital contributions during FY 2011.
- § The Student Union construction project was completed in June of 2011. The project included the renovation of the existing building and the construction of an addition to the original facility. The building addition was completed in time for the Fall 2010 semester and the renovation project was completed the following summer. The Student Union project was added to the campus building inventory at a value of \$43.2 million. This project and the Animas Hall project (completed in FY 2010) were primarily funded through revenue bonds issued in December 2007, along with \$4.2 million in capital gifts and grants for the Student Union project.
- § Overall FTE enrollment increased by 2% in FY 2011. In-state enrollment remained flat while out-of-state enrollment grew approximately 7%, resulting in a net increase of approximately \$1.2 million in tuition revenue. Out-of-state Native American enrollment contributed 50% of the enrollment growth, increasing the scholarship allowance by \$1.3 million and the State reimbursement of Native American tuition to be received in FY 2012 by 13%.
- § The College increased institutionally -funded scholarships in FY 2011 by approximately 6.7% or \$500,585. This increase did not materially change the tuition discount rate of 26% (adjusted for the Native American Tuition Waiver). Scholarship awards were increased as part of the overall enrollment management strategy.
- § During FY 2011, the College sold approximately 357 acres of land to the City of Durango to be maintained in perpetuity as open space. The sale allowed the Board of Trustees to establish a quasi-endowment of \$1.6 million.

The financial statements and notes are presented for the reporting entity 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 below.

Condensed Statements of Net Assets

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Current Assets	\$30,830,501	\$29,095,834	\$24,883,806
Noncurrent Assets	<u>161,492,168</u>	<u>158,530,950</u>	<u>157,450,671</u>
Total Assets	<u>192,322,669</u>	<u>187,626,784</u>	<u>182,334,477</u>
Current Liabilities	12,084,289	11,558,997	14,189,787
Noncurrent Liabilities	<u>56,761,402</u>	<u>51,804,433</u>	<u>53,161,710</u>
Total Liabilities	<u>68,845,691</u>	<u>63,363,430</u>	<u>67,351,497</u>
Net Assets:			
Invested in capital assets, net of related debt	97,653,455	100,368,716	90,886,973
Restricted	10,339,955	11,245,529	18,563,652
Unrestricted	<u>15,483,567</u>	<u>12,649,109</u>	<u>5,532,355</u>
Total Net Assets	<u>\$123,476,978</u>	<u>\$124,263,354</u>	<u>\$114,982,980</u>

FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2012 AND 2011

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 non-operating 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, 2012</u>	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>
Operating Revenues			
Tuition and Fees, Net	\$18,397,185	\$17,924,953	\$16,695,468
Grants and Contracts	17,338,331	16,287,482	16,043,311
Auxiliary Services, Net	14,328,661	13,637,474	12,532,296
Other	<u>5,398,824</u>	<u>6,750,058</u>	<u>2,099,662</u>
Total Operating Revenues	<u>55,463,001</u>	<u>54,599,967</u>	<u>47,370,737</u>
Operating Expenses	<u>62,560,447</u>	<u>59,678,504</u>	<u>59,591,603</u>
Net Operating Revenues (Expenses)	<u>(7,097,446)</u>	<u>(5,078,537)</u>	<u>(12,220,866)</u>
Non-operating Revenues (Expenses):			
State Fiscal Stabilization Revenue	0	897,793	7,836,102
Federal Pell Grants	5,650,742	5,697,475	4,608,198
Other Net Non-operating Expenses	<u>(195,262)</u>	<u>650,099</u>	<u>1,529,630</u>
Net Non-operating Revenues	<u>5,455,480</u>	<u>7,245,367</u>	<u>13,973,930</u>
Income (Loss) Before Other			
Revenues, Expenses, or Transfers	(1,641,966)	2,166,830	1,753,064
Gain (Loss) on Disposal of Assets	(21,955)	1,455,930	(41,356)
State Capital Contributions	66,412	1,352,303	9,275,482
Capital Grants and Gifts	590,441	4,211,861	531,561
Additions to Endowments	<u>220,692</u>	<u>93,450</u>	<u>114,676</u>
Increase (Decrease) in Net Assets	<u>(786,376)</u>	<u>9,280,374</u>	<u>11,633,427</u>
Net Assets – Beginning of Year	<u>124,263,354</u>	<u>114,982,980</u>	<u>103,349,553</u>
Net Assets – End of Year	<u>\$123,476,978</u>	<u>\$124,263,354</u>	<u>\$114,982,980</u>

FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2012 AND 2011

CAPITAL ASSETS

At June 30, 2012, the College had approximately \$153.6 million invested in capital assets, net of accumulated depreciation of \$78.8 million. Depreciation charges were \$6.9 million for the year ended June 30, 2012. At June 30, 2011, the College had approximately \$151.2 million invested in capital assets, net of accumulated depreciation of \$72.7 million. Depreciation charges were \$6.2 million for the year ended June 30, 2011. Details of these assets are shown below.

Capital Assets, Net, at Year-End

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Land	\$106,301	\$106,301	\$280,559
Construction in Progress	7,665,262	1,217,005	35,786,177
Collections	1,258,682	1,248,107	1,248,956
Land Improvements, Net	10,424,792	11,176,958	10,325,686
Buildings and Improvements, Net	131,216,205	134,429,655	92,135,357
Equipment, Net	2,290,086	2,317,729	2,448,542
Library Materials, Net	<u>644,182</u>	<u>664,112</u>	<u>687,011</u>
Total	<u>\$153,605,510</u>	<u>\$151,159,867</u>	<u>\$142,912,288</u>

Major capital additions completed in FY 2012 and the resources that funded their acquisition include:

Residence Hall Roof Replacement, funded by the College	\$ 736,027
Residence Hall One Card Door Access, funded by the College	437,818
Berndt Hall Reconstructions , funded by the State	331,551
Equipment Storage Building, funded by the College	328,082
Residence Hall Capital Improvements , funded by the College	186,251
Berndt Hall Reconstruction – Geology, funded by the State	147,671
Durango Welcome Center, funded by the College	121,509
Berndt Hall Engineering Materials Lab, funded by the College	107,329
Residence Hall Fire Door, funded by the College	<u>62,482</u>
	<u>\$2,458,720</u>

The following significant capital projects were in progress at June 30, 2012:

Energy Savings Performance Contract, funded by the College	\$6,046,409
Repave Parking Lot P, funded by the College	624,872
City of Durango/FLC Field Lighting, funded by the College	437,431
Performance Contract & Mechanical Systems, funded by the College	205,525
Chapel Roof Repairs, funded by the College	<u>132,666</u>
	<u>\$7,446,903</u>

FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2012 AND 2011

Major capital additions completed in FY 2011 and the resources that funded their acquisition include:

Student Union Renovation/Expansion, funded by the College	\$43,206,910
Berndt Hall Reconstruction – Geology, funded by the State	2,241,859
Reconstruction of Eighth Avenue, funded by the State	1,092,107
Residence Hall Roof Replacement, funded by the College	911,213
Electrical Distribution System Improvements, funded by the State	618,150
Repave Parking Lot D, funded by the College	259,836
Repave Fort Lewis Drive, funded by the College	206,345
Apartment flooring & carpet replacement, funded by the College	<u>137,370</u>
	<u>\$48,673,790</u>

The following significant capital projects were in progress at June 30, 2011:

Equipment Storage Building, funded by the College	321,867
Berndt Hall Reconstruction – Biology, funded by the State	281,393
Residence Hall One Card Door Access, funded by the College	179,295
Residence Hall Roof Replacement, funded by the College	167,103
Energy Savings Performance Contract, funded by the College	104,356
Berndt Hall Reconstruction – Geology, funded by the State	91,455
Residence Hall Fire Door, funded by the College	60,982
Student Life Center Planning, funded by the College	<u>10,554</u>
	<u>\$1,217,005</u>

**DEBT**

At June 30, 2012, 2011 and 2010, the College had approximately \$56.6 million, \$51.4 million, and \$52.7 million in long-term debt outstanding respectively. The table below summarizes debt over the past three fiscal years.

Outstanding Debt at Fiscal Year-End

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Auxiliary Revenue Bonds, Net	<u>\$56,597,923</u>	<u>\$51,410,484</u>	<u>\$52,688,043</u>
Total	<u>\$56,597,923</u>	<u>\$51,410,484</u>	<u>\$52,688,043</u>

**ECONOMIC OUTLOOK & FORT LEWIS COLLEGE FUTURE**

**Enrollment**

Since the College's admission criteria changed from "moderately selective" to "selective" in the Fall of 2008, enrollment management has been a campus priority. In the current economic environment, the importance of enrollment has become even more paramount to the success of public institutions than in the past. Recognizing this changing landscape, the College engaged consultants in both financial aid leveraging and marketing to develop strategic enrollment management plans. The College also reorganized its administrative structure to place a greater emphasis on the enrollment management function, creating a Division of Enrollment Management. This reorganization brings together Admission, Financial Aid, Marketing & Communications, Academic Advising and the Registrar's Office under one umbrella to ensure that prospective students receive a consistent message.



FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2012 AND 2011

**Capital Construction**

In February 2012 the College issued the Series 2012 Revenue Bonds in the amount of \$6,520,000 to finance various energy conservation improvements to the Fort Lewis College campus with the goal of reducing energy consumption and to upgrade equipment that was at or past its service life. The revenue bonds bear interest at 3.8%. Projects that will be funded with the proceeds of the bonds include:

- § Centralize a redundant boiler system for four residence halls.
- § Replace boilers in several buildings and residence halls.
- § Insulate pipes to reduce heat gain/loss.
- § Interconnect chiller plants at Reed Library to utilize more efficient chillers whenever possible.
- § Add return ductwork to the pool area to reduce the outside air needed to be reheated.
- § Upgrade lighting systems throughout the campus to include efficient lighting and occupancy sensors.
- § Replace toilets and urinals with low flow fixtures.
- § Install thermostat setbacks in residence halls over the winter break.
- § Install insulation on exterior of residence halls.

The work performed as part of the energy conservation improvement project is projected to be completed in FY 2013.

**State Funding**

As outlined earlier, the College receives funding from the State of Colorado for the College Opportunity Fund (COF), Fee for Service Contract (FFS) and the Native American Tuition waiver reimbursement. The combination of this funding makes the College more dependent on State funding than most other colleges and universities in the State of Colorado.

Since FY 2010, funding from the State for Fort Lewis College has decreased 20.8%. The current level of State funding for Fort Lewis College is at approximately the same level as it was ten years ago. Based upon a number of studies conducted regarding the state of the Colorado budget, the College anticipates further reductions to higher education over the next few years. As part of the FY 2013 budget process, the College took a five-year view of projected State revenues, enrollment and tuition rate increases.

**CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide users of our financial statements with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Fort Lewis College Controller's Office at Room 140, Berndt Hall, and 1000 Rim Drive, Durango Colorado 81301 or call (970) 247-7364.

**FORT LEWIS COLLEGE**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012 and 2011**

<b>ASSETS</b>	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash and Cash Equivalents	\$ 28,506,181	\$ 26,582,356
Student Accounts Receivable, Net	462,819	463,392
Accounts Receivable - Fort Lewis College Foundation	110,355	345,387
Other Accounts Receivable	1,213,074	1,069,717
Student Loans Receivable, Net	249,825	286,880
Inventories	26,601	127,544
Prepaid Expense	261,646	220,558
Total Current Assets	<u>30,830,501</u>	<u>29,095,834</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	5,775,703	5,195,781
Student Loans Receivable, Net	1,466,186	1,555,969
Other Non-current Assets	644,769	619,333
Nondepreciable Capital Assets:		
Land and Improvements	126,985	126,985
Construction in Progress	7,665,262	1,217,005
Collections	1,258,682	1,248,107
Total Nondepreciable Capital Assets	<u>9,050,929</u>	<u>2,592,097</u>
Depreciable Capital Assets:		
Land Improvements, Net	10,404,108	11,156,274
Buildings and Improvements, Net	131,216,205	134,429,655
Equipment, Net	2,290,086	2,317,729
Library Materials, Net	644,182	664,112
Total Depreciable Capital Assets, Net	<u>144,554,581</u>	<u>148,567,770</u>
Total Noncurrent Assets	<u>161,492,168</u>	<u>158,530,950</u>
Total Assets	<u>192,322,669</u>	<u>187,626,784</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	3,114,870	2,812,624
Accrued Liabilities	5,843,903	5,950,103
Deferred Revenue	1,094,616	1,033,192
Deposits Held for Others	322,641	177,496
Bonds Payable, Current Portion	1,508,030	1,365,000
Compensated Absence Liabilities	200,229	220,582
Total Current Liabilities	<u>12,084,289</u>	<u>11,558,997</u>
Noncurrent Liabilities:		
Bonds Payable, Net	55,089,893	50,045,484
Compensated Absence Liabilities	1,671,509	1,758,949
Total Noncurrent Liabilities	<u>56,761,402</u>	<u>51,804,433</u>
Total Liabilities	<u>68,845,691</u>	<u>63,363,430</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	97,653,455	100,368,716
Restricted for Nonexpendable Purposes:		
Endowment	141,649	141,649
Restricted for Expendable Purposes		
Capital Projects	23,588	1,939,684
Endowment	983,732	739,894
Other	9,190,987	8,424,302
Unrestricted	15,483,567	12,649,109
Total Net Assets	<u>\$ 123,476,978</u>	<u>\$ 124,263,354</u>

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

**FORT LEWIS COLLEGE FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2012 and 2011**

<b>ASSETS</b>	<u><b>2012</b></u>	<u><b>2011</b></u>
Pooled Cash	\$ 513,657	\$ 888,401
Pooled Investments	13,246,513	13,390,854
Pledges Receivable	51,346	234,917
Segregated Cash	8,660	8,275
Segregated Investments	72,913	71,578
Accounts Receivable	100	25,552
Tangible Assets, Net	<u>7,825,085</u>	<u>8,065,827</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 21,718,274</u></u>	<u><u>\$ 22,685,404</u></u>
 <b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	1,223	25,234
Accounts Payable - Fort Lewis College	110,355	234,390
Gift Annuity Obligation Payable	12,208	12,112
Line of Credit Payable	<u>382,792</u>	<u>411,049</u>
<b>TOTAL LIABILITIES</b>	<u>506,578</u>	<u>682,785</u>
 <b>NET ASSETS</b>		
<b>Unrestricted</b>		
Board Designated	2,375	34,827
Board Designated Endowment	1,176,670	1,176,670
Gifts-in-Kind	291,854	293,604
General Unrestricted	<u>1,107,785</u>	<u>1,003,838</u>
Total Unrestricted Net Assets	2,578,684	2,508,939
 <b>Temporarily Restricted</b>		
Scholarships, Awards, and Other	6,293,216	6,971,582
Gifts-in-Kind and Tangible Assets	<u>4,748,681</u>	<u>5,130,673</u>
Total Temporarily Restricted Net Assets	11,041,897	12,102,255
 <b>Permanently Restricted</b>		
True Endowments	4,806,565	4,749,875
Gifts-in-Kind	<u>2,784,550</u>	<u>2,641,550</u>
Total Permanently Restricted Net Assets	<u>7,591,115</u>	<u>7,391,425</u>
<b>TOTAL NET ASSETS</b>	<u>21,211,696</u>	<u>22,002,619</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u><u>\$ 21,718,274</u></u>	 <u><u>\$ 22,685,404</u></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 Years Ended June 30, 2012 and 2011**

<b>REVENUES</b>	<u>2012</u>	<u>2011</u>
Operating Revenues:		
Student Tuition and Fees (including pledged revenues of \$4,212,654 - 2012 and \$4,262,931 - 2011 and net of scholarship allowances of \$24,338,993 - 2012 and \$22,578,657 - 2011)	\$18,397,185	\$17,924,953
Federal Grants and Contracts	3,179,772	3,179,166
State Grants and Contracts	12,972,061	11,855,044
Local Grants and Contracts	419,196	263,504
Non-Governmental Grants and Contracts	767,302	989,768
Sales and Services of Educational Activities	219,451	234,593
Auxiliary Enterprises (including pledged revenues of \$12,123,586 - 2012 and \$11,523,535 - 2011 and net of scholarship allowances of \$1,279,698 - 2012 and \$1,355,334 - 2011)	14,109,210	13,637,474
Fee For Service Contract Revenue	5,347,491	6,421,964
Other Operating Revenues	51,333	93,501
Total Operating Revenues	<u>55,463,001</u>	<u>54,599,967</u>
<b>EXPENSES</b>		
Operating Expenses:		
Instruction	17,504,751	17,015,898
Research	494,676	454,640
Public Service	891,463	1,024,219
Academic Support	6,224,735	6,174,711
Student Services	6,901,627	6,561,292
Institutional Support	5,419,407	4,634,227
Operation and Maintenance of Plant	3,234,003	3,298,576
Scholarships and Fellowships	1,794,974	2,015,682
Auxiliary Enterprises	13,155,179	12,297,623
Depreciation	6,939,632	6,201,636
Total Operating Expenses	<u>62,560,447</u>	<u>59,678,504</u>
Operating Income (Loss)	<u>(7,097,446)</u>	<u>(5,078,537)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Fiscal Stabilization Revenue	-	897,793
Federal Pell Grants	5,650,742	5,697,475
Gifts (including pledged revenues of \$55,621 - 2012 and \$56,195 - 2011)	1,546,209	1,314,903
Investment Income (including pledged revenues of \$136,546 - 2012 and \$46,708 - 2011)	544,716	636,354
Interest Expense on Capital Debt	(2,391,724)	(1,361,379)
Other Nonoperating Revenues	182,540	136,057
Other Nonoperating Expenses	(77,003)	(75,836)
Net Nonoperating Revenues	<u>5,455,480</u>	<u>7,245,367</u>
Income (loss) before other revenues, expenses, or transfers	(1,641,966)	2,166,830
<b>OTHER REVENUES, (EXPENSES), OR TRANSFERS</b>		
Gain or (Loss) on Disposal of Assets	(21,955)	1,455,930
State Capital Contributions	66,412	1,352,303
Capital Grants & Gifts (including pledged revenues of \$551,000 - 2012 and \$3,953,267 - 2011)	590,441	4,211,861
Additions to Endowments	220,692	93,450
Increase (Decrease) in Net Assets	<u>(786,376)</u>	<u>9,280,374</u>
<b>NET ASSETS</b>		
Net Assets - Beginning of Year	124,263,354	114,982,980
Net Assets - End of Year	<u>\$123,476,978</u>	<u>\$124,263,354</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, 2012**

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>NET ASSETS, BEGINNING OF YEAR</b>	\$ 2,508,939	\$ 12,102,255	\$ 7,391,425	\$ 22,002,619
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Donations - Cash	112,490	1,862,881	198,851	2,174,222
Donations - Gifts in Kind	-	170,646	-	170,646
Investment Income	279,085	187,763	-	466,848
Realized and Unrealized Gain in Investments	-	(643,124)	-	(643,124)
Fund Raising Income	250	34,097	-	34,347
Gain on Sale of Gifts-In-Kind	-	113,004	-	113,004
Other Income	17,694	224,052	-	241,746
<b>Subtotal</b>	409,519	1,949,319	198,851	2,557,689
Net Assets Released from Restriction	2,963,355	(2,963,355)	-	-
<b>Total from Revenues, Gains, and Other Support</b>	3,372,874	(1,014,036)	198,851	2,557,689
<b>EXPENSES AND LOSSES</b>				
Scholarships and Awards	851,738	-	-	851,738
Program Expense	2,216,237	-	-	2,216,237
Fund Raising	91,415	-	-	91,415
Management and General	153,722	-	-	153,722
Provision for Uncollectible Pledges	-	5,500	30,000	35,500
<b>Total Expenses and Losses</b>	3,313,112	5,500	30,000	3,348,612
Changes in Donor Restrictions	9,983	(40,822)	30,839	-
Change in Net Assets for the Year	69,745	(1,060,358)	199,690	(790,923)
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 2,578,684</u>	<u>\$ 11,041,897</u>	<u>\$ 7,591,115</u>	<u>\$ 21,211,696</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, 2011**

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>NET ASSETS, BEGINNING OF YEAR</b>	\$ 2,127,943	\$ 13,128,565	\$ 7,200,954	\$ 22,457,462
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Donations - Cash	96,033	1,513,865	39,110	1,649,008
Donations - Gifts in Kind	-	18,736	-	18,736
Investment Income	749,047	(339,046)	99,155	509,156
Realized and Unrealized Gain in Investments	-	1,374,227	-	1,374,227
Fund Raising Income	-	7,691	-	7,691
Other Income	33,540	187,094	-	220,634
<b>Subtotal</b>	878,620	2,762,567	138,265	3,779,452
Net Assets Released from Restriction	3,838,402	(3,838,402)	-	-
<b>Total from Revenues, Gains, and Other Support</b>	4,717,022	(1,075,835)	138,265	3,779,452
<b>EXPENSES AND LOSSES</b>				
Scholarships and Awards	708,363	-	-	708,363
Program Expense	3,357,611	-	-	3,357,611
Fund Raising	54,575	-	-	54,575
Management and General	113,746	-	-	113,746
<b>Total Expenses and Losses</b>	4,234,295	-	-	4,234,295
Reclass for FASB ASC 958-205-65 Adjustment	(107,065)	107,065		
Changes in Donor Restrictions	5,334	(57,540)	52,206	-
Change in Net Assets for the Year	380,996	(1,026,310)	190,471	(454,843)
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 2,508,939</u>	<u>\$ 12,102,255</u>	<u>\$ 7,391,425</u>	<u>\$ 22,002,619</u>

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

**FORT LEWIS COLLEGE**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received:		
Tuition and Fees	\$ 18,523,385	\$ 18,031,976
Sales of Products	279,609	304,166
Sales of Services	19,013,120	20,198,745
Grants and Contracts	17,451,290	15,443,017
Student Loans Collected	308,625	341,074
Other Operating Receipts	420,481	260,989
Cash Payments:		
Scholarships Disbursed	(1,794,974)	(2,015,682)
Student Loans Disbursed	(209,048)	(188,457)
Payments to Suppliers	(16,495,557)	(14,965,687)
Payments to Employees	(37,208,209)	(35,747,331)
Other Operating Payments	(101,705)	(19,784)
Net Cash Provided (Used) by Operating Activities	187,017	1,643,026
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Fiscal Stabilization Revenue	-	3,174,283
Federal Pell Grants	5,650,742	5,697,475
Gifts for Other than Capital Purposes	1,292,306	1,183,833
Agency Receipts	24,072,822	23,932,912
Agency Payments	(23,931,930)	(24,016,695)
Net Cash Provided by Noncapital Financing Activities	7,083,940	9,971,808
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Grants and Contracts	643,077	3,943,711
Capital Gifts	651,000	-
Net Proceeds from Bond Financing	6,520,000	-
Proceeds from Sale of Capital Assets	8,106	1,646,387
Acquisition and Construction of Capital Assets	(9,367,662)	(15,765,172)
Principal Paid on Capital Debt	(1,297,270)	(1,310,000)
Interest on Capital Debt	(2,405,071)	(1,054,122)
Bond Issuance Costs	(77,003)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(5,324,823)	(12,539,196)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Earnings	557,613	708,777
Net Cash Provided by Investing Activities	557,613	708,777
Net Increase (Decrease) in Cash	2,503,747	(215,585)
Cash - Beginning of Year	31,778,137	31,993,722
Cash - End of Year	\$ 34,281,884	\$ 31,778,137

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

**FORT LEWIS COLLEGE**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash		
Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (7,097,446)	\$ (5,078,537)
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Depreciation Expense	6,939,632	6,201,636
Noncash Operating Transactions	448,072	161,652
Change in Assets and Liabilities (Operating Portions):		
Receivables, Net	219,086	1,227,010
Inventories	100,943	(1,813)
Prepaid Expense	(41,008)	(109,802)
Accounts Payable	(302,246)	(172,665)
Accrued Liabilities	106,200	(830,084)
Deferred Revenue	(61,424)	337,038
Deposits Held for Others	(145,145)	(84,182)
Compensated Absence Liabilities	20,353	(7,227)
Net Cash Provided (Used) by Operating Activities	\$ 187,017	\$ 1,643,026
 <b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
State Capital Contributions	\$ 66,412	\$ 1,485,889
Gain (Loss) on Capital Asset Deletions	(21,955)	(40,497)

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



FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

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 and comprise the voting members. 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

The College is a public 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 State Controller's Office.

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) Accounting Standards Codification (ASC), Topic 958 Not-for Profit Entities*. 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, 2012, for the purposes stated above was \$1,832,837 which included a \$551,000 capital gift for the renovation and expansion of the Student Union Building. Transfers for the year ended June 30, 2011, were \$3,577,156, which included a \$2,000,000 capital gift for the renovation and expansion of the Student Union Building. 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, 2012 AND 2011

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, and 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.

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.

USE OF ESTIMATES

Estimates are made in order to prepare financial statements in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ significantly from those estimates.

CAPITAL ASSETS

Capital assets are stated at cost at the date of acquisition or at fair value at the date of donation. For equipment, the capitalization policy includes all items with a value of \$5,000 or more, and an estimated useful life of greater than one year.

Intangibles and renovations to buildings and other improvements that significantly increase the value or extend the useful life of the structure are capitalized. For intangibles and renovations and improvements, the capitalization policy includes items with a value of \$50,000 or more. Routine repairs and maintenance are charged to operating expense. Major outlays for capital assets and improvements are capitalized as construction in progress throughout the building project. Interest incurred during the construction phase is included as part of the value of the construction in progress.

All collections, such as works of art and historical artifacts, have been capitalized at cost at the date of acquisition or fair value at the date of donation. The nature of certain collections is such that the value and usefulness of the collections does not decrease over time. These collections have not been depreciated in the accompanying financial statements.

FORT LEWIS COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2012 AND 2011

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Assets under capital leases are recorded at the present value of future minimum lease payments and are amortized using the straight-line method over the shorter of the lease term or the estimated useful life. Such amortization is included as depreciation expense in the accompanying financial statements.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The useful lives of assets are as follows:

<u>Asset Class</u>	<u>Years</u>
Buildings	20-40
Improvements other than Buildings	20-50
Equipment	3-10
Library Materials	15

**COMPENSATED ABSENCE LIABILITIES**

Employees' compensated absences are recognized based on estimated balances due to employees upon termination or retirement. The limitations on such payments are defined by the rules associated with the personnel systems at the College. Employees accrue and vest in vacation and sick leave earnings based on their hire date and length of service. Professional exempt employees accrue sick leave with pay at the rate of 10 hours per month with a maximum accrual of 480 hours while classified employees accrue leave at 6.66 hours per month with a maximum accrual of 360 hours for employees hired after June 30, 1988. Classified employees hired before June 30, 1988, can accrue up to 360 hours in excess of amount of sick leave earned as of June 30, 1988. Employees earn and accrue vacation leave per the rates shown in the table below. Vacation accruals are paid up to 192 hours upon separation for exempt staff and a graduated scale for classified staff (from 192 to 336 depending on years of service), whereas only a portion of sick leave is paid upon specific types of separation, such as retirement.

**Vacation Accrual Rates:**

<u>Years of Service</u>	<u>Days Earned Per Month</u>	<u>Maximum Accrual</u>
Classified employees hired Before January 1, 1968	1.25 - 1.75	30 - 42 days
Classified employees hired on Or after January 1, 1968	1.00 - 1.75	24 - 42 days
Professional Exempt Employees	2 days	48 days

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.

**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.

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 fiscal stabilization funding, Federal Pell grants, gifts, investment income, and other nonoperating 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.

STATE FISCAL STABILIZATION FUNDING

On February 19, 2009, the American Recovery and Reinvestment Act (ARRA) of 2009 was signed into law. These federal funds were allocated to state governments via the State Fiscal Stabilization Fund (SFSF) Program. This education grant funding was used for activities allowable under the U.S. Department of Education’s guidance. The Colorado Department of Higher Education is the fiscal agent under this award made from the Colorado Governor’s Office to the institutions of higher education in the state. In accepting these funds, certain stipulations were placed on the use of the funds, including steps to mitigate tuition and fee increases for in-state students. SFSF funding was received through the second quarter of fiscal year 2011. SFSF funding is provided as pass-through funds through the State without the federal government or State directly receiving goods and services and is recorded as nonoperating revenue.

RECLASSIFICATIONS

Certain amounts in 2011 have been reclassified to conform to the 2012 financial statement presentation.

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FISCAL RULES

Colorado State Senate Bill 10-003, enacted by the General Assembly and signed by the Governor and effective June 9, 2010, amends Section 24-30-202, C.R.S. As amended, Section 24-30-202(13)(b), C.R.S., allows a governing board of an Institution of Higher Education that has adopted Fiscal Rules and has determined that such Fiscal Rules provide adequate safeguards for the proper expenditure of the moneys of the institution to elect to exempt the institution from the Fiscal Rules promulgated by the State Controller pursuant to Section 24-30-202. Pursuant to this change, on June 3, 2011, the Fort Lewis College Board of Trustees voted to opt out of the State of Colorado Fiscal Rules and establish its own set of Fiscal Rules. These rules were adopted by the Board of Trustees on June 3, 2011, and became effective July 01, 2011. The new rules may be accessed at:

<http://www2.fortlewis.edu/fiscalrules/home.aspx>

NOTE 2: CASH AND CASH EQUIVALENTS

Fort Lewis College (College) deposits its cash with the Colorado State Treasurer as required by Colorado Revised Statutes (C.R.S.). The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2012, Fort Lewis College had cash on deposit with the State Treasurer of \$30,730,170, which represented approximately 0.47 percent of the total \$6,541.7 million fair value of deposits in the State Treasurer's Pool (Pool).

For financial reporting purposes all of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at fiscal year end. On the basis of Fort Lewis College's participation in the Pool, the College reports as an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's 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 for the fiscal year.

Investments in the Treasurer's Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the state's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the state's name. As of June 30, 2012, none of the investments in the State Treasurer's Pool are subject to custodial credit risk.

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2012 approximately 89.0 percent of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for \$12,085,710 of corporate bonds rated lower medium, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

NOTE 2: CASH AND CASH EQUIVALENTS (continued)

Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2012, the weighted average maturity of investments in the Treasurer's Pool is 0.090 years for Commercial Paper (2.1 percent of the Pool), 0.803 years for U.S. Government Securities (75.2 percent of the Pool), 2.37 years for Asset Backed Securities (6.6 percent of the Pool), and 3.252 years for Corporate Bonds (16.1 percent of the Pool).

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2011-12.

Additional information on investments of the State Treasurer's Pool may be obtained in the state's Comprehensive Annual Financial Report for the year ended June 30, 2012.

At year-end, the carrying amount of the College's cash was \$3,128,329. The cash included petty cash and change funds of \$18,552 and bank deposits of \$3,109,772. The bank balance of the deposits was \$3,939,253. The entirety of the bank balance was covered by collateral held by the bank or its agent in the State's name.

As of year-end at June 30, 2011, the carrying amount of the College's cash was \$2,818,380. The cash included petty cash and change funds of \$18,587 and bank deposits of \$2,799,788. The bank balance of the deposits was \$3,531,548. The entirety of the bank balance was covered by collateral held by the bank or its agent in the State's name.

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 Foundation's 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, 2012 and 2011, are summarized as follows:

	2012		2011	
	Cost Basis	Market Value	Cost Basis	Market Value
Pooled Cash and Cash Equivalents	\$ 511,923	\$ 513,657	\$ 888,401	\$ 888,401
Pooled Investments				
Marketable Securities				
Fixed Income	4,645,467	4,897,391	4,746,242	5,061,898
Equities	7,367,194	7,686,204	6,378,541	7,131,659
Commodities	-	-	521,797	680,073
Precious Metals (Gold)	539,049	662,918	404,758	517,224
Total Pooled Cash and Investments	<u>\$ 13,063,633</u>	<u>\$ 13,760,170</u>	<u>\$ 12,939,739</u>	<u>\$ 14,279,255</u>

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

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

Net realized gains of \$84,859 and losses of \$84,093 were recognized on these pooled investments for the years ended June 30, 2012 and 2011, respectively. Net unrealized gains of \$676,431 and \$1,596,049 were recognized on these pooled investments for the years ended June 30, 2012 and 2011, respectively.

Segregated cash and investments

Segregated cash and investments at June 30, 2012 and 2011, are summarized as follows:

	2012		2011	
	Cost Basis	Market Value	Cost Basis	Market Value
Segregated Cash and Cash Equivalents	\$ 8,660	\$ 8,660	\$ 8,275	\$ 8,275
Segregated Investments				
Fixed Income	23,353	25,035	24,018	25,982
Equities	37,647	44,112	32,820	42,695
Commodities	4,315	3,766	2,829	2,901
Total Segregated Investments	<u>65,315</u>	<u>72,913</u>	<u>59,667</u>	<u>71,578</u>
Total Segregated Cash and Investments	<u>\$ 73,975</u>	<u>\$ 81,573</u>	<u>\$ 67,942</u>	<u>\$ 79,853</u>

Net realized gains of \$1,893 and \$6,259 were recognized on these segregated investments for the years ended June 30, 2012 and 2011, respectively. Net unrealized gains (losses) of (\$4,313) and \$4,492 were recognized on these segregated investments for the years ended June 30, 2012 and 2011, respectively.

Total cash and investments

Total cash investments at June 30, 2012 and 2011, are summarized as follows:

	2012			2011		
	Cost Basis	Market Value	% of Total	Cost Basis	Market Value	% of Total
Cash and Cash						
Equivalents	\$ 520,583	\$ 522,317	4%	\$ 896,676	\$ 896,676	6%
Investments						
Marketable Securities						
Fixed Income	4,668,820	4,922,426	35%	4,770,260	5,087,880	35%
Equities	7,404,841	7,730,316	56%	6,411,361	7,174,354	50%
Commodities	4,315	3,766	0%	524,626	682,974	5%
Precious Metals (Gold)	539,049	662,918	5%	404,758	517,224	4%
Total	<u>\$ 13,137,608</u>	<u>\$ 13,841,743</u>	<u>100%</u>	<u>\$ 13,007,681</u>	<u>\$ 14,359,108</u>	<u>100%</u>

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

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, 2012 and 2011, the Accounts Receivable balances are comprised of:

	<u>2012</u>	<u>2011</u>
Student Accounts Receivable	\$ 1,080,987	\$ 1,027,263
Less: Allowance for Doubtful Accounts	<u>(618,168)</u>	<u>(563,871)</u>
Student Accounts Receivable, Net	462,819	463,392
Student Loans Receivable	1,951,839	2,051,416
Less: Allowance for Doubtful Accounts	<u>(235,828)</u>	<u>(208,567)</u>
Student Loans Receivable, Net	1,716,011	1,842,849
Accounts Receivable - Fort Lewis College Foundation	110,355	345,387
Other Accounts Receivable		
Sponsored Programs	478,884	536,749
Conferences & Summer Programs	538,503	358,009
Other	<u>195,687</u>	<u>174,959</u>
Other Accounts Receivable	<u>1,213,074</u>	<u>1,069,717</u>
Total Receivables, Net	<u>\$ 3,502,259</u>	<u>\$ 3,721,345</u>



FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

NOTE 5: CAPITAL ASSETS

The college's capital asset activity for the year ended June 30, 2012, was as follows:

	Balance 6/30/2011	Additions	Deletions	Transfers	Balance 6/30/2012
Land	\$ 106,301	\$ -	\$ -	\$ -	\$ 106,301
Land Improvements	19,833,896	15,255	-	-	19,849,151
Buildings and Improvements	190,648,273	435,397	-	1,895,961	192,979,630
Construction in Progress	1,217,005	8,344,217	-	(1,895,961)	7,665,262
Equipment	7,282,930	578,660	806,842	-	7,054,748
Software	767,635	-	-	-	767,635
Library Materials	2,777,368	72,026	112,863	-	2,736,531
Capitalized Collections	1,248,107	10,575	-	-	1,258,682
Total	<u>223,881,515</u>	<u>9,456,130</u>	<u>919,706</u>	<u>-</u>	<u>232,417,939</u>
Less Accumulated Depreciation:					
Land Improvements	8,656,938	767,420	-	-	9,424,358
Buildings and Improvements	56,218,618	5,544,807	-	-	61,763,425
Equipment	4,981,501	523,596	735,988	-	4,769,109
Software	751,335	11,853	-	-	763,188
Library Materials	2,113,256	91,956	112,863	-	2,092,349
Total Accumulated Depreciation	<u>72,721,648</u>	<u>6,939,632</u>	<u>848,851</u>	<u>-</u>	<u>78,812,429</u>
Capital Assets, Net	<u>\$ 151,159,867</u>	<u>\$ 2,516,498</u>	<u>\$ 70,855</u>	<u>\$ -</u>	<u>\$ 153,605,510</u>

The college's capital asset activity for the year ended June 30, 2011, was as follows:

	Balance 6/30/2010	Additions	Deletions	Transfers	Balance 6/30/2011
Land	\$ 259,875	\$ -	\$ 153,574	\$ -	\$ 106,301
Land Improvements	18,275,608	968,985	-	589,303	19,833,896
Buildings and Improvements	143,532,772	12,323,657	-	34,791,844	190,648,273
Construction in Progress	35,786,177	811,975	-	(35,381,147)	1,217,005
Equipment	6,994,135	462,745	173,950	-	7,282,930
Software	777,782	5,560	15,707	-	767,635
Library Materials	2,846,738	71,213	140,583	-	2,777,368
Capitalized Collections	1,248,956	-	849	-	1,248,107
Total	<u>209,722,043</u>	<u>14,644,135</u>	<u>484,663</u>	<u>-</u>	<u>223,881,515</u>
Less Accumulated Depreciation:					
Land Improvements	7,929,238	727,700	-	-	8,656,938
Buildings and Improvements	51,397,414	4,821,204	-	-	56,218,618
Equipment	4,604,948	514,597	138,044	-	4,981,501
Software	718,427	44,024	11,116	-	751,335
Library Materials	2,159,728	94,111	140,583	-	2,113,256
Total Accumulated Depreciation	<u>66,809,755</u>	<u>6,201,636</u>	<u>289,743</u>	<u>-</u>	<u>72,721,648</u>
Capital Assets, Net	<u>\$ 142,912,288</u>	<u>\$ 8,442,499</u>	<u>\$ 194,920</u>	<u>\$ -</u>	<u>\$ 151,159,867</u>

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

NOTE 5: CAPITAL ASSETS (continued)

The construction in progress balance includes \$97,728 and \$91,456 of capitalized interest for the years ended June 30, 2012 and 2011, respectively. The building balances include \$147,691 and \$1,182,623 of capitalized interest for the years ended June 30, 2012 and 2011, respectively.

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, 2012 and 2011, tangible assets are comprised of the following:

	2012		2011	
	Restricted	Unrestricted	Restricted	Unrestricted
Gifts-in-kind				
Real Estate	\$ 1,512,000	\$ 320,000	\$ 2,081,500	\$ 320,000
Accumulated Depreciation	(56,250)	(28,146)	(89,824)	(26,396)
Equipment and Other	8,455	-	8,455	-
Collection Items	4,900,802	-	4,729,831	-
Total Gifts-in-kind	<u>6,365,007</u>	<u>291,854</u>	<u>6,729,962</u>	<u>293,604</u>
Purchased Assets				
Real Estate	994,400	-	994,400	-
Accumulated Depreciation	(135,411)	-	(118,374)	-
Collection Items	235,335	-	92,335	-
Concert Piano	73,900	-	73,900	-
Total Purchased Assets	<u>1,168,224</u>	<u>-</u>	<u>1,042,261</u>	<u>-</u>
Total Tangible Assets	<u>\$ 7,533,231</u>	<u>\$ 291,854</u>	<u>\$ 7,772,223</u>	<u>\$ 293,604</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. Depreciation expense recorded for June 30, 2012 and 2011, was \$34,412 and \$70,525, respectively.

NOTE 7: ACCRUED LIABILITIES

At June 30, 2012 and 2011, the accrued liabilities balances, as presented on the Statements of Net Assets, are comprised of:

	2012	2011
Accrued Payroll & Benefits	\$ 4,745,694	\$ 4,876,840
Accrued Interest Payable	689,036	604,655
Contractor Retainage	357,882	290,691
Other Liabilities	51,291	177,917
Total	<u>\$ 5,843,903</u>	<u>\$ 5,950,103</u>

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

NOTE 8: LONG-TERM LIABILITIES

The College's long-term liability activity for the year ended June 30, 2012, was as follows:

	Balance 6/30/2011	Additions	Reductions	Balance 6/30/2012	Current Portion
Bonds and Leases Payable:					
Revenue Bonds	\$ 52,055,000	\$ 6,520,000	\$ (1,365,000)	\$ 57,210,000	\$ 1,508,030
Deferred Loss on Defeasance	(147,693)	-	17,522	(130,170)	(17,522)
Bond Discount	(496,824)	-	14,917	(481,906)	(14,917)
Total Bonds and Leases Payable	51,410,484	6,520,000	(1,332,561)	56,597,923	1,475,591
Other Liabilities:					
Compensated Absences	1,979,531	78,650	(186,443)	1,871,738	200,229
Total Other Liabilities	1,979,531	78,650	(186,443)	1,871,738	200,229
 Total Long-Term Liabilities	 <u>\$ 53,390,015</u>	 <u>\$ 6,598,650</u>	 <u>\$ (1,519,004)</u>	 <u>\$ 58,469,661</u>	 <u>\$ 1,675,820</u>

The College's long-term liability activity for the year ended June 30, 2011, was as follows:

	Balance 6/30/2010	Additions	Reductions	Balance 6/30/2011	Current Portion
Bonds and Leases Payable:					
Revenue Bonds	\$ 53,365,000	\$ -	\$ (1,310,000)	\$ 52,055,000	\$ 1,365,000
Deferred Loss on Defeasance	(165,215)	-	17,523	(147,692)	(17,523)
Bond Discount	(511,742)	-	14,918	(496,824)	(14,918)
Total Bonds and Leases Payable	52,688,043	-	(1,277,559)	51,410,484	1,332,559
Other Liabilities:					
Compensated Absences	1,986,758	161,526	(168,753)	1,979,531	220,582
Total Other Liabilities	1,986,758	161,526	(168,753)	1,979,531	220,582
 Total Long-Term Liabilities	 <u>\$ 54,674,801</u>	 <u>\$ 161,526</u>	 <u>\$ (1,446,312)</u>	 <u>\$ 53,390,015</u>	 <u>\$ 1,553,141</u>

On December 4, 2007, the College issued the Series 2007 Revenue Bonds in the amount of \$55,785,000 to finance construction of a new residence hall, to renovate and enlarge the student union building, and to refund the College's existing debt. The revenue bonds bear interest at rates ranging from 4% to 5.2%.

On February 28, 2012, the College issued the Series 2012 Revenue Bonds in the amount of \$6,520,000 to finance various energy conservation improvements to the Fort Lewis College campus. The revenue bonds bear interest at 3.8%.

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

NOTE 9: BONDS PAYABLE

The following table describes future debt service requirements:

Required bond payments to maturity as of June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 1,508,030	\$ 2,619,874	\$ 4,127,905
2014	1,726,036	2,529,707	4,255,743
2015	1,822,401	2,451,289	4,273,690
2016	1,919,735	2,366,470	4,286,205
2017	2,023,084	2,275,696	4,298,780
2018-2022	9,814,776	10,045,889	19,860,665
2023-2027	11,151,996	7,846,990	18,998,986
2028-2032	14,473,942	4,946,741	19,420,683
2033-2037	10,550,000	1,822,019	12,372,019
2038-2042	2,220,000	55,500	2,275,500
Total	<u>\$ 57,210,000</u>	<u>\$ 36,960,176</u>	<u>\$ 94,170,176</u>

Principal and interest are payable solely from Net Pledged Revenues which consist of gross revenues derived from the operation of the College's pledged operations and pledged student fees as shown in the Series 2007 and Series 2012 Revenue Bonds Schedule of Pledged Revenues and Expenses in the Supplemental Information section of this report.

NOTE 10: 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, 2012:

Year ending June 30,	
2013	\$ 87,976
2014	89,634
2015	72,126
2016	68,250
2017	68,250
Total	<u>\$ 386,236</u>

Rent expense for the years ended June 30, 2012 and 2011, was \$99,322 and \$92,760, respectively.

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

NOTE 11: ENCUMBRANCES

Outstanding purchase commitments not reflected in the financial statements at June 30, 2012 and 2011, are:

	<u>2012</u>	<u>2011</u>
Education and General	\$ 421,379	\$ 133,565
Auxiliary Enterprises	871,284	378,597
Restricted Funds	460,449	380,305
Plant Funds	4,099,394	249,987
Total	<u>\$ 5,852,506</u>	<u>\$ 1,142,454</u>

NOTE 12: SCHOLARSHIP ALLOWANCE

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state or nongovernmental programs are recorded as either operating or non-operating revenues in the College's financial statements. Also included in the scholarship allowance amounts are Native American Tuition Waivers, which are funded through the State. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance.

Tuition, fees, auxiliary revenue, and the related scholarship allowances for the year ended June 30, 2012 and 2011, were as follows:

	<u>Tuition and Fees</u>	<u>Auxiliary Revenue</u>	<u>6/30/12 Total</u>	<u>6/30/11 Total</u>
Gross Revenue	\$ 42,736,178	\$ 15,388,908	\$ 58,125,086	\$ 55,496,418
Scholarship Allowances:				
Federal	(4,690,317)	(478,110)	(5,168,427)	(5,490,415)
State (Includes Native American Tuition Waivers)	(12,427,338)	(65,477)	(12,492,815)	(11,260,960)
Private	(737,644)	(75,192)	(812,836)	(640,648)
Institutional	(6,483,694)	(660,919)	(7,144,613)	(6,541,968)
Total Scholarship Allowances	<u>(24,338,993)</u>	<u>(1,279,698)</u>	<u>(25,618,691)</u>	<u>(23,933,991)</u>
Net Revenue	<u>\$ 18,397,185</u>	<u>\$ 14,109,210</u>	<u>\$ 32,506,395</u>	<u>\$ 31,562,427</u>

FORT LEWIS COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2012 AND 2011

NOTE 13: SPENDING LIMITATIONS

In November 1992, Colorado voters passed Section 20 Article X of the Colorado Constitution, commonly known as the Taxpayer’s Bill of 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 year 2006 the College began reporting its activity to the State as an enterprise. During the fiscal years ended June 30, 2006 through 2008, the College maintained its TABOR enterprise status. In fiscal years 2009 and 2010, the College received 13.5% and 11.5%, respectively, of its total annual revenue in state grants which resulted in the loss of its TABOR enterprise designation. The increase in state revenues for both 2009 and 2010 related to funding received for capital construction projects, particularly the reconstruction of Berndt Hall for the Biology, Agriculture and Forestry programs. In fiscal year 2011, the College regained its TABOR enterprise status when the state-funded Biology construction project was completed and the College received only 2.1% in state grants. The table shown below demonstrates the type and size of State grants to Fort Lewis College for the years ended June 30, 2012 and 2011, respectively.

State Support Calculation for TABOR Purposes :	FY 2012	FY2011
State Grants:		
Capital Appropriations	\$ 214,103	\$ 1,502,774
Total State Grants	214,103	1,502,774
Total Revenues (gross operating, nonoperating, and other revenues)	64,412,442	70,453,114
Ratio of State Grants to Total Revenues	0.3%	2.1%

The Colorado State Legislature establishes spending authority to the College in its annual Long Appropriations Bill. The Long Bill appropriated funds include an amount from the State of Colorado’s College Opportunity Fund. Prior to FY 12, the annual appropriations bill included certain cash revenues from the student share of tuition and fees.

For the years ended June 30, 2012 and 2011, appropriated expenses were within the authorized spending authority. For the years ended June 30, 2012 and 2011, the College had a total appropriation of \$9,371,117 and \$35,377,224, respectively. All other revenues and expenses reported by the College represent non-appropriated funds and are excluded from the annual appropriations bill. Non-appropriated funds include tuition and fees, grants and contracts, gifts, indirect cost recoveries, auxiliary revenues and other revenue sources.

NOTE 14: 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.

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

NOTE 14: EMPLOYMENT BENEFITS (continued)

The College's total payroll for the fiscal years ended June 30, 2012 and 2011, was \$30,064,292 and \$29,372,298, respectively. The total payroll for employees covered by the PERA plan, the optional defined contribution plan, and the student retirement plan was \$8,469,538, \$17,915,437, and \$164,275, respectively for June 30, 2012 and was \$9,380,804, \$16,994,617, and \$199,445, respectively for June 30, 2011. 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's 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 an actuarial assessment and 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 P.O. Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting <http://www.copera.org>.

Prior to legislation passed during the 2006 session, higher education employees may have participated in PERA's defined benefit plan or the Colleges optional retirement plan. Currently, College employees are required to participate in the College's optional plan, unless they are active or inactive members of PERA with at least one year of service credit. In that case, they may elect either PERA or the College's optional plan.

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.

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

- s 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.
- s 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 65 with any years of service.
- s Hired between January 1, 2007, and December 31, 2010 – 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. For members with less than five years of service credit as of January 1, 2011 age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.
- s Hired between January 1, 2011, and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.
- s Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 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:

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

NOTE 14: EMPLOYEE BENEFITS (continued)

- s Hired before January 1, 2007 – age 55 with minimum of 5 years of service credit and age plus years of service equals 80 or more.
- s 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.
- s Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- s Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

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 in July after one year of retirement based on the member's original hire date as follows:

- s Hired before July 1, 2007 – the lesser of 2 percent or the average of the monthly Consumer Price Index increases.
- s Hired on or after January 1, 2007 – the lesser of 2 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 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)
- s The upper limits on benefits increase by one-quarter percentage point each year when the funded ratio of PERA equals or exceeds 103 percent and declines by one-quarter percentage point when the funded ratio drops below 90 percent after having exceeded 103 percent. The funded ratio increase does not apply for three years when a negative return on investment occurs.

Members who are 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.

*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 any reduction in pay to offset employer contributions to the state sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

Most employees contribute 8.0 percent of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. Effective July 1, 2011, Senate Bill 11-076 extended the requirement for members in the State and Judicial Divisions to pay 2.5 percent additional member contributions through June 30, 2012. Employer contributions for members in these two divisions will be reduced by 2.5 percent.



FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

NOTE 14: EMPLOYEE BENEFITS (continued)

From July 1, 2011, to December 31, 2011, the State contributed 12.25 percent of the employee's salary. From January 1, 2012, through June 30, 2012, the state contributed 13.15 percent. During all of Fiscal Year 2011-12, 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, 2011, the division of PERA in which the State participates has a funded ratio of 57.7 percent and a 56 year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly lower at 57.6 percent.

In the 2004 and 2010 legislative sessions, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5 percent of salary for calendar years 2006 and 2007, with subsequent year increases of 0.4 percent of salary through 2017, to a maximum of 5 percent.

In the 2006 and 2010 legislative sessions, 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, for calendar years 2008 through 2017, to a maximum of 5 percent. The SAED will be deducted from the amount otherwise available to increase State employees' salaries.

At a 103 percent funding ratio, both the AED and the SAED will be reduced by one-half percentage point, and for subsequent declines to below 90 percent funded both the AED and SAED will be increased by one-half percentage point.

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, 2012, 2011, and 2010, were \$1,062,738, \$1,022,139, \$1,369,348, respectively. These contributions met the contribution requirement for each year.

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 \$2,042,360 for the fiscal year ended June 30, 2012 and \$1,937,386 for the fiscal year ended June 30, 2011. The employee aggregate contribution to the above two vendors was equal to 8.0 percent of covered payroll or \$1,433,235 for the fiscal year ended June 30, 2012, and \$1,359,569 for the fiscal year ended June 30, 2011.

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, 2012 and 2011, was \$12,321 and \$14,958, 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, 2012 and 2011, was \$3,304,367 and \$2,924,782, respectively.

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

**NOTE 15: 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 401(a) plans.

**NOTE 16: OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE**

**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. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, which may be obtained by writing PERA at P.O. Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting <http://www.copera.org>.

After the PERA subsidy, the benefit recipient pays the balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. Effective July 1, 2000, the maximum monthly subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare and \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year less than 20 years.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above. Beginning July 1, 2004, the College is required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The College contributed \$96,444, \$86,664, \$104,025, and \$112,728 as required by statute in Fiscal Years 2011-12, 2010-11, and 2009-10, respectively. In each year the amount contributed was 100 percent of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2011, there were 50,217 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2011, the Health Care Trust Fund had an unfunded actuarial accrued liability of \$1.43 billion, a funded ratio of 16.5 percent, and a 49-year amortization period.

**Defined Contribution Plan**

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. At July 1, 2009, the State's administrative functions for the defined contribution plan were transferred to PERA. New member contributions to the plan vest from 50 percent to 100 percent evenly over 5 years. Participants in the plan are required to contribute 8 percent (10 percent for state troopers) of their salary. For Fiscal Years 2009-10 and 2010-11 the legislature temporarily increased the required contribution rate to 10.5 percent. At December 31, 2011, the plan had 4,029 participants.

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

NOTE 16: POST-EMPLOYMENT BENEFITS (Continued)

Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2010, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution with a temporarily increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of \$16,500. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional \$5,500 contribution in 2010, for total contributions of \$22,000. Contributions and earnings are tax deferred. At December 31, 2011, the plan had 17,821 participants.

Life Insurance Program

PERA provides its members access to a group decreasing term life insurance plan administered by Unum. Active members may join the plan and continue coverage into retirement. Premiums are collected by monthly payroll deductions or other means. In addition, PERA maintains coverage for members and retirees under a closed group plan underwritten by New York Life, and coverage for members and retirees who qualified for waiver of premium due to disability under plans underwritten by Anthem Life, Prudential Life, and New York Life.

Other Post-retirement Healthcare and Life Insurance Benefits

Retired faculty and exempt-administrative staff are eligible to participate in the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA 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, 2012, there were 21 participants in post-retirement coverage from the eight member higher education institutions. Four of those participants retired from Fort Lewis College.

CHEIBA financial statements are prepared under accounting principles 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 CHEIBA board.

NOTE 17: 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 \$4,014,735 as of June 30, 2012. 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 \$124,151 as of June 30, 2012.

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 require compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed amounts resulting from such audits could become a liability of the College. Management does not believe the ultimate resolution of these matters will have a significant adverse effect on the financial position of the College.

FORT LEWIS COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

NOTE 18: CERTIFICATES OF PARTICIPATION

On November 6, 2008, the State Treasurer entered a lease purchase agreement under which a Trustee issued \$230,845,000 of State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008 (COP). The Certificates were issued at a net premium of \$180,940 and were a combination of serial and term maturities with the final maturity in November 2027. The Certificates carried coupon rates ranging from 3.00 percent to 5.50 percent with a total interest cost of 5.38 percent. The Certificates proceeds will be used to fund renovations, additions, and new construction at twelve state Institutions of Higher Education and were collateralized with existing properties at eleven of the twelve institutions. Legislation enacted in the 2008 session of the General Assembly authorized the lease purchase and limited the lease payments to average \$16.2 million for the first ten years and \$16.8 million for the second ten years. The legislation envisions annual appropriations of Federal Mineral Lease Program (FML) revenues to fund the semi-annual lease payments required. Total lease payments anticipated from the FML source are \$325.5 million, and three institutions will make \$42.8 million of lease payments over the life of the Certificates to fund the portion of their required project match that they elected to finance through the Certificates.

COP proceeds of \$3,247,000 were allocated for Fort Lewis College to fund the design phase of reconstructing the Geosciences/Physics/Engineering facilities in Berndt Hall. Fort Lewis College did not pledge any of its facilities as collateral for this project and no rental payments will be made by the College. For the year ended June 30, 2012, \$1,961,546 had been spent from COP funds, plus an additional \$423,843 in capitalized interest. The College reverted funds of \$1,285,455 at June 30, 2012.

SUPPLEMENTAL INFORMATION

**FORT LEWIS COLLEGE**  
**SCHEDULE OF PLEDGED REVENUES AND EXPENSES**  
**FOR SERIES 2007 AND 2012 REVENUE BONDS**  
**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>		
Residence Halls and Apartments	\$ 6,814,563	\$ 6,618,674
Campus Food Service	3,714,642	3,662,887
Bookstore	267,536	172,406
Student Union	2,177,945	2,173,530
Campus Parking	367,588	395,275
Child Development Center	378,827	348,165
Central Services	432,993	476,515
Recreation Center	2,071,149	2,103,361
Conferences & Summer Programs	1,285,843	1,104,373
Health Center	628,946	653,894
<b>Total Revenues</b>	<u>18,140,032</u>	<u>17,709,080</u>
<b>OPERATING EXPENDITURES</b>		
Residence Halls and Apartments	3,994,713	4,077,324
Campus Food Service	2,548,274	2,522,482
Bookstore	41,542	44,723
Student Union	910,913	789,544
Campus Parking	90,745	97,145
Child Development Center	357,743	350,384
Central Services	945,397	1,076,267
Recreation Center	1,376,640	1,877,580
Conferences & Summer Programs	725,700	720,922
Health Center	1,298,914	728,397
<b>Total Operating Expenditures</b>	<u>12,290,581</u>	<u>12,284,768</u>
<b>Net Revenue before Transfers</b>	<u>5,849,451</u>	<u>5,424,312</u>
<b>TRANSFERS</b>		
Mandatory Transfers	3,790,071	3,802,451
Net Non-mandatory Transfers	1,387,031	1,413,553
<b>Total Transfers</b>	<u>5,177,102</u>	<u>5,216,004</u>
Increase (Decrease) in fund balance	<u>\$ 672,349</u>	<u>\$ 208,308</u>
Net operating revenue	\$ 5,849,451	\$ 5,424,312
Bond Principal and Interest	3,770,071	3,767,451
Excess of net operating revenues over debt service	<u>\$ 2,079,380</u>	<u>\$ 1,656,861</u>
Debt service coverage ratio	155%	144%

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



Members of the Legislative Audit Committee:

We have audited the accompanying basic financial statements of the business type activities of Fort Lewis College (the College), a blended component unit of the State of Colorado, as of and for the years ended June 30, 2012 and 2011 and have issued our report thereon dated October 23, 2012. We have also audited the financial statements of Fort Lewis College Foundation, a discretely presented component unit of the College, as of and for the year ended June 30, 2011. 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. We did not audit the financial statements of Fort Lewis College Foundation, a discretely presented component unit of the College, as of and for the year ended June 30, 2012. The financial statements of the discretely presented component unit, Fort Lewis College Foundation were not audited in accordance with the Government Auditing Standards.

### **Internal Control Over Financial Reporting**

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

### **Certified Public Accountants**

### **Compliance and Other Matters**

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

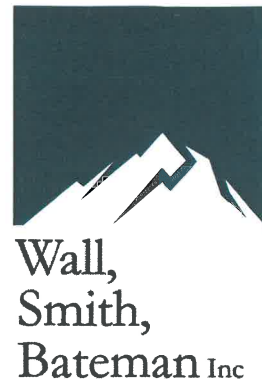
This report is intended solely for the information and use of the State of Colorado Legislative Audit Committee, management of the College, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Wall, Smith, Bateman Inc.  
Alamosa, Colorado

October 23, 2012





October 23, 2012

Members of the Legislative Audit Committee:

We have audited the basic financial statements of Fort Lewis College (the College), a blended component unit of the State of Colorado, as of and for the years ended June 30, 2012 and 2011 and have issued our report thereon dated October 23, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information during our meeting regarding planning matters on May 7, 2012 and in the engagement letter dated May 17, 2012. Professional standards also require that we communicate to you the following information related to our audit:

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the 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 fiscal year ended 2012. We noted no transactions entered into by the College during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. 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 most sensitive estimates affecting the College's financial statements were:

Management's estimate of depreciation is based on the estimated useful life of the fixed assets being depreciated at June 30, 2012. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of allowance for doubtful accounts is based on historical trends of write offs related to accounts receivable. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the scholarship allowances is based on the student-to-student method, which uses the lesser of total charges (net of refunds) or total financial aid (net of refunds) by student. We evaluated the key factors and assumptions used to develop the allowance in

### Certified Public Accountants

determining that it is reasonable in relation to the financial statements taken as a whole.

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no known or likely misstatements identified during the audit.

*Disagreements with Management*

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

*Management Representation*

We have requested certain representations from management that are included in the management representation letter dated October 23, 2012.

*Management 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.

*Other Audit Findings or Issues*

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 governmental unit's auditors.

However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the information and use of the State of Colorado Legislative Audit Committee, Board of Trustees, and management of the 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.

Very truly yours,



Wall, Smith, Bateman Inc.  
Alamosa, Colorado

STATE-FUNDED STUDENT ASSISTANCE  
PROGRAMS SECTION

**FORT LEWIS COLLEGE  
STATE OF COLORADO  
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS  
For the Years Ended June 30, 2012**

**STATEMENT OF ASSURANCES**

**INTRODUCTION**

Fort Lewis College is a state-supported institution of higher education located in Durango, Colorado.

Our financial and compliance examination of the various state-funded student assistance programs at the College for the year ended June 30, 2012, was directed toward the objectives and criteria set forth in the Colorado handbook for State-Funded Student Assistance Programs, issued by the Colorado Department on Higher Education (CDHE). The state student financial assistance programs were examined simultaneously with the federal financial aid programs for the years ended June 30, 2012.

**STATE FUNDED STUDENT ASSISTANCE PROGRAMS**

The various state-funded student assistance programs at the College include the Colorado Student Grant Program and Colorado Work Study Program.

The state-funded student assistance awards made by the College were approximately \$1,054,349 for the fiscal year ended 2012.

The Director of Financial Aid is responsible for the administration of these programs. This responsibility includes application processing, eligibility determination, and financial aid packaging, as well as ensuring compliance with regulations governing the participation of the College in federal and state financial aid programs. The College Controller is responsible for the programs' financial management, general ledger accounting, payments, and collections.

During the fiscal year ended 2012 Fort Lewis College obtained authorizations to award federal student financial aid funds of \$5,588,268 in the Pell Grant Program, \$131,870 in the Supplemental Educational Opportunity Grant Program, \$209,942 in the College Work-Study Program and \$450,000 in the Perkins Student Loan Program.

During the fiscal year ended 2012, Fort Lewis College obtained authorizations to award Colorado student financial aid funds of \$785,493 in the Student Grant Program and \$268,856 in the Colorado Work Study Program.

**Independent Accountants' Report on the Statement of  
Appropriations, Expenditures, Transfers and Reversions  
of the State-Funded Student Financial Assistance Programs**



Members of the Legislative Audit Committee  
Denver, Colorado

We have audited the accompanying statement of appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance Programs of Fort Lewis College (the College), a component unit of the State of Colorado, for the year ended June 30, 2012. This statement is the responsibility of the College's management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Statement. We believe that our audit provides a reasonable basis for our opinion.

As described in Notes to the Statement, the Statement was prepared in the format as set forth in the *2011-12 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Department of Higher Education (DHE), and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the School. The Statement is a summary of cash activity of the state-funded financial assistance programs, with the exception of the Colorado Work-Study Program, and does not present certain transactions that would be included in the statement of the State-Funded Student Financial Assistance Programs if it was presented on the accrual basis of accounting, as prescribed by U.S. generally accepted accounting principles. As the Statement presents only a selected portion of the activities of the School, it is not intended to and does not present either the financial position, changes in financial position, or cash flows of the School, in conformity with U.S. generally accepted accounting principles.

In our opinion, the Statement referred to above presents fairly, in all material respects, the appropriations, expenditures, transfers and reversions of the State-Funded Student Financial Assistance Programs of the College for the year ended June 30, 2012, pursuant to the *2011-12 Audit Guide, Colorado Funded Student Aid* issued by the Department of Higher Education, and in conformity with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the College.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 23, 2012 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Our audit was conducted for the purpose of forming an opinion on the Statement in accordance with the format set forth in the *Audit Guide*, and in conformity with the provisions of the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the College. The accompanying introduction section is presented for purposes of additional analysis and is not a required part of the Statement. The introduction section has not been subjected to the auditing procedures applied in the audit of the Statement, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Legislative Audit Committee, the Board of Trustees and management of the College, the Colorado Department of Higher Education and the Colorado Commission on Higher Education and is not intended to be and should not be used by anyone other than these specified parties.



Wall, Smith, Bateman Inc.  
Certified Public Accountants

October 23, 2012

**FORT LEWIS COLLEGE**  
**STATE-FUNDED STUDENT ASSISTANCE PROGRAMS**  
**STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS**  
**FISCAL YEAR ENDED JUNE 30, 2012**

	Total							Colorado	Special
	Colorado	Student	Work	Undergraduate	Perkins	Pre-Collegiate	Governor's	Leveraging	Leveraging
	Financial	Grant	Study	Merit Award	Loan	AC	Opportunity	Educational	Educational
	<u>Aid</u>	<u>Program</u>	<u>Program</u>	<u>Program</u>	<u>Match</u>	<u>Grant</u>	<u>Scholarship</u>	<u>Programs</u>	<u>Programs</u>
Appropriations:									
Original	\$ 1,054,349	\$ 785,493	\$ 268,856	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Supplementals	-	-	-	-	-	-	-	-	-
Totals	1,054,349	785,493	268,856	-	-	-	-	-	-
Expenditures	1,054,349	785,493	268,856	-	-	-	-	-	-
Reversion to State	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**FORT LEWIS COLLEGE**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**AND NOTES TO STATEMENT OF APPROPRIATIONS, EXPENDITURES,**  
**TRANSFERS AND REVERSIONS**

**BASIS OF ACCOUNTING**

Fort Lewis College's accounting system is structured and administered in accordance with the accounting principles promulgated by the National Association of College and University Business Officers in its revised publication College and University Business Administration, as supplemented by the American Institute of Certified Public Accountants industry audit guide Audits of Colleges and Universities.

All student aid is expensed on a cash basis, except for the Perkins Student Loan and the College Work-Study Program (CWS). Perkins Student Loans are recorded as loans receivable when the funds are disbursed. CWS is on the accrual basis in that the expense is recognized when the services are performed.



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303-869-2800

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