

FORT LEWIS COLLEGE
FINANCIAL AND COMPLIANCE AUDIT
Fiscal Years Ended June 30, 2010 and 2009

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**FORT LEWIS COLLEGE
FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY
FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

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 2010 audit was conducted under contract with Wall, Smith, Bateman and Associates, Inc. The audit was made in accordance with audit standards generally accepted in the United States of America, and *Government Auditing Standards* issued by the Comptroller General of the United States. Audit work was performed during June through October 2010.

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, 2010 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 Statements of Appropriations, Expenditures, Transfers and Reversions of State-Funded Student Assistance Programs for the fiscal years ended June 30, 2010 and 2009.
- Evaluate progress in implementing prior audit recommendations.

The Schedule of Expenditures of Federal Awards for Fort Lewis College and applicable audit opinions are included in the June 30, 2010 Statewide Single Audit Report issued by the Office of the State Auditor under a separate cover.

Audit Results and Summary of Major Audit Findings

Wall, Smith, Bateman and Associates, Inc. expressed an unqualified opinion on the financial statements for the year ended June 30, 2010. Wall, Smith, Bateman and Associates, Inc. also expressed an unqualified opinion on the Statements of Appropriations, Expenditures, Transfers and Reversions of State-Funded Student Assistance Programs for the fiscal years ended June 30,

2010 and 2009. The financial statements for the year ended June 30, 2009 were audited by another firm who expressed an unqualified opinion.

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 two audit adjustments required and there were no significant difficulties encountered in performing the audit.

Summary of Findings and Recommendations

The following is summary of two findings contained in the report. The audit recommendations for these findings and associated College responses are summarized in the recommendation locator, which follows this summary.

We noted the College did not appropriately classify unspent related debt proceeds in the net asset section of the Statement of Net Assets in accordance with Governmental Accounting Standards Board Statement No. 35 requiring an audit adjustment for both fiscal years ended June 30, 2010 and 2009. We also noted the College did not replenish the College's Pell Grant cash account timely and used state funds in lieu of federal funds.

Recommendation and College Responses

A summary of the recommendations for the above comments is included in the Recommendation Locator included at the end of this summary. The Recommendation Locator also shows the College's responses to the audit recommendations. A detailed description of the audit comments and recommendations is contained in the findings and recommendations section of this report.

Summary of Progress in Implementing Prior Audit Findings

There were no reported findings and recommendations resulting from the audit work completed for fiscal year 2009.

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Response	Implementation Date
1	7	<p>Fort Lewis College should improve its control over the application of generally accepted accounting principles by:</p> <ul style="list-style-type: none"> a. Using a financial statement disclosure checklist to aid in preparing the financial statements. b. Implementing a review process over the preparation of the College's financial statements. 	<p>Agree</p> <p>Agree</p>	<p>June 30, 2011</p> <p>June 30, 2011</p>
2	9	<p>Fort Lewis College should improve its cash management activities over reimbursements of state cash used for federal programs by:</p> <ul style="list-style-type: none"> a. Developing policies and procedures to closely monitor the Pell Grant cash balance in order to ensure that draw downs of federal funds replenish the state cash used in a timely manner. b. Continuing to train, supervise and monitor personnel regarding the reimbursement request process. 	<p>Agree</p> <p>Agree</p>	<p>June 30, 2011</p> <p>June 30, 2011</p>

MISSION, HISTORY, ENROLLMENT, AND STAFFING

MISSION

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

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

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

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

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

MISSION, HISTORY, ENROLLMENT, AND STAFFING

HISTORY

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

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

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

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

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

ENROLLMENT

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

	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>
Resident FTE	2,407.26	2,426.2	2,621.0
Non-Resident FTE	<u>1,100.29</u>	<u>1,104.4</u>	<u>1,081.0</u>
Total FTE Students	<u>3,507.55</u>	<u>3,530.6</u>	<u>3,702.0</u>

MISSION, HISTORY, ENROLLMENT, AND STAFFING

STAFFING

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

	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>
Faculty FTE	199.5	194.5	215.0
Staff FTE	<u>298.5</u>	<u>299.1</u>	<u>278.0</u>
Total FTE	<u>498.0</u>	<u>493.6</u>	<u>493.0</u>

FINDINGS AND RECOMMENDATIONS SECTION

**FORT LEWIS COLLEGE
AUDITORS' FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2010**

Restatement of Prior Year Financial Statements-Misclassification of Net Assets

On December 4, 2007, Fort Lewis College issued 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 refinance the College's existing debt.

What was the purpose of the audit work?

The purpose of the audit work was to determine if the College's net assets in the Statement of Net Assets are properly valued and classified in accordance with generally accepted accounting principles, specifically Statement of Governmental Accounting Standards Board (GASB) No. 35.

What audit work was performed and how were results measured?

The audit work included inspecting documentation supporting the calculation and classification of net assets then comparing the results to the requirements of Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities* (GASB 35).

Per GASB 35 if there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent portion should not be included in the calculation of *invested in capital assets, net of related debt*. Rather, that portion of the debt should be included in the same net assets component as the unspent proceeds, *restricted for expendable purposes for capital projects*.

What problem did the audit work identify?

As of June 30, 2010 and 2009, the unspent portion of the related debt proceeds totaled \$9,284,834 and \$30,383,301, respectively.

As of June 30, 2009 the unspent related debt proceeds of \$30,383,301 were improperly included in the calculation of *invested in capital assets, net of related debt* on the Statement of Net Assets. During the Fiscal Year 2010 audit, an audit adjustment was proposed to restate the prior year by reclassifying \$30,383,301 from *invested in capital assets, net of related debt* to *restricted for expendable purposes for capital projects*.

FORT LEWIS COLLEGE
AUDITORS' FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2010

This same error occurred as of June 30, 2010 and an audit adjustment was proposed and posted to reclassify the \$9,284,834 from *invested in capital assets, net of related debt to restricted for expendable purposes for capital projects*.

Why does this problem matter?

The net assets were not presented in accordance with generally accepted accounting principles, causing a material misstatement, which could be misleading to users of the financial statements.

Why did the problem occur?

The College did not have adequate controls in place to ensure that the requirements of GASB 35 were applied correctly in the preparation of the financial statements. The College does not have a review process for the financial statements in place.

(Classification of Finding: Material Weakness.)

Recommendation No. 1:

Fort Lewis College should improve its control over the application of generally accepted accounting principles by:

- a. Using a financial statement and disclosure checklist to aid in preparing the financial statements.
- b. Implementing a review process over the preparation of the College's financial statements.

Fort Lewis College Response:

Agree. The College will revise and update its existing financial statement and disclosure checklist to aid in preparing financial statements. The College will also implement a review process over the preparation of the College's financial statements.

Implementation date: June 30, 2011

**FORT LEWIS COLLEGE
AUDITORS' FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2010**

Reimbursement Request Procedures

Fort Lewis College received approximately \$4.6 million during Fiscal Year 2010 for federal student financial assistance programs. The College obtains these funds by drawing on a federal letter of credit. The College's Financial Aid office personnel originate a disbursement record containing student financial aid information and submit it electronically to the U.S. Department of Education. The U.S. Department of Education verifies the data and authorizes the amount to be drawn on the federal letter of credit.

What was the purpose of the audit work?

We noticed that the Pell Grant cash account carried a deficit balance throughout the majority of fiscal year 2010. Therefore, the audit procedures were extended to determine the amount of State funds being used due to the delay of drawing down federal funds.

What audit work was performed and how were results measured?

The audit work was performed by reviewing the Pell Grant cash account detail to determine the cash reimbursement necessary to replenish the cash used, the amount of reimbursement received, and the period of time the cash balance was at a deficit. The audit work also included reviewing the disbursement record transmitted to the U.S. Department of Education to apply for reimbursement. The results were measured by comparing the amount of federal money received to the amount of grant disbursements and the ending balance in the cash account.

What problem did the audit work identify?

The Pell Grant reimbursement requests for the winter semester 2010 were not timely and the amounts requested were not enough to replenish the cash used. For example, on January 21, 2010 the necessary amount to replenish cash was \$1,983,138. A reimbursement request was made on January 25, 2010 for \$1,630,282, which was \$352,856 short of replenishing the Pell Grant cash account. The next reimbursement request was not made until March 11, 2010 for \$420,455 which completely replenished the cash. There was a period of 44 days in which the requests for reimbursement were not adequate to replenish the College's Pell Grant cash account.

**FORT LEWIS COLLEGE
AUDITORS' FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2010**

Why does this problem matter?

Not drawing the full amount of federal funds on a timely basis results in the use of State funds for federal programs and lost interest income to the State.

Why did the problem occur?

The College lacks policies and procedures to monitor the Pell Grant cash balance; and did not adequately train, supervise, and monitor personnel to follow up on negative cash balances in this account.

(Classification of Finding: Significant Deficiency.)

Recommendation No. 2:

Fort Lewis College should improve its cash management activities over reimbursements of state cash used for federal programs by:

- a. Developing policies and procedures to closely monitor the Pell Grant cash balance in order to ensure that draw downs of federal funds replenish the state cash used in a timely manner.
- b. Continuing to train, supervise and monitor personnel regarding the reimbursement request process.

Fort Lewis College Response:

Agree. The College will develop policies and procedures to closely monitor the Pell Grant cash balance in order to ensure that draw downs of federal funds replenish the state cash used in a timely manner. The College will also continue to train, supervise and monitor personnel regarding the reimbursement request process.

Implementation date: June 30, 2011

**FORT LEWIS COLLEGE
AUDITORS' FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2010**

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

FINANCIAL STATEMENTS SECTION

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 year ended June 30, 2010, which collectively comprise the College's basic financial statements as listed in the table of contents. The financial statements of the College as of and for the year ended June 30, 2009 were audited by other auditors whose report dated December 14, 2009 expressed an unqualified opinion. We have also audited the financial statements of Fort Lewis College Foundation, a discretely presented component unit of the College, as of June 30, 2010 and 2009. 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 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, 2010 and the discretely presented component unit of the College as of June 30, 2010 and 2009, and the respective changes in its financial position and its cash flows, where applicable for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2010 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14-21 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 Series 2007 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.

Wall, Smith, Bateman and Associates, Inc.

Wall, Smith, Bateman and Associates, Inc.
Certified Public Accountants

October 31, 2010

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2010 AND 2009

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

FINANCIAL HIGHLIGHTS

Year Ended June 30, 2010:

- The College's financial position, as a whole, improved during the year ended June 30, 2010. The combined net assets increased \$11,633,427 or approximately 11% over the prior year. This increase is primarily due to the completion of the State-funded Biology wing of Berndt Hall and three smaller State-funded construction projects. In total, the College received \$9,275,482 in state capital contributions during fiscal year 2010.
- Animas Hall, the first new residence hall constructed on the campus since West Hall was built in 1994, was completed in time for the Fall 2009 semester at a cost of \$12,406,210. Animas Hall incorporates many new design features and has been designated as a Leadership in Energy and Environmental Design (LEED) Gold building. The LEED Gold honor is given to buildings that have accomplished sustainable design and construction practices, reduced environmental impact, and documented water and energy efficiency measures.
- Institutionally-funded construction during fiscal 2010 included the renovation and enlargement of the Student Union building. The new addition to the Student Union was completed in time for the Fall 2010 semester and renovation of the existing building is expected to be complete during the summer of 2011. The Student Union project is currently budgeted at \$40.5 million. This project and the recently completed Animas Hall project were funded through revenue bonds issued in December 2007. More detail on capital construction projects may be found in the Capital Assets section of this Management's Discussion and Analysis.
- An enrollment decline of .65 percent resulted in \$1.3 million less in net tuition revenue. Auxiliary sales and services also decreased by slightly less than \$1.0 million, primarily because of the privatization of the College Bookstore in July 2009. Academic year 2010 was the third year of declining enrollments which have been attributed primarily to the College's increase in admissions standards. The College has allocated significant resources to enrollment management functions, including marketing and financial aid leveraging in order to recover the enrollment loss. It is believed that the increase in student preparedness will ultimately stabilize the size and quality of the freshman class and, therefore, increase students' chances for success, as measured by retention and graduation rates.
- The privatization of the College Bookstore led to a reduction in Auxiliary Enterprise expenses of approximately \$2 million, which contributed to the overall reduction in operating expenses during fiscal year 2010. Despite the reduction in expenses, the College increased institutionally-funded scholarships in fiscal 2010 by 50%. Scholarship awards were increased as part of the overall enrollment management strategy.
- During fiscal year 2010, Fort Lewis College received \$7,836,102 in American Recovery and Reinvestment Act (ARRA) funds through the State of Colorado. These funds were appropriated to the College to replace reduced State funding from the College Opportunity Fund and Fee For Service agreement, due to shortfalls in the State budget. Fiscal year 2010 was the second year the College received ARRA funds and fiscal 2011 is expected to be the last year the College will receive ARRA funding. The College is implementing budget reduction plans formulated over the past year to accommodate the significant and permanent reduction in State funding.

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2010 AND 2009

Year Ended June 30, 2009:

- The College's financial position, as a whole, improved during the year ended June 30, 2009. The combined net assets increased \$9,484,856 or 10% over the prior year. This is primarily due to the renovation and enlargement of the Biology wing of Berndt Hall. This capital construction project is funded by the State of Colorado and during fiscal 2009, \$8,764,509 was expended toward completion of that project. The total state appropriation for the project is \$17,199,453 and completion is expected in early 2010.
- In fiscal 2009, there were two other important construction projects; the first being the completion of Animas Hall, a residence hall facility and the on-going renovation and enlargement of the student center. Animas Hall opened for occupancy in time for the Fall 2009 semester and completion of the student center is expected sometime during summer 2011. The final cost of Animas Hall will be slightly more than \$12 million and the student center project is currently budgeted at \$37.5 million. Both of these projects are funded through revenue bonds issued in the previous fiscal year.
- Revenue budgets were decreased due to a downturn in enrollment during the academic year. The enrollment shortfall was approximately 4% and impacted revenues in the general fund and auxiliary fund groups. The general fund budget was reduced by \$1.4 million. The drop in enrollment is attributed primarily to the College's increase in admissions standards. The College has allocated significant resources to enrollment management functions, including marketing and financial aid leveraging in order to recover the enrollment loss.
- The State of Colorado experienced a serious budget shortfall due to the economic recession. As a result, funding for the College Opportunity Fund was reduced from \$92 to \$68 per credit hour. At Fort Lewis College, this reduction meant a drop in tuition revenue of \$1,675,944. Additionally, the State reduced the College's Fee for Service revenue by \$2,129,550. These reductions were covered by the receipt of \$3,978,508 in American Recovery and Reinvestment Act (ARRA) funds, preventing a significant budget reduction for the College. The College will continue to receive ARRA funds in both fiscal 2010 and fiscal 2011. At that time, the College will face a significant and permanent reduction in funding and is currently planning for that eventuality.
- The College experienced a \$2.9 million increase in operating expenses during fiscal year 2009. This increase is attributable to increased costs related to construction projects undertaken and finished during the fiscal year. These costs were not capitalized as an asset per the state's fiscal procedures manual guidelines on capitalization of assets. See Note 1 of the footnotes to the financial statements for a disclosure on the College's capitalization policy. These aforementioned costs were not capitalized because their useful life was considered to be less than one year.

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

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2010 AND 2009

College that includes Fort Lewis College and the Fort Lewis College Foundation, a discretely presented component unit. (See Note 1 for additional information on the reporting entity.)

STATEMENTS OF NET ASSETS

The Statements of Net Assets reports assets, liabilities, and net assets (the difference between assets and liabilities) as follows:

Condensed Statements of Net Assets

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Current Assets	\$24,883,806	\$21,670,551	\$22,652,356
Noncurrent Assets	<u>157,450,671</u>	<u>146,459,983</u>	<u>136,114,205</u>
Total Assets	<u>182,334,477</u>	<u>168,130,534</u>	<u>158,766,561</u>
Current Liabilities	14,189,787	10,397,351	9,469,232
Noncurrent Liabilities	<u>53,161,710</u>	<u>54,383,630</u>	<u>55,432,632</u>
Total Liabilities	<u>67,351,497</u>	<u>64,780,981</u>	<u>64,901,864</u>
Net Assets:			
Invested in capital assets, net of related debt	90,886,973	58,275,315	76,695,388
Restricted	18,563,652	39,574,132	10,230,234
Unrestricted	<u>5,532,355</u>	<u>5,500,106</u>	<u>6,939,075</u>
Total Net Assets	<u>\$114,982,980</u>	<u>\$103,349,553</u>	<u>\$93,864,697</u>

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2010 AND 2009

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

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

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

	Year Ended <u>June 30, 2010</u>	Year Ended <u>June 30, 2009</u>	Year Ended <u>June 30, 2008</u>
Operating Revenues			
Tuition and Fees, Net	\$ 16,695,468	\$18,016,452	\$20,009,310
Grants and Contracts	16,510,372	13,641,060	12,858,433
Auxiliary Services, Net	12,532,296	13,484,883	14,261,416
Other	<u>1,901,143</u>	<u>4,236,340</u>	<u>5,114,828</u>
Total Operating Revenues	<u>47,639,279</u>	<u>49,378,735</u>	<u>52,243,987</u>
Operating Expenses	<u>59,393,084</u>	<u>60,411,497</u>	<u>57,517,369</u>
Net Operating Revenues (Expenses)	<u>(11,753,805)</u>	<u>(11,032,762)</u>	<u>(5,273,382)</u>
Nonoperating Revenues (Expenses)			
State Fiscal Stability Revenue	7,836,102	3,978,508	-
Federal Pell Grants	4,608,198	3,266,092	3,046,670
Other Net Nonoperating Revenues	<u>1,708,806</u>	<u>3,702,316</u>	<u>3,690,752</u>
Net Nonoperating Revenues	<u>14,153,106</u>	<u>10,946,916</u>	<u>6,737,422</u>
Income (Loss) Before Other Revenues, Expenses, or Transfers	2,399,301	(85,846)	1,464,013
Gain (Loss) on Disposal of Assets	(41,356)	4,000	(24,430)
State Capital Contributions	9,275,482	9,566,702	932,197
Capital Grants and Gifts	<u>-</u>	<u>-</u>	<u>72,663</u>
Increase (Decrease) in Net Assets	<u>11,633,427</u>	<u>9,484,856</u>	<u>2,444,443</u>
Net Assets – Beginning of Year	<u>103,349,553</u>	<u>93,864,697</u>	<u>91,420,254</u>
Net Assets – End of Year	<u>\$114,982,980</u>	<u>\$103,349,553</u>	<u>\$93,864,697</u>

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2010 AND 2009

CAPITAL ASSETS

At June 30, 2010, the College had approximately \$142.9 million invested in capital assets, net of accumulated depreciation of \$66.8 million. Depreciation charges were \$5.1 million for the year ended June 30, 2010. At June 30, 2009, the College had approximately \$111.5 million invested in capital assets, net of accumulated depreciation of \$62.9 million. Depreciation charges were \$4.7 million for the year ended June 30, 2009. Details of these assets are shown below.

Capital Assets, Net, at Year-End

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Land and Improvements	\$280,559	\$280,559	\$280,559
Construction in Progress	35,786,177	31,184,369	4,704,841
Collections	1,248,956	1,258,623	1,256,547
Land Improvements, Net	10,325,686	10,393,670	10,788,059
Buildings and Improvements, Net	92,135,357	65,884,313	67,796,785
Equipment, Net	2,448,542	1,765,146	1,707,129
Library Materials, Net	<u>687,011</u>	<u>713,113</u>	<u>730,238</u>
Total	<u>\$142,912,288</u>	<u>\$111,479,793</u>	<u>\$87,264,158</u>

Major capital additions completed in fiscal year 2009-10 and the resources that funded their acquisition include:

Berndt Hall Reconstruction – Biology, funded by the State	\$17,457,394
New Residence Hall, funded by the College	12,538,565
Campus Beautification, funded by the College	317,996
One Card Project, funded by the College	280,935
Repave Parking Lots U & R, funded by the College	287,662
Center of Southwest Studies Remodel, funded by the College	<u>53,438</u>
	<u>\$30,935,990</u>

The following significant capital projects were in progress at June 30, 2010:

Student Union Building Renovation/Expansion, funded by the College	\$31,984,311
Berndt Hall Reconstruction - Geology, funded by the State	1,647,618
Electrical Distribution System Improvements, funded by the State	597,647
Reconstruction of Eighth Avenue, funded by the State	528,924
Residence Hall Roof Replacement, funded by the College	470,956
Equipment Storage Building, funded by the College	313,574
Program Plan for the Sciences, funded by the College	96,705
Central Campus Precinct Plan, funded by the College	86,064
Repave Fort Lewis Drive, funded by the College	36,264
Repave Parking Lot D	<u>24,115</u>
	<u>\$35,786,178</u>

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2010 AND 2009

Major capital additions completed in fiscal year 2008-09 and the resources that funded their acquisition include:

Remodel Pine Hall, funded by the College	\$599,343
Cooper Hall Roof Improvement, funded by the College	562,007
Replace Carpet in Camp and West Halls, funded by the College	231,879
Repave Parking Lots M & C, funded by the College	260,427
Replace Gym Folding Wall, funded by the State	97,511
	<u>\$1,751,167</u>

The following significant capital projects were in progress at June 30, 2009:

New Residence Hall, funded by the College	\$11,438,768
Berndt Hall Reconstruction – Biology, funded by the State	10,177,420
Student Union Building Renovation/Expansion, funded by the College	7,347,674
Reconstruction of Eighth Avenue, funded by the State	475,845
Campus Beautification, funded by the College	317,690
Equipment Storage Building, funded by the College	292,399
One Card Project, funded by the College	272,881
Repave Parking Lots U & R, funded by the College	259,523
Student Union Building Relocations, funded by the College	226,653
Electrical Distribution System Improvements, funded by the State	162,024
Berndt Hall Reconstruction - Geology, funded by the State	141,344
Program Plan for the Sciences, funded by the College	111,443
Central Campus Infrastructure Improvements, funded by the State	97,344
Central Campus Precinct Plan, funded by the College	86,064
	<u>\$31,407,072</u>

DEBT

At June 30, 2010, 2009 and 2008, the College had approximately \$52.7 million, \$53.9 million and \$55 million in long-term debt outstanding respectively. The table below summarizes debt by type over the past three fiscal years.

Outstanding Debt at Fiscal Year-End

	<u>June 30, 2010</u>	<u>June 30, 2008</u>	<u>June 30, 2008</u>
Auxiliary Revenue Bonds, Net	<u>\$52,688,043</u>	<u>\$53,910,604</u>	<u>\$55,043,165</u>
Total	<u>\$52,688,043</u>	<u>\$53,910,604</u>	<u>\$55,043,165</u>

ECONOMIC OUTLOOK & FORT LEWIS COLLEGE FUTURE

Enrollment

During the 2005 Colorado legislative session, the College's selectivity designation changed from "Moderately Selective" to "Selective." The transition to the Selective admission criteria was implemented over several years, with completion in Fall 2008. As was anticipated, Fall 2008 enrollment saw a decline of approximately 4.0% compared to Fall 2007. While Fall 2009 enrollment was lower than Fall 2008 by approximately 1.6%, the size of the freshman class was

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2010 AND 2009

stable. Fall 2010 total enrollment rebounded, increasing by 2.1%. The size of the freshman class increased by 5.4%, and continuing student numbers remained stable. The increase in student preparedness is helping to stabilize the size and quality of the freshman class and, therefore, increase students' chances for success, as measured by retention and graduation rates.

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, in an effort to develop plans to increase enrollment. 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.

Capital Construction / Property

Capital construction projects have played a significant role in campus planning over the past several years. During FY 2007-08, the College issued \$55.8 million in revenue bonds to finance the construction of a new student union and residence hall, and to refinance existing debt. A new student fee was implemented in FY 2007-08 to pay for the debt related to the new student union. The new residence hall (Animas Hall) was completed and opened in August 2009 at 100% occupancy. The student union addition opened in August 2010, while the renovation of the original building is scheduled to be complete for August 2011. State capital construction funds for the Berndt Hall Biology project, totaling \$17.9 million were allocated in the 2008 legislative cycle, with the building opening in January 2010.

In FY 2008-09, the College received \$3.2 million from the Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008 (COP), for design of the Geosciences/Physics/Engineering facilities in Berndt Hall. An additional \$29.3 million is needed for the construction portion of the project, with the College being responsible for \$4.2 million of this amount. The legislation, which established the original COP, envisions annual appropriations of Federal Mineral Lease Program (FML) revenues to fund the required semi-annual lease payments. At this time, it is not anticipated that there will be sufficient Federal Mineral Lease revenue to issue additional COPs in the near future.

The College is currently in negotiations with the City of Durango to sell its 366 acres of unused "Horse Gulch" property. The property would be held by the City for open space use. The anticipated proceeds of the sale - totaling approximately \$1.7 million - would be held by the College in a quasi-endowment and used per the direction of the Board of Trustees.

Finally, the Facilities Master Plan envisions multi-use recreation fields in the northeast corner of campus. Recognizing the mutual benefit these fields could have to both the campus and community, the College and City of Durango are currently discussing a joint use arrangement whereby the City would provide the needed capital, and the College would provide the land.

State Funding

During FY 2008-09, the State of Colorado experienced a serious budget shortfall due to the economic recession. Funding for all higher education institutions was rolled back to FY 2005-06

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2010 AND 2009

levels. This reduction was accomplished by reducing both the College Opportunity Fund stipend and Fee for Service contracts. The allocated reduction to Fort Lewis College of \$4.0 million was covered by the receipt of American Recovery and Reinvestment Act (ARRA) funds. In FY 2009-10, the State further reduced funding to higher education, and again allocated ARRA funds to offset the reduction, with the College receiving \$7.8 million. As a result of the increased reliance on ARRA funds in FY 2009-10, there was not enough available in FY 2010-11 to offset all the reductions to higher education. For the FY 2010-11 budget cycle, State funding to Fort Lewis College was decreased by \$1.2 million, to \$11.5 million, however, \$2.7 million of the total funding was from ARRA funds.

As part of the on-going budget balancing process, the Colorado Department of Higher Education staff and the Colorado Commission on Higher Education, in conjunction with the institutions of higher education, are developing an allocation model for FY 2011-12. The model currently assumes state funding to higher education of \$555 million. Higher education funding prior to the economic downturn was \$705 million. The current allocation model indicates total reductions to Fort Lewis College of \$2.8 million.

During the FY 2010-11 budget cycle, the President's Budget Committee developed a two-year budget reduction plan that anticipated a \$4.0 million decrease in State funding. While the current allocation model calls for a reduction below the College's current budget plan, there remain many uncertainties in the economic environment. State revenue estimates do not yet indicate recovery. As a result of this uncertainty, the College continues to plan for the more pessimistic scenario.

New Leadership

Dr. Dena Kay Thomas became the eighth president of Fort Lewis College in July, 2010. During her first few months in office, President Thomas has put a priority on meeting with students, alumni, and others in the Durango area and around the State.

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) 247-7368.

Fort Lewis College
Statements of Net Assets
June 30, 2010 and 2009

	2010	2009 <u>Restated</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$19,882,475	\$ 19,118,819
Student Accounts Receivable, Net	414,827	434,634
Accounts Receivable - Fort Lewis College Foundation	58,155	-
Other Accounts Receivable	4,041,802	1,426,942
Student Loans Receivable, Net	250,060	195,664
Inventories	125,731	449,539
Prepaid Expense	110,756	44,953
Total Current Assets	<u>24,883,806</u>	<u>21,670,551</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	12,111,247	32,285,163
Student Loans Receivable, Net	1,764,406	1,988,900
Other Non-current Assets	662,730	706,127
Nondepreciable Capital Assets:		
Land and Improvements	280,559	280,559
Construction in Progress	35,786,177	31,184,368
Collections	1,248,956	1,258,623
Total Nondepreciable Capital Assets	<u>37,315,692</u>	<u>32,723,550</u>
Depreciable Capital Assets:		
Land Improvements, Net	10,325,686	10,393,671
Buildings and Improvements, Net	92,135,357	65,884,313
Equipment, Net	2,448,542	1,765,146
Library Materials, Net	687,011	713,113
Total Depreciable Capital Assets, Net	<u>105,596,596</u>	<u>78,756,243</u>
Total Noncurrent Assets	<u>157,450,671</u>	<u>146,459,983</u>
Total Assets	<u>182,334,477</u>	<u>168,130,534</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	2,987,139	1,466,694
Accrued Liabilities	7,127,045	6,348,057
Deferred Revenue	2,300,834	922,623
Deposits Held for Others	261,678	215,236
Bonds Payable, Current Portion	1,310,000	1,255,000
Compensated Absence Liabilities	203,091	189,741
Total Current Liabilities	<u>14,189,787</u>	<u>10,397,351</u>
Noncurrent Liabilities:		
Bonds Payable, Net	51,378,043	52,655,604
Compensated Absence Liabilities	1,783,667	1,728,026
Total Noncurrent Liabilities	<u>53,161,710</u>	<u>54,383,630</u>
Total Liabilities	<u>67,351,497</u>	<u>64,780,981</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	90,886,973	58,275,315
Restricted for Nonexpendable Purposes:		
Endowment	141,649	141,649
Restricted for Expendable Purposes		
Capital Projects	9,284,834	30,383,301
Endowment	646,444	525,052
Other	8,490,725	8,524,130
Unrestricted	5,532,355	5,500,106
Total Net Assets	<u>\$114,982,980</u>	<u>\$103,349,553</u>

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

FORT LEWIS COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

ASSETS	<u>2010</u>	<u>2009</u>
Pooled Cash	\$ 1,873,659	\$ 1,849,144
Pooled Investments	11,826,535	9,388,490
Pledges Receivable	691,400	995,000
Segregated Cash	8,490	7,213
Segregated Investments	65,267	119,514
Accounts Receivable	11,708	-
Tangible Assets, Net	<u>8,507,389</u>	<u>6,527,447</u>
TOTAL ASSETS	<u>\$ 22,984,448</u>	<u>\$ 18,886,808</u>
 LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 7,500	\$ 1,785
Accounts Payable - Fort Lewis College	61,677	-
Gift Annuity Obligation Payable	18,512	29,734
Loan Payable	<u>439,297</u>	<u>451,223</u>
TOTAL LIABILITIES	<u>526,986</u>	<u>482,742</u>
 NET ASSETS		
Unrestricted		
Board Designated	13,889	418
Board Designated Endowment	854,606	854,606
Gifts-in-Kind	295,354	369,104
General Unrestricted	<u>964,094</u>	<u>183,393</u>
	2,127,943	1,407,521
 Temporarily Restricted		
Scholarships, Awards, and Other	7,609,782	6,494,934
Gifts-in-Kind and Tangible Assets	<u>5,518,783</u>	<u>3,516,793</u>
	13,128,565	10,011,727
 Permanently Restricted		
True Endowments	4,559,404	4,343,268
Gifts-in-Kind	<u>2,641,550</u>	<u>2,641,550</u>
	7,200,954	6,984,818
TOTAL NET ASSETS	<u>22,457,462</u>	<u>18,404,066</u>
TOTAL LIABILITES AND NET ASSETS	<u>\$ 22,984,448</u>	<u>\$ 18,886,808</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, 2010 and 2009

	<u>2010</u>	<u>2009</u> <u>Restated</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees (including pledged revenues of \$4,160,650 - 2010 and \$3,603,680 -2009 and net of scholarship allowances of \$20,104,049-2010 and \$16,839,212 -2009)	\$ 16,695,468	\$ 18,016,452
Federal Grants and Contracts	3,577,785	3,043,684
State Grants and Contracts	11,760,421	10,274,865
Local Grants and Contracts	140,129	79,802
Non-Governmental Grants and Contracts	1,032,037	242,709
Sales and Services of Educational Activities	1,849,170	4,159,635
Auxiliary Enterprises (including pledged revenues of \$12,069,383 - 2010 and \$13,048,117 -2009 and net of scholarship allowances of \$1,229,294 - 2010 and \$1,131,992 -2009)	12,532,296	13,484,883
Other Operating Revenues	51,973	76,705
Total Operating Revenues	<u>47,639,279</u>	<u>49,378,735</u>
EXPENSES		
Operating Expenses:		
Instruction	16,291,060	16,585,468
Research	557,910	347,834
Public Service	1,141,945	1,247,335
Academic Support	6,571,917	6,094,179
Student Services	6,341,830	6,418,505
Institutional Support	5,011,900	5,497,648
Operation and Maintenance of Plant	5,147,778	5,085,970
Scholarships and Fellowships	1,716,741	1,366,505
Auxiliary Enterprises	11,481,043	13,060,036
Depreciation	5,130,960	4,708,017
Total Operating Expenses	<u>59,393,084</u>	<u>60,411,497</u>
Operating Income (Loss)	<u>(11,753,805)</u>	<u>(11,032,762)</u>
NONOPERATING REVENUES (EXPENSES)		
State Fiscal Stabilization Revenue	7,836,102	3,978,508
Federal Pell Grants	4,608,198	3,266,092
Gifts (including pledged revenues of \$279,402 - 2010 and \$93,901 - 2009)	1,651,917	1,807,681
Investment Income (including pledged revenues of \$173,356 -2010 and \$179,835 - 2009)	931,259	2,271,337
Interest Expense on Capital Debt	(891,952)	(387,311)
Other Nonoperating Revenues	17,582	10,609
Net Nonoperating Revenues	<u>14,153,106</u>	<u>10,946,916</u>
Income (loss) before other revenues, expenses, or transfers	2,399,301	(85,846)
OTHER REVENUES, (EXPENSES), OR TRANSFERS		
Gain or (Loss) on Disposal of Assets	(41,356)	4,000
State Capital Contributions	9,275,482	9,566,702
Increase (Decrease) in Net Assets	<u>11,633,427</u>	<u>9,484,856</u>
NET ASSETS		
Net Assets - Beginning of Year	103,349,553	93,864,697
Net Assets - End of Year	<u>\$ 114,982,980</u>	<u>\$ 103,349,553</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, 2010

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
NET ASSETS, BEGINNING OF YEAR	\$ 1,407,521	\$ 10,011,727	\$ 6,984,818	\$ 18,404,066
REVENUES, GAINS, AND OTHER SUPPORT				
Donations - Cash	259,959	1,443,803	76,011	1,779,773
Donations - Gifts in Kind	-	2,072,466	-	2,072,466
Investment Income	349,400	42,369	-	391,769
Realized and Unrealized Gain in Investments	-	1,634,920	-	1,634,920
Fund Raising Income	-	15,504	-	15,504
Other Income	29,957	150,840	-	180,797
Subtotal	639,316	5,359,902	76,011	6,075,229
Net Assets Released from Restriction	1,583,364	(1,580,262)	(3,102)	-
Total from Revenues, Gains, and Other Support	2,222,680	3,779,640	72,909	6,075,229
EXPENSES AND LOSSES				
Scholarships	702,606	-	-	702,606
Program Expense	1,192,966	-	-	1,192,966
Fund Raising	44,474	-	-	44,474
Management and General	81,787	-	-	81,787
Total Expenses and Losses	2,021,833	-	-	2,021,833
Reclass	565,947	(565,947)	-	-
Changes in Donor Restrictions	(46,372)	(96,855)	143,227	-
Change in Net Assets for the Year	720,422	3,116,838	216,136	4,053,396
NET ASSETS AT END OF YEAR	<u>\$ 2,127,943</u>	<u>\$ 13,128,565</u>	<u>\$ 7,200,954</u>	<u>\$ 22,457,462</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, 2009

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
NET ASSETS, BEGINNING OF YEAR	\$ 2,966,520	\$ 10,309,116	\$ 6,939,091	\$ 20,214,727
REVENUES, GAINS, AND OTHER SUPPORT				
Donations - Cash	141,141	3,205,653	64,072	3,410,866
Donations - Gifts in Kind	-	158,276	-	158,276
Investment Income	455,452	-	-	455,452
Unrealized Gain/(Loss) in Investments	(1,127,056)	(2,863,270)	-	(3,990,326)
Fund Raising Income	73	11,029	-	11,102
Other Income	29,169	145,369	-	174,538
Subtotal	(501,221)	657,057	64,072	219,908
Net Assets Released from Restriction	1,599,684	(1,581,339)	(18,345)	-
Total from Revenues, Gains, and Other Support	1,098,463	(924,282)	45,727	219,908
EXPENSES AND LOSSES				
Scholarships	794,662	-	-	794,662
Program Expense	1,095,705	-	-	1,095,705
Fund Raising	63,966	-	-	63,966
Management and General	76,236	-	-	76,236
Total Expenses and Losses	2,030,569	-	-	2,030,569
Reclass	(590,983)	590,983	-	-
Changes in Donor Restrictions	(35,910)	35,910	-	-
Change in Net Assets for the Year	(1,558,999)	(297,389)	45,727	(1,810,661)
NET ASSETS AT END OF YEAR	\$ 1,407,521	\$ 10,011,727	\$ 6,984,818	\$ 18,404,066

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

Fort Lewis College
 Statements of Cash Flows
 For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u> <u>Restated</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received:		
Tuition and Fees	\$ 16,827,294	\$ 17,894,508
Sales of Products	271,691	2,302,235
Sales of Services	11,452,635	15,373,343
Grants and Contracts	16,578,537	13,463,485
Student Loans Collected	274,541	148,258
Other Operating Receipts	98,599	112,825
Cash Payments:		
Scholarships Disbursed	(1,716,741)	(1,366,505)
Student Loans Disbursed	(143,654)	(132,660)
Payments to Suppliers	(12,826,040)	(17,421,075)
Payments to Employees	(36,113,473)	(35,969,201)
Other Operating Payments	(14,682)	(44,220)
Net Cash Provided (Used) by Operating Activities	<u>(5,311,293)</u>	<u>(5,639,007)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Fiscal Stabilization Revenue	7,836,102	3,978,508
Federal Pell Grants	4,608,198	3,266,092
Gifts for Other than Capital Purposes	1,590,599	1,815,466
Agency Receipts	19,633,828	17,599,349
Agency Payments	(19,559,064)	(17,679,532)
Net Cash Provided by Noncapital Financing Activities	<u>14,109,663</u>	<u>8,979,883</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Contracts	1,050,000	102,040
Acquisition and Construction of Capital Assets	(28,198,434)	(18,865,246)
Principal Paid on Capital Debt	(1,255,000)	(1,165,000)
Interest on Capital Debt	(736,453)	(335,439)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(29,139,887)</u>	<u>(20,263,645)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	931,257	2,302,861
Net Cash Provided by Investing Activities	<u>931,257</u>	<u>2,302,861</u>
Net Increase (Decrease) in Cash	(19,410,260)	(14,619,908)
Cash - Beginning of Year	51,403,982	66,023,890
Cash - End of Year	<u>\$ 31,993,722</u>	<u>\$ 51,403,982</u>

(Continued on Next Page)

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

Fort Lewis College
 Statements of Cash Flows
 For the Years Ended June 30, 2010 and 2009
 (Continued)

	<u>2010</u>	<u>2009</u> <u>Restated</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash		
Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (11,753,805)	\$ (11,032,762)
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Depreciation Expense	5,130,960	4,708,017
Net increase in other Nonoperating revenues/expenses	-	10,609
Noncash Operating Transactions	75,836	(186,628)
Change in Assets and Liabilities (Operating Portions):		
Receivables, Net	(2,483,110)	43,835
Inventories	323,808	135,070
Prepaid Expense	(65,803)	9,440
Construction in Progress	(332,256)	(338,268)
Accounts Payable	1,520,445	378,838
Accrued Liabilities	778,988	550,315
Deferred Revenue	1,378,211	(12,928)
Deposits Held for Others	46,442	(86,433)
Compensated Absence Liabilities	68,991	181,888
Net Cash Provided (Used) by Operating Activities	<u>\$ (5,311,293)</u>	<u>\$ (5,639,007)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
State Capital Contributions	\$ 9,275,482	\$ 9,566,702
Gain (Loss) on Capital Asset Deletions	(41,356)	4,000

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

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GOVERNANCE

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

REPORTING ENTITY AND COMPONENT UNIT

Fort Lewis College is an institution of higher education of the State of Colorado. Thus, for financial reporting purposes, the College is included as part of the State of Colorado's primary government. A copy of the State Comprehensive Annual Financial Report may be obtained from the 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, 2010, for the purposes stated above was \$1,547,006 and for the year ended June 30, 2009 was \$1,371,950. 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, 2010 AND 2009

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.

INVENTORIES

An inventory of consumable custodial, maintenance and office supplies is maintained in an internal service center and is stated at the lower of cost or market, with cost being determined either on the first-in, first-out or average cost method.

RESTRICTED CASH AND CASH EQUIVALENTS

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

CAPITAL ASSETS

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

COMPENSATED ABSENCE LIABILITIES

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

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NET ASSETS

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

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

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

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

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

CLASSIFICATION OF REVENUES

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

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

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

APPLICATION OF RESTRICTED AND UNRESTRICTED RESOURCES

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

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. On June 30, 2009, the funds were distributed as an offset to funding cuts in the COF in the form of reduced student stipends and reduced FFS contracts. 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. This funding is expected to continue until the first 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.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF 2009 FINANCIAL STATEMENTS

The College restated the Statement of Net Assets for fiscal year ended June 30, 2009 by reclassifying \$30,383,301 from invested in capital assets, net of related debt to restricted for expendable purposes for capital projects to present the amount of unspent bond proceeds in accordance with GASB 35. The restatement did not affect the total net assets of the College.

The College restated the Statements of Revenues, Expenses, and Changes in Net Asset for the fiscal years ended June 30, 2009 by reclassifying the Federal Pell Grants from operating revenues to nonoperating revenues in accordance with generally accepted accounting principles. The restatement did not affect the total net assets of the College.

RECLASSIFICATIONS

Certain amounts in 2009 have been reclassified to conform to the 2010 financial statement presentation.

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, 2010, Fort Lewis College had cash on deposit with the State Treasurer of \$31,416,948, which represented approximately .53 percent of the total \$5,977.9 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, 2010, 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, 2010, approximately 88.1 percent of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for \$25,573,200 of corporate bonds rated lower medium and \$14,533,750 of corporate bonds rated as speculative, and \$14,218,750 of corporate bonds rated as very speculative, 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.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 2: CASH AND CASH EQUIVALENTS (continued)

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 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, 2010, the weighted average maturity of investments in the Treasurer's Pool is 0.04 years for Commercial Paper (3.7 percent of the Pool), .01 years for Money Market Funds (3.2 percent of the Pool), 1.3 years for U.S. Government Securities (73.8 percent of the Pool), 1.36 years for Asset Backed Securities (12.6 percent of the Pool), and 2.05 years for Corporate Bonds (6.7 percent of the Pool).

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2009-10.

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, 2010

At year-end, the carrying amount of the College's cash was \$4,844,101. The cash included petty cash and change funds of \$21,812 and bank deposits of \$4,822,289. The bank balance of the deposits was \$5,199,424. Of this bank balance, \$697,136 was covered by federal depository insurance or by collateral held by the institution's agent in the institution's name and \$4,502,288 was covered by collateral held by the bank or its agent in the State's name.

As of year-end June 30, 2009, the College had \$49,812,302 on deposit with the State Treasurer. On that date, the carrying amount of the College's cash was \$1,591,680. The cash included petty cash and change funds of \$20,636 and bank deposits of \$1,571,044. The bank balance of the deposits was \$2,956,239. Of this bank balance, \$250,000 was covered by federal depository insurance or by collateral held by the institution's agent in the institution's name and \$2,706,239 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 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.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

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

Pooled cash and investments

Pooled cash and investments as of June 30, 2010 and 2009 are summarized as follows:

	June 30, 2010		June 30, 2009	
	Cost Basis	Market Value	Cost Basis	Market Value
Cash and Cash Equivalents	\$ 1,873,659	\$ 1,873,659	\$ 1,849,144	\$ 1,849,144
Marketable Securities				
Fixed Income	5,686,243	5,953,708	5,441,537	5,391,616
Equities	5,632,690	5,105,518	4,993,203	3,996,874
Commodities	702,598	767,309	-	-
Total pooled cash and investments	<u>\$ 13,895,190</u>	<u>\$ 13,700,194</u>	<u>\$ 12,283,884</u>	<u>\$ 11,237,634</u>

A net realized loss of \$122,556 and \$2,396,940 was recognized on these marketable securities as of June 30, 2010 and 2009, respectively. Net unrealized gains of \$800,446 and losses of \$1,561,101 were recognized on these marketable securities as of as of June 30, 2010 and 2009, respectively.

Segregated cash and investments

Segregated cash and investments at June 30, 2010 and 2009 are summarized as follows:

	June 30, 2010		June 30, 2009	
	Cost Basis	Market Value	Cost Basis	Market Value
Segregated Cash and Cash Equivalents	\$8,490	\$8,490	\$7,213	\$7,213
Segregated Investments:				
Fixed Income	23,086	25,434	40,981	42,554
Equities	34,835	39,833	74,553	76,960
Total Segregated Investments	<u>57,921</u>	<u>65,267</u>	<u>115,534</u>	<u>119,514</u>
Total segregated cash and investments	<u>\$ 66,411</u>	<u>\$ 73,757</u>	<u>\$ 122,747</u>	<u>\$ 126,727</u>

A net realized loss of \$15,463 and \$68,433 was recognized on the Gift Annuity funds as of June 30, 2010 and 2009, respectively. Net unrealized gains of \$7,346 and \$36,148 were recognized on these marketable securities as of June 30, 2010 and 2009, respectively.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

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

Total cash and investments

Total cash investments at June 30, 2010 and 2009 are summarized as follows:

	<u>2010</u>			<u>2009</u>		
	<u>Cost Basis</u>	<u>Market Value</u>	<u>% of Total</u>	<u>Cost Basis</u>	<u>Market Value</u>	<u>% of Total</u>
Cash and Cash						
Equivalents	\$ 1,882,149	\$ 1,882,149	14%	\$ 1,856,357	\$ 1,856,357	16%
Marketable Securities						
Fixed Income	5,701,340	5,970,429	43%	5,482,518	5,434,170	48%
Equities	5,675,514	5,154,064	37%	5,067,756	4,073,834	36%
Commodities	702,598	767,309	6%	-	-	0%
Total	<u>\$ 13,961,601</u>	<u>\$ 13,773,951</u>	<u>100%</u>	<u>\$ 12,406,631</u>	<u>\$ 11,364,361</u>	<u>100%</u>

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, 2010 and 2009 the Accounts Receivable balances are comprised of:

	<u>6/30/2010</u>	<u>6/30/2009</u>
Student Accounts Receivable	\$1,000,558	\$999,276
Less: Allowance for Doubtful Accounts	<u>(585,731)</u>	<u>(564,642)</u>
Student Accounts Receivable, Net	<u>414,827</u>	<u>434,634</u>
Student Loans Receivable	2,204,032	2,334,708
Less: Allowance for Doubtful Accounts	<u>(189,566)</u>	<u>(150,144)</u>
Student Loans Receivable, Net	<u>2,014,466</u>	<u>2,184,564</u>
Accounts Receivable – Fort Lewis College Foundation	<u>58,155</u>	<u>-</u>
Other Accounts Receivable		
Sponsored Programs	3,259,042	764,747
Vendor Credits	-	144,255
Conferences & Summer Programs	174,076	219,557
Other	<u>608,684</u>	<u>298,383</u>
Other Accounts Receivable	<u>4,041,802</u>	<u>1,426,942</u>
Total Receivables, Net	<u>\$6,529,250</u>	<u>\$4,046,140</u>

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 5: CAPITAL ASSETS

The college's capital asset activity for the year ended June 30, 2010 was as follows:

	Balance 6/30/2009	Additions	Deletions	Transfers	Balance 6/30/2010
Land	\$ 259,875	\$ -	\$ -	\$ -	\$ 259,875
Land Improvements	17,669,990	-	-	605,618	18,275,608
Buildings and Improvements	113,922,392	28,752	439,017	30,020,645	143,532,772
Construction in Progress	31,184,369	35,632,142	123,442	(30,906,892)	35,786,177
Equipment	6,106,898	993,464	386,856	280,629	6,994,135
Software	800,874	10,000	33,092	-	777,782
Library Materials	3,171,994	73,562	398,818	-	2,846,738
Capitalized Collections	1,258,623	-	9,667	-	1,248,956
Total	174,375,015	36,737,920	1,390,892	-	209,722,043
Less Accumulated Depreciation:					
Land Improvements	7,255,636	673,602	-	-	7,929,238
Buildings and Improvements	48,038,079	3,798,353	439,018	-	51,397,414
Equipment	4,468,308	486,180	349,540	-	4,604,948
Software	674,318	77,201	33,092	-	718,427
Library Materials	2,458,881	95,625	394,778	-	2,159,728
Total Accumulated Depreciation	62,895,222	5,130,961	1,216,428	-	66,809,755
Capital Assets, Net	\$ 111,479,793	\$ 31,606,959	\$ 174,464	\$ -	\$ 142,912,288

The college's capital asset activity for the year ended June 30, 2009 was as follows:

	Balance 6/30/2008	Additions	Deletions	Transfers	Balance 6/30/2009
Land	\$ 259,875	\$ -	\$ -	\$ -	\$ 259,875
Land Improvements	17,409,563	-	-	260,427	17,669,990
Buildings and Improvements	112,448,021	-	16,369	1,490,740	113,922,392
Construction in Progress	4,704,841	28,625,560	269,410	(1,876,622)	31,184,369
Equipment	5,800,395	436,495	255,447	125,455	6,106,898
Software	751,692	49,182	-	-	800,874
Library Materials	3,174,395	79,748	82,149	-	3,171,994
Capitalized Collections	1,256,547	2,076	-	-	1,258,623
Total	145,805,329	29,193,061	623,375	-	174,375,015
Less Accumulated Depreciation:					
Land Improvements	6,600,820	654,816	-	-	7,255,636
Buildings and Improvements	44,651,236	3,403,212	16,369	-	48,038,079
Equipment	4,170,640	473,561	255,447	-	4,388,754
Software	674,318	79,554	-	-	753,872
Library Materials	2,444,157	96,873	82,149	-	2,458,881
Total Accumulated Depreciation	58,541,171	4,708,016	353,965	-	62,895,222
Capital Assets, Net	\$ 87,264,158	\$ 24,485,045	\$ 269,410	\$ -	\$ 111,479,793

FORT LEWIS COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010 AND 2009

NOTE 5: CAPITAL ASSETS – CONTINUED

The construction in progress balances include \$1,306,330 and \$1,103,014 in capitalized interest for the years ended June 30, 2010 and 2009, 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, 2010 and 2009, tangible assets are comprised of the following:

	<u>June 30, 2010</u>		<u>June 30, 2009</u>	
	<u>Restricted</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unrestricted</u>
Gifts-in-kind				
Real estate	\$ 2,081,500	\$ 320,000	\$ 81,500	\$ 392,000
Accumulated depreciation	(38,086)	(24,646)	(36,348)	(22,896)
Equipment and other	8,455	-	7,655	-
Collection items	<u>4,711,098</u>	<u>-</u>	<u>4,639,431</u>	<u>-</u>
Total gifts-in-kind	<u>6,762,967</u>	<u>295,354</u>	<u>4,692,238</u>	<u>369,104</u>
Purchased assets				
Real estate	1,384,170	-	1,384,170	-
Accumulated Depreciation	(101,337)	-	(84,300)	-
Collection items	92,335	-	92,335	-
Concert piano	<u>73,900</u>	<u>-</u>	<u>73,900</u>	<u>-</u>
Total purchased assets	<u>1,449,068</u>	<u>-</u>	<u>1,466,105</u>	<u>-</u>
Total tangible assets	<u>\$ 8,212,035</u>	<u>\$ 295,354</u>	<u>\$ 6,158,343</u>	<u>\$ 369,104</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, 2010 and 2009 was \$20,525 and \$20,525, respectively.

NOTE 7: ACCRUED LIABILITIES

At June 30, 2010 and 2009, the Accrued Liabilities balances, as presented on the Statements of Net Assets, are comprised of:

	<u>6/30/2010</u>	<u>6/30/2009</u>
Accrued Payroll & Benefits	\$ 4,867,315	\$ 4,871,827
Accrued Interest Payable	617,356	629,417
Contractor Retainage	1,587,688	809,429
Other Liabilities	<u>54,686</u>	<u>37,384</u>
Total	<u>\$ 7,127,045</u>	<u>\$ 6,348,057</u>

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 8: LONG-TERM LIABILITIES

The College's Long-Term Liability activity for the year ended June 30, 2010 was as follows:

	Balance 6/30/2009	Additions	Reductions	Balance 6/30/2010	Current Portion
Bonds and Leases Payable:					
Revenue Bonds	\$ 54,620,000	\$ -	\$ 1,255,000	\$ 53,365,000	\$1,310,000
Deferred Loss on Defeasance	(182,737)		17,522	(165,215)	(17,522)
Bond Discount	(526,659)		14,917	(511,742)	(14,917)
Total Bonds and Leases Payable	53,910,604	-	1,287,439	52,688,043	1,277,561
Other Liabilities:					
Compensated Absences	1,917,763	259,481	(190,486)	1,986,758	203,091
Total Other Liabilities	1,917,763	259,481	(190,486)	1,986,758	203,091
Total Long-Term Liabilities	\$ 55,828,367	\$ 259,481	\$ 1,096,953	\$ 54,674,801	\$1,480,652

The College's Long-Term Liability activity for the year ended June 30, 2009 was as follows:

	Balance 6/30/2008	Additions	Reductions	Balance 6/30/2009	Current Portion
Bonds and Leases Payable:					
Revenue Bonds	\$ 55,785,000	\$ -	\$ (1,165,000)	\$ 54,620,000	\$1,255,000
Deferred Loss on Defeasance	(200,259)		17,522	(182,737)	(17,522)
Bond Discount	(541,576)		14,917	(526,659)	(14,917)
Total Bonds and Leases Payable	55,043,165	-	(1,132,561)	53,910,604	1,222,561
Other Liabilities:					
Compensated Absences	1,735,880	357,627	(175,744)	1,917,763	189,741
Total Other Liabilities	1,735,880	357,627	(175,744)	1,917,763	189,741
Total Long-Term Liabilities	\$ 56,779,045	\$ 357,627	\$ (1,308,305)	\$ 55,828,367	\$1,412,302

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%.

FORT LEWIS COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010 AND 2009

NOTE 9: BONDS PAYABLE

The following table describes future debt service requirements:

Required bond payments to maturity as of June 30, 2010 are as follows:

Year Ending	Principal	Interest	Total
June 30,			
2011	\$ 1,310,000	2,457,451	\$ 3,767,451
2012	1,365,000	2,405,071	3,770,071
2013	1,425,000	2,349,971	3,774,971
2014	1,595,000	2,286,336	3,881,336
2015	1,675,000	2,213,051	3,888,051
2016-2020	9,020,000	9,819,558	18,839,558
2021-2025	8,465,000	7,941,153	16,406,153
2026-2030	10,695,000	5,714,862	16,409,862
2031-2035	11,480,000	2,912,494	14,392,494
2036-2039	6,335,000	485,875	6,820,875
Total	\$ 53,365,000	\$ 38,585,822	\$ 91,950,822

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 activity fees as shown in the Series 2007 Revenue Bonds Schedule of Pledged Revenues and Expenses in the Supplemental Information section of this report.

NOTE 10: DEBT REFUNDING

Revenue Bonds - Series 1998A

On September 1, 1998, the College issued the Auxiliary Facilities Enterprise Refunding Revenue Bonds, Series 1998A in the amount of \$5,130,000 for the purpose of refunding a portion of the College's existing Auxiliary Facilities Refunding and Improvement Revenue Bonds, Series 1992. The outstanding debt refunded was in the amount of \$4,570,000 and was accomplished by depositing in an escrow account the net proceeds of the new bond issue and a portion of the 1992 Bond Reserve Fund to provide for all future payments on the refunded 1992 bonds. Interest payments have been made annually and the balance of debt outstanding on the refunded bonds at June 30, 2010 was \$2,930,000.

Revenue Bonds – Series 2007 C & D

On December 4, 2007, the College issued the Series 2007 C and D Revenue Bonds in the amount of \$9,730,000 for the purpose of refunding the 1998 Auxiliary Facilities Enterprise Refund Bonds in their entirety. The refunding was accomplished by depositing in an escrow account the net proceeds of the Series C and D bond issue to provide for all future payments on the refunded 1998 bonds. The balance of debt outstanding on the 1998 refunded bonds at June 30, 2010 was \$7,049,030.

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

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 11: 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, 2010:

Year Ending June 30:	
2011	\$ 99,164
2012	21,815
2013	9,511
2014	9,058
2015	<u>1,510</u>
Total	<u>\$141,058</u>

Rent expense for the years ended June 30, 2010 and 2009 was \$96,981 and \$91,421, respectively.

NOTE 12: ENCUMBRANCES

Outstanding purchase commitments not reflected in the financial statements at June 30, 2010 and 2009 are:

	<u>6/30/10</u>	<u>6/30/09</u>
Education and General	\$312,495	\$144,112
Auxiliary Enterprises	481,130	411,114
Restricted Funds	322,623	154,745
Plant Funds	<u>52,232</u>	<u>354,014</u>
Total	<u>\$1,168,480</u>	<u>\$1,063,985</u>

NOTE 13: SCHOLARSHIP ALLOWANCE

Tuition, fees, auxiliary revenue, and the related scholarship allowances for the year ended June 30, 2010 and 2009 were as follows:

	Tuition and Fees	Auxiliary Revenue	6/30/10 Total	6/30/09 Total
Gross Revenue	\$ 36,799,517	\$ 13,761,590	\$ 50,561,107	\$ 49,472,539
Scholarship Allowances:				
Federal	(3,923,975)	(503,910)	(4,427,885)	(3,264,141)
State	(11,374,370)	(108,245)	(11,482,615)	(10,673,324)
Private	(499,246)	(64,112)	(563,358)	(755,456)
Institutional	(4,306,458)	(553,027)	(4,859,485)	(3,278,283)
Total Scholarship Allowances	<u>(20,104,049)</u>	<u>(1,229,294)</u>	<u>(21,333,343)</u>	<u>(17,971,204)</u>
Net Revenue	<u>\$ 16,695,468</u>	<u>\$ 12,532,296</u>	<u>\$ 29,227,764</u>	<u>\$ 31,501,335</u>

FORT LEWIS COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010 AND 2009

NOTE 14: 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 year 2009, the College received 13.5% of its total annual revenue in State grants which resulted in the loss of its TABOR enterprise designation. During fiscal year 2010, the College received 11.14% in State grants, again exceeding the TABOR limit of 10%. The increase in State revenues for both 2009 and 2010 relates to funding received for capital construction projects, particularly the reconstruction of Berndt Hall for the Biology, Agriculture and Forestry programs. The table shown below demonstrates the type and size of State grants to Fort Lewis College for the years ended June 30, 2010 and 2009, respectively.

State Support Calculation for TABOR Purposes:

	<u>2010</u>	<u>2009</u>
State Grants:		
Capital Appropriations	\$ 7,860,576	\$ 9,515,592
Total State Grants	<u>\$ 7,860,576</u>	<u>\$ 9,515,592</u>
Total Revenues (gross operating, nonoperating and other revenues)	<u>\$70,544,913</u>	<u>\$70,279,664</u>
Ratio of State Grants to Total Revenues	<u>11.14%</u>	<u>13.54%</u>

A portion of the College is subject to revenue and expense limitations imposed by the Colorado State Legislature through the annual appropriation process. The College's appropriated funds include the State appropriation from the State's General Funds, as well as certain cash funds as specified in the State's annual appropriations bill.

Appropriated cash funds include tuition, certain fees, and certain other revenue sources, which are recognized in various revenue lines, as appropriate in the accompanying financial statements.

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

For the years ended June 30, 2010 and 2009, appropriated expenses were within the authorized spending authority as shown in the following table:

FORT LEWIS COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010 AND 2009

NOTE 14: SPENDING LIMITATIONS, (Continued)

Appropriated Funds

Description	2010	2009
Total Appropriation	\$41,399,139	\$38,694,784
Actual appropriated revenues	\$41,399,139	\$38,694,784
Actual appropriated expenditures and transfers	\$41,399,139	\$38,694,784
Net increase (decrease) in appropriated net assets	\$ 0	\$ 0

NOTE 15: EMPLOYMENT BENEFITS

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

The College's total payroll for the fiscal years ended June 30, 2010 and 2009 was \$29,471,185 and \$29,768,044, respectively. The total payroll for employees covered by the PERA plan, the optional defined contribution plan, and the student retirement plan was \$10,198,507, \$16,629,472, and \$267,002, respectively for June 30, 2010 and \$11,051,771, \$15,649,854, and \$229,978, respectively for June 30, 2009. The remaining employees were not eligible for participation in any of the College's plans.

PERA Defined Benefit Pension Plan

Plan Description – A portion of the College employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple employer plan administered by the Public Employees' Retirement Association (PERA.) PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require 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 social security, 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.

During the 2010 legislative session, several bills that impacted Colorado PERA were passed by the Legislature and were signed into law. The major provisions of this legislation modified future annual increases in benefit payments, future employer and employee contribution rates, early retirement reduction factors, highest average salary calculations, indexing of benefits, vesting period for employer matching contributions, service retirement eligibility, suspension of benefits in certain situations, and contributions for retirees working during retirement.

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

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 15: EMPLOYMENT BENEFITS (continued)

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

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006- any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2007 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service.

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

- Hired before January 1, 2007- age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.
- Hired on or after January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more.

In addition to the above requirements, the following changes were made in 2010 to age and service credit requirements for a full service retirement:

- Members with less than five years of service credit as of January 1, 2011 – age and service must add to 85 with a minimum age of 55.
- New members first covered under the plan between January 1, 2011 and 2017 – age and service must add to 88 with a minimum age of 58.
- New members first covered under the plan on or after January 1, 2017 – age and service must add to 90 with a minimum age of 60.

Most 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, the HAS is calculated based on original higher date as follows:

- Hired before January 1, 2007 – HAS is calculated based on three periods of service credit and is limited to a 15 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 15 percent increase.
- Hired on or after January 1, 2007 – HAS is calculated based on three periods of service credit and is limited to an 8 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 8 percent increase.

Prior to January 1, 2010, retiree benefits were increased annually based on their original hire date as follows:

- Hired before July 1, 2005 – 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI).

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 15: EMPLOYEE BENEFITS (continued)

- Hired on or after January 1, 2007 – the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

In the 2010 legislative session, the general assembly set the current increase as the lesser of 2 percent or the average of the monthly CPI amounts for calendar year 2009. The 2009 CPI was negative resulting in a calendar year 2010 increase of 0 percent. The 2010 legislation moved the payment date of all increases to July. New rules governing the annual increase amount will be in effect beginning January 1, 2011.

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.

College employees contribute 8.0 percent of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. From July 1, 2009, to December 31, 2009, the state contributed 12.95 percent of the employee's salary. From January 1, 2010, through June 30, 2010, the state contributed 13.85 percent. During all of Fiscal Year 2009-10, 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, 2009, the division of PERA in which the state participates was underfunded with an amortization period of 43 years.

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

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

In the 2010 legislative session, the general assembly extended both the AED and SAED. The AED will continue to increase at a rate of .4 percent of salary from calendar years 2013 through 2017. The SAED will continue to increase by one-half percentage point from calendar years 2014 through 2017. If the funding ratio reaches 103%, both the AED and the SAED will be reduced by one-half percentage point. Neither the AED nor the SAED may exceed 5 percent.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 15: EMPLOYEE BENEFITS (continued)

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, 2010, 2009, and 2008 were \$1,369,348, \$1,385,068, and \$1,276,695, respectively. These contributions met the contribution requirement for each year.

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 were transferred to PERA, and all costs of administration and funding are borne by the plan participants. In calendar year 2009, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of \$16,500. Participants who are age 50 and older may contribute an additional \$5,500 for total contributions of \$22,000 in 2009. At December 31, 2009, the plan had 18,007 participants.

Optional Defined Contribution Plan

Certain full time faculty and professional staff of the College participate in an optional defined contribution plan as an alternative to PERA. Two vendor choices are offered through the defined contribution plan; Teachers Insurance Annuity Association (TIAA) and Variable Annuity Insurance Corporation (VALIC). The College's aggregate contribution to the above two vendors was equal to 11.4 percent of covered payroll or \$1,895,760 for the fiscal year ended June 30, 2010 and \$1,784,083 for the fiscal year ended June 30, 2009. The employee aggregate contribution to the above two vendors was equal to 8.0 percent of covered payroll or \$1,330,358 for the fiscal year ended June 30, 2010 and \$1,251,988 for the fiscal year ended June 30, 2009.

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, 2010 and 2009 was \$20,025 and \$17,248 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, 2010 and 2009 was \$3,044,265 and \$2,791,841 respectively.

NOTE 16: POST-EMPLOYMENT BENEFITS

PERA Post-Employment Health Care and Life Insurance Benefits

Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Trust Fund; the program was converted to a trust fund in 1999. 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 PO

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 16: POST-EMPLOYMENT BENEFITS (Continued)

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 \$104,025, \$112,728, and \$111,963 as required by statute in Fiscal Years 2009-10, 2008-09, and 2007-08, 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. In addition, two of PERA's insurance carriers offered high deductible health care plans in 2009. As of December 31, 2009, there were 46,985 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2009, the Health Care Trust Fund had an unfunded actuarial accrued liability of \$1.50 billion, a funded ratio of 14.8 percent, and a 53-year amortization period.

Life Insurance Program

During Fiscal Year 2005-06, PERA provided its members access to a group decreasing term life insurance plan offered by UnumProvident in which 41,101 members participated. Active members may join the UnumProvident Plan and continue coverage into retirement. Premiums are collected by monthly payroll deductions or other means. In addition, PERA maintained coverage for 12,790 members under closed group plans underwritten by Anthem Life, Prudential, and New York Life.

Other Postretirement Healthcare and Life Insurance Benefits

Retired faculty and exempt-administrative staff are eligible to participate in the Colorado Higher Education Insurance Benefits Alliance Trust (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, 2010, there were 29 participants in post retirement coverage from the eight member higher education institutions. Three 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.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

Contracts have been entered into for the purpose of planning, constructing, or equipping certain building or land improvements with outstanding amounts totaling \$2,709,865 as of June 30, 2010. 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 \$2,354,300 as of June 30, 2010.

The College receives significant amounts from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed amounts resulting from such audits could become a liability of the College. The College is insured by the State of Colorado self-insurance program for liability, property, and workers compensation insurance.

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. However, the College hopes to receive another \$29,306,647 in COP funds in a future fiscal year for the Berndt Hall project, inclusive of \$4,231,974 for which the College is responsible. For the year ended June 30, 2010, \$1,505,140 had been spent from COP funds.

NOTE 19: BOOKSTORE MANAGEMENT CONTRACT

On August 7, 2009, the College entered into a contract with Follett Higher Education Group, Inc. to operate its college bookstore. The term of the contract is through June 30, 2016 with four one-year renewal terms. The contract provides that the College will receive a minimum annual guarantee of \$250,000 or a percentage of net sales, whichever is higher. The percentage of net sales to be paid to the College will be calculated as eleven and one-half percent on the first \$3 million in net sales and twelve and one-half percent on net sales greater than \$3 million. The College will also receive \$2,000 in textbook scholarships each year of the agreement and a one-time contribution of \$250,000. The one-time contribution will be amortized over a seven year period on a straight-line basis. In the event of termination of the contract without cause, the College will owe Follett the unamortized one-

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 19: BOOKSTORE MANAGEMENT CONTRACT (Continued)

time contribution. Additionally, Follett will allocate \$250,000 toward the renovation of the bookstore space in the student center. Follett took over management of the College's bookstore in July 2009 and during fiscal year 2010, Fort Lewis College received \$229,166 under the Follett contract. The revenues for the bookstore, while under management of the College, for the fiscal years ending June 30, 2010 and 2009 were \$257,078 and \$2,129,507 and the expenses were \$209,817 and \$2,087,767, respectively. Further details concerning the Follett Bookstore Management Contract may be obtained by contacting the Fort Lewis College Controller's Office in Room 140 Berndt Hall or by calling the Controller at 970-247-7368.

Supplemental Information

FORT LEWIS COLLEGE
 SERIES 2007 REVENUE BONDS
 SCHEDULE OF PLEDGED REVENUES AND EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Residence Halls and Apartments	\$ 6,446,213	\$ 5,808,104
Campus Food Service	3,260,690	3,243,825
Bookstore	257,078	2,126,507
Student Union Building	2,137,878	1,692,432
Campus Parking	388,429	287,891
Child Development Center	318,692	257,409
Central Services	489,879	160,618
Recreation Center	2,083,152	1,937,785
Conferences & Summer Programs	856,501	832,915
Health Center	658,186	595,011
Total Operating Revenue	<u>16,896,698</u>	<u>16,942,497</u>
OPERATING EXPENSES		
Residence Halls and Apartments	4,130,844	3,940,721
Campus Food Service	2,117,440	2,123,983
Bookstore	209,814	2,086,392
Student Union Building	722,093	534,276
Campus Parking	94,637	9,858
Child Development Center	325,406	337,167
Central Services	944,748	813,728
Recreation Center	1,762,206	1,734,190
Conferences & Summer Programs	588,260	620,741
Health Center	729,606	773,744
Total Operating Expenses	<u>11,625,054</u>	<u>12,974,800</u>
Net Revenues before Transfers	<u>5,271,644</u>	<u>3,967,697</u>
TRANSFERS		
Mandatory Transfers	3,499,380	2,742,731
Net Non-Mandatory Transfers	<u>1,524,525</u>	<u>1,194,743</u>
Total Transfers	<u>5,023,905</u>	<u>3,937,474</u>
Increase (Decrease) in Fund Balance	<u>\$ 247,739</u>	<u>\$ 30,223</u>
Net Operating Revenue	\$ 5,271,644	\$ 3,967,697
Bond Principal and Interest	<u>3,464,380</u>	<u>3,743,759</u>
Excess of net operating revenues over debt service	<u>\$ 1,807,264</u>	<u>\$ 223,938</u>
Debt Service Coverage Ratio	152%	106%

**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 basic financial statements of Fort Lewis College (the College), a blended component unit of the State of Colorado, as of and for the year ended June 30, 2010 and have issued our report thereon dated October 31, 2010. The financial statements of the College as of and for the year ended June 30, 2009 were audited by other auditors whose report dated December 14, 2009 expressed an unqualified opinion. We have also audited the financial statements of Fort Lewis College Foundation, a discretely presented component unit of the College, as of June 30, 2010 and 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the discretely presented component unit, Fort Lewis College Foundation were not audited in accordance with the Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit in accordance with auditing standards generally accepted in the United States of America, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified. However, as described in the accompanying Auditors' Findings and Recommendations of this report, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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. We consider the deficiency described in the accompanying Auditors' Findings and Recommendations section of this report as Recommendation No. 1 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Auditors' Findings and Recommendations section of this report as Recommendation No. 2 to be a significant deficiency.

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 and Associates, Inc.

Wall, Smith, Bateman and Associates, Inc.
Alamosa, Colorado

October 31, 2010

October 31, 2010

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 year ended June 30, 2010 and have issued our report thereon dated October 31, 2010. 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 13, 2010 and in the engagement letter dated June 11, 2010. 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 2010. 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, 2010. 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 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. Management has corrected all such misstatements. Two adjustments were proposed and recorded as a result of the audit. The adjustments increased *net assets restricted for capital projects* and decreased *net assets invested in capital assets, net of related debt* as of June 30, 2010 and 2009 by \$9,284,834 and \$30,383,301, respectively as noted in recommendation No. 1.

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 31, 2010.

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.

Members of the Legislative Audit Committee
Page Three

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 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 and Associates, Inc.

Wall, Smith, Bateman & Associates, 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, 2010 and 2009**

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 years ended June 30, 2010 and 2009, was directed toward the objectives and criteria set forth in the CDHE's Financial Aid Policy. The state student financial assistance programs were examined simultaneously with the federal financial aid programs for the years ended June 30, 2010 and 2009.

STATE FUNDED STUDENT ASSISTANCE PROGRAMS

The various state-funded student assistance programs at the College include the Colorado Student Grant Program, Colorado Work Study Program, Undergraduate Merit Award Program, Perkins Student Loan Matching Program, Pre-Collegiate AC Grant Program, Governor's Opportunity Scholarship, CLEAP and SLEAP.

The state-funded student assistance awards made by the College were approximately \$1,382,000 and \$1,579,000 for the fiscal years ended 2010 and 2009, respectively.

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 2010 Fort Lewis College obtained authorizations to award federal student financial aid funds of \$4,596,000 in the Pell Grant Program, \$172,000 in the Supplemental Educational Opportunity Grant Program, \$171,000 in the College Work-Study Program and \$450,000 in the Perkins Student Loan Program.

During the fiscal year ended 2009 Fort Lewis College obtained authorizations to award federal student financial aid funds of \$3,231,000 in the Pell Grant Program, \$152,000 in the Supplemental Educational Opportunity Grant Program, \$156,000 in the College Work-Study Program and \$700,000 in the Perkins Student Loan Program.

During the fiscal year ended 2010, Fort Lewis College obtained authorizations to award Colorado student financial aid funds of \$34,000 in the CLEAP and SLEAP Programs, \$1,015,000 in the

Student Grant Program, \$309,000 in the Colorado Work Study Program, and \$24,000 in the Governor's Opportunity Scholarship.

During the fiscal year ended 2009, Fort Lewis College obtained authorizations to award Colorado student financial aid funds of \$34,000 in the CLEAP and SLEAP Programs, \$1,089,000 in the Student Grant Program, \$316,000 in the Colorado Work Study Program, \$31,000 in the Undergraduate Merit Award Program, \$27,000 in the Pre-Collegiate AC Grant Program and \$82,000 in the Governor's Opportunity Scholarship.

Independent Auditors' Report on the Statements of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs

Members of the Legislative Audit Committee
Denver, Colorado

We have audited the accompanying Statements of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Assistance Programs for Fort Lewis College (the College) for the years ended June 30, 2010 and 2009. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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.

The statements were prepared in the format as set forth in the *Colorado Handbook for State-Funded Student Financial Assistance Programs*, issued by the Colorado Commission on Higher Education (CCHE), 2009 revision. The statements are a summary of cash activity of the state-funded student financial assistance programs with the exception of the College Work-Study Program and the Perkins Loan Program, and do not present certain transactions that would be included in the statements of the state-funded student financial assistance programs if presented on the accrual basis of accounting, as prescribed by accounting principles generally accepted in the United States of America. Accordingly, the accompanying statements are not intended to present the financial position or changes in financial position of the College in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the statements referred to above present fairly the appropriations, expenditures, transfers, and reversions of the state-funded student assistance programs of Fort Lewis College, in all material respects, for the years ended June 30, 2010 and 2009, in conformity with the provisions of the Colorado Commission of Higher Education's *Colorado Handbook for State-Funded Student Financial Assistance Programs*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2010 on our consideration of Fort Lewis College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Wall, Smith, Bateman and Associates, Inc.

Wall, Smith, Bateman and Associates, Inc.
Certified Public Accountants

October 31, 2010

FORT LEWIS COLLEGE
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS
FISCAL YEAR ENDED JUNE 30, 2010

Total	Colorado Financial Aid	Student Grant Program	Work Study Program	Undergraduate Merit Award Program	Perkins Loan Match	Pre-Collegiate AC Grant	Governor's Opportunity Scholarship	CLEAP	SLEAP
Original	\$ 1,367,493	\$ 1,014,854	\$ 268,856	\$ -	\$ -	\$ -	\$ 50,000	\$ 6,840	\$ 26,943
Supplementals	14,505		40,000				(25,495)		
Totals	1,381,998	1,014,854	308,856	-	-	-	24,505	6,840	26,943
Expenditures	1,381,998	1,014,854	308,856	-	-	-	24,505	6,840	26,943
Reversion to State	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

FORT LEWIS COLLEGE
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS
FISCAL YEAR ENDED JUNE 30, 2009

	Total Colorado Financial Aid	Student Grant Program	Work Study Program	Undergraduate Merit Award Program	Perkins Loan Match	Pre-Collegiate AC Grant	Governor's Opportunity Scholarship	CLEAP	SILEAP
Appropriations:									
Original	\$ 1,525,805	\$ 1,039,001	\$ 266,195	\$ 31,267	\$ -	\$ 27,159	\$ 128,400	\$ 6,840	\$ 26,943
Supplementals	53,229	50,000	50,000				(46,771)	-	-
Totals	1,579,034	1,089,001	316,195	31,267	-	27,159	81,629	6,840	26,943
Expenditures	1,579,034	1,089,001	316,195	31,267	-	27,159	81,629	6,840	26,943
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.

NOTE A

Colorado CLEAP and SLEAP consist of state and federal funds. The amount shown is the combined total.

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