

# **FORT LEWIS COLLEGE**

## **FINANCIAL AND COMPLIANCE AUDIT**

**Fiscal Year Ended June 30, 2015**



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

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**FORT LEWIS COLLEGE  
FINANCIAL AND COMPLIANCE AUDIT  
REPORT SUMMARY  
FISCAL YEAR ENDED JUNE 30, 2015**

**Authority, Purpose and Scope**

The audit of Fort Lewis College was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all state agencies and educational institutions. The Fiscal Year 2015 audit was conducted under contract with Wall, Smith, Bateman Inc. The audit was made in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards* issued by the Comptroller General of the United States. Audit work was performed during June through October 2015.

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, 2015 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 the College's compliance with appropriate state and federal laws and regulations, and bond covenants that could have a material effect on the University's financial statements.
- § Report on the College's compliance and internal control over financial reporting based on our audit of the financial statements performed in accordance with *Government Auditing Standards*.
- § Evaluate progress in implementing prior year audit recommendations.

The Schedule of Expenditures of Federal Awards for Fort Lewis College and applicable audit opinions are included in the June 30, 2015 Statewide Single Audit Report issued by the Office of the State Auditor under a separate cover.

**Audit Results**

Wall, Smith, Bateman Inc. expressed an unmodified opinion on the financial statements for the year ended June 30, 2015.

**Required Auditor Communications to the Legislative Audit Committee**

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

**Summary of Findings and Recommendations**

There were no reported findings or recommendations resulting from the audit work completed for fiscal year 2015.

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

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

# MISSION, HISTORY, ENROLLMENT, AND STAFFING

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## HISTORY

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

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

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

Fort Lewis continues to honor its historic commitment to Native Americans by offering full 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) Section 23-52-101.

## VISION, MISSION AND CORE VALUES

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

### **Vision**

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

### **Mission**

Fort Lewis College offers accessible, high quality, baccalaureate liberal arts education to a diverse student population, preparing citizens for the common good in an increasingly complex world.

### **Core Values**

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

§ Academic freedom is the foundation for learning and advancement of knowledge. The College vigorously protects freedom of inquiry and expression while expecting civility and mutual respect to be practiced in all interactions.

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

**ENROLLMENT**

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

	FY 2014-15	FY 2013-14	FY 2012-13
Resident FTE	1,975	2,130	2,227
Non-Resident FTE	1,568	1,454	1,375
Total FTE Students	3,543	3,584	3,602

## STAFFING

Staffing data for the past three years are presented below as employee full-time equivalents (FTE). Each faculty FTE is equal to 24 credit hours taught during the fiscal year. Each staff FTE is equal to working 2,080 hours each fiscal year.

	FY <u>2014-15</u>	FY <u>2013-14</u>	FY <u>2012-13</u>
Faculty FTE	198.8	182.0	181.6
Staff FTE	<u>326.2</u>	<u>309.2</u>	<u>301.5</u>
Total FTE	<u><u>525.0</u></u>	<u><u>491.2</u></u>	<u><u>483.1</u></u>



## **FINDINGS AND RECOMMENDATIONS SECTION**

**FORT LEWIS COLLEGE  
AUDITORS' FINDINGS AND RECOMMENDATIONS  
FISCAL YEAR ENDED JUNE 30, 2015**

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

**FORT LEWIS COLLEGE  
DISPOSITION OF PRIOR YEAR AUDIT RECOMMENDATIONS  
FISCAL YEAR ENDED JUNE 30, 2015**

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

The audit report for the year ended June 30, 2014 did not include any recommendations or findings.

**FINANCIAL STATEMENTS SECTION**

# INDEPENDENT AUDITORS' REPORT



Wall,  
Smith,  
Bateman Inc.

Members of the Legislative Audit Committee:

## Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the major fund of Fort Lewis College (the College), an Institution of Higher Education, State of Colorado, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Fort Lewis College Foundation, a discretely presented component unit, discussed in Note 1 to the financial statements, which represents 100 percent, of the total assets, total revenues and net assets of the aggregate discretely presented component units as of June 30, 2015. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Fort Lewis College Foundation, is based solely on the report of the other auditors. We conducted our 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 Fort Lewis College Foundation were not audited in accordance with the *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinions*

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the major fund and the discretely presented component unit of Fort Lewis College, an Institution of Higher Education, State of Colorado, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Certified Public Accountants**

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 [www.wsbcpa.com](http://www.wsbcpa.com)

***Emphasis of a Matter Regarding Relationship to State of Colorado***

As discussed in Note 1 – Summary of Significant Accounting Policies, the financial statements of Fort Lewis College are intended to present the net position and changes in net position for only that portion of the financial reporting entity, State of Colorado, that is attributable to the transactions of the College. They do not purport to, and do not present fairly the financial position of the State of Colorado as of June 30, 2015, and the changes in its financial position, or, where applicable, its cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

***Change in Accounting Principle***

As discussed in Note 1 - Summary of Significant Accounting Policies, in fiscal year 2015 the College adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, schedule of the College's proportionate share of the net pension liability, and schedule of College contributions on pages 10-20 and 51-52 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fort Lewis College's basic financial statements. The Schedule of Pledged Revenues and Expenses for Series 2007 and 2012 Revenue Bonds is presented for purposes of additional analysis and is not a required part of the financial statements.

The Schedule of Pledged Revenues and Expenses for Series 2007 and 2012 Revenue Bonds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Pledged Revenues and Expenses for Series 2007 and 2012 Revenue Bonds is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, on our consideration of the College’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College’s internal control over financial reporting and compliance.



Wall, Smith, Bateman Inc.  
November 30, 2015

FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015

We are pleased to present this financial discussion and analysis of Fort Lewis College (the College). The discussion is intended to make the financial statements easier to understand and communicate the College's financial situation in an open and accountable manner. Furthermore, the management's discussion and analysis provides an objective examination of the College's financial position and results of operations as of and for the year ended June 30, 2015 (FY 2015 or fiscal year 2015). College management is responsible for the completeness and fairness of this discussion and analysis, the financial statements, and related footnote disclosures.

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

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

### **Understanding the Financial Statements**

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

- ***Report of Independent Auditors*** presents an unmodified opinion prepared by the College's auditors (an independent certified public accounting firm, Wall, Smith, Bateman Inc.) on the fairness, in all material respects, of the College and its discretely presented component unit's respective financial position.
- ***Statement of Net Position*** presents the assets, liabilities, and net position of the College as of June 30, 2015. Its purpose is to present a financial snapshot of the College. This statement aids readers in determining the assets available to continue the College's operations; evaluating how much the College owes to vendors and lending institutions; and understanding the College's net position and their availability for expense.
- ***Statement of Revenues, Expenses, and Changes in Net Position*** presents the total revenues earned and expenses incurred by the College for operating, non-operating, and other related activities for the year ended June 30, 2015. This statement's purpose is to assess the College's operating results.
- ***Statement of Cash Flows*** presents College cash receipts and payments for the year ended June 30, 2015. This statement's purpose is to assess the College's ability to generate net cash flows and meet its payment obligations as they come due.
- ***Notes to the Financial Statements*** present additional information to support the financial statements and are commonly referred to as Note(s). The purpose of the Notes is to clarify and expand on the information in the financial statements.

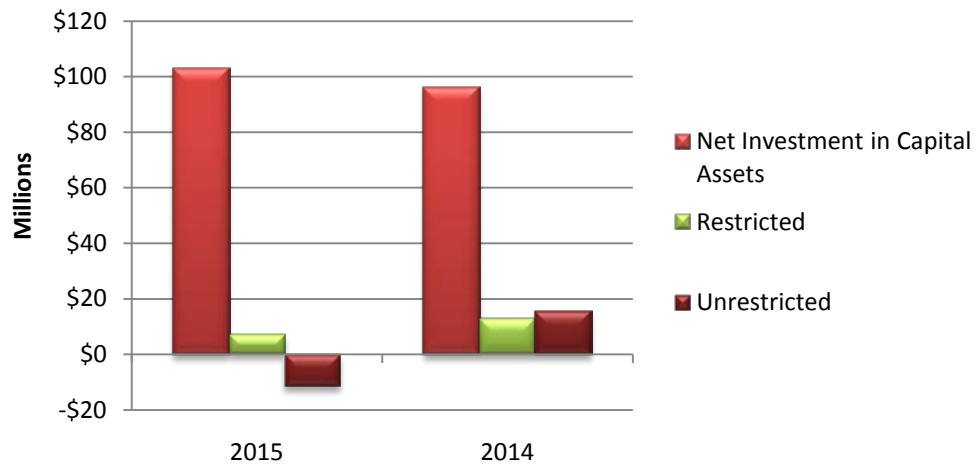
FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015

**FINANCIAL HIGHLIGHTS**

**Year Ended June 30, 2015:**

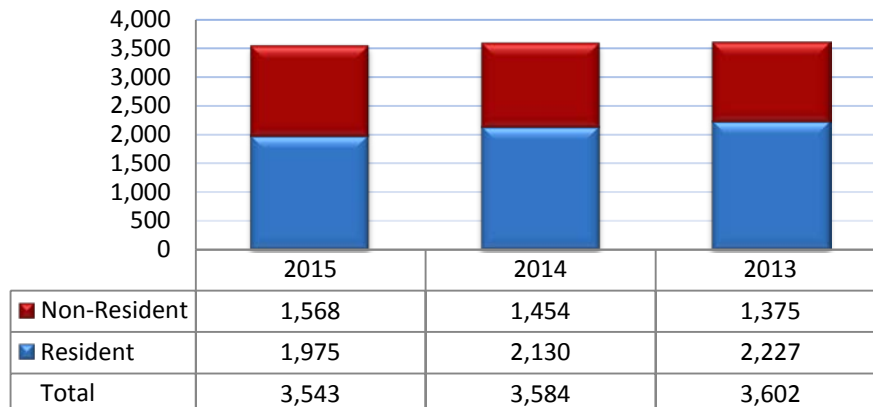
- Net Position** -- The College's financial position was dramatically affected by the implementation of GASB 68, 'Accounting and Financial Reporting for Pensions'. The College booked its proportionate share of the State of Colorado's Public Employee Retirees Association liability. This accounting change resulted in a negative net position of (\$30,346,677) for 2015. The unrestricted portion of net position was not large enough to offset this negative, resulting in a negative balance of (\$11,522,744) for 2015, as shown graphically in the following chart. Net position increased by \$4.1 million.

**Net Position at Year End**



- Enrollment** -- Undergraduate full-time equivalent (FTE) enrollment decreased by 1.1% (41 students) in FY 2015; in-state enrollment declined by 7.3% while out-of-state enrollment grew approximately 7.8%. Fall 2014 headcount, based on final fall census reports was 5.9% lower than the prior year, with resident headcount down by 11.3% and nonresident headcount up by approximately 2.1%. In fiscal year 2015, Native American Tuition Waiver fall headcount enrollment based on original fall census reports, was 4.0% higher than the prior year, with resident headcount down by 3.1% and nonresident headcount up by approximately 5.2%. As a result of the decline in fall enrollment, the College engaged Royall and Company to conduct a direct mail campaign to affect Fall 2015 enrollment. Initial results show growth in the Fall 2015 freshman class.

**FTE Enrollment**

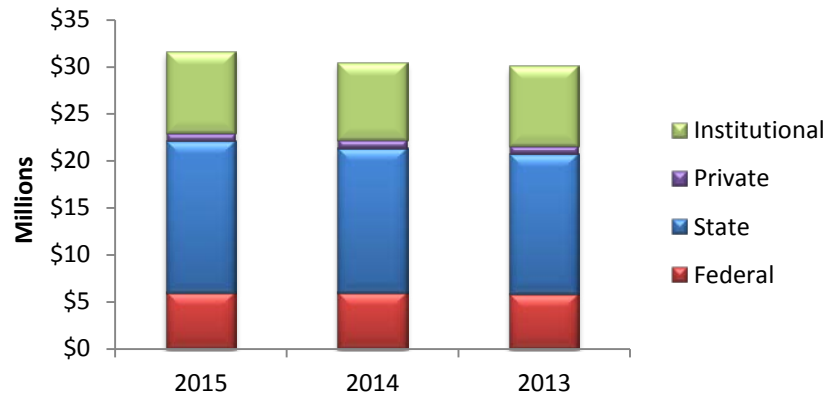




FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015

- **Scholarships** –The discount rate for 2015 (adjusted for the effect of the Native American Tuition Waiver) was 32.3%. Scholarship awards have been increased as part of the overall enrollment management strategy; the College believes that its enrollment management initiatives have produced positive results in both recruitment of new students and retention of continuing students. Financial aid awards over the past three fiscal years are depicted below. State-funded financial aid includes the Native American Tuition Waiver.

### Financial Aid



- **State Funding** – Funding for Higher Education in the State of Colorado is allocated in two ways: College Opportunity Fund (COF) stipends and Fee for Service (FFS) contracts. The following table provides the combined COF and FFS received by the College between FY 2013 and FY 2015.

	FY 2015	FY 2014	FY 2013
Total State Funding	\$10,594,604	\$ 9,540,320	\$ 9,186,240
Change from Previous Year	11.1%	3.9%	

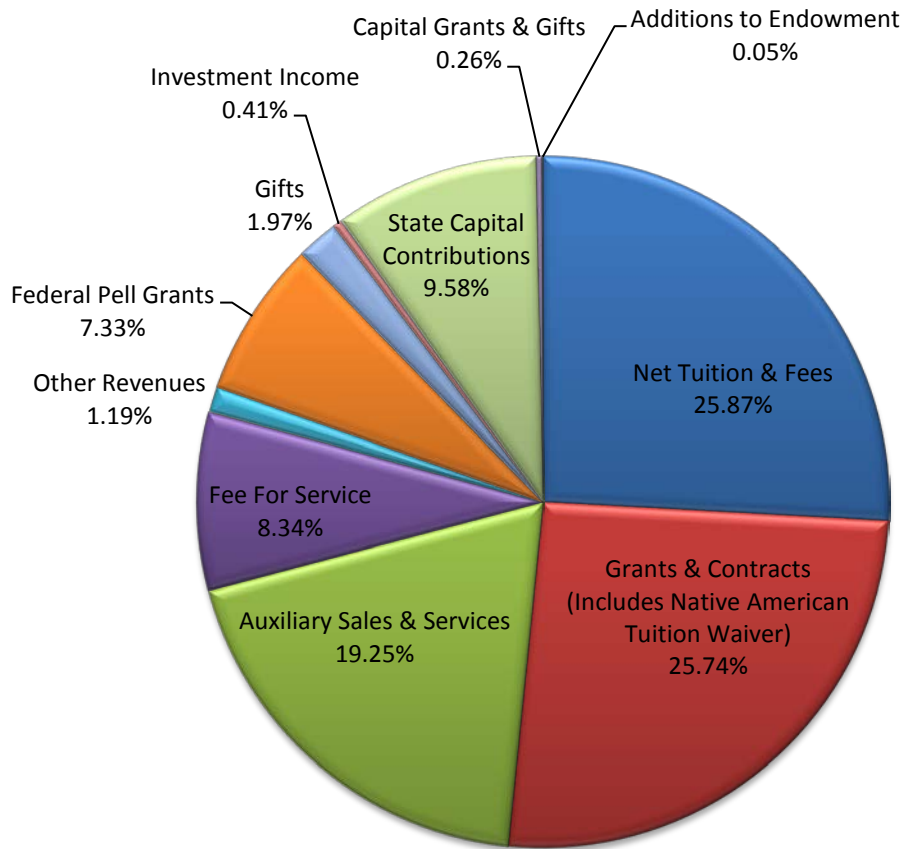
In addition to regular State funding, Fort Lewis College also receives reimbursement from the State for tuition waived to qualified Native American students, as a result of a 1911 Federal mandate. The reimbursement is funded one year in arrears; the tuition waived is paid in the following year. The funding received for Native American Tuition waivers is considered financial aid, as the waiver directly benefits the students. The College has pursued legislation that would require the Federal government to reimburse a portion of this tuition, without success to date. The following table represents the Native American tuition reimbursement received between FY 2013 and FY 2015.

	FY 2015	FY 2014	FY 2013
Native American Tuition Reimbursement	\$ 14,841,981	\$ 14,466,230	\$ 12,773,557
Change from Previous Year	2.6%	13.3%	

FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015

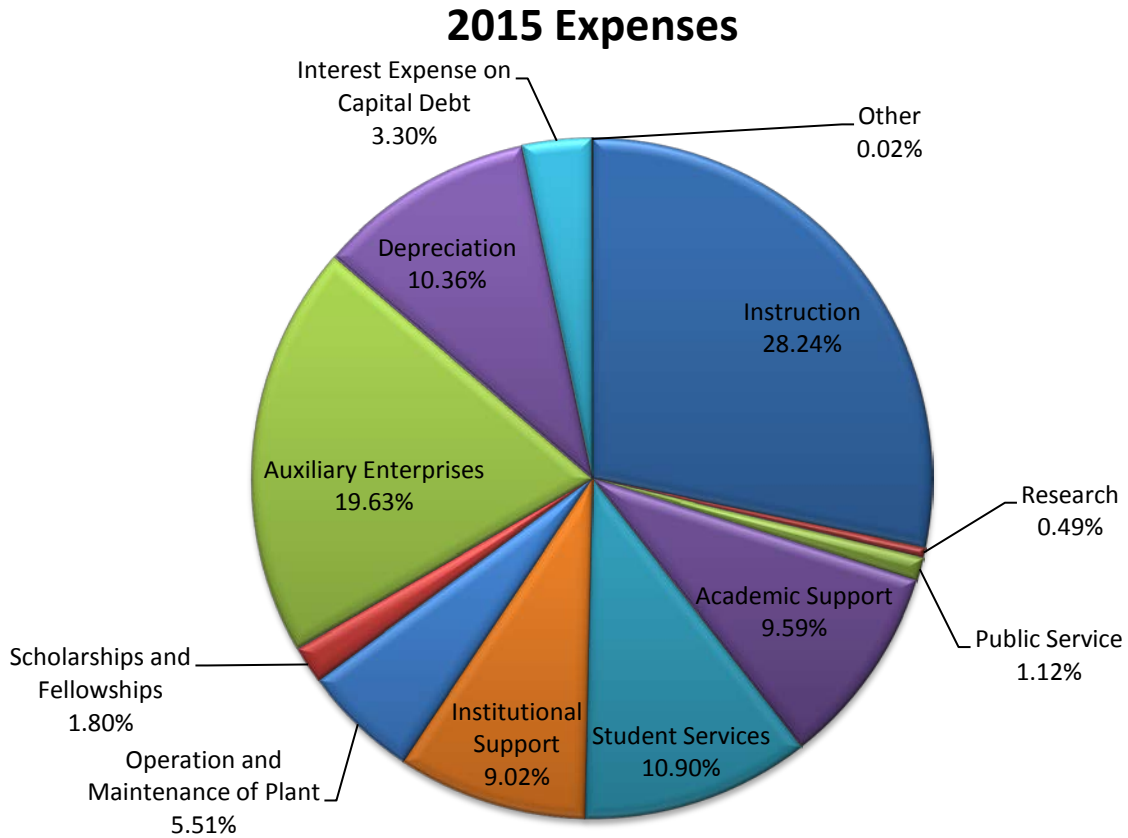
- **Total revenues** received in FY 2015 were \$78,596,337 and are depicted below without distinction as to whether they are classified as Operating or Nonoperating on the Statement of Revenues, Expenses and Changes in Net Position.

### 2015 Sources of Revenue



FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015

- **Total expenses** for FY 2015 were \$74,544,667 and are illustrated in the chart below without distinction as to whether they are classified as Operating or Nonoperating on the Statement of Revenues, Expenses and Changes in Net Position.



FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015

**CONDENSED FINANCIAL STATEMENTS FOR THE COLLEGE**

The financial statements and notes are presented for the reporting entity that includes Fort Lewis College and the Fort Lewis College Foundation, a discretely presented component unit. (See Note 1 for additional information on the reporting entity.) Condensed Financial Statements for the College are presented below.

- **The Statements of Net Position** report assets, liabilities, and net position (the difference between assets and liabilities.) A condensed Statement of Net Position is shown below.

Condensed Statement of Net Position

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Current Assets	\$34,542,156	\$33,761,145
Noncurrent Assets	<u>158,364,669</u>	<u>154,746,459</u>
Total Assets	<u>192,906,825</u>	<u>188,507,604</u>
Deferred Outflows of Resources	<u>1,493,623</u>	<u>95,126</u>
Current Liabilities	11,865,510	10,554,818
Noncurrent Liabilities	<u>83,157,454</u>	<u>53,594,490</u>
Total Liabilities	<u>95,022,964</u>	<u>64,149,308</u>
Deferred Inflows of Resources	<u>461,456</u>	<u>0</u>
Net Position:		
Net Investment in Capital Assets	103,164,181	96,179,392
Restricted	7,274,591	12,901,981
Unrestricted	<u>(11,522,744)</u>	<u>15,372,049</u>
Total Net Position	<u>\$98,916,028</u>	<u>\$124,453,422</u>

FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015

- **The Statements of Revenues, Expenses and Changes in Net Position** report the results of operating and non-operating revenues and expenses during the year, as well as the resulting increase or decrease in net position at the end of the year.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>
Operating Revenues		
Tuition and Fees, Net	\$17,616,406	\$18,419,028
Grants and Contracts	20,234,212	19,499,387
Auxiliary Services, Net	15,128,393	15,811,083
Other	<u>7,489,173</u>	<u>6,457,817</u>
Total Operating Revenues	<u>60,468,184</u>	<u>60,187,315</u>
Operating Expenses	<u>72,065,712</u>	<u>68,476,182</u>
Net Operating Revenues (Expenses)	<u>(11,597,528)</u>	<u>(8,288,867)</u>
Non-operating Revenues (Expenses):		
Federal Pell Grants	5,759,785	5,684,799
Other Net Non-operating Revenues (Expenses)	<u>(599,957)</u>	<u>(257,341)</u>
Net Non-operating Revenues	<u>5,159,828</u>	<u>5,427,458</u>
Income (Loss) Before Other Revenues, Expenses, or Transfers	(6,437,700)	(2,861,409)
Gain (Loss) on Disposal of Assets	(3,638)	(6,124)
State Capital Contributions	7,529,278	1,155,773
Capital Student Fees, Net	2,720,145	2,841,690
Capital Grants and Gifts	203,802	32,551
Additions to Endowments	<u>39,783</u>	<u>109,242</u>
Increase (Decrease) in Net Position	4,051,670	1,271,723
Net Position – Beginning of Year	<u>124,453,422</u>	<u>123,181,699</u>
Restatement, GASB 68	(29,589,064)	
Restated Net Position – Beginning of Year	<u>94,864,358</u>	<u>123,181,699</u>
Net Position – End of Year	<u>\$98,916,028</u>	<u>\$124,453,422</u>

FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015

**CAPITAL ASSETS**

At June 30, 2015, the College had approximately \$154.6 million net investment in capital assets, net of accumulated depreciation of \$100.3 million. Depreciation charges were \$7.7 million for the year ended June 30, 2015. At June 30, 2014, the College had approximately \$149.4 million net investment in capital assets, net of accumulated depreciation of \$93.3 million. Depreciation charges were \$7.7 million for the year ended June 30, 2014. Details of these assets are shown below.

Capital Assets, Net, at Year-End

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Land	\$106,301	\$106,301	\$106,301
Construction in Progress	8,699,462	3,645,509	415,848
Collections	1,386,967	1,294,177	1,280,766
Land Improvements, Net	9,466,582	10,162,078	10,716,248
Buildings and Improvements, Net	131,673,346	130,976,732	135,738,942
Equipment, Net	2,707,311	2,626,644	2,863,793
Library Materials, Net	567,901	589,650	612,701
Total	<u>\$154,607,870</u>	<u>\$149,401,091</u>	<u>\$151,734,599</u>

Major capital additions completed in FY 2015 and the resources that funded their acquisition include:

Bader/Snyder Residence Hall Improvements, Bader A & B, funded by the College	\$3,196,636
Bader/Snyder Residence Hall Improvements, Snyder A & Bader C, funded by the College	\$3,449,809

The following significant capital projects were in progress at June 30, 2015:

Berndt Hall – Geosciences, Physics, Engineering, funded by the State	\$6,529,363
Theatre Improvements, funded by the State	994,654
Berndt Hall Program Relocation, funded by the College	710,239

**DEBT**

At June 30, 2015, 2014 and 2013, the College had approximately \$51.7 million, \$53.5 million, and \$55.2 million in long-term debt outstanding, respectively. The table below summarizes debt over the past three fiscal years.

Outstanding Debt at Fiscal Year-End

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Auxiliary Revenue Bonds, Net	<u>\$51,714,471</u>	<u>\$53,521,909</u>	<u>\$55,232,987</u>
Total	<u>\$51,714,471</u>	<u>\$53,521,909</u>	<u>\$55,232,987</u>

FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015

**OTHER HIGHLIGHTS**

- **Investment Legislation** – During the 2013 Colorado legislative session, legislation (HB13-1297) was passed that granted investment authority to the institution. Prior to the enactment of HB 13-1297, funds collected by the Board of Trustees were held and invested by the State Treasurer. The legislation allows the Board to choose investment options not typically afforded the State Treasurer's office, essentially providing the College with the flexibility to tailor its investment strategies to best achieve growth of long-term financial assets, such as endowments or other internally restricted funds.

As part of this authority, an Investment Advisory Committee was formed in fiscal year 2015. The Investment Committee drafted an Investment Policy that has been approved by the Board of Trustees. An Investment Manager will be hired in fiscal year 2016 and the College anticipates that initial investments will be in place within the first 6 months of the fiscal year.

- **Higher Learning Commission Accreditation** - The College is in the process of reaccreditation by the Higher Learning Commission. As a part of this process, a major Quality Initiative was undertaken entitled "Maps to Student Success: Implementation of a Degree Tracking System", which is intended to transform a loosely coupled system of course offering and course taking into a tightly united system. Teams were formed to address the accreditation criteria, and the Assurance Argument was submitted to The Higher Learning Commission on August 8, 2015. The Higher Learning Commission will be visiting the College in the fall of 2015.

The Assurance Argument can be found at:

<https://www.fortlewis.edu/Portals/96/Docs/assuranceargument%20final.pdf>

- **FLC Ranked as a Top 5 Best Value College in Colorado** – In a study published by SmartAsset, an analytics organization out of New York, Fort Lewis College was ranked in the top five Best Value Colleges in Colorado. The study looked at factors such as scholarships and grants awarded, tuition and student living costs, retention, and average starting salary for graduates. First on the list was Colorado School of Mines, followed by Colorado State University, the University of Colorado-Boulder, and the University of Colorado-Colorado Springs. Among the top five schools, Fort Lewis College had the highest average awards in scholarships and grants, in addition to the lowest tuition. Over the last few years, Fort Lewis College has kept its tuition and fees low (the 2nd lowest in the state) while more than doubling its institutional scholarship and award offerings.
- **First Graduate Degree Awarded** - The Master of Arts in Education, Teacher Leadership Option was created in 2012, and the first graduate degree ever offered at Fort Lewis College was awarded at the Spring Commencement Ceremony. Twenty-four students who made it through the two-year master's program were honored with their degrees.

**ECONOMIC OUTLOOK & FORT LEWIS COLLEGE FUTURE**

**Enrollment**

Since the College's admission criteria changed from "*moderately selective*" to "*selective*" in the Fall of 2008, enrollment management has been a campus priority. In the current economic environment, the importance of enrollment has become even more paramount to the success of public institutions than in the past. Recognizing this changing landscape, the College continues to engage consultants in both financial aid leveraging and marketing to develop strategic enrollment management plans.

FORT LEWIS COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015

**Capital Construction**

The College has begun construction on the Geosciences, Physics and Engineering Building. The new facility will increase educational opportunities for students and address the rapidly increasing enrollments in geosciences, physics and engineering programs.

A portion of Berndt Hall has been demolished to make room for a new facility that is more than 3 times larger (over 60,000 square feet), including much needed laboratory spaces, tutoring rooms, student study rooms, modern "smart" lecture rooms, laboratory preparation and storage rooms, dedicated research rooms, conference rooms and department, faculty and support staff offices.

The estimated cost of the new Geosciences, Physics and Engineering Building is \$35 million. Funding from the State of Colorado in the amount of \$2.0 million for the design of the new building was received in 2008 and the design process was completed in 2010. State funding of \$20.8 million was received for fiscal year 2015. Additional State funding of \$8.3 million will be needed in fiscal year 2016 and the College has committed to raise matching funding of \$4.2 million to match the State funding. As of June 30, 2015, donated funds of nearly \$1 million had been committed to the project, and additional College resources have been identified to meet the State funding match. Completion of the new facility is expected in Fall 2016.

**State Funding**

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

Since FY 2009, funding from the State for Fort Lewis College through the College Opportunity Fund and Fee for Service has decreased by 17%. Based upon a number of studies conducted regarding the state of the Colorado budget, the College anticipates further reductions to higher education in the coming years. As part of the annual budget process, the College takes a five-year view of projected State revenues, enrollment and tuition rate increases, anticipating cuts in each of the next five years in State revenues, and flat enrollment with anticipated tuition rate increases.

**CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT**

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



**FORT LEWIS COLLEGE**  
**STATEMENT OF NET POSITION**  
**June 30, 2015**

<b>ASSETS</b>	<u><b>2015</b></u>
Current Assets:	
Cash and Cash Equivalents	\$ 32,317,084
Student Accounts Receivable, Net	631,089
Student Loans Receivable, Net	278,078
Other Accounts Receivable	772,267
Inventories	33,055
Prepaid Expense	510,583
Total Current Assets	<u>34,542,156</u>
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	2,068,315
Student Loans Receivable, Net	1,495,306
Other Non-current Assets	193,178
Nondepreciable Capital Assets:	
Land and Improvements	126,985
Construction in Progress	8,699,462
Collections	1,386,967
Total Nondepreciable Capital Assets	<u>10,213,414</u>
Depreciable Capital Assets:	
Land Improvements, Net	9,445,898
Buildings and Improvements, Net	131,673,346
Equipment, Net	2,707,311
Library Materials, Net	567,901
Total Depreciable Capital Assets, Net	<u>144,394,456</u>
Total Noncurrent Assets	<u>158,364,669</u>
Total Assets	<u>192,906,825</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows of Resources	<u>1,493,623</u>

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

**FORT LEWIS COLLEGE**  
**STATEMENT OF NET POSITION**  
**June 30, 2015**

<b>LIABILITIES</b>	<u><b>2015</b></u>
Current Liabilities:	
Accounts Payable	4,097,646
Accounts Payable - Foundation	80,836
Accrued Liabilities	4,275,364
Unearned Revenue	1,037,721
Deposits Held for Others	259,336
Bonds Payable, Current Portion	1,919,684
Compensated Absence Liabilities	194,923
Total Current Liabilities	<u>11,865,510</u>
Noncurrent Liabilities:	
Bonds Payable, Net	49,794,787
Compensated Absence Liabilities	2,061,428
Pension Liability	31,301,239
Total Noncurrent Liabilities	<u>83,157,454</u>
 Total Liabilities	 <u>95,022,964</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows of Resources	<u>461,456</u>
 <b>NET POSITION</b>	
Net Investment in Capital Assets	103,164,181
Restricted for Nonexpendable Purposes:	
Endowment	141,649
Restricted for Expendable Purposes	
Endowment	1,317,872
Other	5,815,070
Unrestricted	<u>(11,522,744)</u>
Total Net Position	<u><u>\$ 98,916,028</u></u>

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

**FORT LEWIS COLLEGE FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2015**

<b>ASSETS</b>	<u><b>2015</b></u>
Cash and Cash Equivalents	\$ 640,101
Investments	15,594,272
Due From Fort Lewis College	80,836
Pledges Receivable	43,955
Beneficial Interest in Assets Held by Others	483,328
Tangible Assets, Net	<u>7,926,852</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 24,769,344</u></u>
 <b>LIABILITIES</b>	
Accounts Payable and Accrued Expenses	\$ 7,384
Gift Annuity Obligation Payable	79,875
Line of Credit Payable	<u>1,058,133</u>
<b>TOTAL LIABILITIES</b>	<u>1,145,392</u>
 <b>NET ASSETS</b>	
<b>Unrestricted</b>	
General Unrestricted	1,135,029
Board Designated Endowments	1,338,161
Other Board Designations	1,387,121
Gifts-in-Kind and Other Tangible Assets	<u>1,609,375</u>
Total Unrestricted Net Assets	<u>5,469,686</u>
 <b>Temporarily Restricted</b>	
Scholarships, Awards, and Other	4,280,184
Endowment Funds	1,339,743
Gifts-in-Kind and Other Tangible Assets	<u>3,522,932</u>
Total Temporarily Restricted Net Assets	<u>9,142,859</u>
 <b>Permanently Restricted</b>	
Endowment Funds	6,216,862
Gifts-in-Kind	<u>2,794,545</u>
Total Permanently Restricted Net Assets	<u>9,011,407</u>
<b>TOTAL NET ASSETS</b>	<u><u>23,623,952</u></u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u><u>\$ 24,769,344</u></u>

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

**FORT LEWIS COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Year Ended June 30, 2015**

<b>REVENUES</b>	<b>2015</b>
Operating Revenues:	
Student Tuition and Fees (including pledged revenues of \$4,153,861 net of scholarship allowances of \$28,833,666, and net of bad debt of \$5,665)	\$ 17,616,406
Federal Grants and Contracts	2,176,952
State and Local Grants and Contracts	16,868,844
Non-Governmental Grants and Contracts (including pledged revenues of \$340,000)	1,188,416
Auxiliary Enterprises (including pledged revenues of \$14,711,258, net of scholarship allowances of \$1,426,744, and net of bad debt of \$168,151)	15,128,393
Fee For Service Contract Revenue	6,553,507
Other Operating Revenues (including pledged revenues of \$8,970 and bad debt of \$474)	935,666
Total Operating Revenues	60,468,184
 <b>EXPENSES</b>	
Operating Expenses:	
Instruction	21,054,318
Research	367,516
Public Service	834,920
Academic Support	7,150,918
Student Services	8,128,425
Institutional Support	6,725,825
Operation and Maintenance of Plant	4,108,521
Scholarships and Fellowships	1,338,158
Auxiliary Enterprises	14,636,585
Depreciation	7,720,526
Total Operating Expenses	72,065,712
Operating Income (Loss)	(11,597,528)
 <b>NONOPERATING REVENUES (EXPENSES)</b>	
Federal Pell Grants	5,759,785
Gifts (including pledged revenues of \$36,923)	1,549,710
Investment Income (including pledged revenues of \$85,802)	325,650
Interest Expense on Capital Debt	(2,463,411)
Other Nonoperating Expenses	(11,906)
Net Nonoperating Revenues	5,159,828
Income (loss) before other revenues, expenses, or transfers	(6,437,700)

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

**FORT LEWIS COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Year Ended June 30, 2015**

**OTHER REVENUES, (EXPENSES), OR TRANSFERS**

Gain or (Loss) on Disposal of Assets	(3,638)
State Capital Contributions	7,529,278
Capital Student Fees (net of bad debt of \$12,756)	2,720,145
Capital Grants & Gifts	203,802
Additions to Endowments	39,783
Increase (Decrease) in Net Position	4,051,670

**NET POSITION**

Net Position - Beginning of Year	124,453,422
Restatement	(29,589,064)
Restated Net Position - Beginning of Year	94,864,358
Net Position - End of Year	\$ 98,916,028

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, 2015**

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>NET ASSETS AT BEGINNING OF YEAR, AS PREVIOUSLY REPORTED</b>	\$ 3,992,837	\$ 11,335,543	\$ 8,562,734	\$ 23,891,114
Prior Period Adjustment	1,356,911	(1,356,911)	-	-
<b>NET ASSETS AT BEGINNING OF YEAR, RESTATED</b>	<u>5,349,748</u>	<u>9,978,632</u>	<u>8,562,734</u>	<u>23,891,114</u>
<b>SUPPORT, REVENUES, AND GAINS</b>				
Donations - Cash	123,602	1,904,621	95,953	2,124,176
Donations - Marketable Securities	-	62,862	-	62,862
Donations - Gifts-in-Kind	-	157,466	-	157,466
Other Income	101,205	220,452	-	321,657
<b>Subtotal</b>	<u>224,807</u>	<u>2,345,401</u>	<u>95,953</u>	<u>2,666,161</u>
Investment Income (Loss), Net	416,333	(737,474)	-	(321,141)
Gain on Sale of Tangible Assets	-	100,125	-	100,125
<b>Total Before Reclassifications</b>	<u>641,140</u>	<u>1,708,052</u>	<u>95,953</u>	<u>2,445,145</u>
Net Assets Released from Restrictions	<u>2,261,548</u>	<u>(2,261,548)</u>	<u>-</u>	<u>-</u>
<b>Total from Support, Revenues, and Gains</b>	<u>2,902,688</u>	<u>(553,496)</u>	<u>95,953</u>	<u>2,445,145</u>
<b>EXPENSES AND LOSSES</b>				
Scholarships and Awards	736,436	-	-	736,436
Program Expenses	1,627,727	-	-	1,627,727
Fundraising	182,213	-	-	182,213
Management and General	165,931	-	-	165,931
<b>Total Expenses and Losses</b>	<u>2,712,307</u>	<u>-</u>	<u>-</u>	<u>2,712,307</u>
Changes in Donor Restrictions, Net	<u>(70,443)</u>	<u>(282,277)</u>	<u>352,720</u>	<u>-</u>
Change in Net Assets for the Year	<u>119,938</u>	<u>(835,773)</u>	<u>448,673</u>	<u>(267,162)</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 5,469,686</u>	<u>\$ 9,142,859</u>	<u>\$ 9,011,407</u>	<u>\$ 23,623,952</u>

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

**FORT LEWIS COLLEGE**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2015**

	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received:	
Tuition and Fees	\$ 17,498,697
Sales of Products	261,667
Sales of Services	21,421,821
Grants and Contracts	20,143,408
Student Loans Collected	438,546
Other Operating Receipts	1,126,343
 Cash Payments:	
Scholarships Disbursed	(1,325,389)
Student Loans Disbursed	(409,421)
Payments to Suppliers	(18,435,554)
Payments to Employees	(44,239,975)
Net Cash Provided (Used) by Operating Activities	(3,519,857)
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Federal Pell Grants	5,773,672
Gifts for Other than Capital Purposes	1,841,219
Agency Receipts	21,536,810
Agency Payments	(21,549,123)
Additions to Endowment	39,783
Net Cash Provided by Noncapital Financing Activities	7,642,361
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Student Fees	2,733,971
Capital Gifts	7,695,426
Proceeds from Sale of Capital Assets	33,100
Acquisition and Construction of Capital Assets	(11,228,717)
Principal Paid on Capital Debt	(1,822,356)
Interest on Capital Debt	(2,451,215)
Net Cash Provided (Used) by Capital and Related Financing Activities	(5,039,791)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Earnings	325,650
Net Cash Provided by Investing Activities	325,650
 Net Increase (Decrease) in Cash	(591,637)
Cash - Beginning of Year	34,977,036
Cash - End of Year	\$ 34,385,399

The accompanying notes are an integral part of this financial statement

**FORT LEWIS COLLEGE**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2015**

	<b>2015</b>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash	
Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (11,597,528)
Adjustments to Reconcile Net Income (Loss) to Net Cash	
Depreciation Expense	7,720,526
Change in Assets and Liabilities (Operating Portions):	
Receivables, Net	204,177
Inventories	(3,690)
Prepaid Expense	(217,617)
Other Non-current Assets	11,691
Accounts Payable	1,486,295
Accrued Liabilities	(1,992,818)
Deferred Revenue	(33,081)
Deposits Held for Others	(13,226)
Compensated Absence Liabilities	157,802
Pension Liability	757,612
Net Cash Provided (Used) by Operating Activities	\$ (3,519,857)
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>	
State-funded Acquisitions of Capital Assets	\$ 37,654
Gain (Loss) on Capital Asset Deletions	(3,638)
Amortization of bond issuance costs	(11,906)
Amortization of bond discount	(14,917)
Amortization of deferred loss	(17,522)

The accompanying notes are an integral part of this financial statement



FORT LEWIS COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GOVERNANCE

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

REPORTING ENTITY AND COMPONENT UNIT

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

The College adheres to Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. This Statement amends GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statements -and Management's Discussion and Analysis-for State and Local Governments* 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. 61 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, 2015, for the purposes stated above was \$2,065,045, which included \$738,440 for scholarships and \$537,278 of grant pass-through transactions. Complete financial statements for the Foundation can be obtained from the Controller's Office at the College.

As defined by GASB Statement No. 61, 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 THE FINANCIAL STATEMENTS  
JUNE 30, 2015

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.

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 of Colorado Treasurer and all highly liquid investments with an original maturity of three months or less.

RESTRICTED CASH AND CASH EQUIVALENTS

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

USE OF ESTIMATES

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

CAPITAL ASSETS

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

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

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

Assets under capital leases are recorded at the present value of future minimum lease payments and are amortized using the straight-line method over the shorter of the lease term or the estimated useful life. Such amortization is included as depreciation expense in the accompanying financial statements. At this time, the College does not have any capital leases.

FORT LEWIS COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

<u>Asset Class</u>	<u>Years</u>
Land Improvements	20-50
Buildings	10-40
Equipment and Software	3-10
Library Materials	15

UNEARNED REVENUE

Unearned revenues represent unearned student tuition and fees, sports camp revenues and advances on grants and contracts for which the College has not yet provided the associated services.

COMPENSATED ABSENCE LIABILITIES

Employees' compensated absences are recognized based on estimated balances due to employees upon termination or retirement. The limitations on such payments are defined by the rules associated with the personnel systems at the College. Employees accrue and vest in vacation and sick leave earnings based on their hire date, length of service and FTE (Full Time Equivalent) status. Full-time professional exempt employees accrue sick leave with pay at the rate of 10 hours per month with a maximum accrual of 480 hours, while full-time classified employees accrue sick leave at 6.66 hours per month with a maximum accrual of 360 hours for employees hired on or after July 1, 1988. Full-time classified employees hired before July 1, 1988, can accrue up to 360 hours in excess of amount of sick leave earned as of June 30, 1988. Employees earn and accrue vacation leave per the rates shown in the table below. Vacation accruals are paid up to 192 hours upon separation for exempt staff and a graduated scale for classified staff (from 192 to 336 depending on years of service), whereas only a portion of sick leave is paid upon specific types of separation, such as retirement. Most part-time employees accrue vacation leave that is pro-rated based on their hours worked.

Vacation Accrual Rates:

<u>Years of Service</u>	<u>Hours Earned Per Month</u>	<u>Maximum Accrual</u>
Classified employees hired Before July 1, 1988	10 - 14	240 - 336 hours
Classified employees hired on Or after July 1, 1988	8 - 14	192 - 336 hours
Professional Exempt Employees	16	384 hours

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

FORT LEWIS COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NET POSITION

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

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

Restricted Net Position, 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 Position – Unrestricted Net Position are those funds that do not meet the definition of “Restricted” or “Net Investment in Capital Assets” 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 Federal Pell grants, gifts, investment income, and other nonoperating revenue.

APPLICATION OF RESTRICTED AND UNRESTRICTED RESOURCES

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

PENSIONS

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

FORT LEWIS COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS

During 2015, the College adopted the provisions of the following Governmental Accounting Standards Board (GASB) pronouncements:

Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, (GASB No. 68) revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The College provides certain of its employees with pension benefits through the State's multiple employer cost-sharing Public Employees' Retirement Association (PERA) defined benefit retirement program.

GASB No. 68 requires cost-sharing employers participating in the PERA program, such as the College, to record their proportionate share, as defined in GASB No. 68, of PERA's unfunded pension liability. The College has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA or the General Assembly. The requirement of GASB No. 68 to record a portion of PERA's unfunded liability negatively impacted the College's beginning net position by \$30,346,946. The Pension Liability recorded as of June 30, 2015 was \$31,301,239. Information regarding PERA's current funding status can be found in its Comprehensive Annual Financial Report.

Along with GASB No. 68, the College has implemented GASB No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, by recognizing contributions from the end of the calendar year to the end of the College's fiscal year, January 1 to June 30, as a deferred outflow of resources. The College's beginning net position was increased by \$757,882 to reflect PERA contributions between January 1 and June 30, 2014.

COMPARATIVE STATEMENTS

The data provided by the Public Employees' Retirement Association (PERA) did not contain the complete information necessary to restate Fiscal Year 2014 financial statements and made comparative statements impossible to present. Fort Lewis College has elected to provide single year presentation of Fiscal Year 2015 due to this limitation.

FISCAL RULES

Colorado State Senate Bill 10-003, enacted by the General Assembly and signed by the Governor and effective June 9, 2010, amends Section 24-30-202, C.R.S. As amended, Section 24-30-202(13)(b), C.R.S., allows a governing board of an Institution of Higher Education that has adopted Fiscal Rules and has determined that such Fiscal Rules provide adequate safeguards for the proper expenditure of the moneys of the institution to elect to exempt the institution from the Fiscal Rules promulgated by the State Controller pursuant to Section 24-30-202. Pursuant to this change, on June 3, 2011, the Fort Lewis College Board of Trustees voted to opt out of the State of Colorado Fiscal Rules and establish its own set of Fiscal Rules. These rules were adopted by the Board of Trustees on June 3, 2011, and became effective July 01, 2011. The new rules may be accessed at: <http://www2.fortlewis.edu/fiscalrules/home.aspx>

RECLASSIFICATIONS

Certain amounts have been reclassified (from prior years) to conform to 2015 financial statement presentation standards.

NOTE 2: CASH AND CASH EQUIVALENTS

Fort Lewis College deposits its cash with the Colorado State Treasurer. The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2015, Fort Lewis College had cash on deposit with the State Treasurer of \$28,787,786 which represented approximately 0.38 percent of the total \$7,661.8 million fair value of deposits in the State Treasurer's Pool (Pool).

FORT LEWIS COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 2: CASH AND CASH EQUIVALENTS (continued)

During the 2013 Colorado legislative session, the General Assembly passed legislation (HB 13-1297) that grants investment authority to Fort Lewis College and the Colorado School of Mines. The enacted statute is permissive in that it would allow, but not require, the Board to exercise this investment authority. The legislation allows the Board to choose investment options not typically afforded the State Treasurer's office. The revenue impact for the institution cannot be quantified; however the College would anticipate an indeterminate amount of additional investment income as a result of the legislation when the Board elects to exercise its investment authority. It should be noted that the higher rates of return available through equities are typically accompanied by higher levels of risk. Other Colorado institutions that have the authority to independently invest funds outside of the State Treasurer include the University of Colorado, Colorado State University, Colorado Mesa University, and the Colorado School of Mines. The Fort Lewis College Board of Trustees did not exercise its investment authority for the year ended June 30, 2015, but intends to do so in Fiscal Year 2016.

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. Unrealized gains for Fort Lewis College are \$86,831 at June 30, 2015.

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, 2015, 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, 2015, approximately 88.0 percent of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for \$87,396,440 of corporate bonds rated lower medium and \$25,018,750 of corporate bonds rated 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.

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, 2015, the weighted average maturity of investments in the Treasurer's Pool is 0.063 years for Commercial Paper (6.3 percent of the Pool), 1.339 years for U.S. Government Securities (47.5 percent of the Pool), 2.528 years for Asset Backed Securities (18.5 percent of the Pool), 2.196 years for Corporate Bonds (22.9 percent of the Pool), and 0.010 years for Money Market Mutual Funds (4.8 percent of the Pool).

FORT LEWIS COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 2: CASH AND CASH EQUIVALENTS (continued)

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2014-15.

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, 2015.

As of June 30, 2015, the carrying amount of the College's cash held locally was \$5,510,787. The cash included petty cash and change funds of \$6,875 and bank deposits of \$5,503,913. The bank balance of the deposits was \$5,697,609. The entirety of the bank balance was covered by collateral held by the bank or its agent in the State's name.

NOTE 3: FORT LEWIS COLLEGE FOUNDATION CASH AND INVESTMENTS

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

Pooled cash and investments

Pooled cash and investments as of June 30, 2015 are summarized as follows:

	2015			
	Cost Basis	Fair Value	% of Total	Unrealized Appreciation (Depreciation)
Cash and Cash Equivalents	\$ 640,101	\$ 640,101	4%	\$ -
Investments				
Marketable Securities				
Fixed Income	5,869,621	6,034,568	37%	164,947
Equities	8,621,401	9,208,074	57%	586,673
Total Marketable Securities	14,491,022	15,242,642	94%	751,620
Precious Metals (Gold)	412,551	351,630	2%	(60,921)
Total Investments	14,903,573	15,594,272	96%	690,699
Total Cash and Investments	\$ 15,543,674	\$ 16,234,373	100%	\$ 690,699

During the year ended June 30, 2015, net realized gains of \$666,078 were recognized on investments, along with net unrealized losses of \$1,438,870.

FORT LEWIS COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

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

Beneficial Interest in Assets Held by Others

The Foundation has a beneficial interest in assets held and managed by the Wells Fargo Bank trust department and reports them at fair market value.

Beneficial interest in assets held by others as of June 30, 2015 are summarized as follows:

	2015		
	Cost Basis	Fair Value	Unrealized Appreciation
Cash and Cash Equivalents	\$ 8,496	\$ 8,496	\$ -
Investments			
Fixed Income	99,346	102,288	2,942
Equities	327,423	372,544	45,121
Total Investments	426,769	474,832	48,063
Total Cash and Investments	\$ 435,265	\$ 483,328	\$ 48,063

During the year ended June 30, 2015, net realized gains of \$45,945 were recognized on these investments, along with net unrealized losses of \$66,443.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts Receivable balances are presented net of estimated allowance for doubtful accounts in the accompanying Statements of Net Position. At June 30, 2015, the Accounts Receivable balances are comprised of:

	2015
Student Accounts Receivable	\$ 1,941,461
Less: Allowance for Doubtful Accounts	(1,310,372)
Student Accounts Receivable, Net	631,089
Student Loans Receivable	2,111,944
Less: Allowance for Doubtful Accounts	(338,560)
Student Loans Receivable, Net	1,773,384
Other Accounts Receivable	
Sponsored Programs	290,459
Conferences & Summer Programs	317,463
Other	164,345
Other Accounts Receivable	772,267
Total Receivables, Net	\$ 3,176,740



FORT LEWIS COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 5: CAPITAL ASSETS

The College's capital asset activity for the year ended June 30, 2015, was as follows:

	Balance 6/30/2014	Additions	Deletions	Transfers	Balance 6/30/2015
Land	\$ 106,301	\$ -	\$ -	\$ -	\$ 106,301
Land Improvements	21,194,482	171,571	-	(76,359)	21,289,694
Buildings and Improvements	204,619,424	3,755,453	-	3,069,339	211,444,216
Construction in Progress	3,645,509	8,298,077	11,691	(3,232,433)	8,699,462
Equipment	8,003,977	626,055	460,681	-	8,169,351
Software	1,045,324	59,803	32,420	149,953	1,222,660
Library Materials	2,793,161	61,485	232,255	-	2,622,391
Capitalized Collections	1,294,177	3,290	-	89,500	1,386,967
Total	<u>242,702,355</u>	<u>12,975,734</u>	<u>737,047</u>	<u>-</u>	<u>254,941,042</u>
Less Accumulated Depreciation:					
Land Improvements	11,032,404	790,708	-	-	11,823,112
Buildings and Improvements	73,642,692	6,128,178	-	-	79,770,870
Equipment	5,562,058	565,468	423,943	-	5,703,583
Software	860,599	152,938	32,420	-	981,117
Library Materials	2,203,511	83,234	232,255	-	2,054,490
Total Accumulated Depreciation	<u>93,301,264</u>	<u>7,720,526</u>	<u>688,618</u>	<u>-</u>	<u>100,333,172</u>
Capital Assets, Net	<u>\$ 149,401,091</u>	<u>\$ 5,255,208</u>	<u>\$ 48,429</u>	<u>\$ -</u>	<u>\$ 154,607,870</u>

Additions to buildings and construction in progress for the year ended June 30, 2015 include \$0 of capitalized interest.

FORT LEWIS COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

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. Depreciation expense for the year ended June 30, 2015 was \$45,162.

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.

At June 30, 2015, tangible assets are comprised of the following:

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Gifts-in-kind				
Land and buildings	\$ 1,750,000	\$ 12,000	\$ -	\$ 1,762,000
Accumulated Depreciation	(140,625)	-	-	(140,625)
Collection Items	-	2,536,819	2,641,550	5,178,369
Total Gifts-in-kind	1,609,375	2,548,819	2,641,550	6,799,744
Purchased Assets				
Land and buildings	-	994,400	-	994,400
Accumulated Depreciation	-	(186,522)	-	(186,522)
Collection Items	-	92,335	152,995	245,330
Concert Piano	-	73,900	-	73,900
Total Purchased Assets	-	974,113	152,995	1,127,108
Total Tangible Assets	\$ 1,609,375	\$ 3,522,932	\$ 2,794,545	\$ 7,926,852

NOTE 7: ACCRUED LIABILITIES

At June 30, 2015, the types and amounts of accrued liabilities, as presented on the Statements of Net Position, are comprised of:

	2015
Accrued Payroll & Benefits	\$ 3,152,604
Accrued Interest Payable	598,982
Contractor Retainage	495,334
Other Liabilities	28,444
Total	\$ 4,275,364

FORT LEWIS COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 8: UNEARNED REVENUE

At June 30, 2015, the types and amounts of unearned revenue, as presented on the Statements of Net Position, are comprised of:

	2015
Tuition and Fees	\$ 428,806
Auxiliary Enterprises	328,427
Grants and Contracts	280,488
Total	\$ 1,037,721

NOTE 9: LONG-TERM LIABILITIES

The College's long-term liability activity for the year ended June 30, 2015, was as follows:

	Balance 6/30/2014	Additions	Reductions	Balance 6/30/2015	Current Portion
Bonds Payable:					
Revenue Bonds	\$ 53,973,981	\$ -	\$ (1,822,356)	\$ 52,151,625	\$ 1,919,684
Bond Discount	(452,071)	-	14,917	(437,154)	-
Total Bonds Payable	53,521,910	-	(1,807,439)	51,714,471	1,919,684
Other Liabilities:					
Compensated Absences	2,098,549	295,315	(137,513)	2,256,351	194,923
Total Other Liabilities	2,098,549	295,315	(137,513)	2,256,351	194,923
Total Long-Term Liabilities	\$ 55,620,459	\$ 295,315	\$ (1,944,952)	\$ 53,970,822	\$ 2,114,607

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 2007 Revenue Bonds bear interest at rates ranging from 4% to 5.56%. On February 28, 2012, the College issued the Series 2012 Revenue Bonds in the amount of \$6,520,000 to finance various energy conservation improvements to the Fort Lewis College campus. The 2012 Revenue Bonds bear interest at 3.8%.

Previous revenue bond issues, considered to be extinguished through in-substance defeasance under general accepted accounting principles, are not included in the accompanying financial statements. The amount of debt in this category amounted to \$9,730,000 in 2007. As of June 30, 2013 the College no longer reported a deferred loss on defeasance as a long term liability, but as a deferred outflow of resources. The balance of the deferred loss on defeasance was \$77,605 at June 30, 2015. See Footnote 15 for additional information on Deferred Outflows and Inflows.

FORT LEWIS COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 10: BONDS PAYABLE

The following table describes future debt service requirements:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 1,919,684	\$ 2,366,398	\$ 4,286,082
2017	2,023,027	2,275,626	4,298,653
2018	2,132,435	2,179,747	4,312,182
2019	2,237,958	2,084,886	4,322,844
2020	1,724,652	2,003,328	3,727,980
2021-2025	10,058,708	8,791,407	18,850,115
2026-2030	13,042,101	6,200,983	19,243,084
2031-2035	12,678,060	2,970,286	15,648,346
2036-2037	6,335,000	485,875	6,820,875
Total	<u>\$ 52,151,625</u>	<u>\$ 29,358,536</u>	<u>\$ 81,510,161</u>

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

NOTE 11: OPERATING LEASES

Certain equipment including vehicles and copy machines 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, 2015:

<u>Year ending June 30,</u>	
2016	\$ 75,711
2017	7,673
2018	-
2019	-
2020	-
Total	<u>\$ 83,384</u>

FORT LEWIS COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 12: ENCUMBRANCES

Outstanding purchase commitments not reflected in the financial statements at June 30, 2015 are:

	2015
Education and General	\$ 896,859
Auxiliary Enterprises	855,825
Restricted Funds	33,416
Plant Funds	14,422,071
Total	\$ 16,208,171

NOTE 13: COMMITMENTS AND CONTINGENCIES

Contracts have been entered into for the purpose of planning, constructing, or equipping certain building or land improvements with outstanding amounts totaling \$14,422,071 as of June 30, 2015. These improvements will be funded by appropriations from the State or internal transfers of funds.

The College receives significant amounts from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed amounts resulting from such audits could become a liability of the College. Management does not believe the ultimate resolution of these matters will have a significant adverse effect on the financial position of the College.

NOTE 14: SCHOLARSHIP ALLOWANCE

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

Tuition, fees, auxiliary revenue, and the related scholarship allowances for the year ended June 30, 2015, was as follows:

	Tuition and Fees	Auxiliary Revenue	6/30/15 Total
Gross Revenue	\$ 46,450,072	\$ 16,555,137	\$ 63,005,209
Scholarship Allowances:			
Federal	(4,983,371)	(508,159)	(5,491,530)
State (Includes Native American Tuition Waivers)	(15,943,151)	(112,287)	(16,055,438)
Private	(675,525)	(68,884)	(744,409)
Institutional	(7,231,619)	(737,414)	(7,969,033)
Total Scholarship Allowances	(28,833,666)	(1,426,744)	(30,260,410)
Net Revenue	\$ 17,616,406	\$ 15,128,393	\$ 32,744,799

FORT LEWIS COLLEGE  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2015

NOTE 15: DEFERRED OUTFLOWS AND INFLOWS

The College's Deferred Outflows and Inflows as of June 30, 2015 were as follows:

	2015
Deferred Outflows	
Loss on Bond Refunding	\$ 77,605
Pension Investments	638,236
Pension Contributions after Measurement Date	777,782
Total Deferred Outflows	\$ 1,493,623
Deferred Inflows	
Pension Experience Gains and Losses	\$ 2,319
Pension Proportionate Share	459,137
Total Deferred Inflows	\$ 461,456

Additional information on Long Term Liabilities and Bonds Payable can be found in Footnotes 9 and 10. Additional information on the Pension Deferred Inflows and Outflows can be found in Footnote 17.

NOTE 16: SPENDING LIMITATIONS

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

In February, 2005, the Board of Trustees designated the College as a TABOR enterprise pursuant to the statute and in Fiscal Year 2006 the College began reporting its activity to the State as an enterprise. During the fiscal years ended June 30, 2006 through 2008, the College maintained its TABOR enterprise status. In Fiscal Years 2009 and 2010, the College received 13.6% and 11.5%, respectively, of its total annual revenue in State grants which resulted in the loss of its TABOR enterprise designation. The increase in State revenues for both 2009 and 2010 related to funding received for capital construction projects, particularly the reconstruction of Berndt Hall for the Biology, Agriculture and Forestry programs. In Fiscal Year 2011, the College regained its TABOR enterprise status when the State-funded Biology construction project was completed and the College received only 1.5% in state grants. The College has maintained its TABOR enterprise status since 2011. The table shown below demonstrates the type and size of State grants to Fort Lewis College for the year ended June 30, 2015.

State Support Calculation for TABOR Purposes:

State Support:	FY 2015
Capital Appropriations	\$ 7,529,278
Institutional Share of COP Debt Payments	172,306
Total State Support	7,701,584
Total Revenues (gross operating, nonoperating, and other revenues)	\$ 78,765,005
Ratio of State Grants to Total Revenues	9.78%

FORT LEWIS COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 16: SPENDING LIMITATIONS (continued)

Due to construction spending on the Geosciences, Physics and Engineering Building funded by the State, the College anticipates losing Enterprise Status during Fiscal Year 2016.

The Colorado State Legislature establishes spending authority to the College in its annual Long Appropriations Bill. The Long Bill appropriated funds include an amount from the State of Colorado's College Opportunity Fund and Fee for Service. The Native American Tuition Waiver is not included in these amounts.

For the years ended June 30, 2015, appropriated expenses were within the authorized spending authority. For the year ended June 30, 2015, the College had a total appropriation of \$10,594,604. All other revenues and expenses reported by the College represent non-appropriated funds and are excluded from the annual appropriations bill. Non-appropriated funds include tuition and fees, grants and contracts, gifts, indirect cost recoveries, auxiliary revenues and other revenue sources. These appropriations are not considered in the State support calculation for TABOR purposes.

NOTE 17: 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 plans or other defined contribution plans.

The College's total payroll for the fiscal years ended June 30, 2015 was \$34,258,122. The total payroll for employees covered by the PERA plan, the optional defined contribution plan, and the student retirement plan was \$8,328,195, \$22,112,938, and \$256,327, respectively for June 30, 2015. The remaining employees were not eligible for participation in any of the College's plans.

General Information about the PERA Pension Plan

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

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

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

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

FORT LEWIS COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 17: EMPLOYMENT BENEFITS** (continued)

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

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

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

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. State Troopers whose disability is caused by an on-the-job injury are immediately eligible to apply for disability benefits and do not have to meet the five years of service credit requirement. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

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

*Contributions.* Eligible employees and Fort Lewis College are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees with the exception of State Troopers are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements for all employees except State Troopers are summarized in the following table:

	<b>Fiscal Year 2015</b>	
	<b>Calendar Year 14</b>	<b>Calendar Year 15</b>
	7/1/14 to 12/31/14	1/1/15 to 6/30/15
Employer Contribution Rate <sup>1</sup>	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) <sup>1</sup>	-1.02%	-1.02%
Amount Apportioned to the SDTF <sup>1</sup>	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	3.50%	4.00%
Total Employer Contribution Rate to the SDTF <sup>1</sup>	16.43%	17.33%

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



FORT LEWIS COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 17: EMPLOYMENT BENEFITS (continued)

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and Fort Lewis College is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from Fort Lewis College were \$1,491,417 for the year ended June 30, 2015.

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

At June 30, 2015, Fort Lewis College reported a liability of \$31,301,239 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The Fort Lewis College proportion of the net pension liability was based on the College's contributions to the SDTF for the calendar year 2014 relative to the total contributions of participating employers to the SDTF.

At December 31, 2014, Fort Lewis College's proportion was 0.33276130690 percent, which was a decrease of 0.00791049900 percent from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, Fort Lewis College recognized pension expense of \$757,613. At June 30, 2015, Fort Lewis College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	-	\$ 2,319
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	\$ 638,236	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	459,137
Contributions subsequent to the measurement date	777,782	N/A
Total	\$ 1,416,018	\$ 461,456

The \$777,782 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2016	\$ (87,207)
2017	(55,132)
2018	159,559
2019	159,559
2020	-
Thereafter	-

FORT LEWIS COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 17: EMPLOYMENT BENEFITS** (continued)

*Actuarial assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 9.57 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

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

The SDTF’s long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov’t/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

\* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

FORT LEWIS COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 17: EMPLOYMENT BENEFITS** (continued)

*Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

*Sensitivity of Fort Lewis College's proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 40,135,759	\$ 31,301,239	\$ 23,870,226

*Pension plan fiduciary net position.* Detailed information about the SDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera - financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Defined Contribution Pension Plans**

**Defined Contribution Retirement Plan (DC Plan)**

*Plan Description* – Employees of the State of Colorado that were hired on or after January 1, 2006 and employees of certain community colleges that were hired on or after January 1, 2008 which were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (PERA DC Plan). The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA's comprehensive annual financial report as referred to above.

*Funding Policy* – All participating employees in the PERA DC Plan, with the exception of State Troopers, are required to contribute 8.00 percent of their PERA-includable salary and the State of Colorado is required to contribute 10.15 percent of PERA-includable salary on behalf of these employees. Additionally, the State of Colorado is required to contribute AED and SAED to the SDTF as follows:

	Fiscal Year 2015	
	Calendar Year 14 7/1/14 to 12/31/14	Calendar Year 15 1/1/15 to 12/31/15
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	3.50%	4.00%
Total Employer Contribution Rate to the SDTF <sup>1</sup>	7.30%	8.20%

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

FORT LEWIS COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 17: EMPLOYMENT BENEFITS (continued)

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.08 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense.

401 (k) Defined Contribution

*Plan Description* - Employees of Fort Lewis College that are also members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Funding Policy* - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings.

457 Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2014, 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 \$17,500. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional \$5,500 contribution in 2014, for total contributions of \$23,000. Contributions and earnings are tax deferred. At December 31, 2014, the plan had 17,738 participants.

Non-PERA Defined Contribution Plan

Certain full time faculty and professional staff of the College are required to participate in a defined contribution plan as an alternative to PERA. Two vendor choices are offered through the defined contribution plan: Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company (VALIC). The College's aggregate contribution to the above two vendors was equal to 11.4 percent of covered payroll or \$2,520,875 for the fiscal year ended June 30, 2015. The employee aggregate contribution to the above two vendors was equal to 8.0 percent of covered payroll or \$1,769,035 for the fiscal year ended June 30, 2015.

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 – College Retirement Equities Fund (TIAA-CREF). The contribution by student employees for the fiscal year ended June 30, 2015 was \$19,225. 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, 2015 was \$3,827,704.

FORT LEWIS COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 18: OTHER POSTEMPLOYMENT BENEFITS

Health Care Trust Fund

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

*Funding Policy* – Fort Lewis College is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the College are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2015, 2014 and 2013, the College's contributions to the HCTF were \$92,448, \$109,417, and \$108,927, respectively, equal to the contributions for that year.

Other Post-retirement Healthcare 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, 2015, there were 9 participants in post-retirement coverage from the eight member higher education institutions. Two 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 THE FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 19: RISK FINANCING AND INSURANCE -RELATED ACTIVITIES**

The College is subject to risks of loss from liability for accident, property damage and personal injury. To mitigate these risks the College has purchased the following insurance:

<u>Coverage</u>	<u>Company</u>	<u>Limit (\$)</u>	<u>Deductible (\$)</u>
Property - Buildings	Hanover	\$ 408,308,315	\$ 10,000
Property - Computers	Hanover	6,970,925	10,000
Property - Equipment	Hanover	17,890,052	10,000
Inland Marine	Hanover	1,000,000	1,000
Crime	Hanover	1,000,000	10,000
General Liability	Hanover	2,000,000	-
Sexual Misconduct or Molestation	Hanover	1,000,000	-
School Educators Legal Liability	Hanover	1,000,000	2,500
Employee Benefits Liability	Hanover	1,000,000	2,500
Law Enforcement Professional Liability	Hanover	1,000,000	2,500
Fine Arts	Hanover	5,000,000	2,500
Commercial Auto	Hanover	1,000,000	1,000
Hired & Non-Owned Auto	Hanover	1,000,000	500
Workers' Compensation	Pinnacol Assurance	500,000	5,000
Excess	Hanover	10,000,000	10,000
Medical Professional	Hanover	3,000,000	-
Tenant Liability	Philadelphia	2,000,000	-
Foreign General Liability	Chartis - World Source	6,000,000	-

The College became fully insured through several insurance companies for worker's compensation in 2010 and for property and liability in 2011. The College is insured for everything above its deductible. The coverage in Fiscal Year 2015 is consistent with previous years and there have been no significant reductions in coverage or settlements exceeding coverages.

**REQUIRED SUPPLEMENTARY INFORMATION**

**FORT LEWIS COLLEGE**  
**SCHEDULE OF THE COLLEGE'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**COLORADO PERA PENSION PLAN**  
**For the Year Ended June 30,**

	<u>2015</u>	<u>2014</u>
College's proportion of the net pension liability	0.3327613069%	0.3406718059%
College's proportionate share of the net pension liability	\$ 31,301,239	\$ 30,346,946
College's covered employee payroll	\$ 8,328,195	\$ 8,763,897
College's proportionate share of the net pension liability as a percentage of its covered employee payroll	376%	346%
Plan fiduciary net position as a percentage of the total pension liability	59.8%	61.1%
PERA State Division Fiduciary Net Position (thousands)	14,014	13,980
PERA State Division Total Pension Liability (thousands)	23,420	22,888

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

\*\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled the College presents information for those years for which information is available.

**Notes to the Required Supplementary Information:**

There have not been any changes to benefit terms.

There have not been any changes in assumptions.



**FORT LEWIS COLLEGE  
SCHEDULE OF CONTRIBUTIONS  
COLORADO PERA PENSION PLAN  
For the Year Ended June 30,**

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Contractually required contribution	\$ 1,491,417	\$ 1,382,743	\$ 1,347,586	\$ 1,062,738	\$ 1,022,139	\$ 1,369,348	\$ 1,385,068	\$ 1,276,695	\$ 1,257,437	\$ 1,201,033
Contributions in relation to the contractually required contribution	1,491,417	1,382,743	1,347,586	1,062,738	1,022,139	1,369,348	1,385,068	1,276,695	1,257,437	1,201,033
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
College's covered employee payroll	8,328,195	8,763,897	9,036,932	8,469,538	9,380,804	10,198,507	11,051,772	10,976,739	11,519,350	11,524,124
Contributions as a percentage of covered employee payroll	17.91%	15.78%	14.91%	12.55%	10.90%	13.43%	12.53%	11.63%	10.92%	10.42%

**Notes to the Required Supplementary Information:**

There have not been any changes to benefit terms.

There have not been any changes in assumptions.

**SUPPLEMENTARY INFORMATION**

**FORT LEWIS COLLEGE**  
**AUXILIARY FACILITIES SYSTEM - ENTERPRISE REVENUE BONDS**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**For the Year Ended June 30, 2015**

	<b>2015</b>
<b>OPERATING REVENUES</b>	
Residence Halls and Apartments	\$ 7,811,690
Campus Food Service	4,429,820
Bookstore	250,000
Student Union	2,181,361
Campus Parking	439,583
Child Development Center	399,698
Central Services	236,220
Recreation Center	2,344,202
Conferences & Summer Programs	886,883
Health and Counseling Center	692,569
10% Student Tuition	2,384,933
Indirect Cost Recovery	210,135
<b>Total Revenues</b>	<b>22,267,094</b>
<b>OPERATING EXPENDITURES</b>	
Residence Halls and Apartments	4,241,968
Campus Food Service	2,839,359
Bookstore	3,071
Student Union	1,100,736
Campus Parking	109,471
Child Development Center	439,570
Central Services	1,173,062
Recreation Center	2,189,053
Conferences & Summer Programs	638,941
Health and Counseling Center	788,189
<b>Total Operating Expenditures</b>	<b>13,523,420</b>
<b>Net Revenue before Transfers</b>	<b>8,743,674</b>
<b>TRANSFERS</b>	
Mandatory transfers	4,073,824
Net Non-mandatory Transfers	3,327,507
<b>Total Transfers</b>	<b>7,401,331</b>
Increase (Decrease) in fund balance	<b>1,342,343</b>
Net operating revenue	8,743,674
Bond Principal and Interest	4,273,571
Excess of net operating revenues over debt service	<b>\$ 4,470,103</b>
Debt service coverage ratio	205%

**INDEPENDENT AUDITORS' 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**



Wall,  
Smith,  
Bateman Inc.

Members of the Legislative Audit Committee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the major fund of Fort Lewis College (the College), an Institution of Higher Education, State of Colorado, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 30, 2015. We did not audit the financial statements of Fort Lewis College Foundation, a discretely presented component unit of the College, as of and for the year ended June 30, 2015. The financial statements of the discretely presented component unit, Fort Lewis College Foundation, were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

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

**Certified Public Accountants**

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 [www.wsbcpa.com](http://www.wsbcpa.com)

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Wall, Smith, Bateman Inc.  
Alamosa, Colorado

November 30, 2015



Wall,  
Smith,  
Bateman Inc.

Members of the Legislative Audit Committee:

We have audited the financial statements of the business-type activities and the major fund of Fort Lewis College (the College), an Institution of Higher Education, State of Colorado, as of and for the year ended June 30, 2015. 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 in our engagement letter dated July 9, 2015. 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. As described in Note 1, the College changed accounting policies by adopting Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB statement No. 27*. The requirement to record a portion of PERA's unfunded liability negatively impacted the College beginning net position in the government wide financial statements by \$30,346,946. The College has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA or the General Assembly. Along with GASB No. 68, the College has implemented GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, by recognizing contributions from the end of the calendar year to the end of the College's fiscal year, January 1 to June 30, as a deferred outflow of resources. The College's beginning net position was increased by \$757,882 to reflect PERA contributions between January 1 and June 30, 2014. 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 the net pension liability, deferred outflows of resources, and deferred inflows of resources at June 30, 2015 and total pension expense recognized during FY2015 are based upon the College's proportionate share of the collective net pension liability, deferred outflows of resources, and deferred inflows of resources reported by the Public Employee's Retirement Association of Colorado (PERA) at December 31, 2014 and the collective pension expense for the year then ended. The College's proportion has been adjusted for pension contributions between PERA's reporting date of December 31, 2014 and the College's fiscal year end of June 30, 2015.

### **Certified Public Accountants**

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 [www.wsbcpa.com](http://www.wsbcpa.com)

Management's estimate of depreciation expense is based on the estimated useful life of the capital assets being depreciated at June 30, 2015. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the 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 scholarship allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the defined benefit pension plan in Note 8 to the financial statements describes the College's participation in the State Division Trust Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employee's Retirement Association of Colorado (PERA).

The financial statement disclosures are neutral, consistent, and clear.

#### *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 clearly trivial, and communicate them to the appropriate level of management. No misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements as a whole.

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 30, 2015.

#### *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 College's financial statements or a determination of the type of auditors' 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 College's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the schedule of the College's proportionate share of the net pension liability, and the schedule of the College's contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information, which accompany the financial statements but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction On Use

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

Very truly yours,



Wall, Smith, Bateman Inc.

November 30, 2015