

FORT LEWIS COLLEGE

FINANCIAL AND COMPLIANCE AUDIT
Fiscal Year Ended June 30, 2017 and 2016



Wall,
Smith,
Bateman Inc.
Certified Public Accountants

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FORT LEWIS COLLEGE
FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY
Fiscal Years Ended June 30, 2017 and 2016

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 2017 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 2017.

The purposes and scope of the audit were to:

- Perform a financial and compliance audit of Fort Lewis College for the fiscal years ended June 30, 2017 and 2016 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, State Fiscal Rules, and bond covenants that could have a material effect on the College's financial statements.
- Evaluate the College's progress in implementing prior audit recommendations.
- Review exhibits required by the State Controller in support of the statewide financial statements.
- Submit attestation memos to the Office of the State Auditor on the results of audit work performed.
- Prepare a report of comments and/or management letter, containing audit findings and recommendations for improvements in operations, internal controls, and accounting procedures, along with any opportunities for cost savings determined during the audit process.

The Schedule of Expenditures of Federal Awards for Fort Lewis College and applicable audit opinions are included in the June 30, 2017 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, 2017 and 2016.

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 2017.

Summary of Progress in Implementing Prior Audit Findings

The implementation status of the recommendations included in the Fiscal Year 2016 audit report are discussed in the Disposition of Prior Audit Recommendations.

FORT LEWIS COLLEGE

MISSION, HISTORY, ENROLLMENT, AND STAFFING

HISTORY

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

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

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

Fort Lewis continues to honor its historic commitment to Native Americans by offering 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 undergraduate student full-time equivalents (FTE). Each FTE is equal to 30 credit hours during the fiscal year.

	FY 2016-17	FY 2015-16	FY 2014-15
Resident FTE	1,647	1,857	1,962
Non-Resident FTE	1,514	1,605	1,567
Total FTE Students	3,161	3,462	3,529

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 2016-17	FY 2015-16	FY 2014-15
Faculty FTE	211.0	198.0	198.8
Staff FTE	326.0	325.0	326.2
Total FTE	537.0	523.0	525.0

FINDINGS AND RECOMMENDATIONS SECTION

FORT LEWIS COLLEGE
AUDITORS' FINDINGS AND RECOMMENDATIONS
Fiscal year Ended June 30, 2017

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

FORT LEWIS COLLEGE
FINANCIAL AND COMPLIANCE AUDIT
DISPOSITION OF PRIOR YEAR AUDIT RECOMMENDATIONS
Fiscal Year Ended June 30, 2017

Summary of Progress in Implementing Fiscal Year 2016 Audit Recommendation

Recommendation No. 1:

Disposition:

Fort Lewis College should improve existing controls over the preparation of Exhibit K1 by:

Implemented

- A. Revising written procedures to ensure that the Exhibit K1 is prepared correctly and ensuring the Financial Aid Office reviews the K1 prior to submission to the OSC.
- B. Including the Financial Aid Office in the preparation and/or review process of the Exhibit K1, to ensure information is accurately communicated as necessary.

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 years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College's 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 unit as of June 30, 2017 and 2016. 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.

Certified Public Accountants

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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, 2017 and 2016, 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.

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, 2017 and 2016, 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.

Changes in Accounting Principle

As discussed in Note 1 - Summary of Significant Accounting Policies, in fiscal year 2016 the College adopted new accounting guidance, *GASB Statement No. 72, Fair Value Measurement and Application*.

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 9-20 and 59-60 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, 2012, and 2016 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, 2012, and 2016 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, 2012, and 2016 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 29, 2017, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

November 29, 2017

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2017 and 2016

We are pleased to present this financial discussion and analysis of Fort Lewis College (the College). The discussion is intended to make the financial statements easier to understand and communicate the College's financial situation in an open and accountable manner. Furthermore, the management's discussion and analysis provides an objective examination of the College's financial position and results of operations as of and for the years ended June 30, 2017 (FY 2017 or fiscal year 2017) and June 30, 2016 (FY 2016 or fiscal year 2016), with comparative information 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 institution dedicated to the liberal arts and professional education, 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 all 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 32% 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, 2017 and 2016. 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, 2017 and 2016. 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, 2017 and 2016. 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.

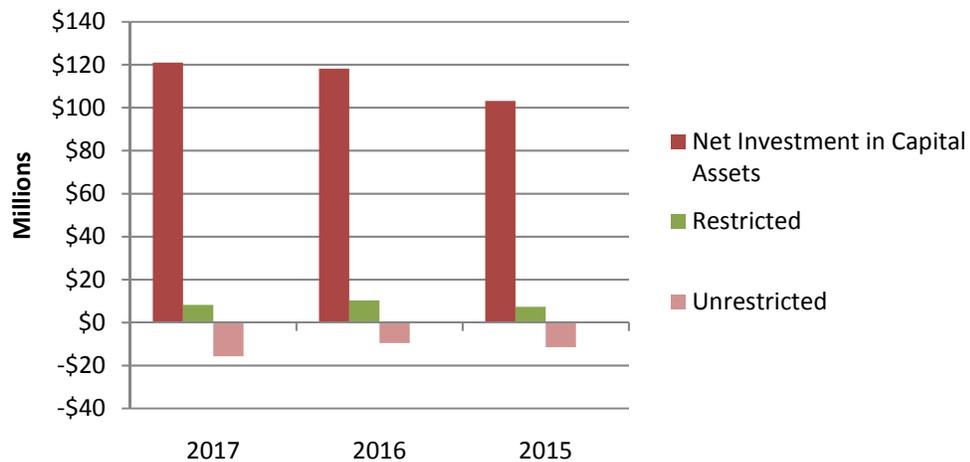
FORT LEWIS COLLEGE
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2017 and 2016

FINANCIAL HIGHLIGHTS

Year Ended June 30, 2017:

- **Net Position** – The College’s financial position, as a whole, declined during the year ended June 30, 2017. The combined net position decreased by 4.45% or \$5,282,340, from \$118,799,081 to \$113,516,741. The Unrestricted Net Position remained negative due to the impact of GASB 68, ‘Accounting and Financial Reporting for Pensions’ which took effect in fiscal year 2015. The negative net position due to GASB 68 was (\$38,962,267) at June 30, 2017.

Net Position at Year End



- **Enrollment** -- Undergraduate full-time equivalent (FTE) enrollment decreased by 8.7% (301 students) in FY 2017; in-state enrollment declined by 11.3% while out-of-state enrollment declined approximately 5.7%. Fall 2016 headcount, based on final fall census reports was 2.7% lower than the prior year, with resident headcount down by 5.7% and nonresident headcount up by approximately 0.8%. Native American Tuition Waiver fall headcount enrollment based on original fall census reports, was 3.2% lower than the prior year, with resident headcount up by 2.5% and nonresident headcount down by approximately 4.1%. The College continues to work with Royall and Company, enrollment management consultants, using direct mail campaigns to effect enrollment.

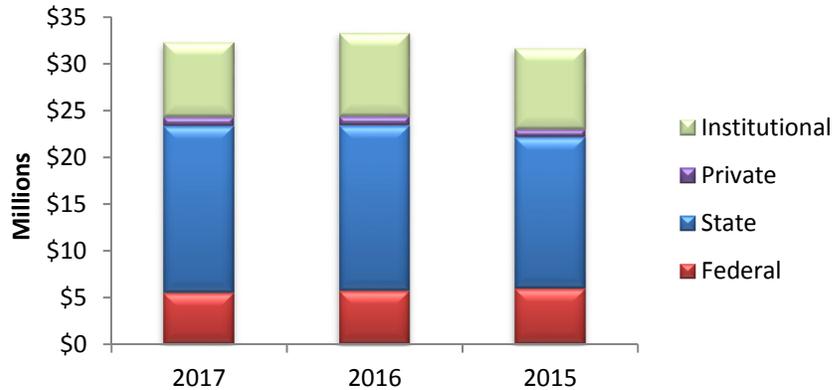
FTE Enrollment



FORT LEWIS COLLEGE
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2017 and 2016

- **Scholarships** –The discount rate for 2017 (adjusted for the effect of the Native American Tuition Waiver) was 37.0%. Scholarship awards have been strategically awarded with the goal of increasing enrollment and retention. 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 2015 and FY 2017.

	FY 2017	FY 2016	FY 2015
Total State Funding	\$ 11,481,200	\$ 11,822,422	\$ 10,594,604
Change from Previous Year	-2.9%	11.6%	

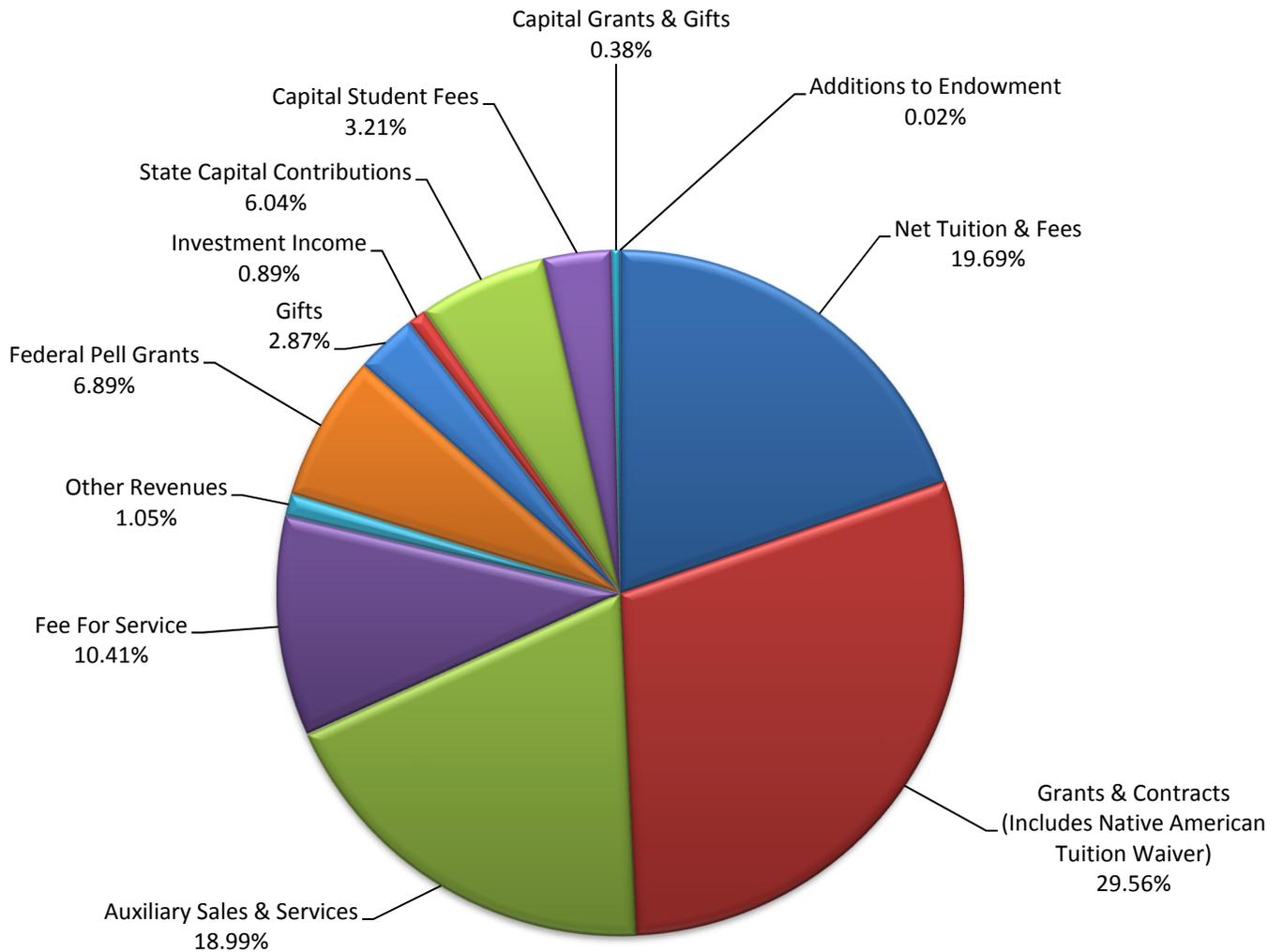
In addition to regular State funding, Fort Lewis College also receives reimbursement from the State for tuition waived to qualified Native American students, as a result of a 1911 Federal mandate. The reimbursement is funded one year in arrears; the tuition waived is paid in the following year. The funding 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 2015 and FY 2017.

	FY 2017	FY 2016	FY 2015
Native American Tuition Reimbursement	\$ 17,364,248	\$ 16,157,618	\$ 14,841,981
Change from Previous Year	1.5%	8.9%	

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2017 and 2016

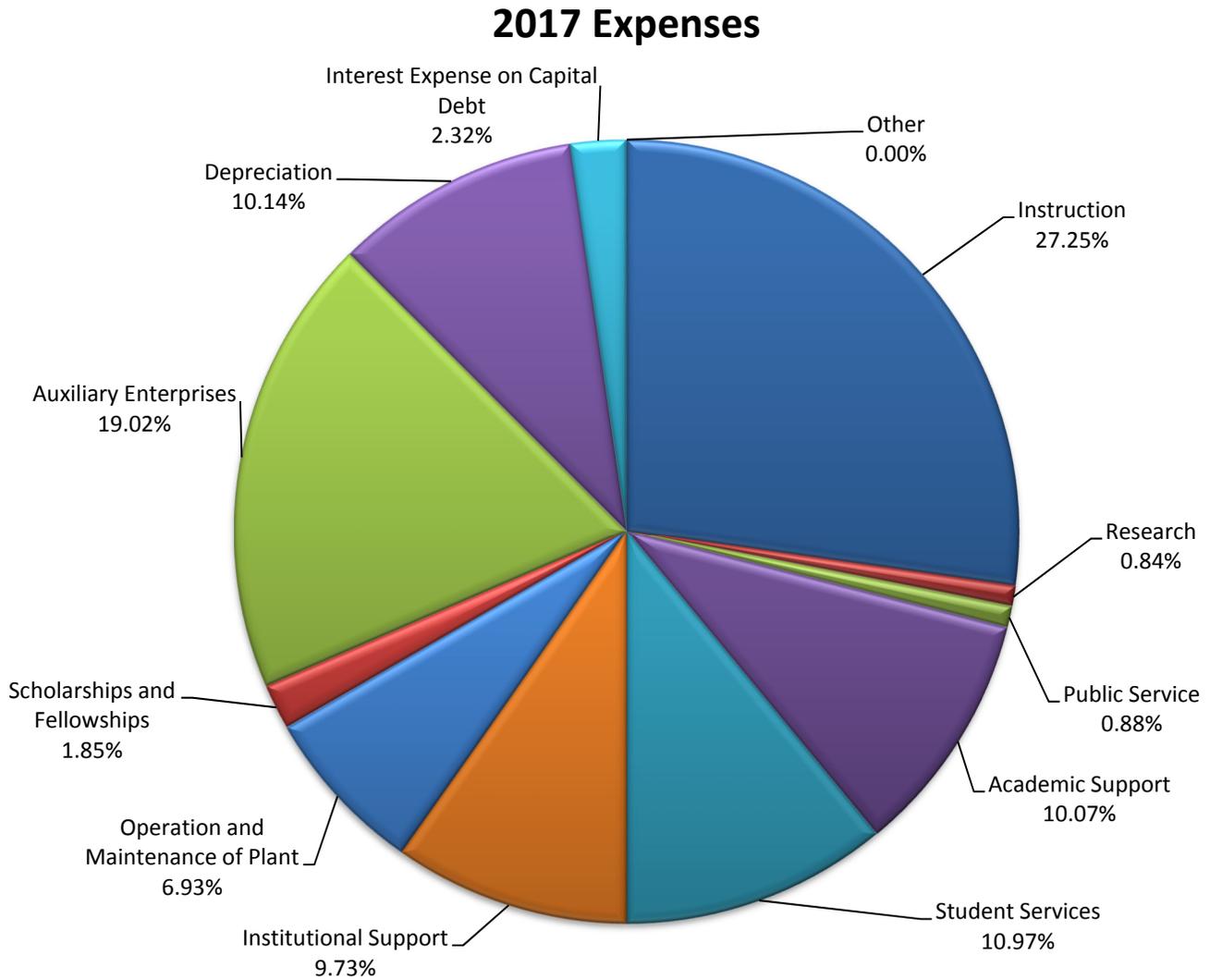
- **Total revenues** received in FY 2017 were \$77,623,118 and are depicted below without distinction as to whether they are classified as Operating or Nonoperating on the Statement of Revenues, Expenses and Changes in Net Position.

2017 Sources of Revenue



FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2017 and 2016

- **Total expenses** for FY 2017 were \$82,905,458 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
For the Years Ended June 30, 2017 and 2016

Year Ended June 30, 2016:

- **Net Position** -- The College's financial position, as a whole, improved during the year ended June 30, 2016. The combined net position increased by 20.1% or \$19,883,053, from \$98,916,028 to \$118,799,081. The Unrestricted Net Position remained negative due to the impact of GASB 68, 'Accounting and Financial Reporting for Pensions' which took effect in fiscal year 2015. The negative net position due to GASB 68 was (\$31,105,414) at June 30, 2016.
- **Enrollment** -- Undergraduate full-time equivalent (FTE) enrollment decreased by 1.9% (67 students) in FY 2016; in-state enrollment declined by 5.3% while out-of-state enrollment grew approximately 2.4%. Fall 2015 headcount, based on final fall census reports was 2.1% lower than the prior year, with resident headcount down by 5.6% and nonresident headcount up by approximately 2.2%. Native American Tuition Waiver fall headcount enrollment based on original fall census reports, was 4.0% higher than the prior year, with resident and nonresident headcount up by approximately 2.5% and 4.0%, respectively. The College continues to work with Royall and Company using direct mail campaigns to effect enrollment.
- **Scholarships** --The discount rate for 2016 (adjusted for the effect of the Native American Tuition Waiver) was 37.8%. 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. State-funded financial aid includes the Native American Tuition Waiver.
- **Refunding of the 2007 Series A and B1 Revenue bonds** -- In March of 2016, the College refunded \$36.4 million in Series 2007 bonds as an in-substance defeasance in order to take advantage of lower interest rates. A portion of the Series A and Series B1 were not refunded, amounting to \$1,365,000 and \$3,395,000 respectively.

The College also issued the Series 2016C Drawdown bond in order to fund the final phase of the Bader/Snyder Residence Hall renovations. This bond has a fixed rate of 2.96% and a total of \$4,060,000 was drawn by March of 2017. As of June 30, 2016, the College had drawn a total of \$460,000.

- **Investments** - 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.

The College exercised its investment authority in fiscal year 2016, after hiring an investment manager (Public Financial Management, Inc. or PFM). In December 2015, an initial deposit of \$6,000,000 was made and was invested according to the Investment Policy's asset allocation. As of June 30, 2016 the fair value of the investments was \$6,256,250 for a 4.32% return year to date.

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2017 and 2016

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, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Current Assets	\$33,266,443	\$39,379,515	\$34,542,156
Noncurrent Assets	<u>177,809,386</u>	<u>173,672,149</u>	<u>158,364,669</u>
Total Assets	<u>211,075,829</u>	<u>213,051,664</u>	<u>192,906,825</u>
Deferred Outflows of Resources	<u>19,953,522</u>	<u>7,161,598</u>	<u>1,493,623</u>
Current Liabilities	6,495,694	12,499,445	11,865,510
Noncurrent Liabilities	<u>108,951,095</u>	<u>87,190,441</u>	<u>83,157,454</u>
Total Liabilities	<u>115,446,789</u>	<u>99,689,886</u>	<u>95,022,964</u>
Deferred Inflows of Resources	<u>2,065,821</u>	<u>1,724,295</u>	<u>461,456</u>
Net Position:			
Net Investment in Capital Assets	121,017,761	118,173,389	103,164,181
Restricted	8,213,885	10,237,310	7,274,591
Unrestricted	<u>(15,714,905)</u>	<u>(9,611,618)</u>	<u>(11,522,744)</u>
Total Net Position	<u>\$113,516,741</u>	<u>\$118,799,081</u>	<u>\$98,916,028</u>

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2017 and 2016

- **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</u> <u>June 30, 2017</u>	<u>Year Ended</u> <u>June 30, 2016</u>	<u>Year Ended</u> <u>June 30, 2015</u>
Operating Revenues			
Tuition and Fees, Net	\$15,286,911	\$16,382,998	\$17,616,406
Grants and Contracts	22,943,532	20,987,085	20,234,212
Auxiliary Enterprises, Net	14,739,355	15,669,923	15,128,393
Other	<u>8,889,626</u>	<u>8,852,413</u>	<u>7,489,173</u>
Total Operating Revenues	<u>61,859,424</u>	<u>61,892,419</u>	<u>60,468,184</u>
Operating Expenses	<u>80,981,630</u>	<u>72,560,232</u>	<u>72,065,712</u>
Net Operating Revenues (Expenses)	<u>(19,122,206)</u>	<u>(10,667,813)</u>	<u>(11,597,528)</u>
Non-operating Revenues (Expenses):			
Federal Pell Grants	5,349,069	5,596,976	5,759,785
Other Net Non-operating Revenues (Expenses)	<u>993,854</u>	<u>547,353</u>	<u>(599,957)</u>
Net Non-operating Revenues	<u>6,342,923</u>	<u>6,144,329</u>	<u>5,159,828</u>
Income (Loss) Before Other Revenues, Expenses, or Transfers	(12,779,283)	(4,523,484)	(6,437,700)
Gain (Loss) on Disposal of Assets	-	(22,503)	(3,638)
State Capital Contributions	4,689,250	19,406,074	7,529,278
Capital Student Fees, Net	2,494,751	2,672,954	2,720,145
Capital Grants and Gifts	297,094	2,314,017	203,802
Additions to Endowments	<u>15,848</u>	<u>35,995</u>	<u>39,783</u>
Increase (Decrease) in Net Position	<u>(5,282,340)</u>	<u>19,883,053</u>	<u>4,051,670</u>
Net Position – Beginning of Year	<u>118,799,081</u>	<u>98,916,028</u>	<u>124,453,422</u>
Restatement, GASB 68			(29,589,064)
Restated Net Position – Beginning of Year	<u>118,799,081</u>	<u>98,916,028</u>	<u>94,864,358</u>
Net Position – End of Year	<u>\$113,516,741</u>	<u>\$118,799,081</u>	<u>\$98,916,028</u>

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2017 and 2016

CAPITAL ASSETS

At June 30, 2017, the College had approximately \$173.0 million net investment in capital assets, net of accumulated depreciation of \$115.0 million. Depreciation charges were \$8.4 million for the year ended June 30, 2017. At June 30, 2016, the College had approximately \$168.7 million net investment in capital assets, net of accumulated depreciation of \$107.2 million. Depreciation charges were \$7.8 million for the year ended June 30, 2016. Details of these assets are shown below.

Capital Assets, Net, at Year-End

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Land	\$106,301	\$106,301	\$106,301
Construction in Progress	600,729	26,593,629	8,699,462
Collections	1,417,991	1,387,707	1,386,967
Land Improvements, Net	8,371,267	9,060,068	9,466,582
Buildings and Improvements, Net	158,553,087	127,878,393	131,673,346
Equipment, Net	3,459,292	3,133,927	2,707,311
Library Materials, Net	<u>519,954</u>	<u>525,533</u>	<u>567,901</u>
Total	<u>\$173,028,621</u>	<u>\$168,685,558</u>	<u>\$154,607,870</u>

Major capital additions completed in FY 2017 and the resources that funded their acquisition include:

Berndt Hall – Geosciences, Physics, Engineering, funded by the State, with a match of \$2.3 million for construction and \$755,000 for relocation funded by the College, as of June 30, 2017	\$31,464,079
Bader/Snyder Residence Hall Improvements, Bader A and Bader C, funded by the College	4,307,451

The following significant capital projects were in progress at June 30, 2017:

Pedestrian Safety Improvements, funded by the State	\$ 489,568
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Major capital additions completed in FY 2016 and the resources that funded their acquisition include:

Theater Improvements, funded by the State	\$1,357,420
Whalen Bleacher Replacement, funded by the State	406,556

The following significant capital projects were in progress at June 30, 2016:

Berndt Hall – Geosciences, Physics, Engineering, funded by the State	\$24,987,592
Berndt Hall Program Relocation, funded by the College	723,055

FORT LEWIS COLLEGE
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2017 and 2016

DEBT

At June 30, 2017, 2016 and 2015, the College had approximately \$55.2 million, \$53.9 million, and \$51.7 million in long-term debt outstanding, respectively. The table below summarizes debt over the past three fiscal years.

Outstanding Debt at Fiscal Year-End

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Auxiliary Revenue Bonds, Net	<u>\$55,220,682</u>	<u>\$53,907,458</u>	<u>\$51,714,471</u>
Total	<u>\$55,220,682</u>	<u>\$53,907,458</u>	<u>\$51,714,471</u>

OTHER HIGHLIGHTS

- **Strategic Enrollment Planning** – The College undertook a strategic enrollment planning process called the Summit Process in FY 2017 with the goal of identifying 21st century skills that Fort Lewis College graduates should have mastered, as well as new graduate, undergraduate, micro-credentials and other programs with the goal of increasing enrollment. Emphasis was put on programs with a STEM emphasis (Science, Technology, Engineering, Math), and professional programs. Ideas were generated throughout the year by faculty, staff and students, and were forwarded the Summit Council for feasibility analyses to be performed in FY 2018. Ideas will be evaluated for enrollment potential, generation of revenue, and fit with the College’s existing strengths and location. Implementation of these ideas will be evaluated in conjunction with the feasibility studies.

- **Sitter Hall Gold LEED Certification** – As outlined in detail below under Capital Construction, Sitter Family Hall (Geosciences, Physics and Engineering) was completed in Spring 2017. The Hall received LEED Gold certification from the Green Building Council, a nationally-recognized certification for implementing strategies and solutions for environmental and human health performance.

- **AACSB Accreditation** – The Association to Advance Collegiate Schools of Business, or AACSB International announced that the College has extended its business accreditation. Only about five percent of the world’s business schools have achieved AACSB accreditation and the College’s business school is the only school on the western slope of Colorado to have AACSB accreditation.

- **New Deans Hired** – The College has hired two new deans. Dr. Jesse Peters was selected as dean of the School of Arts and Sciences and comes to the College from the University of North Carolina at Pembroke where he was a professor of English and American Indian Studies. He also served as dean of the Esther G. Maynor Honors College and the director of the Pembroke Undergraduate Research and Creativity Center. Dr. Steven M. Elias was selected to lead the School of Business Administration. Dr. Elias comes from New Mexico State University (NMSU) where he was the Robert O. Anderson Distinguished Professor in the College of Business.

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2017 and 2016

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. The State of Colorado Department of Higher Education has changed admissions criteria effective with the Fall 2019 incoming class. At that point, Freshman must be college ready in English and Math as evidenced by the lack of need for remedial classes. In recent years, approximately 35% of each class needs some form of remediation in English and/or Math. In order to accommodate this change in standards, Fort Lewis College has restructured supplemental academic instruction programs and started tightening admission criteria related to remedial needs. As a result of these changes, the College has experienced the most academically prepared incoming class in history in Fall 2017. The downside of these changes resulted in a decrease of incoming Freshman of 9.0%.

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.

Capital Construction

The College opened the Geosciences, Physics and Engineering Building, now called Sitter Family Hall, for the Spring Semester 2017. The new facility will increase educational opportunities for students and address the rapidly increasing enrollments in the geosciences, physics and engineering programs.

A portion of Berndt Hall was 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 approximately \$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 was received in fiscal year 2016 and the College committed to raise matching funding of \$4.2 million to match the State funding. As of June 30, 2017, donated funds of \$1.493 million were available to put towards the match, with \$266,000 in outstanding pledges and the remainder covered by internal College resources identified to meet the State funding match. In the next year, additional funds will be spent on equipment and lab supplies.

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 10%. Based upon a number of studies conducted regarding the State of 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.

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended June 30, 2017 and 2016

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
STATEMENTS OF NET POSITION
June 30, 2017 and 2016

	2017	2016
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 23,487,018	\$ 29,619,032
Investments	6,693,600	6,256,250
Student Accounts Receivable, Net	613,617	558,300
Accounts Receivable - Fort Lewis College Foundation	200,160	132,773
Other Accounts Receivable	1,547,990	1,949,457
Student Loans Receivable, Net	293,664	301,528
Inventories	57,171	38,306
Prepaid Expense	373,223	523,869
	33,266,443	39,379,515
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	3,204,002	3,330,374
Student Loans Receivable, Net	1,576,763	1,656,217
Nondepreciable Capital Assets:		
Land and Improvements	126,985	126,985
Construction in Progress	600,729	26,593,629
Collections	1,417,991	1,387,707
	2,145,705	28,108,321
Total Nondepreciable Capital Assets	2,145,705	28,108,321
Depreciable Capital Assets:		
Land Improvements, Net	8,350,583	9,039,384
Buildings and Improvements, Net	158,553,087	127,878,393
Equipment, Net	3,459,292	3,133,927
Library Materials, Net	519,954	525,533
	170,882,916	140,577,237
Total Depreciable Capital Assets, Net	170,882,916	140,577,237
Total Noncurrent Assets	177,809,386	173,672,149
Total Assets	211,075,829	213,051,664
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources	19,953,522	7,161,598

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

FORT LEWIS COLLEGE
STATEMENTS OF NET POSITION
June 30, 2017 and 2016

	2017	2016
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,946,738	4,127,736
Accrued Liabilities	959,883	4,846,280
Unearned Revenue	1,096,943	939,666
Deposits Held for Others	247,625	278,708
Bonds Payable, Current Portion	2,012,436	2,098,027
Compensated Absence Liabilities	232,069	209,028
Total Current Liabilities	6,495,694	12,499,445
Noncurrent Liabilities:		
Bonds Payable, Net	53,208,246	51,809,431
Compensated Absence Liabilities	2,102,704	2,233,583
Pension Liability	53,640,145	33,147,427
Total Noncurrent Liabilities	108,951,095	87,190,441
Total Liabilities	115,446,789	99,689,886
 DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources	2,065,821	1,724,295
 NET POSITION		
Net Investment in Capital Assets	121,017,761	118,173,389
Restricted for Nonexpendable Purposes:		
Endowment	141,649	141,649
Restricted for Expendable Purposes		
Capital Projects	-	1,257,595
Endowment	1,369,715	1,353,867
Other	6,702,521	7,484,199
Unrestricted	(15,714,905)	(9,611,618)
Total Net Position	\$ 113,516,741	\$ 118,799,081

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

FORT LEWIS COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2017 and 2016

ASSETS	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents	\$ 732,888	\$ 307,276
Investments	18,585,662	17,183,850
Pledges Receivable	401,061	285,900
Beneficial Interest in Assets Held by Others	64,618	94,926
Tangible Assets, Net	<u>7,610,793</u>	<u>7,547,438</u>
TOTAL ASSETS	<u>\$ 27,395,022</u>	<u>\$ 25,419,390</u>
 LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,631	\$ 16,811
Due to Fort Lewis College	200,660	132,773
Gift Annuity Obligation Payable	3,696	4,256
Margin Loan	932,294	-
Line of Credit Payable	<u>-</u>	<u>1,045,033</u>
TOTAL LIABILITIES	<u>1,138,281</u>	<u>1,198,873</u>
 NET ASSETS		
Unrestricted		
General Unrestricted	2,061,661	1,627,319
Board Designated Endowments	1,434,032	1,368,269
Other Board Designations	268,258	265,816
Gifts-in-Kind and Other Tangible Assets	<u>1,118,750</u>	<u>1,137,500</u>
Total Unrestricted Net Assets	<u>4,882,701</u>	<u>4,398,904</u>
 Temporarily Restricted		
Scholarships, Awards, and Other	4,954,529	4,033,363
Endowment Funds	1,702,249	1,410,542
Gifts-in-Kind and Other Tangible Assets	<u>3,697,498</u>	<u>3,615,393</u>
Total Temporarily Restricted Net Assets	<u>10,354,276</u>	<u>9,059,298</u>
 Permanently Restricted		
Endowment Funds	8,225,219	7,967,770
Gifts-in-Kind and Other Tangible Assets	<u>2,794,545</u>	<u>2,794,545</u>
Total Permanently Restricted Net Assets	<u>11,019,764</u>	<u>10,762,315</u>
TOTAL NET ASSETS	<u>26,256,741</u>	<u>24,220,517</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 27,395,022</u>	<u>\$ 25,419,390</u>

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

FORT LEWIS COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2017 and 2016

	2017	2016
REVENUES		
Operating Revenues:		
Student Tuition and Fees (including pledged revenues of \$3,569,481 - 2017 and \$4,058,201 - 2016, net of scholarship allowances of \$29,156,181 - 2017 and \$30,118,978 - 2016, and net of bad debt of \$45,372 - 2017 and \$73,236 - 2016)	\$ 15,286,911	\$ 16,382,998
Federal Grants and Contracts	2,500,314	1,953,621
State and Local Grants and Contracts	19,235,689	18,122,673
Non-Governmental Grants and Contracts (including pledged revenues of \$340,000 - 2017 and \$340,000 - 2016)	1,207,529	910,791
Auxiliary Enterprises (including pledged revenues of \$14,846,871 - 2017, and \$15,491,368 - 2016, net of scholarship allowances of \$1,592,580 - 2017 and \$1,531,280 - 2016, and net of bad debt of \$106,827 - 2017 and \$132,700 - 2016)	14,739,355	15,669,923
Fee For Service Contract Revenue	8,078,150	7,995,735
Other Operating Revenues (including pledged revenues of \$7,285 - 2017 and \$5,149 - 2016 and bad debt of \$4,621 - 2017 and \$6,306 - 2016)	811,476	856,678
	61,859,424	61,892,419
EXPENSES		
Operating Expenses:		
Instruction	22,588,079	20,494,265
Research	693,299	266,200
Public Service	730,396	591,266
Academic Support	8,347,373	7,303,563
Student Services	9,095,875	8,299,166
Institutional Support	8,068,332	6,735,317
Operation and Maintenance of Plant	5,747,794	4,120,727
Scholarships and Fellowships	1,536,845	1,541,370
Auxiliary Enterprises	15,767,845	15,365,140
Depreciation	8,405,792	7,843,218
	80,981,630	72,560,232
Operating Income (Loss)	(19,122,206)	(10,667,813)
NONOPERATING REVENUES (EXPENSES)		
Federal Pell Grants	5,349,069	5,596,976
Gifts (including pledged revenues of \$108,986 - 2017 and \$58,531 - 2016)	2,229,636	1,823,484
Investment Income (including pledged revenues of \$109,463 - 2017 and \$106,323 - 2016)	688,046	618,053
Interest Expense on Capital Debt	(1,923,828)	(1,402,575)
Other Nonoperating Expenses	-	(491,609)
	6,342,923	6,144,329
Income (loss) before other revenues, expenses, or transfers	(12,779,283)	(4,523,484)

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

FORT LEWIS COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2017 and 2016

	2017	2016
OTHER REVENUES, (EXPENSES), OR TRANSFERS		
Gain or (Loss) on Disposal of Assets	-	(22,503)
State Capital Contributions	4,689,250	19,406,074
Capital Student Fees (all pledged, net of bad debt of \$9,399 - 2017 and \$11,969 - 2016)	2,494,751	2,672,954
Capital Grants & Gifts	297,094	2,314,017
Additions to Endowments	15,848	35,995
Increase (Decrease) in Net Position	(5,282,340)	19,883,053
NET POSITION		
Net Position - Beginning of Year	118,799,081	98,916,028
Net Position - End of Year	\$ 113,516,741	\$ 118,799,081

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, 2017

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
NET ASSETS AT BEGINNING OF YEAR	\$ 4,398,904	\$ 9,059,298	\$ 10,762,315	\$ 24,220,517
SUPPORT, REVENUE, AND GAINS				
Donations - Cash	175,660	2,254,577	160,727	2,590,964
Donations - Marketable Securities	24,955	4,650	1,247	30,852
Donations - Gifts-in-Kind	47,650	248,941	-	296,591
Other Income	51,863	179,828	-	231,691
Subtotal of Donations and Other Income	300,128	2,687,996	161,974	3,150,098
Investment Income (Loss), Net	400,999	1,235,079	-	1,636,078
Total Before Reclassifications	701,127	3,923,075	161,974	4,786,176
Reclassification of Net Assets Released from Restrictions	2,502,802	(2,502,802)	-	-
Total Support, Revenue, and Gains	3,203,929	1,420,273	161,974	4,786,176
EXPENSES AND LOSSES				
Scholarships and Awards	888,496	-	-	888,496
Program Expenses	1,524,823	-	-	1,524,823
Fundraising	186,750	-	-	186,750
Management and General	149,883	-	-	149,883
Total Expenses and Losses	2,749,952	-	-	2,749,952
Changes in Donor Restrictions	29,820	(125,295)	95,475	-
Change in Net Assets for the Year	483,797	1,294,978	257,449	2,036,224
NET ASSETS AT END OF YEAR	<u>\$ 4,882,701</u>	<u>\$ 10,354,276</u>	<u>\$ 11,019,764</u>	<u>\$ 26,256,741</u>

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

FORT LEWIS COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
NET ASSETS AT BEGINNING OF YEAR	\$ 5,469,686	\$ 9,142,859	\$ 9,011,407	\$ 23,623,952
SUPPORT, REVENUE, AND GAINS				
Donations - Cash	99,104	2,077,003	238,690	2,414,797
Donations - Marketable Securities	25,097	302,711	1,394,773	1,722,581
Donations - Gifts-in-Kind	150,312	256,704	73,384	480,400
Other Income	81,552	129,856	-	211,408
Subtotal of Donations and Other Income	356,065	2,766,274	1,706,847	4,829,186
Investment Income (Loss), Net	347,253	(199,626)	-	147,627
Gain on sale of Tangible Assets	54,322	-	-	54,322
Total Before Reclassifications	757,640	2,566,648	1,706,847	5,031,135
Reclassification of Net Assets Released from Restrictions	2,597,879	(2,597,879)	-	-
Total Support, Revenue, and Gains	3,355,519	(31,231)	1,706,847	5,031,135
EXPENSES AND LOSSES				
Scholarships and Awards	927,873	-	-	927,873
Program Expenses	3,173,115	-	-	3,173,115
Fundraising	167,600	-	-	167,600
Management and General	165,982	-	-	165,982
Total Expenses and Losses	4,434,570	-	-	4,434,570
Changes in Donor Restrictions	8,269	(52,330)	44,061	-
Change in Net Assets for the Year	(1,070,782)	(83,561)	1,750,908	596,565
NET ASSETS AT END OF YEAR	<u>\$ 4,398,904</u>	<u>\$ 9,059,298</u>	<u>\$ 10,762,315</u>	<u>\$ 24,220,517</u>

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

FORT LEWIS COLLEGE
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

CASH FLOWS FROM OPERATING ACTIVITIES	2017	2016
Cash Received:		
Tuition and Fees	\$ 15,193,462	\$ 16,309,453
Sales of Products	587,293	617,805
Sales of Services	22,866,842	21,877,903
Grants and Contracts	22,844,826	21,002,956
Student Loans Collected	379,903	290,097
Other Operating Receipts	798,037	895,338
 Cash Payments:		
Scholarships Disbursed	(1,528,733)	(1,530,526)
Student Loans Disbursed	(289,982)	(441,408)
Payments to Suppliers	(17,502,540)	(18,979,959)
Payments to Employees	(48,736,041)	(43,246,495)
 Net Cash Provided (Used) by Operating Activities	<u>(5,386,933)</u>	<u>(3,204,836)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal Pell Grants	5,349,069	5,593,339
Gifts for Other than Capital Purposes	1,827,869	1,609,875
Agency Receipts	20,512,909	21,345,348
Agency Payments	(20,542,676)	(21,325,817)
Additions to Endowment	15,848	35,995
 Net Cash Provided by Noncapital Financing Activities	<u>7,163,019</u>	<u>7,258,740</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Student Fees	2,496,775	2,659,255
State Capital Contributions	4,662,514	19,348,578
Capital Gifts and Grants	297,095	2,314,017
Bond Issuance Costs Paid	-	(208,694)
Net Proceeds from Bonds Issued/ Proceeds from Capital Debt	3,600,000	640,712
Acquisition and Construction of Capital Assets	(15,287,869)	(21,206,850)
Principal Paid on Capital Debt	(2,098,027)	(1,919,684)
Interest on Capital Debt	(1,955,657)	(1,479,032)
 Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(8,285,168)</u>	<u>148,302</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	1,824,046	8,594,082
Purchase of Investments	(1,948,736)	(14,660,267)
Investment Earnings	375,386	427,986
 Net Cash Provided by Investing Activities	<u>250,696</u>	<u>(5,638,199)</u>
 Net Increase (Decrease) in Cash	(6,258,386)	(1,435,993)
Cash - Beginning of Year	<u>32,949,406</u>	<u>34,385,399</u>
Cash - End of Year	<u>\$ 26,691,020</u>	<u>\$ 32,949,406</u>

The accompanying notes are an integral part of this financial statement

FORT LEWIS COLLEGE
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	2017	2016
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (19,122,206)	\$ (10,667,813)
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Depreciation Expense	8,405,792	7,843,218
Pension Expense	7,856,853	758,737
Other Noncash Operating Transactions	428,669	465,030
 Change in Assets and Liabilities (Operating Portions):		
Receivables, Net	264,081	(1,485,378)
Prepaid Expense	150,645	(13,286)
Accounts Payable	(707,082)	(9,791)
Accrued Liabilities	(2,823,490)	(47,752)
Unearned Revenue	159,805	(47,800)
 Net Cash Provided (Used) by Operating Activities	\$ (5,386,933)	\$ (3,204,836)
 NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
State-funded Acquisitions of Capital Assets	\$ -	\$ 57,496
Gain (Loss) on Capital Asset Deletions	-	(22,503)
Amortization of Bond Issuance Costs	-	(344,189)
Amortization of Deferred Loss	(185,467)	(101,495)
Change in Unrealized Gains on Investments	437,350	190,065
Amortization of Bond Premium	188,749	98,232

The accompanying notes are an integral part of this financial statement

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

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 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, 2017, for the purposes stated above was \$2,174,883, which included \$894,496 for scholarships and \$376,961 for grant pass-through transactions. The total transfer for the year ended June 30, 2016 was \$3,724,737, which included \$927,873 for scholarships, \$375,562 for grant pass-through transactions and \$1,522,115 for capital gifts for the construction of the Geology, Physics and Engineering Building and improvements to the Community Concert Hall. 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, 2017 and 2016

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, 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 such as endowments or agency funds, 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.

INVESTMENTS AND INVESTMENT INCOME

Investments are carried at fair value. Fair value is determined using quoted market prices. Investment income consists of interest and dividend income and the net change for the year in the fair value of investments carried at fair value.

USE OF ESTIMATES

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

CAPITAL ASSETS

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

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

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

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets and half of the annual depreciation is expensed in the first and last year of service, regardless of when the asset was acquired. 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	10

The useful life of Library Materials was changed to 10 years for FY16 down from 15 years in FY15 and prior years. Management believes that decreasing the useful life of Library Materials is appropriate given past experience and industry practices.

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

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2017 and 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FISCAL RULES

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

NEW ACCOUNTING PRONOUNCEMENTS

During 2016, the College adopted the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurements and Applications* (GASB No. 72), which enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted techniques.

RECLASSIFICATIONS

Certain amounts from fiscal year 2016 have been reclassified to conform to the fiscal year 2017 financial statement presentation.

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS

Fort Lewis College deposits most of 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, 2017, Fort Lewis College had cash on deposit with the State Treasurer of \$22,488,004 which represented approximately 0.33 percent of the total \$6,770.2 million fair value of deposits in the State Treasurer's Pool (Pool).

On the basis of the 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. Fort Lewis College's share of the unrealized gains (losses) on the Treasury Pool is (\$9,661) and \$146,088 at June 30, 2017 and 2016, respectively.

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, 2017.

As of June 30, 2017, the carrying amount of the College's cash held locally was \$4,212,683. The cash included petty cash and change funds of \$6,525 and bank deposits of \$4,206,159. The bank balance of the deposits was \$5,396,129. The entirety of the bank balance was covered by collateral held by the bank or its agent in the State's name.

As of June 30, 2016, the carrying amount of the College's cash held locally was \$7,451,329. The cash included petty cash and change funds of \$6,825 and bank deposits of \$7,444,504. The bank balance of the deposits was \$7,433,758. The entirety of the bank balance was covered by collateral held by the bank or its agent in the State's name.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS, cont.

Investments

During the 2013 Colorado legislative session, the General Assembly passed legislation (HB 13-1297) that grants investment authority to Fort Lewis College. The Fort Lewis College Board of Trustees exercised its investment authority during the fiscal year ended June 30, 2016. The College has authority to invest institutional funds in any investment deemed advisable by the Board of Trustees per C.R.S. Section 23-52-103.

The following summarizes the College's investments by type at June 30, 2017:

	<u>Fair Value</u>	<u>Cost</u>
Cash and cash equivalents - Money Market	\$ 5,451	\$ 5,451
Mutual Funds - Equity	2,858,555	2,479,380
Mutual Funds - Fixed Income	3,829,594	3,794,401
Total investments	<u>\$ 6,693,600</u>	<u>\$ 6,279,232</u>

Investment income included in the accompanying Statement of Revenues, Expenses and Changes in Net Position is as follows:

Total dividends and interest (net of fees of \$32,074)	\$ 124,693
Net realized and unrealized gains (unrealized \$224,302 realized \$88,355)	312,657
Total	<u>\$ 437,350</u>

The following summarizes the College's investments by type at June 30, 2016:

	<u>Fair Value</u>	<u>Cost</u>
Cash and cash equivalents - Money Market	\$ 15,645	\$ 15,645
Mutual Funds - Equity	2,445,442	2,367,980
Mutual Funds - Fixed Income	3,795,163	3,682,560
Total investments	<u>\$ 6,256,250</u>	<u>\$ 6,066,185</u>

Investment income included in the accompanying Statement of Revenues, Expenses and Changes in Net Position is as follows:

Total dividends and interest (net of fees of \$12,422)	\$ 65,583
Net realized and unrealized gains (unrealized \$190,065, realized \$602)	190,667
Total	<u>\$ 256,250</u>

Credit Quality Risk - Credit quality risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical ratings organization (NRSRO). At June 30, 2017, the College held Fixed Income Mutual Funds rated by Morningstar as follows: 3 Stars total fair value of \$2,217,064, 5 Stars total fair value of \$1,612,530. At June 30, 2016, the College held Fixed Income Mutual Funds rated by Morningstar as follows: 2 Stars total fair value of \$330, 3 Stars total fair value of \$2,212,798, 4 Stars total fair value of \$66, 5 Stars total fair value of \$1,581,969. The Morningstar Rating is a measure of a fund's risk-adjusted return, relative to similar funds. Funds are rated from 1 to 5 stars, with the best performers receiving 5 stars and the worst performers receiving a single star.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS, cont.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Interest rate risk applies only to debt investments. The College held no debt investments at June 30, 2017.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The College does not have a formal policy for custodial credit risk.

Fair Value of Investments

Fort Lewis College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Fort Lewis College has the following recurring fair value measurements as of June 30, 2017:

- Equity Mutual Funds of \$2,858,555 are valued using quoted market prices (Level 1 inputs)
- Fixed Income Mutual Funds of \$3,829,594 are valued using quoted market prices (Level 1 inputs)

Fort Lewis College has the following recurring fair value measurements as of June 30, 2016:

- Equity Mutual Funds of \$2,445,442 are valued using quoted market prices (Level 1 inputs)
- Fixed Income Mutual Funds of \$3,795,163 are valued using quoted market prices (Level 1 inputs)

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

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 quarterly by the Investment Committee. Fixed income securities include GNMA pools, other government-back securities individually held and in mutual funds. Equities include individual stocks, exchange traded funds, and stock mutual funds. All values are derived from quoted market prices in active markets for identical assets.

Cash and investments

Cash and investments as of June 30, 2017 are summarized as follows:

	2017			
	Cost Basis	Fair Value	% of Total	Unrealized Appreciation (Depreciation)
Cash and Cash Equivalents	\$ 732,888	\$ 732,888	4%	\$ -
Investments				
Marketable Securities				
Fixed Income	9,030,374	9,210,124	48%	179,750
Equities	8,626,307	9,375,538	48%	749,231
Total Investments	17,656,681	18,585,662	96%	928,981
Total Cash and Investments	\$ 18,389,569	\$ 19,318,550	100%	\$ 928,981

Cash and investments as of June 30, 2016 are summarized as follows:

	2016			
	Cost Basis	Fair Value	% of Total	Unrealized Appreciation (Depreciation)
Cash and Cash Equivalents	\$ 307,276	\$ 307,276	2%	\$ -
Investments				
Marketable Securities				
Fixed Income	7,972,438	8,466,189	48%	493,751
Equities	8,062,502	8,717,661	50%	655,159
Total Investments	16,034,940	17,183,850	98%	1,148,910
Total Cash and Investments	\$ 16,342,216	\$ 17,491,126	100%	\$ 1,148,910

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

NOTE 3: FORT LEWIS COLLEGE FOUNDATION CASH AND INVESTMENTS, cont.

During the year ended June 30, 2017, net realized gains of \$1,440,032 were recognized on investments, along with net unrealized losses of \$255,408 and amortization of premiums of \$22,706. During the year ended June 30, 2016, net realized losses of \$278,740 were recognized on investments, along with net unrealized gains of \$43,845 and amortization of premiums of \$85,479.

Beneficial Interest in Assets Held by Others and Gift Annuity Obligations

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. Trusts are established to fund long-term annuity obligations. When annuity obligations have been satisfied, any remaining funds are distributed to the Foundation.

Beneficial interest in assets held by others as of June 30, 2017 are summarized as follows:

	2017		
	Cost Basis	Fair Value	Unrealized Appreciation
Cash and Cash Equivalents	\$ 2,196	\$ 2,196	\$ -
Investments			
Fixed Income	28,359	28,721	362
Equities	32,889	33,701	812
Total Investments	61,248	62,422	1,174
Total Cash and Investments	\$ 63,444	\$ 64,618	\$ 1,174

Beneficial interest in assets held by others as of June 30, 2016 are summarized as follows:

	2016		
	Cost Basis	Fair Value	Unrealized Appreciation
Cash and Cash Equivalents	\$ 4,366	\$ 4,366	\$ -
Investments			
Fixed Income	23,827	24,446	619
Equities	59,963	66,114	6,151
Total Investments	83,790	90,560	6,770
Total Cash and Investments	\$ 88,156	\$ 94,926	\$ 6,770

During the year ended June 30, 2017, net realized gains of \$1,975 were recognized on these investments, along with net unrealized gains of \$1,803. During the year ended June 30, 2016, net realized gains of \$2,187 were recognized on these investments, along with net unrealized losses of \$38,695.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

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, 2017 and 2016, the Accounts Receivable balances are comprised of:

	<u>2017</u>	<u>2016</u>
Student Accounts Receivable	\$ 1,407,686	\$ 1,356,999
Less: Allowance for Doubtful Accounts	(794,049)	(798,699)
Student Accounts Receivable, Net	<u>613,637</u>	<u>558,300</u>
Student Loans Receivable	2,154,091	2,249,856
Less: Allowance for Doubtful Accounts	(283,684)	(292,111)
Student Loans Receivable, Net	<u>1,870,407</u>	<u>1,957,745</u>
Accounts Receivable - Fort Lewis College Foundation	<u>200,160</u>	<u>132,773</u>
Other Accounts Receivable		
Sponsored Programs	537,470	313,350
Conferences & Summer Programs	219,084	120,055
Other*	791,436	1,516,052
Other Accounts Receivable	<u>1,547,990</u>	<u>1,949,457</u>
Total Receivables, Net	<u>\$ 4,232,194</u>	<u>\$ 4,598,275</u>

*Other accounts receivable include \$638,048 for a Fee for Service payment for FY 17 and \$1,325,511 for a Fee for Service payment for FY 16.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

NOTE 5: CAPITAL ASSETS

The College's capital asset activity for the year ended June 30, 2017, was as follows:

	Balance 6/30/2016	Additions	Deletions	Transfers	Balance 6/30/2017
Land	\$ 106,301	\$ -	\$ -	\$ -	\$ 106,301
Land Improvements	21,696,356	113,077	-	11,599	21,821,032
Buildings and Improvements	213,445,732	10,769,257	-	26,582,030	250,797,019
Construction in Progress	26,593,629	600,729	-	(26,593,629)	600,729
Equipment	8,630,087	1,160,764	368,793	-	9,422,058
Software	1,410,867	-	73,107	-	1,337,760
Library Materials	2,566,220	74,744	94,087	-	2,546,877
Capitalized Collections	1,387,707	30,284	-	-	1,417,991
Total	<u>275,836,899</u>	<u>12,748,855</u>	<u>535,987</u>	<u>-</u>	<u>288,049,767</u>
Less Accumulated Depreciation:					
Land Improvements	12,636,287	813,478	-	-	13,449,765
Buildings and Improvements	85,567,339	6,676,593	-	-	92,243,932
Equipment	5,793,066	686,341	368,793	-	6,110,614
Software	1,113,962	149,057	73,107	-	1,189,912
Library Materials	2,040,687	80,323	94,087	-	2,026,923
Total Accumulated Depreciation	<u>107,151,341</u>	<u>8,405,792</u>	<u>535,987</u>	<u>-</u>	<u>115,021,146</u>
Capital Assets, Net	<u>\$168,685,558</u>	<u>\$ 4,343,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$173,028,621</u>

The College's capital asset activity for the year ended June 30, 2016, was as follows:

	Balance 6/30/2015	Additions	Deletions	Transfers	Balance 6/30/2016
Land	\$ 106,301	\$ -	\$ -	\$ -	\$ 106,301
Land Improvements	21,289,694	27,731	-	378,931	21,696,356
Buildings and Improvements	211,444,216	1,373,073	403,865	1,032,308	213,445,732
Construction in Progress	8,699,462	19,340,825	35,419	(1,411,239)	26,593,629
Equipment	8,169,351	972,826	512,090	-	8,630,087
Software	1,222,660	225,778	37,571	-	1,410,867
Library Materials	2,622,391	37,854	94,025	-	2,566,220
Capitalized Collections	1,386,967	740	-	-	1,387,707
Total	<u>254,941,042</u>	<u>21,978,827</u>	<u>1,082,970</u>	<u>-</u>	<u>275,836,899</u>
Less Accumulated Depreciation:					
Land Improvements	11,823,112	813,175	-	-	12,636,287
Buildings and Improvements	79,770,870	6,200,334	403,865	-	85,567,339
Equipment	5,703,583	579,903	490,420	-	5,793,066
Software	981,117	169,583	36,738	-	1,113,962
Library Materials	2,054,490	80,222	94,025	-	2,040,687
Total Accumulated Depreciation	<u>100,333,172</u>	<u>7,843,217</u>	<u>1,025,048</u>	<u>-</u>	<u>107,151,341</u>
Capital Assets, Net	<u>\$154,607,870</u>	<u>\$ 14,135,610</u>	<u>\$ 57,922</u>	<u>\$ -</u>	<u>\$168,685,558</u>

Additions to buildings and construction in progress for the year ended June 30, 2017 includes \$28,026 of capitalized interest and for the year ended June 30, 2016 includes \$27,722 of capitalized interest.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

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 both years ended June 30, 2017 and 2016 was \$35,787.

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, 2017, tangible assets are comprised of the following:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Gifts-in-kind				
Land and buildings	\$ 1,250,000	\$ 12,000	\$ -	\$ 1,262,000
Accumulated Depreciation	(131,250)	-	-	(131,250)
Collection Items	-	2,745,459	2,641,550	5,387,009
Total Gifts-in-kind	<u>1,118,750</u>	<u>2,757,459</u>	<u>2,641,550</u>	<u>6,517,759</u>
Purchased Assets				
Land and buildings	-	994,400	-	994,400
Accumulated Depreciation	-	(220,596)	-	(220,596)
Collection Items	-	92,335	152,995	245,330
Concert Piano	-	73,900	-	73,900
Total Purchased Assets	<u>-</u>	<u>940,039</u>	<u>152,995</u>	<u>1,093,034</u>
Total Tangible Assets	<u>\$ 1,118,750</u>	<u>\$ 3,697,498</u>	<u>\$ 2,794,545</u>	<u>\$ 7,610,793</u>

At June 30, 2016, tangible assets are comprised of the following:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Gifts-in-kind				
Land and buildings	\$ 1,250,000	\$ 12,000	\$ -	\$ 1,262,000
Accumulated Depreciation	(112,500)	-	-	(112,500)
Collection Items	-	2,646,317	2,641,550	5,287,867
Total Gifts-in-kind	<u>1,137,500</u>	<u>2,658,317</u>	<u>2,641,550</u>	<u>6,437,367</u>
Purchased Assets				
Land and buildings	-	994,400	-	994,400
Accumulated Depreciation	-	(203,559)	-	(203,559)
Collection Items	-	92,335	152,995	245,330
Concert Piano	-	73,900	-	73,900
Total Purchased Assets	<u>-</u>	<u>957,076</u>	<u>152,995</u>	<u>1,110,071</u>
Total Tangible Assets	<u>\$ 1,137,500</u>	<u>\$ 3,615,393</u>	<u>\$ 2,794,545</u>	<u>\$ 7,547,438</u>

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

NOTE 7: ACCRUED LIABILITIES

At June 30, 2017 and 2016, the types and amounts of accrued liabilities, as presented on the Statements of Net Position, are comprised of:

	<u>2017</u>	<u>2016</u>
Accrued Payroll & Benefits*	\$ 275,823	\$ 3,065,637
Accrued Interest Payable	490,715	519,262
Contractor Retainage	156,947	1,194,022
Other Liabilities	36,398	67,359
Total	<u>\$ 959,883</u>	<u>\$ 4,846,280</u>

*In Fiscal Year 17, the College changed to a biweekly payroll and accrued payroll and benefits decreased due to the new pay schedule.

NOTE 8: UNEARNED REVENUE

At June 30, 2017 and 2016, the types and amounts of unearned revenue, as presented on the Statements of Net Position, are comprised of:

	<u>2017</u>	<u>2016</u>
Tuition and Fees	\$ 305,658	\$ 346,688
Auxiliary Enterprises	159,172	130,707
Grants and Contracts	437,787	343,829
Miscellaneous	194,326	118,442
Total	<u>\$ 1,096,943</u>	<u>\$ 939,666</u>

NOTE 9: LONG-TERM LIABILITIES

The College's long-term liability activity for the year ended June 30, 2017, was as follows:

	<u>Balance</u> <u>6/30/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2017</u>	<u>Current</u> <u>Portion</u>
Bonds Payable:					
Revenue Bonds	\$ 50,221,941	\$ 3,600,000	\$ (2,098,027)	\$ 51,723,914	\$ 2,012,436
Bond Premium/(Discount)	3,685,517	-	(188,749)	3,496,768	-
Total Bonds Payable	<u>53,907,458</u>	<u>3,600,000</u>	<u>(2,286,776)</u>	<u>55,220,682</u>	<u>2,012,436</u>
Other Liabilities:					
Compensated Absences	2,442,611	119,074	(226,912)	2,334,773	232,069
Total Other Liabilities	<u>2,442,611</u>	<u>119,074</u>	<u>(226,912)</u>	<u>2,334,773</u>	<u>232,069</u>
Total Long-Term Liabilities	<u>\$ 56,350,069</u>	<u>\$ 3,719,074</u>	<u>\$ (2,513,688)</u>	<u>\$ 57,555,455</u>	<u>\$ 2,244,505</u>

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

NOTE 9: LONG-TERM LIABILITIES, cont.

The College's long-term liability activity for the year ended June 30, 2016, was as follows:

	Balance 6/30/2015	Additions	Reductions	Balance 6/30/2016	Current Portion
Bonds Payable:					
Revenue Bonds	\$ 52,151,625	\$ 36,415,000	\$(38,344,684)	\$ 50,221,941	\$ 2,098,027
Bond Premium/(Discount)	(437,154)	3,749,656	373,015	3,685,517	-
Total Bonds Payable	51,714,471	40,164,656	(37,971,669)	53,907,458	2,098,027
Other Liabilities:					
Compensated Absences	2,256,351	412,909	(226,649)	2,442,611	209,028
Total Other Liabilities	2,256,351	412,909	(226,649)	2,442,611	209,028
Total Long-Term Liabilities	\$ 53,970,822	\$ 40,577,565	\$(38,198,318)	\$ 56,350,069	\$ 2,307,055

NOTE 10: BONDS PAYABLE

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 bore 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%.

On March 2, 2016, the College issued Series 2016A Enterprise Revenue Refunding Bonds to refund the Series 2007A Revenue Bonds as an in-substance defeasance. The face value of the old debt was \$10,440,000 and the escrow deposit was \$11,250,399. The par amount of the new debt was \$10,555,000 with a premium of \$792,619. The interest rate of the old debt ranged from 4.00% to 4.75% and the interest rate of the new debt ranges from 2.00% to 5.00%. The sum of the debt service of the old debt was \$15,403,619 and the debt service of the new debt is \$13,928,969, with a savings of \$1,474,650 in cash flows. Present value of the debt service cash flow are \$12,412,631 for the old debt versus \$11,187,439 of the new debt, resulting in an economic gain of \$1,225,192. The term of the new debt is the same as that of the remaining term of the old debt (18 years). Underwriting and other issuance costs were \$97,381. Unrefunded debt for the Series 2007A Revenue Bonds amounted to \$1,365,000.

On March 2, 2016, the College issued Series 2016B Enterprise Revenue Refunding Bonds to refund the Series 2007B1 Revenue Bonds as an in-substance defeasance. The face value of the old debt was \$25,985,000 and the escrow deposit was \$28,122,534. The par amount of the new debt was \$25,400,000 and the premium was \$2,957,037. The interest rate of the old debt ranged from 4.00% to 5.00% and the interest rate of the new debt ranges from 2.00% to 5.00%. The sum of the debt service of the old debt was \$43,602,825 and the debt service of the new debt is \$39,635,671, with a savings of \$3,967,154 in cash flows. Present value of the debt service cash flow are \$32,790,232 for the old debt versus \$29,329,405 of the new debt, resulting in an economic gain of \$3,460,827. The term of the new debt is the same as that of the remaining term of the old debt (23 years). Underwriting and other issuance costs were \$234,342. Unrefunded debt for the Series 2007A Revenue Bonds amounted to \$3,395,000.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

NOTE 10: BONDS PAYABLE, cont.

On March 29, 2016, the College issued Series 2016C Drawdown Bond in the amount of \$4,060,000 with the Bank of the San Juans for the final phase of the Bader/Snyder Residence Hall renovations. This bond has a fixed interest rate of 2.96% and issuance costs were \$60,000. The draw down schedule was as follows:

Date	Draw	Available Balance
		\$ 4,060,000
4/14/2016	\$ 60,000	4,000,000
6/1/2016	400,000	3,600,000
7/1/2016	400,000	3,200,000
8/1/2016	400,000	2,800,000
9/1/2016	400,000	2,400,000
10/1/2016	400,000	2,000,000
11/1/2016	400,000	1,600,000
12/1/2016	400,000	1,200,000
1/1/2017	400,000	800,000
2/1/2017	400,000	400,000
3/1/2017	400,000	-
	\$ 4,060,000	

As of June 30, 2017 the College had drawn the full amount of \$4,060,000.

Total outstanding bonds, including premiums or discounts, are summarized below:

Issue	Date Issued	Amount Issued	2017	2016
2007A Revenue Bonds	12/4/2007	\$ 13,125,000	\$ 1,310,000	\$ 1,365,000
2007B1 Revenue Bonds	12/4/2007	29,380,000	3,395,000	3,395,000
2007 B2 Revenue Bonds	12/4/2007	3,550,000	525,000	1,345,000
2007 C Revenue Bonds	12/4/2007	5,355,000	1,165,000	1,710,000
2012 Revenue Bonds	2/28/2012	6,520,000	5,808,914	5,991,941
2016A Reveue Bonds	3/2/2016	10,555,000	10,060,000	10,555,000
2016B Revenue Bonds	3/2/2016	25,400,000	25,400,000	25,400,000
2016C Revenue Bonds	3/29/2016	4,060,000	4,060,000	460,000
Unamortized Premium/Discount		-	3,496,767	3,685,517
Total		\$ 97,945,000	\$ 55,220,681	\$ 53,907,458

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

NOTE 10: BONDS PAYABLE, cont.

Principal and interest requirements on all outstanding bonds at June 30, 2017 are summarized in the table below.

Year Ending June 30,	Principal	Interest	Total
2018	\$ 2,012,435	\$ 1,953,645	\$ 3,966,080
2019	2,097,958	1,876,304	3,974,262
2020	1,564,652	1,820,030	3,384,682
2021	1,622,572	1,770,991	3,393,563
2022	2,141,778	1,708,135	3,849,913
2023-2027	12,121,416	7,333,631	19,455,047
2028-2032	15,508,103	4,372,957	19,881,060
2033-2037	12,485,000	1,664,825	14,149,825
2038	2,170,000	37,493	2,207,493
Total	<u>\$ 51,723,914</u>	<u>\$ 22,538,011</u>	<u>\$ 74,261,925</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, Series 2012 and Series 2016 Revenue Bonds Schedule of Pledged Revenues and Expenses in the Supplementary Information section of this report.

NOTE 11: OPERATING LEASES

Certain equipment, consisting of vehicles, 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, 2017:

Year ending June 30,	
2018	\$ 4,875
2019	4,875
2020	2,719
2021	-
2022	-
Total	<u>\$ 12,469</u>

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

NOTE 12: ENCUMBRANCES

Outstanding purchase commitments not reflected in the financial statements at June 30, 2017 and 2016 are:

	<u>2017</u>	<u>2016</u>
Education and General	\$ 194,750	\$ 850,110
Auxiliary Enterprises	250,623	1,843,050
Restricted Funds	69,478	69,898
Plant Funds	1,603,736	5,855,019
Total	<u>\$ 2,118,587</u>	<u>\$ 8,618,077</u>

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 \$1,603,736 and \$5,855,019 as of June 30, 2017 and 2016, respectively. 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, 2017 and 2016, was as follows:

	<u>Tuition and Fees</u>	<u>Auxiliary Revenue</u>	<u>6/30/2017 Total</u>	<u>6/30/2016 Total</u>
Gross Revenue	\$ 44,443,092	\$ 16,331,936	\$ 60,775,028	\$ 63,703,179
Scholarship Allowances:				
Federal	(4,425,954)	(552,439)	(4,978,393)	(5,209,340)
State (Includes Native American Tuition Waivers)	(17,546,329)	(143,463)	(17,689,792)	(17,480,783)
Private	(763,859)	(95,343)	(859,202)	(878,328)
Institutional	(6,420,039)	(801,336)	(7,221,375)	(8,081,807)
Total Scholarship Allowances	<u>(29,156,181)</u>	<u>(1,592,581)</u>	<u>(30,748,762)</u>	<u>(31,650,258)</u>
Net Revenue	<u>\$ 15,286,911</u>	<u>\$ 14,739,355</u>	<u>\$ 30,026,266</u>	<u>\$ 32,052,921</u>

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

NOTE 15: DEFERRED OUTFLOWS AND INFLOWS

The College's Deferred Outflows and Inflows as of June 30, 2017 and 2016 were as follows:

	2017	2016
Deferred Outflows		
Accounting Loss on Bond Refunding	\$ 3,209,822	\$ 3,395,290
Pension Projected vs. Actual Investment Earnings	1,778,213	2,523,526
Pension Contributions Subsequent to Measurement Date	785,900	760,100
Pension Expected vs. Actual Investment Earnings	533,188	482,682
Pension Changes in Assumptions or Other Inputs	13,646,399	-
Total Deferred Outflows	\$ 19,953,522	\$ 7,161,598
Deferred Inflows		
Pension Expected vs. Actual Experience	\$ -	\$ 1,081
Pension Employer Contributions and Proportionate Share of Contributions, net	1,900,714	1,330,843
Pension Changes in Assumptions	165,107	392,371
Total Deferred Inflows	\$ 2,065,821	\$ 1,724,295

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 maintained its TABOR enterprise status from 2011 until 2015. In Fiscal Year 2016, the College lost its TABOR enterprise status due to increases in State revenues for the construction of the Geology, Physics and Engineering Building. In Fiscal Year 2017, the College regained TABOR enterprise status as the construction of the building was completed. The table shown below demonstrates the type and size of State grants to Fort Lewis College for the years ended June 30, 2017 and 2016.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

NOTE 16: SPENDING LIMITATIONS, cont.

State Support Calculation for TABOR Purposes:

	2017	2016
State Support:		
Capital Appropriations	\$ 4,689,250	\$ 19,406,074
State/Local Grants (non-financial aid)	116,521	174,867
Institutional Share of COP Debt Payments	117,551	172,306
Total State Support	\$ 4,923,322	\$ 19,753,247
Total Revenues (gross operating, nonoperating, and other revenues)	\$ 77,740,669	\$ 94,509,775
 Ratio of State Support to Total Revenues	6.33%	20.90%

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, 2017 and 2016, appropriated expenses were within the authorized spending authority. For the year ended June 30, 2017, the College had a total long bill appropriation of \$11,481,200. For the year ended June 30, 2016, the College had a total long bill appropriation of \$11,822,422. 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.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

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 Public Employees' Retirement Association of Colorado (PERA) plan or other defined contribution plans.

The College's total payroll for the fiscal years ended June 30, 2017 and 2016 was \$34,835,629 and \$34,314,500, respectively. The total payroll for employees covered by the PERA plan, the optional defined contribution plan, and the student retirement plan was \$8,378,468, \$22,983,768, and \$284,719, respectively for June 30, 2017, and \$8,384,596, \$22,443,550, and \$237,879, respectively for June 30, 2016. 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.

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.

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 (AIR) for the SDTF.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

NOTE 17: EMPLOYMENT BENEFITS, cont.

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

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

Contributions. Eligible 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 are required to contribute 8 percent of their PERA-includable salary.

The employer contribution requirements for all employees are summarized in the following table:

	For the Year Ended December 31, 2016	After December 31, 2016
Employer contribution rate ¹	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount apportioned to the SDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.60%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.50%	5.00%
Total employer contribution rate to the SDTF ¹	18.23%	19.13%

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

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 \$1,540,109 and \$1,490,576 for the years ended June 30, 2017 and 2016, respectively.

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

At June 30, 2017, Fort Lewis College reported a liability of \$53,640,145 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The Fort Lewis College proportion of the net pension liability was based on the College's contributions to the SDTF for the calendar year 2016 relative to the total contributions of participating employers to the SDTF. At December 31, 2016, Fort Lewis College's proportion was 0.2920283257 percent, which was a decrease of 0.0227311752 percent from its proportion measured as of December 31, 2015.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

NOTE 17: EMPLOYMENT BENEFITS, cont.

At June 30, 2016, Fort Lewis College reported a liability of \$33,147,427 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The Fort Lewis College proportion of the net pension liability was based on the College's contributions to the SDTF for the calendar year 2015 relative to the total contributions of participating employers to the SDTF. At December 31, 2015, Fort Lewis College's proportion was 0.3147595009 percent, which was a decrease of 0.0180018060 percent from its proportion measured as of December 31, 2014.

For the year ended June 30, 2017 and 2016, Fort Lewis College recognized pension expense of \$7,856,853 and \$758,736, respectively. At June 30, 2017 and 2016, Fort Lewis College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Fiscal Year 2017		Fiscal Year 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 533,188	N/A	\$ 482,682	\$ 1,081
Changes of assumptions or other inputs	13,646,399	165,107	-	392,371
Net difference between projected and actual earnings on pension plan investments	1,778,213	-	2,523,526	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	1,900,714	-	1,330,843
Contributions subsequent to the measurement date	785,900	N/A	760,100	N/A
Total	\$ 16,743,700	\$ 2,065,821	\$ 3,766,308	\$ 1,724,295

The deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, of \$785,900 and \$760,100 for Fiscal Year 2017 and 2016, respectively, will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$ 7,280,916
2019	6,099,132
2020	493,107
2021	18,824
2022	-
Thereafter	-

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

NOTE 17: EMPLOYMENT BENEFITS, cont.

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuations were determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 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 (AIR)

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.17 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

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

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

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

NOTE 17: EMPLOYMENT BENEFITS, cont.

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

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

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

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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

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

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

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

NOTE 17: EMPLOYMENT BENEFITS, cont.

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

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

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

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

- Updated economic and demographic actuarial assumptions adopted by PERA’s Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

NOTE 17: EMPLOYMENT BENEFITS, cont.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan’s fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan’s fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SDTF’s fiduciary net position was projected to be depleted in 2039 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2039 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2039 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

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

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 5.26 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 (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	\$ 66,436,640	\$ 53,640,145	\$ 43,126,840

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.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

NOTE 17: EMPLOYMENT BENEFITS, cont.

Defined Contribution Pension Plans

Voluntary Investment Program

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.

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.

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 years 2016 and 2015, 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 \$18,000. Participants who are age 50 and older, and contributing the maximum amount allowable were allowed to make an additional \$6,000 contribution in 2016. Special 457(b) catch-up contributions allow a participant for 3 years prior to the normal retirement age to contribute the lesser of (1) Twice the annual limit (\$36,000 in 2015, 2016, and 2017), or (2) The basic annual limit plus the amount of the basic limit not used in prior years (only allowed if not using age 50 or over catch-up contributions). Contributions and earnings are tax deferred. At December 31, 2016, the plan had 17,921 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 \$2,620,150 for the fiscal year ended June 30, 2017 and \$2,558,565 for the fiscal year ended June 30, 2016. The employee aggregate contribution to the above two vendors was equal to 8.0 percent of covered payroll or \$1,838,701 for the fiscal year ended June 30, 2017 and \$1,795,484 for the fiscal year ended June 30, 2016.

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 contributions by student employees for the fiscal years ended June 30, 2017 and 2016 were \$21,354 and \$17,841, respectively. The College is not liable for any matching contributions to the student retirement program.

Health Insurance Programs

The College's contributions to the various health insurance programs for the fiscal years ended June 30, 2017 and 2016 were \$4,360,440 and \$4,171,288, respectively.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

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.

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, 2017, 2016, and 2015 the College's contributions to the HCTF were \$86,584, \$85,609, and \$92,448 respectively, equal to the contributions for that year.

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:

Coverage	Company	Limit (\$)	Deductible (\$)
Property - Buildings (includes Computers and Equipment)	Hanover Group	489,613,122	10,000
Inland Marine	Hanover Group	1,286,000	1,000
Crime	Hanover Group	1,000,000	10,000
General Liability	Hanover Group	2,000,000	-
Sexual Misconduct or Molestation	Hanover Group	1,000,000	-
School Educators Legal Liability	Hanover Group	1,000,000	10,000
Employee Benefits Liability	Hanover Group	1,000,000	1,000
Law Enforcement Professional Liability	Hanover Group	1,000,000	2,500
Employment Practices Liability	Hanover Group	1,000,000	10,000
Fine Arts	Hanover Group	7,000,000	2,500
Commercial Auto	Hanover Group	1,000,000	1,000
Hired & Non-Owned Auto	Hanover Group	1,000,000	1,000
Workers' Compensation	Pinnacol Assurance	500,000	5,000
Excess	Hanover Group	10,000,000	10,000
Medical Professional	Hanover Group	3,000,000	1,000
Tenant Liability	Philadelphia	2,000,000	-
Foreign General Liability	AIG	6,000,000	-
Data Breach	Hanover Group	10,000	1,000
Flood	Hanover Group	5,000,000	25,000

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

NOTE 19: RISK FINANCING AND INSURANCE-RELATED ACTIVITIES, cont.

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 2017 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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
College's proportion of the net pension liability	0.29202833%	0.31475950%	0.33276131%	0.34067181%
College's proportionate share of the net pension liability	\$ 53,640,145	\$ 33,147,427	\$ 31,301,239	\$ 30,346,946
College's covered payroll	\$ 8,378,468	\$ 8,384,596	\$ 8,328,195	\$ 8,763,897
College's proportionate share of the net pension liability as a percentage of its covered payroll	640%	395%	376%	346%
Plan fiduciary net position as a percentage of the total pension liability	42.6%	56.1%	59.8%	61.1%
PERA Fiduciary Net Position (in thousands)	\$ 13,626,180	\$ 13,460,536	\$ 14,013,947	\$ 13,980,460
PERA Total Pension Liability (in thousands)	\$ 31,994,311	\$ 23,991,569	\$ 23,420,461	\$ 22,888,431

* 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:

See Note 17 in the accompanying Notes to the Financial Statements for changes to assumptions or other inputs used.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 1,540,109	\$ 1,490,576	\$ 1,491,417	\$ 1,382,743	\$ 1,347,586	\$ 1,062,738	\$ 1,022,139	\$ 1,369,348	\$ 1,385,068	\$ 1,276,695
Contributions in relation to the contractually required contribution	1,540,109	1,490,576	1,491,417	1,382,743	1,347,586	1,062,738	1,022,139	1,369,348	1,385,068	1,276,695
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
College's covered payroll	\$ 8,378,468	\$ 8,384,596	\$ 8,328,195	\$ 8,763,897	\$ 9,036,932	\$ 8,469,538	\$ 9,380,804	\$ 10,198,507	\$ 11,051,772	\$ 10,976,739
Contributions as a percentage of covered payroll	18.38%	17.78%	17.91%	15.78%	14.91%	12.55%	10.90%	13.43%	12.53%	11.63%

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Notes to the Required Supplementary Information:

See Note 17 in the accompanying Notes to the Financial Statements for changes to assumptions or other inputs used.

SUPPLEMENTARY INFORMATION

FORT LEWIS COLLEGE
SCHEDULE OF PLEDGED REVENUES AND EXPENSES
FOR SERIES 2007, 2012, AND 2016 REVENUE BONDS
For the Fiscal Years Ended June 30, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Residence Halls and Apartments	\$ 8,094,484	\$ 8,446,018
Campus Food Service	4,512,518	4,738,736
Bookstore	200,000	250,000
Student Union	1,954,794	2,155,182
Campus Parking	429,325	437,276
Child Development Center	395,094	400,093
Central Services	322,580	259,500
Recreation Center	1,589,795	1,702,258
Student Activities	664,048	657,500
Conferences & Summer Programs	654,170	679,983
Health and Counseling Center	629,064	679,403
10% Student Tuition	2,030,964	2,287,039
Indirect Cost Recovery	274,780	185,092
Total Revenues	21,751,616	22,878,080
OPERATING EXPENDITURES		
Residence Halls and Apartments	4,536,028	4,474,347
Campus Food Service	2,922,576	3,075,767
Bookstore	4,288	4,427
Student Union	1,129,998	1,134,807
Campus Parking	114,605	118,506
Child Development Center	472,167	462,737
Central Services	1,260,225	1,257,398
Recreation Center	1,619,605	1,624,338
Student Activities	689,288	641,640
Conferences & Summer Programs	484,304	500,046
Health and Counseling Center	799,848	766,825
Total Operating Expenditures	14,032,932	14,060,839
Net Revenue before Transfers	7,718,684	8,817,242
TRANSFERS		
Mandatory transfers	3,820,859	3,240,099
Net Non-mandatory Transfers	2,569,222	2,102,745
Total Transfers	6,390,081	5,342,844
Increase (Decrease) in fund balance	\$ 1,328,603	\$ 3,474,398
Net operating revenue	\$ 7,718,684	\$ 8,817,242
Bond Principal and Interest	4,141,798	3,426,438
Excess of net operating revenues over debt service	\$ 3,576,886	\$ 5,390,804
Debt service coverage ratio	186%	257%

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



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), as of and for the years ended June 30, 2017 and 2016, 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 29, 2017. 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, 2017, and 2016. 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.

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*.

Certified Public Accountants

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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 29, 2017



Wall,
Smith,
Bateman Inc.

November 29, 2017

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, 2017. 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 letter dated June 26, 2017. 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. 72, *Fair Value Measurement and Application* during Fiscal Year 2016. Additional disclosures have been included in the notes to the financial statements as required by this standard. 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, 2017 and total pension expense recognized during FY2017 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, 2016 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, 2016 and the College's fiscal year end of June 30, 2017.

Management's estimate of depreciation expense is based on the estimated useful life of the capital assets being depreciated at June 30, 2017. 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.

Certified Public Accountants

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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.

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 17 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 were detected as a result of audit procedures.

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. 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 29, 2017.

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.
Alamosa, Colorado