

FORT LEWIS COLLEGE

FINANCIAL AND COMPLIANCE AUDIT

Fiscal Year Ended June 30, 2016 and 2015



**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, 2016 and 2015**

Authority, Purpose and Scope

The audit of Fort Lewis College was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all state agencies and educational institutions . The Fiscal Year 2016 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 2016.

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, 2016 and 2015 and to express an opinion on the financial statements. This included a review of internal controls as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards* .
- § Evaluate the College's compliance with appropriate state and federal laws and regulations, and bond covenants that could have a material effect on the University's financial statements .
- § Report on the College's compliance and internal control over financial reporting based on our audit of the financial statements performed in accordance with *Government Auditing Standards* .
- § Express an opinion on the State Appropriations Expenditures, Transfers and Reversions of State-Funded Student Assistance Programs for the fiscal year ended June 30, 2016.
- § Evaluate progress in implementing prior year audit recommendations.

The Schedule of Expenditures of Federal Awards for Fort Lewis College and applicable audit opinions are included in the June 30, 2016 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, 2016 and 2015. Wall, Smith, Bateman Inc. also expressed an unmodified opinion on the Statement of Appropriations Expenditures, Transfers and Reversions of State-Funded Student Financial Assistance Programs for the fiscal year ended June 30, 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

The following is a summary of the findings contained in the report. The audit recommendation for this finding and associated College response is summarized in the recommendation locator, which follows the summary.

There was one reported finding and recommendation resulting from the audit work completed for fiscal year 2016:

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

Summary of Progress in Implementing Prior Audit Findings

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

RECOMMENDATION LOCATOR

All recommendations are addressed to Fort Lewis College Fiscal Year 2016

Rec. No.	Page No.	Recommendation Summary	Agency Response	Implementation Date
1	7	Fort Lewis College should improve existing controls over the preparation of Exhibit K1 by: 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.	Agree	January 2017

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 2015-16	FY 2014-15	FY 2013-14
Resident FTE	1,857	1,962	2,130
Non-Resident FTE	1,605	1,567	1,454
Total FTE Students	3,462	3,529	3,584

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 2015-16	FY 2014-15	FY 2013-14
Faculty FTE	198.0	198.8	182.0
Staff FTE	325.0	326.2	309.2
Total FTE	523.0	525.0	491.2

FINDINGS AND RECOMMENDATIONS SECTION

FORT LEWIS COLLEGE
AUDITORS' FINDINGS AND RECOMMENDATIONS
Fiscal year Ended June 30, 2016

EXHIBIT K1 - SCHEDULE OF FEDERAL ASSISTANCE

The Colorado Office of the State Controller (OSC) requires all departments and agencies of the State that expend federal awards to prepare an Exhibit K1 – “*Schedule of Federal Assistance*” annually. This exhibit aids the OSC in preparation of the Statewide Schedule of Expenditures of Federal Awards (SEFA). The OSC provides instructions for the proper preparation of the Exhibit K1 to departments and agencies. Fort Lewis College expended approximately \$26 million in federal funds in Fiscal Year 2016, nearly \$15 million of which was direct loan funding of the Student Financial Aid Program from the U.S. Department of Education.

What was the purpose of the audit work and what work was performed ?

The purpose of the audit work was to determine whether the Exhibit K1 submitted by the College to the OSC in support of the Statewide SEFA reporting for Fiscal Year 2016 was free from material misstatements.

We reviewed the Exhibit K1 submitted by the College to the OSC, to verify the accuracy of the information reported and assess the College’s compliance with OSC report preparation instructions. We also reviewed the College’s reconciliations between the Exhibit K1 and the general ledger accounting system, and confirmed data included on the Exhibit K1 with the U.S. Department of Education grant management system (G5) – External Award History Report for the fiscal year ended June 30, 2016.

How were the results of the audit work measured ?

The Fiscal Procedures Manual (Manual) issued by the OSC provides specific guidance on preparing financial exhibits that are to be submitted to the OSC at year-end. For example, the Manual informs the preparers of the Exhibit K1 that the Catalog of Federal Domestic Assistance (CFDA) number can be obtained from a federal website. The CFDA numbers are used on the SEFA to identify the federal assistance.

What problem did the audit work identify?

The College incorrectly reported approximately \$14.6 million of Federal Direct Student Loan fund expenditures under the CFDA number 84.032, Federal Family Education Loan (FFEL) program, rather than CFDA number 84.268, which is the correct number for the Federal Direct Student Loan program. Additionally, the College incorrectly included approximately \$1 million of private loan funds on the Exhibit K1 as part of the Federal Direct Student Loan program.

Why did the problem occur?

The College does not have a process in place to ensure staff are using the correct CFDA numbers for the federal loan program when preparing their Exhibit K1. While College staff indicated that they used a specific example contained in the OSC’s Manual as the basis for reporting the expenditures under the FFEL program CFDA, they did not review other guidance in the instructions that referred the reader to a federal website to obtain the CFDA number for their programs. Additionally, due to a lack of communication between Business Office and Financial Aid Office staff, the instructions, procedures, and information used by staff to prepare the final Exhibit K1, as well as the final Exhibit K1 submitted to the OSC, were not reviewed by the Financial Aid Office prior to submission to OSC and independent auditors.

Why does this problem matter?

Because the Exhibit K1 is used by the OSC to prepare the Statewide SEFA, errors on the Exhibit K1 can lead to the SEFA being misstated. Additionally errors with the Exhibit K1 could potentially lead to federal sanctions being levied on the College or the State.

FORT LEWIS COLLEGE
AUDITORS' FINDINGS AND RECOMMENDATIONS
Fiscal year Ended June 30, 2016

Classification of Finding: Significant Deficiency

Recommendation No. 1:

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

- 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.

Fort Lewis College's Response:

Agree. Implementation Date: January 2017

- A. In preparing the Exhibit K, the College relied on the OSC instructions for the Exhibit K which state (page 26): "The OSC requires state institutions of higher education to report the amount of new loans issued during the state fiscal year under the Federal Family Education Loan Program (CFDA #84.032). New loans issued that are guaranteed by entities external to the State of Colorado should be reported using CFDA #84.032." Direct Student Lending is a new loan guaranteed by an entity external to the State of Colorado, and the instructions do not refer to CFDA number 84.268.

The College has reviewed and updated their procedures, where necessary, to ensure that all CFDA numbers for student loans with the Department of Education are confirmed with the DOE and all amounts are confirmed with the College's Office of Financial Aid.

Agree. Implementation Date: January 2017

- B. In preparing the Exhibit K, the College relied on the OSC instructions for the Exhibit K which state (page 26): "The OSC requires state institutions of higher education to report the amount of new loans issued during the state fiscal year under the Federal Family Education Loan Program (CFDA #84.032). New loans issued that are guaranteed by entities external to the State of Colorado should be reported using CFDA #84.032." Direct Student Lending is a new loan guaranteed by an entity external to the State of Colorado, and the instructions do not refer to CFDA number 84.268.

The College has reviewed and updated their procedures, where necessary, to ensure that all CFDA numbers for student loans with the Department of Education are confirmed with the DOE and all amounts are confirmed with the College's Office of Financial Aid.

FORT LEWIS COLLEGE
DISPOSITION OF PRIOR YEAR AUDIT RECOMMENDATIONS
Fiscal Year Ended June 30, 2016

Summary of Progress in Implementing Prior Year Audit Recommendations

The audit report for the year ended June 30, 2015 did not include any recommendations or findings.

FINANCIAL STATEMENTS SECTION

INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

Members of the Legislative Audit Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the major fund of Fort Lewis College (the College), an Institution of Higher Education, State of Colorado, as of and for the years ended June 30, 2016 and 2015, 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, 2016 and 2015. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Fort Lewis College Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Fort Lewis College Foundation were not audited in accordance with the *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, 2016 and 2015, and the changes in its financial position, or, where applicable, its cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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*. In fiscal year 2015, the College adopted *GASB Statement No. 68, Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the College's proportionate share of the net pension liability, and schedule of College contributions on pages 12-23 and 61-62 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 January 4, 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.
Alamosa, Colorado

January 4, 2017

FORT LEWIS COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2016 and 2015

We are pleased to present this financial discussion and analysis of Fort Lewis College (the College). The discussion is intended to make the financial statements easier to understand and communicate the College's financial situation in an open and accountable manner. Furthermore, the management's discussion and analysis provides an objective examination of the College's financial position and results of operations as of and for the years ended June 30, 2016 (FY 2016 or fiscal year 2016) and June 30, 2015 (FY 2015 or fiscal year 2015), with comparative information for the year ended June 30, 2014 (FY 2014 or fiscal year 2014). College management is responsible for the completeness and fairness of this discussion and analysis, the financial statements, and related footnote disclosures.

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

Fort Lewis College was established under an agreement with the federal government whereby 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 just over 30% of the education and general budget.

Understanding the Financial Statements

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

- ***Report of Independent Auditors*** presents an unmodified opinion prepared by the College's auditors (an independent certified public accounting firm, Wall, Smith, Bateman Inc.) on the fairness, in all material respects, of the College and its discretely presented component unit's respective financial position.
- ***Statement of Net Position*** presents the assets, liabilities, and net position of the College as of June 30, 2016 and 2015. Its purpose is to present a financial snapshot of the College. This statement aids readers in determining the assets available to continue the College's operations; evaluating how much the College owes to vendors and lending institutions; and understanding the College's net position and their availability for expense.
- ***Statement of Revenues, Expenses, and Changes in Net Position*** presents the total revenues earned and expenses incurred by the College for operating, non-operating, and other related activities for the year ended June 30, 2016 and 2015. This statement's purpose is to assess the College's operating results.
- ***Statement of Cash Flows*** presents College cash receipts and payments for the year ended June 30, 2016 and 2015. This statement's purpose is to assess the College's ability to generate net cash flows and meet its payment obligations as they come due.
- ***Notes to the Financial Statements*** present additional information to support the financial statements and are commonly referred to as Note(s). The purpose of the Notes is to clarify and expand on the information in the financial statements.

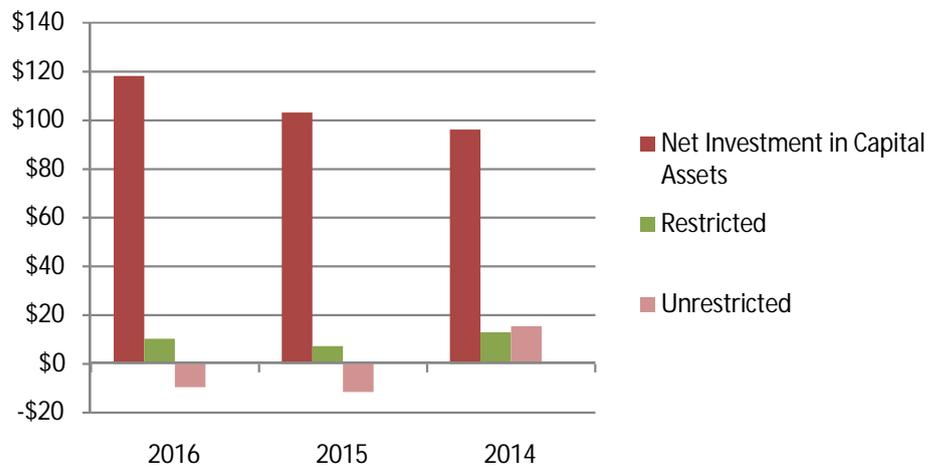
**FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

FINANCIAL HIGHLIGHTS

Year Ended June 30, 2016:

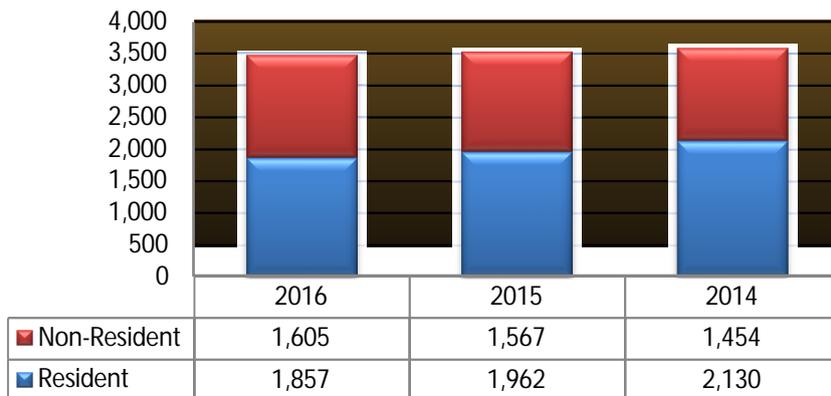
§ **Net Position** – The College’s financial position, as a whole, improved during the year ended June 30, 2016. The combined net position increased by 20.1% or \$19,883,053, from \$98,916,028 to \$118,799,081. The Unrestricted Net Position remained negative due to the impact of GASB 68, ‘Accounting 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.

Net Position at Year End



§ **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.

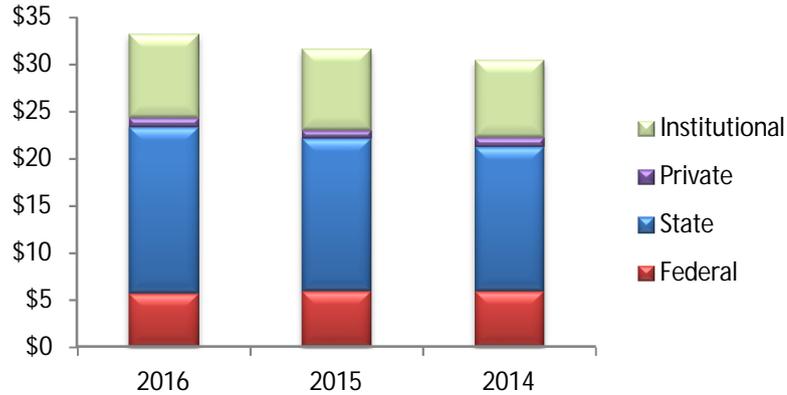
FTE Enrollment



**FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

§ **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. 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 2014 and FY 2016.

	FY 2016	FY 2015	FY 2014
Total State Funding	\$11,822,422	\$10,594,604	\$ 9,540,320
Change from Previous Year	11.6%	11.1%	

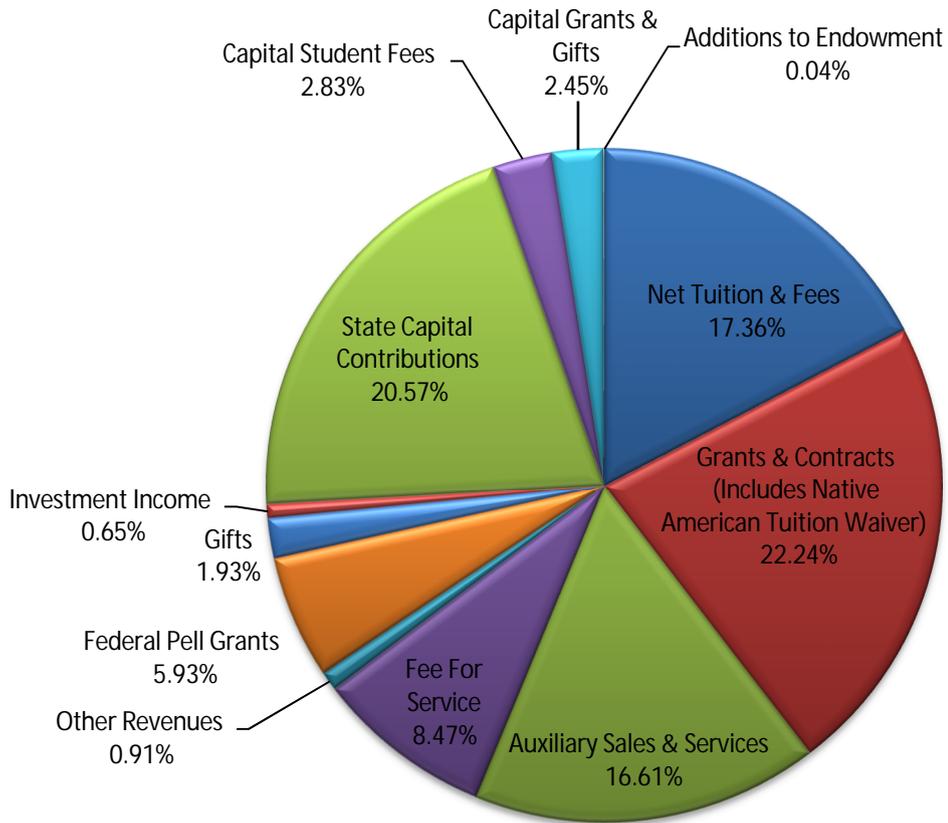
In addition to regular State funding, Fort Lewis College also receives reimbursement from the State for tuition waived to qualified Native American students, as a result of a 1911 Federal mandate. The reimbursement is funded one year in arrears; the tuition waived is paid in the following year. The funding 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 2014 and FY 2016.

	FY 2016	FY 2015	FY 2014
Native American Tuition Reimbursement	\$ 16,157,618	\$ 14,841,981	\$ 14,466,230
Change from Previous Year	8.9%	2.6%	

**FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

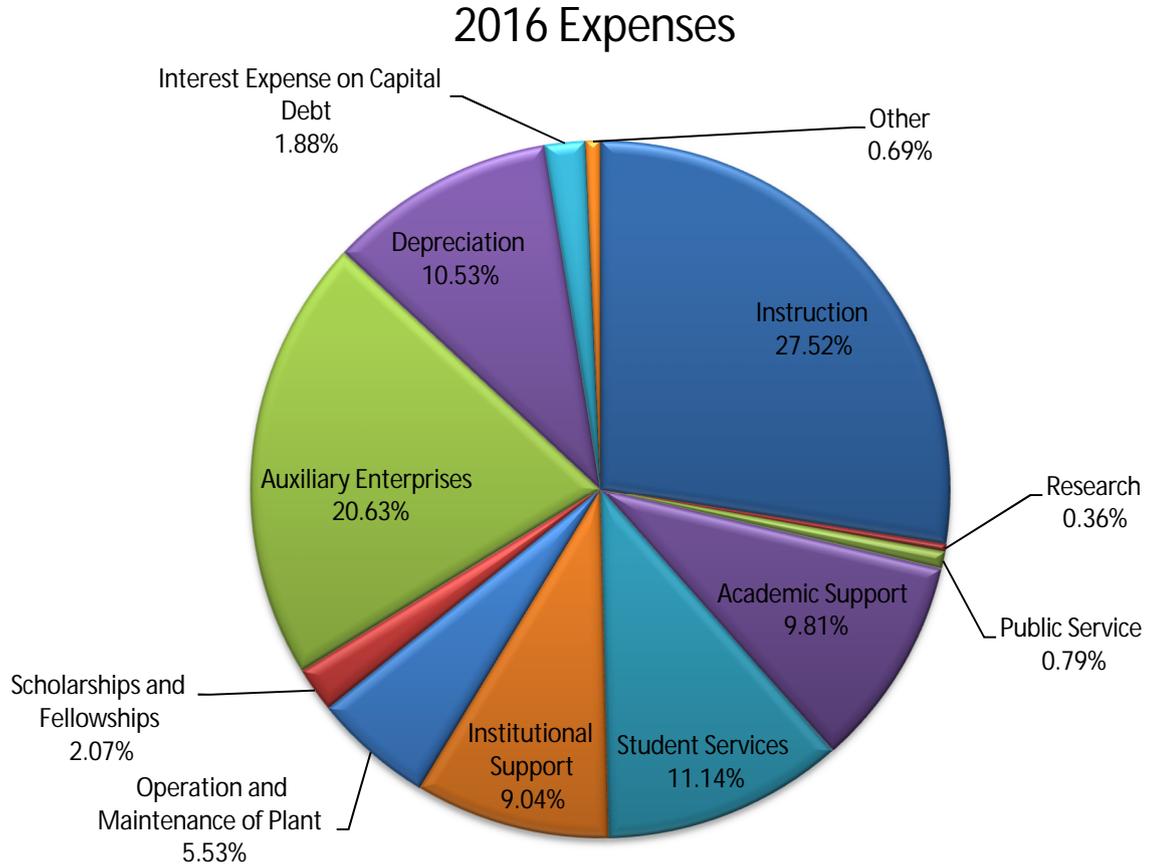
§ **Total revenues** received in FY 2016 were \$94,359,972 and are depicted below without distinction as to whether they are classified as Operating or Nonoperating on the Statement of Revenues, Expenses and Changes in Net Position.

2016 Sources of Revenue



**FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

§ **Total expenses** for FY 2016 were \$74,476,919 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, 2016 and 2015**

Year Ended June 30, 2015:

- § **Net Position** -- The College's financial position was dramatically affected by the implementation of GASB 68, 'Accounting and Financial Reporting for Pensions'. The College booked its proportionate share of the State of Colorado's Public Employee Retirees Association (PERA) liability. This accounting change resulted in a negative net position of (\$30,346,677) for 2015. The unrestricted portion of net position was not large enough to offset this negative, resulting in a negative balance of (\$11,522,744) for 2015. Overall net position increased by \$4.1 million.
- § **Enrollment** -- Undergraduate full-time equivalent (FTE) enrollment decreased by 1.5% (53 students) in FY 2015; in-state enrollment declined by 7.9% while out-of-state enrollment grew approximately 7.8%. Fall 2014 headcount, based on final fall census reports was 5.9% lower than the prior year, with resident headcount down by 11.3% and nonresident headcount up by approximately 2.1%. Native American Tuition Waiver fall headcount enrollment based on original fall census reports, was 4.0% higher than the prior year, with resident headcount down by 3.1% and nonresident headcount up by approximately 5.2%. As a result of the decline in fall enrollment, the College engaged Royall and Company to conduct a direct mail campaign to affect Fall 2015 enrollment. Initial results show growth in the Fall 2015 freshman class.
- § **Scholarships** --The discount rate for 2015 (adjusted for the effect of the Native American Tuition Waiver) was 32.3%. Scholarship awards have been increased as part of the overall enrollment management strategy; the College believes that its enrollment management initiatives have produced positive results in both recruitment of new students and retention of continuing students. State-funded financial aid includes the Native American Tuition Waiver.
- § **First Graduate Degree Awarded** - The Master of Arts in Education, Teacher Leadership Option was created in 2012, and the first graduate degree ever offered at Fort Lewis College was awarded at the Spring Commencement Ceremony. Twenty-four students who made it through the two-year master's program were honored with their degrees.

**FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

CONDENSED FINANCIAL STATEMENTS FOR THE COLLEGE

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

- λ **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, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Current Assets	\$39,379,515	\$34,542,156	\$33,761,145
Noncurrent Assets	<u>173,672,149</u>	<u>158,364,669</u>	<u>154,746,459</u>
Total Assets	<u>213,051,664</u>	<u>192,906,825</u>	<u>188,507,604</u>
Deferred Outflows of Resources	<u>7,161,598</u>	<u>1,493,623</u>	<u>95,126</u>
Current Liabilities	12,499,445	11,865,510	10,554,818
Noncurrent Liabilities	<u>87,190,441</u>	<u>83,157,454</u>	<u>53,594,490</u>
Total Liabilities	<u>99,689,886</u>	<u>95,022,964</u>	<u>64,149,308</u>
Deferred Inflows of Resources	<u>1,724,295</u>	<u>461,456</u>	<u>0</u>
Net Position:			
Net Investment in Capital Assets	118,173,389	103,164,181	96,179,392
Restricted	10,237,310	7,274,591	12,901,981
Unrestricted	<u>(9,611,618)</u>	<u>(11,522,744)</u>	<u>15,372,049</u>
Total Net Position	<u>\$118,799,081</u>	<u>\$98,916,028</u>	<u>\$124,453,422</u>

**FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

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

Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>
Operating Revenues			
Tuition and Fees, Net	\$16,382,998	\$17,616,406	\$18,419,028
Grants and Contracts	20,987,085	20,234,212	19,499,387
Auxiliary Services, Net	15,669,923	15,128,393	15,811,083
Other	<u>8,852,413</u>	<u>7,489,173</u>	<u>6,457,817</u>
Total Operating Revenues	<u>61,892,419</u>	<u>60,468,184</u>	<u>60,187,315</u>
Operating Expenses	<u>72,560,232</u>	<u>72,065,712</u>	<u>68,476,182</u>
Net Operating Revenues (Expenses)	<u>(10,667,813)</u>	<u>(11,597,528)</u>	<u>(8,288,867)</u>
Non-operating Revenues (Expenses):			
Federal Pell Grants	5,596,976	5,759,785	5,684,799
Other Net Non-operating Revenues (Expenses)	<u>547,353</u>	<u>(599,957)</u>	<u>(257,341)</u>
Net Non-operating Revenues	<u>6,144,329</u>	<u>5,159,828</u>	<u>5,427,458</u>
Income (Loss) Before Other Revenues, Expenses, or Transfers	(4,523,484)	(6,437,700)	(2,861,409)
Gain (Loss) on Disposal of Assets	(22,503)	(3,638)	(6,124)
State Capital Contributions	19,406,074	7,529,278	1,155,773
Capital Student Fees, Net	2,672,954	2,720,145	2,841,690
Capital Grants and Gifts	2,314,017	203,802	32,551
Additions to Endowments	<u>35,995</u>	<u>39,783</u>	<u>109,242</u>
Increase (Decrease) in Net Position	19,883,053	4,051,670	1,271,723
Net Position – Beginning of Year	<u>98,916,028</u>	<u>124,453,422</u>	<u>123,181,699</u>
Restatement, GASB 68		(29,589,064)	
Restated Net Position – Beginning of Year	<u>98,916,028</u>	<u>94,864,358</u>	<u>123,181,699</u>
Net Position – End of Year	<u>\$118,799,081</u>	<u>\$98,916,028</u>	<u>\$124,453,422</u>

**FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

CAPITAL ASSETS

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

Capital Assets, Net, at Year-End

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Land	\$106,301	\$106,301	\$106,301
Construction in Progress	26,593,629	8,699,462	3,645,509
Collections	1,387,707	1,386,967	1,294,177
Land Improvements, Net	9,060,068	9,466,582	10,162,078
Buildings and Improvements, Net	127,878,393	131,673,346	130,976,732
Equipment, Net	3,133,927	2,707,311	2,626,644
Library Materials, Net	<u>525,533</u>	<u>567,901</u>	<u>589,650</u>
Total	<u>\$168,685,558</u>	<u>\$154,607,870</u>	<u>\$149,401,091</u>

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

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

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

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

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

**FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

DEBT

At June 30, 2016, 2015 and 2014, the College had approximately \$53.9 million, \$51.7 million, and \$53.5 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, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Auxiliary Revenue Bonds, Net	<u>\$53,907,458</u>	<u>\$51,714,471</u>	<u>\$53,521,909</u>
Total	<u>\$53,907,458</u>	<u>\$51,714,471</u>	<u>\$53,521,909</u>

OTHER HIGHLIGHTS

§ **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.

For the 2007 Series A refunding, 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 net 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.

For the 2007 Series B1 refunding, 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 net 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.

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 will be 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, 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, 2016 and 2015**

§ **Higher Learning Commission Accreditation** – After two years of work by the Fort Lewis College and Durango communities, FLC formally earned reaccreditation with the Higher Learning Commission (HLC). The HLC evaluators visited campus in October 2015 and met with teams of faculty, students, staff and community members and submitted its final report on December 10, 2015. The next reaccreditation process for the College will be in 2025.

For more information, please visit: <https://www.fortlewis.edu/accreditation/> .

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 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 2016. The downside of these changes resulted in a decrease of incoming Freshman of 4.6%.

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

A portion of Berndt Hall 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 has committed to raise matching funding of \$4.2 million to match the State funding. As of June 30, 2016, donated funds of \$1.2 million were available to put towards the match, with additional College resources identified to meet the State funding match. Completion of the new facility is expected to be in November 2016.

**FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2016 and 2015**

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 7%. Based upon a number of studies conducted regarding the state of the Colorado budget, the College anticipates further reductions to higher education in the coming years. As part of the annual budget process, the College takes a five-year view of projected State revenues, enrollment and tuition rate increases, anticipating cuts in each of the next five years in State revenues, and flat enrollment with anticipated tuition rate increases.

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

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

FORT LEWIS COLLEGE
STATEMENTS OF NET POSITION
June 30, 2016 and 2015

ASSETS	2016	2015
Current Assets:		
Cash and Cash Equivalents	\$ 29,619,032	\$ 32,317,084
Investments	6,256,250	-
Student Accounts Receivable, Net	558,300	631,089
Accounts Receivable - Fort Lewis College Foundation	132,773	-
Other Accounts Receivable	1,949,457	772,267
Student Loans Receivable, Net	301,528	278,078
Inventories	38,306	33,055
Prepaid Expense	523,869	510,583
Total Current Assets	<u>39,379,515</u>	<u>34,542,156</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	3,330,374	2,068,315
Student Loans Receivable, Net	1,656,217	1,495,306
Other Non-current Assets	-	193,178
Nondepreciable Capital Assets:		
Land and Improvements	126,985	126,985
Construction in Progress	26,593,629	8,699,462
Collections	1,387,707	1,386,967
Total Nondepreciable Capital Assets	<u>28,108,321</u>	<u>10,213,414</u>
Depreciable Capital Assets:		
Land Improvements, Net	9,039,384	9,445,898
Buildings and Improvements, Net	127,878,393	131,673,346
Equipment, Net	3,133,927	2,707,311
Library Materials, Net	525,533	567,901
Total Depreciable Capital Assets, Net	<u>140,577,237</u>	<u>144,394,456</u>
Total Noncurrent Assets	<u>173,672,149</u>	<u>158,364,669</u>
Total Assets	<u>213,051,664</u>	<u>192,906,825</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources	<u>7,161,598</u>	<u>1,493,623</u>

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

FORT LEWIS COLLEGE
STATEMENTS OF NET POSITION
June 30, 2016 and 2015

LIABILITIES	<u>2016</u>	<u>2015</u>
Current Liabilities:		
Accounts Payable	4,127,736	4,097,646
Accounts Payable - Foundation	-	80,836
Accrued Liabilities	4,846,280	4,275,364
Unearned Revenue	939,666	1,037,721
Deposits Held for Others	278,708	259,336
Bonds Payable, Current Portion	2,098,027	1,919,684
Compensated Absence Liabilities	209,028	194,923
Total Current Liabilities	<u>12,499,445</u>	<u>11,865,510</u>
Noncurrent Liabilities:		
Bonds Payable, Net	51,809,431	49,794,787
Compensated Absence Liabilities	2,233,583	2,061,428
Pension Liability	33,147,427	31,301,239
Total Noncurrent Liabilities	<u>87,190,441</u>	<u>83,157,454</u>
 Total Liabilities	 <u>99,689,886</u>	 <u>95,022,964</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources	<u>1,724,295</u>	<u>461,456</u>
 NET POSITION		
Net Investment in Capital Assets	118,173,389	103,164,181
Restricted for Nonexpendable Purposes:		
Endowment	141,649	141,649
Restricted for Expendable Purposes		
Capital Projects	1,257,595	-
Endowment	1,353,867	1,317,872
Other	7,484,199	5,815,070
Unrestricted	(9,611,618)	(11,522,744)
Total Net Position	<u><u>\$118,799,081</u></u>	<u><u>\$ 98,916,028</u></u>

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

FORT LEWIS COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2016 and 2015

ASSETS	2016	2015
Cash and Cash Equivalents	\$ 307,276	\$ 640,101
Investments	17,183,850	15,594,272
Due From Fort Lewis College	-	80,836
Pledges Receivable	285,900	43,955
Beneficial Interest in Assets Held by Others	94,926	483,328
Tangible Assets, Net	<u>7,547,438</u>	<u>7,926,852</u>
TOTAL ASSETS	<u>\$ 25,419,390</u>	<u>\$ 24,769,344</u>
 LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 16,811	\$ 7,384
Due to Fort Lewis College	132,773	-
Gift Annuity Obligation Payable	4,256	79,875
Line of Credit Payable	<u>1,045,033</u>	<u>1,058,133</u>
TOTAL LIABILITIES	<u>1,198,873</u>	<u>1,145,392</u>
 NET ASSETS		
Unrestricted		
General Unrestricted	1,627,319	1,135,029
Board Designated Endowments	1,368,269	1,338,161
Other Board Designations	265,816	1,387,121
Gifts-in-Kind and Other Tangible Assets	<u>1,137,500</u>	<u>1,609,375</u>
Total Unrestricted Net Assets	<u>4,398,904</u>	<u>5,469,686</u>
 Temporarily Restricted		
Scholarships, Awards, and Other	4,033,363	4,280,184
Endowment Funds	1,410,542	1,339,743
Gifts-in-Kind and Other Tangible Assets	<u>3,615,393</u>	<u>3,522,932</u>
Total Temporarily Restricted Net Assets	<u>9,059,298</u>	<u>9,142,859</u>
 Permanently Restricted		
Endowment Funds	7,967,770	6,216,862
Gifts-in-Kind	<u>2,794,545</u>	<u>2,794,545</u>
Total Permanently Restricted Net Assets	<u>10,762,315</u>	<u>9,011,407</u>
TOTAL NET ASSETS	<u>24,220,517</u>	<u>23,623,952</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 25,419,390</u>	<u>\$ 24,769,344</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, 2016 and 2015

REVENUES	<u>2016</u>	<u>2015</u>
Operating Revenues:		
Student Tuition and Fees (including pledged revenues of \$4,058,201 - 2016 and \$4,153,861 - 2015, net of scholarship allowances of \$30,118,978 - 2016 and \$28,833,666 - 2015, and net of bad debt of \$73,236 - 2016 and \$5,665 - 2015)	\$ 16,382,998	\$ 17,616,406
Federal Grants and Contracts	1,953,621	2,176,952
State and Local Grants and Contracts	18,122,673	16,868,844
Non-Governmental Grants and Contracts (including pledged revenues of \$340,000 - 2016 and \$340,000 - 2015)	910,791	1,188,416
Auxiliary Enterprises (including pledged revenues of \$15,491,368 - 2016, and \$14,711,258 - 2015, net of scholarship allowances of \$1,531,280 - 2016 and \$1,426,744 - 2015, and net of bad debt of \$132,700 - 2016 and \$168,151 - 2015)	15,669,923	15,128,393
Fee For Service Contract Revenue	7,995,735	6,553,507
Other Operating Revenues (including pledged revenues of \$5,149 - 2016 and \$8,970 - 2015 and bad debt of \$6,306 - 2016 and \$474 - 2015)	856,678	935,666
Total Operating Revenues	<u>61,892,419</u>	<u>60,468,184</u>
 EXPENSES		
Operating Expenses:		
Instruction	20,494,265	21,054,318
Research	266,200	367,516
Public Service	591,266	834,920
Academic Support	7,303,563	7,150,918
Student Services	8,299,166	8,128,425
Institutional Support	6,735,317	6,725,825
Operation and Maintenance of Plant	4,120,727	4,108,521
Scholarships and Fellowships	1,541,370	1,338,158
Auxiliary Enterprises	15,365,140	14,636,585
Depreciation	7,843,218	7,720,526
Total Operating Expenses	<u>72,560,232</u>	<u>72,065,712</u>
Operating Income (Loss)	<u>(10,667,813)</u>	<u>(11,597,528)</u>
 NONOPERATING REVENUES (EXPENSES)		
Federal Pell Grants	5,596,976	5,759,785
Gifts (including pledged revenues of \$58,531 - 2016 and \$36,923 - 2015)	1,823,484	1,549,710
Investment Income (including pledged revenues of \$106,323 - 2016 and \$85,802 - 2015)	618,053	325,650
Interest Expense on Capital Debt	(1,402,575)	(2,463,411)
Other Nonoperating Expenses	(491,609)	(11,906)
Net Nonoperating Revenues	<u>6,144,329</u>	<u>5,159,828</u>
Income (loss) before other revenues, expenses, or transfers	<u>(4,523,484)</u>	<u>(6,437,700)</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, 2016 and 2015

OTHER REVENUES, (EXPENSES), OR TRANSFERS	<u>2016</u>	<u>2015</u>
Gain or (Loss) on Disposal of Assets	(22,503)	(3,638)
State Capital Contributions	19,406,074	7,529,278
Capital Student Fees (net of bad debt of \$11,969 - 2016 and \$12,756 - 2015)	2,672,954	2,720,145
Capital Grants & Gifts	2,314,017	203,802
Additions to Endowments	<u>35,995</u>	<u>39,783</u>
Increase (Decrease) in Net Position	19,883,053	4,051,670
 NET POSITION		
Net Position - Beginning of Year	98,916,028	124,453,422
Restatement	-	(29,589,064)
Restated Net Position - Beginning of Year	<u>98,916,028</u>	<u>94,864,358</u>
Net Position - End of Year	<u><u>\$118,799,081</u></u>	<u><u>\$ 98,916,028</u></u>

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

FORT LEWIS COLLEGE FOUNDATION, INC.
STATEMENT OF 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 FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

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

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

FORT LEWIS COLLEGE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received:		
Tuition and Fees	\$ 16,309,453	\$ 17,498,697
Sales of Products	617,805	261,667
Sales of Services	21,877,903	21,421,821
Grants and Contracts	21,002,956	20,143,408
Student Loans Collected	290,097	438,546
Other Operating Receipts	895,338	1,126,343
Cash Payments:		
Scholarships Disbursed	(1,530,526)	(1,325,389)
Student Loans Disbursed	(441,408)	(409,421)
Payments to Suppliers	(18,979,959)	(18,435,554)
Payments to Employees	(43,246,495)	(44,239,975)
Net Cash Provided (Used) by Operating Activities	<u>(3,204,836)</u>	<u>(3,519,857)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal Pell Grants	5,593,339	5,773,672
Gifts for Other than Capital Purposes	1,609,875	1,841,219
Agency Receipts	21,345,348	21,536,810
Agency Payments	(21,325,817)	(21,549,123)
Additions to Endowment	35,995	39,783
Net Cash Provided by Noncapital Financing Activities	<u>7,258,740</u>	<u>7,642,361</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Student Fees	2,659,255	2,733,971
State Capital Contributions	19,348,578	-
Capital Gifts and Grants	2,314,017	7,695,426
Proceeds from Sale of Capital Assets	-	33,100
Bond Issuance Costs Paid	(208,694)	-
Net Proceeds from Bonds Issued/ Proceeds from Capital Debt	640,712	-
Acquisition and Construction of Capital Assets	(21,206,850)	(11,228,717)
Principal Paid on Capital Debt	(1,919,684)	(1,822,356)
Interest on Capital Debt	(1,479,032)	(2,451,215)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>148,302</u>	<u>(5,039,791)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	8,594,082	-
Purchase of Investments	(14,660,267)	-
Investment Earnings	427,986	325,650
Net Cash Provided by Investing Activities	<u>(5,638,199)</u>	<u>325,650</u>
Net Increase (Decrease) in Cash	(1,435,993)	(591,637)
Cash - Beginning of Year	<u>34,385,399</u>	<u>34,977,036</u>
Cash - End of Year	<u>\$ 32,949,406</u>	<u>\$ 34,385,399</u>

The accompanying notes are an integral part of this financial statement

FORT LEWIS COLLEGE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

	2016	2015
Reconciliation of Net Operating Revenues (Expenses) to Net Cash		
Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (10,667,813)	\$ (11,597,528)
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Depreciation Expense	7,843,218	7,720,526
 Change in Assets and Liabilities (Operating Portions):		
Receivables, Net	(1,290,061)	204,177
Inventories	(5,249)	(3,690)
Prepaid Expense	(13,286)	(217,617)
Other Non-current Assets	124,415	11,691
Accounts Payable	(9,791)	1,486,295
Accrued Liabilities	(47,752)	(1,992,818)
Unearned Revenue	(83,515)	(33,081)
Deposits Held for Others	-	(13,226)
Compensated Absence Liabilities	186,261	157,802
Pension Liability	758,737	757,612
 Net Cash Provided (Used) by Operating Activities	\$ (3,204,836)	\$ (3,519,857)
 NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
State-funded Acquisitions of Capital Assets	\$ 57,496	\$ 37,654
Gain (Loss) on Capital Asset Deletions	(22,503)	(3,638)
Amortization of Bond Issuance Costs	(344,189)	(11,906)
Amortization of Bond Discount	-	(14,917)
Amortization of Deferred Loss	(101,495)	(17,522)
Change in Unrealized Gains on Investments	190,065	-
Amortization of Bond Premium	98,232	-

The accompanying notes are an integral part of this financial statement

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GOVERNANCE

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

REPORTING ENTITY AND COMPONENT UNIT

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

The College adheres to Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. This Statement amends GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statements -and Management's Discussion and Analysis-for State and Local Governments* to provide additional guidance for determining whether certain organizations, such as not-for-profit foundations, should be included in the College's financial reporting entity. The College has determined that the Fort Lewis College Foundation (the Foundation) meets the GASB Statement No. 61 criteria for inclusion in the College's financial statements.

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

The Foundation is a private nonprofit organization that reports under *Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), Topic 958 Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition and presentation features. No modifications have been made to the Foundation's financial information in the College's financial statements for these differences.

The amount transferred from the Foundation to the College, during the fiscal year ended June 30, 2016, for the purposes stated above 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 concert hall. Transfers for the year ended June 30, 2015 were \$2,065,045, which included \$738,440 for scholarships and \$537,278 of grant pass-through transactions. Complete financial statements for the Foundation can be obtained from the Controller's Office at the College.

As defined by GASB Statement No. 61, the College is not financially accountable for any other entity, nor are there any other entities for which the nature and significance of their relationship with the College are such that exclusion would cause the College's financial statements to be misleading or incomplete.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING

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

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

CASH AND CASH EQUIVALENTS

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

RESTRICTED CASH AND CASH EQUIVALENTS

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

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.

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

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The useful life of Library Materials was changed to 10 years for FY16 down from 15 years in FY15 and prior years. The impact on current year depreciation is an increase of \$631. As this is considered a change in accounting estimate this does not require the restatement of earlier financial statements, nor the retrospective adjustment of account balances. 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

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

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NET POSITION

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

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

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

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

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

CLASSIFICATION OF REVENUES

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

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

Nonoperating revenues – Nonoperating revenues are those revenues that do not meet the definition of operating revenues. Nonoperating revenues include Federal Pell grants, gifts, investment income, and other nonoperating revenue.

APPLICATION OF RESTRICTED AND UNRESTRICTED RESOURCES

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

PENSIONS

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

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/fiscalspolicy>

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

During 2015, the College adopted the provisions of the following GASB pronouncements:

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

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

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

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, 2016, Fort Lewis College had cash on deposit with the State Treasurer of \$25,352,307 which represented approximately 0.34 percent of the total \$7,408.5 million fair value of deposits in the State Treasurer's Pool (Pool).

For financial reporting purposes all of the Treasurer's investments are reported at fair value, which is determined based on quoted prices in active markets for identical assets (\$230 million) and significant other observable inputs (\$7,178.5 million) at the fiscal year end. 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 on the Treasury Pool is \$146,088 and \$86,831 at June 30, 2016 and 2015, respectively.

Investments in the Treasurer's Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the State's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the State's name. As of June 30, 2016, none of the investments in the State Treasurer's Pool are subject to custodial credit risk.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

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

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2016, approximately 83.8 percent of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for \$77,761,610 of corporate bonds rated lower medium, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2016, the weighted average maturity of investments in the Treasurer's Pool is as follows:

Investment Type	Weighted Average Maturity	Fair Value Amount	Percent of Pool
Asset Backed Securities	2.585	\$ 1,030,324,633	14.0
Corporate Bonds	1.985	1,668,441,771	22.4
U.S. Government Securities	1.343	3,633,084,620	49.0
Commercial Paper	0.094	846,606,464	11.5
Money Market Mutual Funds	0.000	230,000,000	3.1
TOTAL		\$ 7,408,457,488	100.0

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2015-16.

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, 2016.

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.

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

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.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

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

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

	Fair Value	Cost
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	\$ 6,256,250	\$ 6,066,185

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	\$ 256,250

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). Credit risk applies only to debt investments. The College held no debt investments at June 30, 2016.

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, 2016.

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, 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, 2016 and 2015

NOTE 3: FORT LEWIS COLLEGE FOUNDATION CASH AND INVESTMENTS

Under the Foundation's adopted investment policy, investments are identified and allocated using four asset classes. Asset classes include cash and cash equivalents, fixed income securities, equities and commodities. For the years reported herein, cash and cash equivalents consist of demand deposits and money market accounts. Asset allocation is reviewed at least annually by the Investment Committee. Fixed income securities include GNMA pools, other government-back securities individually held and in mutual funds. 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, 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	<u>\$ 16,342,216</u>	<u>\$ 17,491,126</u>	<u>100%</u>	<u>\$ 1,148,910</u>

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

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

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

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

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. During the year ended June 30, 2015, net realized gains of \$666,078 were recognized on investments, along with net unrealized losses of \$1,360,902 and amortization of premiums of \$76,968.

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, 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

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

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

During the year ended June 30, 2016, net realized gains of \$2,187 were recognized on these investments, along with net unrealized losses of \$38,695. During the year ended June 30, 2015, net realized gains of \$45,945 were recognized on these investments, along with net unrealized losses of \$66,443.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

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, 2016 and 2015, the Accounts Receivable balances are comprised of:

	<u>2016</u>	<u>2015</u>
Student Accounts Receivable	\$ 1,356,999	\$ 1,941,461
Less: Allowance for Doubtful Accounts	<u>(798,699)</u>	<u>(1,310,372)</u>
Student Accounts Receivable, Net	<u>558,300</u>	<u>631,089</u>
Student Loans Receivable	2,249,856	2,111,944
Less: Allowance for Doubtful Accounts	<u>(292,111)</u>	<u>(338,560)</u>
Student Loans Receivable, Net	<u>1,957,745</u>	<u>1,773,384</u>
Accounts Receivable - Fort Lewis College Foundation	<u>132,773</u>	<u>-</u>
Other Accounts Receivable		
Sponsored Programs	313,350	290,459
Conferences & Summer Programs	120,055	317,463
Other*	<u>1,516,052</u>	<u>164,345</u>
Other Accounts Receivable	<u>1,949,457</u>	<u>772,267</u>
Total Receivables, Net	<u>\$ 4,598,275</u>	<u>\$ 3,176,740</u>

*Other accounts receivable include \$1,325,511 for a Fee for Service payment that was processed after June 30, 2016.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 5: CAPITAL ASSETS

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>

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

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

Additions to buildings and construction in progress for the year ended June 30, 2016 includes \$27,722 of capitalized interest, and for the year ended June 30, 2015 include s \$0 of capitalized interest.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 6: FORT LEWIS COLLEGE FOUNDATION TANGIBLE ASSETS

Tangible assets include gifts-in-kind and purchased items held by the Foundation. Included in real estate are two (three in 2015) condominiums which the Foundation is depreciating over a period of forty years using the straight-line method. Depreciation expense for the year ended June 30, 2016 and 2015 was \$35,787 and \$45,162, respectively .

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, 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	1,137,500	2,658,317	2,641,550	6,437,367
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	-	957,076	152,995	1,110,071
Total Tangible Assets	\$ 1,137,500	\$ 3,615,393	\$ 2,794,545	\$ 7,547,438

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

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

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 7: ACCRUED LIABILITIES

At June 30, 2016 and 2015, the types and amounts of accrued liabilities, as presented on the Statements of Net Position, are comprised of:

	<u>2016</u>	<u>2015</u>
Accrued Payroll & Benefits	\$ 3,065,637	\$ 3,152,604
Accrued Interest Payable	519,262	598,982
Contractor Retainage	1,194,022	495,334
Other Liabilities	67,359	28,444
Total	<u>\$ 4,846,280</u>	<u>\$ 4,275,364</u>

NOTE 8: UNEARNED REVENUE

At June 30, 2016 and 2015, the types and amounts of unearned revenue, as presented on the Statements of Net Position, are comprised of:

	<u>2016</u>	<u>2015</u>
Tuition and Fees	\$ 346,688	\$ 428,806
Auxiliary Enterprises	130,707	328,427
Grants and Contracts	343,829	280,488
Miscellaneous	118,442	-
Total	<u>\$ 939,666</u>	<u>\$ 1,037,721</u>

NOTE 9: LONG-TERM LIABILITIES

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

	<u>Balance</u> <u>6/30/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2016</u>	<u>Current</u> <u>Portion</u>
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	<u>51,714,471</u>	<u>40,164,656</u>	<u>(37,971,669)</u>	<u>53,907,458</u>	<u>2,098,027</u>
Other Liabilities:					
Compensated Absences	2,256,351	412,909	(226,649)	2,442,611	209,028
Total Other Liabilities	<u>2,256,351</u>	<u>412,909</u>	<u>(226,649)</u>	<u>2,442,611</u>	<u>209,028</u>
Total Long-Term Liabilities	<u>\$ 53,970,822</u>	<u>\$ 40,577,565</u>	<u>\$(38,198,318)</u>	<u>\$ 56,350,069</u>	<u>\$ 2,307,055</u>

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 9: LONG-TERM LIABILITIES, cont.

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

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

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, 2016 and 2015

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, which were included in Construction in Progress at year end. The draw down schedule is as follows:

<u>Date</u>	<u>Draw</u>	<u>Available Balance</u>
		\$ 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	-
	<u>\$4,060,000</u>	

As of June 30, 2016, the College had drawn down \$460,000, with the intent to draw the full amount by 3/1/2017.

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

<u>Issue</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>2016</u>	<u>2015</u>
2007A Revenue Bonds	12/4/2007	\$ 13,125,000	\$ 1,365,000	\$ 12,265,000
2007B1 Revenue Bonds	12/4/2007	29,380,000	3,395,000	29,380,000
2007 B2 Revenue Bonds	12/4/2007	3,550,000	1,345,000	2,120,000
2007 C Revenue Bonds	12/4/2007	5,355,000	1,710,000	2,230,000
2012 Revenue Bonds	2/28/2012	6,520,000	5,991,941	6,156,625
2016A Revenue Bonds	3/2/2016	10,555,000	10,555,000	-
2016B Revenue Bonds	3/2/2016	25,400,000	25,400,000	-
2016C Revenue Bonds	3/29/2016	4,060,000	460,000	-
Unamortized Premium/Discount		-	3,685,517	(437,154)
Total		<u>\$ 97,945,000</u>	<u>\$ 53,907,458</u>	<u>\$ 51,714,471</u>

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 10: BONDS PAYABLE, cont.

Principal and interest requirements on all outstanding bonds at June 30, 2016 are summarized in the table below. However, as of June 30, 2016, only \$460,000 had been drawn down on the Series 2016C Drawdown Bond, so this amount of principal is included as well as the interest payments associated with these principal payments which amounts to \$516,324 through 10/1/2020. The total amount of debt service payable throughout the life of the 2016C Drawdown Bond after all draws are completed is \$4,060,000 principal and \$1,701,804 interest though 10/1/2036.

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,098,027	\$ 2,043,771	\$ 4,141,798
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	1,617,572	1,717,785	3,335,357
2022-2026	10,933,860	7,294,955	18,228,815
2027-2031	13,992,942	4,641,451	18,634,393
2032-2036	11,654,495	1,883,880	13,538,375
2037	4,250,000	164,481	4,414,481
Total	<u>\$ 50,221,941</u>	<u>\$ 23,396,302</u>	<u>\$ 73,618,243</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, 2016:

<u>Year ending June 30,</u>	
2017	\$ 7,711
2018	-
2019	-
2020	-
2021	-
Total	<u>\$ 7,711</u>

In FY 16 the College decided to purchase copy machines rather than lease them, so there are no future lease payments included for this equipment.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 12: ENCUMBRANCES

Outstanding purchase commitments not reflected in the financial statements at June 30, 2016 and 2015 are:

	2016	2015
Education and General	\$ 850,110	\$ 896,859
Auxiliary Enterprises	1,843,050	855,825
Restricted Funds	69,898	33,416
Plant Funds	5,855,019	14,422,071
Total	\$ 8,618,077	\$ 16,208,171

NOTE 13: COMMITMENTS AND CONTINGENCIES

Contracts have been entered into for the purpose of planning, constructing, or equipping certain building or land improvements with outstanding amounts totaling \$5,855,019 and \$14,422,071 as of June 30, 2016 and 2015, 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, 2016 and 2015, was as follows:

	Tuition and Fees	Auxiliary Revenue	6/30/2016 Total	6/30/2015 Total
Gross Revenue	\$ 46,501,976	\$ 17,201,203	\$ 63,703,179	\$ 63,005,209
Scholarship Allowances:				
Federal	(4,694,453)	(514,887)	(5,209,340)	(5,491,530)
State (Includes Native American Tuition Waivers)	(17,350,002)	(130,781)	(17,480,783)	(16,055,438)
Private	(791,515)	(86,813)	(878,328)	(744,409)
Institutional	(7,283,008)	(798,799)	(8,081,807)	(7,969,033)
Total Scholarship Allowances	(30,118,978)	(1,531,280)	(31,650,258)	(30,260,410)
Net Revenue	\$ 16,382,998	\$ 15,669,923	\$ 32,052,921	\$ 32,744,799

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 15: DEFERRED OUTFLOWS AND INFLOWS

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

	2016	2015
Deferred Outflows		
Accounting Loss on Bond Refunding	\$ 3,395,290	\$ 77,605
Pension Investments	2,523,526	638,236
Pension Contributions after Measurement Date	760,100	777,782
Pension Experience Gains and Losses	482,682	-
Total Deferred Outflows	\$ 7,161,598	\$ 1,493,623
Deferred Inflows		
Pension Experience Gains and Losses	\$ 1,081	\$ 2,319
Pension Proportionate Share	1,330,843	459,137
Pension Changes in Assumptions	392,371	-
Total Deferred Inflows	\$ 1,724,295	\$ 461,456

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

NOTE 16: SPENDING LIMITATIONS

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

In February, 2005, the Board of Trustees designated the College as a TABOR enterprise pursuant to the statute and in Fiscal Year 2006 the College began reporting its activity to the State as an enterprise. During the fiscal years ended June 30, 2006 through 2008, the College maintained its TABOR enterprise status. In Fiscal Years 2009 and 2010, the College received 13.6% and 11.5%, respectively, of its total annual revenue in State grants which resulted in the loss of its TABOR enterprise designation. The increase in State revenues for both 2009 and 2010 related to funding received for capital construction projects, particularly the reconstruction of Berndt Hall for the Biology, Agriculture and Forestry programs. In Fiscal Year 2011, the College regained its TABOR enterprise status when the State-funded Biology construction project was completed and the College received only 1.5% in state grants. The College has maintained its TABOR enterprise status 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. The table shown below demonstrates the type and size of State grants to Fort Lewis College for the years ended June 30, 2016 and 2015.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 16: SPENDING LIMITATIONS, cont.

State Support Calculation for TABOR Purposes :

	2016	2015
State Support:		
Capital Appropriations	\$ 19,406,074	\$ 7,529,278
Institutional Shave of COP Debt Payments	117,551	172,306
Total State Support	19,523,625	7,701,584
Total Revenues (gross operating, nonoperating, and other revenues)	\$ 94,455,020	\$ 78,765,005
 Ratio of State Grants to Total Revenues	 20.67%	 9.78%

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, 2016 and 2015, appropriated expenses were within the authorized spending authority. For the year ended June 30, 2016, the College had a total long bill appropriation of \$11,822,422. For the year ended June 30, 2015, the College had a total long bill appropriation of \$10,594,604. All other revenues and expenses reported by the College represent non-appropriated funds and are excluded from the annual appropriations bill. Non-appropriated funds include tuition and fees, grants and contracts, gifts, indirect cost recoveries, auxiliary revenues and other revenue sources. These appropriations are not considered in the State support calculation for TABOR purposes.

NOTE 17: EMPLOYMENT BENEFITS

Employees of the College participate in one of three retirement plans. Eligible student employees participate in a student retirement plan that is funded solely by contributions from the student employees. All other eligible employees of the College participate in either the 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, 2016 and 2015 was \$34,314,500 and \$34,258,122, respectively. The total payroll for employees covered by the PERA plan, the optional defined contribution plan, and the student retirement plan was \$8,384,596, \$22,443,550 and \$237,879, respectively for June 30, 2016 and \$8,328,195, \$22,112,938, and \$256,327, respectively for June 30, 2015. The remaining employees were not eligible for participation in any of the College's plans.

General Information about the PERA Pension Plan

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

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.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 17: EMPLOYMENT BENEFITS, cont.

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.

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.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 17: EMPLOYMENT BENEFITS, cont.

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

	Fiscal Year 2015		Fiscal Year 2016	
	Calendar Year	Calendar Year	Calendar Year	Calendar Year
	14	15	15	16
	7/1/14 to 12/31/14	1/1/15 to 6/30/15	7/1/15 to 12/31/15	1/1/16 to 6/30/16
Employer Contribution Rate ¹	10.15%	10.15%	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%	-1.02%	-1.02%
Amount Apportioned to the SDTF ¹	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	3.80%	4.20%	4.20%	4.60%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	3.50%	4.00%	4.00%	4.50%
Total Employer Contribution Rate to the SDTF ¹	16.43%	17.33%	17.33%	18.23%

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 \$1,490,576 and \$1,491,417 for the years ended June 30, 2016 and 2015, respectively .

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

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.

At June 30, 2015, Fort Lewis College reported a liability of \$31,301,239 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The Fort Lewis College proportion of the net pension liability was based on the College’s contributions to the SDTF for the calendar year 2014 relative to the total contributions of participating employers to the SDTF. At December 31, 2014, Fort Lewis College’s proportion was 0.33276130690 percent, which was a decrease of 0.00791049900 percent from its proportion measured as of December 31, 2013.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 17: EMPLOYMENT BENEFITS, cont.

For the year ended June 30, 2016 and 2015, Fort Lewis College recognized pension expense of \$758,736 and \$757,613, respectively. At June 30, 2016 and 2015, Fort Lewis College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Fiscal Year 2016</u>		<u>Fiscal Year 2015</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 482,682	\$ 1,081	\$ -	\$ 2,319
Changes of assumptions or other inputs	-	392,371	-	-
Net difference between projected and actual earnings on pension plan investments	2,523,526	-	638,236	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	1,330,843	-	459,137
Contributions subsequent to the measurement date	760,100	N/A	777,782	N/A
Total	\$ 3,766,308	\$ 1,724,295	\$ 1,416,018	\$ 461,456

The deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, of \$760,100 and \$777,782 for Fiscal Year 2016 and 2015, 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:

Year ended June 30,	
2017	\$ (105,079)
2018	205,009
2019	670,771
2020	511,212
2021	-
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2014 and 2013 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)

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 17: EMPLOYMENT BENEFITS, cont.

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

The actuarial assumptions used in the December 31, 2014 and 2013 valuations 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.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

λ The following programming changes were made:

- Valuation of the full survivor benefit without any reduction for possible remarriage.
- Reflection of the employer match on separation benefits for all eligible years.
- Reflection of one year of service eligibility for survivor annuity benefit.
- Refinement of the 18 month annual increase timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

λ The following methodology changes were made:

- Recognition of merit salary increases in the first projection year.
- Elimination of the assumption that 35% of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

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

As of the November 15, 2013 adoption of the 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	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 17: EMPLOYMENT BENEFITS, cont.

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

Discount rate for Fiscal Year 2016. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- § 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 3.90%.
- § 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, including current and estimated future Amortization Equalization Disbursement (AED) and Supplemental Amortization Equalization Disbursement (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 Annual Increase Reserve (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.
- § 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.

Discount rate for Fiscal Year 2015. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 17: EMPLOYMENT BENEFITS, cont.

Based on the above actuarial cost method and assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 41,877,115	\$ 33,147,427	\$ 25,845,334

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.

Defined Contribution Pension Plans

Defined Contribution Retirement Plan (DC Plan)

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

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

	Fiscal Year 2015		Fiscal Year 2016	
	Calendar Year 14	Calendar Year 15	Calendar Year 15	Calendar Year 16
	7/1/14 to 12/31/14	1/1/15 to 12/31/15	7/1/15 to 12/31/15	1/1/16 to 12/31/16
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	3.80%	4.20%	4.20%	4.60%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	3.50%	4.00%	4.00%	4.50%
Total Employer Contribution Rate to the SDTF ¹	7.30%	8.20%	8.20%	9.10%

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

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 17: EMPLOYMENT BENEFITS, cont.

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

401 (k) Defined Contribution Plan

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 year 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 2015, for total contributions of \$24,000. In calendar year 2014, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of \$17,500. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional \$5,500 contribution in 2014, for total contributions of \$23,000. Contributions and earnings are tax deferred. The number of plan participants at December 31, 2015 and 2014 was 17,814 and 17,738, respectively.

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 \$2,558,565 for the fiscal year ended June 30, 2016 and \$2,520,875 for the fiscal year ended June 30, 2015. The employee aggregate contribution to the above two vendors was equal to 8.0 percent of covered payroll or \$1,795,484 for the fiscal year ended June 30, 2016 and \$1,769,035 for the fiscal year ended June 30, 2015.

Student Employee Retirement Program

Eligible student employees contribute 7.5% of covered payroll to the student retirement program. All contributions are invested with one vendor, Teachers Insurance Annuity Association – College Retirement Equities Fund (TIAA-CREF). The contributions by student employees for the fiscal years ended June 30, 2016 and 2015 were \$17,841 and \$19,225, 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, 2016 and 2015 were \$4,171,288 and \$3,827,704, respectively.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 18: OTHER POSTEMPLOYMENT BENEFITS

Health Care Trust Fund

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

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, 2016, 2015 and 2014, the College's contributions to the HCTF were \$85,609, \$92,448, and \$109,417, respectively, equal to the contributions for that year.

Other Post-retirement Healthcare Benefits

In the past, retired faculty and exempt-administrative staff are eligible to participate in the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA was a cost-sharing multiple-employer insurance purchasing pool, which allowed for post-employment health coverage until the retiree was eligible for Medicare, but this option was discontinued on December 31, 2015.

CHEIBA financial statements are prepared under accounting principles generally accepted in the United States using the accrual basis of accounting following governmental accounting standards for a business type activity. The financial statements can be obtained by contacting the Human Resources Office at Fort Lewis College at (970) 247-7429. Contributions are recognized in the period due. Benefits and refunds are recognized and paid when due according to the participating plans. The fair value of the Trust's investments is based on quoted market prices from national securities exchanges. There are no long term contracts for contributions to the plan. Participating schools can withdraw their participation in the plan with at least one year's notice to the CHEIBA board.

FORT LEWIS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 19: RISK FINANCING AND INSURANCE -RELATED ACTIVITIES

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

<u>Coverage</u>	<u>Company</u>	<u>Limit (\$)</u>	<u>Deductible (\$)</u>
Property - Buildings (includes Computers and Equipment)	Hanover Group	448,111,615	10,000
Inland Marine	Hanover Group	6,437,016	10,000
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	5,000
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	5,000
Fine Arts	Hanover Group	5,000,000	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	-
Tenant Liability	Philadelphia	2,000,000	-
Foreign General Liability	AIG	6,000,000	-

The College became fully insured through several insurance companies for worker's compensation in 2010 and for property and liability in 2011. The College is insured for everything above its deductible. The coverage in Fiscal Year 2016 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>2016</u>	<u>2015</u>	<u>2014</u>
College's proportion of the net pension liability	0.3147595009%	0.3327613069%	0.3406718059%
College's proportionate share of the net pension liability	\$ 33,147,427	\$ 31,301,239	\$ 30,346,946
College's covered employee payroll	\$ 8,384,596	\$ 8,328,195	\$ 8,763,897
College's proportionate share of the net pension liability as a percentage of its covered employee payroll	395%	376%	346%
Plan fiduciary net position as a percentage of the total pension liability	56.1%	59.8%	61.1%
PERA State Division Fiduciary Net Position (in thousands)	13,460,536	14,013,947	13,980,460
PERA State Division Total Pension Liability (in thousands)	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>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>	<u>2007</u>
Contractually required contribution	\$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	\$1,257,437
Contributions in relation to the contractually required contribution	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	1,257,437
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
College's covered employee payroll	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	11,519,350
Contributions as a percentage of covered employee payroll	17.78%	17.91%	15.78%	14.91%	12.55%	10.90%	13.43%	12.53%	11.63%	10.92%

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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, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Residence Halls and Apartments	\$ 8,446,018	\$ 7,811,690
Campus Food Service	4,738,736	4,429,820
Bookstore	250,000	250,000
Student Union	2,155,182	2,181,361
Campus Parking	437,276	439,583
Child Development Center	400,093	399,698
Central Services	259,500	236,220
Recreation Center	2,359,758	2,344,202
Conferences & Summer Programs	679,983	886,883
Health and Counseling Center	679,403	692,569
10% Student Tuition	2,287,039	2,384,933
Indirect Cost Recovery	185,092	210,135
Total Revenues	22,878,080	22,267,094
OPERATING EXPENDITURES		
Residence Halls and Apartments	4,474,347	4,241,968
Campus Food Service	3,075,767	2,839,359
Bookstore	4,427	3,071
Student Union	1,134,807	1,100,736
Campus Parking	118,506	109,471
Child Development Center	462,737	439,570
Central Services	1,257,398	1,173,062
Recreation Center	2,265,978	2,189,053
Conferences & Summer Programs	500,046	638,941
Health and Counseling Center	766,825	788,189
Total Operating Expenditures	14,060,838	13,523,420
Net Revenue before Transfers	8,817,242	8,743,674
TRANSFERS		
Mandatory transfers	3,240,099	4,073,824
Net Non-mandatory Transfers	2,102,745	3,327,507
Total Transfers	5,342,844	7,401,331
Increase (Decrease) in fund balance	3,474,398	1,342,343
Net operating revenue	8,817,242	8,743,674
Bond Principal and Interest	3,426,438	4,273,571
Excess of net operating revenues over debt service	\$ 5,390,804	\$ 4,470,103
Debt service coverage ratio	257%	205%

**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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the College’s basic financial statements and have issued our report thereon dated January 4, 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, 2016, and 2015. The financial statements of the discretely presented component unit, Fort Lewis College Foundation, were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying Auditors’ Findings and Recommendations that we consider to be a significant deficiency. (Recommendation No. 1)

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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*.

Fort Lewis College's Response to Findings

The College's response to the findings identified in our audit is described in the accompanying Auditors' Findings and Recommendations. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Wall, Smith, Bateman Inc.
Alamosa, Colorado

January 4, 2017



Wall,
Smith,
Bateman Inc.

January 4, 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, 2016. 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 23, 2016. 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. In addition, the College adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions and amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, during Fiscal Year 2015. The requirement to record a portion of PERA's unfunded liability negatively impacted the College's beginning net position as of July 1, 2014 by \$30,346,946 and the requirement to reflect PERA contributions between January 1 and June 30, 2014 increased the College's beginning net position by \$757,882, the net of which was reported in the Statement of Revenues, Expenses and Changes in Net Position. We noted no transactions entered into by the University 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, 2016 and total pension expense recognized during FY2016 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, 2015 and the collective pension expense for the year then ended. The

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College's proportion has been adjusted for pension contributions between PERA's reporting date of December 31, 2015 and the College's fiscal year end of June 30, 2016.

Management's estimate of depreciation expense is based on the estimated useful life of the capital assets being depreciated at June 30, 2016. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

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

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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 4, 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

Fort Lewis College
 Passed Audit Adjusting Journal Entries
 6/30/2016

Reference	Type	Account Number	Description	Debit	Credit
PAJE1	Passed	2801	Capitalized Unamortized Premium/Discount	\$ 52,719	
		4022	Deferred Loss on Refunding		\$ 52,719

To pass on correcting discount related to unrefunded portion of 2007 Bonds.

Total	<u>\$ 52,719</u>	<u>\$ 52,719</u>
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STATE FUNDED STUDENT ASSISTANCE SECTION

**FORT LEWIS COLLEGE
STATE OF COLORADO
STATE-FUNDED STUDENT ASSISTANCE PROGRAMS
For the Fiscal Year Ended June 30, 2016**

INTRODUCTION

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

Our financial and compliance examination of the various state-funded student financial assistance programs at the College for the year ended June 30, 2016, was directed toward the objectives and criteria set forth in the Colorado handbook for State-Funded Student Financial Assistance Programs, issued by the Colorado Department on Higher Education (CDHE). The state student financial assistance programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2016.

STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS

The various state-funded student financial assistance programs at the College include the Colorado Need-based Grant Program, Colorado Work Study Program, and Colorado Merit Aid Program.

The state-funded student financial assistance awards made by the College were approximately \$1,790,188 for the fiscal year ending on June 30, 2016.

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

During the audit period, Fort Lewis College obtained authorizations to award federal student financial aid funds of \$5,599,529 in the Pell Grant Program, \$101,200 in the Supplemental Educational Opportunity Grant Program, \$156,041 in the College Work-Study Program, and \$0 in the Perkins Student Loan Program.

During the audit period, Fort Lewis College was authorized to award Colorado student financial aid funds of \$1,381,755 in the Colorado Need-based Grant Program, \$336,435 in the Colorado Work Study Program, and \$71,998 in the Colorado Merit Aid Program.

**INDEPENDENT AUDITORS' REPORT
ON THE STATEMENT OF APPROPRIATIONS , EXPENDITURES ,
TRANSFERS, AND REVERSIONS OF THE STATE-FUNDED
STUDENT FINANCIAL ASSISTANCE PROGRAMS**



Wall,
Smith,
Bateman Inc.

Members of the Legislative Audit Committee :

Report on the Statement

We have audited the accompanying Statement of Appropriations, Expenditures, Transfers, and Reversions of the State-Funded Student Financial Assistance Programs (the Statement) of Fort Lewis College (the College), an institution of higher education of the State of Colorado for the year ended June 30, 2016, and the related notes to the Statement.

Management's Responsibility for the Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with the financial format as set forth in the *2015-2016 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Department of Higher Education (DHE), and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the College; this includes design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Statement, 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 Statement 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 Statement.

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

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Opinion

In our opinion, the Statement referred to above presents fairly, in all material respects, the respective appropriations, expenditures, transfers, and reversions of the State-Funded Student Financial Assistance Programs of the College for the year ended June 30, 2016, in accordance with the format as set forth in the *2015-2016 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the DHE, and in accordance with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the College described in the notes to the Statement.

Basis of Accounting

As described in the notes to the Statement, the Statement prepared by the College was prepared in accordance with the *2015-2016 Audit Guide for State and Private Non-Profit Institutions of Higher Education, Colorado-Funded Student Aid* issued by the Department of Higher Education, and in conformity with the policies and procedures for State-Funded Student Financial Assistance Programs established by the governing board of the College. The Statement is a summary of cash activity of the State-Funded Student Financial Assistance Programs with the exception of the Colorado Work-Study programs, and does not present certain transactions that would be included in the Statement of State-Funded Student Financial Assistance Programs if it was presented on the accrual basis of accounting, as prescribed by generally accepted accounting principles. Accordingly, the accompanying Statement is not intended to, and does not present the financial position, changes in financial position, or cash flows of the College in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 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.

Restriction on Use

This report is intended solely for the information and use of the Legislative Audit Committee, the College's Board of Trustees, and management of the College, the Department of Education, and the Colorado Commission of Higher Education and is not intended to be, and should not be used by anyone other than these specified parties. However, upon release by the Legislative Audit Committee this report is a public document.

Very truly yours,



Wall, Smith, Bateman Inc.
Alamosa, Colorado

January 4, 2017

FORT LEWIS COLLEGE
STATE-FUNDED STUDENT FINANCIAL ASSISTANCE PROGRAMS
STATEMENT OF APPROPRIATIONS, EXPENDITURES, TRANSFERS, AND REVERSIONS
FISCAL YEAR ENDED JUNE 30, 2016

	Total State-Funded Student Financial Assistance	Colorado Need-based Grant Program	Colorado Work Study Program	Colorado Merit Aid Program
Appropriations:				
Original	\$ 1,790,188	\$ 1,381,755	\$ 336,435	\$ 71,998
Supplementals	-	-	-	-
Totals	<u>1,790,188</u>	<u>1,381,755</u>	<u>336,435</u>	<u>71,998</u>
Expenditures	<u>(1,790,188)</u>	<u>(1,381,755)</u>	<u>(336,435)</u>	<u>(71,998)</u>
Reversions to State	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FORT LEWIS COLLEGE
NOTES TO THE STATEMENT OF APPROPRIATIONS, EXPENDITURES,
TRANSFERS , AND REVERSIONS
FOR THE YEAR ENDED JUNE 30, 2016

BASIS OF ACCOUNTING

Fort Lewis College's accounting system is structured and administered in accordance with the accounting principles promulgated by the Government Auditing Standards Board.

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