



FORT LEWIS COLLEGE

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

For Fiscal Years Ended June 30, 2009 and 2008

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**FORT LEWIS COLLEGE
FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY
FISCAL YEARS ENDED JUNE 30, 2009 AND 2008**

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 2009 and 2008 audits were conducted under contract with Chadwick, Steinkirchner, Davis & Co., P.C. The audit was made in accordance with audit standards generally accepted in the United States of America, and *Government Auditing Standards* issued by the Comptroller General of the United States. Audit work was performed during June through August 2009.

The purposes and scope of the audit were to:

- Perform a financial audit of Fort Lewis College for the years ended June 30, 2009 and 2008 and to express an opinion on the financial statements. Review internal controls as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- Evaluate compliance with rules and regulations governing the expenditures of federal and State funds.
- Report on the College's compliance and internal control over financial reporting based on our audit of the financial statements performed in accordance with *Government Auditing Standards*.
- Evaluate progress in implementing prior audit recommendations.

Audit Results and Summary of Major Audit Findings

Chadwick, Steinkirchner, Davis & Co., P.C. expressed an unqualified opinion on the financial statements for the years ended June 30, 2009 and 2008.

We issued a report of the College's compliance and internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards*. We did not note any material weaknesses or any material instances of noncompliance with legal or regulatory requirements based on our audit of the financial statements.

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

SUMMARY OF KEY FINDINGS AND RECOMMENDATIONS

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

Summary of Progress in Implementing Prior Audit Findings

One recommendation was made in the prior year audit. The recommendation was implemented. A detailed description and the disposition are contained in the disposition of prior year audit recommendations.

MISSION, HISTORY, ENROLLMENT, AND STAFFING

MISSION

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

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

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

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

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

MISSION, HISTORY, ENROLLMENT, AND STAFFING

HISTORY

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

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

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

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

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

ENROLLMENT

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

	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>
Resident FTE	2,426.2	2,621.0	2,644.0
Non-Resident FTE	<u>1,104.4</u>	<u>1,081.0</u>	<u>1,075.0</u>
Total FTE Students	<u>3,530.6</u>	<u>3,702.0</u>	<u>3,719.0</u>

MISSION, HISTORY, ENROLLMENT, AND STAFFING

STAFFING

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

	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>
Faculty FTE	194.5	215.0	215.5
Staff FTE	<u>299.1</u>	<u>278.0</u>	<u>248.5</u>
Total FTE	<u>493.6</u>	<u>493.0</u>	<u>464.0</u>

Fort Lewis College

AUDITOR'S FINDINGS AND RECOMMENDATIONS

Year ended June 30, 2009

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

Fort Lewis College

DISPOSITION OF PRIOR AUDIT RECOMMENDATIONS

Year ended June 30, 2009

Summary of Progress In Implementing Prior Audit Recommendations

The audit report for the year ended June 30, 2008 included one recommendation.
The disposition of this audit recommendation as of June 30, 2009 was as follows:

	Recommendation	Disposition
1	Fort Lewis College should strengthen procedures for identifying, researching and recording non-routine transactions in the financial statements to ensure that all items are properly classified.	Implemented

FINANCIAL STATEMENTS SECTION

**INDEPENDENT AUDITORS' REPORT**

December 14, 2009

Members of the Legislative Audit Committee:

We have audited the accompanying basic financial statements of the business-type activities of Fort Lewis College, a blended component unit of the State of Colorado, as of and for the years ended June 30, 2009 and 2008, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Fort Lewis College Foundation, the discretely presented component unit. 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Fort Lewis College and the discretely presented component unit as of June 30, 2009 and 2008, and the respective changes in financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2009 on our consideration of Fort Lewis College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

December 14, 2009
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Management's Discussion and Analysis on pages ten through sixteen is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Pledged Revenues and Expenses for Series 2007 Revenue Bonds is presented for purposes of additional analysis and is not a required part of the basic financial statements of Fort Lewis College. Such information, which is the responsibility of the College's management, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Chadwick, Steinkirchner, Davis & Co., P.C.

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2009 AND 2008

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

FINANCIAL HIGHLIGHTS

Year Ended June 30, 2009:

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

Year Ended June 30, 2008:

- The College's financial position, as a whole, improved slightly during the year ended June 30, 2008. The combined net assets increased \$2,444,443 or 2.67% over the prior year.

**FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2009 AND 2008**

- The Fee for Service (FFS) contract revenue received in prior years was for providing educational services where the cost of delivering those services was not sustained by the amount received in student tuition. This revenue was considered non-operating revenue. In fiscal 2008, the FFS agreement was changed to one where the Department of Higher Education purchased specialized educational services for a total of \$4,878,134. The effect of this change on the financial statements is to move the FFS revenue from non-operating revenue to reporting it as Sales and Services of Educational Activities (operating revenue). This change made a significant difference in the Net Operating Loss, reducing it by \$4,166,276 or 65%.
- In December 2007 the College issued the Series 2007 Revenue Bonds to finance the construction of a new residence hall, the renovation and expansion of the student union building, and to refund and discharge the existing bond liability. The net long-term bond liability balance increased from \$12,153,208 to \$54,293,642 as a result of this transaction.

This report consists of three basic financial statements, including the Statements of Net Assets, the Statements of Revenues, Expenses, and Changes in Net Assets, and the Statements of Cash Flows. The statements provide information on the College as a whole and report on all of the College activities including instruction, research, public service, and support services. The Statements of Net Assets and the Statements of Revenues, Expenses, and Changes in Net Assets report financial position and financial activity using the accrual basis of accounting (reporting all of the year's revenues and expenses when earned or incurred, rather than when the cash is received or paid.) The financial statements and notes are presented for the reporting entity of the College that includes Fort Lewis College and the Fort Lewis College Foundation, a discretely presented component unit. (See Note 1 for additional information on the reporting entity.)

STATEMENTS OF NET ASSETS

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

Condensed Statements of Net Assets

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Current Assets	\$21,670,551	\$22,652,356	\$20,291,888
Noncurrent Assets	<u>146,459,983</u>	<u>136,144,205</u>	<u>91,635,539</u>
Total Assets	<u>168,130,534</u>	<u>158,766,561</u>	<u>111,927,427</u>
Current Liabilities	10,397,351	9,469,232	8,183,402
Noncurrent Liabilities	<u>54,383,630</u>	<u>55,432,632</u>	<u>12,323,771</u>
Total Liabilities	<u>64,780,981</u>	<u>64,901,864</u>	<u>20,507,173</u>
Net Assets:			
Invested in capital assets, net of related debt	87,952,489	76,695,388	74,965,383
Restricted	9,190,831	10,230,234	8,732,552
Unrestricted	<u>6,206,233</u>	<u>6,939,075</u>	<u>7,722,319</u>
Total Net Assets	<u>\$103,349,553</u>	<u>\$93,864,697</u>	<u>\$91,420,254</u>

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2009 AND 2008

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

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

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

	<u>Year Ended June 30, 2009</u>	<u>Year Ended June 30, 2008</u>	<u>Year Ended June 30, 2007</u>
Operating Revenues			
Tuition and Fees, Net	\$ 18,016,452	\$20,009,310	\$18,475,013
Grants and Contracts	16,907,152	15,905,103	14,966,101
Auxiliary Services, Net	13,484,883	14,261,416	13,060,395
Other	4,236,340	<u>5, 114,828</u>	<u>805,298</u>
Total Operating Revenues	<u>52,644,827</u>	<u>55,290,657</u>	<u>47,306,807</u>
Operating Expenses	<u>60,411,497</u>	<u>57,517,369</u>	<u>53,699,822</u>
Net Operating Revenues (Expenses)	<u>(7,766,670)</u>	<u>(2,226,739)</u>	<u>(6,393,015)</u>
Nonoperating Revenues (Expenses):			
State Fee for Service Agreement	-	-	3,921,993
State Fiscal Stabilization Funds	3,978,508	-	-
Other Net Nonoperating Revenues	<u>3,702,316</u>	<u>3,690,752</u>	<u>2,311,041</u>
Net Nonoperating Revenues	<u>7,680,824</u>	<u>3,690,752</u>	<u>6,233,034</u>
Income (Loss) Before Other Revenues, Expenses, or Transfers	(85,846)	1,464,013	(159,981)
Gain (Loss) on Disposal of Assets	4,000	(24,430)	(3,285)
State Capital Contributions	9,566,702	932,197	198,754
Capital Grants and Gifts	-	<u>72,663</u>	<u>132,496</u>
Increase (Decrease) in Net Assets	<u>9,484,856</u>	<u>2,444,443</u>	<u>167,984</u>
Net Assets – Beginning of Year	<u>93,864,697</u>	<u>91,420,254</u>	<u>91,252,270</u>
Net Assets – End of Year	<u>\$103,349,553</u>	<u>\$93,864,697</u>	<u>\$91,420,254</u>

**FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2009 AND 2008**

CAPITAL ASSETS

At June 30, 2009, the College had approximately \$111.5 million invested in capital assets, net of accumulated depreciation of \$62.9 million. Depreciation charges were \$4.7 million for the year ended June 30, 2009. At June 30, 2008, the College had approximately \$87 million invested in capital assets, net of accumulated depreciation of \$58.5 million. Depreciation charges were \$4.7 million for the year ended June 30, 2008. Details of these assets are shown below.

Capital Assets, Net, at Year-End

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Land and Improvements	\$280,559	\$280,559	\$280,559
Construction in Progress	31,184,369	4,704,841	925,756
Collections	1,258,623	1,256,547	1,251,884
Land Improvements, Net	10,393,670	10,788,059	11,325,796
Buildings and Improvements, Net	65,884,313	67,796,785	70,819,147
Equipment, Net	1,765,146	1,707,129	1,798,806
Library Materials, Net	<u>713,113</u>	<u>730,238</u>	<u>713,749</u>
Total	<u>\$111,479,793</u>	<u>\$87,264,158</u>	<u>\$87,115,697</u>

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

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

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

New Residence Hall, funded by the College	\$11,438,768
Berndt Hall Reconstruction – Biology, funded by the State	9,576,730
Student Union Building Renovation/Expansion, funded by the College	7,121,021
Berndt Hall Biology Relocation, funded by the College	600,690
Reconstruction of Eighth Avenue, funded by the State	475,845
Campus Beautification, funded by the College	317,690
Equipment Storage Building, funded by the College	292,399
One Card Project, funded by the College	272,881
Repave Parking Lots U & R, funded by the College	259,523
Student Union Building Relocations, funded by the College	226,653
Electrical Distribution System Improvements, funded by the State	162,024
Berndt Hall Reconstruction: Geology/Physics/Engineering, funded by the State	141,344

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FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2009 AND 2008

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Program Plan for the Sciences, funded by the College	111,443
Central Campus Infrastructure Improvements, funded by the State	97,344
Central Campus Precinct Plan, funded by the College	<u>86,064</u>
	<u>\$31,180,419</u>

Major capital additions completed in fiscal year 2007-08 and the resources that funded their acquisition include:

Bader Residence Hall Heat System Replacement, funded by the College	\$165,307
Soccer Field Bleachers, funded by the College	105,078
Dennison Stadium Press Box Improvements, funded by the College	53,780
Escalante Hall plumbing improvements, funded by the College	<u>50,999</u>
	<u>\$375,164</u>

The following significant capital projects were in progress at June 30, 2008 (not all projects are capitalizable in accordance with the College's capitalization policy):

Student Union Building Renovation/Expansion, funded by the College	\$1,643,688
New Residence Hall, funded by the College	1,091,618
Berndt Hall Reconstruction – Biology, funded by the State	812,221
Berndt Hall Biology Relocation, funded by the College	499,703
Cooper Hall Roof Improvement, funded by the College	452,517
Repave Parking Lots M & C, funded by the College	259,519
Remodel Pine Hall, funded by the College	114,481
Replace Gym Folding Wall, funded by the State	<u>94,066</u>
	<u>\$4,967,813</u>

DEBT

At June 30, 2009, 2008 and 2007, the College had approximately \$53.9 million, \$55.0 million and \$12.2 million in long-term debt outstanding respectively. The table below summarizes debt by type over the past three fiscal years.

Outstanding Debt at Fiscal Year-End

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Auxiliary Revenue Bonds, Net	<u>\$53,910,604</u>	<u>\$55,043,165</u>	<u>\$12,153,208</u>
Total	<u>\$53,910,604</u>	<u>\$55,043,165</u>	<u>\$12,153,208</u>

ECONOMIC OUTLOOK & FORT LEWIS COLLEGE FUTURE

During the 2005 legislative session, President Brad Bartel provided the necessary leadership to have the College's State level selectivity designation changed from "*Moderately Selective*" to "*Selective*". The transition to the Selective admission criteria took place over several years, and was completed in Fall 2008. While the College experienced an increase in applications, the number of students who were declined admission rose substantially, measured as a percent of the applicant pool. In total, enrollment for Fall 2008 fell approximately 4% compared to Fall 2007.

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2009 AND 2008

For the Fall 2009 semester, the College had fewer applications and accepted students. However, the new financial aid leveraging program appears to have increased the yield rate (acceptance to matriculation) substantially. While Fall 2009 enrollment is lower than Fall 2008 by approximately 1.6%, the size of the freshman class was stable. It is believed that the increase in student preparedness will ultimately stabilize the size and quality of the freshman class and, therefore, increase students' chances for success, as measured by retention and graduation rates.

In the current economic environment, the importance of enrollment has become even more paramount to the success of public institutions than in the past. Recognizing this changing landscape, the College engaged consultants in both financial aid leveraging and marketing, in an effort to develop plans to increase enrollment and has reorganized its administrative structure to place a greater emphasis on the enrollment management function, creating a Division of Enrollment Management. This reorganization brings together Admission, Financial Aid, Marketing & Communications, Academic Advising and the Registrar's Office under one umbrella to ensure prospective students receive a consistent message.

Capital construction projects have played a significant role in campus planning over the past several years and will continue to do so in fiscal 2010. During FY 2007-08, the College issued \$55.785 million in revenue bonds to finance the construction of a new student union and residence hall and to refinance existing debt. A new student fee was implemented in FY 2007-08 to pay for the debt related to the new student union. The student union is scheduled for completion in August 2011. The new residence hall (Animas Hall) was completed and opened in August 2009 at 100% occupancy. State Capital construction funds for the Berndt Hall Biology project, totaling \$17.9 million were allocated in the 2008 legislative cycle. The project should be complete in December, 2009.

During FY 2008-09, the State of Colorado entered into a lease purchase agreement under which a Trustee issued \$230,845,000 of Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008 (COP). The transaction closed on November 6, 2008, and the College's share was \$3,247,000. This amount will fund the design phase of reconstructing the Geosciences/Physics/Engineering facilities in Berndt Hall. Originally, the College expected to receive another \$29,306,647 in COP funds in FY 2009-10 for the Berndt Hall project, inclusive of \$4,231,974 for which the College is responsible. The legislation envisions annual appropriations of Federal Mineral Lease Program (FML) revenues to fund the required semi-annual lease payments. At this time, it is anticipated that there will not be sufficient Federal Mineral Lease revenue to issue additional COPs.

During FY 2008-09, the State of Colorado experienced a serious budget shortfall due to the economic recession. Funding for all Higher Education institutions was rolled back to FY 2005-06 levels. This reduction was accomplished by the reduction of both the College Opportunity Fund stipend and Fee for Service contract. The allocated reduction to Fort Lewis College of \$3,978,508 was covered by the receipt of American Recovery and Reinvestment Act (ARRA) funds. This \$3.9M reduction is anticipated to be allocated and covered by ARRA funds through FY 2010-11. At that time, the College will face a significant and permanent reduction in funding and is currently planning for that eventuality.

FORT LEWIS COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2009 AND 2008

As part of the ARRA requirements, Higher Education funding could not be reduced below FY 2005-06 levels. Current State revenue estimates indicate that additional reductions will be needed in both FY 2009-10 and FY 2010-11. The Office of State Planning & Budgets (OSPB) and the Governor's office have indicated the need to allocate a portion of these additional reductions to Higher Education. As such, the State has requested a waiver from the FY 2005-06 funding level requirement.

Fort Lewis College represents approximately 1.8% of the State budget allocation to Higher Education institutions. Because the College received a floor funding increase in the FY 2006-07 budget cycle, the reduction to FY 2005-06 funding levels caused a higher percentage decrease to Fort Lewis College than the average across all Higher Education institutions. College administration will be working with the Department of Higher Education (DHE) and OSPB over the next year to ensure that the final allocation methodology will be more fairly allocated to all institutions.

During the 2005-06 fiscal year, the College attained "Enterprise" status by receiving less than 10% of overall funding directly from the State. With the passage of Referendum C, TABOR restrictions are on hold for five years; therefore, achieving enterprise status does not currently present any financial benefits to the College. Once TABOR restrictions are back in place, however, enterprise status will allow for more flexibility in tuition rate increases. Capital construction funds for the Berndt Hall Biology project, totaling \$17.9 million, pushed the College out of enterprise status for the 2008-09 and 2009-10 fiscal years.

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide users of our financial statements with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Fort Lewis College Controller's Office at Room 140, Berndt Hall, and 1000 Rim Drive, Durango, Colorado, 81301 or call (970) 247-7368.

Fort Lewis College
Statements of Net Assets
June 30, 2009 and 2008

ASSETS	<u>2009</u>	<u>2008</u>
Current Assets:		
Cash and Cash Equivalents	\$ 19,118,819	\$19,865,093
Student Accounts Receivable, Net	434,634	397,395
Accounts Receivable - Fort Lewis College Foundation	-	12,685
Other Accounts Receivable	1,426,942	1,432,974
Student Loans Receivable, Net	195,664	305,208
Inventories	449,539	584,609
Prepaid Expense	44,953	54,392
Total Current Assets	<u>21,670,551</u>	<u>22,652,356</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	32,285,163	46,158,797
Student Loans Receivable, Net	1,988,900	1,941,726
Other Non-current Assets	706,127	749,524
Nondepreciable Capital Assets:		
Land and Improvements	280,559	280,559
Construction in Progress	31,184,368	4,704,841
Collections	1,258,623	1,256,547
Total Nondepreciable Capital Assets	<u>32,723,550</u>	<u>6,241,947</u>
Depreciable Capital Assets:		
Land Improvements, Net	10,393,671	10,788,059
Buildings and Improvements, Net	65,884,313	67,796,785
Equipment, Net	1,765,146	1,707,129
Library Materials, Net	713,113	730,238
Total Depreciable Capital Assets, Net	<u>78,756,243</u>	<u>81,022,211</u>
Total Noncurrent Assets	<u>146,459,983</u>	<u>136,114,205</u>
Total Assets	<u>168,130,534</u>	<u>158,766,561</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,466,694	1,087,856
Accrued Liabilities	6,348,057	5,797,742
Deferred Revenue	922,623	935,552
Deposits Held for Others	215,236	301,669
Bonds Payable, Current Portion	1,255,000	1,165,000
Compensated Absence Liabilities	189,741	181,413
Total Current Liabilities	<u>10,397,351</u>	<u>9,469,232</u>
Noncurrent Liabilities:		
Bonds Payable, Net	52,655,604	53,878,165
Compensated Absence Liabilities	1,728,026	1,554,467
Total Noncurrent Liabilities	<u>54,383,630</u>	<u>55,432,632</u>
Total Liabilities	<u>64,780,981</u>	<u>64,901,864</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	87,952,489	76,695,388
Restricted for Nonexpendable Purposes:		
Endowment	141,649	141,649
Restricted for Expendable Purposes		
Endowment	525,052	504,328
Other	8,524,130	9,584,257
Unrestricted	6,206,233	6,939,075
Total Net Assets	<u>\$103,349,553</u>	<u>\$93,864,697</u>

The accompanying notes are an integral part of this financial statement

FORT LEWIS COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2009 and 2008

ASSETS	<u>2009</u>	<u>2008</u>
Pooled Cash	\$ 1,849,144	\$ 88,618
Pooled Investments	9,388,490	14,070,297
Pledges Receivable	995,000	96,666
Notes Receivable	-	4,009
Segregated Cash	7,213	5,993
Segregated Investments	119,514	163,804
Tangible Assets, Net	<u>6,527,447</u>	<u>6,339,696</u>
 Total Assets	 <u>\$ 18,886,808</u>	 <u>\$ 20,769,083</u>
 LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,785	\$ 36,158
Accounts Payable - Fort Lewis College	-	14,868
Gift Annuity Obligation Payable	29,734	45,134
Mortgage Payable	<u>451,223</u>	<u>458,196</u>
 Total Liabilities	 <u>482,742</u>	 <u>554,356</u>
 NET ASSETS		
Unrestricted		
Board Designated	418	27,870
Board Designated Endowment	854,606	1,266,859
Gifts-in-Kind	369,104	370,854
General Unrestricted	<u>774,376</u>	<u>1,300,937</u>
	<u>1,998,504</u>	<u>2,966,520</u>
 Temporarily Restricted		
Scholarships, Awards, and Other	5,903,951	6,981,824
Gifts-in-Kind and Tangible Assets	<u>3,516,793</u>	<u>3,327,292</u>
	<u>9,420,744</u>	<u>10,309,116</u>
 Permanently Restricted		
True Endowments	4,343,268	4,297,541
Gifts-in-Kind	<u>2,641,550</u>	<u>2,641,550</u>
	<u>6,984,818</u>	<u>6,939,091</u>
 Total Net Assets	 <u>18,404,066</u>	 <u>20,214,727</u>
 TOTAL LIABILITES AND NET ASSETS	 <u>\$ 18,886,808</u>	 <u>\$ 20,769,083</u>

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

Fort Lewis College
 Statements of Revenues, Expenses, and Changes in Net Assets
 For the Year Ended June 30, 2009 and 2008

REVENUES	<u>2009</u>	<u>2008</u>
Operating Revenues:		
Student Tuition and Fees (including pledged revenues of \$3,603,680 - 2009 and \$3,522,047 -2008 and net of scholarship allowances of \$16,839,212-2009 and \$14,831,047 -2008)	\$ 18,016,452	\$ 20,009,310
Federal Grants and Contracts	6,309,778	5,844,823
State Grants and Contracts	10,274,863	9,583,060
Local Grants and Contracts	79,802	140,735
Non-Governmental Grants and Contracts	242,709	336,485
Sales and Services of Educational Activities	4,159,635	5,049,450
Auxiliary Enterprises (including pledged revenues of \$13,048,117 - 2009 and \$11,121,128 -2008 and net of scholarship allowances of \$1,131,992 - 2009 and \$804,578 -2008)	13,484,883	14,261,416
Other Operating Revenues	<u>76,705</u>	<u>65,378</u>
Total Operating Revenues	<u>52,644,827</u>	<u>55,290,657</u>
 EXPENSES		
Operating Expenses:		
Instruction	16,585,468	16,216,639
Research	347,834	310,297
Public Service	1,247,335	1,345,439
Academic Support	6,094,179	5,391,299
Student Services	6,418,505	6,370,360
Institutional Support	5,497,648	4,696,593
Operation and Maintenance of Plant	5,085,970	4,635,064
Scholarships and Fellowships	1,366,505	1,127,403
Auxiliary Enterprises	13,060,036	12,706,314
Depreciation	<u>4,708,017</u>	<u>4,717,988</u>
Total Operating Expenses	<u>60,411,497</u>	<u>57,517,396</u>
Operating Income (Loss)	<u>(7,766,670)</u>	<u>(2,226,739)</u>
 NONOPERATING REVENUES (EXPENSES)		
State Fiscal Stabilization Revenue	3,978,508	-
Gifts (including pledged revenues of \$93,901 - 2009 and \$99,090 - 2008)	1,807,681	1,514,997
Investment Income (including pledged revenues of \$179,835 -2009 and \$1,532,678- 2008)	2,271,337	2,577,561
Interest Expense on Capital Debt	(387,311)	(414,775)
Other Nonoperating Revenues	<u>10,609</u>	<u>12,969</u>
Net Nonoperating Revenues	<u>7,680,824</u>	<u>3,690,752</u>
Income (loss) before other revenues, expenses, or transfers	(85,846)	1,464,013
 OTHER REVENUES, (EXPENSES), OR TRANSFERS		
Gain or (Loss) on Disposal of Assets	4,000	(24,430)
State Capital Contributions	9,566,702	932,197
Capital Grants and Gifts	<u>-</u>	<u>72,663</u>
Increase (Decrease) in Net Assets	9,484,856	2,444,443
 NET ASSETS		
Net Assets - Beginning of Year	<u>93,864,697</u>	<u>91,420,254</u>
Net Assets - End of Year	<u>103,349,553</u>	<u>93,864,697</u>

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

FORT LEWIS COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
NET ASSETS, BEGINNING OF YEAR	\$ 2,966,520	\$ 10,309,116	\$ 6,939,091	\$ 20,214,727
REVENUES, GAINS, AND OTHER SUPPORT				
Donations - Cash	141,141	3,205,653	64,072	3,410,866
Donations - Gifts in Kind	-	158,276	-	158,276
Investment Income	455,452	-	-	455,452
Unrealized Gain/(Loss) in Investments	(1,127,056)	(2,863,270)	-	(3,990,326)
Fund Raising Income	73	11,029	-	11,102
Other Income	29,169	145,369	-	174,538
Subtotal	(501,221)	657,057	64,072	219,908
Net Assets Released from Restriction	1,599,684	(1,581,339)	(18,345)	-
Total from Revenues, Gains, and Other Support	1,098,463	(924,282)	45,727	219,908
EXPENSES AND LOSSES				
Scholarships	794,662	-	-	794,662
Program Expense	1,095,705	-	-	1,095,705
Fund Raising	63,966	-	-	63,966
Management and General	76,236	-	-	76,236
Total Expenses and Losses	2,030,569	-	-	2,030,569
Changes in Donor Restrictions	(35,910)	35,910	-	-
Change in Net Assets for the Year	(968,016)	(888,372)	45,727	(1,810,661)
Net Assets at End of Year	<u>\$ 1,998,504</u>	<u>\$ 9,420,744</u>	<u>\$ 6,984,818</u>	<u>\$ 18,404,066</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, 2008

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, Beginning of Year	\$ 2,482,045	\$ 10,782,255	\$ 6,572,404	\$ 19,836,704
Prior Period Adjustment	953,473	(954,618)	1,145	-
Net Assets, Beginning of Year, Restated	3,435,518	9,827,637	6,573,549	19,836,704
REVENUES, GAINS, AND OTHER SUPPORT				
Donations - Cash	91,099	1,516,048	282,036	1,889,183
Donations - Gifts in Kind	-	158,977	-	158,977
Investment Income	758,984	128,073	228,454	1,115,511
Realized and Unrealized Gain/ (Loss) on Investments	(1,329,982)	-	-	(1,329,982)
Fund Raising Income	14	16,393	-	16,407
Other Income	15,929	237,095	-	253,024
Subtotal	(463,956)	2,056,586	510,490	2,103,120
Net Assets Released from Restriction	1,349,852	(1,349,852)	-	-
Total from Revenues, Gains, and Other Support	885,896	706,734	510,490	2,103,120
EXPENSES AND LOSSES				
Scholarships	591,269	-	-	591,269
Program Expense	1,024,100	-	-	1,024,100
Fund Raising	34,520	-	-	34,520
Management and General	75,208	-	-	75,208
Total Expenses and Losses	1,725,097	-	-	1,725,097
Changes in Donor Restrictions	23,973	(23,973)	-	-
Change in Net Assets for the Year	(815,228)	682,761	510,490	378,023
Net Assets at End of Year	2,620,290	10,510,398	7,084,039	20,214,727
Prior Period Adjustment	346,230	(201,282)	(144,948)	-
Net Assets at End of Year, Restated	<u>\$ 2,966,520</u>	<u>\$ 10,309,116</u>	<u>\$ 6,939,091</u>	<u>\$ 20,214,727</u>

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

Fort Lewis College
 Statements of Cash Flows
 For the Year Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received:		
Tuition and Fees	\$ 17,894,508	\$20,077,196
Sales of Products	2,302,235	2,574,580
Sales of Services	15,373,343	16,398,930
Grants and Contracts	16,729,577	15,782,506
Student Loans Collected	148,258	257,920
Other Operating Receipts	112,825	89,463
 Cash Payments:		
Scholarships Disbursed	(1,366,505)	(1,127,403)
Student Loans Disbursed	(132,660)	(547,130)
Payments to Suppliers	(17,421,075)	(15,897,943)
Payments to Employees	(35,969,201)	(33,381,279)
Other Operating Payments	(44,220)	(7,117)
Net Cash Provided (Used) by Operating Activities	<u>(2,372,915)</u>	<u>4,219,723</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Fiscal Stabilization Revenue	3,978,508	-
Gifts for Other than Capital Purposes	1,815,466	1,508,013
Agency Receipts	17,599,349	16,890,592
Agency Payments	<u>(17,679,532)</u>	<u>(16,922,969)</u>
Net Cash Provided by Noncapital Financing Activities	<u>5,713,791</u>	<u>1,475,636</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Contracts	102,040	4,815
Payments to Refunding Escrow	-	(11,324,617)
Net Proceeds from Bonds Issued	-	55,043,165
Acquisition and Construction of Capital Assets	(18,865,246)	(4,541,032)
Principal Paid on Capital Debt	(1,165,000)	(1,532,096)
Interest on Capital Debt	<u>(335,439)</u>	<u>(597,500)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(20,263,645)</u>	<u>37,052,735</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	<u>2,302,861</u>	<u>2,577,562</u>
Net Cash Provided by Investing Activities	<u>2,302,861</u>	<u>2,577,562</u>
 Net Increase (Decrease) in Cash	(14,619,908)	45,325,656
Cash - Beginning of Year	<u>66,023,890</u>	<u>20,698,234</u>
Cash - End of Year	<u>51,403,982</u>	<u>66,023,890</u>

(Continued on Next Page)

Fort Lewis College
 Statements of Cash Flows
 For the Year Ended June 30, 2009 and 2008
 (Continued)

	<u>2009</u>	<u>2008</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (7,766,670)	\$(2,226,739)
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Depreciation Expense	4,708,017	4,717,988
Net increase in other Nonoperating revenues/expenses	10,609	12,969
Noncash Operating Transactions	(102,040)	835,104
Change in Assets and Liabilities (Operating Portions):		
Receivables, Net	43,848	(642,176)
Inventories	135,070	5,883
Prepaid Expense	9,439	26,290
Construction in Progress	269,410	-
Accounts Payable	459,021	167,842
Accrued Liabilities	(222,144)	1,239,941
Deferred Revenue	(12,929)	(41,743)
Deposits Held for Others	(86,433)	(19,980)
Compensated Absence Liabilities	181,887	144,344
Net Cash Provided (Used) by Operating Activities	<u>(2,372,915)</u>	<u>4,219,723</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
State Capital Contributions	\$ 9,566,702	\$ 859,534
Donations of Capital Assets	-	46,693
Gain (Loss) on Capital Asset Deletions	4,000	(24,430)
Change in retainage payable on capital asset additions	772,596	-

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

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GOVERNANCE

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

REPORTING ENTITY AND COMPONENT UNIT

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

The College implemented Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units* during fiscal year 2004. This Statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance for determining whether certain organizations, such as not-for-profit foundations, should be included in the College's financial reporting entity. The College has determined that the Fort Lewis College Foundation (the Foundation) meets the GASB Statement No. 39 criteria for inclusion in the College's financial statements.

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

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. 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, 2009, for the purposes stated above was \$1,371,950 and for the year ended June 30, 2008 was \$1,339,128. Complete financial statements for the Foundation can be obtained from the Controller's Office at the College.

As defined by GASB Statement No. 14, the College is not financially accountable for any other entity, nor are there any other entities for which the nature and significance of their relationship with the College are such that exclusion would cause the College's financial statements to be misleading or incomplete.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING

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

The College has the option to apply all FASB pronouncements issued after November 30, 1989, unless the FASB standards conflict with GASB standards. The College has elected not to apply FASB pronouncements issued after the applicable date.

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

CASH AND CASH EQUIVALENTS

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

INVENTORIES

Inventories of consumable supplies or goods held for resale are stated at the lower of cost or market, with cost being determined either on the first-in, first-out or average cost method. Consumable inventories are accounted for in accordance with State fiscal rules.

RESTRICTED CASH AND CASH EQUIVALENTS

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

CAPITAL ASSETS

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

COMPENSATED ABSENCE LIABILITIES

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

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NET ASSETS

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

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

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

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

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

CLASSIFICATION OF REVENUES

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

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

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

APPLICATION OF RESTRICTED AND UNRESTRICTED RESOURCES

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

NOTE 2: CASH AND CASH EQUIVALENTS

As of year-end June 30, 2009, the College had \$49,812,302 on deposit with the State Treasurer. Detailed information on the State Treasurer’s pooled cash and investments is available from that office. At year-end, the carrying amount of the College’s cash was \$1,591,680. The cash included petty cash and change funds of \$20,636 and bank deposits of \$1,571,044. The bank balance of the deposits was \$2,956,239. Of this bank balance, \$58,066 was covered by federal depository insurance or by collateral held by the institution’s agent in the institution’s name and \$2,898,173 was covered by collateral held by the bank or its agent in the State’s name.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 2: CASH AND CASH EQUIVALENTS, (continued)

As of year-end June 30, 2008, the College had \$65,106,692 on deposit with the State Treasurer. On that date, the carrying amount of the College's cash was \$917,198. The cash included petty cash and change funds of \$22,081 and bank deposits of \$895,117. The bank balance of the deposits was \$1,754,763. Of this bank balance, \$251,027 was covered by federal depository insurance or by collateral held by the institution's agent in the institution's name and \$1,503,736 was covered by collateral held by the bank or its agent in the State's name.

The College deposits cash with the Colorado State Treasurer (the Treasurer) as required by Colorado Revised Statutes (CRS). The Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. The College reports its share of the Treasurer's unrealized gains and losses based on its participation in the Treasurer's Pool. All of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at June 30, 2009. The Treasurer does not invest any of the pool 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 during the current fiscal year. Additional information on the Treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report.

NOTE 3: FORT LEWIS COLLEGE FOUNDATION CASH AND INVESTMENTS

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

Pooled cash and investments

Pooled cash and investments as of June 30, 2009 and 2008 are summarized as follows:

	<u>June 30, 2009</u>		<u>June 30, 2008</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
	<u>Basis</u>	<u>Value</u>	<u>Basis</u>	<u>Value</u>
Cash and Cash Equivalents	\$ 1,849,144	\$ 1,849,144	\$ 88,618	\$ 88,618
Marketable Securities				
Fixed Income	5,441,537	5,391,616	3,483,361	3,510,929
Equities	4,993,203	3,996,874	10,000,573	10,559,368
Total pooled cash and investments	<u>\$ 12,283,884</u>	<u>\$ 11,237,634</u>	<u>\$ 13,572,552</u>	<u>\$ 14,158,915</u>

A net realized loss of \$2,396,940 and \$362,862 was recognized on these marketable securities as of June 30, 2009 and 2008, respectively. Net unrealized losses of \$1,561,101 and \$1,019,617 were recognized on these marketable securities as of June 30, 2009 and 2008, respectively.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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

Segregated cash and investments

Segregated cash and investments at June 30, 2009 and 2008 are summarized as follows:

	June 30, 2009		June 30, 2008	
	Cost Basis	Market Value	Cost Basis	Market Value
Segregated Cash and Cash Equivalents	\$ 7,213	\$ 7,213	\$ 5,993	\$ 5,993
Segregated Investments:				
Fixed Income	40,981	42,554	60,830	60,086
Equities	74,553	76,960	135,144	103,718
Total Segregated Investments	<u>115,534</u>	<u>119,514</u>	<u>195,974</u>	<u>163,804</u>
Total segregated cash and investments	<u>\$ 122,747</u>	<u>\$ 126,727</u>	<u>\$ 201,967</u>	<u>\$ 169,797</u>

A net realized loss of \$68,433 and \$27,389 was recognized on the Gift Annuity funds as of June 30, 2009 and 2008, respectively. Net unrealized gains of \$36,148 and \$79,886 were recognized on these marketable securities as of June 30, 2009 and 2008, respectively.

Total cash and investments

Total cash investments at June 30, 2009 and 2008 are summarized as follows:

	2009			2008		
	Cost Basis	Market Value	% of Total	Cost Basis	Market Value	% of Total
Cash and Cash Equivalents	\$ 1,856,357	\$ 1,856,357	16%	\$ 94,611	\$ 94,611	1%
Marketable Securities						
Fixed Income	5,482,518	5,434,170	48%	3,544,191	3,571,015	25%
Equities	5,067,756	4,073,834	36%	10,135,717	10,663,086	74%
Total	<u>\$ 12,406,631</u>	<u>\$ 11,364,361</u>	<u>100%</u>	<u>\$ 13,774,519</u>	<u>\$ 14,328,712</u>	<u>100%</u>

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 4: ACCOUNTS RECEIVABLE

Accounts Receivable balances are presented net of estimated allowance for doubtful accounts in the accompanying Statements of Net Assets. At June 30, 2009 and 2008 the Accounts Receivable balances are comprised of:

	<u>6/30/2009</u>	<u>6/30/2008</u>
Student Accounts Receivable	\$999,276	\$884,024
Less: Allowance for Doubtful Accounts	<u>(564,642)</u>	<u>(486,629)</u>
Student Accounts Receivable, Net	<u>434,634</u>	<u>397,395</u>
Student Loans Receivable	2,334,708	2,369,082
Less: Allowance for Doubtful Accounts	<u>(150,144)</u>	<u>(122,148)</u>
Student Loans Receivable, Net	<u>2,184,564</u>	<u>2,246,934</u>
Accounts Receivable – Fort Lewis College Foundation	<u>-</u>	<u>12,685</u>
Other Accounts Receivable		
Sponsored Programs	764,747	426,316
Vendor Credits	144,255	260,772
Conferences & Summer Programs	219,557	358,719
Other	<u>298,383</u>	<u>387,167</u>
Other Accounts Receivable	<u>1,426,942</u>	<u>1,432,974</u>
Total Receivables, Net	<u>\$4,046,140</u>	<u>\$4,089,988</u>

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 5: CAPITAL ASSETS

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

	Balance <u>6/30/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	Balance <u>6/30/2009</u>
Land	\$ 259,875				259,875
Land Improvements	17,409,563			260,427	17,669,990
Buildings and Improvements	112,448,021	-	16,369	1,490,740	113,922,392
Construction in Progress	4,704,841	28,625,560	269,410	(1,876,622)	31,184,369
Equipment	6,552,087	485,677	255,447	125,455	6,907,772
Library Materials	3,174,395	79,748	82,149		3,171,994
Capitalized Collections	1,256,547	2,076			1,258,623
Total	<u>145,805,329</u>	<u>29,193,061</u>	<u>623,375</u>	<u>-</u>	<u>174,375,015</u>
Less Accumulated Depreciation:					
Land Improvements	6,600,820	654,816			7,255,636
Buildings and Improvements	44,651,236	3,403,212	16,369		48,038,079
Equipment	4,844,958	553,115	255,447		5,142,626
Library Materials	2,444,157	96,873	82,149		2,458,881
Total Accumulated Depreciation	<u>58,541,171</u>	<u>4,708,016</u>	<u>353,965</u>	<u>-</u>	<u>62,895,222</u>
Capital Assets, Net	<u>\$ 87,264,158</u>	<u>\$ 24,485,045</u>	<u>\$ 269,410</u>	<u>\$ -</u>	<u>\$ 111,479,793</u>

The college's capital asset activity for the year ended June 30, 2008 was as follows:

	Balance <u>6/30/2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	Balance <u>6/30/2008</u>
Land	\$ 259,875	\$ -	\$ -	\$ -	\$ 259,875
Land Improvements	17,304,485	-	-	105,078	17,409,563
Buildings and Improvements	112,109,935	68,000	-	270,086	112,448,021
Construction in Progress	925,756	4,634,001	369,003	(485,913)	4,704,841
Equipment	6,925,875	439,477	924,014	110,749	6,552,087
Library Materials	3,091,660	113,743	31,008	-	3,174,395
Capitalized Collections	1,251,884	4,663	-	-	1,256,547
Total	<u>141,869,470</u>	<u>5,259,884</u>	<u>1,324,025</u>	<u>-</u>	<u>145,805,329</u>
Less Accumulated Depreciation:					
Land Improvements	5,958,006	642,814	-	-	6,600,820
Buildings and Improvements	41,290,788	3,360,448	-	-	44,651,236
Equipment	5,127,068	617,472	899,582	-	4,844,958
Library Materials	2,377,911	97,254	31,008	-	2,444,157
Total Accumulated Depreciation	<u>54,753,773</u>	<u>4,717,988</u>	<u>930,590</u>	<u>-</u>	<u>58,541,171</u>
Capital Assets, Net	<u>\$ 87,115,697</u>	<u>\$ 541,896</u>	<u>\$ 393,435</u>	<u>\$ -</u>	<u>\$ 87,264,158</u>

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 5: CAPITAL ASSETS- CONTINUED

Construction in progress balances include \$1,103,014 and \$938,516 in capitalized interest for the years ended June 30, 2009 and 2008, respectively.

NOTE 6: FORT LEWIS COLLEGE FOUNDATION TANGIBLE ASSETS

Tangible assets include gifts-in-kind and purchased items held by the Foundation. Included in real estate are two condominiums which the Foundation is depreciating over a period of forty years using the straight-line method.

At June 30, 2009 and 2008, tangible assets are comprised of the following:

	<u>June 30, 2009</u>		<u>June 30, 2008</u>	
	<u>Restricted</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unrestricted</u>
Gifts-in-kind				
Real estate	\$ 81,500	\$ 392,000	\$ 81,500	\$ 392,000
Accumulated depreciation	(36,348)	(22,896)	(34,610)	(21,146)
Equipment and other	7,655	-	7,420	-
Collection items	<u>4,639,431</u>	<u>-</u>	<u>4,481,390</u>	<u>-</u>
Total gifts-in-kind	<u>4,692,238</u>	<u>369,104</u>	<u>4,535,700</u>	<u>370,854</u>
Purchased assets				
Real estate	1,384,170	-	1,334,170	-
Accumulated Depreciation	(84,300)	-	(67,263)	-
Collection items	92,335	-	92,335	-
Concert piano	<u>73,900</u>	<u>-</u>	<u>73,900</u>	<u>-</u>
Total purchased assets	<u>1,466,105</u>	<u>-</u>	<u>1,433,142</u>	<u>-</u>
Total tangible assets	<u>\$ 6,158,343</u>	<u>\$ 369,104</u>	<u>\$ 5,968,842</u>	<u>\$ 370,854</u>

The Foundation's collections are made up of artifacts of historical significance and art objects that are held for educational, research, and curatorial purposes. Each of the items is cataloged, preserved, and cared for by Fort Lewis College staff, and activities verifying their existence and assessing their condition are performed continuously. Depreciation expense recorded for June 30, 2009 and 2008 was \$20,525 and \$20,523, respectively.

NOTE 7: ACCRUED LIABILITIES

At June 30, 2009 and 2008, the Accrued Liabilities balances, as presented on the Statements of Net Assets, are comprised of:

	<u>6/30/2009</u>	<u>6/30/2008</u>
Accrued Payroll & Benefits	\$ 4,871,827	\$ 4,855,026
Accrued Interest Payable	629,417	652,916
Contractor Retainage	809,429	29,853
Other Liabilities	<u>37,384</u>	<u>259,947</u>
Total	<u>\$ 6,348,057</u>	<u>\$ 5,797,742</u>

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 8: LONG-TERM LIABILITIES

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. A table showing the sources and uses of all funds related to that bond transaction is included in the Supplemental Information section of this report.

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

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

The College's Long-Term Liability activity for the year ended June 30, 2008 was as follows:

	Balance <u>6/30/2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2008</u>	Current <u>Portion</u>
Bonds and Leases Payable:					
Revenue Bonds	\$ 12,153,208	\$ 55,785,000	\$ 12,153,208	\$ 55,785,000	\$ 1,165,000
Deferred Loss on Defeasance	-	(201,176)	917	(200,259)	(17,522)
Bond Discount	-	(550,095)	8,519	(541,576)	(14,917)
Total Bonds and Leases Payable	12,153,208	55,033,729	12,162,644	55,043,165	1,132,561
Other Liabilities:					
Compensated Absences	1,591,536	386,746	242,402	1,735,880	181,413
Total Other Liabilities	1,591,536	386,746	242,402	1,735,880	181,413
Total Long-Term Liabilities	\$ 13,744,744	\$ 55,420,475	\$ 12,405,046	\$ 56,779,045	\$ 1,313,974

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 9: BONDS PAYABLE

The following table describes future debt service requirements:

June 30,	Principal	Interest	Total
2010	\$ 1,255,000	2,507,246	\$ 3,762,246
2011	1,310,000	2,457,451	3,767,451
2012	1,365,000	2,405,071	3,770,071
2013	1,425,000	2,349,971	3,774,971
2014	1,595,000	2,286,335	3,881,335
2015-2019	9,215,000	10,231,553	19,446,553
2020-2024	8,095,000	8,311,772	16,406,772
2025-2029	10,200,000	6,209,819	16,409,819
2030-2034	11,915,000	3,483,475	15,398,475
2035-2039	8,245,000	850,375	9,095,375
Total	<u>\$ 54,620,000</u>	<u>\$ 41,093,068</u>	<u>\$ 95,713,068</u>

Principal and interest are payable solely from Net Pledged Revenues which consist of gross revenues derived from the operation of the College's pledged operations and pledged student activity fees as shown in the Auxiliary Facilities System – Enterprise Revenue bonds Schedule of Revenues and expenses in the Supplemental Information section of this report.

NOTE 10: DEBT REFUNDING

Revenue Bonds - Series 1998A

On September 1, 1998, the College issued the Auxiliary Facilities Enterprise Refunding Revenue Bonds, Series 1998A in the amount of \$5,130,000 for the purpose of refunding a portion of the College's existing Auxiliary Facilities Refunding and Improvement Revenue Bonds, Series 1992. The outstanding debt refunded was in the amount of \$4,570,000 and was accomplished by depositing in an escrow account the net proceeds of the new bond issue and a portion of the 1992 Bond Reserve Fund to provide for all future payments on the refunded 1992 bonds. Interest payments have been made annually and the initial principal payment of \$785,000 was made October 1, 2008. The balance of debt outstanding on the refunded bonds at June 30, 2009 was \$3,785,000.

Revenue Bonds – Series 2007 C & D

On December 4, 2007, the College issued the Series 2007 C and D Revenue Bonds in the amount of \$9,730,000 for the purpose of refunding the 1998 Auxiliary Facilities Enterprise Refund Bonds in their entirety. The refunding was accomplished by depositing in an escrow account the net proceeds of the Series C and D bond issue to provide for all future payments on the refunded 1998 bonds. The balance of debt outstanding on the 1998 refunded bonds at June 30, 2009 was \$8,344,030.

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

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 11: OPERATING LEASES

Certain equipment is being leased by the College under operating leases. The following is a schedule of all future minimum rental payments due on operating leases as of June 30, 2009:

Year Ending June 30:	
2010	\$ 93,006
2011	19,506
2012	<u>12,309</u>
Total	<u>\$124,821</u>

Rent expense for the years ended June 30, 2009 and 2008 was \$91,421 and \$101,116, respectively.

NOTE 12: ENCUMBRANCES

Outstanding purchase commitments not reflected in the financial statements at June 30, 2009 and 2008 are:

	<u>6/30/09</u>	<u>6/30/08</u>
Education and General	\$144,112	\$159,434
Auxiliary Enterprises	411,114	349,845
Restricted Funds	154,745	13,987
Plant Funds	<u>354,014</u>	<u>451,250</u>
Total	<u>\$1,063,985</u>	<u>\$974,516</u>

NOTE 13: SCHOLARSHIP ALLOWANCE

Tuition, fees, auxiliary revenue, and the related scholarship allowances for the year ended June 30, 2009 and 2008 were as follows:

	Tuition and Fees	Auxiliary Revenue	6/30/09 Total	6/30/08 Total
Gross Revenue	\$ 34,855,664	\$ 14,616,875	\$ 49,472,539	\$ 49,906,351
Scholarship Allowances:				
Federal	(2,826,248)	(437,893)	(3,264,141)	(2,987,845)
State	(10,520,361)	(152,963)	(10,673,324)	(9,465,722)
Private	(654,110)	(101,346)	(755,456)	(517,543)
Institutional	(2,838,493)	(439,790)	(3,278,283)	(2,664,515)
Total Scholarship Allowances	<u>(16,839,212)</u>	<u>(1,131,992)</u>	<u>(17,971,204)</u>	<u>(15,635,625)</u>
Net Revenue	<u>\$ 18,016,452</u>	<u>\$ 13,484,883</u>	<u>\$ 31,501,335</u>	<u>\$ 34,270,726</u>

NOTE 14: SPENDING LIMITATIONS

In November 1992, Colorado voters passed Section 20 Article X of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations that apply to all local governments and the State of Colorado, including Fort Lewis College. During the year ended June

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 14: SPENDING LIMITATIONS, Continued

2004, the Colorado State Legislature determined that in Section 23-5-101.7 of the Colorado Revised Statutes, an institution of higher education may be designated as an enterprise for the purposes of TABOR so long as the institution's governing board retains authority to issue revenue bonds on its behalf and the institution receives less than ten percent of its total annual revenues in grants from all Colorado State and local governments combined. Further, so long as it is so designated as an enterprise, the institution shall not be subject to any of the provisions of TABOR.

In February, 2005, the Board of Trustees designated the College as a TABOR enterprise pursuant to the statute and in fiscal year 2006 the College began reporting its activity to the State as an enterprise. During the fiscal years ended June 30, 2006 through 2008, the College maintained its TABOR enterprise status. In fiscal year 2009, the College received 13.5% of its total annual revenue in State grants which resulted in the loss of its TABOR enterprise designation. The increase in State revenues relates to funding received for capital construction projects, particularly the reconstruction of Berndt Hall for the Biology, Agriculture and Forestry programs. The table shown below demonstrates the type and size of State grants to Fort Lewis College for the years ended June 30, 2009 and 2008, respectively.

State Support Calculation for TABOR Purposes:

	<u>2009</u>	<u>2008</u>
State Grants:		
Capital Appropriations	9,515,592	932,197
Total State Grants	<u>\$ 9,515,592</u>	<u>\$ 932,197</u>
Total Revenues (gross operating, nonoperating and other revenues)	\$70,279,664	\$60,401,044
Ratio of State Grants to Total Revenues	<u>13.54%</u>	<u>1.54%</u>

The difference between the capital appropriations above and \$9,566,702 per financial statements is \$51,110 in capitalized interest allocated to the College on projects funded by the state. The above total revenue amount and related ratio differ from previously reported amounts due to post-closing adjustments. For additional information on the post-closing adjustments and the differences, please contact the controller's office of the College.

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

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

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

For the years ended June 30, 2009 and 2008, appropriated expenses were within the authorized spending authority as shown in the following table:

FORT LEWIS COLLEGE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009 AND 2008

NOTE 14: SPENDING LIMITATIONS, (Continued)

Appropriated Funds

Description	2009	2008
Total Appropriation	\$38,694,784	\$35,982,529
Actual appropriated revenues	\$38,694,784	\$35,982,287
Actual appropriated expenditures and transfers	\$38,694,784	\$35,982,287
Net increase (decrease) in appropriated net assets	\$ 0	\$ 0

NOTE 15: EMPLOYMENT BENEFITS

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

The College's total payroll for the fiscal years ended June 30, 2009 and 2008 was and \$29,768,044 and \$28,312,593 respectively. The total payroll for employees covered by the PERA plan, the optional defined contribution plan, and the student retirement plan was \$11,051,771, \$15,649,854, and \$229,978 respectively for June 30, 2009 and \$10,976,739, \$15,374,823, and \$188,170 respectively for June 30, 2008. The remaining employees were not eligible for participation in any of the College's plans.

PERA Defined Benefit Pension Plan

Plan Description – A portion of the College employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple employer plan administered by the Public Employees' Retirement Association (PERA.) PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require an actuarial assessment and legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements which may be obtained by writing PERA at 1300 Logan Street, Denver, Colorado 80203, by calling PERA at 303-832-9550 or 1-800-729-7372, or by visiting <http://wwwcopera.org>.

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the Colleges optional retirement plan. Based on the 2006 legislation, higher education employees hired on or after January 1, 2008, have the additional option of participating in the states' defined contribution plan or PERA's defined contribution plan, which are discussed below, as well as the plans available to other employees of the College.

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

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

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 15: EMPLOYMENT BENEFITS (continued)

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006- any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 63 with 5 years of service.
- Hired on or after January 1, 2007 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service.

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

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

Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods. For retirements after January 1, 2009 or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increases between periods used in calculating HAS.

Retiree benefits are increased annually based on their original hire date as follows:

Hired before July, 1 2005 – 3.5 percent, compounded annually

Hired between July 1, 2005- and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index

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

Members disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, their eligible children under the age of 18 (23 if a full time student) or their spouse may be entitled to a single payment or monthly benefit payments. If there is no eligible child or spouse then financially dependent parents, beneficiaries, or the member's estate, may be entitled to a survivor's benefit.

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 15: EMPLOYEE BENEFITS (continued)

Funding Policy -- The contribution requirements of plan members are established, and may be amended, by the General Assembly. Salary subject to PERA contribution is gross earnings less and reduction in pay to offset employer contributions to the state sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

College employees contribute 8.0 percent of their salary, as defined in CRS 24-51-101(42) to an individual account in the plan. From July 1, 2008 to December 31, 2008, the College contributed 12.05 percent of the employee's salary. From January 1, 2009, through June 30, 2009, the College contributed 12.95 percent. During all of the Fiscal Year 2007-08, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2007, the division of PERA in which the state participates was under funded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

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

In the 2006 legislative session, the general assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one half percentage point through 2013 resulting in a cumulative increase of three percentage points. For state employers, each year's one half percentage point increase in the SAED will be deducted from the amount of changes to state employees' salaries, and used by the employer to pay the SAED. Both the AED and SAED will terminate when funding levels reach 100 percent.

Historically members have been allowed to purchase service credit at reduced rates. However, legislation passed in the 2006 session required, that future agreements to purchase service credit be sufficient to fund the related actuarial liability.

The College's total contributions to PERA for the fiscal years ending June 30, 2009, 2008, and 2007 were \$1,385,068, \$1,276,695, and \$1,257,437 respectively. These contributions met the contribution requirement for each year.

Voluntary Tax-Deferred Retirement Plans

PERA offers a voluntary 401k plan entirely separate from the defined benefit pension plan and, beginning on July 1, 2009, will administer the 457 deferred compensation plan previously administered by the state. Certain agencies and institutions of the state offer 403(b) or a 401(a) plans.

Optional Defined Contribution Plan

Certain full time faculty and professional staff of the College participate in an optional defined contribution plan as an alternative to PERA. Two vendor choices are offered through the defined contribution plan; Teachers Insurance Annuity Association (TIAA) and Variable Annuity Insurance Corporation (VALIC). The College's aggregate

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 15: EMPLOYEE BENEFITS (continued)

contribution to the above two vendors was equal to 11.4 percent of covered payroll or \$1,784,083 for the fiscal year ended June 30, 2009 and \$1,752,730 for the fiscal year ended June 30, 2008. The employee aggregate contribution to the above two vendors was equal to 8.0 percent of covered payroll or \$1,251,988 for the fiscal year ended June 30, 2009 and \$1,229,986 for the fiscal year ended June 30, 2008.

Student Employee Retirement Program

Eligible student employees contribute 7.5% of covered payroll to the student retirement program. All contributions are invested with one vendor, Teachers Insurance Annuity Association. The contribution by student employees for the fiscal year ended June 30, 2009 and 2008 was \$17,248 and \$14,113 respectively. The College is not liable for any matching contributions to the student retirement program.

Health Insurance Programs

The College's contribution to the various health insurance programs for the fiscal year ended June 30, 2009 and 2008 was \$2,791,841 and \$2,262,586 respectively.

NOTE 16: POST-EMPLOYMENT BENEFITS

PERA Post-Employment Health Care and Life Insurance Benefits

Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Trust Fund; the program was converted to a trust fund in 1999. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting <http://www.copera.org>.

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

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above. Beginning July 1, 2004, the College is required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The College contributed \$112,728, \$111,963, and \$117,497 as required by statute in Fiscal Years 2008-09, 2007-08, and 2006-07, respectively. In each year the amount contributed was 100 percent of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plan administered for PERA by third party vendors. As of December 31, 2008, there

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 16 : POST-EMPLOYMENT BENEFITS, (Continued)

were 45,888 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2008, the Health Care Trust Fund had an unfunded actuarial accrued liability of \$1.11 billion, a funded ratio of 18.7 percent, and a 39-year amortization period.

Other Postretirement Healthcare and Life Insurance Benefits

Retired faculty and exempt-administrative staff are eligible to participate in the Colorado Higher Education Insurance Benefits Alliance Trust (CHEIBA). CHEIBA is a cost-sharing multiple-employer insurance purchasing pool, which allows for post employment health coverage until the retiree is eligible for Medicare. As of June 30, 2009, there were 45 participants in post retirement coverage from the eight member higher education institutions.

CHEIBA financial statements are prepared under accounting principals 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 years' notice to the CHEIBA board.

NOTE 17: COMMITMENTS AND CONTINGENCIES

Contracts have been entered into for the purpose of planning, constructing, or equipping certain building or land improvements with outstanding amounts totaling \$10,046,416 as of June 30, 2009. These improvements will be funded by appropriations from the State, revenue bonds, or internal transfers of funds. The amount of state capital appropriations unexpended was \$11,537,930 as of June 30, 2009.

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

NOTE 18: CERTIFICATES OF PARTICIPATION

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

FORT LEWIS COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

COP proceeds of \$3,247,000 were allocated for Fort Lewis College to fund the design phase of reconstructing the Geosciences/Physics/Engineering facilities in Berndt Hall. Fort Lewis College did not pledge any of its facilities as collateral for this project and no rental payments will be made by the College. However, the College hopes to receive another \$29,306,647 in COP funds in a future fiscal year for the Berndt Hall project, inclusive of \$4,231,974 for which the College is responsible. For the year ended June 30, 2009, \$90,234 had been spent from COP funds.

NOTE 19: SUBSEQUENT EVENT – BOOKSTORE MANAGEMENT CONTRACT

On August 7, 2009, the College entered into a contract with Follett Higher Education Group, Inc. to operate its college bookstore. The term of the contract is through June 30, 2016 with four one-year renewal terms. The contract provides that the College will receive a minimum annual guarantee of \$250,000 or a percentage of net sales, whichever is higher. The percentage of net sales to be paid to the College will be calculated as eleven and one-half percent on the first three million in net sales and twelve and one-half percent on net sales greater than three million. The College will also receive \$2,000 in textbook scholarships each year of the agreement and a one-time contribution of \$250,000. The one-time contribution will be amortized over a seven year period on a straight-line basis. In the event of termination of the contract without cause, the College will owe Follett the unamortized one-time contribution. Additionally, Follett will allocate \$250,000 toward the renovation of the bookstore space in the student center. Further details concerning the Follett Bookstore Management Contract may be obtained by contacting the Fort Lewis College Controller's Office in Room 140 Berndt Hall or by phoning (970) 247-7368.

Supplemental Information

FORT LEWIS COLLEGE
Series 2007 Revenue Bonds
Schedule of Pledged Revenues and Expenses
For the year ended June 30,

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Residence Halls and Apartments	\$ 5,808,104	\$ 5,598,143
Campus Food Service	3,243,825	3,236,837
Bookstore	2,126,507	2,403,573
Student Union Building	1,692,432	1,291,392
Campus Parking	287,891	315,960
Child Development Center	257,409	254,191
Central Services	160,618	232,893
Recreation Center	1,937,785	1,527,435
Conferences & Summer Programs	832,915	854,971
Health Center	595,011	576,243
Total Operating Revenue	<u>16,942,497</u>	<u>16,291,638</u>
OPERATING EXPENSES		
Residence Halls and Apartments	\$ 3,940,721	\$ 3,697,606
Campus Food Service	2,123,983	2,060,647
Bookstore	2,086,392	2,153,217
Student Union Building	534,276	460,537
Campus Parking	9,858	6,008
Child Development Center	337,167	314,932
Central Services	813,728	833,890
Recreation Center	1,734,190	1,147,459
Conferences & Summer Programs	620,741	595,466
Health Center	773,744	711,204
Total Operating Expenses	<u>\$ 12,974,800</u>	<u>\$ 11,980,966</u>
Net Revenues before Transfers	<u>\$ 3,967,697</u>	<u>\$ 4,310,672</u>
TRANSFERS		
Mandatory Transfers	\$ 2,742,731	\$ 2,242,167
Net Non-Mandatory Transfers	1,194,743	1,558,612
Total Transfers	<u>\$ 3,937,474</u>	<u>\$ 3,800,779</u>
Increase (Decrease) in Fund Balance	<u>\$ 30,223</u>	<u>\$ 509,893</u>
Net Operating Revenue	\$ 3,967,697	\$ 4,310,672
Bond Principal and Interest	3,743,759	2,207,167
Excess of net operating revenues over debt service	<u>223,938</u>	<u>\$ 2,103,505</u>
Debt Service Coverage Ratio	106%	195%



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

December 14, 2009

Members of the Legislative Audit Committee:

We have audited the basic financial statements of Fort Lewis College, a blended component unit of the State of Colorado as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated December 14, 2009. We did not audit the financial statements of the Fort Lewis College Foundation, the discretely presented component unit of the College. Those financial 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 the discretely presented component unit were not audited in accordance with Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audits, we considered Fort Lewis College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

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



Members of the Legislative Audit Committee

December 14, 2009

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Compliance and Other Matters

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

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

Chadwick, Steinkirchner, Davis & Co., P.C.

**AUDIT COMMITTEE COMMUNICATIONS**

December 14, 2009

Members of the Legislative Audit Committee:

We have audited the financial statements of Fort Lewis College, a blended component unit of the State of Colorado, for the years ended June 30, 2009 and 2008, and have issued our report thereon dated December 14, 2009. As required by professional auditing standards, we are providing you with information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in the engagement letter dated May 11, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with the Board of Trustees oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve the Board of Trustees or management of their responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management in our meeting about planning matters on May 22, 2009.

Significant Accounting Policies*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Fort Lewis College are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009 or 2008. We noted no transactions entered into by Fort Lewis College during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 statement and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:



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Management's estimate of depreciation is based on the estimated useful life of the fixed assets being depreciated at June 30, 2009. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as whole.

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

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

The Governmental Accounting Standards Board's implementation guide issued in 2008 clarified that Pell grants should be recorded as nonoperating revenues since they are non-exchange revenues and entities generally have administrative requirements for these funds. Historically, Fort Lewis College has recorded this Pell grant activity as operating revenue. The Colorado State Controller's Office also recommended that public institutions in the state continue to reflect Pell grant activity as operating revenue. Consequently, since implementation guidance and industry practice are both level D GAAP and there are differences in practice, Fort Lewis College has decided to continue reporting Pell grant activity as operating revenue in its 2009 and 2008 financial statements.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. There were no material misstatements detected as a result of audit procedures.



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Disagreements with Management

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

Management Representations

We have requested certain representation from management that are included in the management representation letter dated December 14, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Fort Lewis 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.

This information is intended solely for the use of the Legislative Audit Committee and management of Fort Lewis 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.

Chadwick, Steinkirchner, Davis & Co., P.C.

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